

ELECTRICAL AND ELECTRONIC

1986

There is only one clipping
dealing with exports in
this category

- Cape Times 24/9/86

Sanctions create opportunities

Altech, Altron profits soar

*Case 7615
24/9/88
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By AUDREY D'ANGELO
Assistant Financial Editor

THE NEED for import replacement may bring new opportunities for electronics giants Altech and Altron, their chief executive, Bill Venter, pointed out yesterday.

And a spokesman said he did not believe sanctions would stop plans to increase income from exports.

"It is our stated intention to have 20% of our profits coming from exports by 1988 and we are moving in that direction", he said by telephone from Boksburg.

Both groups lifted profits in the six months to August.

Allied Technologies (Altech) lifted earnings by 28% to 276,5c (219,2c) a share. Pre-tax profit was R51,6m (R42,3m) and net profit R27m (R21m).

Allied Electronics Corporation (Altron) lifted earnings for the half year by 20% to 112,4c (93,7c), pre-tax profit to R70,1m (R60,2m), and net profit to R20,1m (R16,7m).

Ventron Electronics Corporation (Ventron), which has a 55% controlling

shareholding in Altron, lifted earnings for the half year to 42,5c (35,4c). Pretax profit was R70,1m (R60,2m) and net profit R11,2m (R9,3m).

Venter said both groups were "well positioned to take advantage of local manufacturing opportunities that might arise from the threat of economic sanctions."

He added that the performance of both groups "should continue to be satisfactory for the remainder of the current financial year."

A spokesman said he thought this forecast was "an understatement".

Many channels

Discussing import replacement opportunities, he said sanctions could make it possible for the groups to supply components and systems which were uneconomic to manufacture at the moment.

He said the groups were still looking at export opportunities. "It has been shown around the world that there are many channels, although one never feels comfortable in the situation we are in at the moment."

Striking workers stage 'sleep-in'

MORE than 800 members of the Metal and Allied Workers Union involved in a strike at four plants of Asea Electric Company in Pretoria sleep at the factories in fear of a lock-out.

The workers downed tools on Monday and have not been going home because they fear that they might be locked-out by management, according to workers' sources.

The sources also discovered that they intended spending their nights there until tomorrow, in an attempt to pressurise management to negotiate.

The company's managing director, Mr Clive Jandrell, yesterday confirmed the incident. Although that was against the company policy, the com-

pany has not taken any action against them.

Mr Jandrell said negotiations were continuing between the company and the union. No agreement had been reached so far.

- More than 80 members of the Black Health and Allied Workers Union employed at E J Atcock Pharmaceutical company in Krugersdorp yesterday downed tools after a colleague was dismissed.

- The management of a German multinational, August Laepple, and the United African Motor and Allied Workers Union are still negotiating the plight of about 340 workers dismissed after a strike on Monday.

SOWETAN 13/2/86

1982

1983

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1984

Asea Electric gives deadline to 900 strikers

11/3/86
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Strike-bound Asea Electric Ltd has declared a dispute with almost 900 workers and given them an ultimatum to return to work on Wednesday.

The managing director of Asea's electric division, Mr Clive Jandrell, said yesterday the company had declared the dispute with the Metal and Allied Workers' Union at Asea Electric's Pretoria West and Rosslyn plants because of alleged unfair labour practices by the union.

About 900 workers at Asea's four plants in Pretoria have been on strike for about four weeks, demanding to negotiate wages at plant level.

Mr Jandrell said the company viewed the strike as illegal because it had reached agreement with the union on the issue of plant-level negotiations — the main reason for the strike. He said it was unfair that the workers should go on strike when negotiations over the issue were still in progress between unions and employers.

INFLATION

However, a union spokesman said the dispute at Asea was essentially one of wages.

He said for the past few years wage increases granted by the employer body, the Steel Engineering Industries Federation, had been eight to nine percent below the inflation rate.

The union spokesman said a strike by about 2 000 workers at two Haggie Rand factories entered its fifth day yesterday.

The workers' demands include better wages and the recognition of May 1 as a paid holiday. The workers have demanded a meeting with the company's shareholders.

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Now the costs of appliances are starting to tumble

11/3/86 STAR

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By Jackie Unwin

Prices of appliances should soon tumble. Last week SA Philips announced it was slashing its prices, and other importers and manufacturers using imported components are doing the same.

The reason given for the price drops are the strengthening rand against the dollar and to a small extent the petrol price decrease.

But some retailers feel consumer resistance to high prices is forcing the market to lower prices.

Retailer Mr Tony Factor said: "In my opinion manufacturers panicked when the dollar rand was lowest.

LAW OF SUPPLY AND DEMAND

"They hiked their prices to such an extent that there became consumer resistance to TVs, hi-fis, washing machines — and as the stocks built up they started getting a bit nervous.

"We are going to see a definite reduction in prices because of consumer resistance. The consumer today is no fool. He knows value for money and we are sitting with a lot of stock at the old price. Consumer durables have been out of the consumer's reach. If you cannot sell, manufacturers have to bring prices down.

"If I was a consumer I wouldn't buy until the prices drop — they are on their way down. The law of supply and demand has taken over. Manufacturers will make excuses for bringing the prices down, such as a firmer rand and lower fuel costs, but nobody brings down prices unless they are forced to.

"There is such chaos in the market at the moment," said Mr Stan Fleishman, managing director of Dion Stores. "We expect the majority of dollar-dominated importers to be bringing their prices down.

"At one stage we had old stock and new stock, and old stock was cheaper. Now we have new stock and newer stock causing a lot of confusion in the marketplace. Retailers are under such pressure that the minute we get a price reduction it will be fed through to the consumer immediately."

Mr Blackie Swart, director and general manager of Barlows Appliance Company, said: "Quite honestly, anybody that doesn't adjust prices will lose out against those who do. Prices will come down purely because the currency situation is improving."





Ron Hofman (right) and John Pike in Genwest's Reid & Mitchell service shop

Managers buy US giant's SA company

By David Carte

THE giant General Electric company of the United States is quitting South Africa, and is selling its operations to management for a secret sum.

GE is the third large American corporation to withdraw in the past two weeks. It follows AT&T and Marriot Corporation.

AT&T and Marriot had small operations here, but SA General Electric, with a multi-million rand investment in sophisticated plant and equipment and 500 staff, is big by SA standards, if not by those of its own parent.

These blue-chip withdrawals have raised fears that other mega-corporations might "rush for the disinvestment door" while it is still open and the rand is still worth nearly 50 US cents.

Curb fears

Some companies may move for fear that if others withdraw, the Reserve Bank will curb capital and even dividend repayments, as it did on loan repayments.

GE of the US has concentrated on high-technology engineering and this prompted SA management to bid for some of its businesses.

Ron Hofman, who will head Genwest Industries, as the company is to be named, says: "We were surprised

when they offered us the entire company."

GE of the US will continue to make its products available to Genwest and it will have full backing in service and technology. Management will pay the undisclosed purchase price over several years.

Nobody is more delighted at the buy-out than University of Cape Town-trained electrical engineer Mr Hofman.

JSE listing

Mr Hofman said the buy-out could affect the company only positively. There would be no change in company philosophy or operating principles, but a far greater portion of profits would be ploughed back into the business.

When Genwest has a satisfactory profit record, a Johannesburg Stock Exchange listing is a possibility. Because of recession, GE in SA has not been profitable.

Mr Hofman says: "Studies have shown that earnings increase by an average 20% after management buy-outs because of improved motivation."

Others shareholder-directors are Peter Massie (financial), Leon Steenkamp (personnel), John Pike (manufacturing) and Charles Shaw (systems). Jim Douglas, previously managing director, has retired but will remain in a non-executive capacity. The only non-South African is Mr Pike, who is British.

General Electric pulls out

28/4/86 BUSON
Industry Reporter

GENERAL ELECTRIC (GE) of the US has agreed to a management buy-out of its South African operation for an undisclosed sum.

A weekend statement said local management concluded an agreement with GE to purchase all the shares in the SA company.

With immediate effect, SA General Electric (SAGE) has changed its name to Genwest Industries (Genwest).

The medical and plastics businesses have been sold to their respective managers and the locomotive business has been transferred to the Dorbyl Group. The remaining activities previously un-

dertaken in the SAGE wing will fall under Genwest.

Rationalisation of GE's interests has taken place against a background of other pullouts by American corporations.

GE's abdication makes it the third by a US company in recent weeks — Marriott Corporation and AT & T have already indicated they will withdraw from SA.

"GE has made it clear that it wishes to continue to make its products available to South Africa," said Ron Hoffman, who will head Genwest.

7/5/86
BUS DAY

Siemens SA posts record turnover

DAVID FURLONGER

SIEMENS SA, the German-controlled electronics group, increased turnover by 21% last year to a record R649m.

New orders, however, rose only 5% from R563m to R590 — the first time new orders have lagged behind turnover.

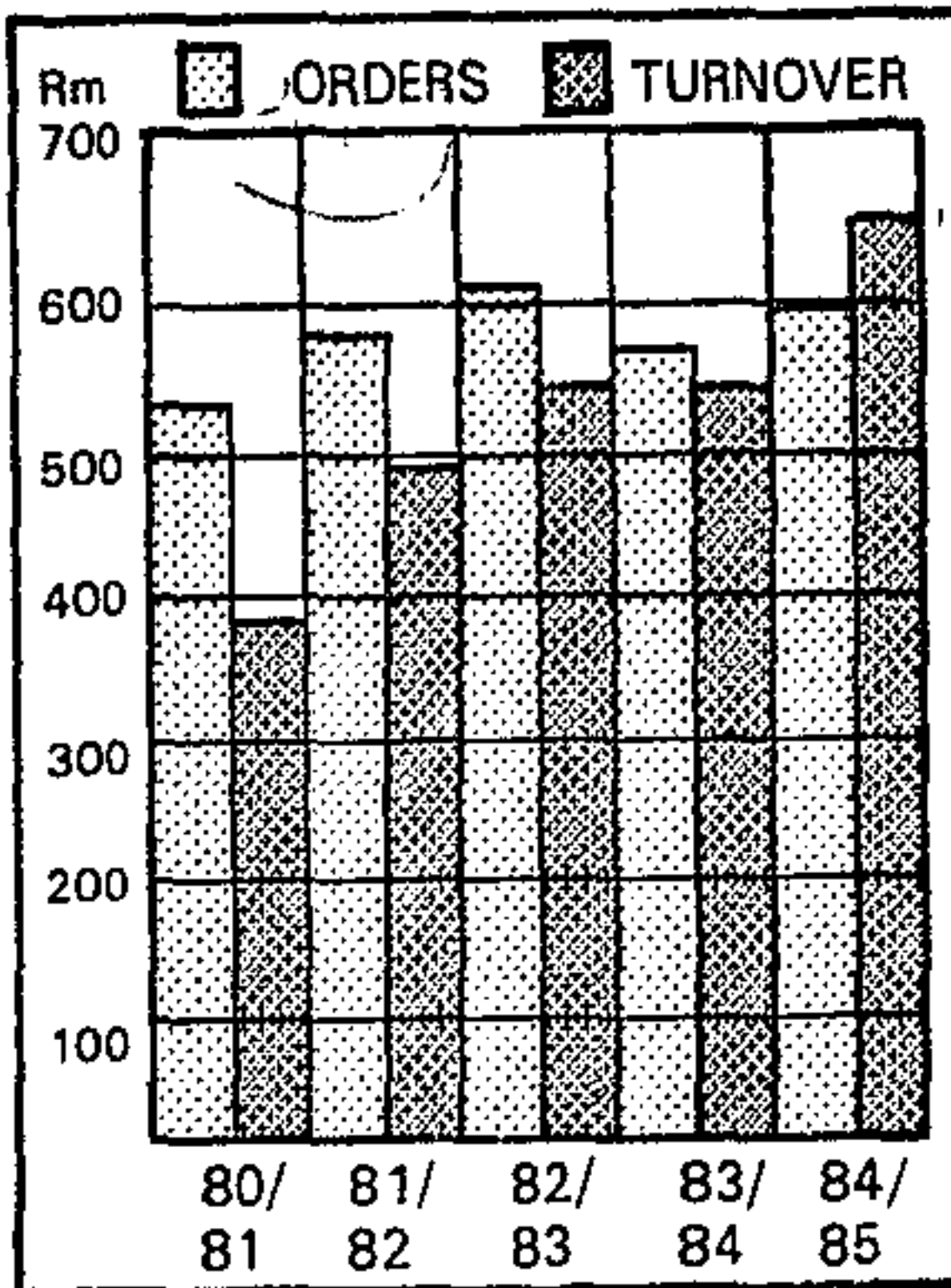
While describing this as "slightly disturbing", Siemens' annual report for the year to September 1985 says the company's order book still stands at two years' turnover.

It adds that the relatively slow increase in orders "reflects the impact of the recession, budget cuts of major public corporations and reduced private investments".

The report blames changes in companies' tax legislation for Siemens' failure to translate higher turnover into increased after-tax profits.

Chief executive Reinhard Sanne said yesterday the company had avoided forex losses through a policy of conservative forward cover.

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BUSINESS DAY, V



He added that while computer and other high-tech operations continued to show good growth, Siemens' cable business suffered a "miserable" year.

According to the annual report: "While most of our divisions reported consolidated positive results, we have experienced losses in our cable activities due to under-utilisation of our production facilities and depressed market price levels."

Losses blamed on economic sabotage

BUS operators have suffered estimated losses of R70m during the past 18 months of unrest, Labour Party leader Allan Hendrickse said in Sandton on Monday.

Hendrickse, addressing the South-

PETER WALLINGTON

ern African Bus Operators Association annual general meeting, said these losses could be "ascribed to those who seek to disrupt and destroy the economy of the country".

A bleak picture

With monthly sales showing cuts of up to 50% on a year ago, TV manufacturers and suppliers are experiencing their worst year yet.

Sales are projected to fall to a record low of some 200 000 sets this year — less than half the 1976 peak of 450 000. This means the industry will be working at only 40% of its total capacity. However, in sharp contrast, TV rental companies report buoyant business.

Sales of colour TV sets fell to 3 700 in March, which Tek Appliances GM Richard Ferrer describes as "our worst month ever."

He says retailers are overstocked by 40%-60%.

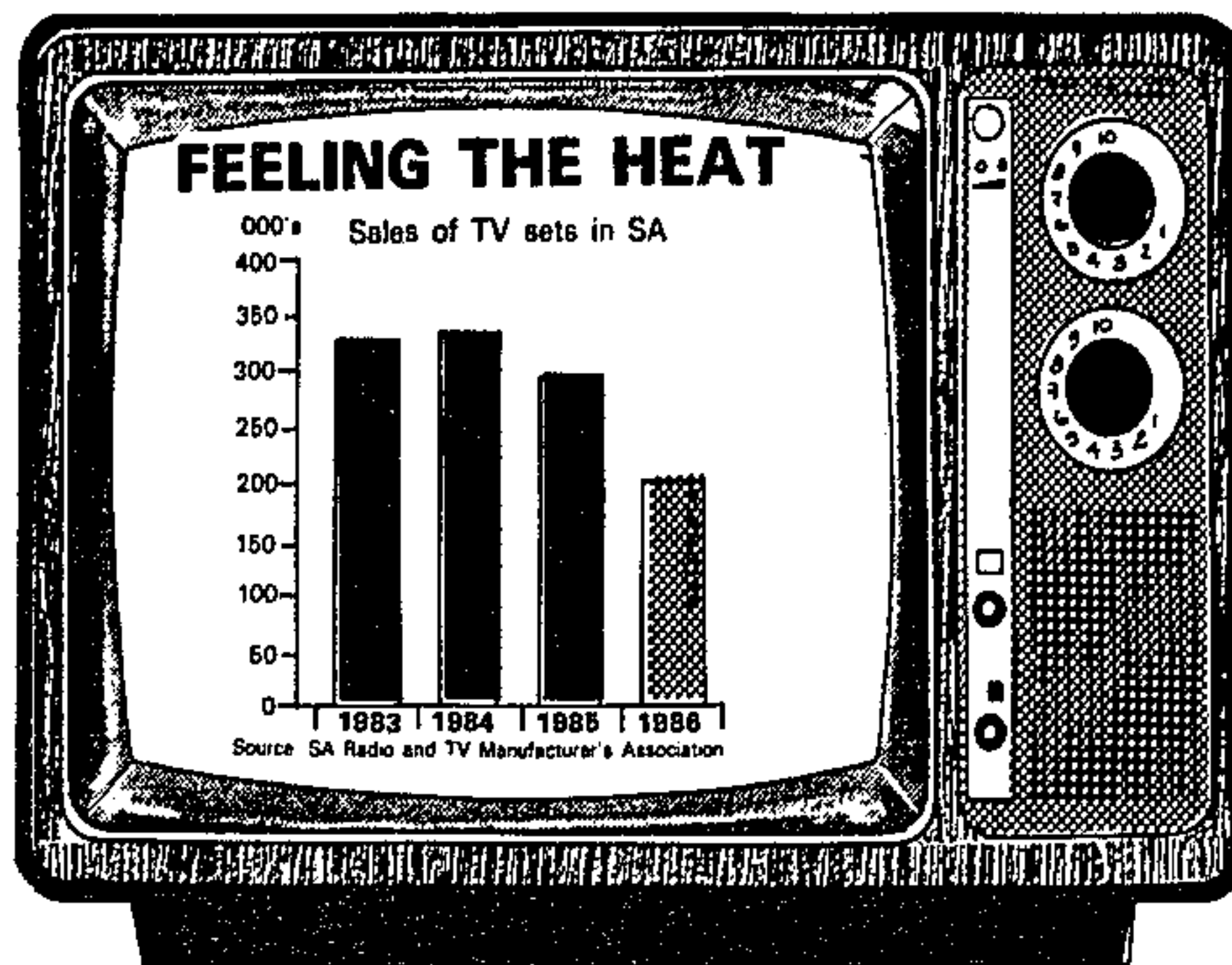
While retailers struggle with a stock problem, manufacturers are battling to break even. The industry, which has a retail value of about R318m a year, has a total capacity of 500 000 sets a year. Just to break even, each of the four manufacturers should produce around 70 000 sets a year, but sales are projected to fall by

40% this year. "In fact, despite a population increase, sales have seen a steady decline since 1980," says National Panasonic MD Terry Miller.

Ironically, SA has had TV for 10 years, the expected lifespan of a set. However, instead of a sales leap as the replacement market comes on stream, hard-pressed viewers are switching to rental.

Visionhire MD Graham Taylor expects the rental sector to take up to 60% of the entire colour TV business this year and an even bigger slice of the VCR market.

The TV rental business is worth around R200m a year, some 50% of which can be attributed to hotels and apartment blocks. The other 50% probably goes to Teljoy and Visionhire, SA's two TV rental companies. Both tell the *FM* they have experienced rental growth in the last two years. Over the last three months, TV rental has increased by around 27% over last year's figures and VCR rental has jumped by about 40%.



Suppliers could have expected to benefit from the rental upswing by selling more sets to the companies, but the impending deregulation of the industry will bring further hardship when entry to the market becomes much easier in January 1987. It will then be possible for rental companies to import sets directly, as they now do with VCRs.

Teljoy MD Theo Rutstein says: "The only reason we don't import now is because of a government restriction." He says direct TV set imports would provide greater variety at lower prices.

Rental companies contend that a booming rental industry is not an aberration, but a trend in any country where the TV industry is mature. However, Miller believes the main reason for the slump in TV sales is consumer confidence, coupled with spiralling inflation which has been higher than salary and wage increases for the last 18 months.

The one area of growth that TV suppliers had been sure of was the black market

"the white market is saturated," says Miller. Blacks have, however, also been hard hit by the recession, and those who are buying go for monochrome sets. About 55% of this year's sales will probably be monochrome while the balance, an estimated 100 000 sets, will be colour units. As Miller says "that's very few colour sets for a year."

With a four-day week already in operation and staff levels cut by 25%, it is hard to see how the industry can survive without rationalisation, and market talk has it that Tek and Tedalex could get together.

Tek's Ferrer denies that any move is imminent, but he agrees that "if sale levels continue at this rate, there'll have to be some changes and, yes, even rationalisation." ■

Firm lays off 200 workers after strike

A Sandton electrical firm has dismissed about 200 workers and closed its doors for an indefinite period following a go-slow and sit-in strike this week.

Trouble began on Monday at Switching Electrical Industries in Wynberg, Sandton. Members of the Metal and Allied Workers' Union (Mawu) demanded a 75 c-an-hour wage increase and staged a go-slow strike.

Workers then launched a sit-in strike on Tuesday night.

A union spokesman said: "Yesterday the company dismissed the workers and has threatened to move the entire factory to Babelegi in Bophuthatswana, where it already has a going concern."

A company director confirmed the dismissals. He said the company was not in a position to bargain at any level with the union because annual wage negotiations were still in progress.

The company's position had been explained to the workers.

The company had closed down for an indefinite period to consider its position.

"We are currently overstaffed by 20 to 30 percent and need to rationalise," said the director.

He said the company had taken no official decision about a move to Bophuthatswana.

Mawu has been involved in a number of disputes in an attempt to get employers to negotiate on a decentralised basis.

The star fades

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FIN MAIL
16/5/86

The computer industry's star, one of the brightest spots in the South African economy in recent years, appears to be waning.

Along with many other sectors, computers and related industries took a sales knock last year, according to a survey by Pretoria-based Business & Marketing Intelligence (BMI).

In real terms, the industry's total revenue probably fell between 15% and 20%. BMI's Roger Eatwell explains: "Although there was a 29% increase in nominal rand terms for 1985 over 1984, when inflation and the fall in the value of the rand are taken into account the industry actually declined in value in real terms.

"It is difficult to estimate the fall accurately because of the timing of computer purchases by the vendors, the rate of the rand's fall and its fluctuations."

The survey is probably the first comprehensive look at the SA industry.

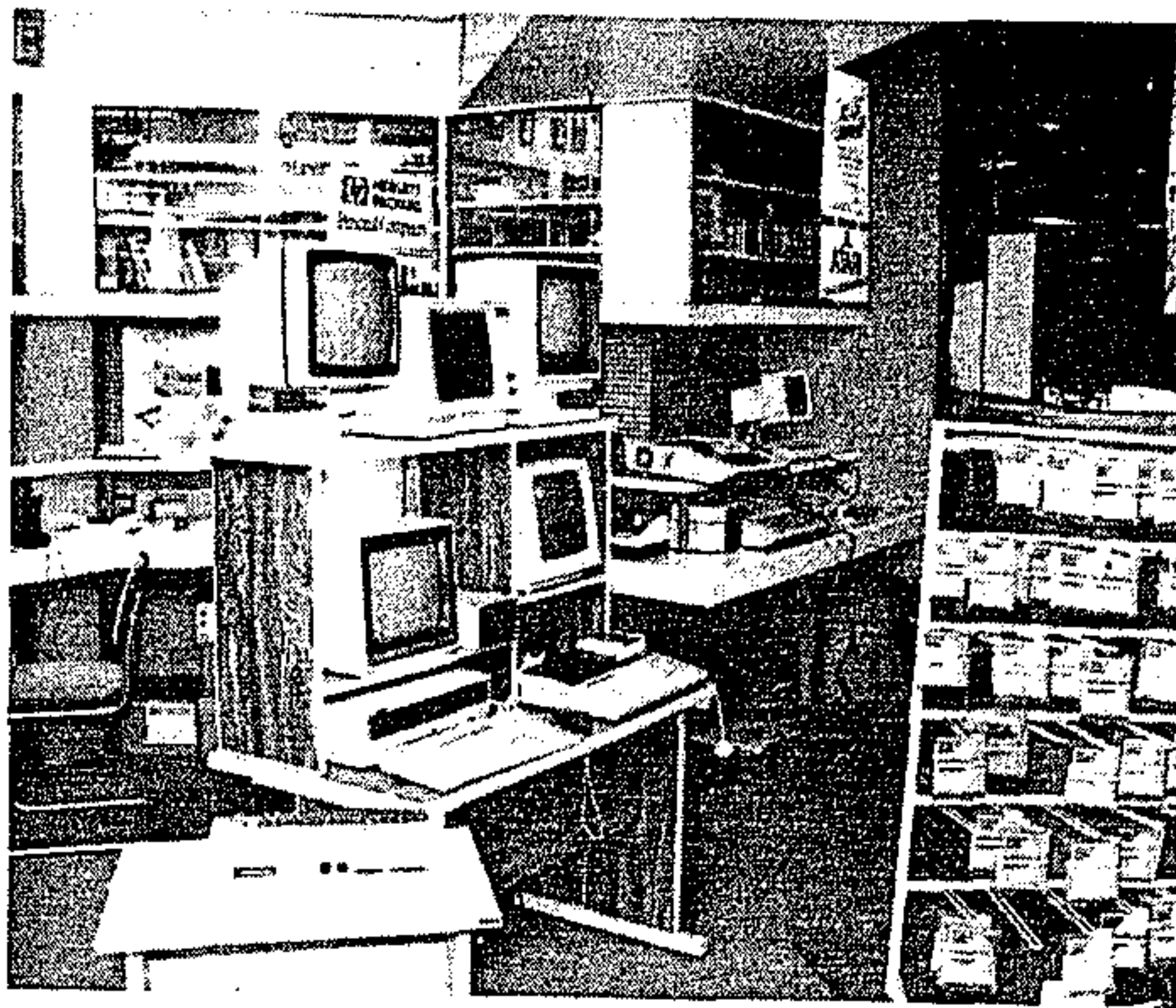
Information was gathered from most major vendors including Computer Sciences, Control Data Corp, GBS-Wang, Hewlett-Packard, IBM, ICL, NCR, Olivetti, Philips Data Systems, Prime Computers, the Reunert Computer Group (which includes Perseus and Perseus), Sperry and the Standing Committee on Electronics.

The survey found that sales of hardware, software, and services (including maintenance, training and consultancy) totalled R1,66 billion last year against R1,29 billion in 1984. Sector totals, with 1984 figures in

brackets, were: hardware R1,2 billion (R910m), software R161,3m (R114m) and services R293,4m (R264,7m).

Respondents estimate that 1986 sales will amount to some R2 billion. Sector forecasts are R1,48 billion for hardware, R187,5m for software and R315m on services.

Eatwell says vendors took a relatively conservative view on 1986 projections. "In-



Personal computers ... leading the growth

creases are not expected to be much in excess of inflation, but if the rand holds firm, then a marginal increase can be expected. If the rand falls, however, there could be another decline."

Average annual growth for software is expected to be around 21,6%, and hardware much the same. Projections for 1990 (excluding services) show that the market for hardware and software is expected to grow to R3,7 billion, of which software will account for R410m.

Many of the 500 users interviewed are not planning significant increases in data pro-

cessing spending. On average, a budget rise of only 7,3% is expected. This compares with a 34% increase in 1985. "The sharp difference is explained by the increased prices due to the lower rand — users had to spend more to get the same goods. While the amount spent will flatten out in 1986, average spending over the two years shows an increase of 20% a year," says Eatwell. Spending by users in 1985 was split between hardware (34%), software (17%), data processing staff salaries (33%) and other items such as peripherals and services 16%.

The most significant increase in spending was on personal computers. Sales, in nominal rand terms, jumped 72,2% in 1985 — from R104,5m to R179,9m. Around two thirds of sales went through dealers. "We omitted home computers by only counting PCs that cost more than R1 000," says Eatwell.

The biggest customer for hardware and software, by value, is the financial sector (about 30%), followed by the public sector and manufacturing.

Users were asked to list key factors in dealing with vendors. The top five were: system reliability — 93%; prompt reaction to service calls — 87%; technical competence of field engineers — 86%; vendor stability in SA — 82%, and compatible system upgrade ability — 78%.

Dealers' relationships with vendors were also surveyed, with service support from vendors rating highest at 87%, followed by consistency in vendors' discounting policy which scored 86%, keeping to promised delivery dates (86%), vendors honouring the principle not to bypass dealers in selling (82%), and short lead times (81%).

Hardware rentals, which accounted for some 12,6% of revenue last year, are likely to fall because most vendors say they will drop this facility because they are not in the finance business. Lease deals are counted as sales.

Electrical labourers get a 35 pc pay rise

19/5/86

Own Correspondent

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CAPE TOWN — Labourers in the electrical contracting industry have gained their highest wage increase in 12 years.

Mr Brian Williams, regional secretary of the Electrical and Allied Workers' Trades Union, said the increase was 58 c an hour — a 35 percent rise. Artisans gained 74 c an hour.

Mr Williams said the labourers' increase, negotiated at the Industrial Council, brought wages to R89,20 a week.

The union would now start pressing for medical aid and pension schemes for labourers and operators in the industry.



Premier Food, Anglo American lead in new

June 16, May 1 hol

SMK 3/15

By Sheryl Raine

Premier Food Industries, a wholly-owned subsidiary of the Premier Group, has become the first major employer to declare June 16 and May 1 paid company holidays for 24 000 employees of all races.

At the same time Anglo American is to close its head office at midday on June 16.

The move by Premier is likely to prompt other major employers, faced with growing demands from emergent trade unions, to recognise May Day and June 16.

Up until now, only a handful of employers have recognised May Day. Even fewer have recognised June 16, the date of the Soweto riots and a day regarded with hostility by many white employers.

In a statement released by Premier's human resources director, Mr Rob Childs, the company said: "These two days, together with New Year's Day, Good Friday, Ascension Day, Republic Day, Day of The Vow and Christmas Day (the existing statutory paid holidays in terms of the Basic Conditions of Employment Act) will now constitute paid holidays for all factory employees.

Not views of all

"It has become manifestly clear that the existing public holidays do not appropriately reflect the views of all sections of South African society."

The Premier decision is a dramatic departure from the Federated Chamber of Industries (FCI) guideline that employers adopt a policy of "no work, no pay, no disciplinary action" towards workers who did not report for work on May Day and for those who do not report on June 16.

The Premier decision is also a breakthrough for major union federations, including the Council of Unions of SA (Cusa) and the Congress of SA Trade Unions (Cosatu) which this year made May 1 and June 16 priority demands.

May 1 was celebrated with the biggest nationwide stayaway ever recorded in South Africa — between 70 and 100 percent absenteeism. June 16, which falls on a Monday this year, and marks the 10th anniversary of the Soweto riots, is also expected to be a major event.

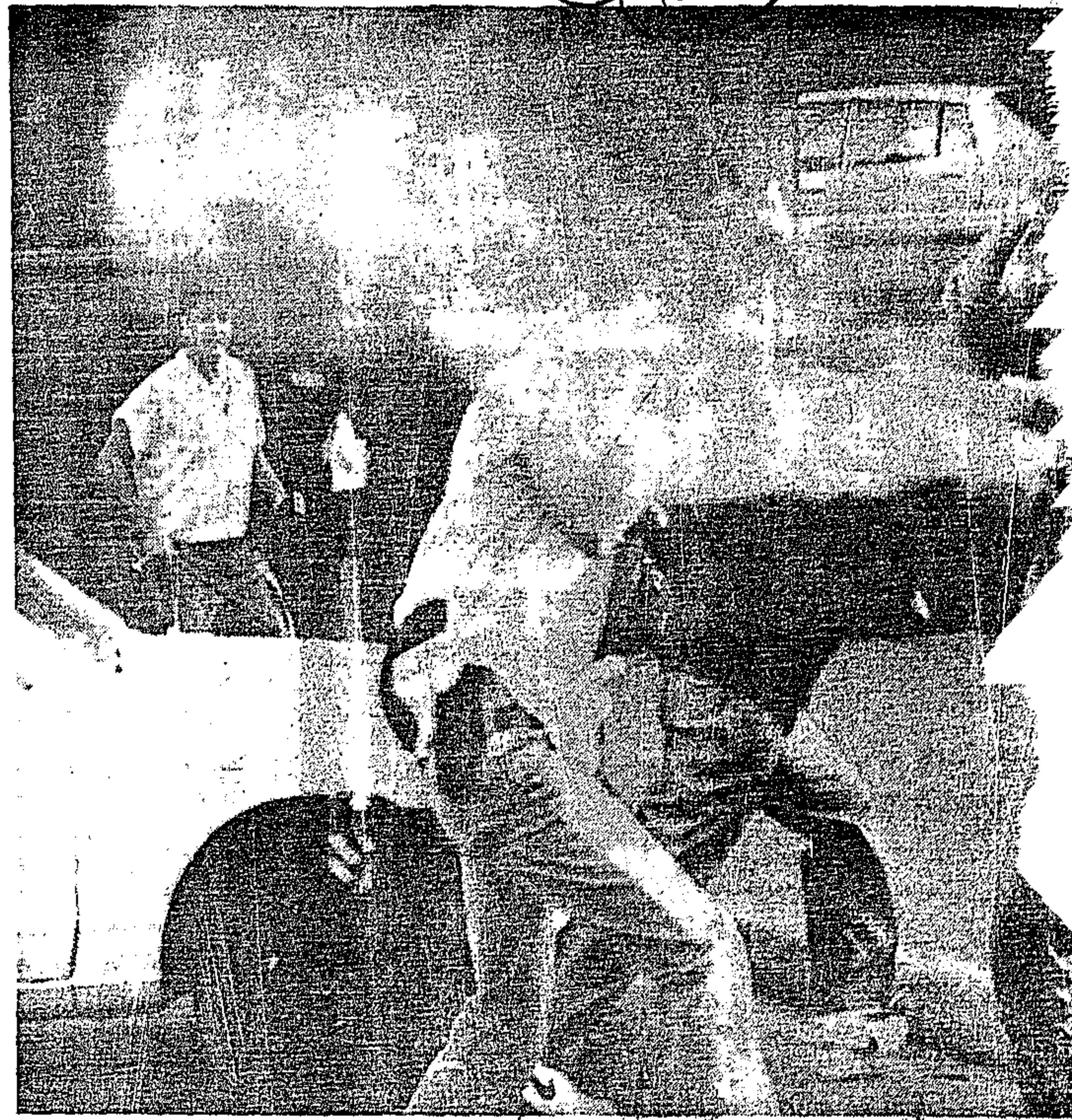
Anglo American's decision was announced in a statement last night by Anglo chairman Gavin Relly, who said it was becoming increasingly evident South Africa's calendar of public holidays no longer reflected "the full spectrum of national sentiment."

"Each year since 1976 groups of South Africans have wished to commemorate the tragic events which occurred on June 16 in that year. They now accept that this day has special significance," the statement said.

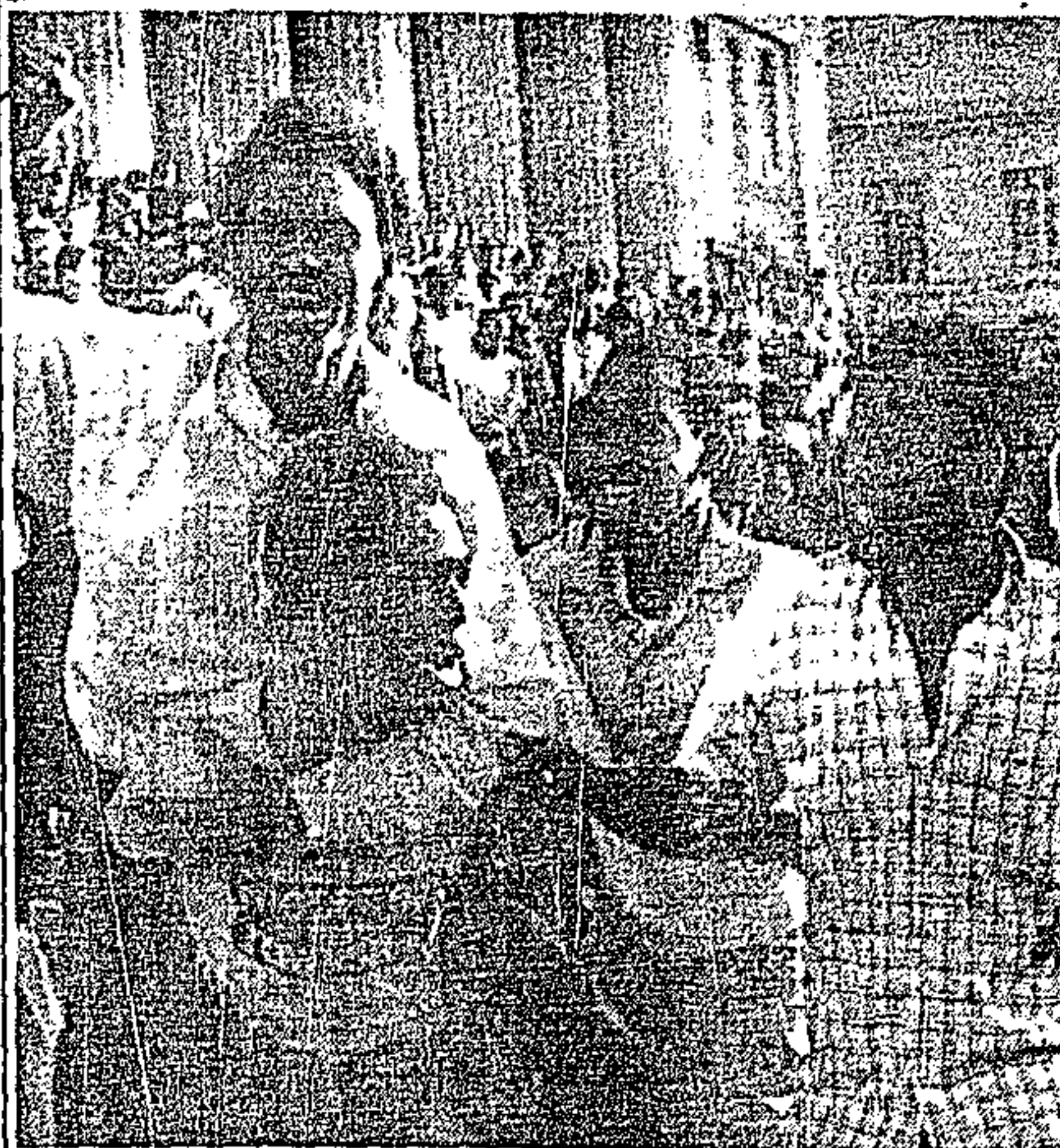
The statement also urged the government "to continue on its path of change, and in particular to facilitate the emergence of national political leadership for black South Africans."

"This will require the unbanning of certain organisations, as well as the release from prison of key black leaders", it said.

See also Page 4.



A Wits student, believed to be a former SRC president, blasts policemen with a spray of teargas clash yesterday.



Students hail Mr Ronney Makgosi (left), released by police yesterday after being arrested on Thursday and (right) a police officer draws his gun at the Jan Smuts Avenue entrance of the University of the Witwatersrand-after a stone was thrown at his vehicle.

Photographs: Herbert Mabuzo

30 000 expected

CLAIRE PICKARD-CAMBRIDGE

ABOUT 1 200 workers at three General Electric Corporation (GEC) plants in Germiston, Boksburg and Springs went on strike yesterday to demand a 50c across-the-board increase, the Metal and Allied Workers Union (Mawu) said.

Company spokesmen could not be reached for

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GEC workers strike over wage demands.

BUSINESS DAY, Thursday, May 22 1986

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comment yesterday. Mawu's Moses Mayekiso said the three plants were refusing to discuss the union's demand on grounds that they were already negotiating minimum wages at Industrial Council level. About 4 500 striking workers at four Highveld

Steel plants in Witbank returned to work yesterday after a one-day strike to demand the reinstatement of four employees dismissed in April. An Anglo American spokesman said Mawu had agreed to mediation and Highveld Steel had agreed to reinstate the four, pending the outcome.

22/5/85

BUS DAT

'Half-price' PC-AT compatibles

A CUT-PRICE, locally-assembled IBM PC-AT compatible — the MBM 32 — has been launched in South Africa. The system, which has a legal BIOS (Basic Input/Output system) retails for under R9 000 — about half the price of an IBM PC-AT, according to MBM MD Julian Menashe.

The standard configuration has a 20Mbyte hard disk drive, 1,2Mbyte floppy disk drive, 640Kbyte of random access memory (RAM), a Hercules compatible graphics card, monochrome monitor and key-

board.

"Our major advantage is that we will be able to supply dealers with AT compatibles at prices cheaper than they could import themselves. The MBM 32 can be sold at a better price than any other AT compatible offered on the market today," said Menashe.

"Many dealers would like to import AT compatibles but find that the numbers of units they need to bring in to make it worthwhile is prohibitive. They are also uncertain about whether many of the

machines available for import have legal BIOS or whether they have a pirated BIOS (which is protected by copyright).

"We will take those uncertainties away from dealers. Our machine has a legal BIOS. We will be able to import components in large enough quantities to produce good-quality ATs at reasonable prices.

"While dealers will hold the warranties, we will keep stocks of all spares. Dealers will be able to draw stock of components as and when required."



□ MBM MD MENASHE . . . "offering machines cheaper than they can be imported"

198 GEC workers arrested by police

SPRINGS
6/6/86
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About 198 strikers were arrested by police outside the General Electric plant in Springs yesterday after an alleged lock-out by the firm.

A Metal and Allied Workers' Union (Mawu) spokesman said the police had been called by the management. The management has denied this claim.

East Rand police confirmed the arrest of 198 people and said they had been released on warning.

THREE DEMANDS

The Springs workers are among 1 300 Mawu members on strike at GEC plants at Springs, Benoni and Knights. According to the workers, they are on strike to back three demands:

- The reinstatement of 49 colleagues dismissed from the Springs plant on May 19 for allegedly engaging in a go-slow.
- A 50c-an-hour increase and company-level wage bargaining in general.
- That the company lift its alleged lock-out of strikers at Knights.

Says Malcomess: "The State should not be involved in this type of activity at all. It is wrong for it to use taxpayers' monies to compete against other taxpayers." ■

FIN MAIL 13/6/86
DOMESTIC APPLIANCES

Cold comfort

Domestic appliance retailers' recent discount binge should not be seen as a sign that white and brown goods prices are on the way down. Indeed, they are set to rise again in the next few weeks.

The spate of special offers from dealers merely reflects their determination to restock with equipment already in the country. But from here on prices will reflect the effects of the falling rand.

Prices rocketed last year as the rand fell against most other currencies and the trend, briefly arrested, is set to continue.

Barlows Manufacturing, for instance, forecasts price increases of 12%-15% between now and September.

This has serious implications for retailers, who already report a 67% first-quarter fall in the sale of colour television sets and a 50% reduction in sales of black and white receivers.

"Although the rand's improvement earlier this year saw the price of some goods fall, it's a mistake to think they'll drop further," says Mike Bosworth, MD of Tek Electronics, probably the largest distributor of white and brown goods in SA.

The latest price increases are due in some measure to local inflation, now running at some 20%, but the effect of the rand's new slump will be felt soon.

Barlows says forces outside manufacturers' control are pushing up prices. These

include the currency exchange rate, particularly against the yen (*Business* May 30), wage increases, and general costs including Regional Council levies.

These are aggravated by low production volumes, which are well down on the first half of last year. Output in some categories is currently some 17% lower than in the same period last year which, even then, was lower than in the first half of 1984.

For example:

□ The retail price of a Telefunken 51 cm TV, R1 699 six months ago, is now R1 799, and will rise to R1 999 in July; and
□ A basic Defy 419 stove which retailed for R799 six months ago now sells for R899 and will rise to about R999 within three months.

Bosworth reckons the argument that a more favourable rand/dollar exchange rate would bring down the prices of white and brown goods was simplistic. "It fails to take into consideration the adverse effect of the R/\$/yen cross-rate which is at present working against SA's interest and is not likely to improve in the foreseeable future.

Nor does it take into account government's "inordinate" take in the proceeds of each sale, he says. "This has the effect of pushing up prices even more."

Taking a TV set now selling for R1 799 as an example, and based on an exchange rate of SA50c, the State's cut is R543. GST accounts for R216, the import duty on imported content is R33, the 10% surcharge on imported content is R40 and *ad valorem* duty is R254.

"Government says it will change the ground rules on the importation of white and brown goods at the end of the year," says Bosworth. "But we question the wisdom of allowing wholesale imports, which may be cheaper in price but will offer the consumer no real service back-up and reliability." ■

Delta acquisition

BWDAY

25/6/86
Investment Staff

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DELTA Electrical Industries (DEI) is to acquire, for R10,2m, interests in companies involved in the supply of spare parts, hydraulic and pneumatic equipment, and electric cables.

The acquisition — from holding company Delta SA, which is controlled by the UK-based Delta group — is to be financed through the issue of 2,5-million DEI shares.

DEI directors say the acquisition will have no material effect on earnings per share in the year to December.

However, net worth per share will increase to 309c from 277c on Monday when the acquisition becomes effective.

Delta SA is to sell some of its DEI shares to an unnamed financial institution, after which its stake in DEI will fall to 68,1% from its present 76%.

Even on that level, some strange decisions have been taken. While the city's contribution to culture and the arts must be acknowledged, its judgment in these areas has often been ridiculed.

In this field Oberholzer has proved particularly inept.

The council attracted bad publicity over the refusal to allow black-dominated professional soccer at the Rand Stadium; and it looked very silly with its policy of awarding special maternity benefits to female employees whose husbands were doing military service. The intention was not malicious, but the discriminatory implications should have been glaringly obvious.

Nevertheless, all political factions agree that the city is blessed with an excellent civil service — loyal, experienced and efficient. In general, professional department heads are respected in their fields, and many of the usual gripes against local authorities do not arise. For its white citizens, it is a well-run city — and Oberholzer must take much of the credit for that. There is no question that



Open library ... a reform not followed through

he has the welfare of the city at heart, and his vast knowledge and experience make him a valuable asset.

But it is clear that Johannesburg has lost its flair, its capacity for innovation. In some senses, it is the laughing stock of the country. No one is clear about the form the new RSCs will take — but it is vital that Johannesburg influences its own composition and role as much as possible. At the moment, the signs are extremely discouraging. If, as seems likely, the city is still ruled by the NP-IRA alliance when the confusing transition takes place, we can only urge that this moribund and hesitant collection of individuals gets its act together.

Johannesburg is a city built on risk. It prides itself on its bustle, its energy in so many fields. Now its civic leaders must stop talking the political language of the Sixties and Seventies, and learn to take chances instead of squandering opportunities. Its citizens, black and white, and the country itself, deserve much better.

Politically, Johannesburg must adapt swiftly to changing circumstances, and stop behaving like an obscure rural municipality.

CULLINAN

More than hanging in

Earnings prospects for Cullinan Holdings underline the advantages that can be gained from having a well balanced industrial portfolio, especially under depressed economic conditions. The group recognised some years ago that it was overly reliant on its dominant refractories business. It developed a strategy to achieve a wider spread of profit sources, and pursued investments in sectors which did not follow the same business cycle as refractories.

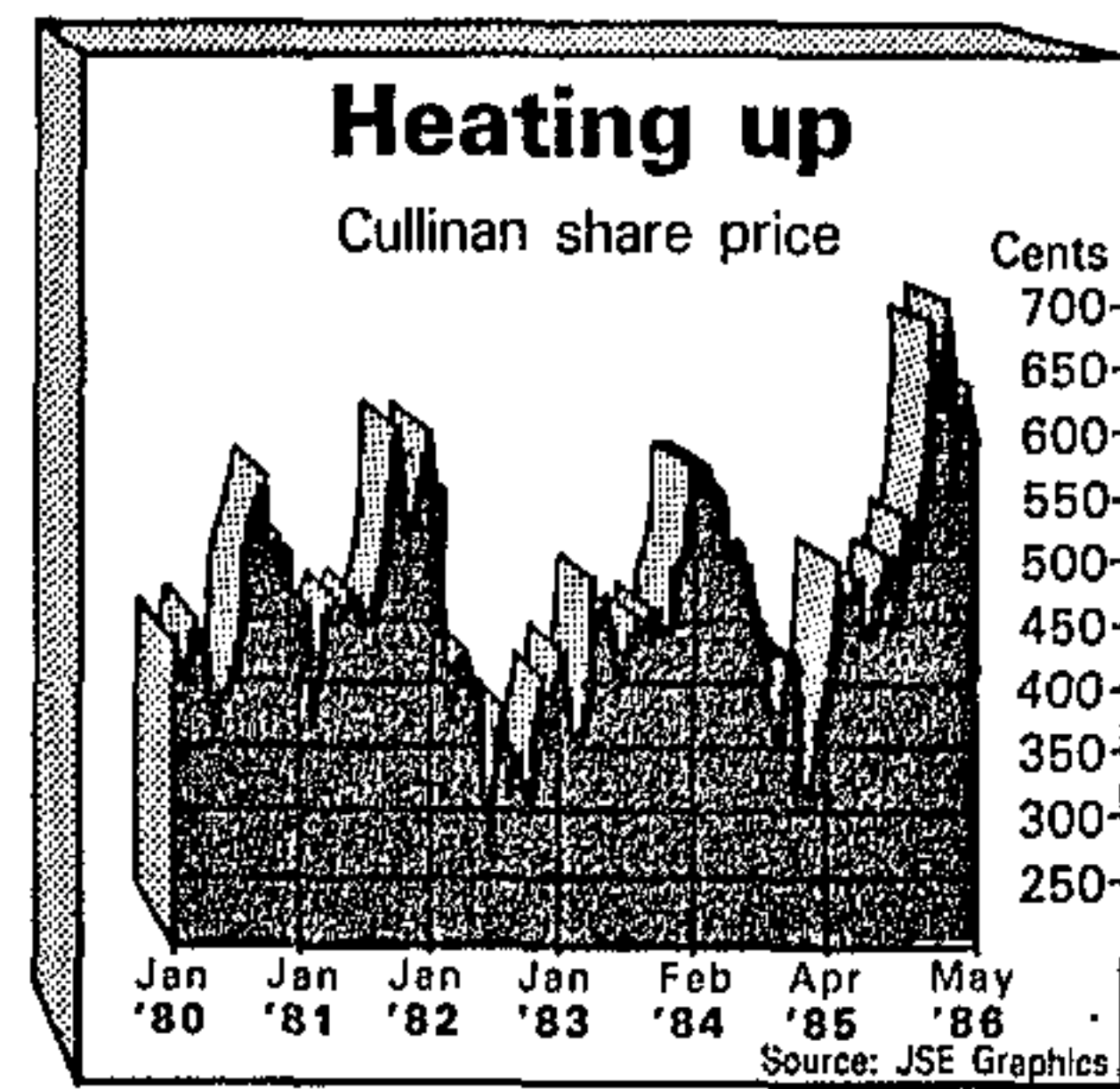
Not all of the diversified areas became as profitable as management would have liked. As the economy buckled, certain Cullinan divisions came under severe pressure. In particular, the contribution from the property and building bricks divisions dropped dramatically. Two years ago they contributed more than half of group earnings (before interest, which is charged against group profits); now their contribution is little more than 10%. However, strong demand in other areas of the business more than compensated and earnings continued to grow. And while the economy still shows little sign of improvement, Cullinan's immediate outlook remains favourable overall.

The single most strategic action ever taken by the company — its history dates back to the turn of the century — was the formation of its equal partnership with Iscor in July 1983. At that stage, severe recession in the local iron and steel industry had taken a harsh toll. In the year to end-June 1983 refractory profits dived to their lowest in years. Their contribution to earnings per share (EPS) dropped to 6,5c from 54c in 1982. The division's major refractory com-

A refractories partnership formed three years ago with Iscor, and successful expansion in electrical fields, has shielded Cullinan from recession and made an earnings advance for 1986 likely.

petitor, Anglo-American controlled Vereeniging Refractories (Verref), was not immune either. Verref's operating profits practically halved to R5,1m from R10,5m, and fell below this level in the next two years. It took higher exports to improve Verref's refractory profits to R5,5m in 1986.

By contrast, Cullinan's refractory earnings gained strength from the merged interests. In the following two years, earnings almost doubled annually (see table). The upward trend continued, although at a slower pace. By the end-December interim,



refractory profits were 60% of the total for the 1985 year.

Chairman Neil Cullinan tells me that Cullinan was the initiator of the partnership: "It was one way we could diversify more quickly with the capital that we had." Certainly, capital resources were strained at the time. At 0,64, gearing was above the group's revised self-imposed limit of 0,60. Further, lower profits and rising interest rates had squeezed interest cover from 3,2 to 1,5 times in 1983. The partnership immediately benefited the balance sheet: R25m of Cullinan's borrowings were shifted into the partnership, which continued under the name of Cullinan Refractories. The result was that by end-December 1985, Cullinan's gearing stood at a far more comfortable 0,20.

There is no doubt the partnership was extremely successful, with Cullinan cornering a major share of the refractory market. Inevitably, perhaps, Cullinan's business with Highveld fell. But, says Cullinan, "we still do business with Highveld just as Verref still does business with Iscor." Nevertheless, Verref refers to "the loss of a major proportion of the company's traditional sales to Iscor" in its 1986 annual report. Despite gains in the export market, and the boost the low rand has given local steel producers, its plants remain severely under-utilised.

Capacity utilisation at Cullinan has improved, with production restored to more economic volumes. Although local demand for steel remains low, Iscor has replaced the loss in the domestic market with exports. Says Cullinan: "Iscor is very busy just as we are very busy." With the rand set to remain

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low, the outlook for the refractory market remains positive.

Cullinan's electrical divisions have grown so that its electrical activities are now the group's largest. These are in three main areas: electrical insulators, electrical contracting, and electrical power products. Last year, the group completed its programme to divest from electrical engineering, which had been a weak performer.

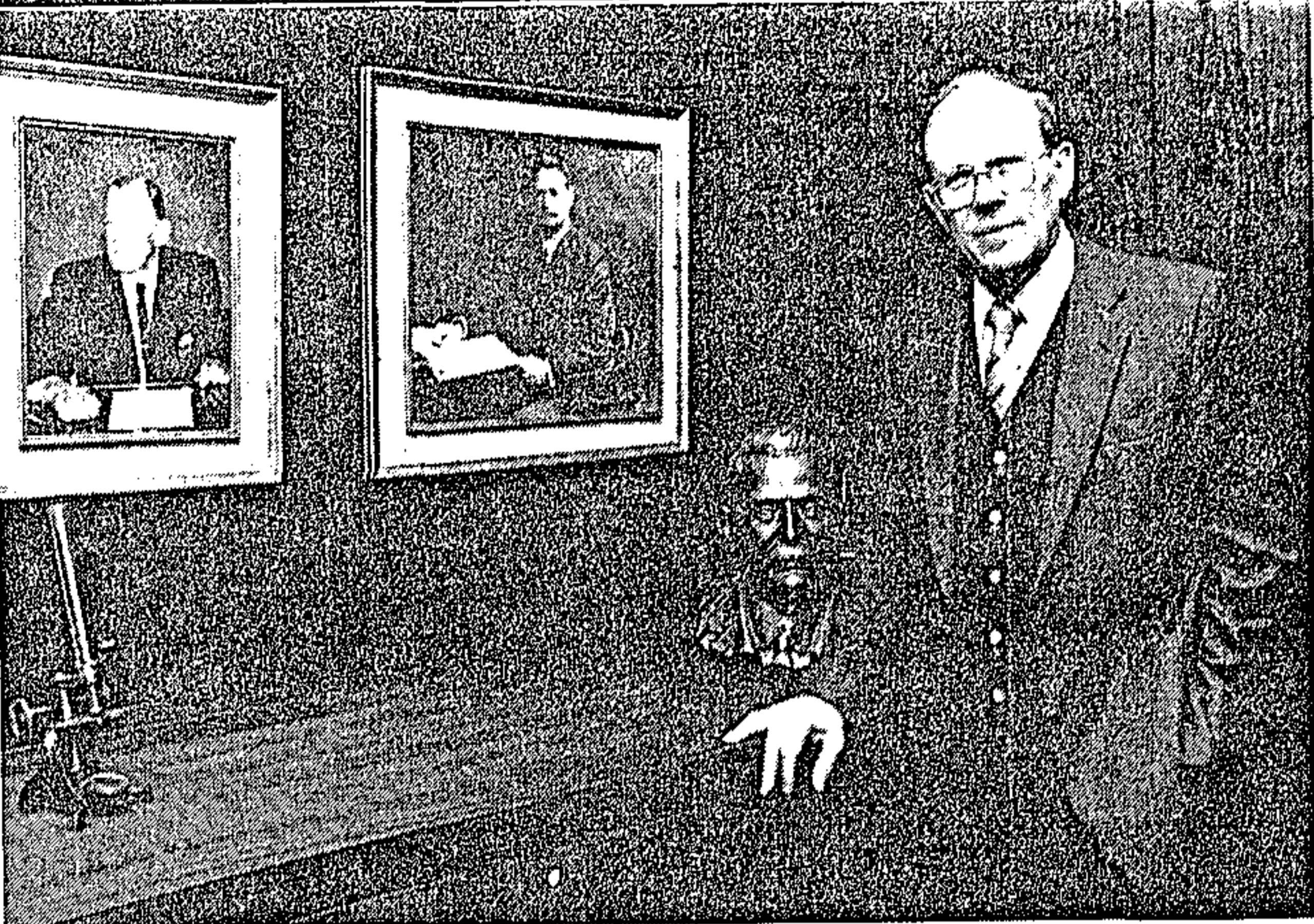
The group is a leading manufacturer of electrical porcelain products, with Cullinan Industrial Porcelain said to be the largest and technically most sophisticated producer in the southern hemisphere. In this market, Escom, Sats and the Department of Posts and Telecommunications (P & T) are major customers.

Escom's capital expenditure cutbacks have been mainly in power generation and so have not restrained its demand for electrical porcelain. Most of these products are used in distribution of electricity, which is ongoing, particularly in rural areas. Certain lines are not going ahead as scheduled, but at present, according to Cullinan, there is a great deal of business from Escom. "Even though Escom's growth rate has been cut to 5%," he says, "it is 5% of a very large figure."

As electrical insulator production is a volume sensitive industry, entry into the export market makes sense. But the foreign market is very competitive. One company in Japan produces more than 50% of the world's electrical porcelain and is capable of using price to capture a greater market share. Even so, the low rand could give Cullinan a competitive advantage.

Where the slowdown in Escom's capital expenditure programme will hurt is in electrical contracting. For the present, profitability is still healthy — but pressure could grow in future. Fortunately, the group is still benefiting from large projects embarked on a few years ago; profits are only taken on completed contracts. Lower volumes are beginning to filter through and margins on new work are at a much reduced level.

In fact, the last interim results suggest that profits from contracting are slowing; the 8,9c contribution to EPS is only 41,6% of last year's figure. Cullinan, however,



Robert Tshabalala

Chairman Cullinan ... strategies against recession

disagrees. He points out that results depend on when contracts are closed. The fact remains, though, that current projects taken on at narrower margins will affect profits in the years ahead.

A wide range of industrial products, mainly in power transmission, distribution and measurement, is marketed by the power products division, together with its porcelain ware. It also acts as agent for major principals overseas. Considering the depressed markets in which it operates, its profit performance in 1985 was remarkable. The division's contribution to EPS rose 80% to 7,4c (4,1c), outstripping turnover growth of 58%. As the market becomes more competitive, with overseas multinationals also making a major thrust, future profit margins may narrow. Growth is expected to be derived from a widening product base.

Brickmaking operations hark back to Cullinan's roots. The group has seven brick plants at Midrand, the latest having been commissioned in the second half of 1984 for R7m.

Unhappily, like all the major brick and cement companies, Cullinan misread growth in the building industry and the market shrank as the new plant was brought on stream. The new plant has since been mothballed, and the group's brickmaking activities are close to breakeven before interest on the new plant.

and increase consumers' cash flow, which Cullinan hopes will have "a ripple effect into the whole building industry."

Difficult conditions in the property market resulted in Cullinan withdrawing sales of industrial land. Cullinan maintains that "the group will not sell property below its intrinsic value for the sake of making profits." With business confidence remaining low, it may be some years before the property division's profits pick up again and the interim property earnings of 3,1c were a mere fraction of the 13,9c a year ago.

Other than mining, the remaining activities are not really significant although they contribute to group profits. Mining operations are related to the building industry, and until building improves, mining profits will remain low.

Overall, Cullinan is still confident enough to expect second-half earnings to end-June to be "not wide off the mark." This refers to the interim forecast that there was every likelihood of achieving "a similar improvement" in the second half. Interim earnings increased by 14,8% to 36,4c (31,7c) a share, suggesting that when the full year's earnings are published on August 29, they will show total earnings around 15% higher at 72c a share. With the interim dividend pegged at 12c, a higher final dividend may be on the cards.

At 580c, the shares yield a reasonably attractive 5,2% on historic dividend compared to the industrial holding average of 4,5% and the overall industrial sector's 3,8%. Future earnings are likely to be steady rather than wildly exciting. But should the economy improve, the diversified investments could all perform to potential rather than merely countering the cyclical downturns.

Patric Ho

CULLINAN: SMOOTHING THE BUMPS

Contribution to earnings per share — cents

	1981	1982	1983	1984	1985
Electrical insulators	27,1	35,4	13,3	7,3	25,0
Electrical contracting	—	0,1	11,0	15,8	21,4
Electrical power products	5,0	11,2	11,2	4,1	7,4
Electrical engineering	4,9	0,4	(8,8)	(13,4)	(2,6)
Refractories	56,0	54,5	6,5	12,8	24,7
Property	16,0	17,2	27,2	28,1	13,9
Building bricks	9,0	10,2	11,2	12,9	4,9
Mining	23,0	6,4	2,3	12,1	1,5
General engineering	—	(0,8)	1,0	1,4	1,5
Industrial plastics	—	—	(4,4)	(0,2)	1,4
	141,0	134,6	70,5	80,9	99,1
Interest	(20,4)	(37,1)	(40,6)	(24,4)	(36,4)
Total earnings per share	120,6	97,5	29,9	56,5	62,7

cial rand movements continue to bedevil mining share trends, and the dollar bullion price is again being seen as the key factor for gold stocks.

Vaal Reefs, for example, rose on Monday from R225 to R233, and was trading midday Tuesday at R237. **Southvaal** gained R2,50 to R113,5, which was also its price on Tuesday. **Amgold** rose from R235 to R240, and ended the week on R246.

A notable exception in the mining recovery league was **Randfontein**, which fell over the week from R290 to R277. The stock, which has run up recently in anticipation of a favourable rights issue of H J Joel shares, appears merely to have corrected itself.

New listings continue to move dramatically, providing ample opportunity for stags to either make a killing, or lose their boots. New electronics listing, **AOS**, rose sharply last week from 48c to 55c, after it had languished at 43c — a mere 3c above the pitching price — the week before. AOS now trades on an historic p/e of 13,4, a rating still well below that of competitor **Punch Line** on a p/e of 18,9.

Since its listing last week, **Cashbil** opened at 160c — a 45% premium on issue price — and has since risen to 270c. At this level, it trades on an historic dividend yield of only 1,8% — a rating comparable to **Score**.

Cashbil's newly-listed fellow subsidiary, **Metro**, had a dismal week, falling from 650c to 560c. Most analysts, nevertheless, believe it is now fairly rated. Motor spares company **Midas**, after falling at one stage below its 275c issue price, has recovered impressively, this week hitting a new high of 360c.

Trade finance company, **Reichmans**, is the only recent listing not trading above issue price. At 113c, it trades 2c below issue price — an embarrassing situation which indicates either that the company is not understood by the market, or its advisers failed to do their homework when setting its issue price.

After a week of relatively low trading activity, volumes could well pick up in the days ahead, now that most institutions have completed window dressing portfolios for the end-June reporting period. The investment environment, however, remains as uncertain as ever, with August now being given as the period in which new events could move the market.

Neville Glaser

LIBERTY/STANCHA

Surprise move

Liberty Life has surfaced unexpectedly in the middle of Lloyds Bank's near £1,3 billion bid battle for Standard Chartered (Stancha) in London. Lloyds' revised and "final" offer — nearly 9% up on its first made nearly three months ago — was accompanied by news that Liberty had accumulated 1,55m Stancha shares (0,99%) at 800p each. That compares with a value of 836p put on Lloyds' top alternative bid (which includes more shares and less cash), or 819p for the basic

offer.

Chairman Donny Gordon told the *FM* in London the £12,4m cash outlay had been financed from UK borrowings by a 100%-owned Liberty subsidiary. It had nothing to do with the group's TransAtlantic Insurance Holdings.

As things stood at the time of going to press, Liberty was sitting on a paper profit of £500 000 on the bid value. However, in the market Stancha — at 790p — reflected anxieties about how the US banking authorities might react. The Federal Reserve was looking into the bid because of Stancha's ownership of Union Bank of California. Unless the Fed had given the all clear by Tuesday this week, it would be referred to the Justice Department for an investigation, which requires a mandatory 30 days.

In terms of the London Takeover Code, that delay would take Lloyds past the August 2 deadline for completing the bid (the latest offer formally closes on July 12).

So why has Gordon got involved? On the face of it, the conspicuous absence of a counter bid and the US uncertainties are cause for caution and Stancha has been pressing the Fed to block the bid. Before Lloyds' approach, Stancha was priced at 637p. "It is difficult to explain. We have our reasons, which are fundamentally strategic. We believe it's a good investment whichever way this thing goes," Gordon said, pointing out that in London takeover fights "everything happens at the last minute."

His interest is Stanbic and Lloyds' stated intention of reducing the Stancha interest in SA if it wins the day. "It will be helpful for us to be around when the final decision is going to be taken. We believe we have strengthened our relationship in regard to Stanbic." That relationship is already strong. Stanbic holds 50% of Liberty, and Liberty's 21,6% stake in Stanbic ensures it the right to first refusal in the event of any divestment.

Gordon is equivocal on whether he thinks — as most London investment analysts do — that Lloyds' final offer will win the day. "It's a bit cheese-paring. If Lloyds had been a bit more generous, it could have laid the thing to rest, but Standard Chartered is fighting back quite effectively and the question of the Federal Reserve's approval is a bit of an unknown," he said.

What has clinched the Lloyds offer as far as the City goes is the profits forecast which accompanied it. Lloyds said EPS were up 48% in the first half of 1986 and would be accompanied by a 25% hike in the dividend. Thus, it claimed, Stancha shareholders were being offered an income increase of 63% or 52% — depending on which mix of convertible preference cash and equity they accepted.

In contrast, Stancha's defence relied heavily on Lloyds' undervaluation of its assets, and its pre-tax profit figures for the first four months of 1986 showed the blighting effect of the weak rand and Nigerian naira in a near halving of the contribution from Stan-

bic and other associates, which pulled the total down 3,3%. Lower tax charges and minority interests put the EPS figure 11% up on the comparable 1985 period, but that paled beside Lloyds' performance.

John Cavill

CHUBB FIN MAIL 4/7/86

Secure profits

SA's present security problems have led to a rapid expansion for the security industry. An obvious beneficiary should be Chubb, which has subsidiaries making safes, electronic alarms and fire-fighting appliances.

In the year to end-March, its EPS jumped 37% to 40,8c (29,7c) — but the achievement was not quite as easy as would appear. Downturn in the building industry caused a drop in turnover of the physical security division (which manufactures and distributes safes and strongrooms, as well as domestic locks and builders' hardware), causing the trading profit of this section to fall 29%. This was more than offset by higher sales by the electronics security and fire security divisions.

Last year, physical security contributed 69% of trading profit, with electronics 18% and fire 13%. By end-March, physical was responsible for only 46%, while electronics and fire accounted for 41% and an unchanged 13% respectively. Any further decline in the physical side would thus make electronics the main market.

With an overall annual increase of 54% in pre-tax profit (a higher tax rate reduced the rise in taxed profit to 49%), Chubb has met interim forecasts. In February, financial director Robert Firth said the second half traditionally produces better results, and predicted an improvement in margins during the remaining six months. He also forecast interest charges would fall further.

In fact, second-half trading profit rose a commendable 27% on the first half, operating margins improved from 6,3% to 8,9% and net interest ended up 32% down on the year. This was achieved despite a second-half drop in turnover. Debt:equity has improved to a low 0,07 from 0,12, as borrowings were reduced and foreign exchange losses cut from R455 000 to R123 000.

In the current year, there could well be an improvement in sales by the physical division, owing to government's stimulatory package for housing, which should increase demand for locks and builders' hardware, while unrest could boost sales of all security systems.

The share stands at 330c, down from its recent peak of 365c in early May, and yields 4,8% on dividend. Chubb is thus rated lower than the industrial sector average of 3,8% and in line with the rating for building and construction companies. The stock could therefore be undervalued, in view of the strong balance sheet and the company's prospects.

Pat Kenney

INVESTMENT

GBS tender issue will favour genuine investors

AR 605 10/7/86

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From PETER FARLEY

JOHANNESBURG. — Imagine a new listing where the applicant gets what he applies for — assuming he is prepared to pay a realistic price — where there are no staggings profits for those only interested in a quick turn and where the company immediately gets a fair price for the shares it is offering.

It seems almost impossible, particularly in an environment where almost everything is geared to making fast profits.

Nevertheless, the proposed listing of computer firm GBS by a tender of its shares could fulfil most of those initial objectives.

The mastermind behind the scheme is the entrepreneurial Mr Colin Hall, whose company Sinclair owns 30 percent of GBS.

And once again Mr Hall seems likely to set tongues wagging in Diagonal Street, after almost singlehandedly pulling Sinclair from the the brink of collapse three years ago to a point where the share price is now eight times its value in those dark days.

The tender system has been used here once before, in the late

1960s, but has become an accepted practise in both Britain and North America.

Nevertheless, it will have its opponents, not least from the broking and merchant banking fraternities.

Both the brokers and the merchant bankers have been deliberately pricing new issues cheaply — or what they would call conservatively — to ensure what they would also call a successful listing. That means that the share is heavily oversubscribed and is pushed to a substantial premium over the offer price when it opens on the market.

Mr Hall argues that those making the initial killing are not necessarily genuine investors and that the profits are made at the expense of the original shareholders.

Under a tender system, interested investors submit an application for the number of shares they want, priced at whatever they believe to be the true value.

Thereafter, the highest bidder receives his allocation in full followed by those below him until all the available shares are allocated.

The price of the lowest allocation then becomes the strike price which all successful bidders have to pay. Those who bid higher, and still received allocations, will therefore be refunded the balance.

The only danger is that one applicant could bid for the entire issue at a premium and deny any others the opportunity to pick up any shares.

The GBS listing is expected to include some three million shares offered by way of the tender system, one million allocated to staff and the balance placed preferentially with suppliers, customers and selected institutions.

Final details have yet to be agreed, but another positive aspect is that all preferential investors will have to pay the eventually decided strike price, so they will also be coming in at a fair market valuation.

The tender system is remarkably simple and, assuming a successful listing for GBS, could become more commonplace. Details of GBS and how the tender will operate will become available soon.

Still shopping (189)

Delta Electrical Industries' share performance in recent months stands out against a particularly weak electronics sector. Since the beginning of the year the share has advanced 87,5% to 600c.

By contrast, the electronics sector has dropped 1,6% over the same period with an even greater fall of 3,5% since end-May. In its latest surge last week, Delta added 150c to extend its 1986 gain to 280c.

The probable explanation appears to be that the price was boosted by news of substantial acquisitions from parent company Delta SA. However, these are not expected to have a material effect on earnings for the year to end-December.

Other than a re-rating by the market, CE Paul Smits cannot see why the share should have reacted so startlingly. But Delta may at last be gaining recognition it has long deserved.

Financial Mail July 11 1986

Since it underwent sweeping changes three years back, when Delta SA merged its electrical repair and insulation businesses with LH Marthinusen (whose name has since changed to Delta Electrical), Delta built up an enviable record. From a loss of 0,6c a share, EPS reached 50,8c last year. Interim EPS for the period to end-June are expected to be 26c — 24% up on last year.

Smits confirms that the acquisitions are "material" to Delta. Judging from the increase in Delta's net worth from 277c to 309c a share, group net assets will grow by just over 50% to R29,6m.

New investments include controlling interests in earthmoving parts distributor Equipment Spare Parts Africa, and electrical cable and accessories companies Delta Cables and Procom Aerial. In addition, Delta has acquired equity-accounted interests in hydraulic and pneumatic equipment manufacturer Ernest Lowe Hydrotube, and coal mining equipment supplier Licence Mining.

Delta SA prepared the groundwork for these acquisitions by merging separate outside interests into its own divisions before selling the enlarged companies to Delta.

Smits contends these companies are financially sound and technically strong. Still, rationalisation measures have already started and benefits should flow through in the longer term. As these companies service mainly the mining and heavier industrial sectors, Smits sees no deterioration in its markets.

Why the belated share price reaction to news of the acquisitions? After all, it was no secret when Delta SA tied up these deals some months ago. And could Delta be looking at more acquisitions from its unlisted parent company?

Smits says not. He tells me that the remaining investments in Delta SA are not complementary to Delta's business. However, he does not rule out further acquisitions from outside the group.

Although standing at a high of 600c, the share has only now been accorded a rating on par with the electronics sector average. On current prospects and potential longer-term benefits, I don't believe this well-managed group is overrated.

Patric Ho

Battery firm to wind down

JOHANNESBURG — Duracell Batteries has announced the winding down of its operation in South Africa. All staff have been informed of the decision.

The winding down will commence from tomorrow. It is expected that the process will take approximately six months to complete.

Announcing the decision, the general manager, Mr John Klette,

said: "Our business is entirely dependent on imported products from Europe and the dramatic and continuing fall in the value of the rand against all major currencies, coupled with the imposition of the import surcharge, has totally eroded our commercial viability. We see no prospect of these circumstances improving in the foreseeable future." — Sapa

Duracell pulling out

DURACELL BATTERIES laid off 55 yesterday — virtually its entire workforce — as its UK parent announced the winding down over the next six months of its SA operation.

A company spokesman made clear the move was not politically motivated.

"There has been no overseas pressure on our UK parent to divest."

The sharp fall in the rand and levying of a 10% import surcharge in October made Duracell a loss-maker.

"Duracell relies entirely on imports and must support large overheads on the back of one product. In short, we

tried to work through the recession but saw no light at the end of the tunnel," the spokesman said.

Company executives are negotiating a distribution deal with a third party.

The spokesman would not be drawn on the extent of the company's losses.

"Duracell's factories in Britain and Belgium have been absorbing, through transfer-pricing, a lot of the South African subsidiary's losses. Some sort of drastic surgery was expected," he said.

The decision to withdraw from SA was taken last week.

Skeleton staff will be maintained to service customers for five months.

HAMISH McINDOE

Political comment in this issue by Ken Owen. Newsbills by Kevin Davie. Headlines and sub-editing by Michael Allwright. All of 171 Main Street, Johannesburg.

Cape Times 6/7/80

City firm accused of 'union bashing'

By HILARY VENABLES
Labour Reporter

ACCUSATIONS of "union bashing" and intimidation of trade union members have been levelled against a Cape Town subsidiary of the giant British multinational electronics group, Plessey.

The Electrical and Allied Workers' Trades Union (EAWTU), which signed up the majority of workers at three Plessey plants in Cape Town in July, has asked Plessey workers in Britain to try and stop what it calls "the campaign of terror" being directed at its members by the management of the Laingsdale plant in Plumstead.

The British Embassy in Pretoria has agreed to meet the EAWTU to discuss the allegations. Plessey management has declined to comment on the issue.

The union's case was broadcast on news bulletins throughout Europe this week after an international news team filmed an EAWTU meeting where workers said management had threatened union members with police harassment and detention.

Sixty Laingsdale workers resigned from the union recently after management allegedly described the EAWTU as "part of the ANC" and said its members would be detained.

The EAWTU regional secretary, Mr Brian Williams, accused Laingsdale management of trying to "smash the union" to avoid negotiating wage increases for its employees.

Last month the union declared a dispute with management at Plessey's Renak plant in Diep River when wage negotiations broke down.

Attempts to negotiate pay increases at Laingsdale and the third plant, Plessey SA Ltd, are being bedevilled because the union can no longer count on majority membership at these plants.

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Workers walk out over employment of students

By DICK USHER, Labour Reporter

ABOUT 40 workers from Renak, a Diep River circuit board factory, today walked out over the employment of students during an overtime ban.

The workers belong to the Electrical and Allied Workers Trades Union which has already declared a dispute over wages.

Meeting at Firdale Hall, workers complained that University of Cape Town engineering students working night and weekend shifts were being paid R4 an hour, more than the R3,90 an hour minimum workers are demanding.

"Scab" labour

They are also complaining about new security measures and about harassment of workers since the dispute was declared.

Professor James Leatt, acting deputy vice-chancellor at UCT and chairman of the industrial relations management committee, said: "The university has had no part in the recruitment of 'scab' labour for any company. Nor will it do so.

Subsidiary

"I wish to appeal to members of the university to be informed about industrial relations and to consider carefully the issues involved before accepting offers of employment on sites of industrial relations conflict."

Renak is a subsidiary of the British multinational, Plessey. A spokesman for Plessey South Africa refused to comment.

Lineerwerk—herenommer 15 na 13;
 Litografie—herenommer 16 na 14;
 Masjienbediening (Pakgoedvervaardiging)—herenommer 17 na 15;
 Riffelbord- en Houernasjienbediening—herenommer 19 na 16;
 Rotasiehooggedruksbediening—herenommer 20 na 17;
 Rotasiebedruksbediening—herenommer 21 na 18;
 Sewerwerk—herenommer 22 na 19; en
 Skryfbediening- en Koertrasmasjien-versteler—herenommer 24 na 20.

P. T. C. DU PLESSIS,
 Minister van Mannekrag.

No. R. 1974 19 September 1986

WET OP ARBEIDSVERTHOUDINGE, 1956

ELEKTROTEGNIESE AANNEMINGSNYWERHEID, TRANSVAAL—WYSIGING VAN SIEKTEBYSTANDS-, PENSIOEN- EN MEDIESE BYSTANDSFONDSOOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidshouding, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroop in die opskrif by hierdie kennisgewing vermeld, met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1990 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is; en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd die vervat in klousule 1 (1) (a), met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1990 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroop in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer.

P. T. C. DU PLESSIS,
 Minister van Mannekrag.

BYLAAE
 NYWERHEIDSRaad VIR DIE ELEKTROTEGNIESE AANNEMINGSNYWERHEID
 OOREENKOMS

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

Electrical Contractors' Association (South Africa) (hierna die "werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en

The South African Electrical Workers' Association (hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Elektrotegniese Aannemingsnywerheid.

Printers' Mechanic—renumber 18 to 14;
 Printers' Warehousing (including Cutting)—renumber 19 to 15;
 Process Engraving—renumber 20 to 16;
 Rotary Letterpress Machine Minding—renumber 21 to 17;
 Rotary Offset Machine Minding—renumber 22 to 18;
 Ruling—renumber 23 to 19; and
 Stationery and Envelope Machine Adjuster—renumber 24 to 20.

P. T. C. DU PLESSIS,
 Minister of Manpower.

No. R. 1974 19 September 1986

LABOUR RELATIONS ACT, 1956

ELECTRICAL CONTRACTING INDUSTRY, TRANSVAAL.—AMENDMENT OF THE SICK BENEFIT, PENSION AND MEDICAL AID FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the first Monday after the date of publication of this notice and for the period ending 31 December 1990, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the first Monday after the date of publication of this notice and for the period ending 31 December 1990, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. T. C. DU PLESSIS,
 Minister of Manpower.

SCHEDULE
 INDUSTRIAL COUNCIL FOR THE ELECTRICAL CONTRACTING INDUSTRY
 AGREEMENT

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

Electrical Contractors' Association (South Africa) (hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and

The South African Electrical Workers' Association (hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Electrical Contracting Industry.

om die Ooreenkoms, gepubliseer by Goewernementkennisgewing R. 1884 van 23 Augustus 1985 (hierna die "Herbetrokingsooreenkoms" genoem), soos verleg by Goewernementkennisgewing R. 2844 van 17 Desember 1985, te wysig.

1. GEBIED EN TOEPASSINGSREKTE VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word deur alle werkgewers en werknemers in die Elektrotegniese Aannemingsnywerheid—

(a) wat lede is van onderskeidelik die werkgewersorganisasie en die vakvereniging; en

(b) wat betrokke is by of werksaam is in die Nywerheid in die provinsie Transvaal en in die landdrostsdistrikte Bloemfontein en Sasolburg.

(2) Ondanks subklousule (1) is die Ooreenkoms van toepassing op vakleerlinge en kweklinge siegs vir sover dit nie onbestaanbaar is met die Wet op Mannekragopleiding, 1981, met voorwaardes of kennisgewings wat daartoe voorgeskryf of bestel is nie.

(3) Vir die toepassing van hierdie Ooreenkoms word die weeklikse loonskaal van vakleerlinge wat kragtens die Wet op Mannekragopleiding, 1981, voorgeskryf is as die weekloon van sodanige werknemers geag en is die uurloon die weekloon soos hierbo bereken, gedeel deur die getal gewone ure wat in daardie betrokke bedryfsinstelling gewerk word.

2. KLOUSULE 4.—ALGEMENE BEPALINGS

Vervang klousule 4 van die Herbetrokingsooreenkoms deur die volgende: "Klousule 3 (soos gewysig by Klousule 5 van die Herbetrokingsooreenkoms), 4, 6, 7, 9 tot 10 soos gewysig by Klousule 7 en 8 van die Herbetrokingsooreenkoms), 11, 12 soos gewysig by Klousule 9 van die Herbetrokingsooreenkoms), 13 tot 15, 16 (soos gewysig by Klousule 10 van die Herbetrokingsooreenkoms), 17, 18 tot 20 (soos gewysig by Klousules 11 tot 13 van die Herbetrokingsooreenkoms), 21 tot 24, 25 (soos gewysig by Klousule 14 van die Herbetrokingsooreenkoms en Klousule 3 hieronder), 26, 27 tot 29 (soos gewysig by Klousules 15 tot 17 van die Herbetrokingsooreenkoms), 30 (soos gewysig by Klousule 18 van die Herbetrokingsooreenkoms en Klousule 4 hieronder), 31, 32, 33 tot 34 (soos gewysig by Klousules 19 tot 20 van die Herbetrokingsooreenkoms), 35 en 36 van die Voorg. Ooreenkoms, is van toepassing op werkgewers en werknemers."

3. KLOUSULE 25.—LIDMAATSKAP

In subklousule (1), voeg die volgende paragraaf (e), (f) en (g) in na paragraaf (d):

"(e) Indien 'n lid wat op voordeel geregtig is tot sieraar kom, is sy vrou en sy afhanklikes op die dag van sy afdiening geregtig op voordeel gedurende die eerste ses maande na sy afdiening sonder om gedurende daardie tydperk enige bydraes te maak.

(f) Binne die tydperk in paragraaf (e) gestel, kan die weduwe van sodanige afgestorwe lid aansoek doen om lidmaatskap van die Mediese Hulpfonds en kan sy by besluit van die Raad, toegelaat word tot lidmaatskap van die Mediese Hulpfonds en moet sy geklassifiseer word in dieselfde kategorie en op dieselfde lidmaatskapsvoorwaardes as dié waaarde die afgestorwe lid op die dag van sy afdiening geregtig was, en moet sy die bydraes van 'n lid in daardie kategorie betaal.

(g) Indien die weduwe van 'n afgestorwe lid weer trou, word haar lidmaatskap van die Mediese Hulpfonds beëindig."

4. KLOUSULE 30.—BYDRAES

(1) Vervang subklousule (1) (a) deur die volgende:

"(1) (a) 'n Werkgewer moet die volgende bedrae weekliks aan die Mediese Bystandsfonds betaal ten opsigte van ondergenoemde werknemers in hul onderskeie lidmaatskapskategorieë:

Kategorie (1)	Totale bedrag in rand per week		Vakleerlinge wat nie in Kolum (2) ingesluit is nie	Vakleerlinge wat nie in Kolum (3) ingesluit is nie
	'A'-lede is [Kolum (2)]	'B'-lede is [Kolum (3)]		
Mesterrelektisjens, elek. Lidmaatskapskategorie				
M1	17	14	8.50	7
M2	20	17	—	—
M3	23	20	—	—
M4	26	23	—	—
M4+	29	26	—	—

(2) In subklousule (1) (a), voeg die kategorieë "ambagsmanne, installasie-operateurs" in na die kategorie "elektrisians" waar die kategorie in die tabel bo kolumne (2) en (3) aangegee word.

to amend the Agreement published under Government Notice R. 1884 of 23 August 1985 (hereinafter referred to as the "Re-enacting Agreement"), as extended by Government Notice R. 2844 of 17 December 1985.

1. AREA AND SCOPE OF APPLICATION

(1) The terms of this Agreement shall be observed by all of Agreement employers and employees in the Electrical Contracting Industry—

(a) who are members of the employers' organisation and the trade union respectively; and

(b) who are engaged or employed in the Industry in the Province of the Transvaal and the Magisterial Districts of Bloemfontein and Sasolburg.

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall apply to apprentices and trainees only in so far as they are not inconsistent with the provisions of the Manpower Training Act, 1981, or any conditions prescribed or any notice served in terms thereof.

(3) For the purposes of this Agreement, the weekly wage rate of apprentices prescribed under the Manpower Training Act, 1981, shall be taken to be the weekly wage of such employees, and the hourly rate shall be the weekly wage calculated as above, divided by the number of ordinary hours worked in the establishment concerned.

2. CLAUSE 4.—GENERAL PROVISIONS

Substitute the following for clause 4 of the Re-enacting Agreement: "The provisions contained in clauses 3 (as amended by clause 5 of the Re-enacting Agreement), 4, 6, 7, 9 to 10 (as amended by clauses 7 and 8 of the Re-enacting Agreement), 11, 12 (as amended by clause 9 of the Re-enacting Agreement), 13 to 15, 16 (as amended by clause 10 of the Re-enacting Agreement), 17, 18 to 20 (as amended by clauses 11 to 13 of the Re-enacting Agreement), 21 to 24, 25 (as amended by clause 14 of the Re-enacting Agreement and clause 3 hereunder), 26, 27 to 29 (as amended by clauses 15 to 17 of the Re-enacting Agreement), 30 (as amended by clause 18 of the Re-enacting Agreement and clause 4 hereunder), 31, 32, 33 to 34 (as amended by clauses 19 to 20 of the Re-enacting Agreement), 35 and 36 of the Former Agreement shall apply to employers and employees."

3. CLAUSE 25.—MEMBERSHIP

In subclause (1), insert the following paragraphs (e), (f) and (g) after paragraph (d):

"(e) Should a member who is entitled to benefits die, his wife and dependants at the date of his death shall be entitled to benefits for the first six months after his death without making any contributions during that period.

(f) Within the period stated in paragraph (e), the widow of such a deceased member may apply for membership of the Medical Aid Fund and may, by resolution of the council, be admitted to membership of the Medical Aid Fund and shall be classified in the same category and conditions of membership as the deceased member had at the date of his death and shall pay the contributions of a member in that category.

(g) Should the widow of a deceased member remarry, her membership of the Medical Aid Fund shall cease."

4. CLAUSE 30.—CONTRIBUTIONS

(1) Substitute the following for subclause (1) (a):

"(1) (a) An employer shall pay the following amounts to the Medical Aid Fund in respect of the undermentioned employees in their respective categories of membership per week:

Column (1) Category of membership	Total amount in Rands per week		Apprentices not included in Column (2)	Apprentices not included in Column (3)
	'A' members [Column (2)]	'B' members [Column (3)]		
M1	17	14	8.50	7
M2	20	17	—	—
M3	23	20	—	—
M4	26	23	—	—
M4+	29	26	—	—

(2) In subclause (1) (a), insert the categories "artisans, installation operators" after the category "electricians" where the categories are given in the table above Columns (2) and (3).

(3) In subklousule (1) (b), (c) en (d), vervang die uitdrukking "R61,00 vir 'n lid in die M-kategorie, R70,00 vir 'n lid in die M1-kategorie, R79,00 vir 'n lid in die M2-kategorie, R88,00 vir 'n lid in die M3-kategorie en R97,00 vir 'n lid in die M4+-kategorie" deur die uitdrukking "R74,00 vir 'n lid in die M-kategorie, R87,00 vir 'n lid in die M1-kategorie, R100,00 vir 'n lid in die M2-kategorie, R113,00 vir 'n lid in die M3-kategorie en R126,00 vir 'n lid in die M4+-kategorie".

Soos gemagtig, vir en namens die partye by die Raad op hede die 1ste dag van Mei 1986 te Johannesburg onderteken.

B. NICHOLSON,
Voorsitter van die Raad.

J. M. FRASER,
Ondervoorsitter van die Raad.

C. P. VENTER,
Sekretaris van die Raad.

No. R. 2003

19 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

**DRANK- EN SPYSENIERSBEDRYF (PRETORIA).—
WYSIGING VAN OOREENKOMS**

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

- (a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die eerste dag van die kalendermaand wat volg op die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 November 1988 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is; en
- (b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (a), 10 en 12, met ingang van die eerste dag van die kalendermaand wat volg op die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 November 1988 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

No. R. 2004

19 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

**DRANK- EN SPYSENIERSBEDRYF (PRETORIA).—
VERLENGING VAN OOREENKOMS**

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verleng hierby, kragtens artikel 48 (4) (a) (i) van die Wet op Arbeidsverhoudinge, 1956, die tydperk vasgestel in Goewermentskennisgewing R. 2 van 6 Januarie 1984, met 'n verdere tydperk wat op 30 November 1988 eindig.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

In subclause (1) (b), (c) and (d), substitute the expression "R74,00 for an M category member, R87,00 for an M1 category member, R100,00 for an M2 category member, R113,00 for an M3 category member and R126,00 for an M4 + category member" for the expression "R61,00 for an M category member, R70,00 for an M1 category member, R79,00 for an M2 category member, R88,00 for an M3 category member and R97,00 for an M4 + category member".

Signed at Johannesburg, as authorised, for and on behalf of the parties to the Council, this 1st day of May 1986.

B. NICHOLSON,
Chairman of the Council.

J. M. FRASER,
Vice-Chairman of the Council.

C. P. VENTER,
Secretary of the Council.

No. R. 2003

19 September 1986

LABOUR RELATIONS ACT, 1956

**LIQUOR AND CATERING TRADE (PRETORIA).—
AMENDMENT OF AGREEMENT**

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

- (a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the first day of the calendar month following the date of publication of this notice and for the period ending 30 November 1988, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union; and
- (b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clauses 1 (1) (a), 10 and 12, shall be binding, with effect from the first day of the calendar month following the date of publication of this notice and for the period ending 30 November 1988, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. T. C. DU PLESSIS,
Minister of Manpower.

No. R. 2004

19 September 1986

LABOUR RELATIONS ACT, 1956

**LIQUOR AND CATERING TRADE (PRETORIA).—
EXTENSION OF AGREEMENT**

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby, in terms of section 48 (4) (a) (i) of the Labour Relations Act, 1956, extend the period fixed in Government Notice R. 2 of 6 January 1984, by a further period ending 30 November 1988.

P. T. C. DU PLESSIS,
Minister of Manpower.

Altech interim results come up to expectations

By Peter Farley

Altech has again turned in the kind of performance investors have come to expect, with a 26 percent increase in bottom-line earnings to R27 million in the six months to end-August.

But, while the telecommunications side of the business again performed remarkably well, it is clear from the results of holding company Altron that the heavier side of the business — Powertech and its cable subsidiaries — produced little in the way of earnings growth.

Nevertheless, the group overall remains exceptionally strong, with a balance sheet that is the envy of virtually any other listed company. Not only is there no debt, but the group is currently sitting on a cash balance of around R88 million.

The recession has, however, left its mark, with a paring of operating margins in Altech to 17 percent from 19,6 percent in last year's first half. Much of this can be attributed to the inflationary impact on sales — up to R300 million — which did not translate into profits.

In the period under review Altech opened an R18 million digital microwave production facility at Boksburg and signed a R30 million contract with SATS for the supply of a microwave system.

In addition, the Post Office's Diginet data system was launched with equipment supplied by STC, which also started its business communications division.

However, one of the biggest concerns that must be facing chief executive Mr Bill Venter is the shortage of top management talent.

In the past year he has lost his right hand man Mr Ken Maud, components division chief Mr Nico Hemmes and, more recently, Powertech chief executive Mr Hugh Brown and recent acquisition Mr Attie du Plessis.

The size of the group, with annual turnover now well over R1 billion, requires extensive management talent. There is a solid base of internally developed executives, but new blood is needed.

Perhaps Mr Venter will have to turn to the Barlow Rand strategy of seeking business acquisitions that bring with them top executives.

In anticipation of the continuing good results and possibly because of the potential for acquisitions the investment community has continued to accord the group an exceptionally high rating.

At R90 the Altech share price is now more than 50 percent above the levels seen at the beginning of the year and offers an historic dividend yield of well below two percent.

There seems no reason to change this for the time being, but the foundations must be laid in the near future for clear management succession that will ensure the continuation of the investment community's long-term bullish view of the group's prospects.

(7) Voeg die volgende subklousule in na subklousule (17) (a) (ix):

(x) aansoek doen om deernisverlof wat nie drie dae per geval te bowe gaan nie, ten einde die begrafnis van 'n gesinslid of nabye bloedverwant by te woon."

J. F. M. VAN DER MERWE,
Voorsitter.

N. C. GEY VAN PITTIUS,
Ondervoorsitter.

A. J. VAN SCHALKWYK,
Sekretaris.

No. R. 2068

26 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

NYWERHEIDSRAAD VIR DIE ELEKTROTEGNIесе NYWERHEID (NATAL).—WYSIGING VAN MEDIESE HULPFONDSOOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1987 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE ELEKTROTEGNIесе NYWERHEID (NATAL)

MEDIESE HULPFONDSOOREENKOMS

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

Electrical Contractors' Association (South Africa)

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

South African Electrical Workers' Association

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

wat die partye is by die Nywerheidsraad vir die Elektrotegniese Nywerheid (Natal),

om die Ooreenkoms, gepubliseer by Goewermentskennisgewing R. 994 van 23 Mei 1986 (hierna die Herbekragtigingsooreenkoms genoem) soos verleng by Goewermentskennisgewing R. 1335 van 27 Junie 1986, te wysig.

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Ondanks andersluidende bepalings in hierdie klousule, is hierdie Ooreenkoms van toepassing op en moet dit nagekom word in die Elektrotegniese Nywerheid deur alle werkgewers en werknemers wat onderskeidelik lede van die werkgewersorganisasie en die vakvereniging is wat betrokke is by of in diens is in die Nywerheid in die landdrostdistrikte Alfred, Babanango, Bergville, Camperdown, Chatsworth, Dannhauser, Dundee, Durban, Eshowe, Estcourt, Glencoe, Hlabisa, Impendle, Inanda, Ingwavuma, Ixopo, Kliprivier, Kranskop, Lionsrivier, Lower Tugela, Lower Umfolozi, Mahlabatini, Mapamulo, Moorivier, Msinga, Mtonjaneni, Mtunzini, Ndwedwe, Newcastle, New Hanover, Ngotshe, Nkandla, Nongoma, Nqutu, Paulpietersburg, Pietermaritzburg, Pinetown, Polela, Port Shepstone, Richmond, Ubombo, Umbumbulu, Umvoti, Umzinto, Underberg, Utrecht, Vryheid en Weenen, maar uitgesonderd die gedeeltes van hierdie landdrostdistrikte wat ingevolge Proklamasie R. 11 van 1977 wat in die *Staatskoerant* van 28 Januarie 1977 verskyn het, binne die selfregerende gebied KwaZulu val, in die werksaamhede uiteengesit in paragrawe (a), (b) en (c) van die omskrywing van "Elektrotegniese Nywerheid" in klousule 3 van die Ooreenkoms gepubliseer by Goewermentskennisgewing R. 967 van 13 Mei 1983.

(7) Insert the following subclause after subclause (17) (a) (ix)

(x) apply for compassionate leave which shall not exceed three days per event in order to attend the funeral of a member of his family or close relative."

J. F. M. VAN DER MERWE,
Chairman.

N. C. GEY VAN PITTIUS,
Vice-Chairman.

A. J. VAN SCHALKWYK,
Secretary.

No. R. 2068

26 September 1986

LABOUR RELATIONS ACT, 1956

INDUSTRIAL COUNCIL FOR THE ELECTRICAL INDUSTRY (NATAL).—AMENDMENT OF MEDICAL AID FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1987, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE ELECTRICAL INDUSTRY (NATAL)

MEDICAL AID FUND AGREEMENT

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

Electrical Contractors' Association (South Africa)

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

South African Electrical Workers' Association

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

being the parties to the Industrial Council for the Electrical Industry (Natal),

to amend the Agreement published under Government Notice R. 994 of 23 May 1986 (hereinafter referred to as the Re-enacting Agreement), as extended by Government Notice R. 1335 of 27 June 1986.

1. SCOPE OF APPLICATION OF AGREEMENT

(1) Except as otherwise provided in this clause, the terms of this Agreement shall apply to and be observed in the Electrical Industry by all employers and employees who are members of the employers' organisation and the trade union respectively, who are engaged or employed in the Industry in the Magisterial Districts of Alfred, Babanango, Bergville, Camperdown, Chatsworth, Dannhauser, Dundee, Durban, Eshowe, Estcourt, Glencoe, Hlabisa, Impendle, Inanda, Ingwavuma, Ixopo, Klip River, Kranskop, Lions River, Lower Tugela, Lower Umfolozi, Mahlabatini, Mapamulo, Mooi River, Msinga, Mtonjaneni, Mtunzini, Ndwedwe, Newcastle, New Hanover, Ngotshe, Nkandla, Nongoma, Nqutu, Paulpietersburg, Pietermaritzburg, Pinetown, Polela, Port Shepstone, Richmond, Ubombo, Umbumbulu, Umvoti, Umzinto, Underberg, Utrecht, Vryheid and Weenen, but excluding any portions of those Magisterial Districts falling within the self-governing territory of KwaZulu in terms of Proclamation R. 11 of 1977, which appeared in the *Government Gazette* of 28 January 1977, in the operations set forth in paragraphs (a), (b) and (c) of the definition of "Electrical Industry" in clause 3 of the Agreement published under Government Notice R. 967 of 13 May 1983.

(2) Die bepalings van hierdie Ooreenkoms is nie van toepassing nie op werkgewers en hul werknemers wat saam met die werkgewer deelnemers is in 'n skema wat mediese voordele verskaf wat bestaan het op 3 Januarie 1966 en waartoe die betrokke werkgewer weekliks minstens 45 sent bydra ten opsigte van elke werknemer wat lid van die skema is en andersins deur hierdie Ooreenkoms gedek word, terwyl die skema in werking bly en genoemde werkgewer en werknemers voortgaan om deelnemers in die skema te wees en die werkgewer voortgaan om 'n bydrae van minstens 45 sent per week ten opsigte van elke sodanige werknemer te betaal.

(3) Ondanks subklousule (2), is hierdie Ooreenkoms van toepassing op werkgewers en werknemers ten opsigte van werknemers wat nie gedek word deur 'n fonds of skema wat in daardie subklousule bedoel word nie, of wat ophou om daardeur gedek te word.

2. KLOUSULE 3.—ALGEMENE BEPALINGS

Vervang klousule 3 van die Herbekragtigingsooreenkoms deur die volgende:

“Die bepalings vervat in klousule 3 (soos gewysig by klousule 4 van die Herbekragtigingsooreenkoms) 4 tot 8, 9 (soos gewysig by klousule 3 hieronder), 10 (soos gewysig by klousule 4 hieronder) en 11 tot 19 van die Ooreenkoms gepubliseer by Goewermentskennisgewing R. 1429 van 13 Julie 1984 (hierna die “Vorige Ooreenkoms” genoem), is van toepassing op werkgewers en werknemers.”

3. KLOUSULE 9.—BYDRAES

In subklousule (1), vervang die syfer “R6,75” deur die syfer “R8,75”.

4. KLOUSULE 10.—BYSTAND

Vervang subklousule (1) deur die volgende:

“(1) 'n Lid is daarop geregtig om, behoudens die reëls van die Fonds, bystand van die Fonds soos volg te eis ten opsigte van mediese, tandheelkundige en gesigkundige dienste:

- Betaling van koste, uitgesonderd koste vir tandheelkundige en gesigkundige dienste, van hoogstens altesaam R5 000 (met inbegrip van koste vir bevallings van hoogstens R450 per bevalling) in elke siklus van 52 weke bydraende diens vir die lid en sy afhanklikes;
- betaling van koste vir tandheelkundige dienste van altesaam hoogstens R400 in elke siklus van 52 weke bydraende diens vir die lid en sy afhanklikes;
- betaling van koste vir gesigkundige dienste van hoogstens altesaam R200 in elke siklus van 52 weke bydraende diens vir die lid en sy afhanklikes;
- betaling van bystand vir dienste kragtens hierdie klousule van hoogstens die bepaal in die bystandskale wat van tyd tot tyd in die *Staatskoerant* verskyn ingevolge die Wet op Mediese Skemas, 1967, en waar geen sodanige bystandskale bepaal word nie mag die bystand nie die bedrae oorskry soos van tyd tot tyd deur die Bestuursraad ooreenkomstig die Reëls bepaal word nie.”

Soos gemagtig, vir en namens die partye op hede die 1ste dag van April 1986 te Durban onderteken.

B. NICHOLSON,
Voorsitter van die Raad.

M. F. PRINSLOO,
Ondervoorsitter van die Raad.

D. F. ANTHONY,
Sekretaris van die Raad.

No. R. 2069

26 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

NYWERHEIDSRaad VIR DIE ELEKTROTEGNIËSE NYWERHEID (NATAL).—WYSIGING VAN SIEKTE-BYSTANDSFONDSOOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

- kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1987 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is; en

(2) The terms of this Agreement shall not apply to employers and their employees who are participants with the employer in any scheme providing medical benefits in existence on 3 January 1966, to which the employer concerned contributes not less than 45 cents per week for each employee who is a member of the scheme and otherwise covered by this Agreement whilst such scheme continues to operate and the said employer and employees continue as participants in the scheme and the employer continues to pay a contribution of not less than 45 cents for each such employee per week.

(3) Notwithstanding the provisions of subclause (2), the terms of this Agreement shall apply to employers and employees in respect of any employee who is not covered by, or ceases to be covered by, a fund or scheme referred to in that subclause.

2. CLAUSE 3.—GENERAL PROVISIONS

Substitute the following for clause 3 of the Re-enacting Agreement:

“The provisions contained in clauses 3 (as amended by clause 4 of the Re-enacting Agreement), 4 to 8, 9 (as amended by clause 3 hereunder), 10 (as amended by clause 4 hereunder) and 11 to 19 of the Agreement published by Government Notice R. 1429 of 13 July 1984 (hereinafter referred to as the “Former Agreement”), shall apply to employers and employees.”

3. CLAUSE 9.—CONTRIBUTIONS

In subclause (1), substitute the figure “R8,75” for the figure “R6,75”.

4. CLAUSE 10.—BENEFITS

Substitute the following for subclause (1):

“(1) Subject to the provisions of the rules of the Fund, a member shall be entitled to claim the following benefits from the Fund in respect of medical, dental and optical services:

- Payment of expenses, other than expenses for dental services and optical services, not exceeding the amount of R5 000 (including payment of expenses for confinements up to a maximum of R450 per confinement) in the aggregate in each cycle of 52 weeks of contributory service for the member and his dependants;
- payment of expenses for dental not exceeding the amount of R400 in the aggregate in each cycle of 52 weeks of contributory service for the member and his dependants;
- payment of expenses for optical services not exceeding an amount of R200 in the aggregate in each cycle of 52 weeks of contributory service for the member and his dependants;
- payment of benefits for services under this clause not exceeding those determined in the scale of benefits as published from time to time in the *Government Gazette* in terms of the Medical Schemes Act, 1967, and where no such scale of benefits has been determined, the benefits shall not exceed amounts as decided from time to time by the Board of Management in terms of the Rules.”

Signed at Durban, as authorised, for and on behalf of the parties, this 1st day of April 1986.

B. NICHOLSON,
Chairman of the Council.

M. F. PRINSLOO,
Vice-Chairman of the Council.

D. F. ANTHONY,
Secretary of the Council.

No. R. 2069

26 September 1986

LABOUR RELATIONS ACT, 1956

INDUSTRIAL COUNCIL FOR THE ELECTRICAL INDUSTRY (NATAL).—AMENDMENT OF SICK PAY FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

- in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1987, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions; and

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepaling van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (a), 2, 4 en 5, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1987 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE ELEKTROTEGNIESE NYWERHEID (NATAL)

SIEKTEBYSTANDSFONDS

OOREENKOMS

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

Electrical Contractors' Association (South Africa)

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

South African Electrical Workers' Association

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

wat die partye is by die Nywerheidsraad vir die Elektrotegniese Nywerheid (Natal),

om die Ooreenkoms, gepubliseer by Goewermentskennisgewing R. 992 van 23 Mei 1986 (hierna die Herbekragtigingsooreenkoms genoem) soos verleng by Goewermentskennisgewing R. 1334 van 27 Junie 1986, te wysig.

DEEL I

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word deur werkgewers en werknemers in die Elektrotegniese Nywerheid—

- (a) wat lede van onderskeidelik die werkgewersorganisasie en die vakvereniging is; en
- (b) wat betrokke is by of in diens is in die Nywerheid in die landdrosdistrikte Alfred, Babanango, Bergville, Camperdown, Chatsworth, Dannhauser, Dundee, Durban, Eshowe, Estcourt, Glencoe, Hlabisa, Impendle, Inanda, Ingwavuma, Ixopo, Kliprivier, Kranskop, Lionsrivier, Lower Tugela, Lower Umfolozi, Mahlabatini, Mapamulo, Mooirivier, Msinga, Mtonjaneni, Mtunzini, Ndwedwe, Newcastle, New Hanover, Ngotshe, Nkandla, Nongoma, Nqutu, Paulpietersburg, Pietermaritzburg, Pinetown, Polela, Port Shepstone, Richmond, Ubombo, Umbumbulu, Umvoti, Umzinto, Underberg, Utrecht, Vryheid en Weenen, maar uitgesonderd die gedeeltes van hierdie landdrosdistrikte wat ingevolge Proklamasie R. 11 van 1977 in die *Staatskoerant* van 28 Januarie 1977 verskyn het, binne die selfregerende gebied KwaZulu val, in die werksaamhede uiteengesit in paragrawe (a), (b) en (c) van die omskrywing van "Elektrotegniese Nywerheid" in klousule 3 van die Ooreenkoms gepubliseer by Goewermentskennisgewing R. 967 van 13 Mei 1983.

(2) Ondanks subklousule (1), is hierdie Ooreenkoms nie van toepassing nie op—

- (a) werknemers in diens van die werkgewers in subklousule (1) bedoel wat, hoewel hulle ingevolge die geregistreerde bestek van 'n vakvereniging wat 'n party by hierdie Ooreenkoms is lede van so 'n vakvereniging kan word, nie lede van so 'n vakvereniging is nie;
- (b) werknemers uitgesonderd dié in diens van werkgewers in subklousule (1) bedoel.

2. KLOUSULE 3.—SPEZIALE BEPALINGS

Vervang klousule 3 van die Herbekragtigingsooreenkoms deur die volgende:

"Die bepaling vervat in klousule 9 van Deel I en klousule 1 (soos gewysig by klousule 4 hieronder), klousule 2 (soos gewysig by klousule 5 hieronder), 3 en 4 van Deel II van die Ooreenkoms soos gepubliseer by Goewermentskennisgewing R. 2827 van 30 Desember 1983, soos gewysig by Goewermentskennisgewing R. 2481 van 16 November 1984 (hierna die "Vorige Ooreenkoms" genoem), is van toepassing op werkgewers en werknemers."

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clauses 1 (1) (a), 2, 4 and 5, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1987, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE ELECTRICAL INDUSTRY (NATAL)

SICK PAY FUND

AGREEMENT

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

Electrical Contractors' Association (South Africa)

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

South African Electrical Workers' Association

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

being the parties to the Industrial Council for the Electrical Industry (Natal),

to amend the Agreement published under Government Notice R. 992 of 23 May 1986 (hereinafter referred to as the Re-enacting Agreement), as extended by Government Notice R. 1334 of 27 June 1986.

PART I

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed by employers and employees in the Electrical Industry—

- (a) who are members of the employers' organisation and the trade union, respectively; and
- (b) who are engaged or employed in the Industry in the Magisterial Districts of Alfred, Babanango, Bergville, Camperdown, Chatsworth, Dannhauser, Dundee, Durban, Eshowe, Estcourt, Glencoe, Hlabisa, Impendle, Indanda, Ingwavuma, Ixopo, Klip River, Kranskop, Lions River, Lower Tugela, Lower Umfolozi, Mahlabatini, Mapamulo, Mooi River, Msinga, Mtonjaneni, Mtunzini, Ndwedwe, Newcastle, New Hanover, Ngotshe, Nkandla, Nongoma, Nqutu, Paulpietersburg, Pietermaritzburg, Pinetown, Polela, Port Shepstone, Richmond, Ubombo, Umbumbulu, Umvoti, Umzinto, Underberg, Utrecht, Vryheid and Weenen, but excluding any portions of those Magisterial districts falling within the self-governing territory of KwaZulu in terms of Proclamation R. 11 of 1977, which appeared in the *Government Gazette* of 28 January 1977, in the operations set forth in paragraphs (a), (b) and (c) of the definition of "Electrical Industry" in clause 3 of the Agreement published under Government Notice R. 967 of 13 May 1983.

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall not apply to—

- (a) employees employed by the employers referred to in subclause (1) who, whilst being allowed in terms of the registered scope of a trade union which is a party to this Agreement to become members of such a trade union, are not members of such a trade union;
- (b) employees other than those employed by employers referred to in subclause (1).

2. CLAUSE 3.—SPECIAL PROVISIONS

Substitute the following for clause 3 of the Re-enacting Agreement:

"The provisions of clause 9 of Part I and clause 1 (as amended by clause 4 hereunder), clause 2 (as amended by clause 5 hereunder), 3 and 4 of Part II of the Agreement published under Government Notice R. 2827 of 30 December 1983, as amended by Government Notice R. 2481 of 16 November 1984 (hereinafter referred to as the "Former Agreement"), shall apply to employers and employees."

3. KLOUSULE 4.—ALGEMENE BEPALINGS

Vervang klousule 4 van die Herbekragtigingsooreenkoms deur die volgende:

"Die bepaling vervat in klousule 3 (soos gewysig by klousule 5 van die Herbekragtigingsooreenkoms) 4 tot 8 en 10 tot 16 van Deel I en klousule 1, 2 (soos gewysig by klousule 6 hieronder), 3 en 4 van Deel III van die Vorige Ooreenkoms, is van toepassing op werkgewers en werknemers."

DEEL II

SKEMA A

3. KLOUSULE 1.—LIDMAATSKAP

(1) In subklousule (1) (a), vervang die syfer "R2,26" deur die syfer "R2,48".

(2) In subklousule (1) (c), vervang die syfers "R3,32", "R149,40" en "R647,40" deur onderskeidelik die syfers "R3,60", "R162,00" en "R702,00".

(3) In subklousule (2), vervang die syfers "R2,26", "R101,70" en "R440,70" deur onderskeidelik die syfers "R2,48", "R111,60" en "R483,60".

4. KLOUSULE 2.—BYDRAES

In subklousule (1), vervang die bestaande tabel deur die volgende:

"Loongroep per week"	Bedrag per week
	c
Oor R242.....	40
Oor R217 en tot R242.....	36
Oor R174 en tot R217.....	34
Oor R150 en tot R174.....	30
Oor R124 en tot R150.....	27
R124 en minder.....	20"

DEEL III

SKEMA B

5. KLOUSULE 2.—BYDRAES

In subklousule (1), vervang die bestaande tabel deur die volgende:

"Loongroep per week"	Bedrag per week
	c
Oor R242.....	40
Oor R217 en tot R242.....	36
Oor R174 en tot R217.....	34
Oor R150 en tot R174.....	30
Oor R124 en tot R150.....	27
Oor R107 en tot R124.....	20
Oor R90 en tot R107.....	18
R90 en minder.....	16"

Soos gemagtig, vir en namens die partye op hede die 1ste dag van April 1986 te Durban onderteken.

B. NICHOLSON,
Voorsitter van die Raad.

M. F. PRINSLOO,
Ondervoorsitter van die Raad.

D. F. ANTHONY,
Sekretaris van die Raad.

No. R. 2070

26 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

JUWELIERSWARE- EN -EDELMETAALNYWERHEID (KAAP).—HERNUWING VAN HOOFOOREENKOMS

Ek, Mattheus Willem Johannes le Roux, Direkteur: Mannekrag, behoortlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van Goewermentskennisgewing R. 1133 van 8 Junie 1984, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Januarie 1987 eindig.

M. W. J. LE ROUX,
Direkteur: Mannekrag.

3. CLAUSE 4.—GENERAL PROVISIONS

Substitute the following for clause 4 of the Re-enacting Agreement:

"The provisions contained in clauses 3 (as amended by clause 5 of the Re-enacting Agreement), 4 to 8 and 10 to 16 of Part I and clauses 1, 2 (as amended by clause 6 hereunder), 3 and 4 of Part III of the Former Agreement, shall apply to employers and employees."

PART II

SCHEME A

3. CLAUSE 1.—MEMBERSHIP

(1) In subclause (1) (a), substitute the figure "R2,48" for the figure "R2,26".

(2) In subclause (1) (c), substitute the figures "R3,60", "R162,00" and "R702,00" for the figures "R3,32", "R149,40" and "R647,40" respectively.

(3) In subclause (2), substitute the figures "R2,48", "R111,60" and "R483,60" for the figures "R2,26", "R101,70" and "R440,70" respectively.

4. CLAUSE 2.—CONTRIBUTIONS

In subclause (1), substitute the following for the existing table:

"Wage group per week"	Amount per week
	c
Over R242.....	40
Over R217 and up to R242.....	36
Over R174 and up to R217.....	34
Over R150 and up to R174.....	30
Over R124 and up to R150.....	27
R124 and under.....	20"

PART III

SCHEME B

5. CLAUSE 2.—CONTRIBUTIONS

In subclause (1), substitute the following for the existing table:

"Wage group per week"	Amount per week
	c
Over R242.....	40
Over R217 and up to R242.....	36
Over R174 and up to R217.....	34
Over R150 and up to R174.....	30
Over R124 and up to R150.....	27
Over R107 and up to R124.....	20
Over R90 and up to R107.....	18
R90 and under.....	16"

Signed at Durban, as authorised, for and on behalf of the parties, this 1st day of April 1986.

B. NICHOLSON,
Chairman of the Council.

M. F. PRINSLOO,
Vice-Chairman of the Council.

D. F. ANTHONY,
Secretary of the Council.

No. R. 2070

26 September 1986

LABOUR RELATIONS ACT, 1956

JEWELLERY AND PRECIOUS METAL INDUSTRY (CAPE).—RENEWAL OF MAIN AGREEMENT

I, Mattheus Willem Johannes le Roux, Director: Manpower, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notice R. 1133 of 8 June 1984, to be effective from the date of publication of this notice and for the period ending 31 January 1987.

M. W. J. LE ROUX,
Director: Manpower.

CULLINAN

Electrical boost

Activities: Manufacture and marketing of refractories, building bricks, porcelain electrical insulators and other industrial electrical products. Other divisional activities include development and sale of property, mining and processing of base minerals, and heavy electrical construction and contracting.

Control: Anglo American has about 33% of the equity and SA Mutual has 19%.

Chairman: N M Cullinan; deputy chairman: E P H Bieber.

Capital structure: 12,2m ords of 50c each and 500 000 5,5% cum prefs of R2. Market capitalisation: R82,4m.

Share market: Price: 675c. Yields: 5,2% on dividend; 11,3% on earnings; PE ratio, 8,9; cover, 2,2. 12-month high, 750c; low, 450c. Trading volume last quarter, 141 000 shares.

Financial: Year to June 30

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	16,4	9,7	7,1	2,2
Long-term (Rm) ...	24,5	14,8	19,6	12,2
Debt:equity ratio	0,60	0,30	0,31	0,16
Shareholders' interest	0,49	0,61	0,66	0,65
Int & leasing cover .	1,5	3,6	2,6	3,8
Debt cover	0,12	0,94	0,4	1,21

Performance:

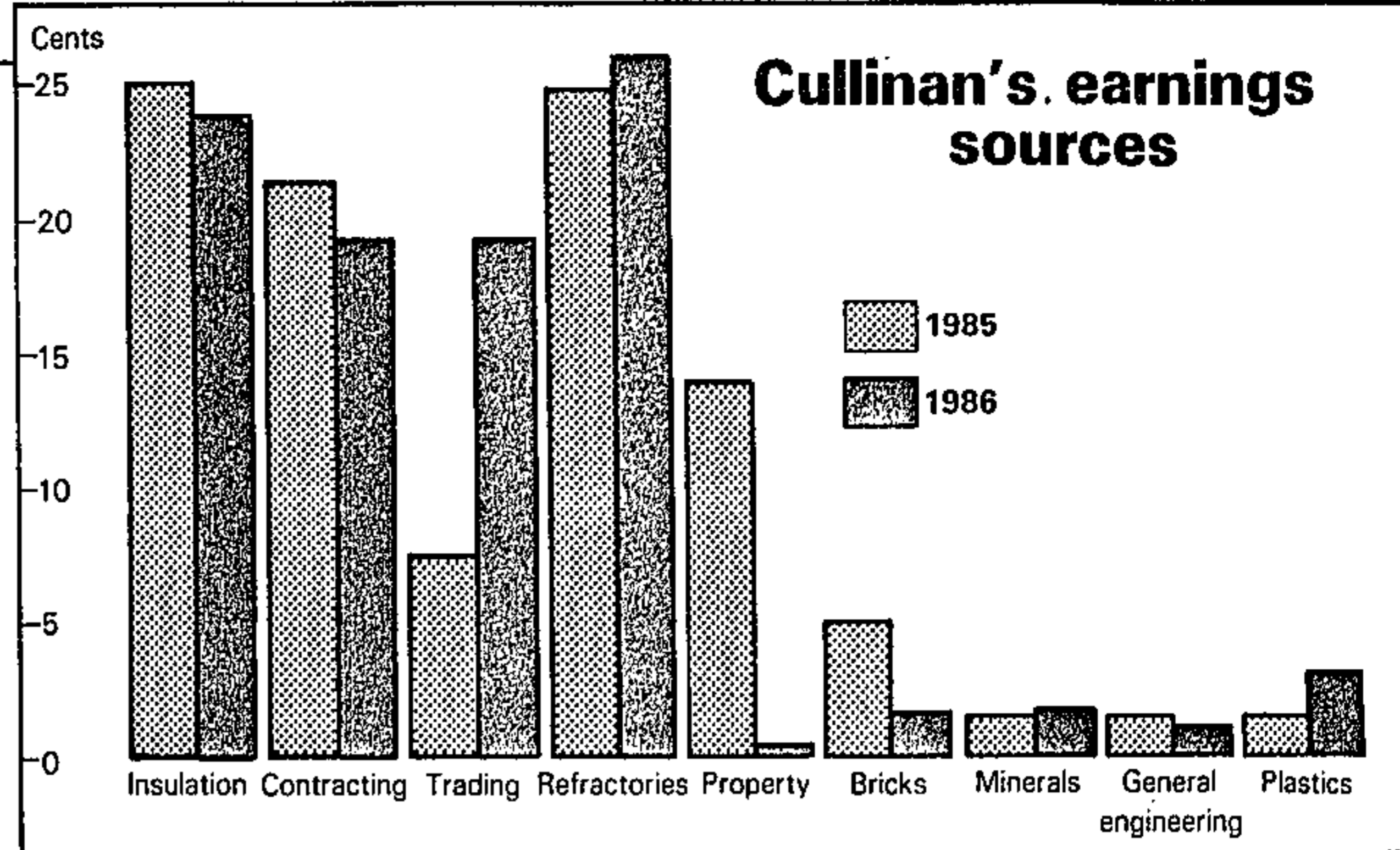
	'83	'84	'85	'86
Return on cap (%) ..	8,2	9,6	10,7	9,6
Turnover (Rm)	172	138	143	175
Pre-int profit (Rm) ...	11,4	12,9	13,8	13,3
Pre-int margin (%) ..	6,6	9,4	9,6	7,4
Earnings (c)	29,9	56,5	62,7	76,1
Dividends (c)	27	27	30	35
Net worth (c)	490	696	730	731

The 1986 performance underlines the efficacy of the diversification embarked upon several years ago. The 31% advance in earnings lifted EPS to 76,1c, in sight of the peak figure of 97,5c earned in 1982 — which was followed by the 69% collapse in 1983 — and enabled a 17% increase in the dividend.

Chairman Neil Cullinan says three factors



Cullinan's Cullinan ... could gain from sanctions



played an important part in the latest figures: a good performance by divisions in the electricity-related fields; a satisfactory rise in contribution from associated partnerships; and considerably lower interest costs.

There was a strong surge in profits from the electrical interests, whose total contribution to group earnings rose from 53,8c a share to 63,4c; however, the increase was concentrated entirely in the electrical trading division, whose contribution jumped from 7,4c to 20,4c.

Ed Polkinghorne, divisional CE, says the trading division's results were derived from continued momentum in Escom's expansion of its distribution network, increased sales of electronic products and the introduction of new products with opening up of new markets.

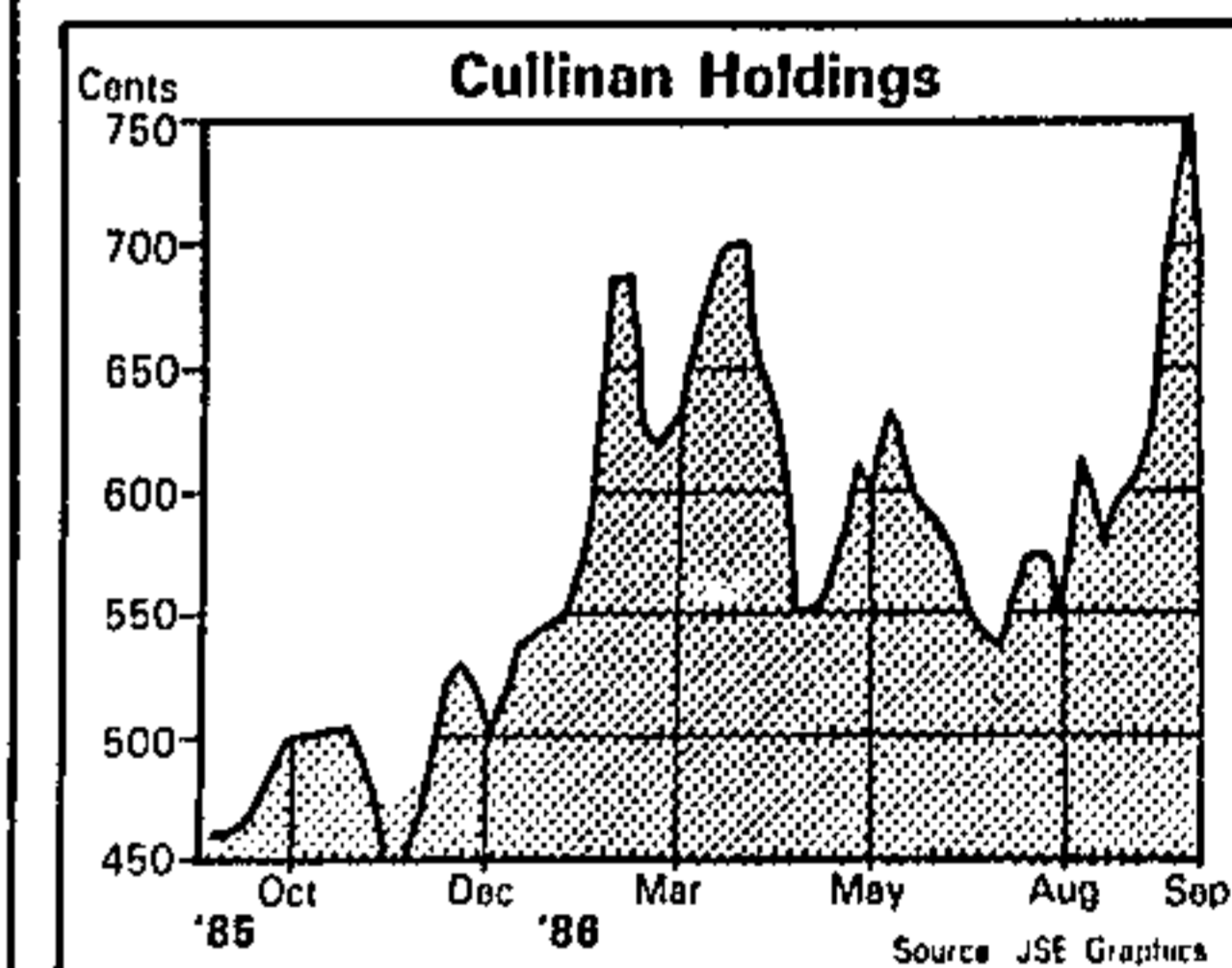
Other electrical activities — the electrical insulators and electrical contracting divisions — both posted small declines. Cullinan says a cyclical downturn is being felt in the results of electrical contracting, and "this trend is expected to continue in the short term as the available pool of new capital construction projects begins to dry up."

Improvement was also seen in refractories

and industrial plastics (which have been sold), but was outweighed by severe falls in property and building bricks. Notably, while turnover was ahead by 22%, changes in the profit mix reduced margins and left group operating profit slightly lower.

Profits of associated partnerships and companies, the most important being the 50-50 partnership with Iscor in Cullinan Refractories, climbed from R1,4m to R2,7m. "High levels of plant output and sales revenues were attained," says Refractories CE Ed Harbuz. "Local demand for refractories remained strong in the steel and other metallurgical industries but a significant decline was noted in certain other market sectors." He adds that while export shipments have increased, the weak rand adversely affects costs, as a significant proportion of raw materials used by the division are imported.

However, the major boost to last year's



earnings came from the 42% decline in the interest bill, which resulted both from lower rates and repayment of borrowings. By year-end, short-term loans had been substantially brought down and the R6,8m debentures converted to equity capital; the effect was that gearing nearly halved to a strong 0,16. This continues a steady strengthening of the balance sheet in recent years — in 1982, gearing was as high as 0,64.

Looking at prospects, Cullinan notes that in the short to medium term, there is every likelihood sanctions will have the effect of boosting local industry as it moves in to take up the slack and replace previously imported products. "If this scenario is valid," he says, "our group may well stand to gain in the

coming year along with those others which manufacture and supply basic infrastructural necessities."

At 675c, the share price is nearly R1 above the level of 580c ruling when the preliminary figures were announced. But if Cullinan's short-term prognosis is realistic, there could be potential for further appreciation in both share price and dividend in the current year.

Andrew McNulty

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SANCTIONS

IBM set to gain from sellout to SA subsidiary

From SVEN LÜNSCHE JOHANNESBURG. — As the United States cut-off date for banning further investment in this country draws near, the rush by US companies to restructure their equity interests has reached fever pitch.

On Tuesday it was General Motors, the biggest US employer of local labour, yesterday IBM joins the growing list of US-based companies disinvesting from South Africa, but all are kept their business options open through contacts with the new management team.

The computer giant announced that it was selling the South African subsidiary to a new local company, established by its former employees.

Mr Jack Clarke, former managing director of IBM (SA) and chief of the new company, said that external and internal political pressures had been taking their toll.

BEST OF BOTH WORLDS

"Obviously US sanctions had a major impact on our decision, as this had affected the attitude of customers in South Africa."

And, although IBM cited political considerations as the major reason for the withdrawal, the company looks set to gain the best out of both worlds.

Its involvement in South Africa had cost the company dearly in terms of US sales, as IBM had been one of the prime targets of the disinvestment campaign — a situation that might now be resolved.

At the same time the company is keeping its options open for future business involvement in the country.

The newly formed company will not only continue to supply IBM equipment exclusively for three years and provide spares and services for five years, but could also move into the very profitable second-hand equipment market by offering products and services of other companies.

IBM turnover in South Africa amounted to more than R300-million.

"The sale will be completed before next March and the loan will be paid back out of the new company's cash flow and profits over an as yet undetermined period of time," Mr Clarke said.

He added that the company was considering going public in order to raise the required capital.

The news came as a shock not only to the local computer market, but to the South African financial community as a whole, as IBM had been by far the largest supplier of computer hardware and software to the market.

Major financial institutions have invested huge sums of money to instal IBM equipment. Barclays Bank alone recently acquired more than R140-million worth of IBM hardware and it is known that many other major financial institutions rely heavily on their equipment to run their electronic banking and their internal computer systems.

While its five-year commitment to supply spares and services, a contract which is renewable, looks like a serious intention by IBM to supply their major customers with the necessary systems for this period, analysts said that their withdrawal must have their major clients "pretty worried at the least".

Most of the financial institutions' computer instalments

are long-term investments and the companies will either have to accept a write-off or supplement their existing equipment with hardware supplied by other computer manufacturers.

GAP IN MARKET

This has obviously created a huge gap in the market which other computer companies are set to exploit.

Mr Mias van Vurren, managing director of Burroughs (SA), IBM's major worldwide competitor said: "We are obviously all set to use any opportunity offered to us in the market and are ready to substantially expand our base."

"Their withdrawal provides better opportunities for IBM compatible suppliers and we hope to fill this niche," a spokesman for Olivetti said.

But IBM is well established to fight for the retention of their market leadership.

"We are now set to market more aggressively, perhaps more so than IBM did, and aim at the market leadership in South Africa," Mr Clarke said.

While the IBM compatible market is set to be less restricted as a result of the withdrawal, the new company's entry into the second hand equipment market could allow them to provide equipment on par with the compatibles.

IBM has recently lost market share and the new company will have to pull all the strings to retain the confidence of their customers and regain lost prestige in the market place.

Mr Clarke refused to give any figure on the final price for the sale but analysts said that in South Africa. "The Government told IBM about three weeks ago, that unless they had more local content in their PCs or assembled more locally they would not buy any more equipment and indications were that things would get even more difficult in South Africa."

Mr Clarke admitted that there were other pressures for disinvestment.

Local business conditions were cited as a major reason, as overtures by these governments in line with socialist principles was threatening nationalisation of IBM's subsidiaries.

OTHER PRESSURES

an agency basis. babwe, but kept offices open on been in India, Nigeria and Zimbabwe. In recent months IBM had been selling off their subsidiary subsequently improved sales. much larger target market and provide the company with a this new deal could ironically was losing market share and the South African subsidiary of IBM subsidiaries worldwide. In line with the recent trend

ELECTRICITY SWITCH-ON

Appliance sales off to slow start

WHEN the Soweto electrification project was announced in 1978, manufacturers and retailers of electric appliances were delighted, predicting a huge new market.

Consensus now is that this market has failed to materialise.

The reasons are varied. Some say that although overall electrification has happened, cables stop at the gate — too few blacks have the money to be hooked up to the system.

Others blame the downswing in the economy.

According to Richard Ferrer, marketing director of Tek Corporation, black purchases of electrical appliances are lower today than four years ago.

Buying power

Mr Ferrer says: "High unemployment and the downturn in the economy mean that buying power has decreased. In some black areas where there has been electricity for some time ownership of appliances is high.

"This will happen in Soweto as well if the economy revives."

Wietske van der Westhuizen, group marketing manager of Ellerine, says there is a gradual increase in the purchase of electrical appliances.

Mr van der Westhuizen says: "There is no rush to buy. Paradoxically, sales of gas appliances are good.

"Part of the problem is the high cost of electrical installation. This is a major deterrent to black buying of appliances. In areas where there has been electrification for some time, there is a high percentage of ownership of appliances. But it is not happening overnight."

Coal fires die

Dion's chief executive, Norman Cohen, says there has been much business in small appliances, like double hot plates, but the sale of majors has not taken off.

Game director Trevor Falkson is optimistic about sales before the Christmas season. He believes that recent price increases for electrical appliances of between 12% and 20% have been a deterrent to buyers.

According to Gert Coetzee, manager of a downtown Lewis Stores, however, sales have been good. He attributes the volume of sophisticated appliance sales like hobs to the increasing degree of home ownership in Soweto.

Mr Coetzee says: "The sale of coal stoves has virtually come to a halt. We don't even carry them on the floor any more. Electrical appliances are what are selling now."

17 20 29/1/86 189

Electrical goods price hike predicted

Dispatch Correspondent

JOHANNESBURG — Manufacturers have planned massive across-the-board price hikes — averaging 10 per cent — for the full range of white and electronic goods.

Retailers predicted consumers would bear the brunt of the increased prices as early as January, if Christmas sales were strong and stocks ran low.

Otherwise, retail outlets said the costs would be passed along to the consumer in February.

Goods set to bear a higher price tag include refrigerators, stoves, washers, dryers, TVs, audio equipment and car stereos.

Internal inflationary pressure is the main cause of price hikes in the sector. Foreign exchange woes have had a greater effect on the import-sensitive electronic goods.

The chairman of the Domestic Appliance Manufacturers' Association and a director of Barlows Manufacturing, Mr Peter Dupen, said the industry had to react to the rising cost of imports and to the upward price adjustments of components from local suppliers.

The 1987 price increases represent the third or fourth jump in the last year for most firms.

Industry figures show total price hikes for the last 12 months of 20 per cent to 25 per cent for major appliances, and 10 per cent for TVs, car stereos and audios.

The marketing director of OK Bazaars, Mr Arthur Solomon, said stocks had been increased in anticipation of price increases, but he predicted consumers would feel the effects in the new year.

ELECTRICAL AND

ELECTRONIC

1987

Powertech buys Asea parent's stake

By Gareth Costa

Power Technologies has just concluded its second major deal in less than a month with the purchase of 24.9 percent of cable and transformer manufacturer Asea SA from the Swedish parent, Asea AB for R11 million.

Powertech now holds 75 percent of Asea, and a 40c offer to minority shareholders is to be made. Until yesterday this offer might have tempted some

shareholders, but Asea's share price jumped 125c yesterday afternoon to 525c on news of the deal.

The move is only expected have a marginal effect on Powertech's earnings, and it will lift the net asset value of the shares from 79.5c a share to 88c.

Asea has had a rough time in the cables market, as earnings declined 13 percent to 16c a

share at the half year. However, a better performance is expected in the current six months to end February.

Powertech recently bought Finnish company, Stromberg, whose parent company was taken over by Asea. Stromberg imports, distributes, engineers and provides full technical support for a wide range of electrical equipment and systems.

Powertech shares rocketed

from below 85c a few weeks ago, to over 120c after declining 41 percent last year.

However, yesterday the shares eased 16c to 107c as the market tried to absorb the effect of all the deals on the company.

Earnings of the company are expected to be somewhat better than the unchanged 4.3c a share for the six months to August 1986.

POWERTECH

189
30/11/87

Making connections

Powertech has increased its dominance in SA's power electrical market with two cash deals completed in the past two weeks. Both arise out of the disinvestment of the Swedish Asea group, which has sold its holding in the power electrical importer and distributor Stromberg and its 24,9% stake in Asea SA.

The amount Powertech paid for the first is unknown, but it forked out more than R11m for the Asea Electric South Africa Limited shares.

Analysts believe the second deal, in particular, which pushed Powertech's stake in

F119 30/11/87

Asea from 50% to 75%, is attractive. They say purchase of the additional 24,9% in Asea at R4 a share has given the group a cheap way of increasing its holding in Aberdare, which is trading at R11 a share. Asea holds 35% of Aberdare through Consolidated Cable Investments and 7% direct for an effective 42% holding.

The R4 a share paid by Powertech for the 25% stake amounts to 76% of Asea's market price on the day of the announcement, and it is unlikely that Powertech will find any takers for its R4 minorities offer.

Some have suggested that Asea and Aberdare might eventually be delisted. Powertech group director Neil Davies comments: "There is nothing like that planned for Aberdare. We will make an announcement about Asea in a few days' time. We will offer the same as we paid to Asea AB to minorities, and we will give them some alternatives as well."

It is a relief to see the group paying for acquisitions in cash, instead of paper, as Powertech has been criticised for the massive number of shares on issue. Issued share capital is some 119m ordinaries, compared with 41m shares in 1984, so reasonable improvements in earnings at attributable level have not filtered through to earnings and dividends. One analyst suggests consolidation of shares might help the group polish its image; another says there is no real benefit to be had in consolidation.

Purchase of the additional stake in Asea will not only boost the asset base, it will also reduce the drain of minority interests on income — this amounted to R6,6m out of R16m net income in 1986.

The two purchases are also being seen as a means for Powertech to further rationalise the power electric market. Davies says: "It is difficult to merge companies when one has only a 50% stake. There are companies within the group that are compatible and we now have more flexibility in this regard. I doubt if we would close any of our facilities, but certain companies, like Stromberg, fit in well with Asea."

Powertech's price has moved off a low of 65c in September to 123c earlier this week, although it weakened to 107c once news of the Asea purchase was released. While Powertech reached about 170c a few years ago, the perception is that it was overvalued then. There is more confidence in the current price, as second-half results are expected to exceed the 4,3c a share earned at interim, and one analyst is looking for a 27% increase in earnings to about 10c a share in 1987.

Kerry Clarke

cially as it was generally thought Glolec was the larger group. In fact, only five years ago Glolec towered over Elcentre when its annual turnover was R90m, compared with Elcentre's R42m. Since then Glolec has seen its turnover shrink to R76m in 1986, only slightly more than the R72,9m reported by Elcentre.

The deal has large implications for Elcentre. Overnight it becomes the dominant player in the wholesale electricals and electronics market, having significantly expanded its customer base. Glolec has been particularly successful in penetrating the mining industry, while Elcentre's strength has always been in housing and construction. The share, now at 180c, began running well ahead of these events. It recently gained further on rumour that Anglo American and other financial institutions had recently acquired a significant stake.

Essentially, the deal is as follows: Elcentre buys from Malbak its 100% stake in Glolec for R18,5m, payable with R4,5m cash and an issue of 9,26m new Elcentre "D" shares at 151c (they are deferred with regard to the year-end dividend). As this would dilute the Mowszowski family interest to where future paper acquisitions could threaten its control, the second leg sees creation of a pyramid holding company, Elgro.

Malbak sells its 9,26m shares to shareholders of Elcentre, including the Mowszowski family, who then have the right to exchange a proportion of their Elcentre shares for Elgro shares.

Director Phillip Aginsky tells me early indications are that minorities have overwhelmingly opted for the latter route. The reason is obviously that they expect Elgro to become the vehicle for future acquisitions, and they want to be where the action is.

Elcentre D shares traded at 150c on Tuesday, at a 30c discount to Elcentre ords. As the discount should only be around 3c — equivalent to the likely year-end dividend — they currently offer a cheap entry into Elcentre. Elgro is structured so that it should trade at exactly half of Elcentre, which it was doing on Tuesday, when it stood at 90c.

In the take-over document, Elcentre's earnings in the year to end-February 1986 would have been 17% higher, at 11,7c (10c), had the deal gone through at the start of the year. These figures are grossly misleading as they take no account of rationalisation benefits, which in this deal appear significant.

Already, says Aginsky, Elcentre has made large cuts to Glolec's overhead structure, by laying off 20% of its staff, closing its costly central warehouse (Elcentre has its goods delivered directly from factory to branch), and shutting Glolec's computer system, to be replaced by Elcentre's existing mainframe.

While Aginsky refuses to speculate on the impact these moves could have on profits, a simple exercise gives the analyst a good idea of what could happen. Documents show that Elcentre and Glolec are similar in size and structure (combined turnover is R150m). Yet Elcentre operates on a profit/turnover

margin of 8,5%, compared with Glolec's 5,1%. There appears little reason to doubt that with cuts already made to Glolec's cost structure, Elcentre's management can bring the companies' operating margins closer together.

If so, shareholders could be looking at earnings between 22c and 24c from Elcentre this year, taking account of growth in existing interests. That would place Elcentre shares at 180c, on a prospective earnings yield of at least 12,2%, and a dividend yield around 5%. It looks a conservative rating for a company on a growth track. *Neville Glaser*

ELCENTRE

189 F/M 30/187

Now a predator

Elcentre appears to have transformed itself from a low-profile business into a predator in one easy move. Its acquisition of Globe Electric (Glolec) may have surprised many, espe-

Duracell stays

Dear Sir,

I REFER to your editorial which commenced "The land of sunny skies is now deprived of Marlboro cigarettes and Duracell batteries" (*Business Day*, March 6).

Duracell batteries are and will continue to be available to the consumer. One of our subsidiaries, Manel Distributors (Pty) Ltd, was recently appointed as licensed distributor of Duracell products in SA and surrounding territories.

The retail trade has been informed of this appointment, and hopefully those who have refused to restock and sell Duracell batteries will now rectify this situation and afford the public the opportunity to choose the long-lasting battery.

A new Duracell television campaign has been launched, which I trust will assist in preventing any further rumours or misconceptions about the continued availability of Duracell to the South African public.

B/Dew
KEITH F McCULLOUGH
Business Development Manager

CAPL 11/18/7

Workers back after lay-off (189) protest (189)

Labour Reporter

WORKERS "downed tools" at the Claude Neon Light plant in Epping yesterday to protest against management's severance deal offer for 13 retrenched workers, according to the Electrical and Allied Workers Trades Union (EAWTU).

The union said workers had refused to return to work after a lunch-time meeting till management agreed to improve its offer of one week's pay for one year's employment.

The workers returned when management agreed to give those retrenched a week's wages for every year plus an extra two weeks' pay.

The company will also give the retrenched workers first option on jobs if it takes on any more workers within the next three months, and will regard their service as unbroken if it re-employs them within that time.

A management spokesman denied yesterday that the workers had downed tools, saying management gave them the time off to discuss the outcome of negotiations with the union.

He would not say what agreement had been reached.

Cape Times 2/4/87

Retrenched might not be re-employed

189 335 129
Labour Reporter

WORKERS retrenched from the Claude Neon Lights plant in Epping will not be automatically re-employed if job vacancies occur within the next three months, the company said yesterday.

The company's area manager, Mr J Jandrell, said workers would be re-employed only if vacancies occurred in their particular job categories.

The Cape Times reported yesterday that retrenched workers would be given first option if the company employed additional staff during the next three months.

Mr Jandrell also said only 11 workers had

been retrenched, not 13 as claimed by the Electrical and Allied Workers' Trades Union.

The union yesterday said it accepted Mr Jandrell's "clarification" but said it had been informed by management in a letter that 13 workers were to be retrenched.

The union also insisted that its members downed tools on Tuesday to protest against management's original retrenchment deal, and denied the company's claims that it had given the workers time off to consider its offer.

POLITICAL comment in this issue by A H Heard, G O Kling, G E Shaw, A Johnson and B Streek. Posters, headlines and sub-editing by A Henderson. All of 122 St George's Street, Cape Town.

TEDELEX (1891) F/M 10/4/87

Paying the price

Activities: An investment holding company with subsidiaries involved in the manufacture and distribution of televisions, radios, hi-fi, video recorders and a range of consumer and professional appliances and electronic equipment.

Control: The holding company is General Mining Union Corporation with 96,9% of the equity.

Chairman: D J Jacobs; managing director: J Cohen.

Capital structure: 60,5m ords of 25c. Market capitalisation: R242m.

Share market: Price: 400c. Yields: 6,3% on earnings; PE ratio, 16; 12-month high, 450c; low, 240c. Trading volume last quarter, 149 000 shares.

Financial: Year to December 31

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	10,0	142,6	73,8	34,3
Long-term (Rm) ...	111,0	151,0	74,6	168,5
Debt:equity ratio	1,2	8,6	1,0	1,2
Shareholders' interest	0,31	0,07	0,32	0,31
Int & leasing cover .	2,40	1,11	0,89	1,9
Debt cover	0,26	n/a	n/a	0,16

Performance:

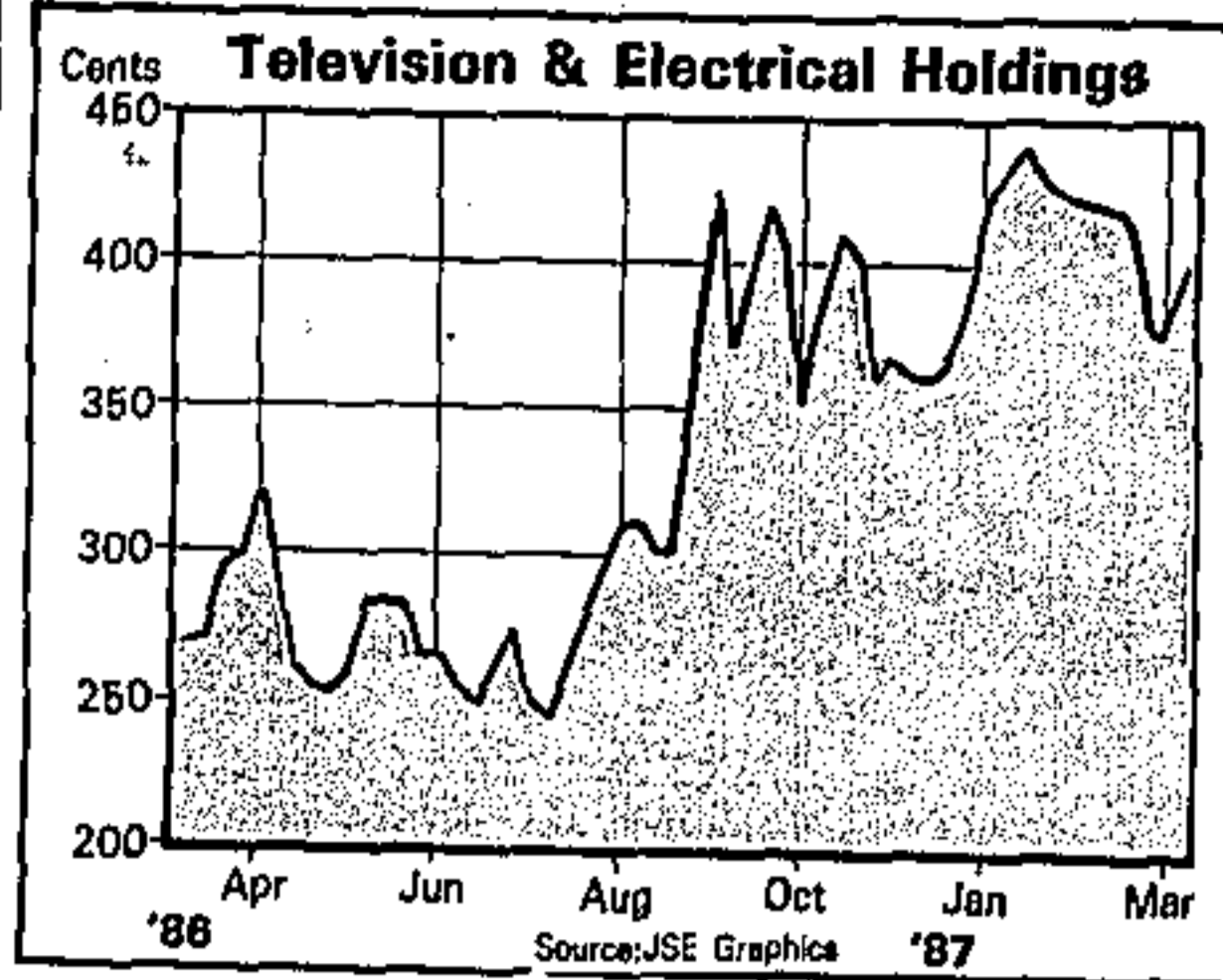
	'83	'84	'85	'86
Turnover (Rm)	394,8	698,6	495,8	593,4
Pre-int profit (Rm) ...	55,2	72,4	41,2	55,5
Pre-int margin (%) ..	14,0	10,4	8,3	9,4
Taxed profit (Rm)	24,1	(79,5)	(17,1)	21,8
Earnings (c)	130,2	(656)	(84)	25
Dividends (c)	54	—	—	—
Net worth (c)	569	1	169	195

* 18 months

At attributable level, Tedalex has almost recovered to its 1983 earnings, after two years of heavy losses. But the cost of restructuring its balance sheet is reflected in earnings a share.

In 1983, attributable profit of R17,2m yielded earnings a share of 130c, while R15,3m earned last year translated into only 25c a share, thanks to the large dilution caused by the September 1985 rights issue. More than 47m shares were issued to raise R122m, and to reduce the unsustainably high debt:equity ratio of 8,6 at end-1984. This dilution has also been reflected in the share price: Tedalex was once an R11 share, but in the past year it has traded between R2,10 and R4,30.

The firmer tendency of the share in recent months may reflect improved earnings prospects — earnings of at least 33c are expected, and dividend payments should resume



after a two-year absence.

But evidence that group debt is again creeping up is beginning to worry some investors. Interest-bearing debt rose to R203m at end-1986, from R148m in 1985. Of the R168m owing in long-term loans, some R157m is due to holding company Gencor.

MD Jack Cohen attributes the increase to disappointing sales in the fourth quarter of 1986. Retailers stocked up in anticipation of a good Christmas which failed to materialise. The result was stock overhanging the market, and Tedalex's own stock levels have risen. The value of finished goods in stock has increased from R74m to R104m, representing 18% of last year's turnover. Debt has therefore risen to finance higher stock levels, and subsidiary Ellerine is having to fund a larger debtors book.

Cohen says the group should be able to reduce debt by about R40m this year through tighter inventory control. He says he is not too concerned about the higher debt bill, as interest rates should remain low during most of this year. Despite a 55% jump in year-end borrowings, interest paid by Tedalex fell 63% to R22m.

Stocks have started falling, says Cohen. While February's sales were disappointing, January was a reasonable trading month and March was more buoyant. But he says it is difficult to identify a pattern as retailers don't buy in the first quarter. The next three months will be the most telling in terms of trends.

While furniture, consumer durable and television sales could well pick up, there is likely to be some delay in the recovery of lighting and air conditioning product sales, as the building industry has yet to show signs of recovery.

In anticipation of a dividend of about 11c, the share is on a prospective dividend yield of 2,8%, which is hardly cheap. A strong resurgence in consumer spending later in the year could change that and revive investor interest.

Kerry Clarke

CAPE TOWN
15/4/87

Firefite workers on strike

Labour Reporter

ABOUT half the workers at the Firefite electronics factory in Cape Town came out on strike this week to protest against low wages and poor working conditions, according to the Electrical and Allied Workers' Trades Union (EAWTU).

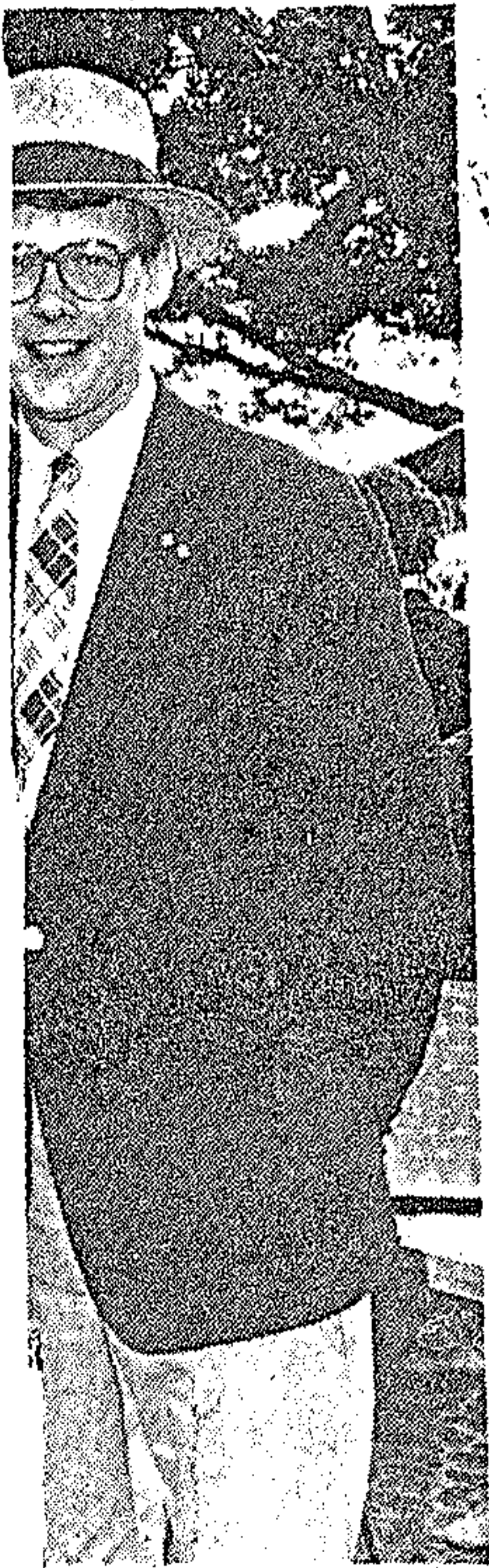
Managing director Mr Robert McFarlane said 51 out of a workforce of 111 downed tools at lunchtime on Monday, and that production at the plant was down 25%.

He said none of the unions represented at the plant had majority membership, and no union was therefore officially recognized.

However, the company would be willing to talk unofficially to the EAWTU "when its members go back to work".

An EAWTU spokesman said the union had 61 signed-up members at Firefite.

e group



week as part of the African business and after addressing the (from left) Phil Ulmer, leader Fred Combs.

market

Delta Electrical shares earnings rise by 30%

CAPE TOWN 20/4/87

JOHANNESBURG. — In his first review as chairman of Delta Electrical Industries, N A Bury says he's "pleased to report a year of substantial progress in which net income attributable to ordinary shareholders increased from R3,574m to R5,565m and earnings a share rose by 30% to 66,1c (1985: 50,8c)

Dividends totalling 27c a share (17c), an increase of 59% over the previous year, have been declared.

On May 1 last year, 96% of the share capital of Transwire was acquired in a cash transaction. As reported at the general meeting of shareholders on 19 August 1986, a significant restructuring of the company was effected as a result of the acquisition of the electrical and certain industrial investments of Delta SA (Pty) Ltd.

Agricultural outlook good

Says Bury: "The economic improvement noted towards the end of 1986 provides a welcome note of optimism for the current year. The summer rains have continued and the outlook for the agricultural sector is good.

"This aspect, combined with the benefits of the gold price holding steady ahead of the \$400 barrier and the exchange rate of the rand improving to its current level of \$0,48, is an encouraging sign for the short term.

"On the other hand, the negative influences of high inflation, political uncertainty, high unemployment, continued unrest in black residential areas and aggressive activity by black trade unions will have a dampening effect on business confidence and prospects for economic growth in the longer term are not reassuring.

"From the point of view of the company, however, many factors provide a more promising scenario and I am confident that the quality of results achieved last year will be repeated in 1986." — Sapa

New

CAPX Times 23/4/87 (189) 249

Altron earnings up 25%

THE Altron group increased earnings by 25% to 250c a share in the year to the end of February.

Turnover reached a record high of R1,2 billion — a 32% increase over the previous year. The dividend has been increased by 21% from 67c to 81c.

The major contribution came from the Altech group whose growth was largely internal as a result of continuing capital investment programmes in digital electronics. Altech's turnover rose by 30% to a new high of R641m, whilst earnings increased by 26% to 609 c.

Altech's cash and short-term investments on hand at the year-end reached a record level of R150 m, an increase of 142%.

The directors say they are especially pleased with the performance of its electronic components, telecommunications and electronic systems divisions.

In the last year Powertech had become "a fully fledged high-technology power electronics group with the size, technical competence and product range to compete effectively against the most sophisticated multi-national competition in South Africa."

Group turnover increased by 32% to R601 m while earnings rose by 28,2% to 10,1c. Fintech's earnings improved by a 107% to 43,4c a share reflecting the group's sound investments within the data processing and office automation business.

The acquisition of Rank Xerox SA after the year-end is expected to make a substantial contribution to both turnover and earnings.

□ Ventron, which has a 55,7% interest in the Altron group, increased turnover to R1,2 billion (R945 m) and earnings increased 25% to 94,4 c per share while the dividend has been upped by 20% to 30,6c (25,5).

City firm

CPB of Imps 29/4/82
sacks 55
189

striking

workers

A CITY electronics firm, Firefite (Pty) Ltd, has sacked 55 workers who have been on strike since April 13 in protest against low wages and poor working conditions.

The dismissed workers, all members of the Electrical and Allied Workers' Trades Union, returned to work briefly on Thursday last week when management agreed to discuss their grievances with worker representatives, but went back on strike when talks broke down.

In a letter to the union last week, Firefite said it had been losing R15 000 a day in lost production, and was "being threatened with a R7 000 a day penalty for overdue delivery" on one account.

The company was losing business to other suppliers and its creditors were demanding early payment as a result of the strike.

Workers said yesterday that they had decided to down tools because management had been victimizing union members and had refused to address workers' complaints about low wages and the way supervisors treated workers.

"Some of us have up to 21 years' experience, but our take home pay is R76 a week."

"The supervisor and factory manager insult us and victimize us."

A union official said the union would approach the Industrial Court for a reinstatement order.

Firefite said yesterday that worker representatives had "walked out" of Thursday's meeting "without any matters being resolved".

licence to speak

ARBUS 5/5/87
**Stoppages at 2
city factories**

Labour Reporter

WORKERS at two Peninsula electronics plants stopped work in support of strikers who were dismissed from Firefite in the city.

About 55 workers were dismissed after a two-week strike by members of the Electrical and Allied Workers' Trades Union.

In one-hour stoppages at Cathdalen, Maitland, and Plessey in Retreat, union members urged their managements to put pressure on Firefite to reinstate the dismissed workers.

Workers at Plessey emphasised that they had no quarrel with management at their plant where working conditions and wages, while not a living wage, were among the best in the Western Cape.

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COMPANIES

R20-m turnaround puts Reunert back in the black

By TOM HOOD, Business Editor
REUNERT, the high-tech electronics and electrical giant of the Barlows empire, is back in the black after a R20-million turnaround in the half-year to March.

Net profit recovered to R12,4-million after an R8-million net loss a year ago and dividends have been resumed with a 10c a share payout.

This follows an improvement in all the group's divisions and the elimination of losses in two companies.

Earnings a share reached 39,8c compared with a 24,4c loss. In its best year, 1981, earnings hit 197c for the full 12 months.

Turnover jumped by R145-million to R549-million.

Chairman and chief executive Mr Richard Savage says the improved results in the last half of the 1986 financial year continued.

While margins improved generally, they were still tight in the electrical division, although there was an indication of possible improvement.

The interest bill dropped to R8,2-million from R10,9-million as

a result of lower borrowings and reduced interest rates.

The group also redeemed R23-million of short-term preference shares, so that the reduction in borrowings is substantial, he said. Long-term borrowings were almost halved to R4,4million and short-term debt borrowings cut from R137-million to R97-million.

"While predictions in the existing climate of politically motivated industrial unrest are difficult, prospects look good for the next six months and results should continue to improve," added Mr Savage.

METROPOLITAN LIFE's managing director, Mr Willem Pretorius, reports a continued improvement in the lapse rate of in-force policies and the growth in new business in the half-year to March.

The Cape company is raising its interim payout by 25 percent to 7,5c a share from 6c a year ago and forecasts the full year's dividend should be appreciably higher than last year's 9c.

Earnings were R4,7-million (11,20c a share), up from R3,6-million (8,40c).

Premium income rose R19-million to R120-million and investment income of R62-million showed a 13 percent improvement.

A new range of policies launched in January contributed to a 24 percent increase in recurring premium new business, says Metpol.

AMCOAL's earnings dipped by 6 percent to R190-million for the year to March. But the fall accelerated in the second half and were 15 percent lower than a year ago.

The dividend has been kept at 160c after an 80c final and the directors believe they will be able to maintain this payout next year in spite of "substantially lower" earnings expected.

Profit from coal exports will reduce further in the current year as a result of low us dollar prices, the strengthening of the rand-dollar exchange rate and the increase in the cost of railing coal to Richards Bay, say the directors.

This downturn will not be offset by higher earnings in the domestic market.

Turnover rose to R1 182-million (R1 075,4-million).

Govt bid to stimulate electronics industry

TV prices may drop 20%

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CALF Times 29/5/87

By BARRY STREEK
THE price of television sets could be slashed by as much as 20% following moves announced this morning by the government to boost sales and stimulate the electronics industry.

Customs duties on imported sets are to be cut

and a 35% rebate on excise duty granted on receiving sets and monitors not costing more than R800.

Quality, but not safety, controls have been abolished and consumers will have to decide for themselves what quality of TV set they want.

And the possible abolition of all import control on TV receiving sets and certain monitors is to be considered at "a later stage", depending on progress made by the local electronics industry and price competitiveness achieved.

These moves, an-

nounced by the Deputy Minister of Economic Affairs and Technology, Theo Alant, are expected to boost TV sales and manufacturing.

Alant said: "The decrease in the duties together with the development of a local chassis will imply that the price of TV receiving sets could drop as much as 20%.

"This ought to have a positive influence on sales figures, which will benefit capacity utilization in the electronics industry.

"These steps are also aimed at the stimulation

of the electronics industry.

"It is trusted that the TV manufacturing industry will grasp the opportunity to establish the necessary technology in this country."

The moves were introduced after recommendations by the Board of Trade and Industry and "intensive" discussions with representatives of the electronics industry.

The changes, which come into effect today, include the reduction of the existing customs duty of 100% ad valorem to 60% on TV receiving sets and on monitors

with a value for duty purposes not exceeding R800 each, while the existing excise duty and customs duty of 35% ad valorem will be retained.

Rebate of the 35% excise will be granted this way: "Up to seven percentage points of the excise duty in respect of the value added in the manufacture of electronic components and materials incorporated in TV receiving sets and in monitors with a value for duty purposes not exceeding R800 each and for the components and materials mentioned which are exported."

Footnote

1. Annual

TV-makers see 300 000 set sales

MANUFACTURERS expect sales of new television sets to leap to a record 300 000 a year because of price cuts of up to 20% now being offered by retailers.

TV rental king Theo Rutstein, whose Teljoy Holdings was listed on the Johannesburg Stock Exchange this week, thinks sales will be even higher.

Mr Rutstein says a million sets that are 11 or 12 years old and will have to be replaced soon.

Tariffs

The price cuts, sparked off by the Government's reduction of import tariffs, means a discount for consumers of up to R200 on a big set. The discount could increase if manufacturers start fighting for market share.

Production capacity of the four major manufacturers — Barlows, Tek, Philips and Tedelex — is estimated at

By Udo Rypstra

500 000 sets a year. With new manufacturers such as Transkei's Sunson entering the market, competition could become fierce.

Teljoy Holdings will try to persuade TV watchers to rent so dealers could also find competition fierce.

Peter Dupen, chairman of the Radio and TV Manufacturers Association (RTVMA), says the industry has had two relatively bad years with sales of 212 000 last year and 220 000 in 1985.

He believes the lower prices will boost sales by 30%, but not to more than the 300 000 a year the industry enjoyed in earlier years.

Mr Dupen says: "The old sets still have a lot of life left and I do not see a windfall from replacements this year."

SA's rental market amounts to only 10% of the TV "population", but Mr

Rutstein believes the second growth phase has been reached. If the UK pattern is repeated in SA, there will be a major demand for rental.

"There is a tremendous growth potential for our industry. With less money in their pockets, consumers will rent sets."

Rental in the UK peaked at about 80% of the colour TV market.

Pattern

Mr Rutstein says the average life of a set in Europe is about seven years, but with SA's limited viewing time, sets should last longer. Another fact prolonging their life is the high quality of the sets.

"Consumers have been putting off the big decision to replace and there is now a pent-up demand. We have only seen a replacement level of 20%."

Squeezed disposable income, the introduction of M-Net and purchases of video recorders may also have held up replacements, says Mr Rutstein.

Heading for JSE listing

CIG projects 91% earnings boost

CAPE TIMES 10/7/87

189

Finance Staff

CAPE TOWN-based Computer Installation Group (CIG), seeking a listing on the Johannesburg Stock Exchange on August 6, forecasts a 91,3% earnings hike — from R277 000 to R530 000 — in the current financial year.

According to figures published in the prospectus today, CIG, the holding company of Invertex, Versitech, Computer Site Installation (Cape) and Industrial Contronics, chalked up total sales of R4,4m for the 12 months to February.

It projects a figure of R6,7m for the current year. Net after-tax income is expected to be R530 000, equivalent to earnings of 4,61c per share on the 11,5m shares in issue, giving a yield of 9,22% on the issue price.

In line with the company's intention to pay an annual dividend covered approximately 2,5 times, the dividend pay-out to February 1988 is expected to be 1,84c a share.

The JSE listing will be preceded by a private placing of 4,5m ordinary shares.

CIG is a high technology group specializing in the design, manufacture, supply and servicing of equipment in the power electronics and computer fields through its four wholly-owned subsidiaries.

Group MD Louis Greenblatt says funds raised by the listing will strengthen the group's research and manufacturing arms and enable it to become more aggressive on the Witwatersrand.

"We will be in a position to acquire companies with complementary manufacturing and service profiles."

In addition to this, some of the funds will be used to reduce borrowings.

Greenblatt says the group will benefit from the swing towards import substitution. It is also being successful in the export market and intends to develop this.

Cart Tints 12/1/87 189

Boost for TV manufacturers

By CHRIS CAIRNCROSS

MAJOR steps are being taken to introduce greater local content in domestically assembled television sets with a view to further stimulating the growth of the electronic component industry in SA.

Details of the progress made to-date were revealed in Parliament yesterday by Deputy Minister of Economic Affairs and Technology, Theo Alant.

He said that two committees have been set up by the Department of Trade and Industries to handle the investigations.

One is a planning committee to oversee project development, while a tech-

nical project committee for identifying products and specifications that feasibly can be manufactured in SA.

Alant said that six existing TV manufacturers are participating the pilot scheme.

They have agreed on a short-term measure to help finance the costs by contributing R5 for every TV set sold.

Alant said it was hoped that a final, fully tested TV set will be ready for the market in about March 1989.

An immediate short-term benefit that was likely to flow from increased commonality of locally manufactured components is a decline in price of between 14% and 18%, and a general price cut of about 30%.

Controversial secretary of year

JOHANNESBURG. — Complaints have followed the naming of Miss Elsa Metz as "Secretary of the Year" in a contest jointly sponsored by the SABC. She is secretary to Mr Alwyn Schlebusch, Minister responsible for broadcasting. — The Argus Correspondent. ARGUS 2/9/87 (189) (182)

150 refrigeration workers fired

EAST LONDON. — About 150 workers were dismissed from the Barlows refrigeration plant in East London following a dispute over proposed changes to working conditions. — Sapa.

AMG 70716 10/9/87 (189) 182

Fired workers deny getting 'extra time'

EAST LONDON. — Two hundred workers dismissed from Hoover denied yesterday that they were given an extra hour after the company's final ultimatum to return to work, and dismissed the managing director's views as untrue.

In a written statement, signed by the secretary of the workers' committee, Mr Elliot Dikimolo, the workers maintained that they decided to return to work on August 31, but found the factory entrance closed.

Mr Dikimolo was reacting to a statement by Hoover managing director Mr Edward Ashdown that the workers did not resume normal duties despite being given an extra hour over and above the company's final ultimatum.

"The workers strongly deny that they were given an extra hour by Mr Ashdown," Mr Dikimolo said. — Sapa

CAPC Trip 23/9/87



189



Fintech shows dramatic 511% rise in earnings

JOHANNESBURG. — Fintech, which was a cash shell eight months ago, has emerged as an entirely different organization with a current market capitalization of more than R500m.

Turnover of the group rose dramatically to R64m for their half-year to August, while an outstanding earnings performance reflected an increase of 511% from 13c to 79,4c a share.

The directors say that this follows Fintech's strategy of becoming a leading office automation and information technology organization in SA.

They add this was firmly established in the half-year through a number of carefully-planned strategic acquisitions of companies which already have a major share of the mar-



kets in which they operate.

In their review of activities, the directors point out that Fintech:

Acquired the entire issued share capital of Rank Xerox (Pty) Ltd with effect from May 1.

Successfully raised R47,3m in August by way of a rights issue in the ratio of 33 ordinary shares for every 100 shares held at a price of R35 a share.

Increased its investment in Punch Line Holdings from 21% to 56% with effect from July 1.

Exchanged its 50% shareholding in South Continental devices for 1,1m Punch Line shares with effect from March 1.

Disposed of its 100% shareholding in Roneo Alcatel with effect from April 1 for 400 000 new Punch Line shares.

Increased its shareholding, effective October 1, in Punch Line to nearly 60% through the recently announced acquisition of Computer Sciences (Pty) Ltd from Anglo American Corporation by Punch Line.

Acquired a controlling interest in Sequel Computer Holdings Ltd with effect from August 31.

Acquired, effective from September 1, the entire share capital of two fellow Altron Group companies, Altech Informatics and STC Business Communications for R22m settled by the issue of 626 857 new ordinary shares in Fintech.

The transaction will increase Fintech's forecast earnings a share by 10c and improve net asset value by 36c.

The directors say that Fintech is now firmly established as a dominant player in its targeted markets and is well placed to expand its business interests further through organic growth and additional acquisitions.

They say that negotiations with a number of companies has reached an advanced stage and announcements regarding these will be published as each occurs. — Sapa

**Due to a technical
fault "Your guide to gilts"
was not received last night**

CMT Times 23/9/87 (189)

Despite lower turnover Powertech lifts earnings

JOHANNESBURG. — In spite of a slight decline in turnover to R302m, Powertech improved margins in the first half of the year to August with a 21% increase in earnings to 5,2c a share.



The directors say the group remains well positioned to derive immediate benefit from any improved conditions in the current market.

Since its last report to shareholders in May, Powertech acquired the SA subsidiary of Square D of the US.

The majority of Powertech's other subsidiaries continued to report improved results for the half-year, sustaining their dominance in the battery, cable, lighting and wiring accessory markets, the directors say.

Simultaneously, the group's position in the distribution transformer

industry has improved significantly.

Lascon Lighting underwent a major restructuring programme and has emerged as a leaner, more cost effective organization.

Willard Batteries continue to perform well and further strengthened its position in the industrial, mining and automotive industries.

The Aberdare Group is now firmly established as an efficient, low cost producer of cables and associated products and made a valuable contribution to Powertech's profits for the first half-year.

The directors say of prospects that while the nature of the industry discourages finite predictions six months in advance, they nevertheless expect improved levels of earnings to continue to February 1988.

They also say that the group remains extremely well positioned to take full advantage of the emerging up-turn in the power electrical industry. — Sapa

Cape Times 23/9/87

African Cables lifts dividend

189
208

JOHANNESBURG. — Power cable manufacturers African Cables yesterday announced a final dividend 3c higher at 12c, bringing distribution for the year to July 31 to 22c compared with the previous year's 12c.

Turnover increased from R95,34m to R104,5m, with net income after tax up from R4,8m to R7,85m in spite of continuing over-capacity in certain market sectors.

Chairman A Bosworth Smith said: "The improvement in the group's profitability has continued and reflects increased turnover in profit-generating products, effective cost control and the interest benefit derived from a positive cash flow.

"The group's profit performance, together with a reduction in working capital, has resulted in the further accumulation of significant cash balances and strengthening of the balance sheet.

"Major sections of the power cable market still suffer from intense competition and over-capac-

ity and this together with the depressed state of the SA economy, remains cause for concern."

He said that on May 1, Cullinan Holdings had purchased from BICC PLC their entire shareholding of 8 183 260 shares in African Cables.

On September 3, Cullinan Holdings had acquired a further 3 722 000 shares, thus increasing their holdings to 11 905 460 shares or 50,02% of the issued share capital, and consequently became the holding company— Sapa

Turnover reaches record high

CAP 71475 23/9/87

189

Altech lifts earnings 27%

JOHANNESBURG. — All companies and divisions in the Allied Technologies Ltd (Altech) group maintained profitable operations in the first six months of the current financial year.



Earnings increased by 27% to 349,2c a share and turnover reached a new record high of nearly R368m for the half-year to August.

The directors report that telecommunications, business communications, and the electronic components have continued their steady growth in profitability, while earnings from electronic systems have expanded significantly.

Highlights of the half-year under review are:

STC telecommunications division was merged with Teltech to make the combined company the biggest telecommunications organization in SA, with assets of more than R340m.

The telecommunications division has largely completed an extensive re-investment programme in manufacturing and test equipment for digital electronic systems and will soon open a new facility to manufacture microwave radio antennae.

The STC business communications division, together with Altech Informatics has been disposed of to Fintech Ltd. They were awarded several important orders for Omni Voice and Data Digital PABX's in the period under review.

Altech Informatics launched its new series of facsimile systems under the Altech Superfax label and has already secured a major share of this rapidly growing market.

Altech has increased its penetration into the SA electronic components market through an expansion of its local manufacturing and distribution facilities.

The group continued to exercise sound financial controls with no short-term, interest bearing borrowings or uncovered foreign currency liabilities. Cash and short-term investments on hand at the end of August exceeded R170m.

Of prospects the directors say that the socio-economic climate has improved considerably since last year and the group is confident of maintaining a "pleasing level of performance for the foreseeable future". — Sapa

ELECTRICAL +

ELECTRONIC

EXPORTS

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Union's sanction sought

CMB TWP 26/11/87

Plessey plans 300 temp jobs

189 179 200

By AUDREY D'ANGELO
Financial Editor

PLESSEY SA is hoping to provide temporary jobs for 300 people on an export project which will earn little or no profit for the company.

But MD John Temple said last week that it could secure the order only if the Radio, Television, Electronics and Allied Workers' Union would agree to the 300 being paid slightly less than the union minimum negotiated for the Retreat factory.

'EEC requirements'

Emphasizing that this was not an attempt to get cheap labour for the company or bring the level of wages down, he said the proposed wage of R2,55 an hour was above the nationally agreed minimum of R2,29 and met all minimum European Economic Community requirements.

The lower wage would apply only to people employed on this order and they would be first in line for a chance of permanent employment at the higher wage.

Temple said the offer, which he hoped the union would accept, was being made only because Plessey was

aware of the need to provide more jobs as its contribution to the economy of the Western Cape.

He said that the latest round of wage negotiations had resulted in Plessey being priced out of the export market for cords and 80 people had been laid off as a result.

Now there was a chance of two orders which would provide temporary employment for up to 300 — but even at cost Plessey's price would be too high unless the union would agree to a wage of R2,55 an hour.

This would be adjusted to allow for inflation during the contract period.

'Monitor costing'

It would also include pension and medical aid and there would be a provision for overtime at the standard rate of time and one-third.

"This would mean providing employment for people currently unable to find work," Temple said.

"Plessey believes that in the present circumstances the offer will receive the backing and support of the union, which would be given the opportunity to nominate an industrial accountant to monitor the costing."

NATIONAL

Albans 27/1/87

Union turns down 300 temporary jobs offer

By **DICK USHER**
Labour Reporter

A PLAN by Plessey to create about 300 temporary jobs is not acceptable in its present form to the union involved.

A spokesman for the Electrical and Allied Trades Workers' Union said the union would meet Plessey management today to discuss the proposal, but would reject it in its present form.

He said: "We agree in principle with any scheme to create employment which does not compromise the wages of workers."

"We cannot agree to a scheme that is an attack on living wages and the union's position in the labour movement."

The company proposes hiring about 300 temporary workers to fill an export contract at wages below the minimum negotiated last year by the union for three plants in the Plessey group. However, the wages are above the national minimum for the metal industry.

The union spokesman said that in its present form the scheme was an attempt to introduce a cycle of wage competition.

Cape Times 29/11/87 189

Union will not compromise' on pay

By AUDREY D'ANGELO
Financial Editor

THE Electrical and Allied Workers Trade Union is "excited" about an offer by Plessey SA to create up to 300 temporary jobs at its Retreat factory provided the rights of workers are not compromised, its regional secretary, Brian Williams, said yesterday.

Williams said in an interview that if Plessey succeeded in obtaining an export order which would provide more work there could be a sort of partnership with the union over the project resulting in more worker participation and higher productivity.

But, he said, the union was not willing to accept a condition that workers on the pro-

ject should be paid a slightly lower wage than that negotiated for the Retreat factory.

He said it could lead to a lowering of wages at other factories where the union was less strong than at Plessey.

And some firms with export business might try to divorce this from their production for the home market and offer lower wages to workers engaged on it.

Instead, he suggested, Plessey should demonstrate its sincerity in wishing to alleviate unemployment in the Western Cape by being prepared, if necessary, to accept a slight loss on this one project in view of the fact that it was achieving high profits on other work.

Williams said he believed a loss could be avoided with

union help in increasing productivity, thereby reducing costs.

Any fall in the rand, which some economists predict, would also help to avoid a loss on an export order.

But it would be "reassuring to know" that the company would be prepared to make up the shortfall if it occurred, in order to demonstrate its good-will and concern for the community, rather than offer lower wages.

Williams was replying to a statement made by the MD of Plessey SA, John Temple, that the latest wage negotiations had priced the firm out of the export market for cord and resulted in the laying off of 80 people.

Temple said there was now

the possibility of two substantial export orders providing up to 300 temporary jobs, but these could be obtained only if workers would accept a wage of R2,55 an hour — slightly less than the minimum negotiated for the Retreat factory but above the national minimum of R2,29 an hour — in order to keep costs down.

Williams said negotiations had started but could not proceed until Temple's return from an overseas trip because the two negotiators, for whom he had a high regard, had an insufficient mandate.

He said: "We are excited and willing to engage in any meaningful programme to increase employment which does not compromise the rights of workers."

"These rights are not negotiable."



Brian Williams

CME Traps 5/2/87

Plessey, union agree on plan for 300 jobs

By AUDREY D'ANGELO and HILARY VENABLES

PLESSEY (SA) and the Electrical and Allied Workers' Union have agreed to work together to increase productivity on an export project providing up to 300 temporary jobs.

Plessey hopes to secure the contract for cords within the next few weeks.

If it does so, MD John Temple confirmed yesterday, workers on the project will be paid R2,75 an hour.

'No profit'

This is the minimum wage that is paid to other workers at the Retreat factory.

Temple said previously paying this rate would price Plessey out of the export market for cords.

Instead, he asked the union to allow workers to accept R2,55 a hour. Even then, he said, Plessey would make "little or no profit" on the orders.

But the union objected on the grounds that this would encourage other firms to try to bring down wages.

It offered to work together with management to increase productivity to such an extent that a loss might be avoided.

Announcing yesterday that an agreement had been reached on this, the union's regional organizer, Brian Williams, said: "Plessey will budget for a loss on these orders but we hope, with increased worker participation, to achieve higher productivity so that this loss will be avoided."

"This agreement shows Plessey is genuinely concerned about the unemployment problem and is an example to other firms which only pay lip-service to it."

"We are very excited about this agreement. It will be the first time in SA that management and a union have agreed to work together in this way and I hope other firms will follow this example."

'Thrilled'

"Three hundred families with breadwinners out of work will be thrilled. The project will last about a year."

Williams said that, in accordance with Temple's previous offer, workers on the project would have medical aid and pension benefits.

An industrial accountant nominated by the union would monitor costs.

Closing gold

CME Times 17/7/87

Plessey, union set up fund for workers

189 ~~188~~ Staff Reporter

A MAJOR "precedent-setting" industrial relations breakthrough was reached between the Electrical and Allied Workers Union (EAWU) and Plessey SA Ltd with the establishment of a R30 000 Emergencies Relief Fund to help workers who experience hardship.

In a joint statement yesterday, Mr John Temple, managing director of Plessey, and Mr Brian Williams, national assistant general secretary for EAWU, said the fund was established to assist genuine cases of employees who needed to "recover from financial disasters beyond their control".

Mr Temple said the company had urged trade unions to be responsible in their wage demands in order to maintain a healthy and competitive company in Cape Town.

The company recognized that no general wage or salary agreements could cover every case of hardship or distress.

Mr Williams hailed the establishment of the fund as a "great achievement" in the wage agreement and said it set a precedent.

"It certainly represents a first in trade union and management negotiations in this country," he said.

The union, an affiliate of the National Council of Trade Unions (Nactu), will attempt to extend the benefit distress fund to all other companies in which it was represented.

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Plessey detainee pay plan

Cap. Times 18/7/87 Staff Reporter

PLESSEY South Africa Limited have agreed to "treat sympathetically" cases of employees detained under the emergency.

The company said it would, after holding discussions with union representatives on the merits of each case, pay wages and salaries of detained employees.

This agreement was reached on Thursday with the Electrical and Allied Workers' Trade Union of South Africa (EAWTUSA) at the end of the July wage and salary negotiations.

The union negotiated a minimum rate of R3,25 an hour for the lowest-graded workers, which represents an increase of 50 cents an hour.

It further negotiated a minimum monthly salary of R732 for workers in the purchasing, reception, material and production control departments, retroactive from the beginning of the month. Those currently earning more than R732 a month will be given a salary increase of 13% from July 1.

The company also offered to set up a Distress Fund to assist cases of genuine hardship.

IRON, STEEL

AND ENGINEERING

1987

(NO EXPORTS)

Recession hits black metal workers

MORE than 4 000 black workers have been re-trenched in the metal industry during 1986 because of the recession.

According to researchers, four to six million blacks are out of work and many more will join unemployment queues this year.

A bleak future has been predicted for the metal industry because of the instabilities associated with political and social change, sanctions and inflation.

The Steel Engineering Industries Federation of South Africa (Seifsa) says its employment statistics, based on a comparison between the 1985 year-end and the fourth quarter of 1986 wage surveys, reflected a minimal drop in the scheduled labour force, equivalent to a loss of 4 000 jobs during 1986.

Review

In its review of 1986 and outlook for 1987, Seifsa says these employment statistics indicated that the labour force is stabilising at 347 000 workers compared with a peak of 454 000 at the end of 1981.

"These statistics also underscore the relatively low levels of activity currently prevailing in the metal industries," the report says.

It says wage negotiations of high inflation and recession. After lengthy negotiations, five trade unions declared disputes.

However, the report

By JOSHUA RABOROKO

adds, enough trade unions accepted the final employer offer to enable the Minister of Manpower, Mr Piet du Plessis, to gazette an agreement.

Scores of black workers have also been re-trenched in the motor, construction and building, electricity, clothing and other industries.

Factories

Researchers contend that more people might have been re-trenched or lost their jobs as many factories were liquidated, but their figures were not easily obtained because they were either not registered or were not reported in newspapers and other media.

- More than 400 workers were laid off in the motor industry, mainly in the Eastern and Western Cape;

- Hundreds of blacks were re-trenched in the building and construction factories;

- In the mining industry — the pivot of South Africa's economy — few workers were re-trenched, according to researchers. They say 270 miners lost their jobs at Gencor's Matla Colliery, near Secunda, because the company closed the mine;

- Escom, the electri-



Mr PIET du Plessis Minister of Manpower

city supplier, has decided to re-trench workers because of what it termed "rationalisation of operational costs", and

- Putco, the giant bus company, re-trenched more than 200 workers during the bus boycott in Soweto.

Researchers said South Africa was sitting on an unemployment time-bomb with the statistics and the number of jobless in all population groups rising steadily.

Rumblings within the trade unions are increas-

ing over the number of black workers "left in the lurch" by urban factories closing down and moving to homelands to take advantage of lucrative Government subsidies.

Private-sector employment organisations agree that the situation is "chronic" and figures released by the Department of Manpower and the Central Statistics Services show that unemployment among blacks and whites has risen the past year.

Jobless

The Department of Manpower recently announced that 533 000 black workers were jobless, while researchers at the University of Witwatersrand put the figure at between four and six million and rising.

Professor Jeremy Keenan of Wits has dismissed as "ludicrous" the most recent unemployment figure released by the Government.

The Director-General of Manpower, Dr Piet van der Merwe, concedes that the figures might be wrong, but adds that this could be because the figures they obtain are from "registered workers".

However, the Government is to pump a lot of money into trying to reduce unemployment, he added.

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ETA

Pay-hike calls for 330 000 employees

Metal workers table demands for wage talks

12/11/87
189
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THE 15 trade unions party to the metal industry Industrial Council this week tabled their demands for the 1987 wage negotiations.

After mining, these negotiations are seen as the most important on the industrial relations calendar. Their outcome affects 330 000 workers employed by 8 600 companies.

The SA Co-ordinating Committee (SACC) of the International Metalworkers' Federation — representing four unions of mainly black unskilled and semi-skilled workers — have demanded a R4 minimum hourly wage. The present minimum is R2,22.

It proposes a minimum rate of R8,89 in the top grade, compared with the R5,81 now. The SACC has also demanded minimum personal increases ranging from R1 to R2,22; a reduction in the working week from 45 to 40 hours; improved maternity benefits; paid leave on May 1 and June 16; and the introduction of paternity leave and higher overtime rates.

The Metal and Allied Workers Union (Mawu), a member of the SACC, has made additional demands, including a ban on the dismissal of lawfully striking workers; that there should be no lay-offs due to sanctions;

ALAN FINE

and that no PAYE deductions should be made by employers.

The latter is becoming a regular demand by Congress of SA Trade Union (Cosatu) affiliates, although it has not been carried through. It is described by them as a political statement.

The other major union grouping in the industrial council — the Confederation of Metal and Building Union (CMBU), which represents nine artisan unions — has proposed minimum rates ranging from R3,30 to R6,97 and guaranteed minimum personal increases of 53c to R1,15.

It also demands improved leave bonuses; an extra week's annual leave after four years service; and increased employer pension fund contributions.

Both groupings say ongoing talks over job grading, and wage and negotiating structures must be completed before any agreement is signed. Wage negotiations are due to begin on March 10.

Steel and Engineering Industries Federation of SA (Seifsa) director Sam van Coller declined to comment on the union demands.

ARBUS 28/1/87

Talks on May Day holiday under way

By DICK USHER
Labour Reporter

TALKS between employers and unions about a national May Day holiday in the metal industry this year have started.

Mr Sam van Coller, director of the Steel and Engineering Industries Federation of South Africa (Seifsa) today said talks with unions on the issue had started after the Government failed to respond to representations from the employer body.

Demands for May 1 to be declared a public holiday in recognition of labour's contribution to the welfare of South Africa have received wide support from union and community organisations in recent years.

Many unions have negotiated agreements with employers giving May Day some recognition, ranging from an extra paid public holiday to time off during the day.

At last year's industrial council talks on pay and conditions of service in the metal industry, Seifsa responded to union demands for a May Day holiday for the industry's 350 000 employees by agreeing to ask that the Government appoint a public commission to investigate public holidays by August and report in January.

Failing this talks would be held with unions.

Mr van Coller said talks at the industrial council level had started and employer proposals were being considered by the unions which would be discussed at a follow-up meeting.

He said he could not disclose the proposals at this stage.

Government foot-dragging on the issue has caused intense concern among employers.

May Day last year almost reached the status of an "informal" public holiday when about 2.5-million people took the day off.

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SA jewellers pin hope on Govt

By Frank Jeans

The suffering South African jewellery trade is pinning its hopes for better times on a Government rethink on the industry.

Jewellers are wincing under what they regard as an excessive tax burden.

They put their faith in strong Jewellery Council representation to the Government and the results of the Margo Commission on Taxation for relief from "survival point".

The 35 percent ad valorem excise duty and GST mean an effective tax on jewellery of 51 percent.

Industry leaders see the irony in the fact that although South Africa is acknowledged as the leading source of precious gems and the main source of the world's gold, it is the rest of the world which is cashing in.

With the publication of the Government White Paper on mineral policy, in which higher beneficiation of South African minerals receives encouragement, the jewellery industry can no doubt expect a bright new approach.

The doyen of master jewellers, Mr Jack Friedman of Johannesburg and Sandton, has welcomed possible Government moves.

Mr Friedman said he believed the Government was certain to make changes for the better, and the diamond-cutting busi-

ness, for one, should benefit.

"The industry deserves some inducement from the rising gold price," he said.

"After all, that is the metal we are dealing in."

He endorsed the view of Dr Louw Alberts, Director General, Mineral and Energy Affairs, who feels that the South African jewellery trade "experiences the heaviest taxation among Western nations".

Mr Friedman said that there was also the question of lost opportunity to stimulate employment.

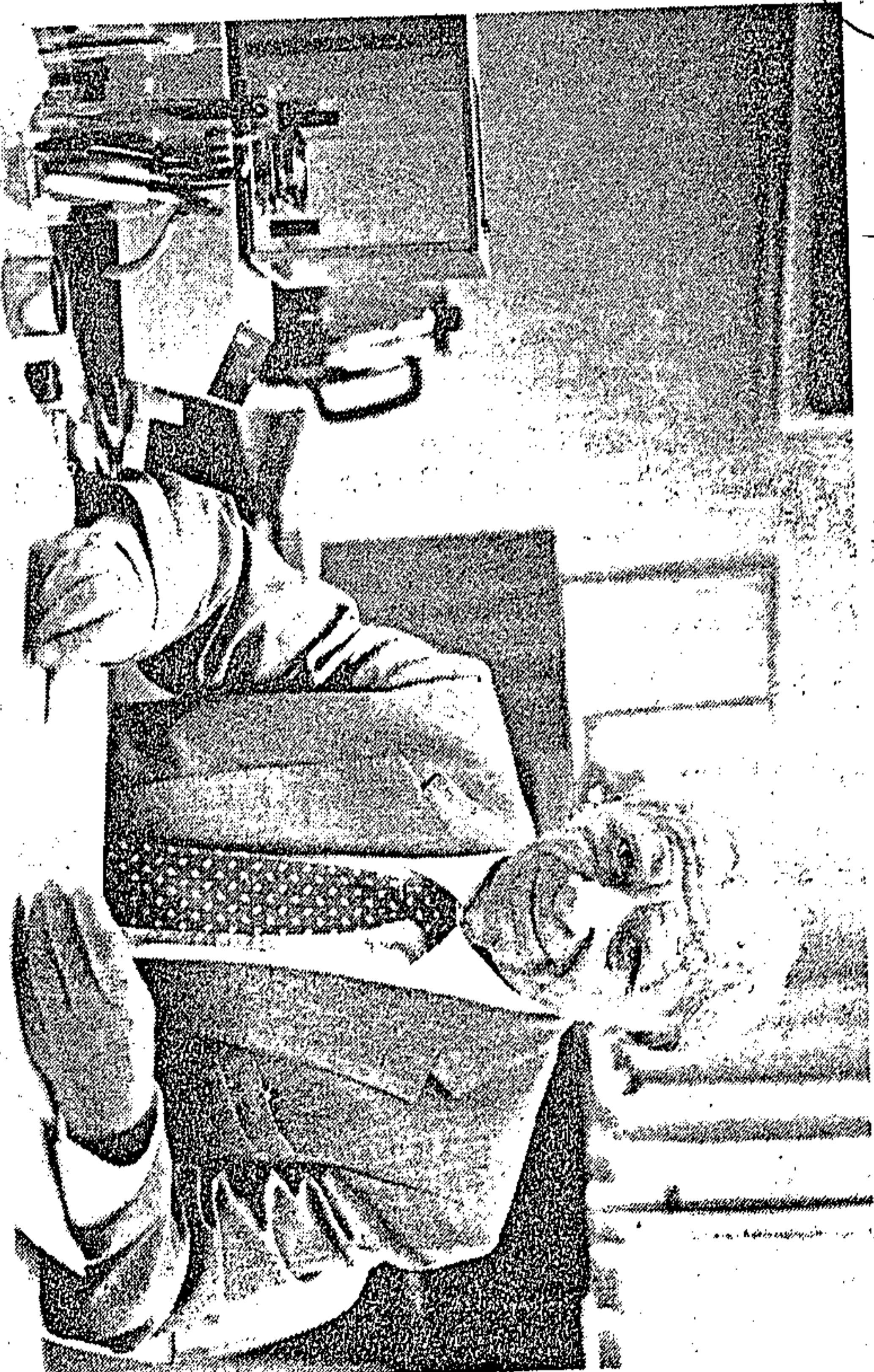
To put the matter into perspective, of the 683 tons of gold produced by the mines in 1984 (world production was 1 439 tons) demand for jewellery that year worldwide absorbed 818 tons of new gold.

RAW FORM

The problem is that the bulk of South Africa's wealth is sent abroad in the raw form — and the end-products are then shipped back to this market.

"When one remembers that South Africa is the main producer of diamonds and gold and yet its jewellery trade is shrinking, the situation can only be considered ludicrous," said Mr Friedman.

"Most diamond companies send raw diamonds to be cut overseas, thus taking work away from the local industry.



Jack Friedman — South Africa should be a leader in jewellery manufacture.

"South Africa should be seen as one of the largest jewellery manufacturers in the world."

Local jewellers concur and say that the South African diamond-cutting industry should be the forefront of international manufacturing business, producing the goods here and not relying on raw materials to be sent elsewhere for other nations to

capitalise on the end-product.

There would appear to be some weight to the argument that the South African gold mining industry would appear to be interested only in promoting gold bullion sales rather than promoting local industries that use gold.

Just how the rest of the world benefits might be seen from the

Israeli experience.

The value of South African diamond exports to that country is at the \$1 6 billion mark which represents 25 percent of Israel's foreign earnings.

In contrast, South Africa exported \$152 million worth of polished diamonds in 1985, which was about one tenth of Israel's exports.

Lonrho reports ^{30/11/87} record earnings ^{(189) 6/0 day}

Business Day Reporter

LONRHO, the British group with coal, gold, platinum and agricultural interests in SA, has reported record earnings of 25.5p (23.3p) for the year to September.

Turnover in the year to September rose to £2.65bn from £2.59bn in the previous year. Pre-tax profit rose 4% to £165.1m.

With tax taking only £71.7m (£75.7m) and minorities' share of profits amounting to £16.9m (£15.1m), attributable profits were £76.5m (£67.6m).

Dividends for the year totalled 12p against the previous year's 10.9p.

Lonrho directors say they plan further expansion in northern Europe and the US, with emphasis on oil and gas.

Lonrho says the group has started the new financial year well, although it is too early to make a forecast.

It says the group's UK business showed strong profits, with continued growth potential for printing, vehicle imports, textiles and hotels.

About 40% of the company's profits are earned in Britain.

Varying exchange rates affected the real earnings of many of Lonrho's agricultural and mining companies in Africa but, on the whole, results in Africa were excellent, the company says.

Hard bargaining

FIM 6/2/87

(189)



FACE TO FACE



At the end of last year's industrial council negotiations, metal employers and trade unions agreed to start wide-ranging talks on changing collective bargaining practices in the industry, and other substantive issues. Steel and Engineering Industries Federation (Seifsa) director Sam van Coller speaks to the *FM* about what has happened since.

FM: What have Seifsa and the unions been discussing?

Van Coller: There have been negotiations in a number of areas. They've included the levels at which collective bargaining takes place in the industry and negotiation procedures; job and wage structures; hours of work; maternity benefits; the rules governing termination of service; and public holidays. Will you conclude your business in time for this year's council negotiations?

We're dealing with a lot of complex issues. It's unlikely that we'll be finished with all of them before those negotiations get under way.

The metal industrial council is the biggest in SA, with over 40 employer associations and 14 trade unions. Bargaining there has become a very complex affair. What changes are under consideration?

Seifsa's policy has always been that collective bargaining structures are best established voluntarily, with the support of all parties. We would always want to ensure that there is a strong Main Agreement for the industry — a sentiment which all the

unions share. But we also recognise that there is a need for greater flexibility, so Seifsa has drawn up a set of guidelines setting out the circumstances under which there can be further separate bargaining for various sectors and for house agreements. These negotiations have been held up, however, because we first needed to talk about job structures and wages.

You have not mentioned bargaining at company level. Is Seifsa still opposed to companies and unions negotiating independently on wages and other issues?

Seifsa is not in favour of companies bargaining outside the council on matters covered in the Main Agreement. But we cannot stop people from doing so as we believe in voluntarism in industrial relations. However, where companies have established wage-related practices such as merit increases and long service bonuses and unions wish to negotiate on those issues, we would encourage them to bargain.

Our main concern in this regard is that companies should not be compelled to bargain on the same issues at both industry and plant level.

What are the issues in the talks about the job structure and wages?

The unions say there are serious distortions in our wage curve. Employers have embarked on a major examination of the job structure. Once that is done, they will have to work out the appropriate wages for the jobs. It's a complex exercise which will take some time to complete.

The metal industry works a 45-hour week. What changes are proposed?

Unions want the hours of work reduced, one of them wanting a 40-hour week. A

special committee has been investigating the cost implication of a reduction and is due to submit proposals to the unions before the end of February.

You've also been working on a clause regulating termination of service.

That's right. We've had a series of meetings with the unions on issues like notice, summary dismissal, retrenchment, redundancy, lay-offs, short-time work and limited duration contracts.

We've submitted proposals to the unions and are awaiting their response.

The black unions are clamouring for paid public holidays on days like May 1 and June 16. Both Seifsa and the Chamber of Mines have asked government to investigate public holidays. What's happened?

This is an extremely difficult and sensitive area. We've made proposals to the unions and they've submitted counter-proposals. A very real difficulty is that this is a national issue and there is no decision at this point as to whether government will investigate the question.

We understand that the Metal and Allied Workers' Union has already submitted its demands for this year's wage negotiations. Does this mean that the talks will start earlier than usual?

We'll be setting the date at the next meeting of the council's executive committee. If all the unions put in their demands, they could start earlier.

Any predictions for the negotiations?

They will be difficult — for several reasons. For one, inflation remains very high and our industry is in a serious recession. Sanctions and the political climate make matters even more difficult.

Unionists slam Seifsa

By ZB MOLEFE

THE Metal and Allied Workers' Union this week slated the giant Steel and Engineering Industries Federation of SA for refusing to ask the authorities to grant bail to detained Mawu general secretary Moses Mayikeso, 38.

Seifsa told Mawu on Wednesday it would not intervene on Mayikeso's behalf.

Mayikeso and seven Alexandra residents appeared in

the Randburg Magistrate's Court on Monday on a charge of sedition or alternatively subversion. The hearing was postponed to February 23. Their bail application was stayed pending the Attorney-General's decision.

Hundreds of Mawu members have written to their employers demanding Mayikeso's release. The employers, mostly Seifsa members, referred the matter to Seifsa - who this week refused to make representations.

Reacting to Seifsa's refusal, a Mawu statement said: "Workers are now confirmed in their belief that Seifsa and its member companies fall firmly on the side of President PW Botha's 'law and order'."

● At the time of going to press, Seifsa director Sam van Coller was not available. His office said he was in Pretoria and would comment when he returned.

Joy greets roadblock removals

CP Correspondent

THE REMOVAL of troops and security force roadblocks from New Brighton in Port Elizabeth last Friday caused residents to celebrate in the streets at the weekend.

Taxi drivers were ecstatic about the removal of the roadblocks.

"Now we won't have to wait for so long or pay tolls of cigarettes and cool-drinks," said one.

Meanwhile the sudden absence of 24-hour security force patrols has resulted in some residents cutting open sections of the 2 metre razor wire fence surrounding New Brighton. - East Cape New Agency.

A NEW provident fund agreement negotiated between Metal Box SA and three trade unions, due to be signed this week, could herald a major shift by organised labour and management towards compensating for government's perceived inadequate social security system.

New fund starts trend

The Metal Box SA Alternative Benefits Programme, as a package, will be unique. It contains several novel features relating to benefits, investment policy and fund management.

A few other companies, including C G Smith and Rennie's, have negotiated provident funds in recent years. But this one covers new ground.

Unions involved are the Metal and Allied Workers' Union, the Chemical Workers' Industrial Union and the Paper, Wood and Allied Workers' Union. All are Congress of South African Trade Unions affiliates.

The fund will be optional to all 7 000 wage-earners. Management employees will be obliged to continue membership of the existing pension fund.

Suitable benefits

Metal Box group personnel manager Neil Cumming expects a large number of employees will join the new fund. A spokesman for the three unions says it will provide more suitable benefits than a management-imposed pension fund.

The full pension fund actuarial reserve of each employee who joins will be transferred, giving the provident fund a strong financial base at the start.

The trustees will comprise equal numbers of management and employee representatives. The fund's actuary will arbitrate in the event of a dispute.

These are some of the provisions:

□ A lump sum retirement benefit equal to accumulated member and company contributions plus interest as determined by the trustees. Each retiring member may choose to use the lump sum to purchase a pension.

□ If a member resigns or is dismissed he will receive a refund of his own contributions plus 10% of the company's for each year of service up to 10.

ALAN FINE

□ Retrenched members will receive full member and company contributions.

□ If a member dies while in employment, or suffers permanent and total disablement through injury or illness, his dependents will receive the full retirement benefit plus three times his annual earnings. There will be an additional two years pay if death results from an accident.

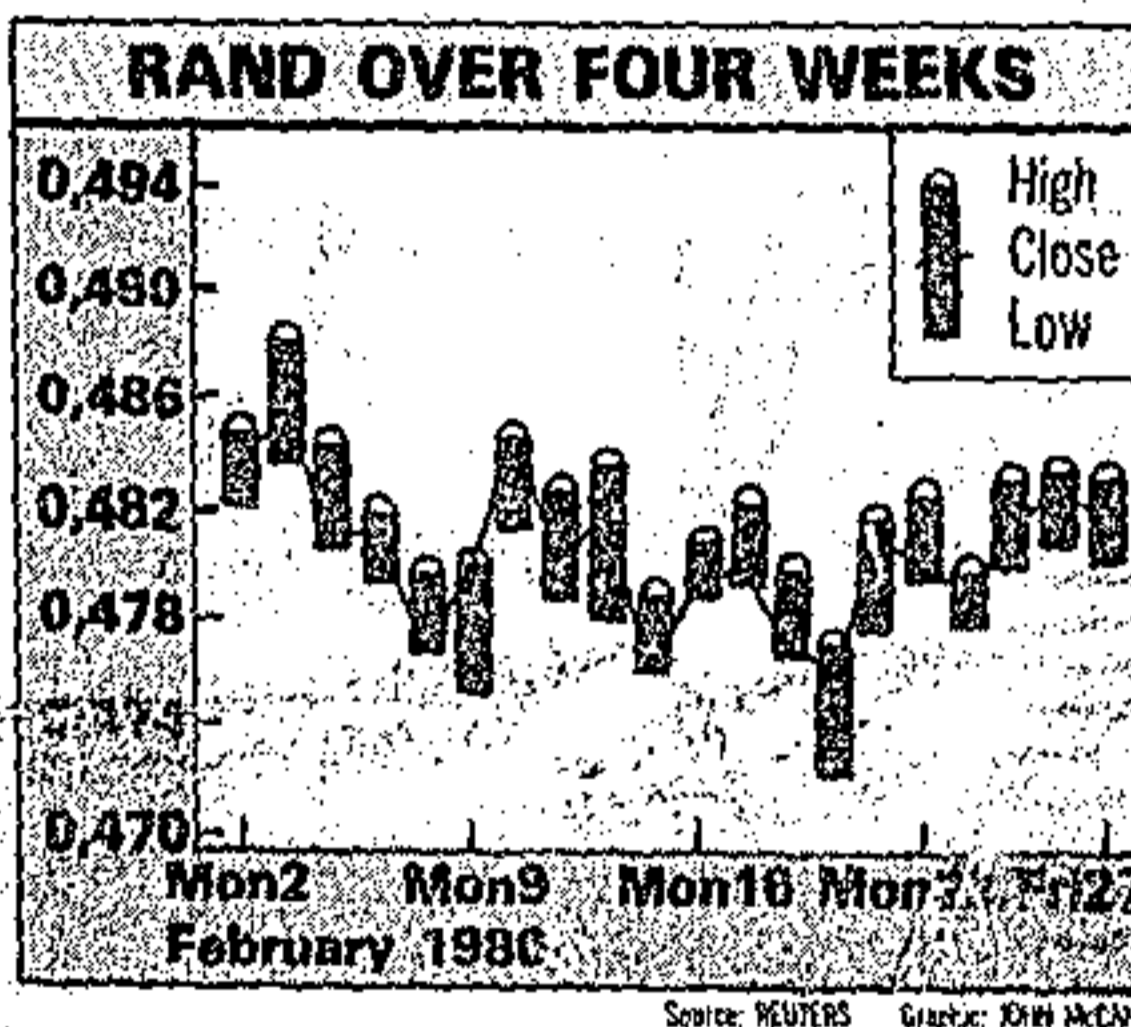
There is also a provision for temporary disability benefits, including illness, paying 90% of the wage for up to 52 weeks, and partial disability benefits.

□ Funeral benefits range from R250 to R1 000.

□ Any member of the fund may borrow from the fund to purchase or improve his own home.

This is seen as one of the fund's most important features.

There are clear indications the unions intend negotiating similar funds throughout their industries.



After its slight oscillation in previous weeks, the rand moved in a very tight band for most of last week, dropping marginally on Tuesday when the dollar showed a modest burst of strength.

Wage talks for 350 000 workers start today

Annual wage negotiations affecting about 350 000 workers in the crucial metal and engineering industry begin in Johannesburg today against a background of continued economic recession and tough demands by some unions.

After those affecting the mining industry, annual pay talks in the metal industry involve the largest number of workers in industry.

And, as in the past four years, the talks are likely to be made difficult by the economic slump, which saw the loss of 6 000 jobs in the metal industry in the past year.

Unions taking part in talks with the employer body, the Steel and Engineering Industries Federation of South Africa (Seifsa), are the Metal and Allied Workers' Union (Mawu); its fellow International Metalworkers Federation (IMF) affiliates (representing mainly unskilled and semi-skilled workers); the Confederation of Metal and Building Unions' (CMBU) cluster of unions; the Mine Workers' Union; and the SA Iron, Steel and Allied Industries Union (negotiating for a predominantly skilled workforce).

An analysis of demands tabled by the various unions shows that, as is the case with their counterparts in other sectors of the economy, unions repre-

Wage negotiations in the metal and engineering industry, which, together with those in the mining and catering sectors, feature prominently on the industrial relations agenda, begin today. The talks are unlikely to be any less difficult for some of the unions than they were last year, when the metal industry, accounted for the third largest number of strikes to hit industry, reports MIKE SILUMA.

senting mainly black workers place the recognition of June 16 and May 1 high on the agenda, after wages.

Unions representing the skilled, largely white, workforce have put forth demands focusing only on wages and working conditions.

The more than 50 000-strong Mawu, which is the industry's largest and most militant union, has, in addition to other demands, called for a halt to PAYE deductions from its members' pay packets.

Mawu has also demanded that in the event of a legal wage strike, employers be prohibited from dismissing workers participating in such action.

Also, there should be no job loss as a result of sanctions. If necessary, profits should absorb the ef-

fects of sanctions, says Mawu, which has declined to sign the main agreement for the past four years.

Its other demands, which are largely supported by the IMF unions include:

- A basic minimum rate of R4 an hour.
- A guaranteed across-the-board rise of R1 an hour.
- The recognition of May 1 and June 16 as paid holidays.
- The reduction of the working week to 40 hours, without loss of pay.
- Improved overtime rates.
- Six months paid maternity leave, plus 14 days paid paternity leave.

The CMBU demands include a minimum wage rate ranging from R3,30 to R6,97 an hour, and guaranteed minimum personal increases of between 53c and R1,15 an hour.

The SAISAIU has asked for hourly minimum rates of between R3 and R7, and personal increases of between 53c and R1,19. The respective MWU figures are R3,30 to R6,97, plus 53c to R1,15.

Other demands concern improvements in overtime and holiday leave conditions, as well as higher employer contributions to group pension and provident funds.



Star 10/3/87

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Seifsa offers 11% pay rise

ALAN FINE

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B. Day
11/3/87

THE Steel and Engineering Industries Federation (Seifsa) yesterday offered trade unions in the metal industry industrial council wage increases of about 11% on present minimum rates, according to a union spokesman.

The meeting was the first in the 1987 wage negotiations, whose outcome will affect 330 000 workers employed by 8 500 companies.

Most of the 14 unions on the council are negotiating either under the auspices of the International Metalworkers' Federation (IMF) or the Confederation of Metal and Building Unions (CMBU).

The IMF unions, representing mainly black workers, have demanded that minimum rates be increased to R4 an hour in the lowest grade, compared to the R2,22 applying now, and R8,89 in the top grade, where the minimum is now R5,81.

The CMBU, which represents skilled workers in the industry, has demanded minima of R3,30 to R6,97.

There are also numerous demands for improvements to other aspects of working conditions.

The spokesman said Seifsa indicated that the 11% offer was not a final one, but that it would not move from it until it received a commitment from the unions that they would negotiate seriously in an attempt to reach a settlement.

He added that, in his view, Seifsa had not addressed union proposals on fundamental changes to wage and job structures.

Seifsa director Sam van Coller declined to comment on the talks.

Unionists pays tribute to Seifsa's Van Coller

17/3/87
B. Day
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ALAN FINE

A LEADING official of a union organisation representing more than 120 000 metalworkers says outgoing Steel and Engineering Industries Federation (Seifsa) director Sam van Coller brought a new, open style to the operations of the giant employer body.

But Van Coller's successor will face severe difficulties in holding together an organisation whose members are in conflict over a number of vital issues, says Brian Fredericks, general secretary of the local committee of the International Metalworkers' Federation.

Fredericks says Van Coller — who is to become Urban Foundation MD — proved more flexible and approachable than his predecessor Errol Drummond, who was "very set in his ways".

SA Boilermakers' Society general secretary Okkie Oosthuizen describes Van Coller as a sincere person who was prepared to listen to and discuss problems brought by unions.

Fredericks, in his comments, adds, though, that Seifsa "is in a lot more trouble than the unions in terms of unity". He says there is conflict between the smaller and larger affiliated associations and companies over wage level, deregulation and negotiation forums.

He also believes some elements in Seifsa are extremely embarrassed by its refusal to submit an affidavit in a recent bail application by Metal and Allied Workers' Union general secretary Moses Mayekiso.

Seifsa president Keith Jenkins denies the existence of any "material" differences between Seifsa members.

"Obviously there are differences of opinion over certain issues. This is to be expected in such a large and diverse organisation."

Union in bid for recognition

1030 SOWETHAN
19/3/87
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THE National Union of Steel and Allied Workers Union yesterday held recognition talks with management at Bessans and Du Plessis Company in Pretoria North.

The union wanted management to agree to a date for recognition talks. A report-back meeting will be held at the Laudium Hotel on Saturday. The meeting starts at 8am.

The union signed an agreement on March 12 that union members be represented by shop

stewards at meetings with management. May Day was recognised as a paid holiday.

The union is also working on a draft agreement with Iscor (Pretoria Works) and is still to set a date for a meeting for recognition.

The union will hold a branch executive meeting at its Pretoria head office on March 28 starting at 8am. Progress reports on organisation and finance will be given.

5 sacked over wage complaint

SOWETAN
19/3/87

FIVE Kagiso workers this week said they were fired from a Krugersdorp steel company a week after Industrial Council officials had visited their company to investigate their complaints about low wages.

But, before they were fired on March 13, five other women were dismissed a day earlier with a promise that they would be recalled "if production increased".

This was despite the fact that retrenched "coloured" workers at the company were hired on the day of their dismissal to replace them.

A personnel officer at Trinton Industries in

By MOJALEFA MOSEKI

Boltonia in Krugersdorp, Mrs E Detsikis, yesterday denied the 10 women were dismissed because they had complained to the Industrial Council, or that coloured workers were hired to replace them.

She said there was no work for them at the company as demand had

dropped.

The workers, Johanna Moralo, Betty Eland, Margaret Senosi, Johanna Madahothe and Johanna Senngwana said they were dismissed on the first Friday (March 13) that they were paid the R103 weekly wage determined by the Industrial Council officials.

They complained to the council on December 9 after learning that they were not going to be paid a bonus. When employed on August 14

they had been promised R75 a week but were given R63 with a promise to upgrade their wages.

The other five, Ivonne Diale, Gloria Monametsi, Berthsella Mokgothu, Elizabeth Mogatwe and Caroline Monngae said they were dismissed on March 12 and told work at the company was "slow".

We were told that we did not work hard when we are too many, but did very well when few," said one of the women. They intend complaining to the Industrial Council and metal unions.

Reacting to claims of underpayment Mrs Detsikis said the women were placed on "a trial period" to observe how they coped with their work.

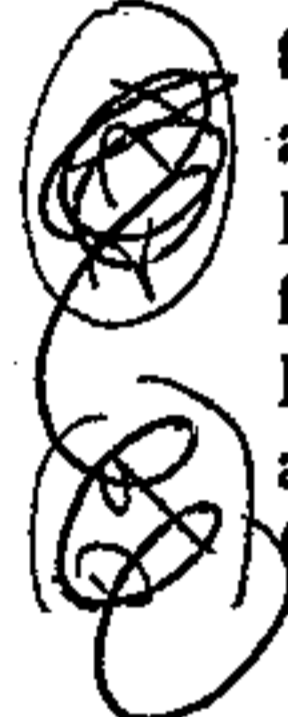
HEUNIS UNDER FIRE

THE Minister of Constitutional Development and Planning, Mr Chris Heunis, has come under fire from the Transvaal Rural Action Committee and the Brits Action Committee.

cause of "poor health conditions" and because "upgrading would cost more than relocation.

"A few residents of Oukasie might not be prepared to relocate voluntarily," he said. "If

and refuse to move. They made this quite clear when over 2 000 affidavits were collected in a period of five hours on November 22, last year."



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Metal ^{7/3/87} industry is in ^{NIM} a decline ⁰⁸⁹

Mercury Reporter

ABOUT 120 000 metal industry jobs have vanished in the wake of large Government projects disappearing from South Africa's economy, according to the outgoing director of the Steel Engineering Industries Federation of South Africa (Seifsa), Mr Sam van Coller.

Mr van Coller, soon to become the new managing director of the Urban Foundation, said in an interview the 'lack of business confidence in South Africa's economy is a problem because people won't invest in new plants and equipment.'

'Our problems are part of the national problems. Many sectors of the engineering industry existed on major capital power projects such as Escom and pulp and sugar mills. There have been enormous cutbacks, no more Sasols are being built, no more cement mills.'

Other contributing factors were the problems facing the motor trade, and the five-year decline of gross domestic fixed expenditure.

'It takes a long time to get major projects going and aside from Mossel Bay, the Government is not contemplating any,' said Mr van Coller.

A leisureed

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between

45 & 44

Some unusual

negotiations are taking place in the metal industry, where unions are asking not for more pay, but for fewer hours. DUNCAN INNES reports

27/2 - 27/3 43/1/1991

A SPATE of major strikes recently, such as the OK strike, indicates black workers are serious about demanding improved living standards. While most protests have been in support of the demand for a living wage, negotiations have recently begun on a separate, yet related issue: the length of the working week.

The Industrial Council for the Iron, Steel, Engineering and Metallurgical industries is currently discussing union demands that the working week be reduced from 45 to 44 hours. If this demand is met, it is likely to lead to demands for the working week to be reduced, not just in the metal and engineering sector, but throughout industry.

The issue is an important one, partly because it approaches the question of living standards, not from the aspect of the more orthodox demand for higher wages, but from the aspect of winning more leisure time for workers. This implies unions are not simply concerned with winning improvements for their members at work, but are also concerned with struggling more broadly to improve the conditions of their home and social lives.

The other reason this issue is important is because the union has located its demand within the context of work, they reject any compensating reduction in wages. They are also loath to accept any link being forged between reducing working hours but increasing productivity levels. Management would be far more sympathetic to the notion of employees working fewer hours if they knew that, through productivity improvements, employees could get through the equivalent amount of work in less time.

The unions, on the other hand, argue that if they accept either lower wages or demands for productivity increases, then their members are not in fact benefiting from working fewer hours. They are either receiving lower wages or giving more labour in return for the shorter week. Management's reply is that, were

One of the major sources of worry for management is that, while workers are demanding fewer hours to meet deadlines and fulfil orders in time.

The union reply is that available to most workers means their leisure time is limited. Studies have shown, for instance, that black workers spend on average between two to four hours travelling to and from work. Allowing two hours for travel, a black worker's day may be broken down as follows: commuting time: 2 hours; working time: 9 hours; sleeping time: 8 hours; total: 19 hours. This leaves a mere five hours for eating, dressing, washing, cleaning, child care and leisure. If four hours is allowed for commuting, this leaves only three hours for these activities. These facts alone suggest not only that unions are quite right to be raising the issue of reduced working hours, but also that on humanitarian grounds management needs to look sympathetically at this issue.

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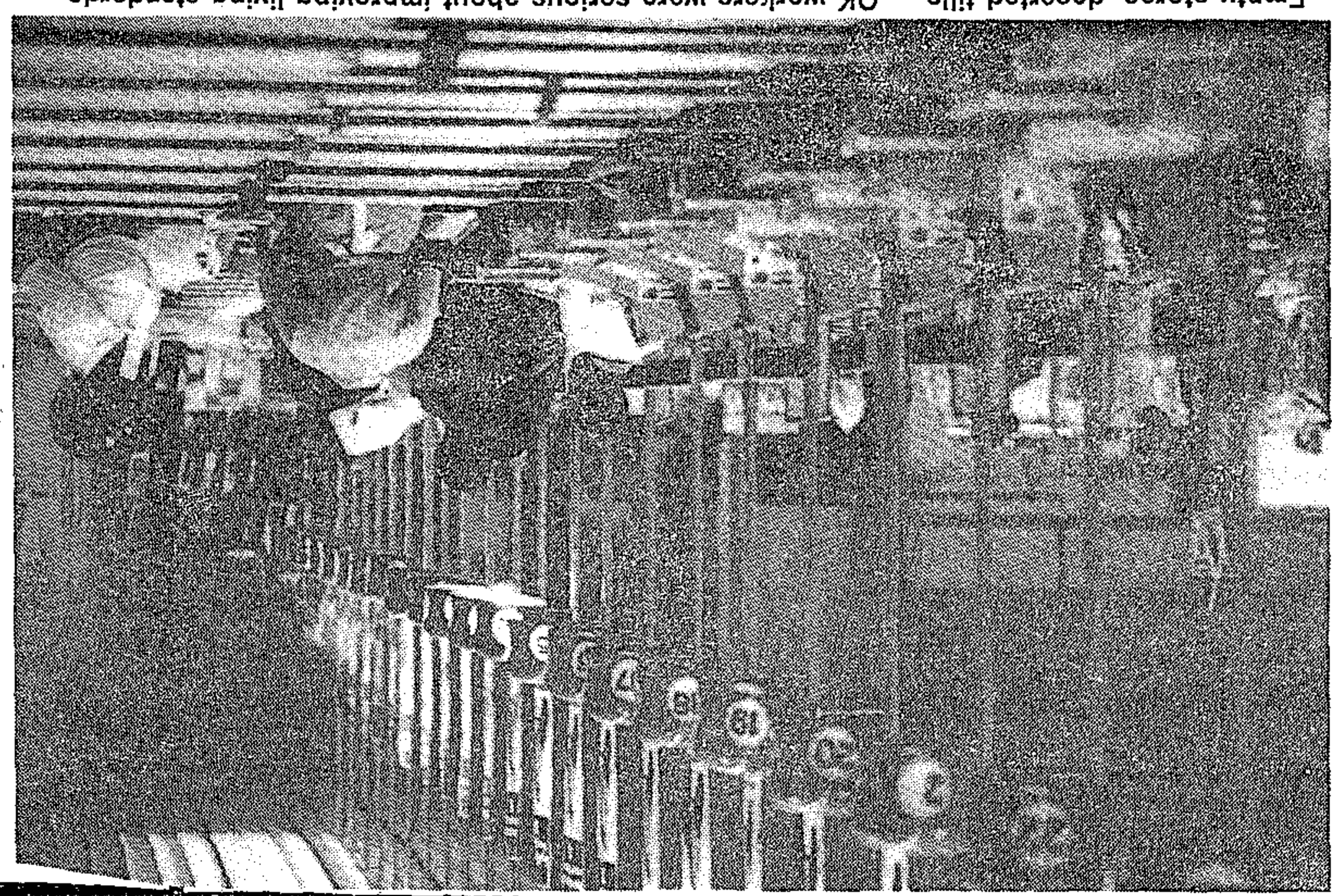
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PROPERTY SERVICES

TELEPHONE: 833-4811



Empty stores, deserted tills ... OK workers were serious about improving living standards. Picture: SANTU MOKENG, Alrapix

These same arguments — for more leisure time and to help ease unemployment — have been used by workers overseas to win substantial improvements in their hours of work. While the norm for Britain is now a 40-hour working week — well down on South Africa's 45 hours — in the British engineering industry, workers have won a reduction to 39 hours. In West Germany it is even better, with workers working only 37 hours and currently negotiating to reduce the working week even further.

In South Africa, where there is no real tradition of negotiation around working hours, management have reacted cautiously to union demands. While this is understandable, clearly the issue of working hours is a legitimate area of negotiation: the wage contract includes not just the amount to be paid in money or kind, but also the number of hours to be worked and the conditions under which that work is to be performed.

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AMIC

Cash flowing again

(Handwritten: 189, FM 3/4/87)

Activities: Industrial holding company. Subsidiaries are Highveld Steel, Scaw Metals, Boart, Mondi, Control Logic and Natal Tanning. Principal associates and investments are: AECI, Altron, Asea, Haggie, Ipsa, Komatsu SA, LTA, McCarthy, Renfreight, Samcor, Tongaat-Hulett and Ventron.

Control: Anglo American holds 47,1% and De Beers holds 24,4% of the equity.

Chairman: W G Boustred.

Capital structure: 50,8m ords of R1 each. Market capitalisation: R5,625% cum first prefs of R2 each and 7,5m 12,375% cum red prefs of R1 each.

Share market: Price: R62. Yields: 3,1% on dividend; 8,3% on earnings; PE ratio, 12; cover, 2,7. 12-month high, R62; low, R37. Trading volume last quarter, 828 000 shares.

Financial: Year to December 31.

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	291	295	207	283
Long-term (Rm) ...	277	745	1 019	710
Debt:equity ratio	0,29	0,47	0,49	0,31
Shareholders' interest	0,64	0,56	0,56	0,64
Int & leasing cover .	5,0	3,6	2,9	4,3
Debt cover	0,51	0,29	0,25	0,54

Performance:

	'83	'84	'85	'86
Return on cap (%) ..	9,5	8,2	8,2	9,8
Turnover (Rm)	1 584	2 026	2 559	3 138
Pre-int profit (Rm) ...	299	322	369	497
Pre-int margin (%) ..	14,7	15,8	14,4	15,8
Taxed profit (Rm)	201	198	226	357
Earnings (c)	356	329	347	516
Dividends (c)	180	180	180	190
Net worth (c)	3 817	3 514	3 916	4 635

Amic, as a large holding company with a diversified portfolio, provides a graphic picture of what has happened to many groups in the industrial sector in the past 18 months. A year ago, its share price had jumped from the 1985 low of R21 to around R40, and some analysts then doubted the rise was justified. Borrowings exceeded R1,2 billion and gearing was at a historically high 0,49, large foreign exchange losses had been capitalised, and returns from some major investments were weak.

Since then the share has climbed to R62, and Amic has announced a 51% increase in



Amic's Boustred . . . producing cheering results

1986 earnings with a 5,6% hike in the payout, after four years of maintained dividends. All the operating subsidiaries and most of the associates and investments lifted their profits. Among the operating companies, exporters Highveld Steel and Mondi Paper produced exceptionally strong advances, while major associate AECI boosted attributable earnings by 53%, and raised its dividend for the first time since 1981. Amic's gross cash flow surged from R336m to R534m, borrowings were pared by R232m, and the dividend cover was raised from the thin 1,9 times to a more comfortable 2,7 times.

Economic activity will still be crucial to the growth pace that can be expected in future. The group is, however, certainly looking structurally stronger, and should be capable of producing further growth in the short-term. While the dividend yield is thin at 3,1%, some investors are bound to take the view that the slim yield is misleading, in view of the present emphasis on restoring cover and repaying borrowings. On the p.e of 12 times, the share may well offer value.

Profits could have been better, but Amic continues to pay for past errors, notably large foreign exchange losses. The income statement was influenced by revisions to estimated effective lives of certain major production plant units and acceleration in the write-off of deferred forex losses. Depreciation was raised from R117m to R142m, and forex loss charges doubled from R15m to R31m; this reduced attributable earnings before extraordinary items by R20m, equivalent to 40c a share. The group at last seems within sight of an end to its currency losses.

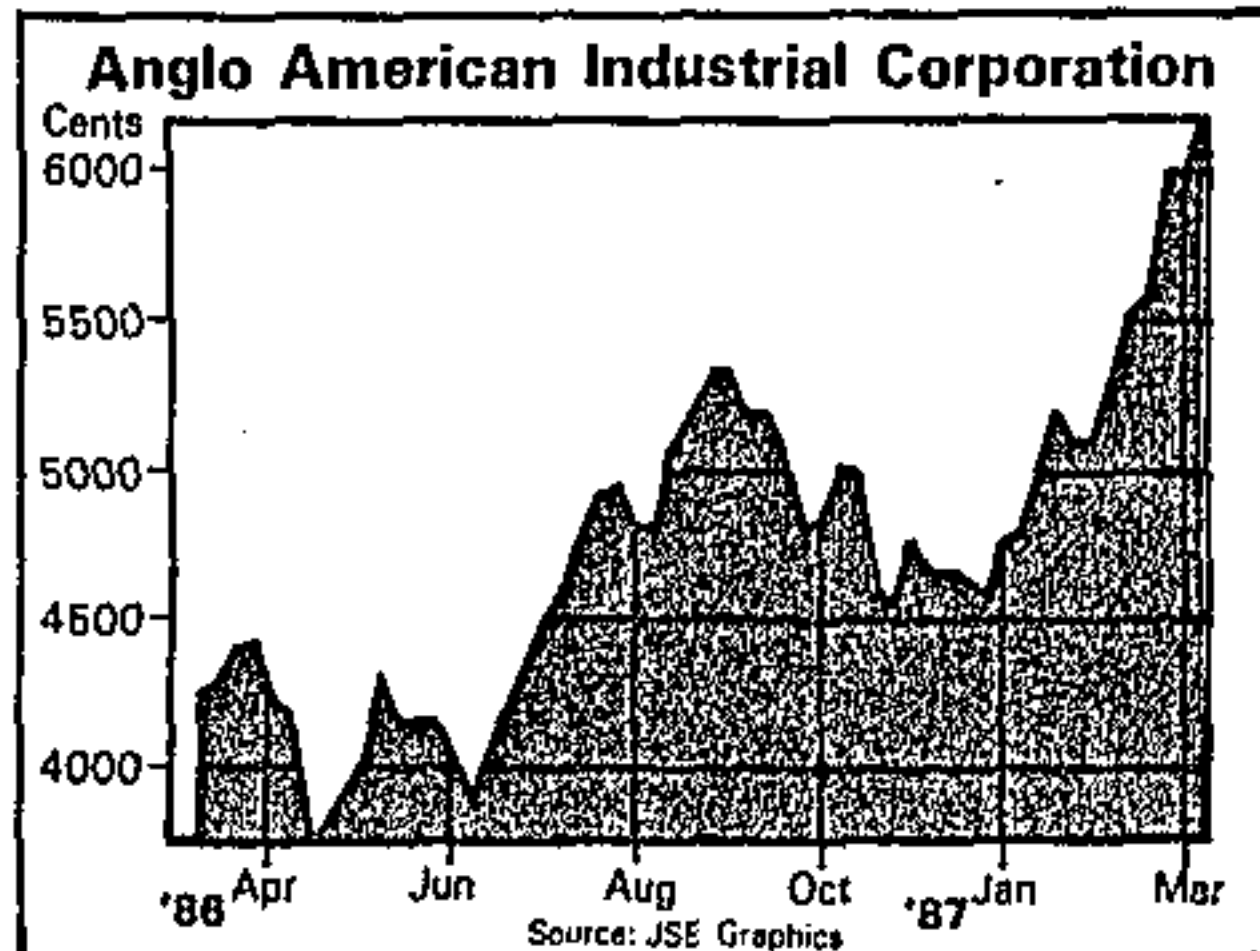
At end-December, there were no uncovered foreign loans. Included in debtors is an amount of R13m (1985: R48m) in respect of deferred exchange losses which is to be amortised by end-1987.

Chairman Graham Boustred again declines to forecast results for the years ahead, owing to the continued uncertainty. But he sounds a note of caution: "If Amic is able to maintain its earnings at last year's level, this would have to be regarded as a satisfactory performance," he says.

We noted last year that Amic needed to get cash flowing from Highveld Steel and Mondi Paper, and here it was successful: Highveld produced record attributable earnings of R60m (R41m), and Mondi's figure soared from R1m to R53m. Both exporters were helped by last year's weak rand. The rand is now well up on the levels of late 1986, and Highveld says 1987 earnings are expected to be satisfactory, though not as high as the record results of 1986.

Mondi, however, has other advantages than the rand. It has increased pulp production to 340 000 t (220 000 t) at its new Richards Bay plant, is enjoying strong demand for manufactured products, and has cut borrowings. It expects another earnings boost in 1987. AECI is benefiting from improved volume throughput in its operations, which have been made leaner by rationalisation, and has also trimmed borrowings; it, too, expects continued earnings growth.

On the whole, Amic now has no major loss-makers draining its cash. LTA is back in the black, forecasting earnings of around R4m for 1987 after the 1985 loss of R5m, and even 19%-held motor group Samcor has moved away from large losses after its



rationalisation with Ford SA. Some interests should show recovery this year: Tongaat-Hulett has forecast earnings of 75c a share (24c).

Amic's borrowings and the interest bill look set to shrink again this year. Year-end cash holdings had swollen to R150m (R120m). Unless present forecasts of economic growth for the country collapse, then the main impediment to another good year for the group may be any adverse effect a high rand has on export earnings. This could, however, be more than offset by the momentum that the group's broad industrial portfolio could gain from a healthier economic environment.

Andrew McNulty

MIKE'S KITCHEN

More muscle

Activities: Franchisor of Mike's Kitchen chain of restaurants.

Control: Satbel controls 65% of the issued share capital.

Acting chairman: D Band.

Capital structure: 10m ords of 1c each. Market capitalisation: R110m.

Share market: Price: 110c. Yields: 2,7% on dividend; 4,1% on earnings; PE ratio, 24,4; cover, 1,5. 12-month high, 110c; low, 47c. Trading volume last quarter, 525 000 shares.

Financial: Year to December 31.

'86

Debt:	
Short-term (R'000)	303,2
Long-term (R'000)	154,0
Debt:equity ratio	0,15
Shareholders' interest	0,67
Int & leasing cover	52
Debt cover	1,48

Performance:

'86

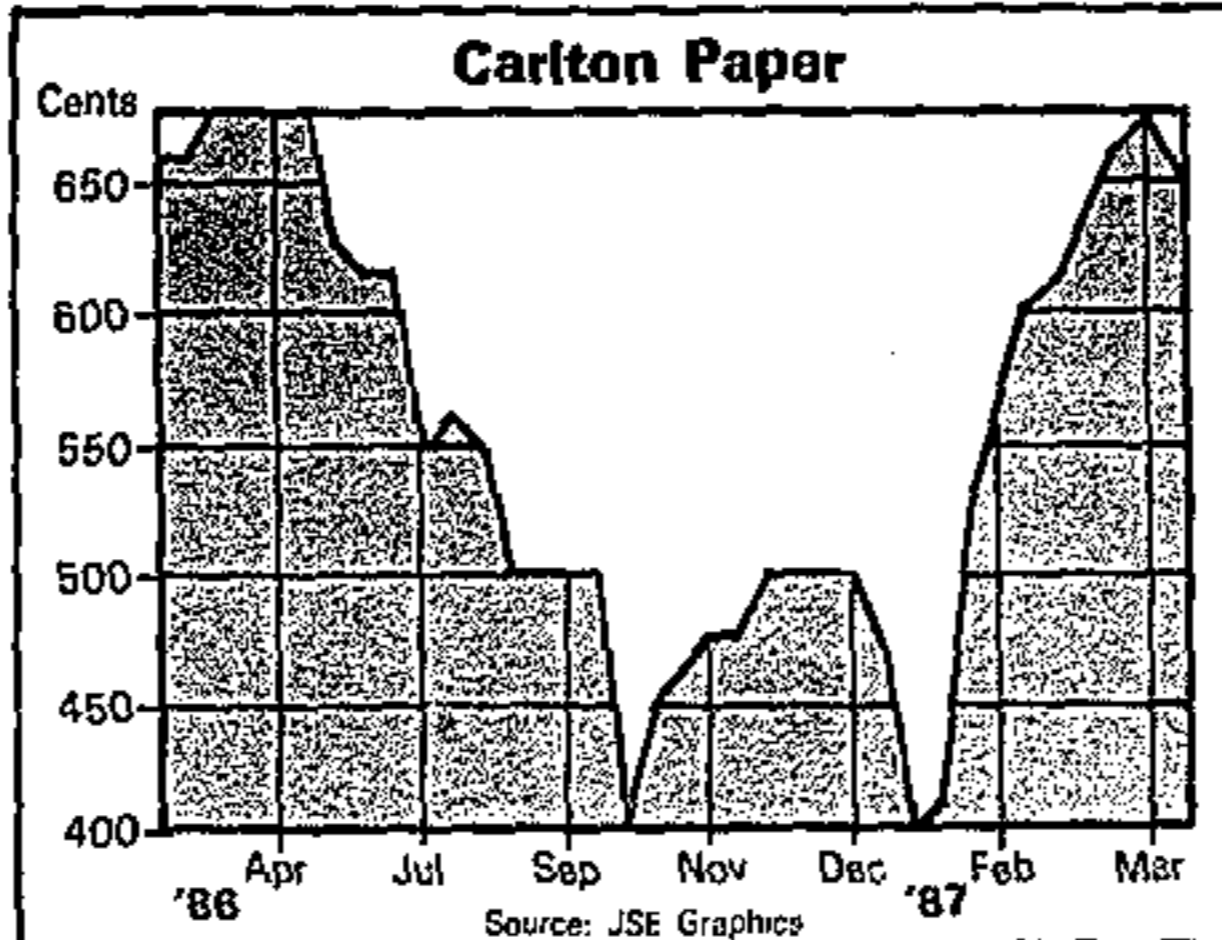
Return on cap (%)	25
Turnover (Rm)	4,0
Pre-int profit (Rm)	1,1
Pre-int margin (%)	28
Taxed profit (Rm)	0,6
Earnings (c)	4,5**
Dividends (c)	3
Net worth (c)	29,5

* 16 months to December 31.

** annualised.

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Activities: Manufactures and distributes branded tissue products.

Control: 52% held by KCSA Holdings, in turn held by Kimberly-Clark Corp (49,99%) and Malcor (50,01%). Direct holdings of Malcor and Kimberly-Clarke are 14,8% and 12,7% respectively.

Chairman: K Zirker; managing director: K Partridge.

Capital structure: 15,8m ords of 50c. Market capitalisation: R106m.

Share market: Price: 670c. Yields: 4,5% on dividend; 8,0% on earnings; PE ratio, 12,6; cover, 1,8. 12-month high, 680c; low, 400c. Trading volume last quarter, 580 000 shares.

Financial: Year to December.

	'83	'84	'85	'86
Debt:				
Short-term (Rm) ..	3,5	4,8	11,8	11,4
Long-term (Rm) ...	9,7	16,8	19,3	20,6
Debt:equity ratio	0,29	0,57	0,75	0,71
Shareholders' interest	0,49	0,40	0,36	0,35
Int & leasing cover .	26,5	5,8	3,3	3,3
Debt cover	1,11	0,57	0,53	0,52

Performance:

	'83	'84	'85	'86
Return on cap (%) ..	20,8	17,2	16,4	15,5
Turnover (Rm)	130,2	148,3	177,9	198,6
Pre-int profit (Rm) ...	19,5	16,3	19,1	19,9
Pre-int margin (%) ..	14,9	8,2	8,1	8,2
Taxed profit (Rm)	10,4	7,7	8,37	8,42
Earnings (c)	66,4	48,5	53,0	53,3
Dividends (c)	40	28	30	30
Net worth (c)	292	317	338	285

* Historical figures for shareholders funds and depreciation have been restated.

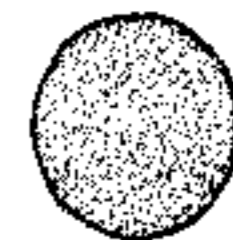
Nonetheless, MD Keith Partridge cautions that any significant variation in the value of the rand, or financial or trade sanctions could impact negatively on consumer spending and raw material costs.

Zirker, who returned from the US earlier this week, says Kimberly-Clark has reaffirmed its intention to retain both its direct and indirect holding in Carlton. The US corporation is an important source of technology for Carlton.

Meanwhile, investor interest in Carlton seems to have waned, probably because the shares are tightly held and are not often traded. Last year, only 96 000 of the 15,8m shares in issue changed hands and the price reacted to very small sales volumes.

Carlton, on a p/e of 12,6, is trading at 670c, more than double net worth. But on a dividend yield of 4,5%, and an earnings yield of 8%, the company is not well rated against the sector average of 2,9% on dividend and 7,1% on earnings. The group's nearest com-

petitor, Nampak, now on a p/e of 16,3, is more freely available. However, at 2 700c, Nampak is considerably more expensive and offers less attractive yields of 6,1% on earnings and 2,8% on dividend. *Cherilyn Iretton*



Shifting the ground

Government calls it an "accommodation project." The Transvaal Rural Action Committee (Trac) says it's a forced removal — even if indirectly. Those affected, the black residents of Machadodorp township, seem confused about whether they are being forced to move to a new site, Emthonjeni, 3 km away, or if they've been made an offer they can't refuse.

At any rate, removals/resettlements of

black communities are emphatically not a thing of the past, despite government's moratorium on "forced" removals. Minister of Constitutional Development and Planning Chris Heunis has said some 22 000 people countrywide have yet to be resettled (*Current Affairs* March 20), although he did not include Machadodorp on his list of those affected.

The reason is explained by the Department of Development and Planning spokesman, Johan Oosthuizen. He says government does not regard the resettlement of black villagers at Machadodorp as a removal as they were given the opportunity to apply for new houses at Emthonjeni from January 1981. Also, several meetings were held with the residents to reach "consensus" on their re-location. "That is why it is not a 'removal' and why Minister Heunis omitted Machadodorp from his list of townships still to be resettled this year," Oosthuizen says.

Only the 287 people who have their names listed will receive houses in Emthonjeni. But Oosthuizen says Machadodorp township currently houses about 300 families; those who do not get a new house will be accommodated on the 130 serviced sites at Emthonjeni, where they can build their own homes. This implies they will have to move, voluntarily or otherwise, at some point.

Some residents told the *FM* they felt intimidated by the presence of police in Machadodorp. Although they admit that their

living conditions are poor — they use the old bucket sewage system, and about 20 families share a communal tap — many prefer to stay, as they will not be able to afford Emthonjeni rents and service charges.

The residents built their own homes in Machadodorp and pay only R15 a month for services. In Emthonjeni, they will have to pay R53 for rent and services. Most of them earn between R50 and R150 a month.

Oosthuizen says the financial problems are being investigated, but rents cannot be cut since they were fixed at the rates of three years ago. Township superintendent Piet Venter says two small families can move into one house at Emthonjeni and share the costs. The houses have four rooms.

Trac's Alan Morris says it is clear that the great majority of residents will not be able to afford the new rents. If a referendum were to be held in an "unintimidated" atmosphere, there is little doubt that they would prefer to stay in the old township, which they can afford, he adds.

Oosthuizen denies that an indirect forced removal is at work. He claims people will be free to stay, although they might encounter difficulties as the school and other institutions will eventually be moved to Emthonjeni. But he also says no structure presently in use — church or school — will be demolished until accommodation can be provided in Emthonjeni.

Machadodorp township was never pro-

claimed as such. Venter says an application for proclamation was turned down for "practical reasons" in 1948 because it was too close to the white area, a mere 100 m from white Machadodorp. The municipality decided to lease the ground to the township.

Venter denies that the ground will be used to expand the white area: "We are not resettling people to get the ground, but because we want to improve their appalling living conditions."

Talks on removing the township started in 1974, but the administration involved in developing another township is time-consuming, Oosthuizen says. He says it will not be practical to upgrade the existing township as the ground has not been serviced and the residents will in any case have to be accommodated elsewhere to do so.

The removal process, according to the Department of Development and Planning, works like this: "A specific person is formed four days before the actual date of the exact time and date he would be moved to Emthonjeni. Every house owner is given the choice to have his house evaluated and be paid out the amount agreed upon, or to rid of the material himself."

Although Venter would like to see removals completed and the ground returned to the Machadodorp municipality by the end of July, he says the date is "flexible."

The township dwellers, meanwhile, seem to have acquiesced in a fait accompli.

FM 3/4/87

CPA Trans 21/4/87

(189) (31)

Mawu plan for work stoppages

JOHANNESBURG — Members of the Metal and Allied Workers' Union (Mawu) have resolved to stage weekly one-hour work stoppages in protest against the continued incarceration of their general secretary, Mr Moses Mayekiso.

A union spokesman says fairly widespread stoppages have occurred among the union's 62 000 members on three occasions so far. He says shop stewards have planned for stoppages to occur each Monday.

Mr Mayekiso, also the chairman of the Alexandra Action Committee, was detained last June. Last Wednesday he was charged with high treason along with four other Alexandra community leaders.

In a 160-page indictment they are accused of trying to overthrow, usurp or endanger the authority of the State. It is alleged they plotted to seize control of Alexandra or render the township ungovernable.

They are accused of establishing "people's courts", campaigning against the security forces, the town council and so-called collaborators, launching a rent boycott and changing street names.

A Seifsa director, Mr Sam van Coller, confirmed that stoppages had occurred but declined to comment as talks with Mawu on the issue are in progress.

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Data: labour costs rocketed

930
DAVID FURLONGER

TOTAL labour costs in the metal and engineering industries have risen by 136% since 1980, according to newly published government figures.

The figures, which do not take inflation into account, use 1980 labour costs as a base of 100. They show overall actual costs in February reached 236, compared with 205 in February last year.

The greatest increase since 1980 has been among low-skilled workers and labourers, whose labour costs rose to 270 in February. Higher-skilled operators, at 188, had the lowest growth, while journeymen's actual labour costs stood at 205.

— Reuter

Cape Times 28/4/87
**Labour
costs
up 136%**

Own Correspondent

JOHANNESBURG. — Total labour costs in the metal and engineering industries have risen by 136% since 1980, according to newly-published government figures.

And it is unskilled workers who are pushing up costs more than their skilled colleagues.

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The greatest increase since 1980 has been among low-skilled workers and labourers, whose labour costs rose to 270 in February. Higher-skilled operators, at 188, had the lowest growth, while journeymen's actual labour costs stood at 205.

19/5/87
2 Day
1800

Massive metal industry union in the pipeline

A NEW "super union" for metalworkers — second in size only to the National Union of Mineworkers — will be launched in Johannesburg at a two-day congress at the end of the week.

It will be formed from the merger of several unions and will speak for 120 000 metal workers, half the national total. Its formation will end more than two years of talks aimed at unity.

It is understood several problems still have to be overcome, chief among them the political direction the new union should take.

Metal and Allied Workers' Union (Mawu) sources say the new union will probably have little effect on wage negotiations this year.

Besides Mawu, the National Automobile and Allied Workers' Union; the Motor Industry Combined Workers' Union; the United Mining, Metal and Allied Workers' Union; the SA Allied Workers' Union; the General and Allied Workers' Union, the Transport and General Workers' Union; and the Motor Assembly and Components Workers' Union of SA are expected to be party to the agreement.

ST 24/3/71
140 000 in giant new
189 metal union

By CAS St. LEGER

A GIANT new labour movement has been formed at a time when trade unionists fear an impending clamp-down.

This week the President's Council economic affairs committee called for a Government investigation into the activities and financing of unregistered and general trade unions and trade-union federations.

The response from the labour movement has been a demand for greater worker unity.

And the concrete result was the birth this weekend of a metal-industry union — as yet unnamed — with a projected membership of 140 000 — second in size only to the 300 000-member National Union of Mineworkers and the biggest metal union in

South African labour history.

It will represent more than 30 percent of all South African metal workers.

"Comrade Chair" at the inaugural proceedings, Mr John Gomomo, told the new union officials: "Comrades at large, we are taking one of the most important steps forward in the industry."

Guarantee

"We are meeting during a period of crisis for the trade-union movement, which is under attack by employers and the State."

He said a mass-based workers' movement was being built.

"Comrades, the only guarantee of our future is democratic organisation."

late re-
financial support
element in relations
Africa this weekend.
come the new MISS SOUTH

FIN

ST 24/1/81
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Metal wage talks deadlock

By SEFAKO NYAKA

WAGE talks in the metal industry have deadlocked — opening the way for a legal strike by the 150 000 members of the six South African unions affiliated to the International Metalworkers' Federation (IMF).

According to Metal and Allied Workers' Union (Mawu) national organiser Bernie Fanaroff, the IMF's negotiating caucus has declared a dispute with the employers' association, Seifsa.

But before legal strike action can be taken, the Industrial Council's executive committee will meet to discuss other ways of settling the dispute.

The council executive might consider one of three options; reopening dispute meetings between Seifsa and the IMF, calling for mediation or voluntary arbitration.

The IMF has declared a dispute with Seifsa on company level bargaining and minimum wages.

Seifsa has stuck to its offer of a minimum wage of R2,59 at the bottom grades going up to R6,49 at the top.

The increase represents a 10,5 per cent increase — which is way below the inflation rate.

For the past five years the unions have accepted offers at less than the inflation rate.

Seifsa has also refused to adjust the industry's wage curve which is heavily weighted against semi-skilled and unskilled workers.

The unions have meanwhile demanded the setting up of a sub-committee to investigate a shorter working week.

They have argued that reduced working hours will lead to the creation of more jobs in the industry.

The unions are also looking at the revision of the present job grading system in the industry and have demanded higher overtime and public holiday rates which will tie into the issue of job creation.

~~1/89~~ 2/11/91
~~1/89~~ 15-21/5/87

ort

Closing gold prices

(In \$ an ounce)

LONDON:

Closed

ZURICH:

464,00-467,00

— Reuter

**THE SOUTH AFRICAN BULLION
AND KRUGERRAND EXCHANGE**

PH: 25 1788, 25 1946

Upward trend continues

*ONE TRICKS
26/5/87*

Barlows lifts

earnings 31%

189

From DAVID COHEN

JOHANNESBURG. — Barlow Rand continued its upward trend with earnings a share for the six months to March rising 28,3c to 120,8c, a 31% increase over the same period last year.

The earnings rise, significantly higher than most market analyst expectations of around 23%, infers healthy contributions from the wholly-owned subsidiaries Middelburg Steel and the Motor Appliances and Tractors division whose results are not public knowledge.

Barlows CE Warren Clewlow confirmed yesterday that "the wholly-owned had turned in much improved performances over last year's interim results".

The interim dividend was lifted by 6c to 30c (24c) and superior earnings boosted dividend cover from 3,8 to four times.

Looking ahead, Clewlow said that although trading activity could be expected to improve, growth for the next six months is unlikely to match the improvement for the half-year to March.

A feature of the results is the "substantial growth" recorded by the group's industrial interests which accounted for 28% (17%) of attributable profit after tax. This offset the declining contributions from international and mining operations. "Mining showed a small decline mainly due to lower coal export receipts," said Clewlow.

A 13% rise in turnover to R8 146m (R7 182m) failed to keep pace with inflation but translated into a disproportionate 31% hike in attributable earnings to R217m (R166m). Clewlow attributed this to "improved margins, lower average borrowings and interest rates and an average tax rate which reduced from 42,6% to 40,2%."

The group trimmed its interest bill by R29m to R125m and achieved the 2,4% lower tax rate.

However, a disturbing aspect is that Barlows — whose turnover last year of R14 623m accounted for 11% of 1986's gross national product — made no real contribution to unemployment statistics, reporting negligible additions to its 232 000 work force.

Enter another super-union

A SUPER metal workers' union will be launched in Johannesburg at the weekend.

The new union is a result of a merger of eight unions affiliated to the Congress of South African Trade Unions and South African unions affiliated to the International Metal Workers' Federation, according to Metal and Allied Workers' Union organiser Bernie Fanaroff.

The new union will be second in size only to the National Union of Mineworkers and will have a paid-up membership of 130 000 workers.

The combined membership of the remaining unions in the metal industry will be less than that of the new union.

Foundations for the super union were laid more than two years ago when some unions in the metal industry agreed not to intrude in each other's area of jurisdiction.

Although the constitution, policy and affiliation will be discussed at the three-day conference, it is almost certain that the union will seek affiliation with Cosatu, Fanaroff says.

Participating unions have to subscribe to the principles of non-racialism, internal democracy and worker control.

The weekend will see the launch of another giant union, second only in size and power to the miners. SEFAKO NYAKA reports on the new metal union

They are also expected to disband soon after the union is launched, although the rounding off of affairs might take about six months.

The Metal and Allied Workers' Union, the National Automobile and Allied Workers' Union, the Motor Industry Combined Workers' Union and the Motor Assembly and Components Workers Union of South Africa are expected to disband. The United Mining, Metal and Allied Workers' Union, the South African Allied Workers' Union, the General Allied Workers' Union and the Transport and General Workers Union are likely to shed their members in the motor and metal industries.

It will be the first time that employers in the metal and motor industries face such a large organisation.

This is bound to give a boost to negotiations in the motor and metal industries next year, according to Fanaroff.

The South African IMF unions have already declared a dispute with Seifsa after talks deadlocked two weeks ago.

The new union will not affect the participating unions' involvement in present wage talks.

"Politically it is bound to be an important organisation because it represents a substantial number of workers in one of the most important sectors of the industry in the country," Fanaroff said.

The merger will be the second in the move towards Cosatu's policy of one union in one industry.

A few months ago workers in the food industry merged to form the Food and Allied Workers Union.

The new union covers all the Industrial Councils in the metal and motor industries.

The bargaining structures in the Motor Industry Industrial Council, the Motor Assembly Industrial Council, the Tyre and Rubber Industrial Council and the Metal Industry Industrial Council will continue to function until the new union decides on the question of affiliation to the IC and application for membership is approved.

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The new union will be second in size only to the National Union of Mineworkers and will have a paid-up membership of 130 000 workers.

The combined membership of the remaining unions in the metal industry will be less than that of the new union.

Foundations for the super union were laid more than two years ago when some unions in the metal industry agreed not to intrude in each other's area of jurisdiction.

Although the constitution, policy and affiliation will be discussed at the three-day conference, it is almost certain that the union will seek affiliation with Cosatu, Fanaroff says.

Participating unions have to subscribe to the principles of non-racialism, internal democracy and worker control.

The weekend will see the launch of another giant union, second only in size and power to the miners. SEFAKO NYAKA reports on the new metal union

They are also expected to disband soon after the union is launched, although the rounding off of affairs might take about six months.

The Metal and Allied Workers' Union, the National Automobile and Allied Workers' Union, the Motor Industry Combined Workers' Union and the Motor Assembly and Components Workers Union of South Africa are expected to disband. The United Mining, Metal and Allied Workers' Union, the South African Allied Workers' Union, the General Allied Workers' Union and the Transport and General Workers Union are likely to shed their members in the motor and metal industries.

It will be the first time that employers in the metal and motor industries face such a large organisation.

This is bound to give a boost to negotiations in the motor and metal industries next year, according to Fanaroff.

The South African IMF unions have already declared a dispute with Seifsa after talks deadlocked two weeks ago.

The new union will not affect the participating unions' involvement in present wage talks.

"Politically it is bound to be an important organisation because it represents a substantial number of workers in one of the most important sectors of the industry in the country," Fanaroff said.

The merger will be the second in the move towards Cosatu's policy of one union in one industry.

A few months ago workers in the food industry merged to form the Food and Allied Workers Union.

The new union covers all the Industrial Councils in the metal and motor industries.

The bargaining structures in the Motor Industry Industrial Council, the Motor Assembly Industrial Council, the Tyre and Rubber Industrial Council and the Metal Industry Industrial Council will continue to function until the new union decides on the question of affiliation to the IC and application for membership is approved.



Mining and metal industries facing a strike

The Argus Correspondent
JOHANNESBURG. — The mining and metal industries face industrial action by nearly 300 000 workers, following a deadlock in wage negotiations between employers and representative unions.

Both the National Union of Mineworkers (NUM) and the National Union of Metalworkers (Numsa) have announced they will hold strike ballots for members "in the next few days".

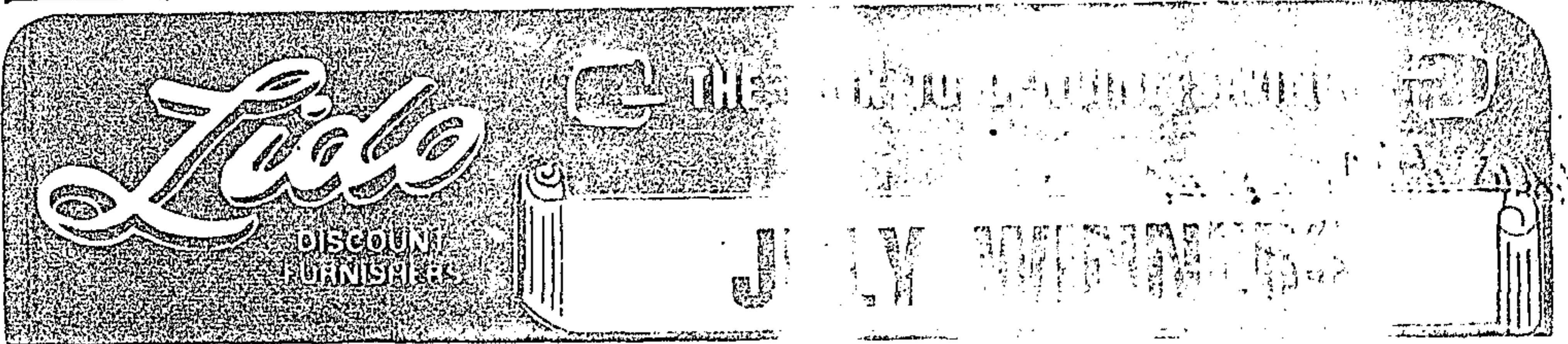
The NUM, which announced its decision after its second conciliation board meeting

with the Chamber of Mines had reached deadlock, said it would approach managements for ballot facilities for its 200 000 members affected by the talks.

Issues in dispute are: The NUM demand for a 30 percent across-the-board increase, as opposed to the chamber's offer

of increases ranging from 16 percent to 23,4 percent, depending on the nature and profitability of mines.

Danger pay, as well as improvements in holiday leave and death benefits and the recognition of June 16 as a paid holiday.



Strike ballot is 'normal'

A DECISION by the industry's largest union to call a strike ballot was a normal part of the collective bargaining process, the Steel and Engineering Industries Federation of SA (Seifsa), said yesterday.

Seifsa director Sam van Coller was responding to an announcement by the National Union of Metalworkers of SA (Numsa) of plans to ballot more than 70 000 members in 500 factories next week, following the deadlock in

Industrial Council negotiations.

He disputed a number of union assertions about the circumstances of the dispute.

Numsa represented only 20% of the organised workforce, said Van Coller and Seifsa was satisfied in the current economic situation the wage offer made by employers was "very substantial".

ALAN FINE

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Estimates show 20 000 jobs lost

Engineering and steel industries take hammering

THE outlook for the steel and engineering industries remains bleak despite renewed optimism because of high levels of government-led expenditure.

Since the first quarter of 1986, it is estimated that another 20 000 jobs have been lost. Employees in production processes are currently estimated at 330 000 compared with an employment peak of 454 000 at year-end 1981.

A quarterly survey by the Steel and Engineering Industries Federation of SA says increases in production during the latter part of 1986 and the first quarter of 1987 have not significantly affected increases in employment.

"An oversupply of artisans continues in the basic metal sector due to low capacity utilisation. A scarcity of certain categories of skilled artisans remains a problem and will be exacerbated during the upcoming Mossel Bay project, where a large number of skilled artisans will be required.

"It is expected that the project will create 5 000 jobs during the construction phase and that the mainland refinery will provide 1 800 to 2 000 permanent jobs," it says.

Unsustained consumer demand, dwindling export performance, continued high inflation, instability in the labour relations area and continued unrest, as well as political uncertainty, are all working to hamper and perhaps even stifle the tenuous recovery which began slowly in mid-1986.

Seifsa says much of the increase in the first quarter is attributable to increases in government expenditure.

"The outlook for the balance of 1987 appears shaky at best. In the metal and engineering industries, it is hoped

MICK COLLINS

that major capital projects such as Mossel Bay and the Lesotho Highlands Water Scheme, will help lift large sectors of industry out of recession and therefore may turn the tide in the second half of the year," it says.

"However, the possibility of improving consumer demand and/or export performance remains doubtful without an increase in disposable income, a decrease in both taxes and inflation and an overall major improvement in business and public confidence."

Although most sectors of the metal and engineering industries showed a moderate increase in volumes of production during the first quarter of 1987 over the same quarter in 1986, volumes were down in most sectors when compared with the last quarter of 1986, and also when compared with 1986 as a whole.

"The moderate upturn which started in the second half of 1986 must therefore be considered somewhat tenuous and early indicators show no major surge in activity over and above the first quarter and could even register a further decline in output for the second quarter."

The combined sectors of the metal and engineering industries showed an increase of 2,6% in the first quarter over the same period in 1986, but a drop of 2,2% on the last quarter of 1986 and 3,3% down on the average for 1986 as a whole.

Continued low levels of activity in the heavy engineering and construction sectors have occasioned a fall-off in demand for profile and structural steel products.

Metal workers vote on strike

CAT & Temp 5/11/87 Staff Reporter *189* *[Signature]*

A STRIKE ballot for workers in the metal industry will start today in more than 500 factories.

Shop stewards of the recently formed super union, the National Union of Metalworkers of South (Numsa), will act as balloting officers. They attended meetings in Numsa offices around the country on Saturday to make final arrangements and to receive the boxes and papers for the ballot.

The ballot will be open to non-members as well as Numsa members.

Counting will take place on Thursday at the union's branch offices.

Metal workers vote on strike

Staff Reporter 189

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Dispatch Correspondent
JOHANNESBURG —

Employer spokesmen for South Africa's metal and mining sectors were tightlipped yesterday over contingency plans for possible "yes" votes in the strike ballots being conducted in the two industries.

About 80 000 members of the National Union of Metalworkers (Numsa) in 500 plants are casting votes this week over an employer offer of 39c to 72c per our.

Ballotting is expected to be completed today and results known by Friday.

Numsa leaders will meet at the weekend to consider them.

Up to 200 000 miners at 25 gold mines and 19 collieries are also being

8/1/87
Strike
ballots
for SA
workers

ballotted this week by the National Union of Mineworkers (NUM) on whether to strike over offers by the Chamber of Mines for wage increases ranging from 15 per cent to 23,4 per cent.

Other aspects of conditions of employment are also in dispute.

The NUM assistant general secretary, Mr Marcel Golding, said the votes would be counted at the weekend, after which the union's executive would meet to

consider the result and decide on further steps.

The director of the Steel and Engineering Industries Federation, Mr Sam van Coller said he would await the outcome of the Numsa ballot and the union's deliberations.

A complication in the Numsa dispute was that Seifsa had reached agreement with the other 14 unions in the industry and the agreement had already been submitted to the Manpower Department for gazetting.

Seifsa has not made any indication that it planned to reopen talks with Numsa, the largest metal union, to reach a separate accord.

A drawn-out test of strength could be in the offing.

associated with the company as a consultant.

'Yes' to Numsa strike

JOHANNESBURG — The first results in the nation-wide strike ballot of about 80 000 metalworkers, which became available yesterday, reflect a more than 80% vote in favour of strike action in support of National Union of Metalworkers of SA (Numsa) wage demands. A spokesman for Numsa's Witbank branch, which includes employees of the giant Highveld Steel and Vanadium complex, said that 5 783 out of 7 030 voters cast a "yes" ballot.

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CAPE Times 13/7/87

Major strike looms as miners decide

JOHANNESBURG. — A threat of major labour unrest in South Africa loomed yesterday after union officials said about 80 000 metal workers had voted overwhelmingly in favour of a strike.

A more serious showdown is possible in the crucial mining industry, where 200 000 workers are voting to decide whether to go out.

Both disputes centre on wages and work conditions.

Officials of the newly-formed National Union of Metalworkers of South Africa (Numsa) told reporters yesterday that about 95% of some 80 000 workers, almost all of them black, had supported a strike in a ballot whose final results are expected today.

A decision on what action to take would follow soon. If a strike is called, about 400 companies will be affected in the metal and allied industries, including car manufacturers.

Numsa, which was formed earlier this year through the merger of seven unions, says it is the second-biggest union in South Africa, but not all of its claimed membership of 130 000 are involved in the dispute.

A strike by the metalworkers would pale in importance by comparison with a strike in the coal and gold mines, which provide more than half of South Africa's total export earnings.

The 200 000 miners now taking part in the strike ballot work in 27 gold mines and 18 collieries nationwide and represent nearly half the total number of miners in South Africa.

In previous years scattered strikes in the mining industry have been accompanied by considerable violence.

The results of the miners' strike ballot will be known this week. Union officials say privately that large numbers have voted in favour of strike action.

South African trade unions, legalized less than 10 years ago, have increasingly flexed their muscles in recent years. — Sapa-Reuter

Thousands of metalworkers on strike

NR 645

14/7/82

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Mr Pietie du Plessis

JOHANNESBURG. — Thousands of workers began strike action at metal and engineering plants across the country today as lawyers for the National Union of Metalworkers of South Africa (Numsa) planned urgent Supreme Court action to challenge a Government Gazette that will make the strike illegal.

Numsa spokesman Mr Peter Dantjies said shop stewards from all union branches around the country had reported that workers began striking today in spite of an announcement last night that an extension to the old wage agreement for the metal industry would be gazetted today.

"We are waiting for the outcome of our Supreme Court application against the gazette before deciding on what course of action to follow," said Mr Dantjies.

He said the union estimated that 80 000 workers, who last week voted in favour of a legal strike, had already started industrial action.

Spokesmen for the Steel and Engineering Federation of South Africa (Seifsa), the employers' organisation, were not immediately available for comment on the extent of strike action in the industry.

Mr Paul Benjamin, a spokesman for Numsa's attorneys, confirmed that papers were being prepared for an urgent application in the Rand Supreme Court to declare the gazette invalid.

The hearing was expected to take place later today.

Mr Dantjies said shop stewards reported a heavy police presence at the giant Middelburg Steel plant near Witbank, but said there were no indications of any confrontation.

Want undertaking

Last night, Numsa said, the Minister of Manpower, Mr P T C du Plessis, had not complied with the regulations in the Labour Relations Act in making the strike unlawful.

"Because we believe he has not complied with the regulations, we plan to ask him for an undertaking not to publish the agreement in the Government Gazette.

"If he refuses, we will have to ask the Supreme Court to interdict him," said a Numsa spokesman.

"There is an overwhelming support among our members for strike action and we believe there is much support among workers in other unions, who are unhappy with the agreement."

The spokesman said the Minister intended to renew last year's agreement today and amend it on Friday, making the strike illegal as from today. "We believe the employers have asked him to do this."

Seifsa said in a statement last night that the industry had been operating without an agreement since July 1 "because of procedures involved in publishing a new agreement".

"No" to increases

Negotiations for a new agreement in the industry were successfully completed between employers, represented by Seifsa, and 14 of the 15 unions on June 9.

However, Numsa, which says it represents the majority of metalworkers, rejected wage increases of between 39c and 72c an hour.

After conciliation procedures failed to break the deadlock, the union conducted a ballot last week in which 95 percent of workers who took part decided on a legal strike.

Numsa is demanding a new basic minimum rate of R4 an hour
(Turn to Page 3, Col 3)

P.T.O.

MGUS 14/7/87

~~15/7/87~~ ~~17/7/87~~

Thousands out on strike

(Continued from page 1)

hour and an across-the-board increase of R1.

Meanwhile, about 200 000 mineworkers are poised to stage a legal strike after voting "overwhelmingly" in favour of industrial action following a deadlock in talks between the National Union of Mineworkers (Num) and the Chamber of Mines.

STRIKE DATE DECIDED

Num spokesman, Mr Marcel Golding, said last night that the union's national executive committee had met to evaluate the results of last week's strike ballot and to decide on an agenda for forthcoming strike action.

He said a date for the strike had been decided on, but it would not be made known at this stage.

"Of the more than 200 000 members who went to the polls, an overwhelming majority came out in support of a strike on coal and gold mines," said Mr Golding.

Results showed 95,77 percent (representing 191 543 voters) were in favour of strike action. Other results were still awaited.

Mr Golding said a strike at the Bank Colliery at Witbank that started on Friday in protest against the dismissal of union shift stewards, continued today with about 1 000 workers striking.

CAPE STRIKE-FREE

● Strike action by Numsa and the Metal and Allied Workers Union (Mawu) has not reached the Western Cape yet, according to a Cape Town Chamber of Industries spokesman.

Mr Ian Newall, the chamber's industrial relations officer, today said that as far as he could establish, no metal or related industries have been affected by the strike called in other parts of the country for pay increases.

Mr Newall said Mawu, which had not signed a wage agreement with employers, had to hold a strike ballot to have a legal strike and none had been taken in the Western Cape.

CAM Times 14/7/87

Metal workers' strike plans in disarray

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Own Correspondent

JOHANNESBURG — Plans for a legal strike by 80 000 metalworkers were thrown into disarray yesterday with the disclosure that a notice renewing the old industrial council agreement, which expired on June 30, is to be gazetted today.

In terms of the Labour Relations Act, any strike which occurs during the currency of an industrial council agreement over any matter covered by that agreement is illegal.

But it appeared last night that a late-night urgent interdict against the Minister of Manpower might be sought.

A legal spokesman for Numsa said he was investigating the possibility that procedures for gazetting the notice had not been properly followed.

Unionists and employers were expecting chaos this morning even if the strike was called off. News of the notice came through only late yesterday — too late for National Union of Metalworkers of SA (Numsa) leaders to inform members of the new development.

The union had decided earlier in the day that strike action should begin today after the 95% "yes" vote in last week's strike ballot.

Numsa spokesman Mr Peter Daantjies said yesterday afternoon the strike would probably be called off unless it was lawful. "Going ahead with an unlawful strike would give employers and government the opportunity to smash it," he said.

But he said it would be impossible to inform members at 500 plants before they embarked on strike action.

NUM to strike

The renewal notice will effectively reintroduce the pre-June 30 status quo, pending the gazetting of the new agreement which employers say is expected on Friday.

Steel and Engineering Industries Federation (Seifsa) director Mr Sam van Coller said the employers' organization had submitted the new agreement in a "perfectly proper manner" and according to normal procedures.

He did not expect managements to take disciplinary action against workers who went on strike this morning in ignorance of the new development.

He said Seifsa had earlier advised members not to dismiss workers, and to contact the organization if they were contemplating doing so.

□ Members of the National Union of Miners voted "overwhelmingly" for strike action, NUM spokesman Mr Marcel Golding said last night.

He said a date for the strike had been decided upon, but it would not be made known at this stage.

"Of the more than 200 000 members who went to the polls, the overwhelming majority came out in support of a strike on coal and gold mines," Mr Golding said.

Results showed 95,77% were in favour of strike action. Other results were still awaited.

Mr Golding said that a strike at the Bank Colliery at Witbank, which started on Friday in protest against the dismissal of union shift stewards, continued yesterday, with some 1 000 workers striking.

— Sapa

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Go back to work, metal workers told

JOHANNESBURG. — The Metal and Allied Workers Union is calling on its members to return to work until the legality of the Government Gazette proclamation making strike action illegal has been resolved.

In a statement last night, the National Union of Metalworkers said that the Metal and Allied Workers Union (Mawu) — now part of the metalworkers' merger, Numsa — was calling on the Minister of Manpower to resign because of "his failure to exercise his power and authority in a responsible manner as a Minister responsible for promoting industrial relations and industrial peace".

Mawu said that several employees had been engaged in lockouts and that if the gazetted agreement was indeed legal then the lockouts were illegal.

The union called on metal industry employers not to lock out employees and to allow an orderly return to work. — Sapa.

CAP Tink's
15/7/87

Numsa calls off its strike

Own Correspondent

JOHANNESBURG. — The National Union of Metalworkers of SA (Numsa) yesterday decided to call off the one-day strike by up to 60 000 members at nearly 500 plants.

It said it feared dismissals and government action against strikers on the grounds that they considered the strike unlawful.

Numsa and Seifsa have accused each other of unfair labour practices during the wage dispute that led to yesterday's strike.

The union has also made bitter allegations about collusion between employers, the Minister of Manpower and Public Works and the industrial council aimed at making "a perfectly lawful strike illegal".

And it has accused the council of withholding vital documents, an action it says torpedoed plans for a Supreme Court challenge to the legality of yesterday's notice renewing last year's agreement. The renewal effectively made the planned strike illegal.

Seifsa director Mr Sam van Coller said he was "naturally pleased" at the decision to call off the strike.

Challenging the lawfulness

Both he and Manpower Director-General Mr Piet van der Merwe have denied any impropriety in the gazetting of the notice. Council chairman Mr Ben Nicholson said the council acted properly and the decision regarding the renewal notice was made by the minister alone.

The union said last night it was still considering challenging the lawfulness of yesterday's Government Gazette. But it appeared the strike was, to all intents and purposes, over.

Numsa condemned the minister's action in promulgating the renewal notice. It said he was obliged to consult with both employer parties and trade unions to minimize industrial unrest. It said his conduct "has resulted in confusion and a situation of possible escalating conflict and unrest".

Mr Van der Merwe has said the renewal of agreements was a normal procedure.

Numsa spokesman Mr Bernie Fanaroff, although unhappy at the turn events had taken, said he thought the one-day stoppage had demonstrated the union's muscle. He believed this would pay dividends in future years.

Seifsa said the union had not negotiated in good faith.

BUSINESS IN PROFILE

SAM VAN COLLER moves from his position as director of the Steel And Engineering Industries Federation (Seifsa) to managing director of the Urban Foundation on September 1 this year. He spoke to HILARY JOFFE.

On the recent metal industry strike: It's clearly important in our labour relations framework that there is a right to strike. But my view is that for some time now Mawu has not been prepared to negotiate in a fair manner and the question arises whether strike action which follows that kind of negotiation strategy is in fact legitimate.

But I think the point needs to be made that the union made substantial efforts to conduct the strike in a correct and proper manner in terms of the ballot and the actual strike action.

On the extension of the industrial council agreement to those involved in the dispute: There are really two points here: the first is that extension to non-parties is fully provided for in the Labour Relations Act; it's been a phenomenon of our industrial council for the past 40 years.

And there's no doubt in my mind that the parties that made the agreement were sufficiently representative

as required in terms of the Act and in terms of the guidelines recently issued by the Department of Manpower. So there's nothing strange about the agreement being extended.

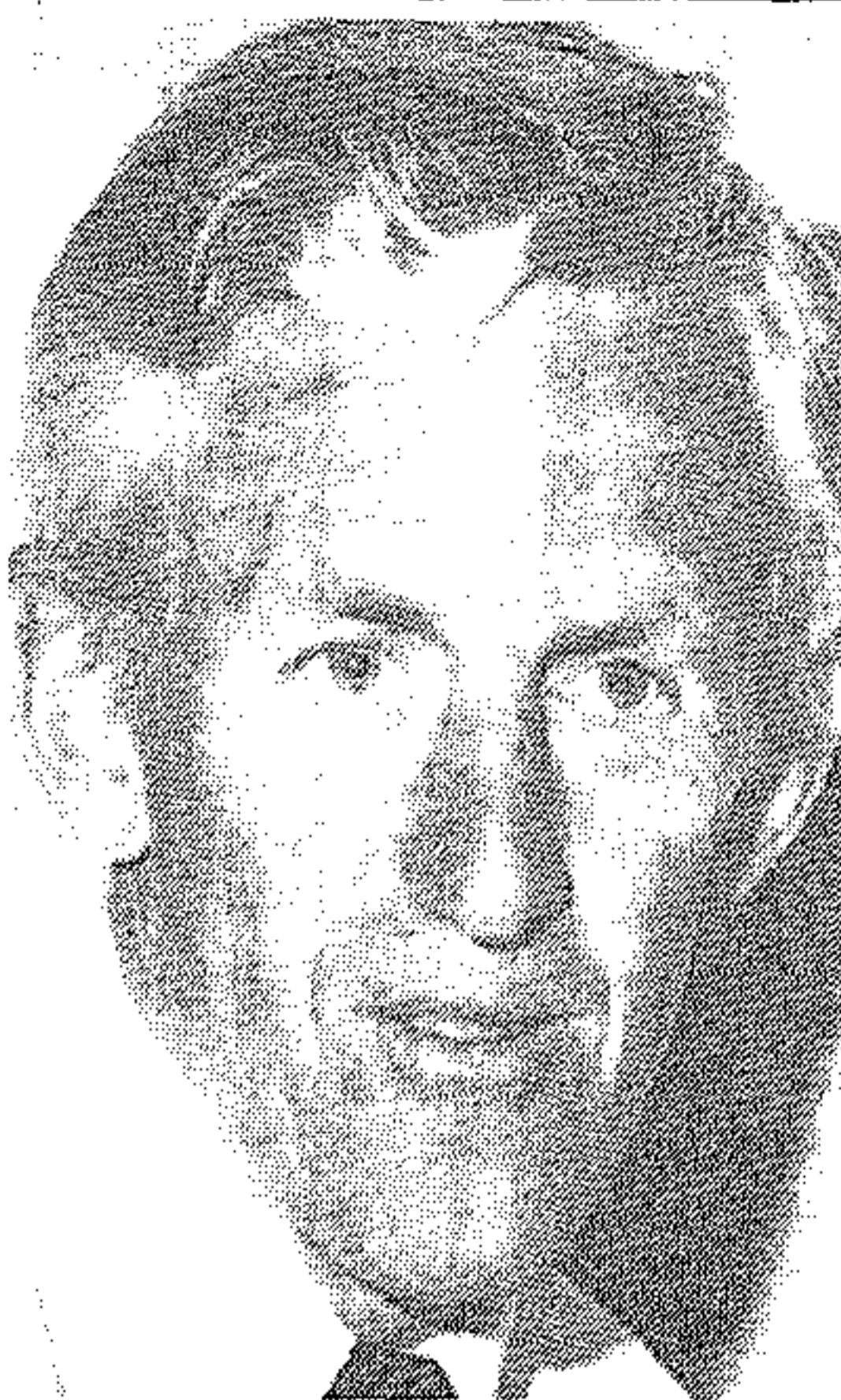
The second point is that the union concerned has been involved in negotiations with us each year for five years and each year when this has happened it has not made representations to the minister that he should not gazette the agreement and extend it.

On the issue of shop floor versus centralised negotiating in the industry: For collective bargaining to function successfully, in our view, it's best if it takes place on a voluntary basis. Therefore for industry-wide bargaining to survive it must be seen by both sides to be of benefit to them. While the industry-level bargaining is clearly the prime bargaining forum and is the dominant factor in determining adjustments in conditions of employment, I think the industrial council will continue to receive support from the employers.

If, however, it were to come about that company level bargaining was increasingly becoming the prime determinant of conditions of employment, we anticipate that the employers would say there's nothing in the industrial council for them.

The employers have in fact offered the trade unions a framework within which there could be national industry bargaining, industrial sector bargaining, and company bargaining. But in terms of that framework there would not be bargaining on the same issue at two levels. Trade unions don't like that formula.

On trends in labour relations in the industry: I think that one has to see the trends against the economic background of pretty



Van Coller

dismal business conditions within the industry and fairly high level inflation. Therefore it's extremely difficult to make progress in terms of the employer-employee relationship. However, I believe progress is being made in a number of areas.

There is considerable progress in shop floor industrial relations practices: many shop floor problems which five years ago would have resulted in a work stoppage are today being resolved within proper industrial relations procedures.

There is a developing focus on the benefit funds area and with the trade unions showing more interest in that area I can see significant progress coming over the next few years, for example in health care, and in adapting benefit funds to meet specific needs in areas such as housing.

Obviously the wage area remains a major problem. There is a conflict between the employee view that workers must receive a "living wage" and

the employer view that you can't simply overcome inadequate income levels by raising wages because you just get yourself on a treadmill of cost escalations which don't resolve anything.

Economic forces will ultimately determine the outcome of that argument.

On disinvestment: For me the sanctions and disinvestment issue is quite simple. We have a highly fragmented society, with a limited number of things that hold it together. Economic activity is probably the major form of glue holding the society together.

If you take that glue away you substantially increase the chances of conflict between the groups.

And by seeking to bring about change by damaging the South African economy, one must be promoting change through serious inter-group conflict. No matter what ones views are about the apartheid situation, I certainly cannot support change through a process of intense conflict.

On criticism that the Urban Foundation has too low a political profile: I think it's a question of strategy: what is the best way of achieving the kind of changes necessary for the improvement of the quality of life of urban communities? It's a question of what kinds of strategies one adopts, given one's resources and power base.

In their work of trying to achieve changes in legislation and in the institutional framework, the UF's strategy of mastering a particular field in terms of commissioning sound research and developing strong arguments based not on ideology but on pragmatic analysis, seems to give the best payoff.

One must question the value of a higher political profile which achieves no results.

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24-30/7/87
W/Mail

BRIAN ANGUS

From the outsider

The most striking aspect about Brian Angus's appointment as CE of the Steel and Engineering Federation of SA (Seifsa) is that he is a complete outsider, never having had any dealings with the industry.

So how did they find him? "You know those head-hunter agencies," Angus remarks. He does not consider this a disadvantage: "I bring a different perspective; besides, there are others around me who know the industry."

Angus (43) will certainly be getting to know the industry at a time when it faces some critical problems. Not only is it stuck in the doldrums, where many of the survivors still face a long, hard battle to stay afloat (the drop in Seifsa's membership is indicative), but Angus will be facing a new industry-wide super-union. The National Union of

(18) PIM 14/8/87

Metalworkers of SA (Numsa) was formed in June and is, after the National Union of Mineworkers, Cosatu's second biggest affiliate.

Angus will also have a large organisation to administer. Seifsa has a full-time staff of some 600. Under such circumstances it becomes clearer why a "human resources" person was wanted for the job (previous CE Sam van Coller, who is leaving for the Urban Foundation after six years at Seifsa, was similarly "industrial relations").

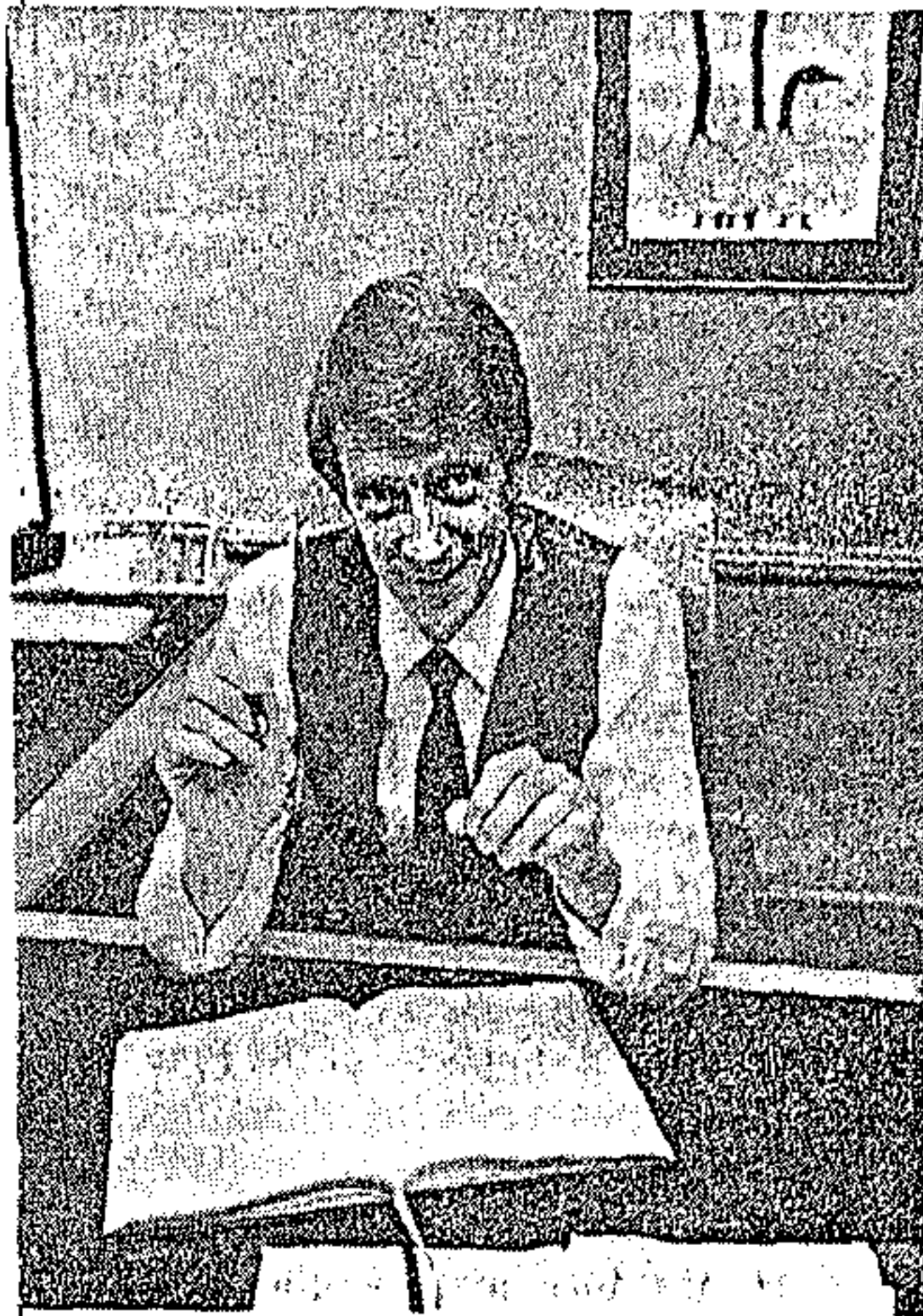
Angus's credentials include an MA in Industrial Psychology from Natal University; work in the Anglican ministry for four years (1968-1972); and extensive work in personnel and human resource management. He was with Tongaat as personnel manager of

"but the merger has definitely strengthened its power base."

As for Seifsa's political role — it has been regarded as one of the more conservative employer associations — Angus says he will continue to push for the abolition of "wasteful" segregated education, particularly technical education. Reform, he says, must continue to the satisfaction of all South Africans — but Seifsa will only take up issues directly affecting its members.

"Overt political demands are not our role. With our members representing a multitude of views, how can we make political demands?" he asks, adding that it is up to Seifsa's members, half of whom employ less than 25 people, to make their own decisions about their political involvement.

And the chances of merging with the Federated Chamber of Industries? "We are exploring areas of common interest, but the idea is to retain separate identities." ■



Angus ... dealing with people

the sugar division for seven years, before joining Beechams as Personnel Director in 1979. In 1983 he moved to Freight Services as Group Human Resources director. After a succession of mergers and restructurings, he left Safren.

Angus took this job because it offers a wider field of action, and "I also identify with Seifsa's objectives."

How is he going to face the challenges? "I will certainly be directly involved in industrial relations and annual wage negotiations," he says. Unlike other employer associations, Seifsa is directly involved in the industry's annual wage negotiations.

Angus's approach will be to accept freedom of association. By this he means that unions have the right to represent workers "on direct work-related issues." While unions are "genuinely interested in their members' interests," political demands, Angus feels, are "understandable, not desirable."

The impact of Numsa, with which Seifsa will deal for the first time in next year's wage negotiations, is still to be felt, says Angus,

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AND

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1988

Joint holding company as

CMT Times 6/1/88 (189)

Malbak scoops 93% ICL share

JOHANNESBURG. — The industrial group Malbak has acquired a major share in the South African operations of the leading British-based international computer company, ICL Limited.

The exact amount involved in the deal has not been disclosed but is given as less than 10% of Malbak's ordinary shareholders' funds — or almost R70m.

The deal, announced jointly yesterday by Malbak's executive director, Hugh Brown, and ICL (SA) MD, Fred Luyt, is effective from January 1.

In terms of the deal, a new yet-to-be-named holding company, jointly owned and controlled by Malbak and ICL, has been formed to control ICL (SA). It will own 93% of the company, with Old Mutual remaining as a 7% minority shareholder.

The deal came about because of Malbak's desire to expand its involvement in the computer industry, while ICL Ltd saw it as a means of accelerat-

ing the growth of its South African operation. Mr Luyt denied that the deal was a partial disinvestment by the British company from South Africa.

The statement said the deal would not have a material effect on the net asset value, earnings per share or dividends of the Malbak group.

ICL (SA) would continue to market the full range of ICL products, sourced from both local manufacture and from ICL in the UK.

Mr Brown said: "Malbak has as one of its objectives to increase its participation in the high-tech electronics industry. This currently offers, and is expected to continue to offer for the next few decades, higher than average growth possibilities.

"We see this partnership as an important strategic move for Malbak and one which will encourage the company to increase penetration of the market with its existing products and to extend the range of its activities." — Sapa

Prices of ^{9/2} ~~Star~~ electrical ¹⁸⁹ goods on the rise

Finance Staff

Prices of electrical goods are rising rapidly under the twin influences of increased demand and inadequate production capacity.

The year will therefore see wholesale prices of electrical goods rising by up to 20 percent, which should have a significant impact on building costs.

So says Mr Reuben Mowszowski of Elcentre Corporation, the largest national distributor of electrical products.

He says the effects of inflation are being felt throughout the electrical goods chain. However, some manufacturers and suppliers of raw materials are being irresponsible in their increases, he claims.

Price rises are bad news for electrical contractors and construction companies where competition is fierce for available work, particularly in the mass-housing sector.

Mr Mowszowski quotes prime examples of price rises: There will be a 60 percent increase in the price of PVC conduit by the end of February, compared with a year ago, insulated wire has increased by 49 percent in 10 months and cable prices are 67 percent higher than a year ago.

Copper prices accounted for the wire and cable price increases, he says. The Republic copper price (RCP) December to December increased from R2930,00/ton to R4969,00/ton. The impact on a product such as cable mirrored this increase with 16mm four-core cable, for example, going up from R640,67 per 100m to R1073,38 in 12 months.

The impact on the wholesale sector will be significant, he says.



Handicapped replace workers, claims union

Staff Reporter

FIFTY-three workers have been dismissed after a strike at an electrical appliances factory, amid allegations that workers are being replaced by handicapped people at much lower wages.

According to a spokesman for the Electrical and Allied Workers Trade Union, workers at the Illumina factory, Ep-

ping, went on strike after 10 colleagues were retrenched and 15 put on short time after management contracted work out to the handicapped.

Mr Brian Williams, the union's assistant general secretary, said the handicapped workers were paid far below normal rates and were jeopardising the livelihood of full-time workers.

Mr Williams said the minimum weekly wage at the factory was R117,45 before deductions, while the handicapped workers were paid about R40 a month.

Approached for comment, Illumina director Mr Abe Newman said: "I have no comment. I have been in the business for many years and know how to deal fairly with my staff."

The 53 workers struck on Wednesday and were dismissed on Friday. Management had refused to reinstate them, although they had agreed to return unconditionally, Mr Williams said.

The union is taking legal action against the company for alleged "unfair dismissals and retrenchments".

1 0 A D E 4 0



DEMOS . . . Mr Brian Williams (right), assistant general secretary of the Electrical and Allied Workers' Trade Union, remonstrates with Ms Madeleine Boesak over a donation — rejected by union members — towards a strike fund, outside the Foundation for Peace and Justice.
Picture: ANNE LAING

Fired strikers demo after Boesak gift

APC Train 24/2/88

Staff Reporter

ABOUT 30 dismissed factory workers staged a placard demonstration outside the Bellville South offices of the Foundation for Peace and Justice yesterday because they were dissatisfied with a R300 donation granted towards a strike support fund.

An Electrical and Allied Workers' Trade Union spokesman for the workers — among 53 dismissed after a strike at the Illumina factory in Epping two weeks ago — said the donation was meant to cover their living expenses as well as those of their

families for two weeks.

He said the foundation — of which World Alliance of Reformed Churches president Dr Allan Boesak is director — "receives vast sums of money from overseas, yet all we got was a R300 voucher".

Shortly after the demonstration started about 3pm, Dr Boesak's sister, Madeleine, who does not work for the foundation, asked the workers to leave since Dr Boesak was not available.

The workers at first refused and broke into song, chanting "we shall not be moved".

But about 10 minutes later Dr Boesak, who celebrated his 42nd birthday yesterday, arrived and invited the workers into the building to discuss their grievances.

They emerged after half-an-hour and Dr Boesak said the matter was discussed "and we agreed that the whole thing was based on a misunderstanding". The workers echoed this statement.

Dr Boesak, however, declined to say what the misunderstanding was about or whether the dismissed workers would receive further donations from the foundation.

Demo a misunderstanding — Boesak

Staff Reporter

9/26/88 7/4/2/88

DISMISSED members of the Electrical and Allied Workers Union have demonstrated outside the Bellville South office of the Foundation for Peace and Justice.

Dr Allan Boesak, who heads the foundation, said yesterday's demonstration was the result of a "misunderstanding", which had been sorted out. About 40 workers demonstrated over a cash gift towards a strike fund, which the workers said was inadequate.

The workers, who had been dismissed from a factory in

Epping after a strike, were angry after being given only R300 by the foundation.

They picketed the office yesterday with placards reading: "Sies Boesak, skaam jou" (Sis, Boesak, you should be ashamed); "R300 an insult to our struggle", "We are the victims of apartheid" and "Why, Boesak why?"

They were met by Dr Boesak and later Mr Brian Williams, assistant general secretary of the union, said the matter had been settled.

He would not say whether the workers had been promised

additional aid.

Dr Boesak said after the meeting that the "misunderstanding" had been settled.

"The foundation would have helped them in any case," he said.

Fifty-three workers were dismissed from the factory, Illumina, two weeks ago amid allegations that workers were being replaced by handicapped people at lower wages.

The union said 10 people were retrenched and 15 put on short time after management contracted out work to the handicapped.

MINETEC

Electric potential

Minetec, originally concentrated in the mining supplies sector, has extended its range of products to include a meter, which, according to Minetec chairman Allan Hodgson, is the answer for local authorities struggling to cope with defaulting or late-paying electricity users, especially in black urban areas.

The Ampcon single-phase energy meter, manufactured by subsidiary Angcon Technologies, moves responsibility for electricity use in suburbs and townships from local authorities to electricity consumers. The user pays for electricity on the same basis as the milk coupon system but with a disposable, inexpensive magnetic card. Consumers pay

for a certain number of units up front and the amount is stored on the card, then transferred to the meter, which displays the outstanding credit balance of units available at any time.

The system eliminates the need to disconnect and reconnect power and to read meters, as well as the complicated administration involved in generating and distributing accounts, collecting payments and arrears, and dealing with bad debts.

The meters cost R450 each, which could be fully or partially absorbed by local authorities, in light of the huge potential cost savings. Hodgson says arrear payments for electricity and water bills in one township alone are already R70m, representing only 70 000 houses, which indicates the enormous market potential.

Four experimental projects with local authorities, one of which is the White River coloured township, have already been concluded. A plant was constructed to produce the meters, with local content of roughly 70%, and production can be increased five-fold without additional capital outlay.

Though it is difficult to assess the impact on bottom line, if local authorities introduce the system, there will be a meaningful increase in Minetec's profits.

There is also potential in the group's third division, Wisar Safety Appliances, which imports rescue equipment for mineworkers. Sales should rise sharply if the Government Mining Engineer approves the rescue devices for use underground.

Listed in October 1986, Minetec was already performing well without meter sales. Turnover in 1986 was R8,3m and in the year to December 1987, attributable profit increased 45% to R668 000, while EPS climbed 43% to 5,9c. This puts the share on a p/e of 8,5 at a price of 50c. On a dividend yield of 5%, it could be cheap if the meter and the mining safety equipment sales take off.

Louis Venter

D/D 19/3/88

El firm taken over in 189 R417 000 deal

by Matthew Moonieya
business editor

EAST LONDON — A major South African electrical wholesale company has bought an outlet here in a R417 000 cash deal.

Johannesburg-based Elcentre has bought Multitech, formerly Station Electrical, making it the company's 65th branch.

The financial director of the company, Mr Nathan Mowszowski, said yesterday they had confidence in the growth of East London and found the possible growth prospects in Ciskei exciting.

"We supply electrical contractors and government institutions and have had dealings in this area. It is a matter of coming closer to the clients and making the supply of electrical goods more easily accessible to the area," he said.

"Our other 64 branches are scattered throughout the country and we have a presence in Cape Town, George, Oudtshoorn as well as Port Elizabeth which comprised our Cape operations.

Mr Mowszowski said operations at the East London outlet would remain the same with Mr John Reynolds and Mr J. Pistorius running the branch.

"There will be no staff changes and we hope to expand soon which would obviously entail increasing our staff complement which is small at present.

"Basically we have bought a typical example of a small business rich in management but lacking the resources to expand at its true potential rate."

Seeking synergy

At last some of the rumours about Powertech have been justified. Granted that the Altron group has been doing a lot of shopping lately, Powertech has been subjected to more rumours than most group companies.

Powertech is exchanging its 100% holding in Asea for 50% of a new group, Brown Boveri Technologies (BBT), which includes the Asea operating companies and all of Brown Boveri (BB) except its high-voltage motor business. It is a straight swap, so no shares will be issued and, as the assets that Asea and BB bring to the new company have been carefully equalised, the 50% holding of the new company (which has assets of more than R80m), will mean the same in terms of assets to Powertech shareholders as 100% of Asea. Powertech will have management control of the R280m turnover group.

But earnings will increase. Bill Venter, Altron executive chairman, says that half of the new company will bring more earnings than all of Asea. Powertech CE Peter Watt quantifies this as 1c per share (EPS in the year to February 1987 was 10,1c), which amounts to a total of R1,33m based upon Powertech's issued shares.

There is a further advantage in that, to equalise assets, BB liquidated an overdraft and Asea's properties were transferred to Powertech, which should receive R2,5m in rental.

The deal would seem to favour Powertech, but BB sees an advantage in linking with a leading South African electrical organisation. There will be immediate savings as BB's Johannesburg head office will be closed, which should save R1,8m, equal to 1,35c per Powertech share.

Venter says negotiations are under way to acquire the high-voltage business, but this is an entirely separate operation and it is not certain that the negotiations will be successful. Negotiations for the deal already concluded took eight months. "There were contracts of up to five years whose profitability had to be assessed and the assets had to be equalised," says Venter.

The new company represents an industry rationalisation. There are now three main players in the field: GEC (50% owned by Barlow), Siemens (nearly 50% of which is held by the IDC, Gencor and Federale Volksbeleggings) and BBT. Each of these companies offers the same products, except for Asea's high-voltage large transformers. The rationalisation may be the first step towards the type of improvement which has seen profitability in the cable industry soar. "We felt the need for rationalisation and wanted to merge with a group which is internationally accepted. BB is the largest electri-



**Altron's Venter ...
increased earnings**

cal manufacturer in the world," says Venter.

An important part of the deal will be access to technical know-how from abroad. This has been assured by contract.

Murray Coutts-Trotter, newly appointed CE of BBT, says the group will be restructured by the formation of six major operating units: power generation, power systems, power transformers, power distribution, industry and electronics. BB's strength lies in power generation equipment, turbo chargers and industrial mining electrical equipment. The latter should have particularly strong growth and BB's products are complementary to Asea's. BB has emphasised medium-voltage switchgear and circuit breakers for households and municipalities, as well as mine winders, while Asea's strength lies in high- and low-voltage switchgear, capacitors, transformers, protection relays and variable speed drives.

"BBT will thus not be significantly affected by Eskom cutbacks," says Venter. "With the economy improving, I believe there will be a huge demand for the distribution of electricity, which will benefit suppliers in the distribution end."

In addition, there will be considerable benefits from joining the two groups. Elimination of duplication of effort and greater efficiencies should help Powertech's bottom line. All in all, it seems that the Powertech shareholders have actually gained something for nothing.

Pat Kenney

R10 23/01/88

More from Powtech 189

JOHANNESBURG — Although Power Technologies turnover remained almost static at R600m for the year to February 29, profit showed a significant increase.

Attributable income was R18m (R12m) while earnings a share rose from 10 cents to 13,5 cents. Before tax profit jumped from R31m to R41 m.

A dividend of 4,6 cents(3,8) has been declared for the year.

In a statement the group states: "The confidence with which the group implemented its strategies resulted in significant improvement with all major operating companies recording greater efficiencies and higher profits.

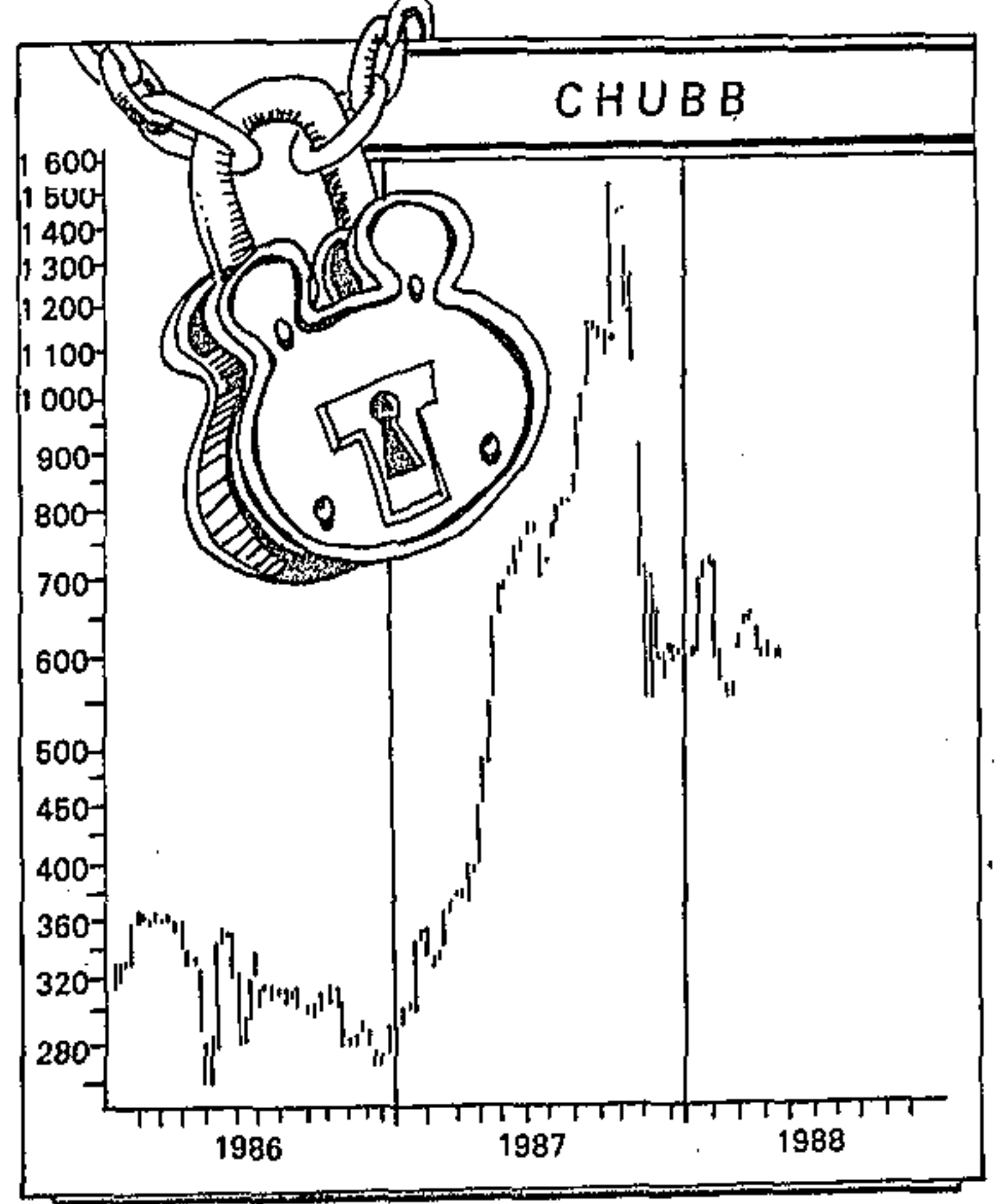
"In its last annual report Powtech stated it intended to consolidate its financial strength and provide additional resources for new growth opportunities. The financial results for the year to February 29 show significant progress towards those objectives."

Asea showed a market improvement in profitability in spite of a decline in sales and good progress was made with new products and import replacement. Abedare Cable produced "pleasing results" while Willard Batteries showed improved profits.

Money in Chubb safe as a house

24/4/88
Stines

189



THE key to growth in Chubb Holdings lies in its electronics division.

Chubb is South Africa's largest security business, and forms a part of the international Racal-Chubb Security organisation. It operates three divisions — physical, electronics and fire security.

Household names among Chubb's product range include Union locks, made under the Josiah Parkes banner; Dorma door closers, Weiser locksets, Hewi and FSB door furniture; Chatwood-Milner safes and strongroom doors.

Its fire division has Knowsley equipment and Centurion extinguishers; and the electronics arm has Andrews, Flash, Robot and Tarson burglar alarms.

TRANSFER

Chubb chief executive and chairman Dirk Ackerman says: "The electronics and fire security divisions have excellent growth prospects."

Mr Ackerman has been with Chubb for 27 years, and in the hot seat since 1981.

His company has won several awards — it has been in the Business Times Top 100 since 1985.

Crime is increasing fast and security can be viewed as a recession-proof industry. In fact, crime tends to increase in hard times.

More than 69% of Chubb is held by UK parent Racal-Chubb Holdings — a wholly owned subsidiary of Racal Electronics plc, which the London Stock Exchange rates the overall No 2 electronics company.

"Retired people tend to prefer our stock — perhaps they hope to get high dividend income because of the large British shareholding," says Mr Ackerman.

Institutions are keen to lift their holdings of Chubb stock, resulting in a tightly held share.

Racal-Chubb says it is satisfied with Chubb SA and has no plans to sell its stake. There is a two-way transfer of technology both into and out of SA, and Chubb has two members on the group's international product committee.

A week ago Chubb was trading at 600c, but piled on another 100c this week. At 700c the shares yield 4,3% on a dividend 2½ times covered by earnings.

In the year to March 1986 Chubb earned 40,8c a share; in 1987 it earned 66,4c. When

it reports to March 1988 at the end of June, shareholders will see "substantially improved earnings", says Mr Ackerman.

At the interim, turnover rose by 20% to R50-million, but profitability grew much faster. Earnings a share climbed 34% to 27,5c. Mr Ackerman ascribes this to better asset management.

In previous years the interim earnings accounted for about 30% of the total. So a matchbox calculation suggests that Chubb can comfortably exceed 80c a share for the year.

Comments at the interim stage were that "order inflow increased by 33% in comparison to last year, and demand for the group's products remains high".

This is because the insurance industry revised its attitude to risk. It was accompanied by huge increases in insurance premiums and, says Chubb, the public turned to self-insurance.

It is difficult to insure a car which is not fitted with an immobiliser, or a house which is inadequately protected.

One ace up Chubb's sleeve is the lack of well-recognised opposition.

"The security business it-

self seems to attract small operators, but many of them quit because they are incapable of meeting the service requirements they are obliged to render. A responsible attitude is essential," says Mr Ackerman.

Chubb has worked at improving its servicing divisions, and has opened branches in five large centres.

Chubb has not been slow to buy out established opposition companies. It has made acquisitions without fanfare — "we are not the kind of company to blazon our business moves".

But the shift in emphasis on security has extended to total building access control, an area in which Chubb's electronics division has outstanding prospects.

High local content has been developed by Chubb in its product range. Standard fire-fighting equipment is wholly manufactured in SA and imports consist of a few specialised goods because it is more cost-effective than

manufacture.

Foreign sources provide much of the electronic gadgetry which is assembled at Chubb's centres. There is a factory at Wadeville, Germiston, three in Wynberg, Sandton, and two in Robertsham, Johannesburg. Chubb has a training division and employs 1 600 people, following equal opportunity codes.

A few years ago Chubb learned some important lessons about foreign exchange, and is unlikely to repeat its mistakes.

Chubb's sound balance sheet, with cash of R4-million, means that a rise in interest rates will not damage earnings. The company pays the top tax rate.

The shares offer outstanding potential at 700c. The dividend will be increased according to earnings growth because there is no need to increase dividend cover.

Lock them up and put them in the safe, and growth will look after itself.

ABERDARE

189

Improving in difficult times

Activities: Manufacturer and supplier of power and telecommunication cables.

Control: Powertech and Philips Electronics have joint control through Consolidated Cable Investments.

Chairman: P A Watt; managing director: P B Wilson.

Capital structure: 14,5m ords of 50c each; 100 000 5,5% cum prefs of R2 each. Market capitalisation: R105m.

Share market: Price: 725c. Yields: 6,2% on dividend; 12,3% on earnings; PE ratio, 8,1; cover, 2,0. 12-month high, 1 300c; low, 650c. Trading volume last quarter, 6 700 shares.

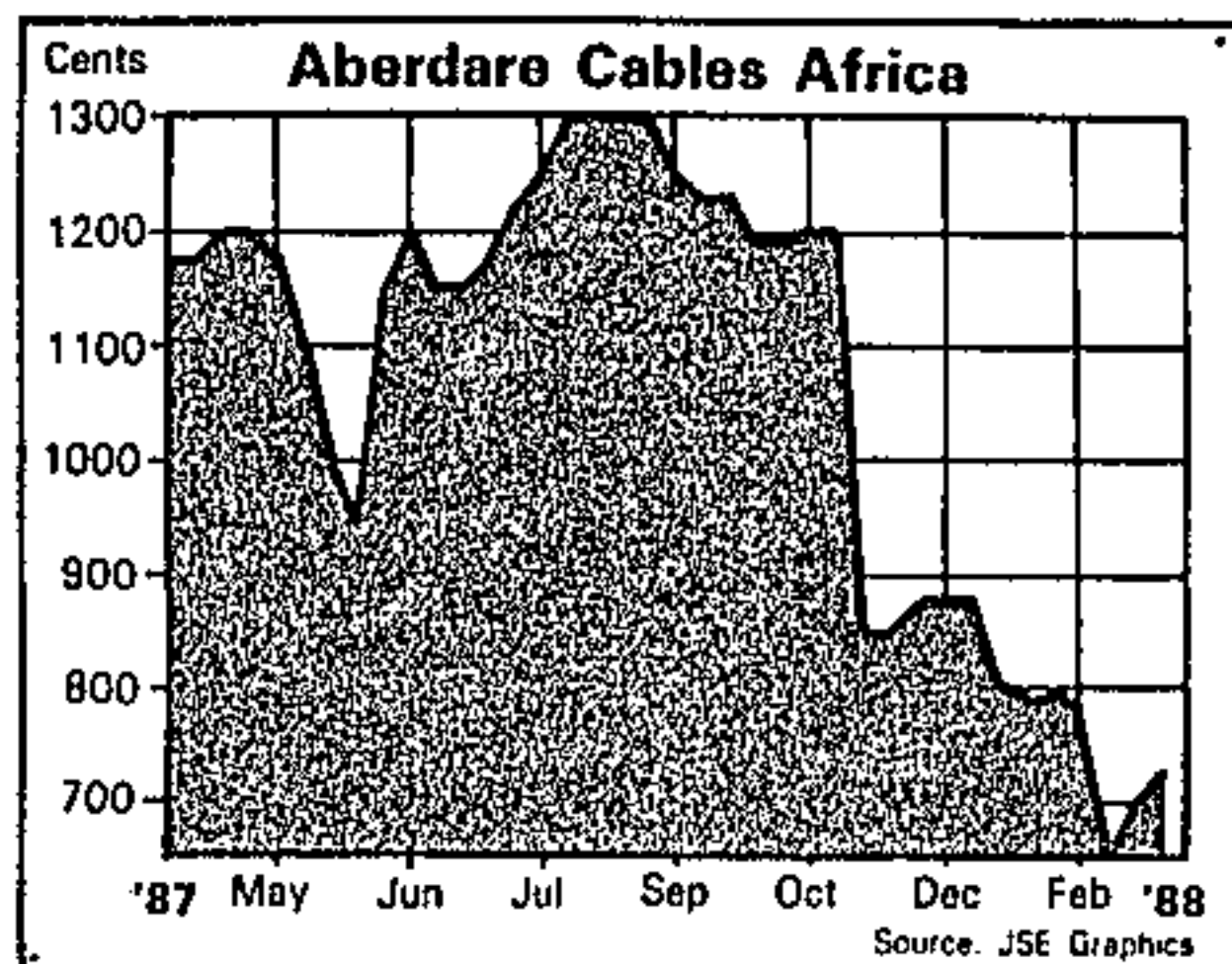
Financial: Year to December 31.

	'85	'86	'87
Debt:			
Shareholders' interest	0,70	0,74	0,75
Int & leasing cover	13,2	25,6	n/a
Performance:			
Return on cap (%)	6,3	11,6	13,3
Turnover (Rm)	195	251	256
Pre-int profit (Rm)	10,4	18,1	21,7
Pre-int margin (%)	5,3	7,2	8,4
Taxed profit (Rm)	7,4	10,8	13,0
Earnings (c)	55,0	74,4	89,1
Dividends (c)	27	37	45
Net worth (c)	796	794	840

Severe conditions prevailed in the cable industry last year, but this did not prevent Aberdare, which now includes Scottish Cables and Asea Cables, from reporting strong growth and a powerful balance sheet.

Though MD Peter Wilson says considerable time was channelled into developing and blending control and information systems of the merged companies and that a low level of fixed investment expenditure put downward pressure on demand, EPS improved by 19,8%. With severe price cutting prevalent, a policy of selective market pricing was adopted. Together with significant improvements in unit manufacturing costs, this materially enhanced gross margins.

An important factor in improving profits was the consolidation and rationalisation started in 1986 and strengthened during the year. Efficient control systems were put into place and market focus was developed. An



important event was winning the Mossel Bay offshore production platform power cable from competition which included foreign suppliers established in the North Sea oil arena.

Aberdare has also developed some new products, including speciality compounds for manufacturing fire retardants and non-toxic cables critical to the mining industry. A unique concept in "loose tube" optical-fibre cable that eliminates certain imported materials was also developed and offers several cost efficiencies.

The group supplies fibre-optic cable and is in the process of concluding a three-year contract to supply the Post Office. Optical-fibre systems are benefiting from strong growth in the data communications market and Aberdare has gained contracts such as the Du Toit's Kloof Tunnel project in the face of strong overseas competition.

Privatisation of PABX installations has created new opportunities for lower pairage cable, in which Aberdare has made significant market share gains.

Future growth could come from various new factors. Significant areas of opportunity are available, especially in flame-retardant cables for the mining industry, the Mossel Bay project, electricity reticulation for low-cost housing requirements, and rapid expansion of computer networking, data communications and security fields.

The current year should see more benefits from restructuring and rationalisation. The expected increase in fixed investment and demand from the economic upswing should help growth. But Aberdare is rated lower than the sector, being on a p/e of 8,1, against the sector average of 10,1. This could improve with continued growth in the current year.

Louis Venter

and leasing cover is high at 5,8 times.

Glodina products command a premium because of their quality, which is also shown in full order books. Shifts are being worked

Activities: Offers a broad range of high quality towelling products and kitchen linens.

Control: The Balladon family holds 67%.

Chairman: A G S Balladon; managing director: E Luiz.

Capital structure: 18,8m ords of 1c each. Market capitalisation: R11m.

Share market: Price: 170c. Yields: 8,5% on dividend; 21,1% on earnings; PE ratio, 4,7; cover, 2,5. 12-month high, 235c; low, 140c. Trading volume last quarter, 718 000 shares.

Financial: Year to 31 December.

	'87
Debt:	
Short-term (Rm)	5,4
Long-term (Rm)	3,7
Debt:equity ratio	0,37
Shareholders' interest	0,84
Int & leasing cover	5,8
Debt cover	0,75

	'87
Performance:	
Return on cap (%)	34,3
Turnover (Rm)	50,9
Pre-int profit (Rm)	10,1
Pre-int margin (%)	19,8
Taxed profit (Rm)	5,3
Earnings (c)	28,4
Dividends (c)	14,4
Net worth (c)	131,9

24 hours a day, seven days a week.

In the smaller, lower-priced division, demand is also strong and shortage of capacity will be helped by the transfer of 10 weaving machines from the group's manufacturing reserve to this factory. "This will increase the market potential of Lanatex by 30% and, as a result, the group can expect to achieve higher contributions from this division during 1988," says MD Emanuel Luiz.

But Luiz plans to concentrate on quality: "We will continue with our philosophy of producing the highest quality and give further attention to improving productivity and containing costs."

There is also export potential, according to Luiz. "While maintaining a firm base within SA, Glodina will seek export opportunities and has recently appointed an export consultant."

Luiz says the company should exceed its budgeted R12m pre-tax profit, as Glodina cannot meet the demand for its products. At a price of 170c, the share is on an historic dividend yield of 8,5% and a p/e of 4,7, against the clothing sector average of 6 and 6,7 respectively. In view of the strong possibilities for this company, a re-rating would seem in order.

Louis Venter

GLODINA FM 6/5/88

Good quality

Glodina, listed in October last year, had an excellent year in the 12 months to December. Though turnover was below that forecast in the prospectus, taxed profit was R5,3m against a forecast of R4,3m.

The reason was a factory fire, which obviously meant loss of sales, but an insurance claim for lost profits and wages recovered helped the pre-tax profit. Last year Glodina produced a taxed profit of R5,3m from turnover of R50,9m.

Performance was good, shown in return on equity of 45,6% and 34,3% on capital. Though the debt:equity ratio is 0,63, interest

Elcentre triples sales

1991 Finance Staff *Stew 10/5/85*

Elcentre Corporation yesterday reported a remarkable surge in its attributable earnings for the year to end-February and hinted at a separate listing of its major divisions.

Earnings a share based on a weighted average rose from 22c to 58,6c, after sales trebled to R331 million. Turnover would have risen to R402 million had sales of recently acquired businesses been included.

The total dividend has been raised by 88 percent to 23c a share.

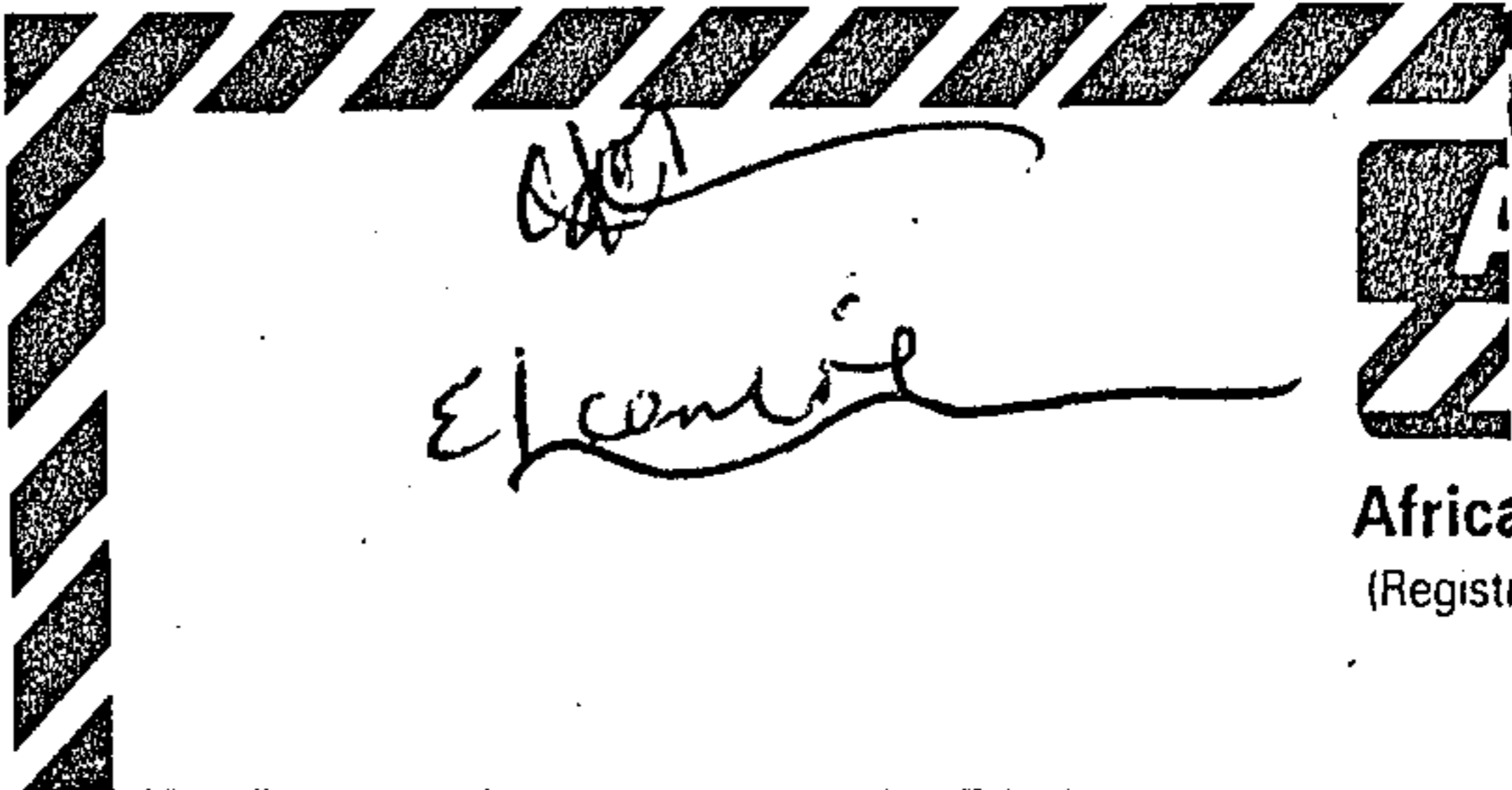
Results include those of Atlas Cables, Keens, Litecor and Orez, all of which were acquired during the year, but do not include those of the Cape firms of Springbok Elec-

tric Group and Multitech, both purchased subsequent to the year end.

Commenting on the performance, executive director Nathan Mowszowski said it was mainly due to strong organic growth, successful acquisitions and improvements in productivity.

Mr Mowszowski said a further increase in operating income was expected in the current financial year. He also indicated a group restructuring to enable the respective divisions to establish their own identities "with a view to future listings on the JSE."

Elgro, which owns 55 percent of Elcentre, announced earnings per share for the year of 28,9c and a final dividend of 6c making a total of 10,75c for the year.



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Star 12/5/88

Leaner Reunert doubles profits

By Teigue Payne

Reunert, now minus its computer division, has continued its turnaround, with attributable profits more than doubling in the half-year to March.

On the basis that the contribution of the computer division, now part of TSI, is excluded from historical figures, attributable profit was 133 percent higher than in the first half of the 1987 year at R12,47 million (R5,35 million).

This is equivalent to earnings per share of 40,2c (17,2c).

The interim dividend of 12c is more than three times covered.

Chairman Clive Parker says the results reflect strong performances by all operating divisions.

Mr Parker says GEC showed a dramatic improvement in the half-year and now makes a sizeable contribution to earnings.

Circuit Breaker Industries is also thriving, helped by the upturn in the housing sector.

Reutech performed above expectations, maintaining volumes and improving profits.

PATTERN

He says Reunert generally earns more in its second half and expects the same pattern this year.

Turnover for the first half rose nine percent from to R399 million (R366 million), but the previous figure included R35 million from the industrial division, which was sold.

Excluding this, turnover would have been up 20 percent.

The interest bill was well down on tight working-capital management.

With interest cover up to eight times (three times) and debt-equity ratio down to 0,21:1 (0,37:1), expansion is a likelihood.

Mr Parker says this is more likely to be organic than by acquisition. Reunert's research effort are beginning to bear fruit and the declining rand presents opportunities for import replacement and strengthens operating companies' ability to compete with imports.

Mr Parker says the group is now better focused than in the past. He envisages no further divestment of incompatible divisions and says expansion will be in fields compatible with existing operations.

19/80
18/80

DELTA ELECTRICAL

High returns

Activities: Provides electrical and mechanical services and parts to the mining and industrial sectors.

Control: Delta Group PLC holds control.

Chairman: N A Bury; managing director: G E Salter.

Capital structure: 35,6m ords of 9c each. Market capitalisation: R84m.

Share market: Price: 235c*. Yields: 4,2% on dividend; 10,6% on earnings; PE ratio, 9,4; cover, 2,5. 1983-1984 high, R11; low, R6. Trading volume last quarter, 89 000 shares.

Financial: Year to December 27.

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	0,4	0,2	4,9	0,01
Long-term (Rm) ...	—	—	—	—
Debt:equity ratio	0,03	0,01	0,05	—
Shareholders' interest	0,55	0,60	0,59	0,55
Int & leasing cover	8,8	8,5	5,7	7,3
Debt cover	11,7	20,5	4,1	10,3

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	22,3	25,9	19,5	25,8
Pre-int profit (Rm) ...	5,9	7,4	11,6	18,0
Taxed profit (Rm)	3,0	3,8	5,7	9,0
Earnings (c)	41,5	50,8	66,1	87,3
Dividends (c)	15	17	27	35
Net worth (c)	202	236	339	367

* After 7 for 2 share split.

Delta may not quite have the image of a hi-tech glamour stock, but the results should please most shareholders: for each of the past four years, EPS have grown by more than 20%; last year earnings advanced by 32% and the dividend was lifted by 30%. Management is confident that growth will again be achieved this year, and MD Graham Salter says this is supported by figures for the first quarter.

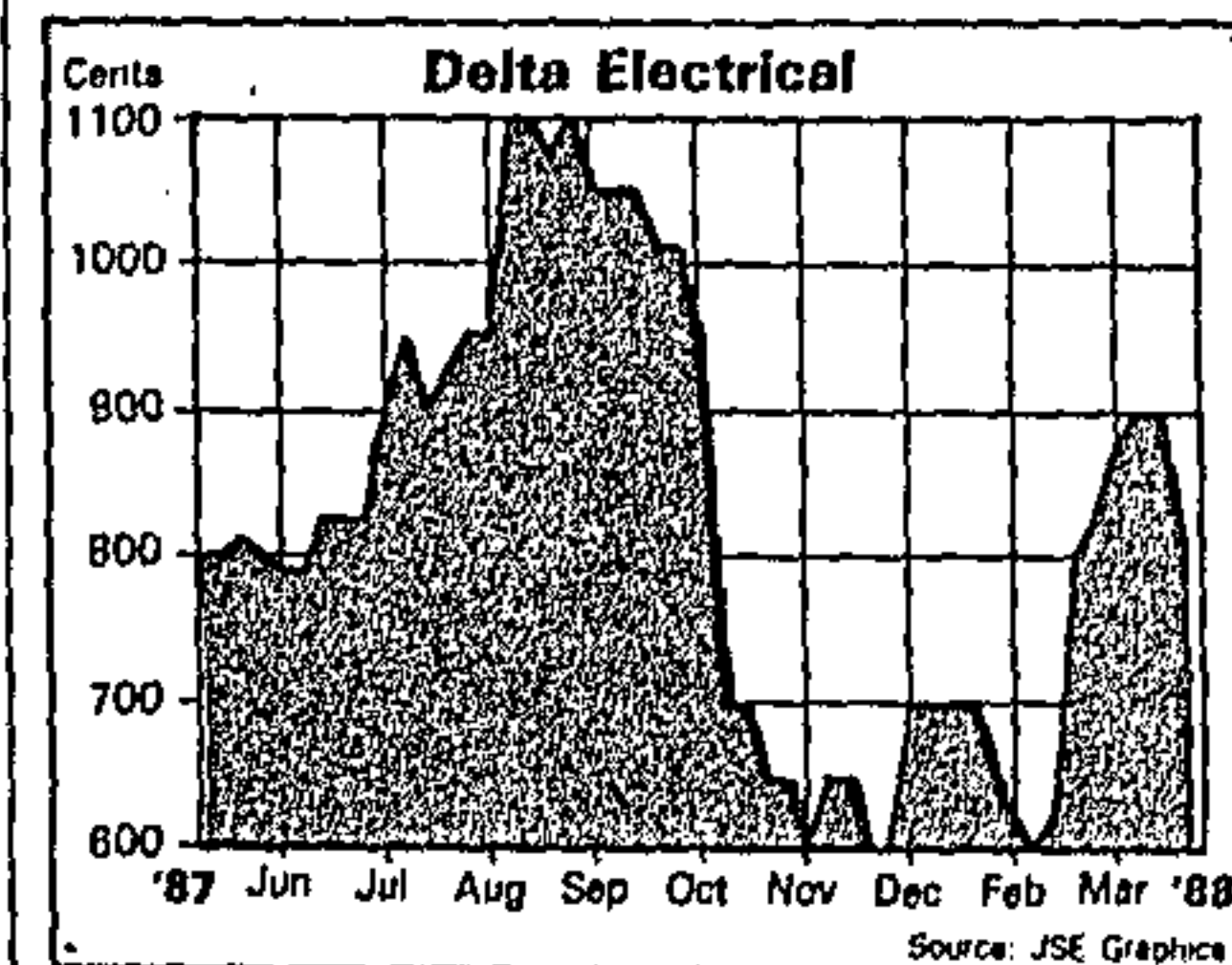
The group — formerly L H Marthineson which specialised in electrical repair engineering — has diversified during recent years via investments and acquisitions. Electrical repair engineering now contributes only 41% of net attributable income, and Salter says this will fall further as the other sectors expand.

Deals in 1987 included: the purchase for R696 000 of a 75% holding in Avilec, a Natal distributor of electrical insulation products, enamelled copper wire and industrial tapes; the property owning companies Ercia Investments and Raebor Investments were sold for R2,9m cash, yielding an extraordinary profit of R755 000; a further 6% in Wire Electric was bought, increasing the stake to 94%; a 100% holding was bought in Associated Armature Winders, a Cape Town electrical repair operation, for R283 000; and all of Mayne and Allen, which is in the replacement parts business for undercarriage components, was bought for R410 000.

For some time, Delta has been buying several companies a year, including relatively small operations. Yet by year-end, debt consisted of R117 000 in short-term borrow-

ings, matched by R2,1m cash. Salter says large emphasis is placed on asset management. Effects are shown in the working capital: while the turnover index rose by 44%, debtors grew by 19% and creditors by 28,6%, and stocks (which include a strategic build-up) climbed 38%.

Return on capital, which management targets as an important performance measure, has been exceptionally high for some time. Part of the strategy is to concentrate on supplying services and parts, as these are thought to offer better returns than the supply of capital equipment. A debt:equity ratio of about 0,30 is seen as about the maximum desirable, but this means there is funding capability of about R12m for investments. However, management is realistically anticipating that earnings growth will slow from the three-year compound rate of 28% which



is off a high base.

Several institutions are already significant shareholders, but the share rating has suffered from low tradeability. Hence the share split of 3,5 for one, which became effective on Monday and tripled the issued shares to 35,6m. The 9,5 times p/e and 4,2% dividend yield indicate a rating well above the industrial sector average, but below the averages for the electronics sector. Andrew McNulty

Miniaturised technology ^{Step} gets major ^{14/3/88} local impetus ⁽¹⁸⁹⁾

STAN KENNEDY

A major step in miniaturising technology has been announced by Joffe Associates, a member of the Mercedes Datakor group, with the release of a high-speed networking modem.

Manufactured by JFK Electronics, Stellenbosch, under contract to Datakor, it will be marketed under the name Ampac Executive.

Weighing less than 250 grams, it is the smallest stand-alone modem in South Africa and is designed specifically for briefcase portability.

As an intelligent networking modem, it has efficient and reliable data communication with the public switched telephone network and comes complete with software to allow full access to Beltel.

Dialling

The modem fully automates dialling, answering and call-connection for PC to PC or PC to mainframe communications.

In addition, it processes — at the user's disposal — all Beltel facilities such as financial, banking, stock exchange and many other services. It comes complete and ready to install with an RS232 PC cable, telephone cable and Beltel software.

Mrs Joan Joffe, chairman, Joffe Associates, says: "We are delighted to expand our product range in the communications arena with a locally developed product. The Ampac Executive will meet the demand of new PC users who require high-speed 2400 bds communication either to Beltel or for financial or home software packages."

The modem is available through Joffe outlets country-wide, as well as through other Datakor companies.

Jasco increases ^{stv} income and divs ^{16/5/88} ₁₈₉

Jasco Electronics Holdings, which was listed on the JSE last year, beat its pre-listing forecast by 14 percent for the year to end-February 1988.

Jasco, the holding company of four wholly-owned trading companies marketing a broad range of electronic products, also increased its net income after tax by 64 percent to R1,27 million on its 1987 pro forma earnings.

Earnings per share were 47 percent higher at 5,74c, representing an earnings yield of 11,48 percent on the current share price of 50c, while the forecast dividend was lifted by 15 percent.

In comparison to the profit increases, Jasco's turnover was up by only 6,2 percent to R24,65 million, an indication of strong rationalisation and higher gross margins.

Star 25/5/88

Advtech doubles ¹⁸⁹ prospectus forecast

Attributable income at Advanced Technical Systems (Advtech) rose almost 70 percent to R1,55 million (R914 000) in the 12 months to end-February. This is double the prospectus forecast of R750 000.

Earnings a share jumped from 5,71 cents to 9,02 cents, treating share capital on a weighted average basis — but there is no dividend.

The prospectus spelled out that the first annual dividend would only be paid in the next financial year.

The directors say the company anticipates further growth in the year ahead. They note that, as there are no borrowings, and with enhanced profitability, the company is well placed to make strategic acquisitions.

Operating profit rose 60,9 per cent to R1 615 000 (1 004 000) on turnover 84,6 per cent ahead on R9 128 000 (R4 946 000).

Pre-tax income rose 54,2 per cent to R1 564 000 (R1 014 000), compared with

the prospectus forecast of R1 500 000.

Commenting on the results, chairman and managing director Brian Buckingham says the growth has resulted from increasing demand for computer-based, high-technology training.

“Decision-makers are realising that to improve the performance of their organisations, they need to increase the skills of their staff”. — Sapa.

27/5/88

lacklustre performance and poor disclosure: both have improved markedly.

Although no acquisitions were made, net profits are 35% ahead of forecast. In the 12 months to end-February, net operating income of R3,883m — of which 60% came in the second half — was made on turnover of R42,2m. This compares with income of R1,4m on turnover of R12,4m in the eight-month period in the 1987 year. In the second half, earnings per share of 16,1c were added to the interim figure of 9,5c, and EPS for the full year rose to 25,6c, indicating a p/e of 7,4 on the 190c price.

What may be given a mixed reception in the market, though, is the decision to pass the final dividend until legislation relating to the minimum tax on companies is formalised. Instead, bonus shares are being issued,

and these will conserve cash resources and reduce gearing. Year-end borrowings totalled R4,6m and debt:equity was 21,4%.

Back to profits

More than half of the profits were derived from the original H & J cable operations; about R300 000 was contributed by Lumex, the electrical wiring and accessories manufacturer and distributor bought with effect from February 1 1987; and about R1,2m came from Oak Industries and its subsidiary Magnalec. Price says he is particularly satisfied with Lumex, which achieved a R1m turnaround from a loss situation and is forecast to improve further. Other divisions have all "grown materially in turnover and profitability."

Price says management has concentrated

H & J CABLE

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Manufacturing arm

H & J Cables has produced its first set of accounts that enables investors to assess developments since Eureka bought control — via the injection of Oak Industries — with effect from September 1 1986. Before the takeover, the group had a reputation for

on systems, which have helped towards better control of assets and improved efficiencies. Although currently active mainly in the cable and electrical industry, H & J Cables has been structured as the Eureka group's manufacturing arm. This means that it could in principle mix a wide range of levels of technology and products, including, for example, machine tools which remain part of Price's interests.

Main criteria, he says, include ability to dominate market niches and maintain acceptable margins. Last year H & J Cables' margins were reasonably high at 9,2% although not spectacular. Capital expenditure is estimated at R1m-R2m for this year, capacity being increased in various companies. Taxation rose to R222 000 (R148 000), representing an effective rate of about 7%. The rate should continue rising but the company is unlikely to pay full rate in the short term.

Andrew McNulty

Plessey SA leads the pack

W/News 28/5/88

189

28/5/88

By DEREK TOMMEY
 PLESSEY S A, the Cape Town-based electronics company, has tended to keep a low profile. But this week it has been blowing its trumpet — and what a sweet tune it plays.

Information released by the company shows it is one of the Western Cape's biggest industrial organisations. It is also one of the country's fastest growing electronics firms with a sales growth much better than most of the other majors. And, in addition to this, it is a leader in research and development, both in expenditure and, most importantly, in results.

In the year ending March the R85-million company had earnings before tax of R27.2-million, the managing director, Dr John Temple, reported this week. This is an increase of 34 percent on the 1986-87 profit

figure if an extraordinary item made that year is excluded, or 17.4 percent if it is included.

Plessey's taxed profit was R14.1-million. But this is increased to R20.5-million when its share of the profits of Telephone Manufacturers of South Africa is included.

The R20.5-million is 29.5 percent higher than last year's figure before the extraordinary item, and 18.0 higher after taking it into account.

In the past three years Plessey's pre-tax profits had grown by an average of 21 percent a year, Dr Temple said.

These increased profits came from a 21 percent rise in sales for Plessey alone and an almost 30 percent rise if sales of a recent acquisition, Renak, are included.

Of Plessey's major competitors only Reunert, with a 25 percent sales growth, showed comparable progress. The other companies showed much smaller sales growth, one barely reaching double figures and some reporting increases of less than five percent.

Advanced Systems, the communication systems division and Renak achieved record sales.

Rising costs

"Only exports were disappointing down, partly as a result of rising labour costs," said Dr Temple.

A feature of the 1987-88 figures was the 58 percent jump in expenditure on research and development. Money spent here accounted for 7,2 percent of turnover.

Had this expenditure been limited to the industry norm, Plessey's earnings would have risen by 37 percent.

R and D will receive a further boost this year. Plessey is planning to increase the number of technical personnel from the present 100 to 150 before the year end — and all will be based in Cape Town.

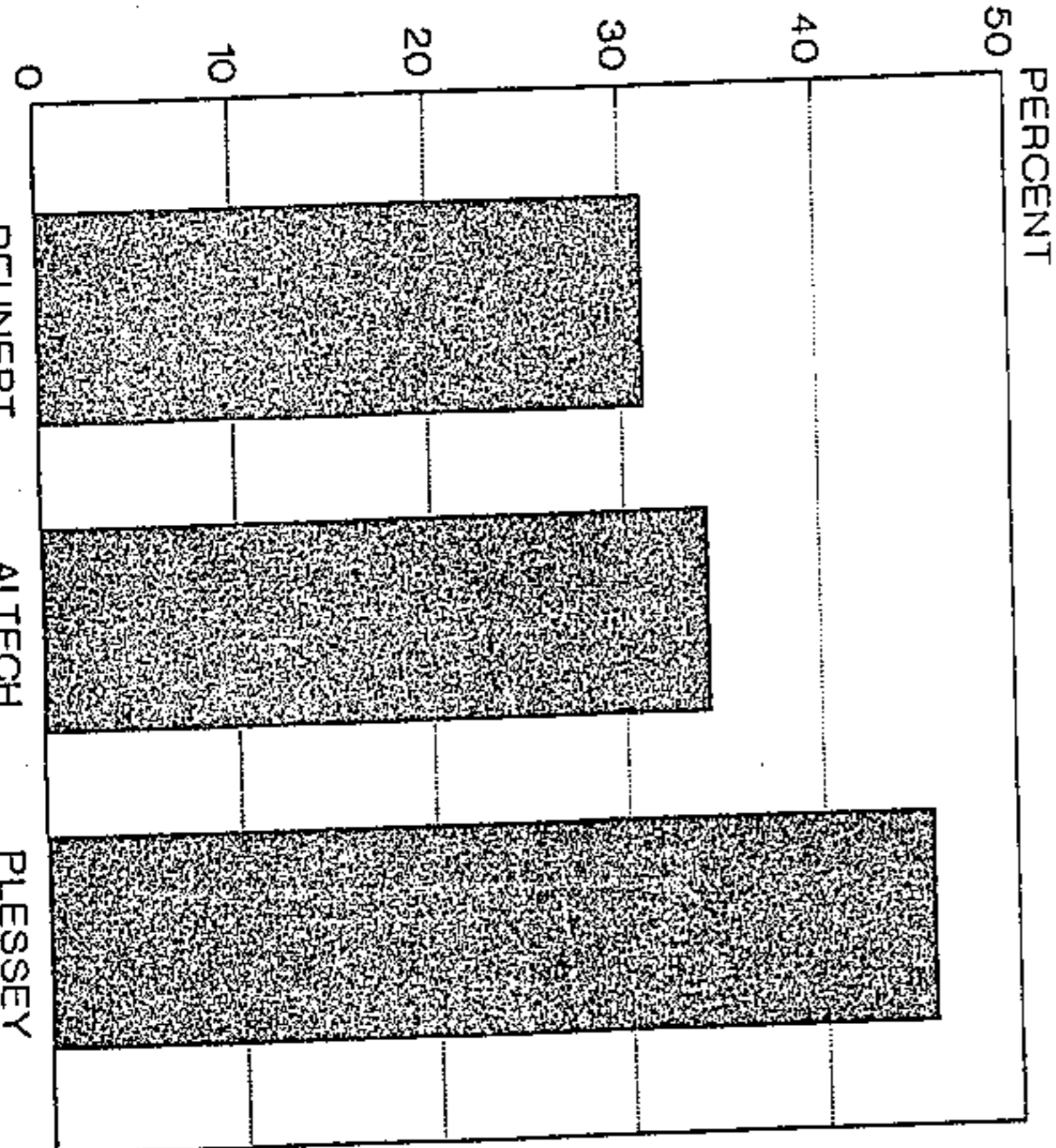
More productive

The number of technically skilled people working at Plessey would steadily increase, said Dr Temple. In the past two years the number of employees in manufacturing had fallen from 55 percent to 42 percent, and this trend would continue this year.

"In the future we'll need a higher level of education, more creative skills in our workforce and everyone will have to be more productive," he said.

The heavy emphasis at Plessey on research and development

(Turn to page 3.)



The graph shows the extent to which the local "value added" proportion of Plessey's output exceeds that of its competitors.

Plessey leads the pack

W/News 28/5/88

(From page 1.)

ment is paying off handsomely. Its order intake last year jumped 90 percent, against 20 percent the previous year. And Plessey is budgeting for an increase in sales of more than 30 percent.

"This includes more than R60-million in orders for PABX's and a R15-million traffic control system order from Durban."

New products recently developed in Cape Town that are expected to boost Plessey's turnover this year include a highly advanced PABX for the

Post Office, an air traffic control system and also its road traffic control system.

Dr Temple also pointed to another achievement of Plessey. This was its higher level of local content in its products than its competitors.

He said the percentage of value added by Plessey SA was around 45 percent, which compared with around 34 percent by Altech and 31 percent by Reunert.

"Which company is more South African?" asked Dr Temple, an old boy of the Pretoria Boys High School.

Electrical goods prices to rise

Star 13/6/88
Finance Staff (189)

Price rises of 30 to 35 percent can be expected this year for imported electrical goods such as sound equipment, microwave ovens and small appliances.

This is forecast by Eugene Theron, chairman of Bellville-based Tafelberg Stores chain.

Writing in the group's first annual report, he says: "We expect an average price increase across our household spectrum, which includes a wide range of household furniture and electrical goods, of 20 to 25 percent this year. In the case of complete imports, this will be even higher."

The sharp price is due mainly

to the rand's weakening against major currencies and to local manufacturers raising profit margins.

Despite rises, Mr Theron does not foresee a fall-off in the strong consumer demand.

However, Ivan Hammerschlag, CE of Cape-based Furniture Fair, doubts electrical prices will rise as much.

They went up when the rand slipped to \$0,39 and did not drop when the rand recovered.

A 30 percent hike would add more than R500 to the price of a 51cm TV and if that happened "we would not be able to sell", he says.

Appliance sales improve 37%

(184) ~~25~~
Sales of major domestic appliances for the first quarter of 1988 were 37 percent higher over the figures for the same period last year says the Domestic Appliance Manufacturers Association.

Total sales were 105 444 compared with 74 286 last year. This excludes the sale of microwave ovens.

DAMSA chairman Richard Ferrer says strong growth in the sector began in October last year and continued until April, when sales were 10 percent down. *slow 17/6/88*

However, he pointed out that April sales were 34 percent better than April the previous year.

He expects sales to be stable for the rest of the year, which would result in an average growth rate in 1988 of 10 per cent.— Sapa.

Star 2/16/88 Powertech puts more emphasis on (189) import replacement

By Sven Forssman

Powertech would continue to place a great deal of emphasis on import replacement in the face of threatening sanctions and technological disinvestment from the country, chairman Mr Fred Bell says in the annual report.

"In view of this we have embarked on a programme of even greater independence by extending and adapting licensed technology and by obtaining and exploiting alternative technology," he said.

"All that now remains is for our group to move further into the high risk arena of indigenous technology.

"It is a gradual move ... and the rate of progress is, to a major extent, determined by the customer. It is their acceptance of the unknown and their underwriting of the unproven that determines the scope and growth of an indige-

nous technology.

"In this respect, we have a duty to our customers. We have to take the lead and demonstrate our ability and establish our own credibility.

"The manner in which we achieve success with our major customers is the only departure point for eventually increasing our penetration of the international market."

Mr Bell said the group would have to manufacture innovative products limited in material and labour content, but high in intellectual content.

Asked how the Dellums Bill would affect Powertech, if implemented, Mr Bell said the group was only "in a small way" reliant on American technology.

"Sanctions have been in the air for many years. The group started preparing itself for any such eventualities many years ago."

Call times 23/1/88

African Cables

earnings soar ¹⁸⁹

JOHANNESBURG. — African Cables (Af Cable) attributable earnings for the 11-month period to June 1988, increased by 265,6% over the prior 12-month period, the preliminary statement shows.

Earnings were R10 095 000 (12 months to July 31, 1987 R7 851 000). Earnings pre share were 42,4c (33,5c).

Turnover was R109 577 000 (R104 464 000).

The directors said the improvement in the group's profitability continued due to increased turnover, effective cost control and the income benefit derived from a positive cash flow.

A final dividend of 18c a share (1987: 12c) which brings the total dividend for the year to 28c a share (1987: 22c) was declared. The dividend was covered 1,5 times. — Sapa

Healthy forecasts for current year

Grinaker, Globe turn in strong results

CAPE TOWN
26/8/88
(87) (200) (200)

By **AUDREY D'ANGELO**
Financial Editor

CAPE Town-based Globe Engineering and construction and electronics group Grinaker — both in the Anglovaal stable — have turned in improved results for the year to June. And both make optimistic forecasts for the current year.

Grinaker has lifted earnings by 83% to R23m, equivalent to 71,4c (39,2c) a share. The dividend has risen to 22c (14c) a share with cover increased to 3,2-times (2,8 times).

This was achieved in spite of a higher tax bill, which more than doubled to R31,9m (R15,3m).

Turnover rose by 41% for the second successive year to R886,3m (R629,3m). Operating profit was up by 81% to R66,8m (R37m), showing margins have improved, and pretax profit was 103% higher at R67,9m (R33,4m).

Investment income was higher at R5,3m (R1,8m).

The directors say the amount of work in hand "bodes well for the current year. Not only is it at a higher level than at any time during the past four years, but the margins are also better."

Globe Engineering lifted after-tax profits for the year to June by 54% to a record R6m (R3,9m), equivalent to earnings of 172c (112c) a share. The annual dividend is 10c higher at 70c a

share with increased cover of 2,5 (1,9) times.

Operating profit rose by 74% to R2,3m (R1,3m). Investment income also rose, resulting in a pre-tax profit of R3,2m (R2,1m).

But lower export incentive allowances and timing differences almost tripled the tax rate. And although the marine repair division reported higher profits than last year — due mainly to a large casualty repair — its margins were tighter.

The electrical division also had lower profit margins so that in spite of a higher turnover the directors say its profits remained static.

However, the industrial division and Cape Diving and Salvage reported higher profit margins, the shipwright division had an almost full order book throughout the year and the Walvis Bay operation returned to profitability.

The directors disclose that Globe has entered into a joint venture agreement to provide fabrication services for some portions of off-shore contracts.

They say the marine engineering industry is still highly competitive because of an international over-supply of services. But prospects for general engineering work "seem positive."

They forecast profits for the current year "much in line" with those announced yesterday.

Activities: Manufacturing power generation, transmission and distribution equipment as well as measuring and control devices and lighting components.

Control: Altron owns 63,6% of the equity.

Chairman: F J Bell; chief executive: P A Watt.

Capital structure: 133,4m ord of no par value. Market capitalisation: R173m.

Share market: Price: 130c. Yields: 3,5% on dividend; 10,4% on earnings; PE ratio, 9,6; cover, 3,4. 12-month high, 430c; low, 110c. Trading volume last quarter, 2,2m shares.

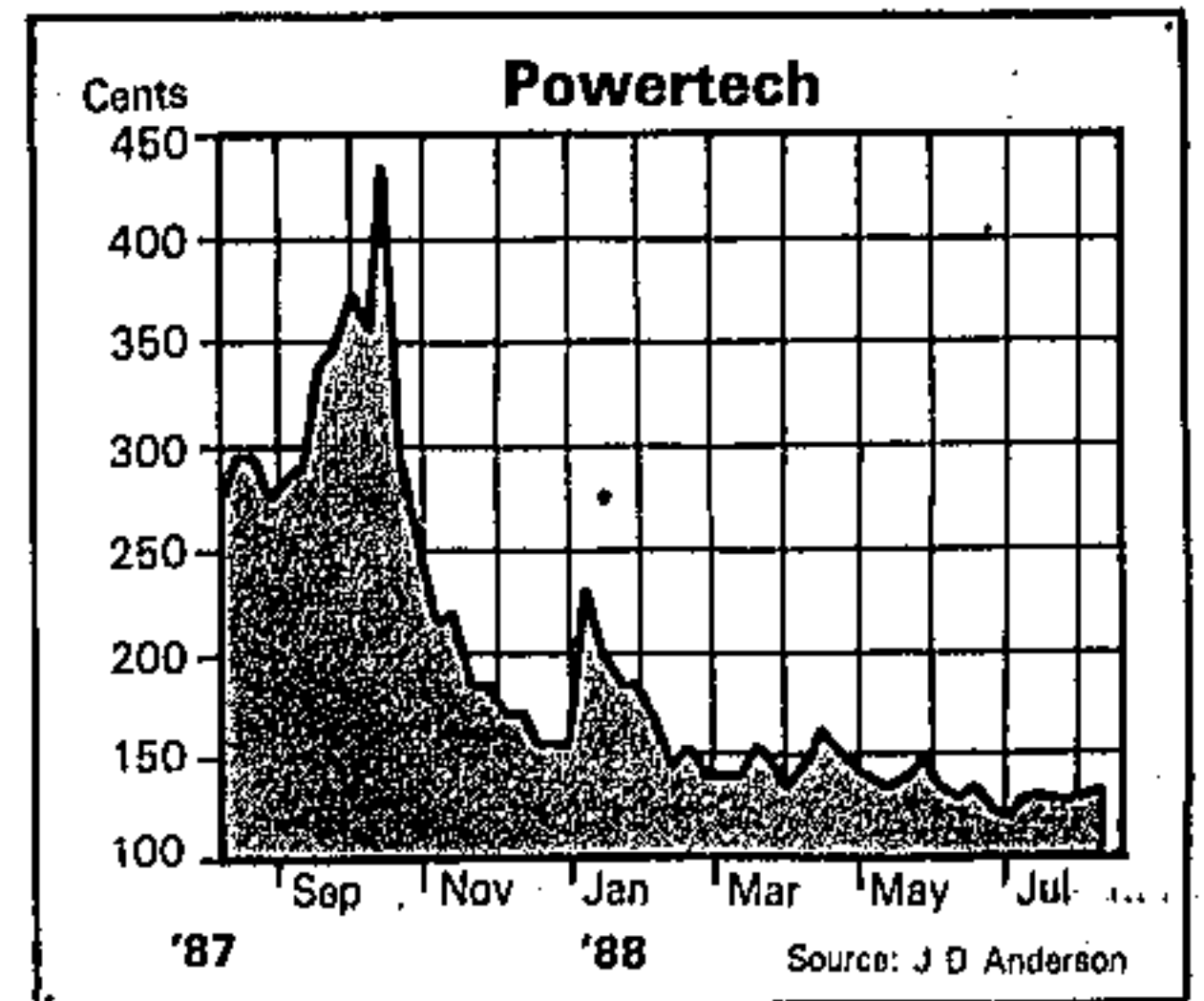
Financial: Year to February 29.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	2,8	31,8	7,5	8,5
Long-term (Rm) ...	13,4	10,4	8,8	7,7
Debt:equity ratio	0,12	0,20	0,07	0,07
Shareholders' interest	0,54	0,61	0,62	0,58
Int & leasing cover .	2,5	2,7	7,5	13,4
Debt cover	1,4	0,7	2,3	2,3
Performance:				
Return on cap (%) ..	14,2	9,4	10,6	11,8
Turnover (Rm)	319	454	601	599
Pre-int profit (Rm) ...	33,3	33,2	36,1	44,5
Pre-int margin (%) ..	10,5	7,3	6,0	7,4
Taxed profit (Rm)	16,2	16,0	21,7	25,8
Earnings (c)	10,8	7,9	10,1	13,5
Dividends (c)	3,7	3,7	3,8	4,6
Net worth (c)	78	90	95	109

petrochemicals industries failed to make good the shortfall, and sales of Powertech's largest division dropped by 10,5% to R254m. CE Peter Watt hopes the Mossel Bay project will lift the Aberdare subsidiary's sales, but he does not say when he expects the sales increase to occur.

For the rest, sales increases were fairly pedestrian, ranging from 3,7% recorded by the energy management and control division to 11,7% by the power generation and transmission division. These comparatively small increases are indicative of the country's reluctance to spend on capital projects. That reluctance has probably been exacerbated by the latest round of interest rate hikes and tighter credit curbs.

Last year Powertech concentrated, with



some success, on tightening management controls and strengthening its balance sheet. It allowed the interest bill to be cut, though that trend has certainly reversed since end-February.

Like the rest of the Altron group, Powertech shies away from interest-bearing debt. It makes sense as return on capital was an unexciting 11,8% last year and any debt would lead to reverse gearing. While management remains debt-averse, organic growth will have to be financed with comparatively high retentions and a further stretching of debtors. That's fine as far as it goes, but a company that is not hungry for capital is a company facing the prospect of little real growth.

At 130c, the share is only slightly above its 12-month low of 110c and way below its 440c high. There is little prospect of any of the ground lost since last October being regained — the company's principal markets are likely to remain depressed while the economy continues to be held back.

Jim Jones

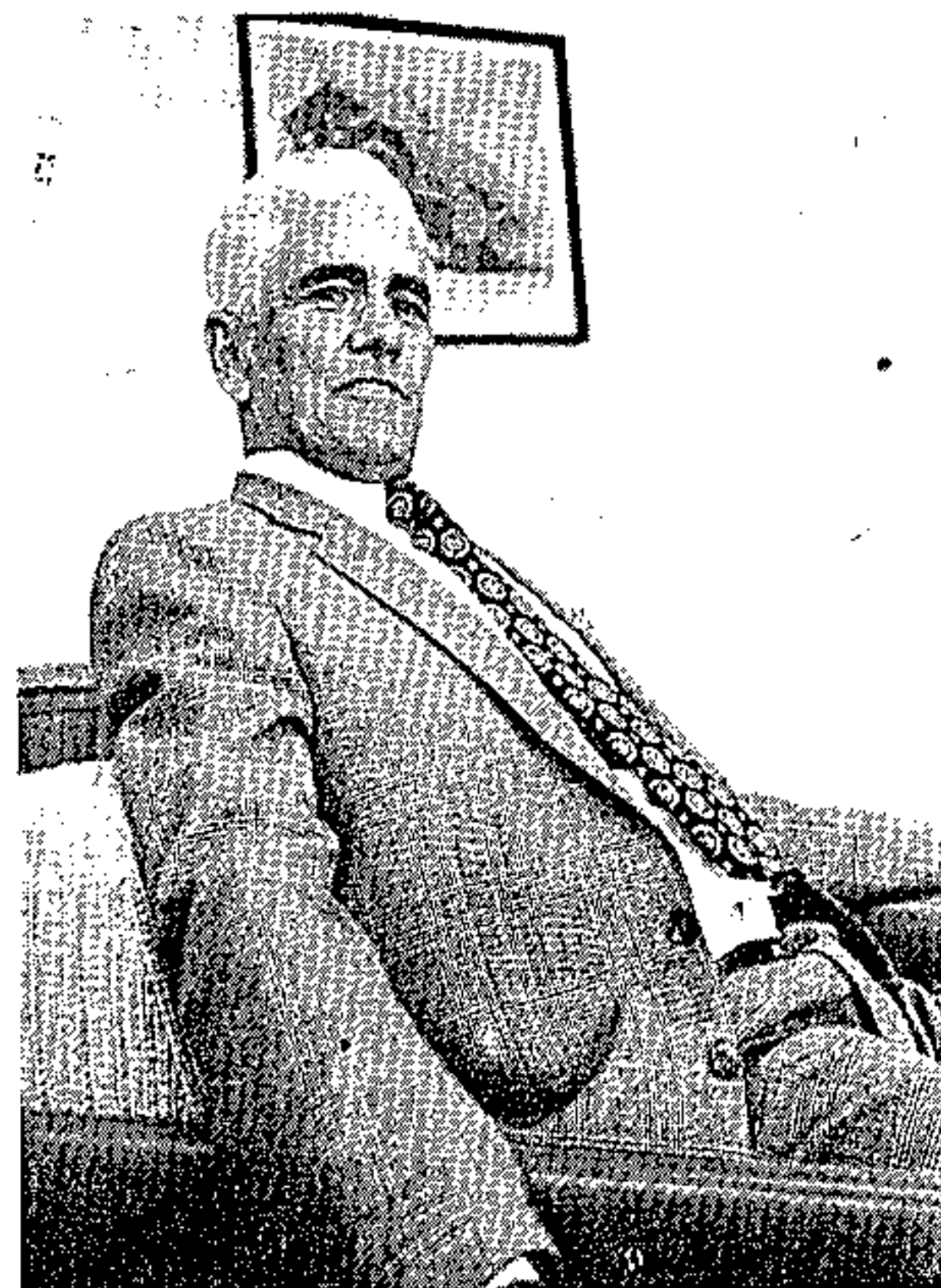
POWERTECH

Growth constraints

Why is Powertech's share price having so much difficulty breaking away from its 12-month low? Last year the company clocked in with a one-third increase in earnings, in April it announced the merger of subsidiary Asea with Brown Boveri and word is out that further acquisitions are being prepared. So why are investors reluctant to restore anything but a small part of the share's slide?

Rather than looking at the bottom line it might be better to look at the top line — turnover. Last year the distorting effect of acquisitions was comparatively limited. And, in a year in which the economy was supposedly benefiting from domestic stimulation, Powertech's consolidated turnover was a shade lower.

The blame lies with the cables division as the Post Office cut back its capital spending programme. Greater sales to the mining and



Powertech's Bell ... Mossel Bay hopes

189
26/10/88

GLOBE ENGINEERING

Static prospect

Activities: Marine, electrical and general engineering.

Control: South Atlantic has 84% of the equity.

Chairman: D Royston; managing director: R B Hughes.

Capital structure: 3,49m ords of 50c. Market capitalisation: R35m.

Share market: Price: 1 000c. Yields: 7% on dividend; 17,2% on earnings; PE ratio, 5,8; cover, 2,5. 12-month high, 1 150c; low, 775c. Trading volume last quarter, 5 300 shares.

Financial: Year to June 30.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ...	—	—	—	—
Long-term (Rm) ...	—	—	—	—
Shareholders' interest	0,88	0,87	0,88	0,86
Int & leasing cover	10,3	11,9	9,1	—
Performance:				
Return on cap (%) ..	5,4	6,1	4,5	6,0
Turnover (Rm)	71	88	96	121
Pre-tax profit (Rm) ..	2,1	2,5	2,1	3,2
Taxed profit (Rm)	1,9	2,1	1,9	2,2
Earnings (c)	100	93	112	172
Dividends (c)	55	55	60	70
Net worth (c)	965	1 006	1 167	1 272

The good news is that debt-free Globe will not be hurt by rising interest rates; the bad news is that the company's immediate trading outlook is clouded by the economic results of rising rates.

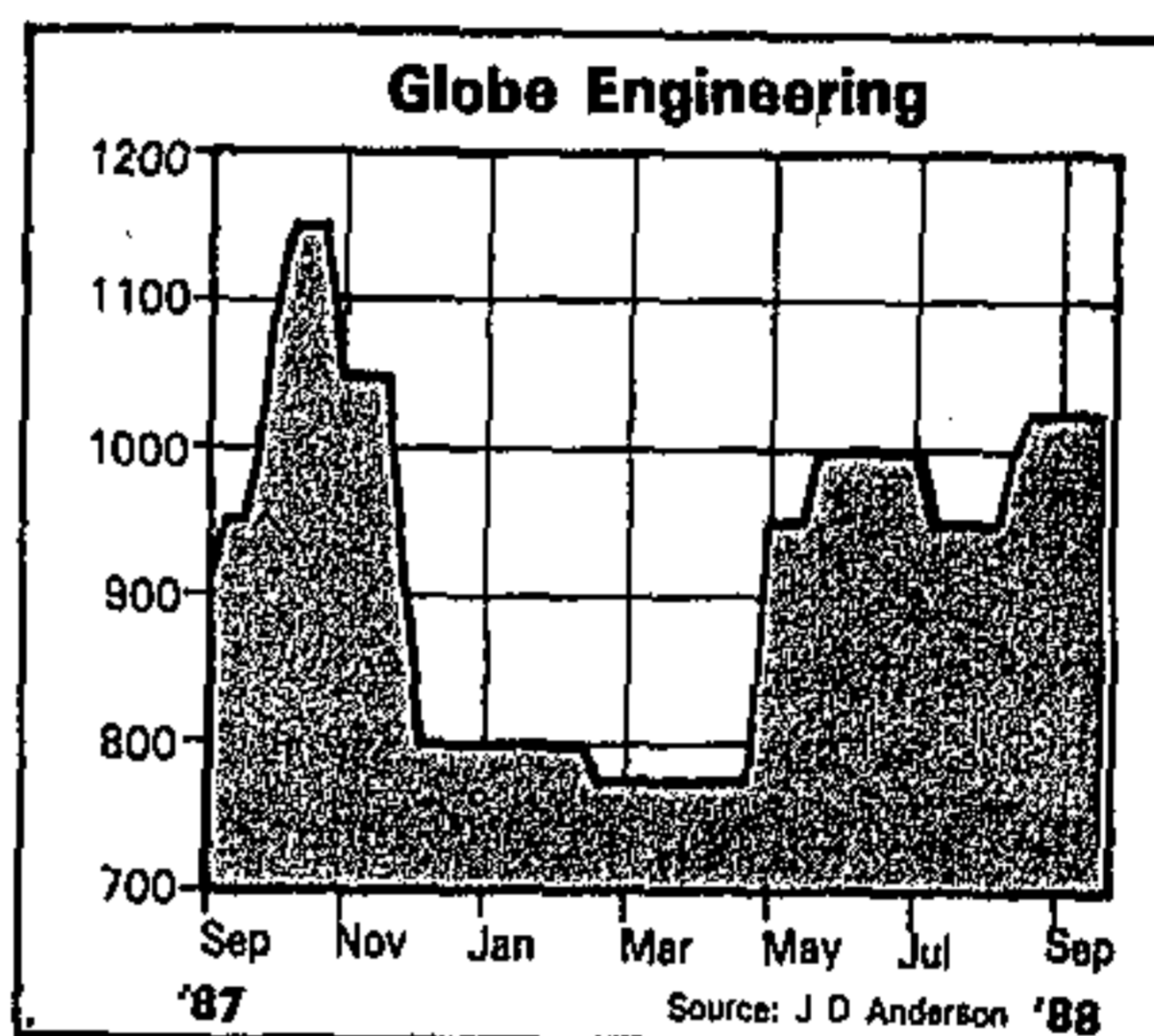
At first glance, the past year's performance gives the impression that profits had broken the flat pattern in place since 1985. A closer look, though, dispels the notion. Chairman David Royston explains the year's turnover and profit increases as resulting in part from the completion of a major marine repair contract. Still, he does expect this year's profit to be much the same as last year's.

Large marine repair jobs are not easily come by. As Royston points out, Globe is grateful for the competitive edge provided by the rand's decline — international competitiveness in the ship repair business would otherwise be whittled away by inflation. The

ship repair business has plenty of excess capacity worldwide and the situation is unlikely to change for years. It was underlined in Globe's case by the fact that, though turnover increased, margins narrowed in the past year as tendering became keener.

That competition is also underscored by the fact that Globe has so far only managed to secure a comparatively small volume of work for the Mossel Bay offshore development. On the other hand, the shipwright division has been operating at full capacity with healthy order books and apparently better margins. The bottom line, though, is that Globe's core businesses now provide less than one third of the attributable profit. Only 31% was derived from engineering last year, with 69% from investments — predominantly the indirect 19% interest in Grinaker Holdings.

It is difficult to forecast any major change in the ratios even though a slowing economy will almost certainly affect the value of con-



struction and civil contracts available to Grinaker. Royston hopes profits will be maintained this year, but that implies little prospect of the dividend being lifted. The share is tightly held inside the Anglovaal group and a flat dividend outlook is unlikely to lead to any significant sales of the share.

Jim Jones

RM 30/9/88

Fintech's embryo technology group

Star 3/10/88. 189

Altech's founder Dr Bill Venter selected Fintech for building a group capable of providing information technology to help catapult businesses into the 21st century. Fintech's successful transformation from a near cash shell to a potential leader in technology markets in less than a year was due to a significant number of private and public company acquisitions.

Paper was primarily used to fund all acquisitions resulting in both a massive share premium and goodwill as Dr Venter has quickly added a third arm to his growing empire.

First it was Altech with telecommunications and electronic components and systems. Then Powertech took control of the power generation, transmission, distribution and communication cables industry.

But can Fintech unite its newly acquired technology group into a force when the industry is suffering from a shortage of skilled manpower which threatens to worsen as disinvestment, the brain drain and continual lack of confidence make growth difficult? Profits are also under increasing pressure as a result of a wide range of low-cost products from South East Asia.

The share's performance also highlights the problems. A net asset value of R6,70 and a current JSE price of around R19 is a far cry from the high of R85. Then there was the rights issue barely a year ago when 99,6 percent subscribed for 1 353 000 new shares at R35 per share. But did the October crash cause the slump or did it bring some sense to the JSE mania?

CE Marius Furst is responsible for moulding the group. Following acquisition of the entire issued capital of Xerotech (formerly Rank Xerox), which cost an effective R31 million, Fintech was transferred from the "Financial Cash Assets" sector of the JSE to the "Industrial Electronic, Electrical and Battery" sector on July 23 1987.

For the year to February 1988, turnover totalled R256,5 million (1987 R3,6 million). Income before tax totalled R17,77 million. Comparatives are meaningless.

Substantial tax losses, which totalled R39,77 million at end-February 1988, helped reduce the effective rate to only 14,3 percent, giving tax of R2,53 million. After deducting outside shareholders' share of profit R2,76 million, the bottom line was R12,99 million. Earnings per share were 201,2c (1987: 43,4c) and the annual dividend 48c (1987: 20c).

The spectacular results came from the takeovers and acquisitions conducted on a grand scale. Firstly, Fintech increased its 21 percent interest in

Bottom
Line
MICHAEL MENOF



Punchline Holdings to more than 50 percent on July 1 1987, then extended this to 74 percent by exchanging its 50 percent in South Continental Devices (SCD) for 1,1 million Punchline shares. Fintech then sold its entire interest in Roneo Alcatel for 400 000 Punchline shares and acquired a further 1,24 million Punchlines in discharging certain obligations to the SCD vendors. Then it acquired controlling interests in JSE-listed companies Adprom Holdings, Sequel Computer Holdings, Unitech Computer Group and Computer Warehouse Holdings. Altech sold Fintech two of its private companies — Altech Informatics and STC Business Communications for R22 million, taking 627 000 Fintech shares as payment. Other acquisitions were Intergraph SA (Pty) from its USA parent. Punchline acquired all of Computer Sciences (Pty) from Anglo American, sold Roneo Automation (Pty) to Adprom and Sequel acquired Spartan Micro Management Pietersburg (Pty).

Mr Furst says Fintech has successfully completed the first phase of integrating newly acquired businesses into the mainstream of activities. But I query whether this is possible in only seven months. He believes the soundness of the investment decisions can best be measured by the spectacular earnings performance. But no breakdown of activities was disclosed and, more important, there was no mention of 1989's prospects.

The balance sheet shows ordinary shareholders' equity of R55,11 million. But this includes a share premium of R163,73 million, less goodwill for acquisitions of R127,02 million netted off. With 8,23 million shares in issue, the net asset value is R6,70. Yet when madness reigned in 1987, the JSE price topped R85.

In summary, Fintech controls a three-tier technology group: office automation, reprographics and mail room equipment; micro-computer technology, supplies, peripheral systems and accessories; computer hardware and software manufacturing, distribution and retailing. Altech provides Fintech with respectability, but it could be a long wait for the share to reach its 1987 peak, especially in this gloom-ridden economy. However, on world stock markets the technology industry rates highly and why should SA lag behind?

Elcentre doubles earnings, lifts div

Despite a higher tax rate of 15 percent, electrical distributor Elcentre has reported taxed income up 105 percent to R20,8 million (R10,2 million) in the six months to August.

The interim dividend has been raised to 15c (11c) out of earnings a share of 35,1c (25,1c).

The directors foresee earning per share of not less than 70c (58,6c) for

the year. The forecast at the beginning of the year was 48c.

Sales grew 94 percent to R252,6 million (R129,9 million), of which "not less than" 41 percent was from organic growth.

The group has bought Multitech, Springbok Electric, Club Electrical and Audino Electrical for R5,4 million. The directors say the acquisitions are "in line with group policy of acquiring electrical distribution companies with dedicated management, good growth potential and distinctive marketing capabilities".

TAX RATE

Although assessed tax losses are now less significant than before, chairman and managing director Mr Reuben Mowszowski does not expect the tax rate to rise above 30 percent.

The interim dividend of parent Elcentre Group Holdings, which has 55 percent of Elcentre, is 7,5c (4,75c). — Sapa.

Powertech shows surprising growth

Star 12/10/88 (189)

By Ann Crotty

Powertech's strong performance for the six months to end-August should help to lift the share off the 130c level on which it has been languishing for some time.

Against pedestrian market expectations the group has managed to turn in a 40 percent increase in turnover and a 73 percent surge in earnings.

Turnover was up to R423,6 million (R302,2 million). Operating margins were held at 6,3 percent which meant that the increase in operating income was in line with the turnover increase, taking it to R29,8 million (R21 million).

A reduction in the tax rate from 43 percent to 37 percent helped to boost the increase at earnings level 73 percent to 9c (5,2c) a share. The lower tax rate reflects the effect of assessed losses in the old operations of the BBT group. Financial director Roger Crosby points out that most of Powertech's other operations are at, or close to, full tax rate.

The bulk of the increase in turnover is attributable to organic growth. Mr Crosby notes that the BBT deal accounts for only about 4 percent of the increase while higher copper prices, which are automat-

ically passed on to customers, probably accounted for another 2-3 percent.

Also impacting positively on the improved turnover is the acquisition, since March, of an additional 10 percent in Aberdare (increasing Powertech's stake to 54,5 percent). But as Mr Crosby states, the Aberdare stake was always consolidated and the extra 10 percent would not have had a major affect on the sales figures.

Allowing for all these factors it seems that Powertech enjoyed organic growth, at turnover level, of over 30 percent. According to Mr Crosby the improvement, (which seems contrary to the frequently stated view that capital investment is at a low ebb) was recorded in all areas of the group's activity. It was also helped by an increase in the group's market share.

The group's order book is strong which suggests that continued growth is ensured in the second half but the directors caution that it might be at a slower rate than achieved in the first six months. Also lifting second half performance will be the expected emergence of the first tangible benefits of the BBT merger.

Earnings reach a record high

Altron lifts turnover above R1bn-mark

*Cap Tunks
20/10/88*

189

By AUDREY D'ANGELO
Financial Editor

ALLIED ELECTRONICS CORPORATION (Altron) achieved a 44% increase in turnover in the six months to August, lifting it to more than R1bn (R733,2m) for the first time in any half year.

Earnings reached a record 174,5c a share — an increase of 24,2%.

Operating income was R113,6m (R87,3m) and pre-tax income R107,8m (R89,9m).

But the tax bill rose to R43,2m (R38,3m) and attributable earnings were R31,2m (R25,1m) before an extraordinary item — R934 000 spent on the re-organization of the Fintech group's computer retail and wholesale activities.

The directors say the group's increasing penetration of international markets as well as its drive to improve efficiency and productivity were "significant highlights of the half year".

Discussing future prospects, executive chairman Bill Venter says: "Altron has a number of significant programmes under way to ensure continued growth.

"These programmes include a further penetration of the power electrical markets in which the group operates, the formation of a refined and well structured information technology organization, the development of new products and markets by the group's electronics and telecommunications operations and a concerted drive to increase its share of international markets."

Discussing the contributions of subsidiaries in the half year, Venter says the Allied Technologies group (Al-

tech), which lifted earnings by 15,1% per share, is now less dependent on Post Office business "and this trend holds promise for the longer term".

Power Technologies (Powertech) performed exceptionally well with earnings per share up by 73%. Market penetration and margins had improved.

Fintech lifted sales by 339% and earnings per share by 26,4%. Its profit potential will be significantly improved after a major restructuring of its computer interests has been completed.

● Holding company Ventron Corporation, which has 55,7% of Altron, reported attributable earnings of R17,3m (R13,9m) and earnings of 65,8c (53,1c) a share.

● Allied Technologies (Altech) reported turnover of R349,8m (R367,9m), operating income of R66,7m (R60,7m) and pre-tax income of R70,4m (R65,3m). After-tax income was R40,3m (R36,5m) and attributable income R39,4m (R34,2m).

The directors point out that the results for the six months to August are not strictly comparable with the corresponding period of 1987 because the STC Business Communications division and Altech Informatics were sold to Fintech on September 1, last year.

CE Richard Savage says Altech "continues to pursue its aggressive technology development programme as well as its growing penetration of international markets."

It has taken cognizance of significant reductions in capital expenditure by the Department of Posts & Telecommunications and is reducing its dependence on this source of business still further.

FMI/IC 4/11/88.



Buying appliances ... poor current for black purchasing power

ELECTRICAL APPLIANCES

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No black sparkle

Electrification of black areas has not led to the expected surge in demand for domestic appliances such as electric cookers, fridges, freezers and TV sets.

Consumer Behaviour MD Eric Mafuna says the euphoria that greeted the programme to electrify Soweto was misplaced. "Appliance retailers were a bit naive about the speed of infrastructural development in the townships. Political instability led to a lack of continuity in the electrification programme, while funds required to implement the programme were underestimated. Even

now half of Soweto is still to receive electricity."

And, since the start of the rent boycotts, the council has cut off whole areas — which means that some residents just can't use their electric appliances. "Soweto residents keep only insignificant food supplies in their refrigerators in case they arrive home to find the power cut off. Advertisers haven't yet cottoned on to this factor."

Nevertheless, slowly but surely, things have improved. Says Wanda Stores CE Derek Vercruyssen (whose group has a strong presence in both rural and urban black areas): "There has been a definite change in buying patterns over the past two to three years, especially in black urban areas like Soweto, Mabopane and Ga-Rankuwa."

Two years ago 5,1% of TV sets sold by Wanda were mains only, the remainder being battery and mains. Now 10,4% of TVs sold are mains only. And while 74,8% of the stoves sold then were coal-based, the current figure is 57,2%, with 9,3% electric and 33,5%

gas. Similarly, the share of paraffin fridges and freezers dropped from more than 77,4% to 59,3%, with 21,2% now electric and 4,3% gas/electric.

Slowest growth has been in the area of automatic washing machines and dishwashers. Ellerines group marketing manager David Lazarus adds: "In some areas people in older houses have to pay a levy to get connected. This also slowed the growth potential of the electrical market." In many cases black householders are expected to pay R200 upfront for having electricity connected.

Mafuna adds that blacks are reluctant to overload their households with electrical goods: "In many black homes the electricity is not powerful enough to iron, cook and watch TV at the same time. Nevertheless, the next growth area in the black market could well be washing machines and dishwashers."

At the moment less than 10% of black urban homes have a laundry appliance — whether an automatic washing machine, twin tub or tumble dryer. ■

Cape to make

colg akcus 5/11/88

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By TOM HOOD
Business Editor

TELEVISION and other electronic goods with the label of Grundig, the West German market leader, are to be manufactured in Cape Town next year.

Plans for local manufacture are almost finalised, according to Mr Sean Day, managing director of the import agency Videocam, which has been awarded distribution rights for Grundig products, including high-fi and audio equipment, television, video recorders, cameras shavers, carsound and accessories and spares.

He aims to raise R5-million by a private placing of shares in Video Holdings for the import of components to manufacture while a local manufacturing company plans a big

investment to enlarge its factory and employ more people.

Mr Day said the company sees a big gap in the market because Japan, which suddenly emerged as South Africa's best trading partner, has been forced to keep exports to South Africa at 1987 levels.

The August 15 surcharges imposed by the Government also made imports prohibitive — adding at least 30 percent to prices — and opened the way to making local manufacture feasible.

The company plans to open a retail outlet at Tyger Valley shopping centre in Parow by the end of next year and another in the Southern Suburbs.

"We will sell the entire Grundig range from these shops. However, we will only get locally manufactured products by next June."

Vision Holdings, the wholesale company will also supply the trade, including chain stores.

Rights

A local company has been given manufacturing rights by Grundig, but the managing director asked not to be identified at this stage.

Products include a combined TV set and video recorder with a retail price around R5 000.

However, Mr Day sees a big market in the black population for colour portables costing between R1 600 and R1 700.

Besides aiming at the top end of the hifi and TV market, Grundig has many products tailored for the young market, including brightly coloured portable radios to ghetto blaster.

The West German company was built up by Max Grundig from scratch in 1948 and now has a substantial shareholding in the Dutch electronics giant Philips.

Recession

The entry of Grundig will raise the number of local manufacturers to five. There were seven when the South African television industry started in 1976.

The local TV market is estimated to be worth about R500-million and any reduction in sales from a recession could be offset by replacement of older models.

A growing segment is the sale of small portable 31cm models due to black demand.

These models are estimated to form 55 percent of sales this year against only 33 percent in 1986.

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Improved ^{Stev} 8/11/88 margins, sales boost ICS' earnings (189)

Finance Staff

Imperial Cold Storage and Supply (ICS) increased attributable income by an impressive 40 per cent in the year to end-September, boosted by stronger margins and steady turnover growth.

Earnings per share were 140,9c, compared to 121,1c last year, as the growth rate on the attributable level was reduced by the conversion of 5,4 million preference shares into ordinary shares. The total dividend has risen 17,6 percent to 40c.

Taxed profits rose from R38,765 million to R50,265 million on a 17,6 percent rise in turnover to R1,666 billion and the improved margin resulted in a 36 percent rise in profits to R36,74 million at the operating level.

Commenting on the results group managing director, Russel Chambers, said: "Margins improved right across our wide basket of food products. There was a further improvement in operating efficiencies throughout. This was enhanced by sound labour relations."

Detailing the performance Mr Chambers said: "Continued strong demand for processed meat and poultry was experienced, although meat volumes were lower, and cheese and ice cream profitability improved.

"Increased tonnage throughput in the food distribution operation improved capacity utilisation."

On prospects Mr Chambers said: "The considerable investment in manufacturing and distribution facilities in the last few years and the expected growth in the perishable foods industry should result in further satisfactory profit growth in the current financial year."

Strike at Epping company

Cape Times 9/11/88 Staff Reporter 189

MORE THAN half the workforce at Power Engineers in Epping yesterday resumed a strike in support of their demand for plant-level wage bargaining, a spokesman for the Electrical and Allied Workers' Trade Union (Eawtu) said.

The spokesman, disputing company claims yesterday that 144 workers out of a total workforce of 311 were on strike, said 200 union members had yesterday voted for strike action.

Reunert caps centenary year with 145% higher profits

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CPL trip 10/11/88

JOHANNESBURG. — Reunert has capped its centenary year by more than doubling earnings for the year to end-September — from R16,4m to a record R40,4m — equivalent to 130c a share against 53c in the previous year.

Reunert has experienced significant changes recently.

With effect in October 1 last year, the investment in Reunert Computers was transferred to Technology Systems International, and Reunert shareholders received 1,5 TSI shares for every Reunert share.

For more meaningful comparison, the 1987 results have been adjusted to exclude the impact of Reunert Computers.

The benefits of the greatly improved result will reach shareholders in the form of a final dividend of 33c, making a 2,9-times-covered 45c for the year (1987: 18c, after adjusting for the TSI transfer). This yields a satisfying increase of 150% for shareholders.

According to chairman Clive Parker, Reunert — the electronic and electrical engineering arm of Barlow Rand — increased its return on shareholders' funds from 14% to a new high of 31%, and more than doubled its interest cover from 3,3 to 7,6 in the year just ended.

"The company could not be in a better shape to embark on its second hundred years of operation," he adds.

Most remarkable about Reunert's

145% increase in bottom-line profits in 1987/88 is that it was achieved on a rise in turnover of only 16%.

Reunert's turnover for the year rose from R751m to R869m, while operating profit more than doubled from R36m to R77m.

The interest charge dropped from R13m to R11m, in line with lower average borrowings, leaving pre-tax profit 176% up at R66m (R24m).

Past use of assessed losses has partially eliminated the tax shelter Reunert has enjoyed in the past — which is reflected in a tax bill for the year of R19m, against R2m previously.

After-tax profit thus went up from R21m to R47m.

Share of associated company profits came in at R9m (1987: R5m), while minority and preference interests took R15m — R5m more than the previous year.

Parker says increased profitability was achieved by all three of Reunert's divisions — Reunert Technology (Reutech), GEC SA and Circuit Breaker Industries (CBI), which had a record year.

"We expect to see substantial benefits flow from the recent restructure of GEC, which has aligned it more closely with the activities of GEC Plc in the UK, which provides us with a great deal of assistance and technology," says Parker. — Sapa

The 11-storey tower
administration needs to start re-
assuring the markets quickly about what they're
London — Sapa-

Reunert sparkles with 164% earnings rise (189)

By Sven Forssman

Reunert's earnings rose by 164 percent from 53c to 130c per share on a turnover of R869 million for the year to September.

Operating profit doubled from R36 million to R77 million and interest charges fell from R13 million to R11 million, in line with lower average borrowings.

Pre-tax profit was 176 percent up at R66 million (1987: R24 million).

The tax bill rose 850 percent from R2 million to R19 million.

The benefits will reach shareholders in the form of a final dividend of 33c, taking to 45c the pay-out for the year — 150 percent up on the previous year's dividend.

Chairman Mr Clive Parker says Reunert, the electronic and engineering arm of Barlow Rand, increased its return on shareholders' funds from 14 percent to 31 percent and more than doubled its interest cover from 3,3 to 7,6 in the year just ended.

He says all three of the group's divisions — Reunert Technology, GEC

South Africa and Circuit Breaker Industries — achieved higher profits.

"Greater cost awareness and control and more effective asset management, combined with better business opportunities and new products, were the main reasons behind the group's performance," he says.

"A strong thrust into export markets and into new domestic markets helped to cushion the effects of cut-backs by semi-government organisations like Escom, Sats and the Post Office."

Striking ^{ARGUS} workers call ^{10/11/88} for backing ^(S) by ^(S) UK unions ^(S)

Labour Reporter

STRIKING workers at Power Engineers in Epping have appealed for support from two international bodies — the British Trade Union Congress and the International Metalworkers Federation.

The strike began on Monday over demands for plant-level bargaining at the company.

The union claims that about 200 members are on strike but the company says only 144 are out.

Mr Brian Williams, acting general secretary of the strikers' union, the Electrical and Allied Workers Trades Union, accused the company of having an industrial relations policy in South Africa which differed from its international policy.

TO THEIR ADVANTAGE

"They are a British multinational who claim to be in South Africa for progressive reasons but their practices have shown they are here to use the system of apartheid to their advantage," he said.

Company managing director Mr Jim Lappin denied the allegations.

"The NEI Africa group policy complies with the country's legislative framework," he said.

"The union has implied by its statement that the company practises racial discrimination.

"The group categorically denies this," he said.

"The group is committed to creating a favourable industrial relations climate and continually strives to ensure equal opportunity for all employees, irrespective of race, colour, sex or creed."

CAPC
11/10/88
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**Epping workers
still on strike**

A STRIKE by workers demanding plant-level wage bargaining at Power Engineers, Epping, yesterday entered its third day, a management spokesman said.

He said 143 employees out of the workforce of 311 were still on strike.

The "issue" was plant-level bargaining, but the company negotiated wages and service conditions on the national Industrial Council for the Iron and Steel Industry, he said.

Datakor posts 85% higher earnings

JOHANNESBURG. — Datakor has reported attributable earnings up 85% to R6,27m (R3,4m) in the six months to September 30.

During this period Unisys SA was acquired and its results for three months are included.

An interim dividend of 2,5c was declared.

Turnover increased by 212%, from R42,7m to R133,5m.

On a weighted average of 96m (46m) shares in issue, earnings per share increased by 14% from 5,7c to 6,5c.

Although actual EPS over the six months to September 1987 was 7c, this included non-recurring interest earned on funds from the public offer.

Chairman and CE Nic Frangos says that the acquisition of Unisys has been a critical factor in the long-term growth of the company.

He said: "Because of increasing international isolation there have been attempts in the industry to whitewash the effects of this isolation and to project home-grown technology as adequate for our needs.

"Although local development is an important factor in the present climate, for the foreseeable future global technology will be driven by industry leaders such as IBM, Unisys and Dec.

"Unidata has produced good results since its acquisition on July 1. Its excellent customer base, highly skilled personnel and access to world technology have significantly strengthened the foundations of the company.

"Joffe Associates has moved from a R17m company two years ago to become a major player in the office automation marketplace with turnover expected to be in excess of R100m.

"Sankorp, the industrial holding arm of Sanlam, now has a controlling interest in Datakor and has significantly increased our financial muscle".

Frangos said that the associate companies, which include Mast Holdings, Jasco Electronics and Dimension Data, had all produced good results. — Sapa

BUSINESS PARTNERS OF THE WEEK

Changing the face of the SA electronics industry

By MAGGIE ROWLEY
Business Staff

HUSBAND and wife team Armin and Sybil Rhomborg are setting about helping change the face of the electronics industry in South Africa.

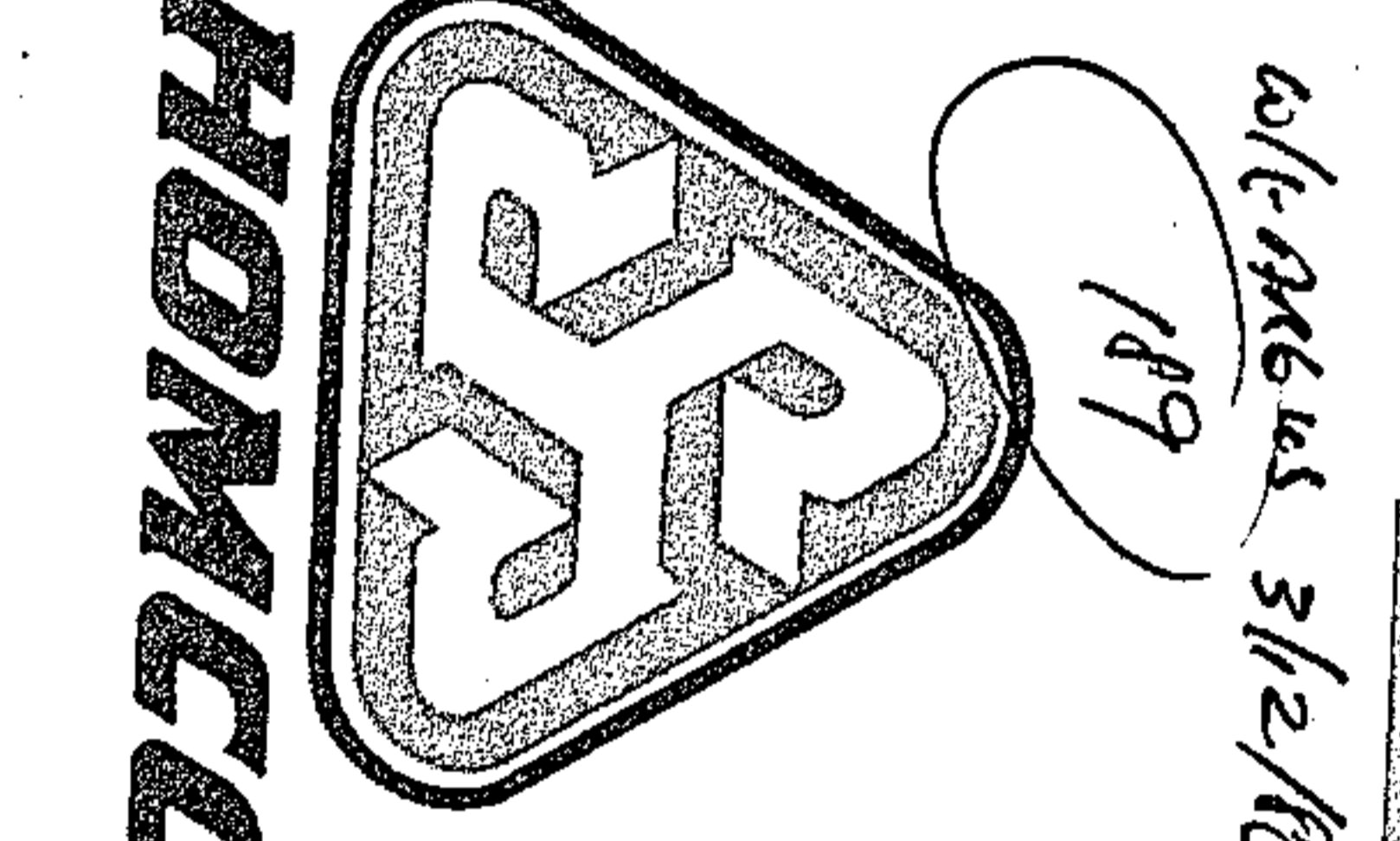
The Rhomborgs, who between them have more than 30 years experience in the electronics field — Armin as an engineer and Sybil on the marketing side — have just launched a new electronic manufacturing business, Rhomco, in Wetton.

The difference between this and other electronic manufacturers is that Rhomco deals solely in contract manufacturing, that is manufacturing other people's inventions and not products they themselves have developed.

Division

"There is a growing trend towards this division of labour in the electronic industry overseas," says Austrian-born Armin, who came to South Africa on contract to a textile company in 1964 and stayed on.

"The electronics industry is a relatively new industry, especially in South Africa," says



w/c Armin 3/12/88
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Armin and Sybil Rhomborg... a complementary partnership.

Sybil. "If one looks at the mature industries such as clothing, housing and food, such a division of labour has existed for years. One company makes the bricks, others manufacture building materials, and yet others build the houses while estate agents do the marketing and selling."

While a number of electronics manufacturers do contract work, many will only take it on when they are not running to full capacity with their own products, says Armin.

To meet the needs of the industry on a broad base as possible has required a hefty investment in plant and machinery which has been made possible with financial backing from Murray & Roberts subsidiary Martech Holdings. Rhomco was launched in

July. "We have been in a phase of consolidation and negotiation. We have a number of contracts already signed and sealed and others still under negotiation. We are bracing ourselves for what is no doubt going to be a very busy 1989," said Armin.

This is the second company that Armin and Sybil have launched together. In 1970 they started Rhomborg Electronics in Retreat, developing, manufacturing and marketing their own electronic goods.

The company grew rapidly and three years ago they realised that greater administrative discipline was required to cope with the growth so they took aboard a partner.

Over the years they had been approached by local and overseas companies to do con-

percent of content must be locally manufactured is a prime example.

Local engineers who are looking for opportunities to manufacture products they have developed on a large scale. Rhomco would assist with the industrialisation of the product, that is converting it from a bench-type version to a marketable product.

Companies looking to import substitution.

In addition Rhomco is geared to take up the overflow from other electronic manufacturers who do not wish to extend their facilities to cope with cyclical increases in demand.

The Rhomborgs say the potential of the import substitution market is enormous and argue that, in the short-term, sanctions are the best thing that could have happened to the local electronics industry.

"It is forcing the industry to develop a strong infrastructure and to manufacture locally," says Sybil.

Local manufacturing has often been side-stepped because the size of the South African market did not make the huge capital expenditure required on plant and machinery an attractive or viable proposition.

"And that is what is so exciting about contract manufacturing. Because the machinery we have invested in is adaptable it can be used to manufacture many different products and in so doing addresses the problem of economy of size," said Armin.

They believe the recent in-

See Page 3.

P. T. O.

Changing the face of electronics industry

W/CARGUS

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crease in import surcharges, while inflationary in the short term, will further boost the local industry and assist it in getting on its feet.

"Unless we take this step now we will always be a nation of traders and shopkeepers rather than producers and exporters," she said.

By strengthening the infrastructure of the industry, Sybil believes a halt will be made to the brain drain of engineers.

"So many engineers have been leaving the country. While some may do so for political reasons, I believe the majority are leaving due to the lack of a stimulating infrastructure in the industry."

She is optimistic that within 10 years the electronic industry will be firmly established and in a position to take advantage of export markets once sanctions are lifted.

In addition, she believes, South Africa has the labour potential to rival other Third World countries such as the Phillipines, Puerto Rico and Thailand as a manufacturing centre for First World countries.

However, they emphasise, if South Africa wished to compete on an international basis they would have to think like their overseas competitors and change marketing strategies.

"There is a dire shortage of strategic marketers in the industry. Too many people tend to manage by crisis instead of taking a holistic, strategic approach," says Sybil.

Sybil, who launched her "public" career in the electronics industry only seven years ago last year became the first woman to be appointed to the State Tender Board and has served on the board of Wesgro for three years.

In addition Sybil, who was instrumental in compiling the 1985 White Paper on the electronics industry and has sat on numerous committees, was recently re-elected for the third consecutive year to the executive committee of the Cape Chamber of Industries.

All these appointments help her keep a finger on the pulse of the industry and as such are part and parcel of her job as marketing director of Rhomco.

But in spite of all of this, Sybil is adamant that her first and primary role in life is that of wife and mother to their two children, Christopher, 20, — who is studying to be an engineer the same as at least five other members in their immediate family — and 14-year-old Alexandra.

The recipe for a woman to succeed in business, which remains ostensibly a man's world, lies in them not being militant or threatening, she argues.

Far from impeding their relationship, Sybil and Armin — who married in 1967 a year after they met on a blind date — firmly believe that living and working together strengthens their partnership.

And their's is a complementary partnership which is cemented around sharing strengths, talents, responsibilities, ideas and rewards. And among their strongest commonality is their attitude and approach to business.

"We are both determined and persevering. Neither of us is the type to give up. When we believe in something we follow it through to the end," says Armin.

Sybil and Armin give new meaning to the adage behind every successful man is a woman, for in this instance the reverse is also true.

Written by LYNN CARLISLE

LHM pioneers several insulation techniques

HAVING played a major role in keeping SA production rolling over the past 75 years, L H Marthinussen's (LHM) around-the-clock service and technological expertise have become bywords with most mining, energy and manufacturing companies.

Over this period LHM has become SA's biggest electrical and mechanical repair organization and pioneered a number of world first high voltage insulation techniques, says LHM MD Wally Temple.

Being strategically placed in the hub of SA manufacturing, and being close to this planet's most concentrated major mining activities, is like sitting on top of the world in this industry.

"SA has the world's largest mines as well as big fuel, energy, steel and other metals manufacturing companies, and I believe there are more electric motors concentrated on the Highveld than anywhere else on the globe."

Another important factor in LHM's favour has been many of the giant electrical machines, including medium and giant generators and transformers, which were imported and have been without local manufacturers' back-up for decades, Temple claims.

This provided an ongoing opportunity for the company to service and repair them thus becoming expert in the workings and peculiarities of machines of all makes and types invented abroad.

"As a result our expertise is as good, if not better, than anyone else's in any industrialised country, particularly when it comes to the



Marthinussen MD Wally Temple . . . leading the field in introducing high-voltage insulation techniques ability to efficiently service and repair any electrical machines," he adds.

In a thumbnail sketch of some of the company's major developments, he cites copper wire insulation techniques — mainly in the late/1940s and early-1950s — as an early pioneering feat.

Insulation techniques were important to the country as LHM's locally-made high voltage coils and certain other components replaced strategic and expensive imports.

Most windings used then were locally made 2.2KV and 3KV, but LHM developed coils for 6.6KV and 11KV machines and this set the precedent for further developments.

"Producing those first coils was a precision

operation and it took us years to come up with the right equipment to insulate coils of that size," says Temple.

The Denver works, along with UK-based sister company Metropolitan Vickers, also assisted General Mining (Gencor) to successfully carry out research and development on corona discharge on 6.6KV and 11KV windings.

The research highlighted LHM's capabilities and why these insulations broke down. As a result it came up with solutions which saw high voltage coil manufacturing techniques advanced in SA.

"This led to insulations being made to suit more specific needs through the use of special materials, including resins and epoxies."

1981

CORPORATE PROFILE: A H MARTINUSSEN

LHM booming on the east site

LHM's ability to service industrial and mining companies throughout southern Africa should stand LHM Denver's innovative east-site works in increasingly good stead.

According to east-site manager Joe Viana, who has served his apprenticeship at Denver and has boasts 32 years of service with LHM, all three departments making up the versatile operation are poised for continued growth.

"We provide services to all major industries, including the mines, steel works, Eskom, Sats and electrical machinery suppliers plus LHM companies and those in the Delta Group.

"Being willing and able to operate anywhere at anytime, places our services in demand when serious breakdowns to major electrical machinery have to be remedied," he says.

Although certain functions are similar to its sister west-site works, it is headed by a wire-drawing department which rolls copper conductors and provides the covering for these products.

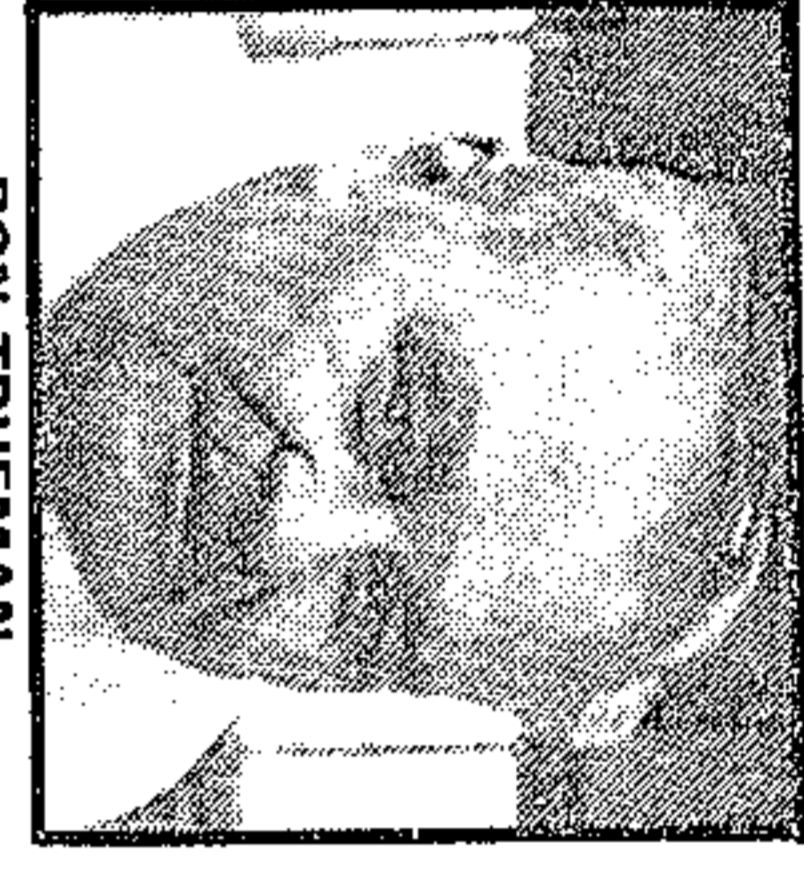
At the "main workshop", the alternate current (AC) and direct current (DC) insulation and coil-manufacturing operations take place.

This facility's craneage has a lifting capacity of 100 tons.

"We have the largest vacuum-pressure impregnation plant in SA, which I believe places us in a unique position to carry out major work better than any other organisation in our field," Viana says.

Another department, known as the "railways" shop, makes coils for exclusive use in Sats locomotives.

This facility has employed sustained business support from Sats.



RON TRUEMAN



JOE VIANA



GLENN BROWNRIGG

Manufacture possible

AS THE LHM flagship operation, Denver is considering not only the servicing of any make of electrical machinery but, where justified, the manufacture of new components.

With business emphasis on repairing and servicing electrical machinery in the industrial, mining and parastatal sectors, the company is well positioned to meet local demand for its services.

Further, it is giving high priority to increasing orders for special one-off machines, as used in steel mills and furnaces.

Denver also services companies in Electrical Repair Engineering, a subsidiary of Delta Electrical Engineering SA.

While work is carried out throughout SA, LHM's Denver operation has also benefited industrial and mining companies as far afield as Malawi, Zambia, Zimbabwe and Mozambique.

Denver GM Ron Trueman's both east and west site Denver operations outside Johannesburg, which are independent, are well positioned to further extend their electrical motor and transformers servicing and manufacturing operations in the sub-continent.

From two divisions out of the west site works and three more at the east site.

LHM's work force — headed by long-serving works managers — has acquired a reputation renowned for successfully carrying out around-the-clock service every day of the year throughout southern Africa.

He foresees the overall pattern for services and products escalating as the entire operation becomes increasingly competitive in SA and abroad.

"Denver's strengths lie both in our facilities and people of skill and dedication who work set hours and are also called on throughout the day and night to rectify any serious breakdowns of major electrical machinery.

New opportunities for local manufacture of imported electrical machinery are also being actioned by the Denver works.

As imports grow more expensive and service back-up is increasingly hampered by sanctions, two of Africa's biggest electrical motors servicing and speciality mega-transformers manufacturing sites have reached their in-depth expertise and resources for further expansion.

At the respective west and east sites 300 highly trained staff have already made inroads into services and production which was once the domain of leading competitors based abroad.

"With prices of some imported equipment having increased tenfold in the last five years, customer feedback suggests demand will increase steadily for our services."

Due to the massive size and complexity of equipment involved it is expected, however, that this will not happen overnight as long lead times for orders are normal.

Trueman knows the Denver operation like the back of his hand. He joined LHM in 1946 and has had more than 40 years service.

Since his apprenticeship he's been through the mill — from manufacturing department foreman in 1956, in charge of the motors and transformers test department to works superintendent in 1960.

"When we opened the new transformer department in 1969, in the west works as it's known, I took charge and built up our transformer repair and manufacturing facilities to what they are today.

He became GM of the company's main Denver Works in 1984 and is a director of Electrical Repair Engineering company.

Over the years Trueman has noticed big changes in the industry — particularly in insulation techniques and high voltage motors, which are all in line with ongoing development in hi-tech worldwide.

"And we have played a major role in the country through having pioneered modern techniques and new insulations in the re-

Capitalising on sanctions

AS IMPORTS grow more expensive and service back-up is increasingly hampered by sanctions, LHM Denver's west site works is capitalising on the situation.

West site manager Glenn Brownrigg says his around-the-clock operation manned by about 112 skilled people is becoming increasingly competitive in SA and abroad.

Noting some progress has already been made in the import replacement

field, Brownrigg, who has ple. It is imported as it is been with LHM or its inter- not viable for SA to manufacture limited amounts.

Electric group for 38 years says this area looks healthy for future expansion.

Mainstay business of the west works' will, however, remain in its traditional services to outside customers and other companies in the Delta Group.

High priority has already been given to increasing west site orders for special one-off machines, as used in steel mills and furnaces.

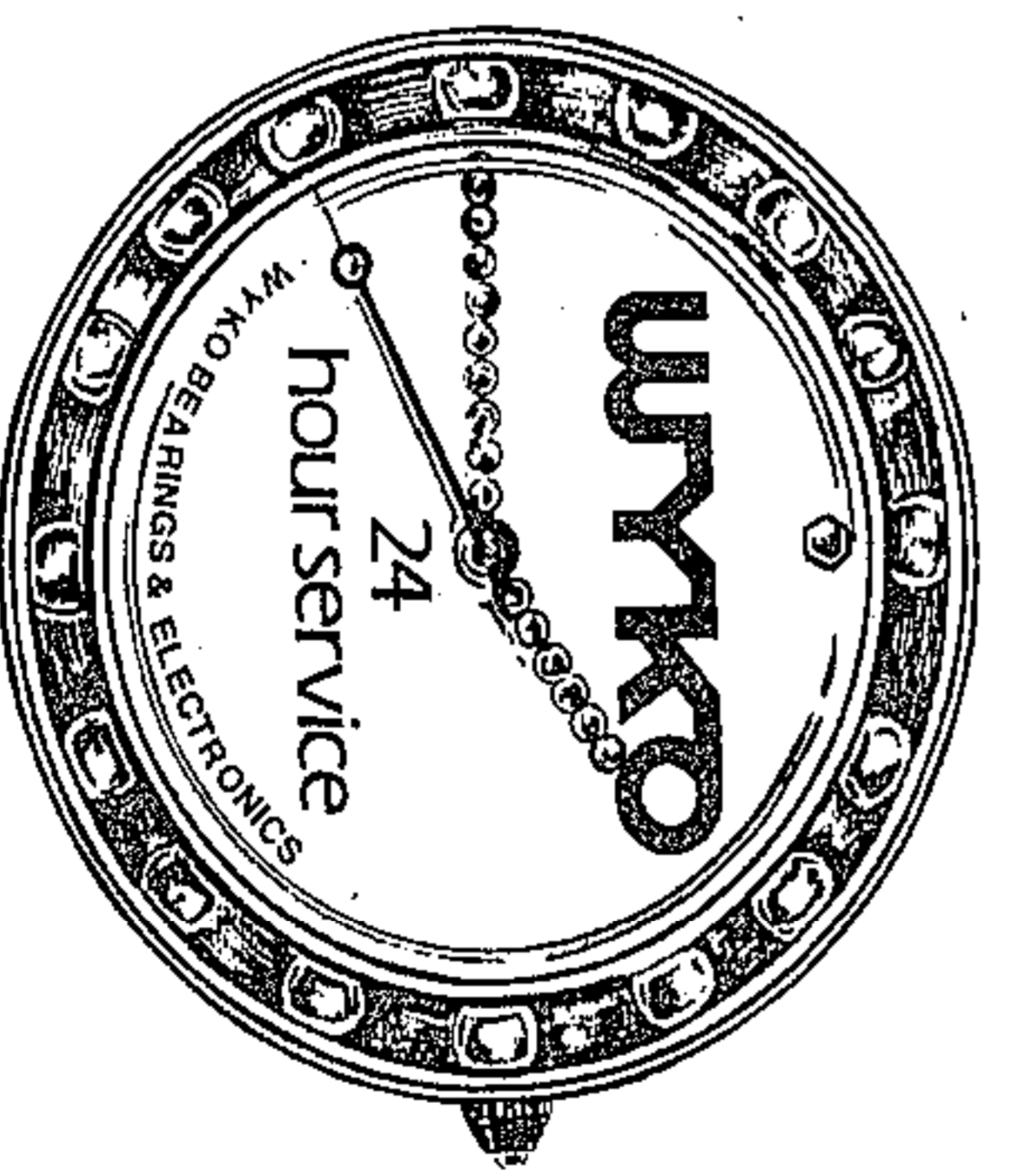
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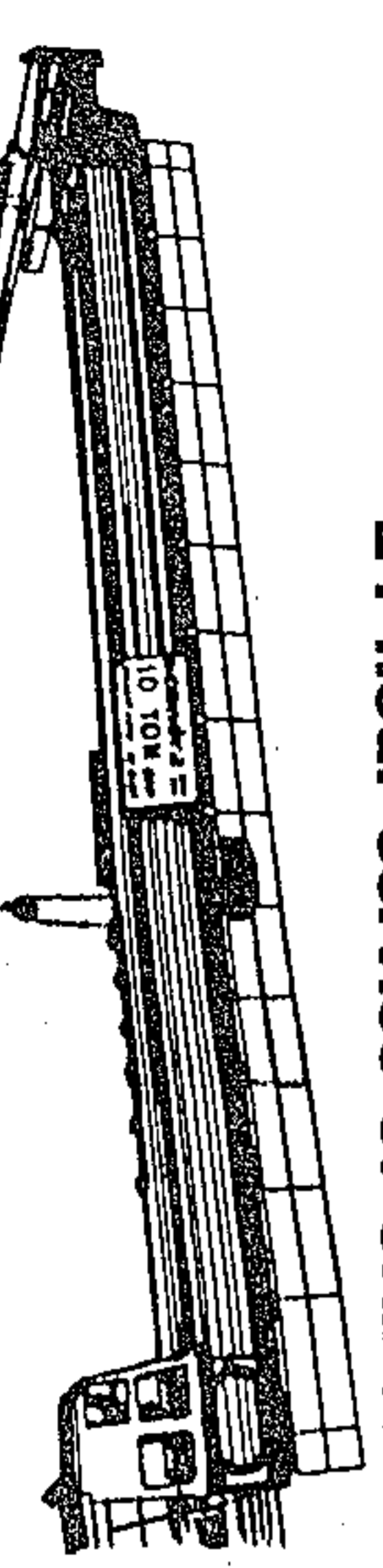
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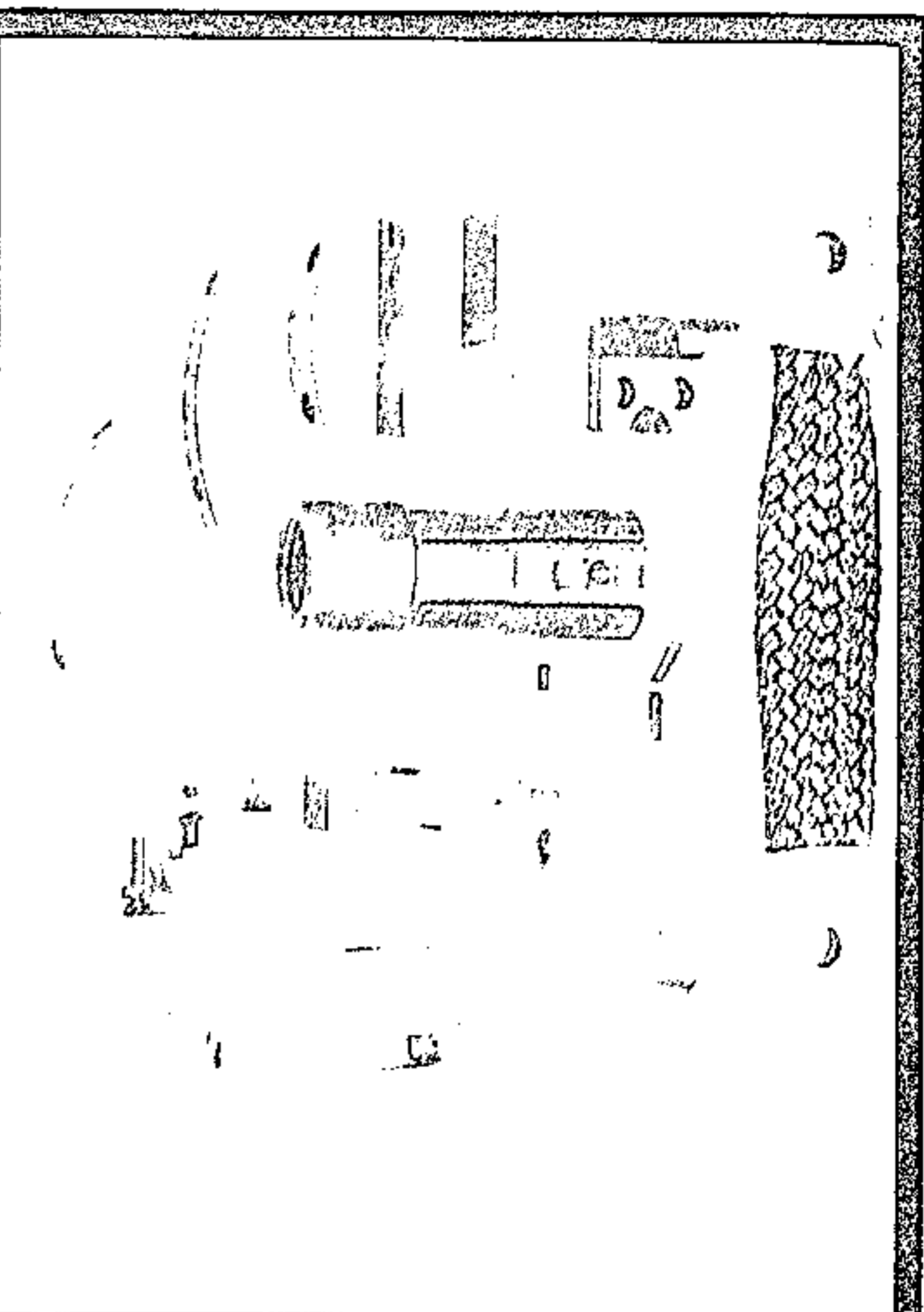
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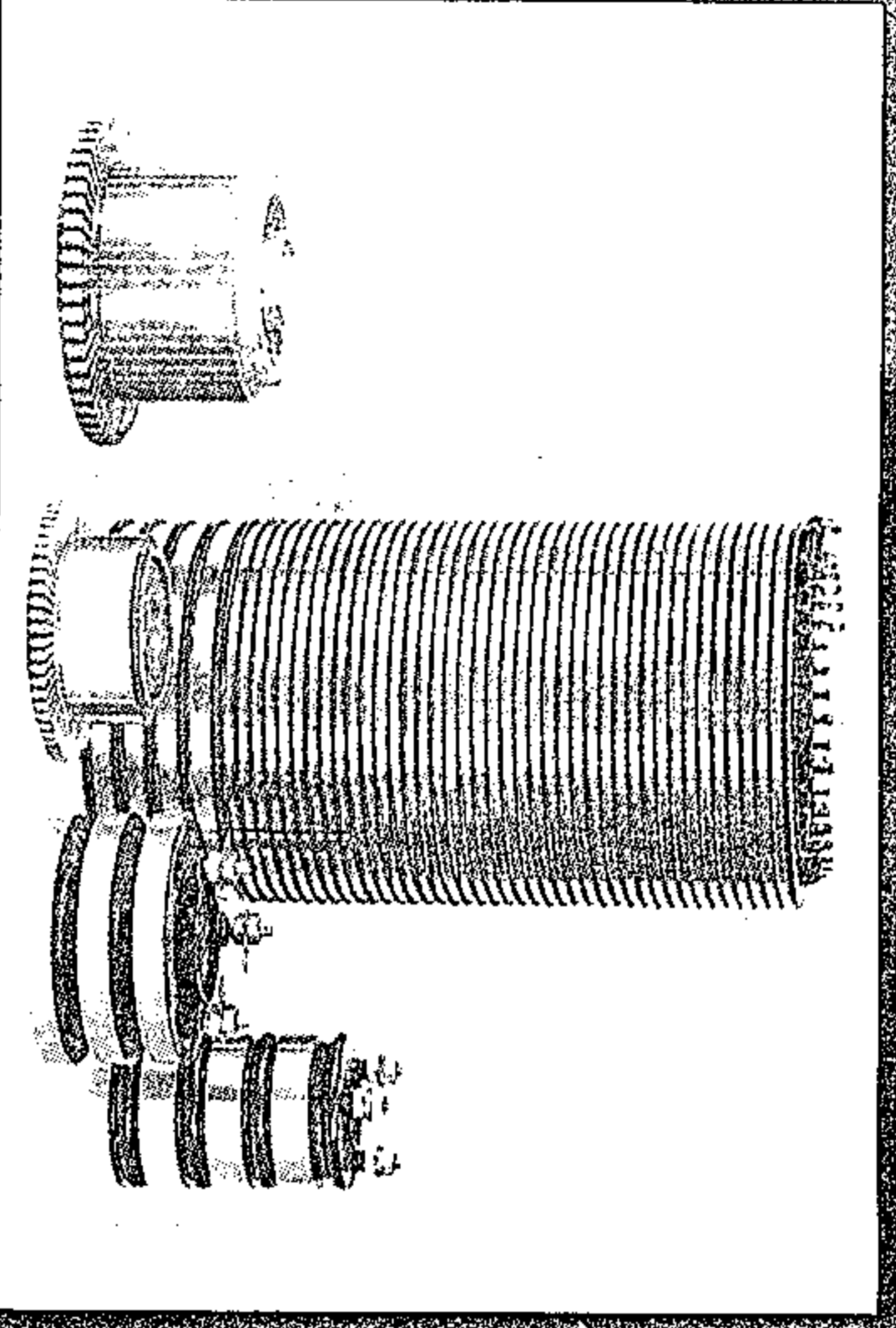
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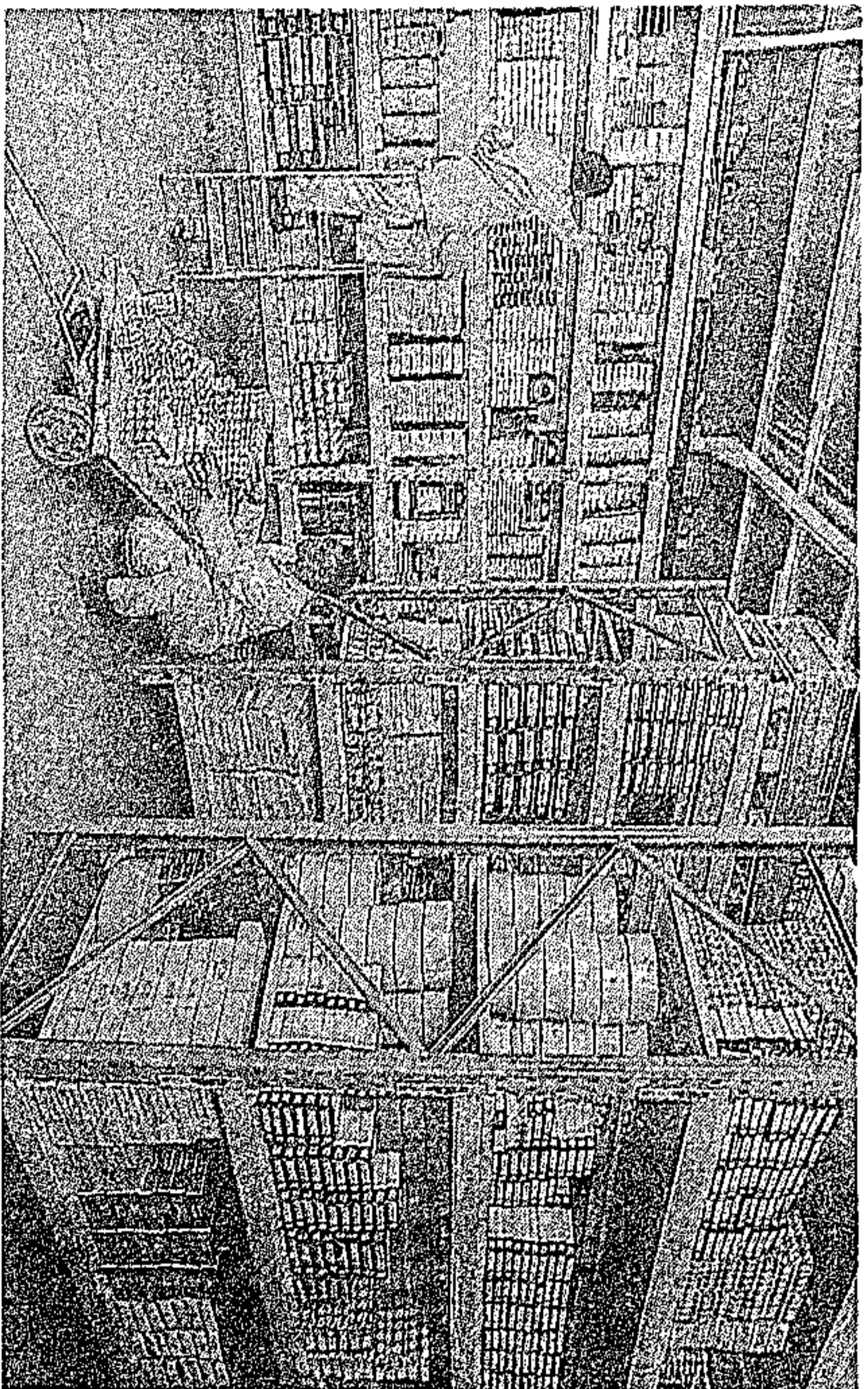
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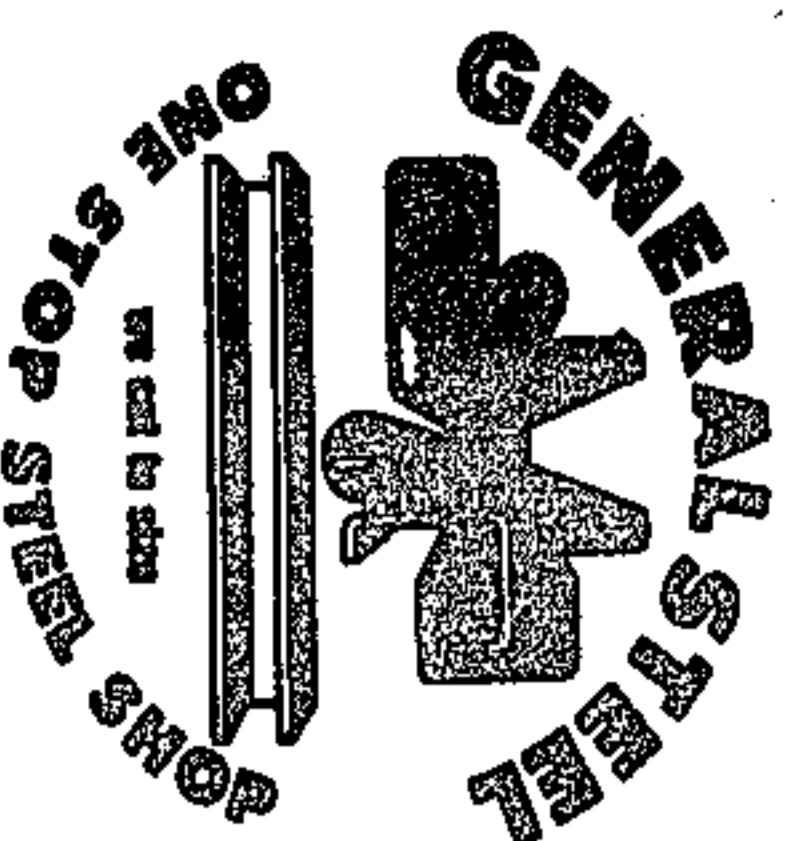
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ELECTRICAL

AND

ELECTRONIC

EXPORTS

1988

THIS week of measures to curb credit demand, nally at 1482 from 1485. Sapa-AP

Pep Stores profits up 44 pc

CAPE TOWN — Pep Stores has lifted attributable profits for the year to February by an impressive 44 per cent to R58,9 million (R40,8 m).

Earnings have risen to 128,9c (89,4c) a share.

Turnover rose by 28 per cent to R648,5 m (R507,5m) and operating profit by 32 per cent to R70,3 m (R53 m) — indicating a widening of margins.

The interest bill was 54 per cent lower at R2,3 m (R4,9 m) but the tax bill was 50 per cent higher at R9 m (R6 m).

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years the directors have adopted a conservative dividend policy.

The final dividend of 29,5c brings the total for the year to 48c (40c) covered 2,7 times.

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year.

This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655

with nine manufacturing units under its control.

"While we expect to maintain the growth pattern experienced by the existing business during the past financial year we are also planning to open at least 24 Pep Stores and 20 Ackermans outlets," the managing director said.

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come," he added. — DDC

Altron going international

JOHANNESBURG — Allied Electronics Corporation (Altron) is set to go international in the next three years, with plans to set up a network of hi-tech companies abroad.

The chairman of the group, which has assets of more than R1 billion, Mr Bill Venter, said the decision to increase its involvement abroad was in the belief that the group had grown to the point where it could effectively compete with the multi-nationals.

He stressed the group's strong South African identity however, saying, "the drive will be from here, the technology will be from here and much of the product-sourcing will be from here."

"We're now ready to become an international player, and although our interests abroad will not dominate our South African activities, there are compelling reasons to have a presence overseas. We live in difficult times and smart companies take steps to maintain their technology

base." (189)

Venter's announcement coincided with the release of the group's end-of year results, which showed Altron continuing to perform well in the year to end February 29, 1988.

Attributable income was up 29,7% to R58m, or 324,2c a share, on a turnover of R1,56bn — 25,9% ahead of last year's figure.

The board has declared a dividend of 98c a share (81c in 1987) putting dividend cover at 3,3 times.

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MAJOR MOVEMENTS

NEW HIGHS AND LOWS

Another big order for SA

SA electrical design expertise is winning international approval and acceptance, resulting in export orders for equipment.

Electrical Design & Construction (EDC), a subsidiary of Erenco which is a member of the Titaco Consolidated Investment group, has won a second large export order from Chile for high-voltage isolators.

The first order was for the Far East

1/4/88
Business Times Reporter

STimes
and more business is expected there.

Managing director Gary Grant says EDC's export drive started eight months ago and has been helped by Safto. Its advertisements in Safto's journal have generated inquiries worldwide.

189
The company's isolators won a major award recently and more than 300 have been supplied to municipalities and Eskom. Special-purpose isolators have been bought by industries and the mines.

The isolators are made by Erenco near Ladysmith.

Prices in SA are not affected by fluctuations in the rand's value or commissions payable overseas.

Altron to expand offshore operations

CMI-Trans
7/9/88
189

By AUDREY D'ANGELO
Financial Editor

SA electronics giant the Altron Group is using its British-based subsidiary Telemetrix (PLC), a computer graphics group, as a platform for rapid international growth.

Announcing this yesterday, Altron executive chairman Bill Venter said: "It is our intention to create an international electronics group with sales of more than R250m within the next 18 months."

A statement issued by Altron said that in a R44m deal Telemetrix was acquiring from Altron a 49,2% interest in GTI Inc, a US electronic components group which achieved sales of R92m and pre-tax profit of R5,2m in the year to December 1987.

Altron sold its European interests in Components Trading and Carhena Finance to Telemetrix in August for a nominal sum.

In the same month, Telemetrix incorporated a European company, Rasterex International, which has strengthened its position in the European computer graphics market and now complements its existing operations in Britain and West Germany.

It has also announced its intention of acquiring a majority stake in GTI

when circumstances permit. This will lead to Telemetrix having annual sales of more than R140m.

The deal will be by way of the issue of 23m additional shares to Altron.

The statement said: "As a result of these activities, Altron has come a long way to establishing itself as a presence in the European electronics industry."

Altron's deputy chairman, Don Sneddon, who has been seconded to Telemetrix, confirmed that "several more large acquisitions are under negotiation and these will be made public in due course".

Yesterday's statement said: "The significant technology development of the Altron group, now totalling around R90m a year, will support the growth of its overseas investments.

"Already several senior management executives have taken up positions within the Telemetrix structure although it is envisaged that top management of both the British and US operations will be in the hands of British and American nationals."

Venter said the importance of Altron's international activities was "underscored by the fact that they report at deputy chairman level in the Altron group".

Delta acquires EMD in deal worth R13-m

By Ann Crotty

Delta Electrical (DE), one of the star performers of the electronics sector, is making a R13,3 million acquisition which will expand its trading base and provide a strong rand-hedge element.

The deal sees DE acquiring 60,29 percent of EMD, a producer of electrolytic manganese dioxide, from DE's parent, Delta SA (DSA), for R13,3 million, of which R2 million will be paid in cash and the balance through the issue of 3,7 million shares. A portion of the shares issued to DSA, which holds 49,9 percent of DE, will be renounced in favour of certain financial institutions. This is to prevent its holding going over 50 percent, which would involve altering its policy of accounting for DE.

The remaining 39,7 percent of EMD is held by an overseas partner and the management of EMD.

A portion of EMD's production is used by SA battery producers, but the majority of its output is exported to battery producers worldwide.

Because EMD has been the second arm of the DSA group for six years, it is well known to the DE management team. This suggests bedding down the acquisition should involve no unpleasant surprises. The deal involves a performance-related deferred payment of R3 million.

The basic deal will initially only have a marginal effect at the earnings-per-share level. But the immediate write-off of about R7,5 million in goodwill will reduce net asset value from 123c to 120c.

The deal is complicated by the offer of bonus shares or a special dividend on the basis of 10 shares for every 100 held or a 25c dividend payment per share. At yesterday's price, the share choice is worth 300c and the dividend 250c.

The bonus offer seems designed for DSA's UK parent, which would otherwise only be getting its share of the R2 million cash portion via the commercial rand. DSA has opted for the bonus dividend.

Most local shareholders would be well-advised to go for the bonus share, rather than the dividend in view of the longer-term benefits the deal is likely to have for this well-managed group.

Delta could have been No 8

By Ian Smith

CONSISTENTLY outperforming the JSE electronics sector has been good for Delta shareholders.

The group, which provides an electrical repair service and supplies cable and components to the mines and heavy industry, has recorded average annual compound growth of 24.1% in earnings and 28.6% in dividends in the past four years.

Delta will slightly improve on the earnings forecast of 30c a share in the current year, says managing director Graham Kaler.

Taking account of 35-for-one share split this year, that would equate to earnings of 105c, indicating another year of above 20% growth.

The share price is 330c and has recovered almost all the ground lost in the stock-market crash. The shares were split to improve tradability, and after



Graham SALTER... change of name and reverse takeover forced the computer

recent deals there are now more than 40-million in issue.

The forward price-earnings ratio of 11, above the average for the electronic sector where Delta is in some class company, indicates that the market is taking a new view of the group.

Using the formula applied in the compilation of the Business Times Top 100 companies, Delta's average all-in compound growth of more than 40% in the past five years would have been good enough to put it eighth in the list. But the computer eliminated Delta because of a

COMPANY THAT MISSED TOP 100

name change and because the company was listed by reverse takeover.

The company has its roots in the establishment of a wholly owned subsidiary of London-listed Delta 80 years ago. The UK-owned company now controls 49.9% of the SA group.

The group came to the JSE in 1983 through reversal into long-established LH Martinussen. Net income jumped from R1.8-million in the last nine months of 1983 to R8.8-million in the year to December 1987.

"The expansion has come fairly evenly from acquisitions and internal growth," says Mr SALTER.

In the current year the first task will be to digest the R1.8-million acquisition of a 60.3% stake in a family company, Delta (EMD), and last month's swap of a 50% shareholding in Ernest Lowe Hydrotube

in return for a 20% stake in Valard Limited, formerly Delta's partner in ELH.

Both deals are good for Delta, says Mr SALTER. They do not take effect until January.

The stake in EMD was bought from the UK company's subsidiary, Delta SA, and it will give the group bigger exposure to exports with trans-nudge implications.

EMD is the only South African producer of electrolytic manganese dioxide, one of the key power sources in high-performance dry-cell batteries, and about 60% of output is exported.

The other shareholders are a foreign company which provided the technology for the plant, and EMD's management. Ernest Lowe Hydrotube, which makes and supplies pneumatic and hydraulic engineering equipment, was formed by the merging of Delta's hydraulic operations with Valard's pneumatic business in 1985.

The exchange of the Delta sharehold-

ing in ELH for shares in Valard is a logical development of the partnership, says Mr SALTER.

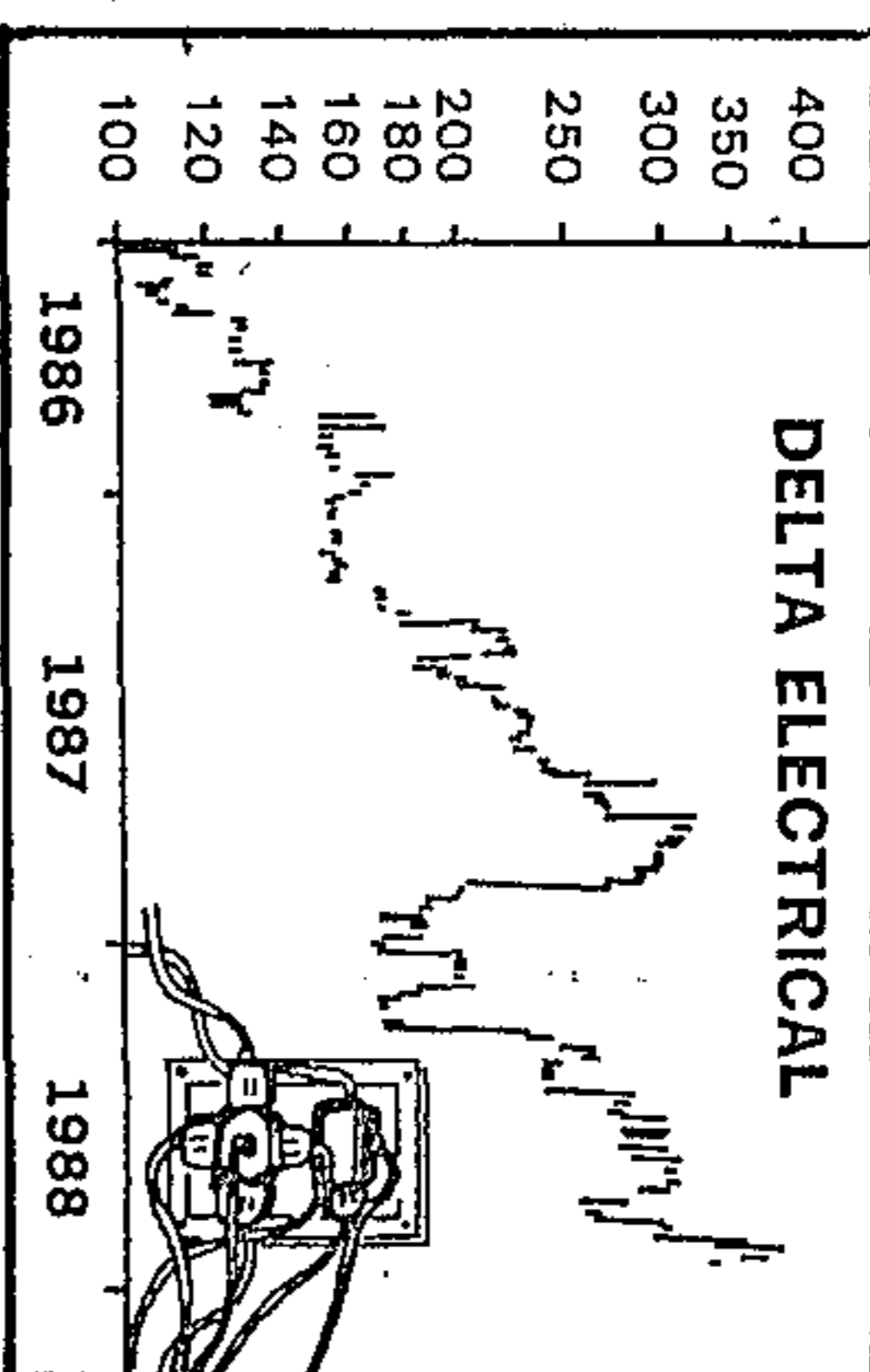
The shareholding in Valard will strengthen Delta's industrial division — and it is in line with the group's policy to invest in well-managed growth businesses which provide electrical and mechanical services and products to the mining and industrial sectors.

One of the secrets of Delta's success is true decentralisation, says Mr SALTER.

The group operates from 40 trading outlets. Its chief business is electrical repair engineering, insulation and conductors, cables and accessories and industrial products.

Many of the companies which have been acquired in recent years still trade under their own names, and often management retains a stake.

"We exercise tight financial control from head office in Sandton, but then we let the men on the spot get on with the job," says Mr SALTER.



The group operates on a head-office staff of 11 people, but its financial muscle has helped many of the acquisitions to grow organically.

"A business often finds that financial constraints mean that the transition from a small company to a larger operation is difficult. This is where we come in." The group's focus on the mining indus-

try and heavy industry has helped it avoid a boom-or-bust performance.

Even after the EMD and Valard deals, gearing is unlikely to exceed 20%, and there is still the prospect of more acquisitions. "We are constantly looking at opportunities. We like to have a controlling stake, but there are no hard-and-fast rules."

ELECTRICAL

AND

ELECTRONIC

1989

Altech not in the hunt for TR Services

TANIA LEVY

ALTECH has dismissed market speculation that it is a potential buyer of TR Services, following the acquisition of its British holding company Telephone Rental (TR) by Cable and Wireless (C & W).

C & W reconfirmed on Monday that it would dispose of the 7.2-million shares owned by TR, a 65% holding which TR was previously unwilling to sell.

Bidder
11/1/89 **Buyout** *(189)*

Contrary to popular opinion, Altech is not involved in negotiations to acquire TR Services, said Altron director Jacques Sellschop.

Although a management buyout is a distinct possibility, TR Services MD

Peter Brennan said that he had had no official word from Britain that the SA interests would be sold.

A Plessey spokesman confirmed the firm would be interested in acquiring TR Services, but could not furnish details of UK negotiations.

Reunert could also be attracted to TR Services, which has become the major supplier of PABX systems since the privatisation of telephones by the PO, a leading analyst suggested yesterday.

Reunert MD Clive Parker was unavailable for comment.

Siemens is another unlisted company which could be interested in TR

Services, said the analyst.

TR Services main business is marketing, installation and maintenance of time and attendance recording systems.

Tremendous growth potential exists in the 10-year franchise agreement to distribute locally produced TRIAD computerised access control security systems.

TR Services has good long-term growth of about 20%-25%. The analyst predicted the share price would continue to soften after its climb in October when C & W initiated its hostile bid for Telephone Rentals.

TR Services could fetch a high price. Yesterday the share price closed down at 235c.

DIAGONAL STREET

Top-of-the-pile Altron best bet

5 Times 15/1/89



189

ALLIED Electronics (Altron) comprises mature and juvenile industries — a factor which makes it more attractive than a single-interest company.

Deputy chairmen abound at the Venter Centre — Altron has management second to none with home-grown Neil Davies and Don Sneddon, and import Richard Savage running the businesses.

Altron owns 55.7% of Altech (Allied Technologies), 63.6% of Powertech and its total stake in Fintech is 70%. A fourth branch is the financial and overseas operations.

CASUALTY

Electronic-share analysts on the JSE agree that the sector is exciting. It was one of the heaviest casualties of the October 1987 equity crash, and even shares previously regarded as blue chips have scarcely rallied.

Altech shares were exchanged at R190 apiece before the crash, and after a recent rally they are only R99. They hit a low of R77 in October 1988. Fintech was 350¢ at the start of 1986, topped R80 in 1987 and is now R19.

Altron has recovered better than its subsidiaries. After peaking at R88, it dropped to R38, and is now R49.

Powertech's share price has fluctuated on speculative more than fundamental criteria. A jobbers' favourite, it has often surged on talk that it is to strike a deal with SA Philips. It is now 172c.

Altron's earnings have shown annual compound growth of more than 25% in

the past 12 years — outstanding by any yardstick. At August 1988, interim earnings were up by 15% off a high base — “very respectable considering the cut-backs announced by the Post Office,” says Mr Savage.

Altech's business is electronic components, systems and telecommunications and is the core contributor to Altron. Management forecasts that the Government's attention is focused on improving and extending telephone networks.

The current system will come under severe strain even if the economy grows at only 2% a year, says Altech.

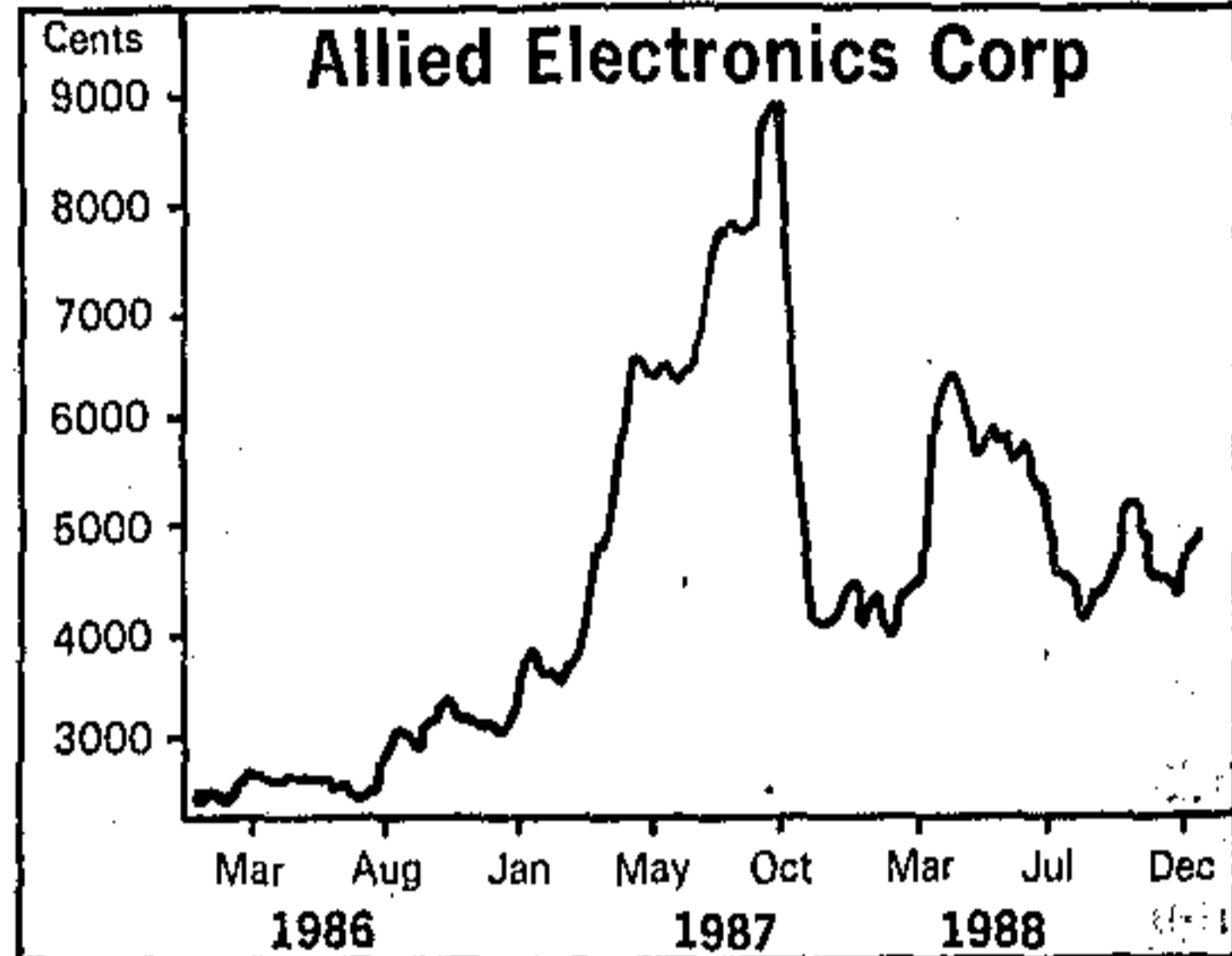
Digitisation is the name of the game, from washing machines to telephones to cars. It is good for Fintech's prospects, but Mr Savage is cautious. “Fintech manufactures and deals in office automation products, computers and PABX systems.

AGENCIES

“In the early 1980s these markets were growing at 30% a year or more. Many young graduates trained in computer sciences sought to get into a lucrative business. They picked up top-quality agencies. When the JSE took off in 1986 many of them raised capital.

“But we are seeing a high rate of fallout. The big guys can consolidate and absorb high pressure on margins resulting from the competitive market, but the minnows are going to the wall. The juvenile industry is growing up.”

Growth will not dry up — the office automation will market will probably show real growth of 10% this year. But rationalisation is today's buzzword, and Fintech's



hotch-potch is no exception. Restructuring is under way, and Mr Savage is understandably reluctant to comment.

Powertech is going like a train, says Mr Davies. It operates in a field which has undergone consolidation and is approaching maturity. Mr Davies says that the full benefits of the merger of ASEA and Brown Boveri have still to be felt.

Eskom's decision to cut back on its new power-station programme was not unexpected. Loss of transformer business will be offset by expansion to the grid system, which could be linked up to Cahora Bassa and even Zaire. Domestic electrification is also growing.

Altron gained control of listed British company Telematrix, which Mr Davies says is now profitable.

“It had good assets, but bad results and big losses. Turnover is about £35-million a year — small by British standards, but we are happy. There is £14-million in the bank.”

Telematrix acquired the American Stock Exchange-quoted GTI Corporation,

thereby doubling its sales.

Don Sneddon has returned from Britain where he did a sterling job getting the act together at Telematrix.

The investment verdict says Altron and Altech are fine, Powertech is strictly for professionals, and investors should play wait and see with Fintech.

GEC, Plessey fallout for SA

STIMES 15/1/89

LONDON. — The restructuring of Britain's electronics industry, set in motion by GEC's bid last month for Plessey, is likely to have important implications for the SA sector where both groups have large assets.

GEC and Siemens made a joint bid to carve up Plessey, which was referred this week to the UK Monopolies and Mergers Commission.

Plessey has been trying to assemble a pacman defence by putting together a consortium to bid for GEC.

GEC is the UK's No 1 electronics group, capitalised at £6-billion. No 2 Plessey is capitalised at nearly £2-billion.

Under the leadership of Lord Weinstock at GEC and Sir John Clark at Plessey, the two companies have had an antagonistic relationship for nearly 25 years, but it has not prevented some co-operation.

This is visible in SA through the 50-50 owned

By Richard Rolfe

TEMSA, which makes telephone switching equipment and telephones.

Apart from GPT, their UK company, TEMSA is GEC and Plessey's only joint venture.

GEC's other SA interests in power station equipment, motors and transformers are held in a 50-50 company with Barlows.

Plessey also has holdings through its 74%-owned Plessey SA, including radar and traffic control equipment, display consoles, telephone management systems and a wide range of components such as connectors.

Both companies are well integrated in SA electronics activities, but a change of control in either of the UK companies could free the assets, perhaps opening opportunities for SA groups.

However, the MMC referral means it is unlikely that any action will be taken during the three-month inquiry.

Plessey SA predators can forget about raid

S/Times 29/1/89 189

By Ian Smith

PREDATORS hoping to pick up Plessey's South African operation after the turmoil of the joint GEC and Siemens hostile bid for Plessey Plc are likely to be disappointed.

In the first place, the outcome of the raid is far from certain. If Plessey retains its independence it will want to hang on to one of its most successful subsidiaries.

In addition, both GEC and Siemens are independently involved in SA and they have given no indication of any desire to quit. They have also said they wish to keep the management of Plessey Plc in place.

Minority

Finally, Sankorp is a large minority shareholder in Plessey SA, holding the 26% of the equity which is not owned by the UK parent. It will play a decisive role in any change of ownership of the SA company.

Sankorp managing director Marinus Daling says the group has a pre-emptive

right to acquire the remaining 74%. "Our plans in the electronics industry are well known and we are in a strong position to exercise our right if there is to be any change in the ownership of Plessey SA."

Plessey SA managing director John Temple says: "We are watching the situation carefully and will do our best to ensure the best possible outcome for our company and the country."

The disputed £1.7-billion bid has been referred to the UK's Monopolies and Mergers Commission and it is being investigated by the European Commission. The result is not likely to be known for at least three months.

Dr Temple has, however, analysed the various scenarios. "In almost every one the South African potential is excellent," he says.

"The most advantageous position would be a significant, but not controlling, interest by the overseas shareholders, whoever wins the takeover struggle, and effective control in SA.

"This would give us an enhanced position in the market and, at the same time, retain strong technological links with overseas principals."

He says several companies "have indulged in wishful thinking" about acquiring Plessey SA. "These predators are attracted by our products, our technology and our management. We are complimented by their thinking."

Several major international electronics companies would supply Plessey SA with knowhow and technology if the UK link was cut.

"For a number of years we have financed ourselves and we have done well. In all respects we look forward to the best of both worlds," says Dr Temple.

Family

Only two of the SA company's products originate in the UK.

"We would be better able than any other company in the Plessey family to exist without the backup and support of our UK parent.

"Our research and development is one of our strongest assets and we have extensive manufacturing facilities," says Dr Temple.

In SA, Plessey is in three core areas: telecommunications and office systems, electronic components and sub-assemblies and electronic equipment and systems.

It also has a 50-50 venture with Reunert-GEC - Telephone Manufacturers of SA, which makes all the telephones for the Post Office.

More than half of the group's 1 200 employees

work at the Retreat factory in the Cape. It is SA's largest manufacturer of private telephone exchanges. Average local content in Plessey products is 75%.

Marginal

The SA connection is only a marginal factor in the takeover battle.

GEC and Siemens are seeking to set up a telecommunications and electronics giant which will dominate the European market where trade barriers are being broken down, and which will be better able to withstand competition from the US and the Far East.

Plessey SA could benefit enormously from rationalisation of the R150-million PABX market.

There are 12 suppliers of PABX equipment, six of them with SA manufacturing facilities capable of meeting demand. It is hardly surprising that none of the major players is making money.

In the US, which has a market 100 times the size of SA's, eight suppliers account for more than 80% of sales. In

the UK, which has a market 10 times the size of SA's, four suppliers meet 80% of the demand.

Major subsidiaries of multinationals like Philips and Siemens, both big players in the PABX market, are unlikely to be key figures in any rationalisation.

But SA-controlled STC and Telkor could form a consolidated operation with Plessey to take care of product and maintenance. Separate market identities could be kept and any one of the three could carry and make PABXs.

VX7°

Closing gold prices

(In \$ an ounce)

LONDON:

390,25/390,75

Fixing am: 390,40

Fixing pm: 390,55

ZURICH:

389,50/392,50

— Reuter

Rand weaker

JOHANNESBURG. —

The rand ended slightly weaker against all major currencies yesterday, amid continued bearish sentiment, as the dollar remained relatively firm and the gold price weak on nervous overseas markets ahead of U.S. President George Bush's budget proposals today dealers said.

The rand closed at R2,4420/35 to the dollar after starting barely changed at R2,4365/80 against Tuesday's close here of R2,4370/85.

The financial rand weakened to R3,93/4,01 per dollar from R3,92/4,00.

Against other currencies the rand closed at:

USA: 2,4420/35.

UK: 4,2540/90.

Germany: 0,7650/60.

Switzerland: 0,6505/15.

France: 2,6045/75.

Netherlands: 0,8640/55.

Japan: 52,90/53,00. —
Reuter

Siltek ^{9/2/89} acquires 41% of M & PD

SILTEK has acquired 41% of M & PD Electronics in a R53,2m deal.

The agreement includes the sale to M & PD of two Siltek subsidiaries, Promilect and Zytron, for 5m M & PD shares at R3 a share, the purchase of 13m M & PD shares for R29,2m in cash and the issue of 1,5m Siltek shares.

Although the agreement makes Siltek the largest single shareholder in M & PD, control of M & PD will continue to rest firmly with the group's executive chairman Mike McGrath.

McGrath said that the association had been sought with Siltek to confirm and strengthen M & PD's share of the country's peripheral and micro computer market.

Siltek MD Tilman Ludin said the agreement brought together two companies with substantial operations in complementary areas.

"Siltek is a technology-based company with important research and development capabilities, advanced manufacturing facilities and technical know-how."

"We are predominantly a systems solution company with strong positions in the mainframe, mini, turnkey networking and systems software marketplace."

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Siltek exceeds all forecasts on 50% dividend surge

M. R. van der Merwe 20/7/84
TANIA LEVY 18/7/84

SILTEK has exceeded even the most optimistic forecasts with a 45% increase in earnings and a 50% increase in dividend in the six months to December.

Siltek is the Anglovaal information technology group which has just acquired JSE-listed M & PD Electronics for R53,2m.

The consolidated earnings of the Anglovaal information technology group rose to R9,1m from R6,3m the previous year.

This is equivalent to 30,2c (21,3c) a share and covered the 9c (6c) a share interim dividend 3,4 times.

The Siltek board is confident that shareholders can expect even higher earnings in the second half of the year.

Consolidated turnover reflected a 58% increase, leading to an operating profit of R18,2m (R13,3m).

Taxation rose 29% R8,5m (R6,6m), while minority interests absorbed R0,5m (R0,4m), leaving bottom-line earnings of R9,1m (R6,3m).

New Elcentre division to focus on DIY and consumer markets

By Tania Levy

ELCENTRE has made a determined entry into the DIY and consumer markets with the formation of a new division with a turnover of between R70m and R80m.

The JSE-listed electrical distributor established the division after acquiring three unlisted companies for R8,75m.

TEK Swaziland, a company distributing TV and video equipment, was acquired for R2,25m. It, in turn, is acquiring Stern and Peck, which trades as Supersales, for R3m and KTC chain store distributors and Greatrex for R3,5m.

In 1986 and 1987 Elcentre acquired Glolec, Keens and Litecor.

At the interim stage in August last year, Elcentre reported attributable earnings up 105% to R18,8m. Earnings a share for the six months rose from 25,1c to 35,1c.

Delta earnings increase by 30%

186
BIDN 23/2/89

DELTA Electrical Industries increased its earnings by 30% for the year to December as a result of increased sales to the mining industry and strong economic conditions.

The group, which provides electrical repair services and supplies cable and components to mines and heavy industry, achieved an average compound growth of 29% in earnings-a-year over the past four years off an already high base, said MD Graham Salter.

Earnings rose to R11,5m (R8,8m) or 32,3c (24,9c) a share. A dividend of 12,5c (10c) a share was declared, with a cover of 2,6 times.

Salter said all divisions showed good growth. The sale of services and products to the mining industry increased in spite of the decline of the gold price.

Delta ended the year with low interest-bearing borrowings and R6,1m in the bank, which boosted pre-tax income because

ZILLA EFRAT

interest received rose to R970 000 (R134 000).

But two acquisitions and the payment of tax and dividends would bring Delta's gearing to 30% in the first half of 1989, which Salter said was comfortable.

No turnover figures were provided, but operating profits rose 26% to R22,5m (R17,8m).

Directors said the acquisition of Delta EMD and the 20% shareholding in associated company Valard with effect from January 1989 were expected to contribute to Delta's earnings in the current year.

Salter was reluctant to forecast the group's prospects given the uncertainty of the economic climate, but said it had good internal prospects for growth as long as buoyant economic conditions did not drop off too quickly.

Cullinan's earnings rise 12,6%, despite problems

CULLINAN Holdings posted a 12,6% rise in earnings for the six months to December, despite initial production and industrial relations problems in its refractory division.

Earnings increased to 65,3c a share from 58c for the same period in 1987. The board has declared an interim dividend of 17c a share, 13% up on last year. Taxed profits increased by 30% to R11,48m from group turn-



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EDWARD WEST

over of R223,5m — 35% up from R173m.

Cullinan, a technology based group with interests in electrical power, electronics and ceramics, continued to perform well from a high base, executive chairman Neil Cullinan said.

The group's electrical division contributed 60% to earnings for the six months, posting a 16% increase to 46,9c a share.

However the refractory division's contribution to earnings a share fell to 10,6c (16,7c). Its

production and industrial relations difficulties have since been overcome.

Cullinan said the group was embarking on a R34m capital expenditure programme.

In the period under review capital expenditure and a reduction in amounts owed to suppliers led to an increased level of borrowings. Interest bearing liabilities rose 55,3% to R57,6m (R31,9m). Gearing increased from 21,9% to 36,3%.

Cullinan, at 900c a share is trading close to its yearly high of 975c.

8/Jan
27/2/88

Elcentre expands

By Ann Crotty 189

Elcentre, 54 percent-held by Elgro, has made an acquisition that will add a second arm to group structure.

Elcentre, whose sole activity to date has been the distribution of electrical and electronic products to the mining, industrial and electrical contracting markets, is to establish a trading division to concentrate on the distribution of pre-packed hardware, tool, electrical, lighting, video and audio products to the DIY and consumer markets. *by 23/2/89*

The deal is not expected to have any immediate effect on earnings or on the NAV of Elgro or Elcentre, but should have long-term positive effects.

See Market Report, Page 15

Delta Electrical 189 keeps crackling

By Ann Crotty

Latest results from Delta Electrical show a continuation of the strong performance the company has chalked up since its formation in 1983 and justify the favourable rating that the market has given the share.

In the 12 months to December, operating income was up 26 percent (no turnover figures are provided).

With the help of interest income from the group's cash resources, earnings rose 30 percent. Dividends were up 25 percent to 12,5c (10c).

Operating income rose to R22,5 million (R17,8 million), boosted by a major increase in interest income from R134 000 to R970 000 to show a 31 percent increase in pre-tax profit to R23,5 million (R17,9 million).

Attributable income was up 30 percent to R11,5 million (R8,8 million), equivalent to 32,3c (24,9c) a share.

The two acquisitions announced towards the end of the year, Delta EMD and 20 percent of Valard, were only effective from January 1989 and so are not included in the 1988 figures.

Financial 1988 was a consolidation period during which the acquisitions made in 1987 were successfully bedded down.

MD Graham Salter reports that growth was achieved across the board and, with one small exception, all companies in performed very well.

The mining industry represents one of the group's major markets and although things have looked a bit glum on that front, Mr Salter says that ton-

nage mined generally increased, which implies an increase in the use of power, a factor pertinent to Delta.

Other market sectors tended to be a bit stronger than Mr Salter had forecast at the beginning of the year.

This, he says, reflected an economy that was more buoyant than expected.

So far in financial 1989 there has been no sign of a slowdown in the level of economic activity, but Mr Salter is expecting to see a slowdown at some stage during the year.

Because of the uncertainty he does not give an earnings forecast. But analysts are looking to another good quality improvement this year.

Delta EMD looks like making a major contribution to current performance.

The acquisition, funded through a mixture of shares and cash, has been known to Delta management for a number of years.

Mr Salter says it has performed well in the year to date.

The two acquisitions mean that Delta's cash situation will change from one of R6 million cash on call and negligible gearing to gearing of 30 percent in the first half of the year.

In the absence of any other acquisitions this year, the group's strong cash flow should see gearing drop back significantly by year-end.

But acquisitions should not be ruled out since Mr Salter says the group is always on the lookout for good buys.

Cullinan spends a record R34m

By Ian Smith

CULLINAN Holdings has given the green light to a R34-million capital expenditure programme, the biggest in its history, says executive chairman Neil Cullinan.

The technology-based industrial group says it is intended to expand and modernise operations in both core and developing operations.

The biggest expenditure will be on a tunnel kiln for the building brick division. The group's modern brickmaking plant at Midrand, which was built in 1984 but only began operations in 1987, was operating at capacity at the end of the financial year in June.

Critical

"Timing is critical in the building industry, but we believe this is a good investment, given the long-term prospects for the sector," says Mr Cullinan.

Expenditure at African Cables, which was incorporated as a subsidiary in September 1987, will not add to cable manufacturing capacity. Afcable is the second-largest cable manufacturer in South Africa, and there is already concern about over-capacity in the industry.

Mr Cullinan says the capital development at Afcable is aimed at product diversifi-



NEIL CULLINAN

cation, particularly for the mining industry.

The decision to go ahead with the capex programme comes on the back of a half-year to December in which taxed profits rose to R11,48-million — a 30% increase over the same time the previous year.

Encouraging

Higher minority interests and loan servicing meant that earnings increased by 12,6% to 65,3c a share. The group has declared an interim dividend of 17c, up from 15c in the first half of last year.

All operating divisions have full order books, and prospects for the rest of the year are encouraging, says

Mr Cullinan.

"I expect the group earnings this year to rise by about 20%, which will give a compound growth rate over the past four years of 25%."

Capital expenditure and a reduction in amounts owed to suppliers led to higher borrowings, interest-bearing liabilities increasing from R31,8-million to R57,5-million.

"However, the group's total liabilities are virtually unchanged and the balance sheet remains strong," says Mr Cullinan.

Unusual

He is particularly pleased at the group's continued good performance in the electrical field. Operations in this sector contributed 60% of earnings after a 16,7% increase to 46,9c a share.

But the refractories division suffered a setback early in the half-year, and its contribution fell from 16,7c a share to 10,6c.

The division was affected by industrial action, but Mr Cullinan believes the problems have been resolved.

"Our employment conditions compare well in most areas," he says.

Three of the refractory division's continuous process kilns were also temporarily out of service.

Normally maintenance on this type of plant is required only every five to eight years. "It is unusual for three of the

division's 11 kilns to be out of service within one half-year," says Mr Cullinan.

They are now back in commission and current production is running ahead of previous levels.

The developing businesses have given Cullinan a base in the high-tech electronics and computer sectors.

"We are expanding in this area, but it is important to grow these operations in a solid way," says Mr Cullinan.

The share traded at 900c this week, down from its 975c high two weeks ago. But it offers a comfortable premium over the 650c it reached last August.

Window on retailing

A SHOP window for South African retailers, who will make sales of R53-billion this year, will be held at the National Exhibition Centre, Johannesburg, from July 19 to 23.

The promoter of the Retailers Exhibition, Tim Reilly, says the aim is to show retailers a comprehensive range of stock.

"This is the first general exhibition of its type to be held in SA," he says.

"The increasing number of small retailers will appreciate an opportunity to see a wide range of consumer products in one place."

Spark needed to upgrade electronics

TANIA LEVY

SA's ELECTRICAL and electronics industry is deteriorating to Third World status, said incoming president of the SA Institute of Electrical Engineers (SAIEE), Professor Jan Reynders, in his inaugural address at the SAIEE's AGM last week.

Reynders said a serious manpower shortage, a high percentage of imports and a lack of local research and development were contributing to the industry's slide. "Some 45% of SA's requirements are imported, and we have the dubious distinction of being the sixth largest nett importer of electronic goods in the Western world," he said.

Reynders added that SA had to develop a strong electronics industry with a view to becoming a nett exporter of electronic goods if it wants economic autonomy. Local firms had to be persuaded to invest a greater proportion of their turnover in research and development, and government should devote more expenditure to civil rather than military research.

Reynders added that the supply of university graduates to the electrical and electronics industry had been roughly half of the demand since the early Seventies.

Not exaggerated

"The roles of technicians and technologists are as important as those of professional engineers, and the output of our technicians needs to be quadrupled if we are to meet the demands of industry.

"Sceptics may argue that the need is exaggerated, but it is the major cause of our dependence on imported expertise and goods."

He warned that rationalisation of university education as a means of restricting State expenditure may lead to the closing of "non-viable" electrical and electronics departments. "But the cost of resurrecting a teaching resource or opening a new one is far greater than that of nursing an existing one back to viability through recruitment drives."

Reynders pointed out that innovative teaching techniques, such as "distance learning" with modern audio and video technology, had proved successful in other developing countries and could provide a powerful and cost-effective means of meeting the backlog in tertiary education.

He called for an urgent and committed effort from both industry and the State to formulate a policy for the future and challenged electrical engineers themselves to put the wheels of change in motion.

Altech buy Autopage

BOKSBURG. — The Altech electronics group has acquired a controlling interest in Autopage Holdings and in doing so has consolidated its position as a leader in South Africa's rapidly-growing radio paging industry.

Group public relations manager of Altron, Grant Robertson, said that in terms of the deal — effective from December 24, 1988 — Altech had acquired 11,1m Autopage shares from Inspectorate International of Switzerland and Johannesburg entrepreneur Neil Macdonald for R12,05m in cash.

This purchase consideration had been calculated on Autopage's unaudited pre-tax profits for the period March to December 1988 and a projection for February 1989.

The deputy chairman of Altron, Richard Savage, has been appointed chairman of Autopage.

Commenting on the deal he said: "Our acquisition of control of Autopage means that Altech has increased its dominant share of the Republic's paging market, which remains one of the fastest growing sectors in the communication industry.

"As a result we will be in an even better position to offer a high standard of service to our customer base. In addition, with further deregulation of the communication industry we will continue to explore new opportunities for enhancing the services provided by the Department of Posts and Telecommunications." — Sapa

Wesgro in relocation plan

Cape Town 1/3/89 (189)

Financial Editor

WESGRO is planning to use the success of electronics firms already established in the Western Cape to attract others to relocate here.

It has taken one of the largest and most prominent stands at the forthcoming Componex exhibition on the Rand and persuaded selected firms, and organizations providing infrastructure and back-up services, to be on it.

Wesgro executive director David Bridgman, and marketing executive Ian MacLean, explained yesterday that they had been targeting most of their efforts at people in the Transvaal who had been identified as most likely to relocate or start up in the greater Cape Town area.

They had prepared a presentation driving home the advantages the area could offer, and this was being well received.

But they felt the best argument

was to present success stories of firms already in the Western Cape. "We think taking part in the main exhibition for the electronics industry in this country, held every two years, is the best way of making people realize what the Western Cape has going for it," said Bridgman.

"It makes it possible for local firms to get exposure at this premier exhibition they would otherwise not be able to afford. And by appearing there they are showing the vibrancy and strength of the electronics industry in the Cape."

Organizing the stand, which will cover 100 square metres, started six months ago. It was decided to invite firms giving a complete cross-section of activity, concentrating on producers rather than agents for products from elsewhere.

"We were looking for a spread, and we also want potential investors to realize the infrastructure and back-up available here."

The Technopark and Cape Town City Council will be represented on the stand. So far firms which have agreed to rent space on it include electronic assembly firm Rhomco (Pty), Metal Graph Co, Data Power, Industrial Electronics and Automation, Catalyst Marketing, Decalight, Capetronics and Photo Circuits.

MacLean found that some Cape Town firms were reluctant to emphasize that they were based here, because of a perception in Johannesburg that the Western Cape was a sleepy, laid-back place good only for holidays.

"But that is the wrong attitude. We must come out and let them know that this is the place where it is all happening now."

Organizing the stand, which it will man and look after, has cost Wesgro R40 000 but this will be recovered from the exhibitors.

Picapli earnings hit by rise in interest charges

8/24
6/3/87 BRUCE ANDERSON (189) (20)

A LARGE increase in interest charges prevented Picardi Appliances (Picapli) — a manufacturing and distributing company involved in household electrical appliances and sports equipment — from materially increasing earnings for the six months to December.

This despite strong rises in operating income, by 40% to R26,5m (R18,9m), and turnover, by 140% (166%).

However, interest paid soared by 165% from R4,2m last year to R11,1m this year, damping bottom-line performance.

On a fully diluted basis earnings a share increased by 6,6% from 30,2c a share to 32,2c a share. No dividend was paid.

Directors said they considered the increase satisfactory.

They said that provided no further measures were taken by the authorities to curb expansion in the economy, the group would remain on target, which was to reflect real growth in income.

ANIES

Aimark doubles profits but passes interim

AIMARK Holdings doubled its taxed profits to R1m in the six months to December over the same period last year but warned sales in the second half were traditionally lower.

There is no interim dividend though the company has earnings a share of 6,58c (3,43c) for six months and forecasts 10c (7,12c) for the year.

Aimark, listed on the DCM in 1987, designs, develops and distributes electrical and electronic products such as cookware, microwaves, VCRs and calculators.

189 245
CHARLOTTE MATHEWS

In February it issued a cautionary notice to shareholders concerning negotiations.

"We are looking at improving market penetration by expanding our range of products and associating with other people, which will lead to a local manufacturing programme," said chairman Ivan Cohen this week.

Turnover is not disclosed but interest paid leapt sixfold from R14 000 in December 1987 to

R85 000 last year. Cohen said this was the result of higher short-term borrowings because it was essential to hold more stock.

He expected interest payments to decline from April.

In the current financial year the company will become liable for the full tax rate against the 36% reflected last year because investments carrying tax rebates have lapsed.

Cohen said there has been a downturn recently, but he remained optimistic.

Tedexlex pays interim divs again

31 Dec 1984 ANIA LEVY (S) 189

TEDELEX, the holding company with interests in TV and electrical appliance manufacture and distribution, has resumed payment of interim dividends.

The Malbak-held group has declared a 7c a share dividend for the six months to February.

This is despite the predictable dilution of profits by the government curbs on consumer credit spending.

Attributable income rose 9,5% to R15,4m (R14,1m) or 25,33c (23,33c) a share during the period under review.

Operating income rose 20,5% to R21,9m (R18,2m) after turnover grew 10,8% to R203,1m (R183,3m).

Higher interest rates contributed to a 43,2% increase in finance costs, which diluted pre-tax profits to R15,9m (R14m).

Tedexlex CE Jack Cohen says spending on durables is expected to remain depressed as long as government's restrictive policies are in force.

However, the balance sheet remains strong with a gearing of 45% and a current ratio of 4,6:1.

Tedexlex has disposed of its loss-making lighting business.

April 1989.

Fintech buys control as NCR bows out of SA

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Own Correspondent

JOHANNESBURG. — Fintech's acquisition of a controlling interest in NCR Corporation surprised few after weeks of speculation.

The Altron information technology arm is to pay an unknown amount for a 50.1% interest in NCR consolidating its position as SA's second largest computer and information technology group.

The remaining 49.9% NCR SA equity is to be acquired by unnamed European investors.

Altron refused to disclose the purchase price but it is believed payment will be staggered over five to eight years to give Fintech added security against increased sanctions.

A comprehensive distribution agreement guarantees access to technology and supply of products including those resulting from future NCR acquisitions.

Altron CE Bill Venter said the interest shown by European investors indicates a high level of overseas confidence in SA.

NCR SA MD Jim Houston stressed that the departure by NCR should not be seen as a vote of no confidence in the country's future.

"The Ohio-based head office has stated clearly that they are doing this in the long-term interest of their SA customers and staff," he said.

Houston will remain at the head of a yet-to-be-named company to operate in-

dependently in the Fintech stable alongside Punchline and Xeratech.

Venter said the addition of NCR gave Fintech the mainframe and multi-user compatibility it lacked previously.

NCR is a world leader in the automated teller machine (ATM), point of sales and electronic funds transfer products.

Dominating the local market in these fields, NCR's blue chip customer base includes the country's banking and retail giants.

The acquisition of NCR will have a negligible effect on net asset value and earnings this year.

However, significant earnings growth is expected in the long term.

Plessey SA's fate set to be decided today

10/4/89

B/Daily

TANIA LEVY

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THE fate of Plessey SA could be decided today when the British Monopolies and Mergers Commission (MMC) submits its report on the GEC-Siemens prospective takeover of Plessey Plc.

It is not yet known whether the commission's findings will be made public immediately.

Plessey SA MD John Temple said yesterday about eight possible scenarios for Plessey SA could ensue from the MMC recommendations.

"We could continue unaffected as a Plessey subsidiary or simply report to a new parent company, locally or overseas."

Temple said Siemens-GEC had given no indication of its plans for Plessey SA in the event of the takeover being successful.

Last year Plessey SA recorded a R20m profit after tax and a 20% compound growth is forecast this year.

"Although we are probably the most successful subsidiary, we contribute less than 5% to group turnover," said Temple.

Sankorp — Sanlam's industrial arm — has indicated its desire to exercise its pre-emptive rights to increase its 26% interest in Plessey SA.

"We would be quite happy with that provided we could retain our international links and access to technology," said Temple.

Plessey UK denies reports of sale of stake

LONDON — Plessey UK confirmed its commitment to the local subsidiary yesterday, denying SA Press reports that it was on the point of selling its stake in the local subsidiary to Sanlam.

"There have been no discussions at all with Sanlam or any other buyer," a spokesman said. *8/10/84 11/4/84*
Sanlam, through its industrial arm

(18) ROBERT GENTLE *(18)*

Sankorp, owns 26% of Plessey SA.

Meanwhile, the British Monopolies and Mergers Commission report into the £1.7bn joint GEC-Siemens bid for Plessey has been completed. *(189)*

The report is now in the hands of Trade Secretary Lord Young.

Delta strengthens profits

31/04/1989 TANIA LEVY

DELTA Electrical Industries' acquisition of unlisted sister company Delta EMD will strengthen profits with hard currency from export sales.

Delta — whose activities include electrical repair engineering and the supply of cables and insulation to the mines and heavy industry — finalised the acquisition in January.

Chairman N Bury says in the group's annual report that last year's high level of demand for Delta products and services continued into the first quarter of 1989.

In the year to December Delta's earnings grew 30% to 32,3c from 24,9c a share in keeping with a 29% compound growth in the past four years.

Bury says prospects for the coming year will depend on the severity of the economic downturn in progress and the extent of further commercial sanctions.

R40-m deal for supply of generators

5/24/89
17/4 Finance Staff (189)
A R40-million contract involving the supply, installation and commissioning of two steam turbine generators and associated equipment for the main power plant and the critical power plant at the Mossel Bay on-shore project has been awarded to GEC Turbine Generators.

According to Keith Maxted, general manager of GEC Turbine Generators, a 110 mW turbine generator will be installed at the main power plant and a 10 mW unit at the critical power plant for emergency purposes.

"The turbine generators must be installed and commissioned during the first quarter of 1991 when the main plant is scheduled to be ready to operate in preparation for the gas coming on shore for the first time in mid-1991.

"Full operational load is planned for the beginning of 1992," he says.

Although the bulk of the equipment will be manufactured in the UK and shipped to site in component form, the condensers will be manufactured locally and the generator for the 10 mW machine will be manufactured by GEC's Large



Bob St Leger (right), director of projects, Mossgas, and Ken Knight, contracts director of GEC Turbine Generators, signing the contracts.

Machines Company in Benoni.

"The contract represents a major GEC involvement in the Mossel Bay on-shore synfuel project — which is the first of three major synfuel schemes expected to come on stream in the next decade.

"Following approval from the

Central Energy Fund, work will begin on two other projects, these being Gencor's oil-from-torbanite plant and AECI's methanol-from-coal venture, which carry a projected combined total value of R13 billion. GEC Turbine Generators will obviously be looking to play a role in these projects," he says.

187 Nu-World's
interim profit
increases 13%

TANIA LEVY

NU-WORLD — manufacturers of the Ideal range of domestic electrical appliances — has recorded a 13% increase in earnings for the six months to February. *By Day 19/4/87*

However, the majority of turnover and profit is traditionally generated in the second half by the group's large range of winter products.

In the period under review earnings grew 13% to R332 000 (R295 000) or 2,6c (2,3c) a share.

Sales swelled 31% to R8,5m (R6,5m) but the 45% increase in operating income was diluted by a substantial increase in finance costs as the group took extra IDC interest-bearing loans to finance new product development.

MD Michael Goldberg says production of a range of new steam irons will come on-line within the next three months.

Restructure likely as Plessey bid gets green light

LONDON — Plessey SA moved a step closer to restructuring yesterday after the European Commission okayed a £1.7bn takeover bid for its UK parent.

The bid for Plessey UK, mounted jointly by telecommunications giants GEC of the UK and West Germany's Siemens, had been referred to the com-

189 ROBERT GENTLE

mission on competition grounds. The decision means Plessey's last line of defence is the Monopolies and Mergers Commission (MMC), whose report is expected this week.

All indications are that the MMC will

also given the bid the green light.

Both GEC and Siemens — who also have extensive SA operations, some in co-operation with Plessey — have said there would probably not be any disinvestment but merely a restructuring and change of ownership on a local level.

10/01/96

POWERTECH's results for the year ended February, which are due out in the first week of May, appear to be heading for record territory.

The bullish tone in Powertech's interim statement set the stage for what is expected to be a pleasing performance. Shareholders were told that "The results achieved for the half-year ended August 31 1983 not only reflect a record in both turnover and profit, but significantly exceed the earnings of any previous six-month period."

Directors also said: "The Powertech group's order book is substantially higher than at any time in its history, ensuring continued growth in the second six months, albeit at a somewhat slower pace than that achieved in the first half to August."

The latest performance contrasts sharply to that of previous years. Although turnover had grown to R601m in 1987, from R104m in 1984, earnings a share showed little growth and, consequently, the dividend was raised by a mere 0.4c — to 3.8c from 3.4c — during this

Powertech heading for higher ground

ANALYSIS:
STEPHEN RICHTER

three-year period. Management efforts to consolidate Powertech's financial strength and provide additional resources to develop new

growth opportunities were, however, evident in financial 1988 as earnings rose by 34% to 13.5c while the dividend was raised 21% to 4.6c.

All divisions are now trading profitably with Aberdare making a significant contribution to Powertech's bottom line. In the latest financial year Powertech acquired an additional 10% stake in Aberdare to increase its effective holding to 54.5%.

Last April its ASEA arm agreed to sell its operating divisions to Brown Boveri SA for a 50% stake in the merged company, Brown Boveri Technologies (BBT).

Combined turnover of the merged group will exceed R230m and the first tangible benefits of the BBT operation on Powertech's books will have emerged during the second-half of financial 1989. Interim earnings rose 77% to 9c from

5.2c during the latest period. The company traditionally pays only one dividend at the end of the year. In spite of the fact second-half performance will slow, Powertech should easily reach 20c for the year, with a minimum dividend expectation of 6c.

The market rating of the share is improving as the price has almost doubled from its 110c low in June.

Such considerations as Powertech's close ties to the highly regarded Altech/Ventron stable, as well as the fact the Aberdare and BBT operations are well poised to take advantage of the Mosref and Mosses projects, should keep investor opinion high.

Altron firms hit by strikes

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TWO Altron subsidiaries, Lascon Lighting and Standard Telephones and Cables, have been hit by strikes over labour law and retrenchments which are carbon copies of other such actions in the past two weeks.

National Union of Metalworkers of SA (Numsa) officials have refused to intervene to resolve a wildcat strike until they get from Altron's Lascon Lighting an undertaking waiving its right to sue for lost earnings.

This is a repetition of the circumstances of the eight-day strike at Haggie Rand where settlement was delayed for several days until last Thursday.

Altron group executive Jacques Sellschop said yesterday 500 employees had been on an unlawful strike since Monday demanding that two members of management be re-

ALAN FINE

moved from participation in disciplinary decision-making.

He said management was in communication with union leaders to discuss their request for an undertaking from Lascon that the company waive its rights in terms of section 79 (2) of the Labour Relations Act.

A Numsa spokesman confirmed the union's stand on the issue.

The section, introduced last year, empowers companies to sue unions for lost earnings sustained in unlawful strikes.

Its most controversial feature is that it reverses the normal burden of proof by imposing the assumption that such action is sanctioned by the union unless this is proved otherwise.

At STC in Boksburg, about 200

Numsa members went on strike yesterday morning in protest against 180 lay-offs to be carried out next week.

Sellschop said workers were demanding higher severance payments for those to be retrenched.

The lay-offs were necessitated largely by the the 35% cutback in spending on telecommunications equipment by the Department of Posts and Telecommunications.

Two weeks ago, STC's main competitor in the field, Siemens, suffered a three-day strike over lay-offs carried out for the same reason.

The strike was resolved after an improved retrenchment package was agreed upon.

Numsa spokesmen said earlier they were unaware of the strike and could not be reached for comment in the afternoon.

Labour negotiations

Special Correspondent

AN agreement between West German companies with subsidiaries in South Africa and trade unions in the metal and allied industries about a code for minimum standards in labour relations was drawn into a dispute at Siemens Ltd in South Africa recently.

About 900 workers, most employed at Siemens' cable factories near Pretoria, downed tools for three days after the company allegedly refused to negotiate a reduction of staff, causing 130 workers to lose their jobs.

The trade union alleged that Siemens had acted contrary to the code.

The dispute was settled after mediation and drawn-out discussions. The workers have since resumed their duties.

Siemens agreed to pay workers with less than 10 years' service with two weeks' wages for every year of service.

The code for minimum standards in labour relations is the result of discussions held in December last year between the International Metal Workers' Federation (IMF) and the West German trade union, IG Metal.

IG Metal, with a membership of more than a million, is the largest member of the West German trade union federation, DGB.

In June last year, a Co-satu deputation visited West Germany at the invitation of the DGB. This delegation also met the West German Minister of Foreign Affairs and visited

German firms adopt worker standards code in SA

the International Labour Organisation.

The West German multi-national companies in South Africa that will be affected by the code, include BMW, Siemens, Volkswagen, Mercedes-Benz, Hella and Robert Bosch. These companies have already approved the 14-point-plan in principle.

According to Brian Friedericks, president of the South African Council of the IMF, the affiliated trade unions of the IMF in SA are still negotiating with these companies to settle conditions in respect of the individuals of the various parties on company level.

This code is an addition to other codes drawn up to assist in regulating conduct, social upliftment and fair labour practices by both employers and employees.

Since the Rev Leon Sullivan abolished the signing of his code for American subsidiary companies in South Africa, these companies on the one hand made more money avail-

without the interference of the management concerned must be made available.

● Guaranteed rights for shop stewards, including the provision of facilities and granting of time for absence from work.

● The right of trade unions to represent members during procedures of discipline and the discussion of grievances.

● Acknowledgement of the right to strike — the waiving of possible dismissals for participating in a strike.

● The right for peaceful protest on company premises.

● Preparedness not to rely on the industrial council system — including the "undemocratic" manner in which strikes are being classified as unlawful.

● An agreement to refer any labour dispute which could land in any SA court, to a mutually acceptable arbiter.

● The commitment not to hamper the right of employees to stay in hostels or other forms of company accommodation, except when an employment agreement has been reasonably terminated.

● The commitment to monitor the maintenance of standards, also in the case of companies dependent on West German subsidiaries.

● The commitment to hand a copy of the report sent the holding company to shop stewards at SA subsidiaries each year.

SUCCESS

Cape Times 2/5/89 (189) ~~79~~

Powertech income soars

JOHANNESBURG. — Sustained growth by Power Technologies (Powertech) throughout the past financial year saw sales rise by 42% to a record in excess of R850m, the company reports in its audited financial results for 1988.

After-tax income rose to R42,030m (previous year: R25,759m). Taxation increased marginally to R19,294m (R15,394m).

The income attributable to ordinary shareholders increased to R28,559m (R18,068m).

The dividend per ordinary share rose to 6,5c (4,6c).

The earnings per ordinary share were 21,4c (13,5c).

Attributable earnings soared by 58% to R28,6m — equivalent to 21,4c a share.

Improved margins and renewed strength in key markets contributed to the group's excellent performance, while return on capital employed was at its highest level in five years, the report said.

Other major areas, besides supplying technology equipment to the mining industry, in which Powertech was actively involved were the giant Moss-gas project, the electrification of SA's rural areas and expansion of its power supply infrastructure, it said.

As indicated at the half-year stage, Aberdare Cables Africa (Aberdare) and Willard Batteries (Pty) contributed significantly to Powertech's profits.

Other Powertech subsidiaries met management forecasts and all operations were trading profitably. — Sapa

Better margins raise turnover for Powertech

189 BRUCE ANDERSON

ALTRON subsidiary Powertech has increased earnings a share by 58% to 21.4c (13.5c) and boosted turnover by 42% to R853m (R599m) for the year to February.

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Directors said improved margins and renewed strength in key markets contributed to the group's performance.

Feb 3/1989

Altech begins to feel the pain (189)

By Derek Tommey

A saying prevalent in British Government organisations prior to their privatisation was "First the pain — only then the gain".

Figures from high-flyer Allied Technologies for the year ended February suggests it has been suffering some of the pain now being experienced by its major customer, the Post Office, as that organisation's financial affairs are cleaned up ahead of it privatising.

Altech's profit before tax in the six months ended February was R74,0 million, an increase of only 9,1 percent on the year ago figure and a rise of only R3,5 million (5,0 percent) on earnings in the six months to August.

Earnings before tax for the full year to the end of February were R144,4 million, an increase of 8,4 percent on the year ago figure of R133,2 million, which is not impressive when inflation is running between 12 percent and 16 percent.

However, a lower tax rate boosted taxed earnings by 14,2 percent to R88,65 million (R77,63 million) and an almost doubling in attributable share of retained income of an associated company (presumably Autopage) enable Altech to show a reason-

able profit increase of 16 percent to R86,8 million from R74,2 million a year ago.

The dividend has been raised by 17 percent to 268c.

The chairman, Dr Bill Venter, says that Altech reduced its dependence on Post Office business by 40 percent as earlier plans to penetrate other markets came to fruition.

Altech successfully bridged the gap by gaining significant market share in electronic systems, automotive electronics and distribution.

Turnover rose to a record R745 million. However, this is not comparable to the previous year's figures as the sales of STC Business Communications and Altech Informatics are no longer included.

During the year Altech acquired a controlling interest in Autopage which has consolidated the group's position as the leader in the rapidly growing radio paging industry.

This is a major growth area and Altech will be expanding these activities with its other interests.

Dr Venter says Altech's future is sound. All of its business units are expected to remain profitable.

Star 2/5/89.

Ventron, Altron 189 sparkle

By Derek Tommey
Shareholders in Allied Electronics (Altron) and its holding company, Ventron, are likely to be pleased with the 25 percent profit increase reported by both for the financial year to February.

Altron earned R72,6 million (R58,0 million) for its ordinary shareholders from a turnover of R2,15 billion (R1,57 billion).

Earnings per share were 405,6c (324,2c). The dividend has been raised by 26 percent to 123c from 98c.

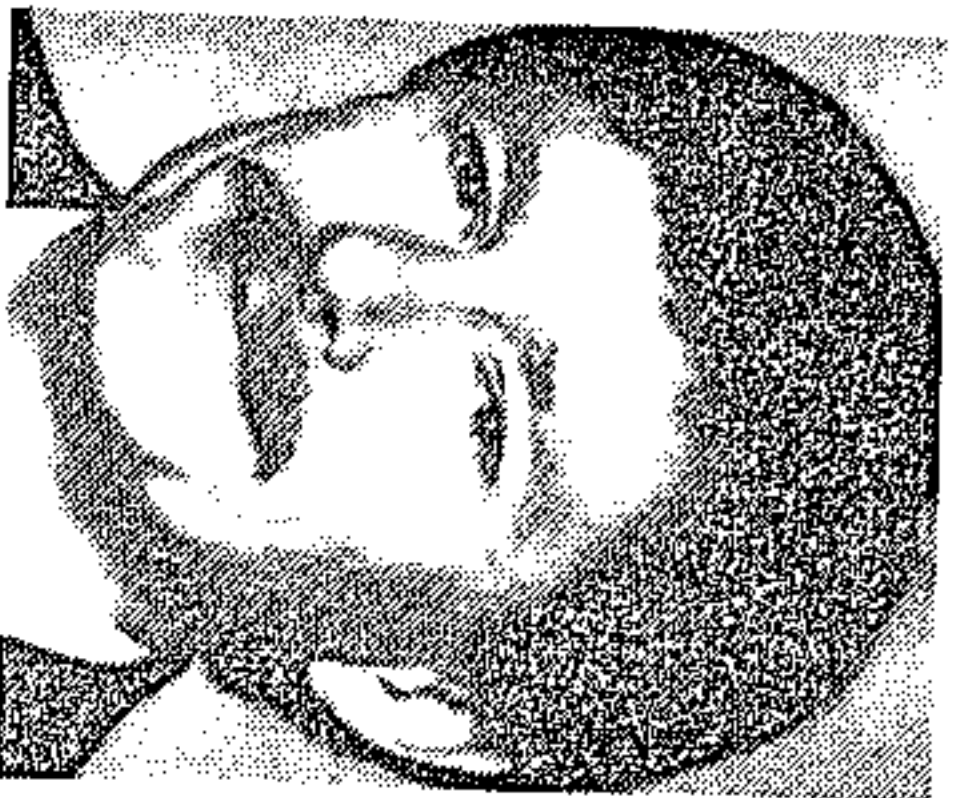
Ventron earned R40,3 million (R32,3 million), equal to 153c (122,4c) a share. It is paying a dividend of 46c, an increase of 24 percent on last year's 37c.

Dr Bill Venter, executive chairman of the two companies, says the directors foresee good prospects for the group.

The combination of a broad, solid customer base spanning a wide range of high-technology products, good order books and talented management teams throughout the organisation has placed the group in an extremely strong position.

Overseas interests are being actively developed and several acquisitions are being considered, he says.

APPOINTMENTS



Mike Pneumaticos, managing director, Resorts Ownership.



Des van Ginkel, director, Corporate Consulting Group.



Llewellyn Lewis, chairman, National Association of Homebuilders.

Plessey to celebrate 25th year in S Africa

file 4645 6/5/89 189

Business Staff

PLESSEY South Africa's 25th anniversary, will be celebrated with a black-tie dinner in Cape Town next week regardless of the outcome of the hostile takeover bid by GEC-Siemens for Plessey plc in Britain.

And guest of honour, Minister Chris Hennis (Constitutional Development and Planning) will be able to hear the details of this struggle at first hand from Plessey plc chairman and chief executive Sir John Clark, who is attending.

The takeover bid was frozen earlier this year when Lord Young, Secretary of State for Trade and Industry referred the matter to the UK Monopolies and Mergers Commission for investigation.

He was concerned over its possible effects on competition especially in the area of defence electronics.

The commission's report was handed to Lord Young on April 10 but its findings have not yet been made public.

Dr John Temple, managing director of Plumstead-based Plessey SA, said the current odds seemed in favour of the status quo. It would be business

as usual in South Africa if the takeover bid fell away.

Industry watchers in Britain were apparently also of the view that the bid would not succeed since the value of Plessey plc shares on the London Stock Exchange have declined. The reverse would have happened if the bid was likely to go ahead, he said.

"However, if the Monopolies Commission pulls a surprise and allows a takeover bid to go ahead, there are a number of options open to the South African company.

"The most advantageous position would be a significant, but not controlling interest by the new overseas shareholders and effective control in South Africa. This would give us an enhanced position in the local market while at the same time retaining the strongest technological links with the overseas principals," he said.

Another significant factor was that Sankorp was a large minority shareholder of Plessey SA, holding the 26 percent of the equity which is not owned presently by the British parent. It could play a decisive role in any change of ownership of the South African company.

Sankorp has a pre-emptive right to acquire the balance of the shares, a situation already confirmed by Sankorp managing director Marinus Daling.

Plessey's three major business areas in South Africa are:

- Telecommunications and office systems;
- Electronic components and sub assemblies; and
- Electronic equipment and systems.

Locally manufactured products with a high South African content provide the bulk of sales.

These products are made in its factories in Cape Town where its head office is located and distributed through a countrywide sales and services branch network.

Sophisticated systems and components are also exported worldwide.

Products average a high local design content as a result of ongoing research and development work. This is complemented by co-operation in research with local universities.

Plessey also has a 50/50 venture with Reunert-GEC. This is Telephone Manufacturers of SA which makes all the telephones for the Post Office.

DATES TO DIARISE

Business Staff

Forthcoming events of interest to the Cape business community:

May 8-9: IR principles, structures and procedures: Institute for Industrial Education, Newlands Sun. ☎75-3677.

May 8-10: Annual convention, Institute of Life and Pension Advisers, ILPA, Cape Sun. ☎(011)447-1690.

May 10: Effective grievance and disciplinary procedures: Cape Town Chamber of Commerce, Chamber offices, 13h30-17h00.

May 11: The art of brochure design: Cape Town Chamber of Commerce, Chamber offices, 13h30-17h00. ☎23-2323.

May 11: Computer aided systems engineering (CASE): Systems Development Special Interest Group, Newlands Sun, 16h00. ☎25-4460.

May 14-18: Management development in a changing society UCT Graduate School of Business. ☎235950.

Reunert heads for record earnings ^{18c}

Star 10/15/89
Finance Staff

Barlow Rand's electronic and electrical engineering arm, Reunert, is headed for record earnings in the current financial year, after interim earnings for the six months to end-March showed a 52 per cent improvement to R19 million.

This translated to earnings per share of 61,1c (40,2c), while the interim dividend has been raised by 50 percent to 18c (12c).

And the group forecasts that the first-half rate of earnings growth should be sustained during the rest of the year, thus indicating bottom-line profits of around R60 million for the full year, against last year's record R40,4 million.

Operating profits in the half-year were 55 percent up R38,9 million

(R25,1 million) on a turnover increase of 35 per cent — from R399,4 million to just under R540 million. The continued development of the group is underlined by its capex, which totalled R30 million for the six months against R41,8 million for the whole of last year.

"It was a highly satisfactory six months and we have entered the second half with full factories and healthy order books," comments chairman Clive Parker. He added that the current improvement in operating margins was prompted by higher productivity, emphasis on value engineering and the elimination of losses on certain contracts.

All three divisions — Reutech, GEC (SA) and Circuit Breaker Industries — performed well, he said.

Power protection big shots merge

S/Thing 14/6/89

189

By Mark Davison

ONE of the largest power protection companies in South Africa has been formed through the merger of Omnitec and Miltek Electrical Industries.

The new company, United Power Corporation (UPC), will be SA's largest manufacturer of uninterruptible power supply (UPS) systems and expects turnover of about R18-million in the current year.

It will be headed by former Omnitec directors Herbert Teubner and Roger Bulgin and Miltek director Dennis Smit.



UPC directors Herbert Teubner, Dennis Smit and Roger Bulgin

Logical

Mr Bulgin says: "In terms of local manufacture, the new company is No 1 in South Africa, producing between 300 and 400 large and small machines a month. Our expenditure on development for 1989 has already reached R200 000."

Mr Teubner says the merger was a logical step for both companies.

"We have operated together in the past and the cultures of the two companies are similar. The merger makes a lot of sense and has given us more buying and engineering power as well as a larger market to attack.

"We found that there was a lot of competition emerging in the UPS market, other companies allying themselves with large corporations. So we decided to unite our interests to compete with them.

"The combination of commercial experience and technical expertise in the new

company will help us to tackle both the commercial and industrial markets.

"We are probably the last independent company solely dedicated to power protection. Although power electronics is our ultimate aim, power protection, or UPS systems, is still our major thrust."

Geared

The new company is geared for manufacture of UPS systems and one of its first new products — the 3000 Series — will be on display at Computer Faire.

Mr Smit says: "Our 3000 range indicates the synergy that existed between Miltek and Omnitec. We had a working prototype of this machine in six months.

"This was made possible by combining the expertise of both companies. The technical skill involved was of such a high standard that not one

output transistor was blown throughout the development."

"Bigger things may be in the pipeline, says Mr Teubner.

"With the technical expertise UPC has available, and the new manufacturing equipment we have installed, such as an automatic PC

board tester, we could become involved in the manufacture of machines of up to 250 Kva — something that has not been done in this country.

"A development like this would obviously hinge on a client coming in on it with us, but we have the expertise and capabilities to carry it through."

Standby

power

system

advances

TO complement its range of standby power equipment, Siemens has introduced the Microline series of UPS systems which range in size from 250va to 5Kva.

The new range will be completed soon with the addition of 8Kva and 10Kva machines.

The Microline generation is designed and produced in SA to stringent specifications and comprises on-line, solid state UPS systems.

Efficient

The advanced power conversion technology employed by the machines ensures a quiet, efficient and compact unit, providing a closely regulated output voltage and frequency.

According to a Siemens spokesman, numerous load requirements have been satisfied and include PCs, telex/teletex machines, PABX systems, cash registers and small networks.

Emphasis switches to small

1-15/89

Standby

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LICENTRE OVERLOOKED new star of the JSE

By David Carte

ELCENTRE, the Mowszowski brothers' little-known electrical group, draws the spotlight today with earnings that put it in the top 50 companies in SA.

The low-profile, high-performance group based in humble quarters in Doornfontein, Johannesburg, sold R500-million of assorted electrical goods in the year to August 1988. Sales have leapt from only R73-million in 1986.

In hoisting taxed profit by 61% to R48.9-million, Elcentre earned 70% more than Powertech, the Altron group company, which is much better known and more highly rated.

In the past three years, Elcentre has acquired competitors that were far larger than itself, including Golec (turnover of R90-million on acquisition), Litecor (R60-million) and Keens (R60-million).

Because it knows the industry, it was able to extract large economies from its acquisitions.

With 66 wholesale outlets in SA, Namibia and Swaziland, it is by far the biggest contender in electrical wholesales.

The company distributes industrial lighting, specialised lamps, tubes and industrial and commercial lighting equipment, specialised motor control gear relays, circuit breakers, as well as the largest variety of high- and low-voltage cables. There are up to 3 000 items a store. All stores are "on line".

Orphan

A new division — once an "orphan child" — that packages domestic electrical products in blister packs for the do-it-yourself market turned over R85-million last year.

"There is enormous growth in the electrical area all over the country," says director Nathan Mowszowski. "We serve mining, all types of industry and commerce as well as builders, so are not vulnerable to the cycle."

"Thanks to Eskom's reticulation drive into black townships, its continuing power station construction, mining and industrial expansion and projects, such as Mossel Bay and Lesotho Highlands, we expect demand to remain strong in spite of the poor short-term economic outlook."

Head office comprises only 35 people in cramped quarters. Altogether there are 1 600 employees. Although pay is well above average, staff costs are low relative to sales.

Expense

One of the secrets of the company's success is that managers have had an equity stake since 1979 when turnover was R20-million. The company secures their commitment at great expense through lucrative restraints of trade. It paid R1.1-million in such restraints last year compared with R3.5-million in 1988. It costs these controversially below the line as extraordinary items.

Elcentre boasts that it has not lost one manager it did not want to "for years".

Its outstanding performance in the year to August came in spite of a trebled interest bill of R8-million (R2.4-million).

Financial director Phillip Aginsky says gearing rose to 52% (39%) to fund stocks and debtors that had to increase because of the 53% leap in sales. He is comfortable with interest cover of 7.6 and return on net operating assets of 75%. His view is that money in stock is well invested in inflationary times.

In the past three years Elcentre's earnings have grown at an average 102% a year compound. The company has suffered only one hiccup since its listing in 1981. In 1985 it sustained a R3.5-million foreign-currency loss by neglecting to cover forward. Mr Mowszowski does not expect earnings to keep on



Electrifying growth — Phillip Aginsky (left) and Nathan Mowszowski

doubling every year, but he is confident of strong growth.

From 1986 to October 1987, the share price rocketed from 40c to 500c a share. The great crash brought it back to 200c, but it has nearly doubled since then and looks set to go higher.

Reasons

The directors have 51% of the company among them. The next biggest holder is FSI with 25%. Although it has two representatives on the board, FSI — a competitor in some areas — is regarded strictly as an investor.

Institutions, such as the Anglo American Pension Fund and Southern Life, have invested recently.

At 360c, the Elcentre share price is only 4.4 times its earnings of 82.5c (1988:58.6c). Powertech is 8.8 times earnings. Elcentre thus enjoys half the rating of its better fancied rival.

One of the reasons is that it pays little tax, and analysts appear to be valuing the company on a fully taxed basis. They probably also deduct restraints in their earnings calculations.

At only 8.4% (7.2%) there is scope for the tax rate to rise, says Mr Aginsky, but not by much. Not only are there assessed losses, but export and

other allowances will keep the rate down for some years to come.

Elcentre is an interesting example of a company whose numbers have not been enough to impress the investment community. Now that it is coming out of its shell, perhaps the rating will start to reflect the distinct tint of blue.

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Sunday Times

SURVEYS

BUILDING AND CONSTRUCTION

JUNE 25th 1989

The South African Building and Construction Industry is faced with some worrying pressures.

While private sector work is still buoyant, projects from the public sector are expected to slow down as increasing pressure is put on the treasury.

This will inevitably lead to stiffer competition and thin margins in an industry already faced with escalating building costs.

This Special Survey will be examining JSE-listed building and construction companies and their performance; the latest developments on the labour front; new project funding through property trusts and participation mortgage bonds; short term insurance as it applies to completion and other guarantees; and the role of support services.

Business Times is the country's widest-read business publication, offering advertisers powerful market penetration on a cost-efficient national basis.

To advertise in this necessary and informative survey, or for further information, contact Beattie Urdang on (011) 710-2488.

Health for Business People

May 21, 1989

Business Times looks at health as a lifestyle for business people — and the need for balance in both exercise and diet.

Franchising

June 4, 1989

Business Times examines franchising as a tool for the spread of wealth and opportunity; its strengths and weaknesses.

For further information on the above two opportunities please phone Terry Jarvis (011) 710-2487.

Finance Staff

Strong organic growth and improved margins helped Elcentre Corporation boost earnings per share by 41 percent to 82,5c in the year to February.

A final dividend of 18c has been declared to total a 43 percent higher 33c for the year, which is covered 2.5 times.

Outstanding growth

The performance is yet another in a record of three years of outstanding growth in which earnings have averaged a 102 percent annual compound gain.

The group, which is South Africa's leading distributor of power cable, commercial and industrial electrical and elec-

tronic products, achieved rapid turnover of stock off a relatively low capital base.

It has been able to improve the return on shareholders' funds from 38,9 percent in 1987 to an impressive 79,6 percent in the 1989 year.

The past year's outstanding achievement is largely attributable to strong organic growth and continuing gains in productivity.

A 53 percent growth in turn-

over — which exceeds the R500 million mark for the first time at R517,79 million — generated an 85 percent leap in operating profits at R60,54 million.

The operating margin rose from 9,7 percent to 11,7 percent.

Net interest paid after allowing for investment income reduced profit growth to 75 percent at the pre-tax level.

The tax rate rose to 8,4 per-

cent from last year's negligible 0,5 percent.

The low rate of tax enjoyed by Elcentre is mainly due to a high component of tax-exempt profits and export allowances.

Net attributable income grew by 54 percent to R44,5 million.

This represents a remarkable 74,4 percent return on operating assets.

The news for the current financial year is also good, partic-

ularly considering that growth will be off a high base and that the effective tax rate is projected at not exceeding 30 percent.

Earnings per share for the year ended to February 1990 are forecast, subject to the usual caveats, to increase by not less than 20 percent.

Strong demand for the group's goods, sustained by such projects as Mossgas, the Highlands water scheme and in-

Improved margins boost Elcentre**Earnings**

9.2 percent on the dividend.

These compare with accountaries' indices averages of 7,9 percent and 2,7 percent cent respectively for the electric and electronic sector.

Group pyramid

Elcentre Group Holdings or Elgro, the group's pyramid with a 55 percent stake in Elcentre, has reported 41 percent higher earnings a share of 41,3c and a final dividend of 9c to give a 43 percent increased total of 16,5c for the year.

On the current Elgro price of 185c a share, the relevant yields are 22,3 percent for earnings and 8,9 percent on dividend.

fund sharply increased trading. Ratios are within group targets.

The net asset value per share is 121,6c, emphasising the high returns on assets.

Earnings in the current year are forecast to reach the 100c level.

Elcentre's shares are currently priced at about 360c.

At this level they yield 22,9 percent on the new earnings and

creased allocations for township developments is foreseen.

Concern over the outlook for future earnings in the face of full taxation has been further dispelled with the assurance that "exempt income and exporters' and sundry recurring tax allowances" will ensure that the group does not pay the full rate for some years.

The balance sheet remains strong in spite of the need to

Rugby punch-up blamed on apartheid

Staff Reporter

DR Danie Craven says the government and apartheid are to blame for an attack by rugby spectators on a referee and a coach on Saturday.

Spectators at a Lion Cup match in Paarl, all supporters of the Western Province League team, attacked referee Mr Willie Vos and Western Transvaal coach Mr James Stoberg after the home team had been beaten. Mr Stoberg needed stitches to a wound on his head.

Dr Craven, president of the Rugby Board, said the assault was a typical example of underlying grievances coming to the fore in a crisis situation.

"This is apartheid taking its toll. This was the main cause of the dissatisfaction in the crowd."

Dr Craven was among the capacity crowd who witnessed North-Eastern Cape referee Mr Vos escorted off the field by police and members of the Western Province League and Western Transvaal teams two minutes before the end of Saturday's match.

Mr Vos had awarded a penalty to the Western Transvaal side. Seconds later a enraged spectator ran on to the field and abandoned the game. Western Transvaal led 30-16.

Western Province League coach Mr Dougie Dyers yesterday blamed Mr Vos for "consistently" penalising his team.

"Things took on a sour note when the League took the lead after scoring three tries. After that the League was penalised at every opportunity."

"The Western Transvaal side didn't concede one penalty."

Mr Boland, police spokesman said no charges have been laid.

T.D.C.

ELCENTRE SHARE EARNINGS ROCKET 41%

ELCENTRE Corporation, SA's leading supplier of power cable and related electrical and electronic products, has posted a 41% increase in earnings a share to 82,5c (58,6c) for the year to the end of February.

Directors attributed the past year's growth to strong organic growth and continuing gains in productivity.

A 53% growth in turnover to R517,7m (R338,2m) exceeded the half-billion rand mark for the first time.

This increase in turnover generated an 87% leap in operating profit to R61,4m (R32,8m).

 **BRUCE ANDERSON** 187

A final dividend of 18c (12c) a share was declared, bringing the year's total dividend to 33c (23c) a share.

On prospects, directors said that demand for the group's products would be sustained or even improved by projects emanating from the mining sector, and public sector projects such as the Mossel Bay off-shore project, the Lesotho Highlands Water Scheme and increased allocations for township developments.

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Tek Corp acquires

Ocean in R20m deal

JOHANNESBURG. — Tek Corporation has concluded an agreement to acquire the issued share capital of Ocean Appliance Corporation for R20m, it was announced yesterday.

Ocean recently reported a 45% increase in pre-tax profits to R4,49m and a 38% increase in earnings per share to 56,6c for the six months to December 31.

Announcing the move, Tek CE Mike Bosworth said that both Defy and Ocean would continue to be run as separate entities within the appliance division of Tek, headed by MD Ross Heron.

Founder and MD of Ocean Bob Matthews will remain at the head of the company.

"The Defy and Ocean ranges complement each other handsomely. Defy has a leading share of the cooking and laundry appliance markets, while Ocean is strong in the chest freezer and refrigerator business."

"The two appliance businesses will produce an annual turnover in excess of R350m," Bosworth said. — Sapa



Ocean minorities offered R5

Finance Staff

Ocean Appliance minorities are to be offered R5,00 a share by Tek Corporation which yesterday announced a R20 million acquisition of the Pinetown-based company.

Tek Appliance managing director Ross Heron said from East London that Tek already has reached agreement to buy 91 percent of Ocean's shareholding at R5 a share — a premium of about 25 percent on the JSE price.

He said the existing Ocean management, including founder and MD Bob Matthews, would remain in place and there was no intention to retrench any staff.

The Ocean listing would be retained as a shell vehicle for fur-

ther transactions planned by Tek.

The acquisition means that just over half of Tek Corporation's business now will flow from the manufacture of kitchen appliances.

Mr Heron said the move will give Defy — the Tek Appliance subsidiary with a major Durban factory — a much wider range of refrigeration products to offer.

Tek, a Federale Volksbeleggings subsidiary, has a number of arms including Tek Appliances, Tek Electronics (Telefunken and Pioneer), Tek Industrials and Airco (air conditioning).

Ocean Appliance Corporation recently reported a 45 percent jump in pre-tax profits.

Ocean's recent interim report

disclosed that EPS increased by 38 percent to 56,6 cents. Pre-tax profits were R4,49 million.

Tek Corporation chief executive Mike Bosworth said that Defy and Ocean would continue to be run as separate entities within the appliance division of Tek, under Mr Heron.

Defy has a leading share of the cooking and laundry appliance markets, while Ocean is strong in the chest freezer and refrigerator business.

"The deal gives Tek a long planned entry into gas cooking and gas/paraffin refrigeration and into small kitchen appliances. The two appliance businesses will produce an annual turnover in excess of R350-million," Mr Bosworth said.

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Plessey income rises by 17%

Financial Editor

PLESSEY (SA) — now 25 years old and uncertain of its ownership in the future, as the huge conglomerate GEC is still trying to take over its UK parent company — lifted after-tax income by 17% to R16.4m in the year to March.

This was achieved on a 38.2% rise in turnover, compared with a 21.3% rise the previous year.

Plessey (SA) is an unlisted subsidiary of Plessey (PLC). But MD John Temple announced its year-end results at a press conference in a city hotel at which he disclosed that the company, formerly mainly dependent on business from the Post Office, had diversified into other markets.

In 1984, he said, 75% of its turnover came from sales to the Post Office. Now, although sales to the Post Office had increased, it accounted for only 26% of turnover.

Plessey had looked for new markets in which it was less vulnerable. Its business included traffic and air traffic control systems, electronic components, radios and a major share of the

highly competitive PABX market.

Temple emphasized that the company was "in professional electronics in a wide range. We avoid consumer electronics".

He said the UK link was valuable although the company manufactured only one product under licence and had developed all the others itself.

It was of great value to Plessey (SA) to be able to use research facilities in England and keep in touch with general trends in the electronics industry overseas.

Temple said the increase in turnover resulted from improved trading conditions, and acquisitions made in 1987 and 1988.

But higher material and labour costs had reduced margins and, with higher research and development costs, meant that pre-tax profit had increased by only 20% to R32.7m (R27.1m).

A reduction in export incentives had increased the tax rate by 1.5% to 49.7%, limiting growth in after-tax earnings to 17%.

Tek boss now puts market share at 40%

TEK'S acquisition of Ocean Appliances has put it in the forefront of the appliances market. CE Mike Bosworth estimated, in an interview yesterday, that Tek's market share is 40%.

Tek said last Wednesday it had acquired Ocean for R20m and this would result in combined annual turnover of R350m.

Ocean Appliances is a market leader in absorption fridges and freezers. These appliances can be adapted to run on gas, paraffin or electricity.

"Ocean had a factory in Pinetown making fridges with limited manufacturing technology but a very high level of skills," Bosworth said.

"The product is very reliable and pro-

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CHARLOTTE MATHEWS

duction highly cost effective. Because of the volume of turnover the directors decided Ocean needed modern manufacturing technology. The first step was to relocate refrigeration to Ladysmith.

"Tek has a refrigeration factory in East London, with very high state-of-the-art manufacturing technology, worth about R14m on replacement value.

"But our guys were battling. The factory was working considerably below capacity and there was an acute shortage of skills. We were also using materials at prohibitive cost.

"The deal made sense in a number of

areas. It avoided the need for new fixed investment by Ocean and it gave us access to high skills and to a second plant which is primarily refrigeration at very low cost.

"Defy and Ocean will continue to make refrigerators under their own names but there will be cross sourcing between them. Ocean will expand its range with additional microwaves and laundry appliances and Defy into absorption refrigeration units and gas cookers."

Bosworth said Ocean already exported but was to some extent constrained by its manufacturing capacity.

They would now be looking at countries around the world where domestic electricity was sparse.

Independent Boosts ISM

From STAN KENNEDY

JOHANNESBURG. — It has been a stimulating and edifying two years for Information Services Management (ISM) since it became a castaway from the IBM flagship.

It has enjoyed the freedom to chart its own course, promote entrepreneurial spirit among its 200 managers and generate a camaraderie that was previously unachievable.

As a subsidiary of IBM, which had a highly integrated centralised management making all the decisions, ISM had little room to manoeuvre in the South African marketplace. Its methodology was, in fact, immutable.

For about two years before the buyout by ISM, the company was in a state of near catalepsy and was losing market share.

This had resulted from rumours of disinvestment, loss of customer confidence and the competition riding on the bandwagon of anti-US feeling.

"We have exceeded our expectations and own a company that is now firmly on its feet," says managing director Mr Brian Mehl.

"We have the best product range in the world, we have an organisation eager to stamp its success on the industry and we

are becoming more adaptable to the local environment. We are also pushing decision-making down to a lower level."

No longer a miniature facsimile of IBM, it has retained IBM's standards and principles and these, according to Mr Mehl, are exceptional.

"Our marketing strategy and the way we manage ourselves has changed and will continue to change. We have moved into business partnerships and solution-selling, away from the box-selling concept.

"We have re-established confidence among our large customers and are beginning to bring the same focus to buyers of our mid-range equipment. A new strategy has been unveiled for our PS/2 and the upshot is that people will no longer regard us as only a large main-frame supplier."

Mr Mehl, 46, went through an uncertain period himself. At university, he shilly-shalied over his choice of a career, spending three years studying medicine before deciding that medicine was not for him.

Then he took up actuarial science while working for an insurance company, but gave it up after two years. Back he went to university to study maths and statistics for a BSc degree, ending up with a BComm.

But like ISM, he came through. From the day he joined IBM, as it was then — he was with the company for 21 years — his indecisiveness fell away and he became more confident and purposeful, knowing he had found his niche.

During his time with IBM, he did a two-year stint in Paris where he had financial operating responsibility for several European countries.

Before becoming managing director in January 1988, he headed a group called Business Development, which was formed post-ISM to look at opportunities for diversification in the event of sanctions.

He also played a major role in the group which recommended and negotiated the joint venture with Barlow Rand in the creation of TSI, the holding company.

He sees his position now as an opportunity to raise ISM to a position of pre-eminence which, he says, it should have, not only in the computer industry, but in the country as a whole.

"I have always wanted to be the best, individually or part of a team. And where I feel we are not doing as well as we ought to, I will push myself into that area and try to make a contribution."

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Unsupportive market confounded

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Datakor lifts
earnings 135%

From BRENT MELVILLE

JOHANNESBURG. — Mercedes Datakor (Datakor) shareholders should be delighted with the group's results for the year to end-March.

The computer company has posted exceptional results — surprising an unsupportive market which has chopped 110c from the group's share high of 220c over the past year.

In spite of virtually doubling the weighted average number of shares in issue, following its purchase last year of Unisys SA, Datakor has managed an earnings rise of 12% to 17,3c (15,4c) a share with a final dividend of 4,5c, bringing the total to 7c (6c) — covered 1,5 times.

The results are in line with the forecasts made at the time of the takeover — but come as respite to embattled shareholders who have seen their investment halved in a sector which is reflecting a disenchantment with computers generally.

The Unisys acquisition — which propelled Datakor into the position as SA's second-largest computer company — has proved profitable and with margins at a satisfactory 11% (13%), operating income jumped by an impressive 186% to R40m (R14m) on sales which more than tripled to R362m (R105m).

At the bottom line, attributable earnings were a healthy 135% up at R20m (R8,5m).

Initiated by the announcement of the acquisition of Unisys and amid uncertainty following the disinvestment by Unisys's US parent, the lagging market confidence has knocked R4,50 off Datakor's post-listing high of 560c in two years.

However, chairman Nic Frangos believes there are associated benefits from the disinvestment in that it creates opportunity, promoting an accelerated "learning curve" and enhancing stability within the industry.

He is optimistic about Datakor's future, and says the purchase of a 36% stake in specialist telecommunication company TR Services last year would "enable the group to position itself strongly in four major sub-industries — office automation, data processing, data communications and telecommunications.

"In addition, the restructured Unidata performed extremely well in the past year, and is some way off its full potential," he says.

The 110c current share price covers earnings 6,4 times and yields were 6,4%, against sector averages of 9% and 3,7% respectively. The results should bolster confidence.

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The Star
Finance

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By Malcolm Fothergill
Yelland Technology in-
creased turnover by 38,5
percent to R37,5 million
and operating profit by
26,7 percent to R4,46 mil-
lion in the year to Febru-
ary.

Yelland turns up the heat ¹⁸⁹

Earnings per share rose
from 15,6c to 16,2c, despite
the number of shares in
issue rising in the period
from 10,96 million to
12,87 million.

Net asset value went up
from 72,2c a share to 75,9c.

Also up were borrow-
ings — long-term loans
from R90 000 to R1,54 mil-
lion and short-term loans
and a bank overdraft from
nothing to R1,9 million and
R1,38 million respectively.

The directors have de-
clared a dividend of 6,3c a

share and say prospects
look bright.

Forward order books of
all group subsidiaries and
divisions stand at record
levels, they say, and pros-
pects of increased profit-
ability look excellent.

"The year has been one
of consolidation of the tra-
ditional Yelland activities
in the both the electrical
and drawing office/survey-
ing fields, where perfor-
mances have been excel-
lent.

"However, gross profit

figures were lower than
expected," they say.

They attribute this to
the completion of several
large, low-profit contracts
from the previous year
and the time, effort and
expense involved in devel-
oping new products, some
of which will be launched
in the new few months.

Among them are
Powerview, an electric
power system monitoring
instrument that replaces
all conventional electrical
panel instruments by a sin-

gle unit; Compuguard, an
uninterruptable power
supply unit for use with
personal computers and
peripherals; and Easy-
Ranger, a hand-held, laser-
based distance-measuring
device.

The directors say local
research and development
"is proceeding apace" on
products that will be
aimed at both local and
export markets.

Yelland's growth for the
year maintains its historic
pattern of an average
compounded growth in ex-
cess of 20 percent a year.
This pattern has held for
the past six years.

The group acquired four
new subsidiaries with ef-
fect from March 1 last
year.

Yelland reaps benefits from acquisitions

TANIA LEVY 189

YELLAND — electrical switchgear manufacturer and drawing office and surveying equipment supplier — has forged a successful hi-tech group which has grown 22,2% in the year to February.

Earnings (based on the weighted number of shares in issue) rose to 16,2c (15,6c) a share and a dividend of 6,3c (5,4c) a share has been declared.

During the period under review, Yelland acquired four new subsidiaries — Rapha Pretoria Associates, Powerplan Systems, Strike Technologies and TCR Mining Services.

As a result R943 000 goodwill has been written off as an extraordinary item, leading to attributable profits of R1,1m (R1,6m).

The new subsidiaries contributed to a 38,5% growth in turnover to R37,5m (R27m). 31 Dec 2011/12

Before the write-off, taxed profits increased 22,2% to R2m (R1,7m).

CE Jack Yelland says gross profit figures would have been higher without the costs of research and development undertaken over the past 18 months to develop new electrical products.

Targeted at both local and export markets, the products will enhance group profitability.

The enhanced electrical power engineering division should produce considerably increased sales and profits in the second half of the present financial year.

Yelland says record levels in the forward order book at the end of May bode well for growth in the coming year.

Trade scheme extended

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9/16/89

Finance Staff

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The Government is renegeing on an undertaking to local domestic electrical appliance manufacturers not to extend a preferential trade arrangement with Turkey.

It was reported today that the Department of Trade and Industries will issue new permits for substantial tariff rebates on appliances imported from Turkey, for the second half of this year. While the quota will still be monitored the DTI last year indicated that imports from Turkey would be limited to seven percent of total imports of these goods.

The arrangement was reintroduced in October last year and allows local importers to import goods like hi-fi's and video equipment at a ceiling duty of three percent and a rebate of the full surcharge. Current import surcharges and duties are as high as 40 percent.

Spescom's sizzling performance gets cold shoulder

61 Dec 12/16/89

ANALYSIS: STEPHEN RICHTER

SPESCOM has produced some impressive results since its listing, but it seems investors are not paying attention.

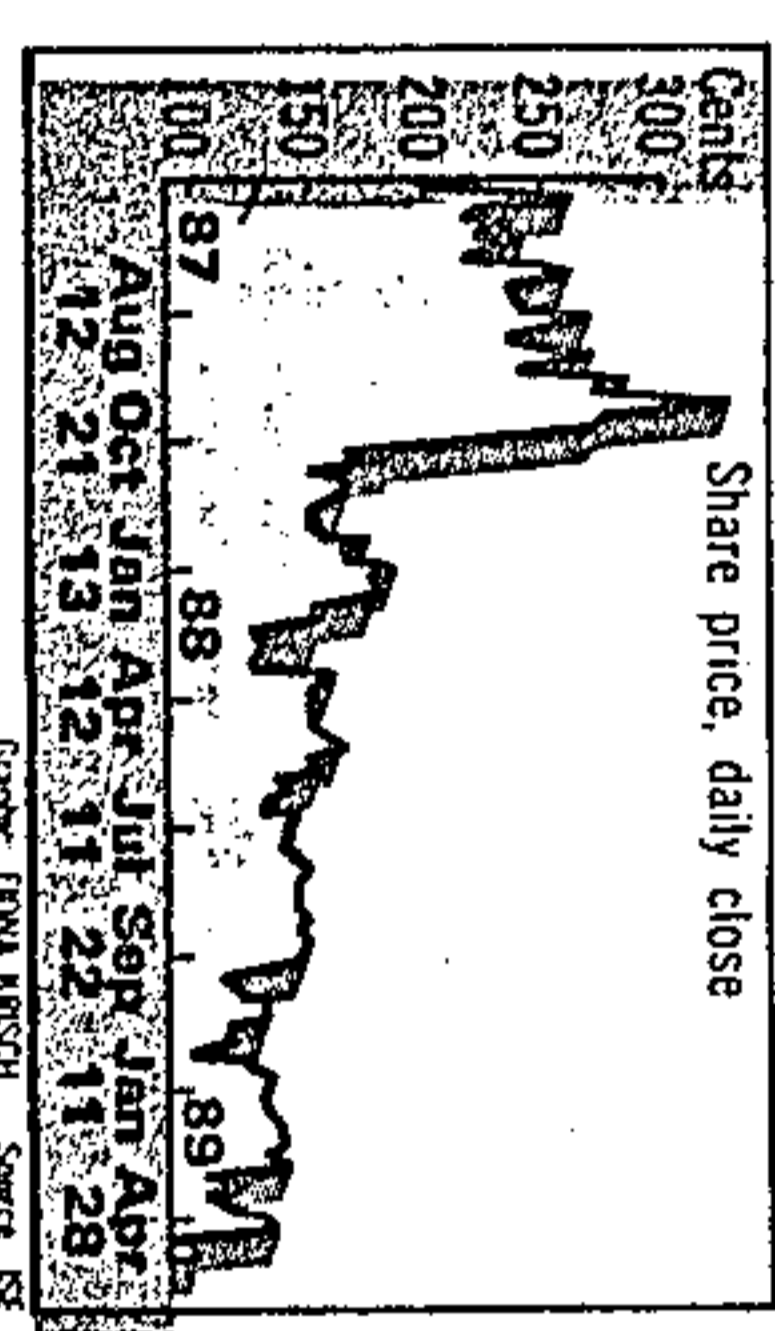
The share is trading at a discount to its original offer price of 120c. This does not make sense considering management has produced an impressive growth record.

In the past two years alone, operating income has ballooned to R4.1m, which covers the 12 months to February 1989, from only R1.1m during financial 1987. Directors proudly point out the latest results were produced totally through organic growth, because no acquisitions were made during the year.

During financial 1988, Spescom made certain acquisitions which helped to account for the 209% earnings leap that year. That might have made some investors sceptical about the group's ability to generate consistent earnings growth without acquisitions, but the lat-

est year's 45% operating income jump indicates how strong Spescom is. The balance sheet is also extremely clean with very little interest-bearing debt. Spes-

Spescom Electronics



com should, therefore, not be bothered by high interest rates. So, given its fundamentally sound situation,

why is Spescom's share price lagging the above-average growth record? In mid-1987, 1.7-million shares were offered to the public. The offer was 114 times oversubscribed. This year's market rally has carried the industrial index to new highs, but electronics shares generally remain out of favour.

Financial director Johan Steyn feels this is one reason for Spescom's poor market rating because institutions have generally avoided smaller electronics companies. This may have resulted from poor results produced by some groups in the sector.

Spescom boasts a highly competent staff capable of producing a wide range of sophisticated products. Due to sanctions pressures there has been some reluctance by overseas suppliers to co-operate fully and this had caused delays in obtaining certain products.

Steyn said "although the negative overseas sentiment towards SA has indeed pushed out delivery lead times, the company has at no time failed to satisfy customer requirements due to inability to supply". Spescom is diversifying supply sources

from the US and beginning to obtain components from Europe and the Far East, but because it produces a wide range of products, it is not dependent on any supplier.

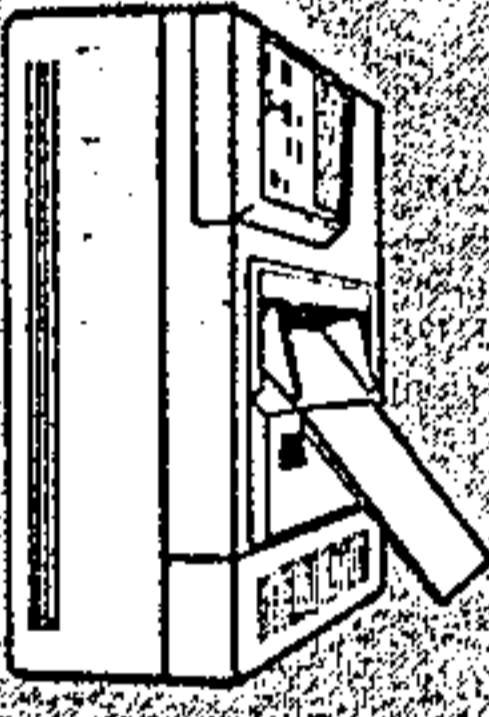
During financial 1989 between 5% and 10% of the group's production went overseas and Steyn expects this figure to remain at roughly the same levels during the current year. Spescom has taken steps to neutralise the sanctions threat and Steyn is confident growth prospects will not be affected.

Dividend

Spescom is also taking a serious look at the import replacement market. Between 20% and 30% of the group's business is generated from this area. An exciting new target is the motor industry where local content will be determined by value and not mass.

It would seem possible Spescom can produce EPS of about 22c this year which would allow the group to pay a dividend of about 7c. At the latest price of 100c the shares offer excellent value.

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The Cullinan group is among the "millionaires" of electrical contracting, with new contracts totaling nearly R40 million signed up.

The big one for the company's electrical contracting division, Cullinan Power Projects, is the R34 million order from Eskom for the main cabling systems at the giant Majuba power station near Volksrust.

This job will keep CPP teams at Majuba for about nine years.

Mr Jack Rowan, chief executive of CPP, says: "We will also provide on-site project management services and will be working closely with Eskom's own design department.

Mujuba contract for Cullinan

"The experience gained by Cullinan Power Projects by being associated with Eskom projects, has given the company the ability to compete with the best worldwide in this field of electrical contracting," says Mr Rowan.

CPP has commissioned or is in the process of completing large-scale contracts at Tutuka, Komati, Camden, Grootvlei, Hendrina, Arnot, Duvha and other

power centres.

Indeed, the Tutuka job set new standards for prospective contractors.

"Far more responsibility has been placed on the contractor in areas such as design, co-ordination of switchgear delivery and minimisation of costs," says Mr Rowan.

"Within CPP we have seen significant changes in how we oper-

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Soweto Day call ends in worker dismissals

Labour Reporter

EMPLOYEES of Premier Wire at Epping who stopped work over demands to swop June 16 for the Kruger Day holiday have been dismissed.

The workers, members of the Electrical and Allied Workers' Trades Union, also asked to be paid today instead of tomorrow.

The management said it was willing to pay them on Monday and would not take disciplinary action against them if they did not work tomorrow. However, it would apply a no-work, no-pay policy and insisted that June 16 was a normal workday.

About 120 employees were dismissed when they refused to return to work until the management had met their demands.

Worker spokesmen said last night that the night shift had started a go-slow in protest at the dismissals.

• Tomorrow will be all but a public holiday in the greater Cape Town area where unions

have negotiated a day off for thousands of workers in commemoration of Soweto Day.

For the first time it will be a paid holiday for employees in the clothing industry, the major employer in the region, since this was added to the Industrial Council agreement last year.

Employees covered by the Cotton Textile Industrial Council agreement also have a paid day off.

Many other unions in the two major federations, the Congress of South African Trade Unions and the National Council of Trade Unions, have negotiated plant-level agreements which give employees either a paid day off or a swop for another agreed holiday.

Thousands of other workers not covered by an agreement are unlikely to be at work tomorrow, and many employers have recognised the pressures on them through no-work, no-pay deals which do not involve disciplinary action if workers are absent.

• Seven-Eleven Holdings has agreed to re-hire five former employees and make ex gratia payments to 61 other workers dismissed after a strike in March.

The employees went on strike claiming that the company had been obstructive about negotiating a recognition agreement with the Hotel, Liquor, Catering and Allied Employees Union.

Attorneys

After their dismissal, they applied to the Industrial Court for reinstatement, claiming they had been unfairly dismissed.

A statement from attorneys acting for them said the action had been settled and the payments would be made without admitting liability.

The parties had agreed to bear their own costs.

Mr A Freund, instructed by K G Druker, represented the applicants. Miss M de Swardt, instructed by Leonard Hotz and Associates, represented Seven-Eleven.

Prospects bright for Powertech (189)

By Lynne Peach

Powertech, a leader in the electrical industry, is set to continue building on its past achievements.

Chief executive Peter Watt is optimistic about Powertech's future, despite an uncertain economic outlook.

He says Powertech has a broad, solid customer base spanning a wide range of high-tech products, a record order book, a strong management team and that the industry has good development prospects.

Powertech had a very successful year to February, with its turnover up by 42 percent from R599,3 million in the previous year to R853,7 million.

Pre-tax profit rose 49 percent to R61,3 million, compared with R41,2 million. Earnings per share rose by 59 percent from 13,5c to 21,4c. The dividend was raised to 3,3 (2,9c). *Star 19/6/89*

Mr Watt attributes the record results to several factors, including major projects such as Moss gas, the electrical reticulation of black townships, the electrification of rural areas and expansion of SA's power supply infrastructure.

He expects demand for outdoor and security lighting to increase.

Another area for medium-term growth is the major refurbishment programme of power stations countrywide.

Elcentre aims to achieve a 20% ^{B/Dy 5/7/89.} earnings growth

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ELCENTRE Corporation is aiming for a 20% earnings growth in the year to February 1990, notwithstanding higher tax and interest rates, says chairman Reuben Mowszowski.

He says in his annual report that emphasis will again be directed at containing operating costs, improving working capital ratios and further developing the group's export markets.

Regarding exports, he says that encouraging results have been achieved in recent months and "particular opportunities exist".

The expected increase in power generation, reticulation and distribution arising from urbanisation and mining developments is encouraging for medium- to long-term prospects.

Reviewing the past year, Mowszowski says the rationalisation programme started in 1988, combined with acquisitions made in the past year, have established an Elcentre group stronger and more mature in all facets of its business.

Major acquisitions made in the past year were Springbok Electric Group, Club

LIZ ROUSE

Electric Group, Audino Electric and Multitech Electric, all of which showed strong performance records and good growth potential.

Since the financial year-end several other acquisitions have been made which have realised the group's stated intention to create a powerful DIY division, with its own listing on the JSE.

Distributor

These acquisitions were KTC and Greatrex which were announced in March 1989, and Sanlic through a reverse takeover announced in June, all three taking effect from March 1 1989.

The resulting division is the largest distributor of pre-packed DIY electrical, hardware and tools and security products in SA.

Mowszowski says the strong results from the DIY division since March 1989 are a clear indication of its growth pros-

pects and stresses that further resources will be invested to maximise the potential.

The electrical and electronic cable and wire, commercial and industrial lighting divisions should continue to benefit from the extensive product range as well as from its sound financial position and good management.

The balance sheet remains favourable in spite of increased gearing (52%) and management is budgeting for a strong cash flow which will result in "a meaningful improvement in ratios in the ensuing year".

The return on net operating assets has risen to an impressive 74% and other ratios are within target limits.

In the past three financial years Elcentre has achieved dramatic growth of 166% in 1987, 120% in 1988 and 41% in the past year ended February 1989.

With 1989's earnings at 82.5c a share, the dividend total was raised by 43% to 33c (23c), yielding 8.3% at the current market price.

Pyramid Elgro has a similar historic dividend yield.

NOW that it is turning over more than R500-million a year, Elcentre, the Mowszowski electrical group, will have to part with more information.

The annual report is impressive for its photography and art work, but it gives the skimpiest details about operations.

There are four main divisions, each of which is described in three or four paragraphs and without a single number.

Powerful

Many a company's stock market rating has slipped because its earnings are too shadowy. Before they are prepared to accord a fancy earnings multiple to a share, investors want to know where the money comes from. They like big powerful identifiable income sources.

Elcentre's various divisions — industrial electrical and electronics, cable and wire, commercial and industrial and do-it-yourself electrical and hardware — are

Information scarce from Elcentre

By David Carte

big operations and could presumably be described as such.

Investors need to know more about them and why each should keep growing at the breathtaking pace they have.

Elcentre would also perform a major service to investors by trying to separate growth by acquisition from that by organic growth. To what extent is the startlingly good record the result of buying opposition cheaply? It is certainly not easy to deduce.

Of course, by providing the information, the company might well be helping com-

petitors — but now it is big enough and ugly enough to show its hand. The payoff in terms of market rating will more than compensate.

The report does provide all the important numbers about the group. The company looks highly geared with total debt of R157,6-million before payment of the final dividend of R10,7-million against shareholders' interest in net tangible assets of R70,7-million. Shareholders' interests, including goodwill of R69,9-million and trademarks of R34,4-million, are shown as R175-million.

Interest paid rocketed by 424% to R12,5-million, but there were dividends received of R5,3-million, par-

tially offsetting the rise. Interest cover was reasonable at 8.4.

The incredibly high returns being achieved within the business make dividends paid (R19,5-million out of earnings of R43,4-million) look excessive. Elcentre is one company that could step up dividend cover and improve its rating.

Chairman Reuben Mowszowski forecasts an earnings lift of at least 20% this year. After the 166%, 120% and 41% increases of the past three years, that can be regarded as a disappointment — or, bearing in mind where the company has come from, a monumental achievement.

Travesty

It is a travesty that a company with the record of Elcentre should be rated on a PE of 4.8. Concern about gearing and incompleteness of information lie behind this. The forecast is probably conservative and the mind boggles at the upside — first, if interest rates top out soon; and second, if Elcentre attends to gearing and information shortcomings.

5 Times 9/7/89

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Payout for unused sick leave, under union agreement

Labour Reporter

A CAPE TOWN electronics manufacturing company has signed a union agreement that includes a "bonus" sick-leave clause.

Workers will be paid at the end of the year for the unused portion of their sick leave.

The agreement between Renak and the Electrical and Allied Workers' Trade Union was also claimed to be the first in the region's metal industry to be negotiated solely by shop stewards.

DISTRESS FUND

It provides for a R920 a month minimum wage, paid public holidays on March 21, May 1 and June 16, and a service increment of 5 cents an hour after the first six months' service, a further 5 cents for the next six months and 5 cents an hour for each subsequent year of service.

It also establishes a company distress fund from which staff may take interest-free emergency loans repayable over 12 months.

(189) stars 24/17/89

The British don't look like pulling out



Bottom Line
MICHAEL MENOF

Significant control by the UK of SA-listed companies is well illustrated in Delta Electrical's and Utico's annual reports. Unlike their departing US counterparts, the British are here to stay. Control in Delta's case is subtle. Major shareholder Delta SA holds 49,9 percent.

The company is a wholly owned subsidiary of Delta PLC of the UK.

Presumably Delta Electrical is not consolidated by Delta PLC as it owns less than 50 percent and, in turn, the UK does not have to disclose its SA interests.

United Tobacco's Utico is more open — BAT Industries of the UK owns 63,62 percent, along with Old Mutual, which holds 17,21 percent.

Clearly both Delta's and Utico's controlling shareholders are not out to rape their SA investments.

Dividends are 2,37 times covered by earnings in Utico and 2,77 times at Delta. This allows earnings to be ploughed back for growth.

While most SA shareholders are concerned over the deteriorating economy, they can console themselves that the global position is not much brighter, with most countries wallpapering their cracks.

The issue this week is what proportion of earnings is retained for growth.

Also consider why companies pay dividends. In the US most companies plough back all profits, allowing for maximum net asset value growth.

I believe dividends should not be paid, allowing a company to have such funds for debt reduction or for expansion purposes.

Today, with interest rates so high, debt reduction and saving interest expenses or conserving cash are essential.

Both Delta and Utico had similar annual reports — an all-too-brief chairman's review, with a few facts, no frills, no pretty pictures and no marketing guff.

DELTA ELECTRICAL: In May 1988, share capital was restructured by a share split of 3,5 times.

No reasons were given — possibly increased marketability or scrip needed to buy Delta EMD (Pty), a worldwide producer of high-grade electrolytic manganese dioxide.

The acquisition cost R13,3 million — paid for in cash of R2 million and 3,75 million Delta shares.

Authority of the Supreme Court is being sought to write off the R6,7 million goodwill paid against the share premium account.

Turnover in 1988 increased by 26,2 percent from 1987. Pre-tax income was R23,5 million (1987: R18 million).

With virtually no debt interest, the gain was R970 000 (1987: R13 000). After tax and virtually unchanged net income of associated companies of R408 000, net earnings were R11,5 million (1987: R8,83 million).

Earnings per share were 32,3c (1987: 24,9c), with the annual dividend 12,5c (1987: 10c).

The income percentage contribution from the four divisions remained unchanged between the years.

Total shareholders' equity grew to

R44,42 million (1987: R37,38 million) by end-December 1988.

Working capital increased to R30 million (1987: R23,4 million), including large cash resources of R6,1 million (1987: R2,1 million).

Eye-catching was the ratio of current assets, less stocks, to current liabilities, which was in excess of one for both years.

The current JSE price of R3,75 a share is three times the net asset value.

Despite the economy's weaknesses, chairman Mr Bury is predicting further progress in earnings thanks to a reputation for quality and service.

UTICO — The profit contribution from the United Tobacco division and Willards Foods was missing. Increasingly higher stocks are becoming a problem.

The ongoing factory modernisation programme is helping minimise production problems. Sports sponsorship in the John Player Smooth soccer series and Benson and Hedges cricket helped brand awareness.

Snack foods showed positive growth, but the poor summer adversely affected fruit juices.

Despite doubling capacity, Flanagan's Kettle-Fried Chips, which won an international foods Oscar, remained in short supply.

Turnover increased to R310,7 million (1987: R269,3 million), with operating income at R31,59 million (1987: R26,98 million).

Interest expenses declined to R191 000 (1987: R1,01 million). Taxed earnings totalled R15,81 million (1987: R13,22 million) — a 5,09 percentage of sales versus 4,91 in 1987.

Earnings per share were 260c (1987: 218 c), with the dividend lifted to 110c (1987: 87c).

Shareholders' equity rose to R84,18 million (1987: R75,06 million) at end-December 1988.

Debt declined to R2,09 million (1987: R2,98 million), with working capital improving only marginally to R45,25 million.

A worrying aspect is the higher stocks of R79,43 million (1987: R72,11 million) now comprising more than 70 percent of current assets.

The net asset value of R13,86 per share is significantly below the current JSE price of R18, which has risen on the back of the BAT bid.

A difficult year lies ahead, says chairman F Haslett, making it tough to maintain the growth of the past three years.

Borrowings are forecast to rise thanks to higher tobacco leaf stocks consistent with current crop prospects and capex plant modernisation at both Industria and Rosslyn.

Both Delta and Utico's 1989 interim results are expected in August.

I would be surprised if Delta did not report further growth, with Utico panting to improve.

Bivec, Elcentre in merger rumours

RUMOURS in the market are linking last week's cautionary announcements by Bivec and Elcentre to a possible merger between the two groups' manufacturing interests.

Berzack Illman Investments Corp (Bivec), the holding company of Berzack Brothers, has interests in plastic and cable products for the mining, construction and agricultural markets and the supply of industrial and domestic sewing machines. *B10am 25/7/87*

Interim results to December reflected an operating profit of R22m (R14m).

The Elcentre group includes an electrical and electronic cable and wire and commercial and industrial lighting divi-

CHARLOTTE MATHEWS

sion as part of its electrical and electronic range.

For the year to February, Elcentre posted operating profit of R61,4m, of which R26,3m was derived from the first six months.

Various analysts speculated the negotiations would involve a rationalisation of the cable interests of both companies.

Elcentre director Nathan Mowszowski said there was no connection between the two groups and he could neither confirm nor deny the rumours of negotiations between them.

Bivec director Myron Berzack said his company had issued a cautionary in terms of JSE requirements and he was not at liberty to say anything about discussions in progress.



17.6.43 25/7/89

Pay dispute sparks factory lock-out

By DICK USHER, Labour Reporter

SEVERAL hundred employees of Plessey at Retreat were locked out today in the wake of a wage dispute with their union.

Management claimed about 400 workers were affected while the Electrical and Allied Workers' Trade Union said about 500 were involved.

Plessey managing director Dr John Temple said the dispute was over a company wage offer of 17 percent on the minimum against which the union had demanded about 25 percent.


A union spokesman said it had not tabled a demand but had been made an offer of increases at the industrial council rate.

Dr Temple denied this and said union demands were documented.

He said in addition to being already the highest payer in the industry, Plessey had offered a one-hour reduction in the work week to 44 hours with a commitment to another one-hour reduction in 1990.

He said the one-hour reduction alone represented a further 2.25 percent wage increase.

The union spokesman accused Plessey of using the wage issue to break the union at the plant, which Dr Temple denied.



Plessey workers in wage face-off

Labour Reporter

ELECTRONICS manufacturer Plessey SA will today legally lock out more than half of its Retreat workforce of 700 unless workers accept the company's final offer on wages, managing director Dr John Temple said yesterday.

About 400 workers, all members of the Electrical and Allied Workers' Trade Union of SA (Eawtusa), will be affected if they do not accept the average 17% increase offered by the company for 1989-1990, he said.

A union spokesman yesterday said the company had acted unfairly by trying to impose a settlement which was unacceptable to the majority of workers.

Management is offering a 71-cent raise on the minimum hourly wage of R4,02, while workers are demanding 26% or R1,05 on the minimum.

Apart from the graded increases, the company had offered a one-hour reduction in the working week to 44 hours with a commitment to 43 hours on July 1, 1990, improved service and leave bonuses, a new housing scheme and a legal counselling service.

The lockout follows a dispute declared by Plessey in late June and the union soon after declaring a separate dispute.

Component firm meets P & T today

B/ Day 26/7/89

(189)

CAPE TOWN — Electrical component suppliers are meeting their main customer, the Department of Posts and Telecommunications (P & T), over the next few weeks to determine their future as "arms-length contracts with the government department expire".

The "arms-length agreement" — by which P & T supported local components manufacturers rather than importing components — came under threat 18 months ago when P & T announced that its plans to cut costs included the expiry of these agreements over a period of time.

Now, contracts which were renewed for one year with some of the manufacturers are reaching expiry, according to acting Postmaster-General Jimmy Taylor.

The first meeting with the industry will be today when Taylor meets Plessey SA MD John Temple to explore "ways and means of continuing support for the electrical components industry".

"The question we face is whether or not to protect an industry which may have become too costly and may hamper opportunities to import completed products."

Taylor said the local motor industry was asking the same questions.

He believed the meetings were being held to decide how finally to terminate the agreement which had kept the electronic components industry alive.

Temple said Plessey's Retreat factory was already under threat of closure as the

LESLEY LAMBERT

economy entered a downturn and its major customer P & T, enforced its cost-cutting programme.

The effect of the cut-backs had been both direct and indirect on companies like Plessey, Siemens and STC, which supply components to the manufacturers of electronic equipment.

"Cost of locally manufactured components have become uneconomically high, partly due to the high cost of labour.

"A large proportion of Plessey's Cape Town labour force is employed to manufacture components."

Plessey's factory in Retreat, western Cape, legally locked out about 440 employees who refused the company's annual wage increase offer today.

Temple said it would not have been economical to accede to the union's requests.

Technological changes which reduced the number of low graded assembly operations employees needed in the industry and increased the number of employees in research and development and software development, presented a threat to employment opportunities.

A spokesman for the Electrical and Allied Workers Trade Union of SA which represents Plessey employees, said Plessey's refusal to meet members' demands was an attempt to undermine the union.

Dr F Bowie, a medical superintendent at Schuur Hospital, said he could not comment because he did not have all the facts at his disposal.

PAINFUL EXPERIENCE
operation. The X-Ray plate alongside shows w

Namibia focus at OAU summit

Cape Times 26/7/89

ADDIS ABABA. — For the second day running, the topic of Namibia dominated the Organisation of African Unity summit here yesterday. The OAU is calling for an increase in the number of United Nations troops deployed in Namibia to 7,500.

At the opening of the summit in the Ethiopian capital on Monday, UN Secretary-General Mr Perez de Cuellar and Swapo head Mr Sam Nujoma displayed a divergence of opinion over the situation in Namibia.

Mr Nujoma appealed to the UN to increase its troop presence on the basis that this was the only way to stop South Africa from installing a puppet government there.

But while condemning police units for intimidation, Mr Perez de Cuellar avoided the issue of increasing the number of UN troops. Yesterday a Western diplomat here described Mr Perez de Cuellar's criticism of the South African authorities as "muted".

The chairman of the frontline states, Zambia's President Kenneth Kaunda, described Namibia as a test case for South Africa itself. "Dismantling apartheid is the OAU's only immediate task after Namibia," he said. "It

will be the most complex battle, not only of the bullet, but of wit. It will be the OAU's final battle for liberation."

Dr Kaunda warned that if the OAU — which has arguably played little or no role in settling the Namibia question — got left behind in the "fast-moving political developments" in Southern Africa, it would be "completely ineffective to influence the direction of the final events in South Africa".

He too urged the OAU to give Swapo another lump sum "for the material help it so badly needs in the run-up to the November elections". The OAU pledged Swapo \$5 million (about R13.5m) last February.

On Monday, President Mengistu Mariam of Ethiopia surprised everyone by mentioning his own war against the Eritreans, and the Sudanese leader, Lieutenant-General al Bashir, has also referred to Sudan's civil war.

Dr Kaunda — in an aside from his prepared speech — followed suit, asking the new OAU chairman, President Hosni Mubarak of Egypt, to dissuade Middle East countries from backing the rebels in Eritrea. Saudi Arabia, Iraq and Syria have all been suspected of funding various rebel factions. — Daily Telegraph

Plessey 'out to smash us'

Cape Times 26/7/89
union

THE Electrical and Allied Workers' Trade Union has accused Plessey SA of trying to "smash" the union after more than 400 workers were yesterday lawfully locked out of the Retreat electronics plant.

And at Renak, a subsidiary of the British-owned Plessey, about 100 EAWTUSA members yesterday downed tools for an hour in support of Plessey workers.

Union members at Plessey SA have rejected the company's average increase of 17% and other benefits relating to conditions of work, instead demanding a 26% wage increase.

Plessey SA managing director Dr John Temple yesterday warned that the company would "soon" employ temporary labour.

EAWTUSA Western Cape branch secretary Mr Brian Williams yesterday said: "The lock-out has little to do with the negotiations and more with smashing the union."

Plessey SA

workers

SA & TAD
28/7/57

'trickle back'

Labour Reporter

LOCKED-OUT workers at Plessey SA were "slowly trickling back" to work to accept the electronic manufacturer's average increase of 17% on the minimum wage, company managing director Dr John Temple said yesterday.

About 330 workers, all members of the Electrical and Allied Workers' Trade Union of SA, still stood by their demand for a R1,05 (26%) increase on the minimum hourly wage of R4,02.

Union charges that Plessey SA was trying to "smash" the union were "absolute nonsense", Dr Temple said.

Production had been affected, but the company had embarked on an "internal" recruitment drive to appoint temporary labour.

Mr Du Plessis faces an alternative charge of theft.

His bail of R1 000 was extended and the hearing was postponed till August 14 for trial.

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Workers in consulate protest

THE labour dispute between employees and management of Plessey South Africa took a new turn yesterday when members of the Electrical and Allied Workers' Union protested at the British Consulate in attempt to gain support from the British government.

Three-hundred-and-thirty of the company's 700 employees have been locked out of the Plessey factory since wage negotiations broke down last week. If the employees do not return to work by August 8 they will be dismissed.

Fifteen union members delivered a letter of protest to Mr D A McKellar, acting consul of the British Consulate in Cape Town. Mr McKellar agreed to pass on the letter to the Foreign Office in London. Plessey South Africa is a subsidiary of Plessey UK.

From page 1

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Locked-out workers set to strike

Labour Reporter

LOCKED-OUT Plessey SA workers are set to strike on Tuesday in a bid to pre-empt the mass dismissal of more than 400 members of the Electrical and Allied Workers' Trade Union of SA (Eawtusa).

Eawtusa assistant general

secretary Mr Brian Williams said yesterday that workers were determined to remain united in their demand for a 26% wage increase "no matter what the cost".

The company last Tuesday legally locked out more than half of its 700-strong Retreat workforce after Eawtusa members rejected a wage increase averaging 17%.

Plessey MD Dr John Temple earlier warned that workers who did not accept the company's wage offer by Tuesday would be sacked.

Mr Williams said the strike would be held in terms of a dispute the union declared with Plessey SA in June.

Eveready workers strike

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CMA 4/8/87

PORT ELIZABETH. — Workers at Eveready here, who have been protesting against the Labour Relations Act recently, downed tools for several hours yesterday to protest against the display by a foreman of a severed baboon's head with a trade union sticker across its forehead.

Several hundred workers, some carrying placards and AK-47 replicas made from exhaust pipes, stopped working after the incident.

They chanted slogans and sang as they paraded around the Sidwell factory premises, monitored by four plainclothes policemen in a vehicle outside the factory gates.

There were no incidents.

Two officials from the Nature Conservation department of the Cape Provincial Administration arrived to take statements and photograph the grisly head of the animal. They said they were investigating whether the animal had been "legally hunted" or not.

One worker said: "We have stopped working because management are telling us by this that we are baboons, and baboons cannot work."

'Laughing at it'

A spokesman for the workers said a white foreman, a Mr Frank Barnard, had shot the baboon on his farm and then brought the animal's severed head to the plant yesterday.

"They were taking pictures and people were laughing at it because it had a union sticker on its forehead, calling for an end to the Labour Relations Act," the spokesman said.

Shop stewards said the head was taken away and burned after the Nature Conservation men had left.

A senior industrial relations spokesman, in the presence of shop stewards, said the company would launch an inquiry into the cause of the work stoppage.

The company said it would wait for a statement from the Nature Conservation Department before releasing an official statement. — Sapa

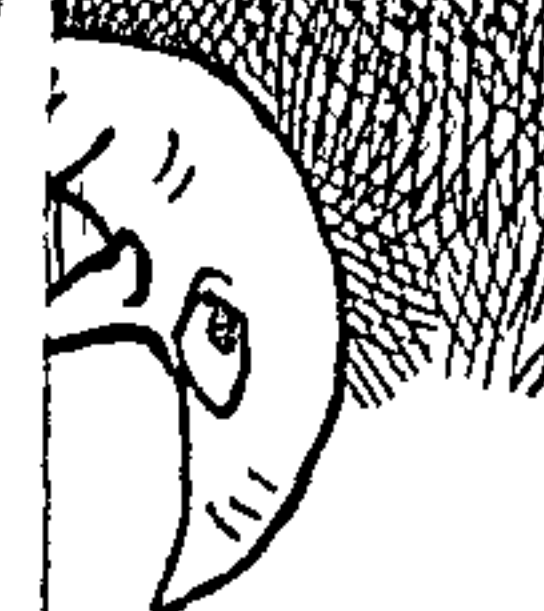
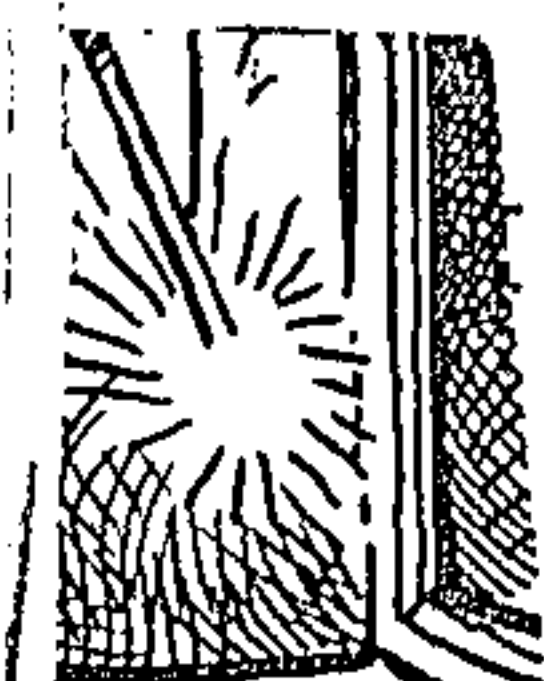
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Workers down tools over baboon sticker

The Argus Bureau

PORT ELIZABETH. — Workers at a factory here downed tools for several hours to protest against the display by a foreman of a severed baboon's head with a trade union sticker across its forehead.

Several hundred workers at the Eveready factory, some carrying placards and AK-47 replicas made from exhausts, stopped working after the incident yesterday.

They chanted slogans and sang as they paraded around the Sidwell factory premises, monitored by four plainclothes policemen in a vehicle outside the factory gates. There were no incidents.

Two officials from the Nature Conservation department of the Cape Provincial Administration arrived to take state-

ments and photograph the head of the animal.

They said they were investigating whether the baboon had been "legally hunted" or not. They took statements and photographs and the head was returned to the man who had shot the animal.

A spokesman for the workers said a white foreman, a Mr Frank Barnard, had shot the baboon on his farm and then brought the animal's head to the plant.

Workers noticed the head in Mr Barnard's office first and then it "did the rounds" in the factory.

"They were taking pictures and people were laughing at it because it had a union sticker on its forehead, calling for an end to the Labour Relations Act," the spokesman said.

He said: "They are always

telling us, the black and coloured people, that we are baboons. We are always wearing these stickers and the sticker was put on the baboon's head to resemble us."

Shop stewards said the head was taken away and burned — it was not clear by whom or for what reason — after the Nature Conservation men had left the plant.

A senior industrial relations spokesman, in the presence of shop stewards, said the company would launch an inquiry into the cause of the work stoppage.

All "rumours" would be investigated and the situation would be resolved in a "fair" manner, he said.

The company would wait for a statement from the Nature Conservation Department before releasing an official statement.

Mr Barnard was not available for comment.

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4/8/89
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ELECTRONICS

UK takeover could boost Plessey SA

From DEREK TOMMEY

JOHANNESBURG. — The news that Britain has given the go-ahead for a hostile take-over bid of Plessey UK has not caused any concern at its South African operation.

Dr John Temple, Plessey South Africa's managing director, in fact, believes it might be the start of a major reorganisation and expansion of the electronics industry.

"It could be the catalyst which South Africa has been needing," he said in an interview.

The British Department of Trade and Industry has decided that the proposed bid by General Electric Company of Britain and Siemens of West Germany would not violate the public interest.

There are links between the South African operations of all three companies. Plessey SA and Siemens South Africa both have Sanlam as an ultimate shareholder. Plessey SA and the General Electric Company each have a half interest in Temsa, the South African telephone manufacturing company.

DIFFERENT SCENARIOS

In view of these existing links, the rationalisation of the three companies' local operations into one much stronger operation would seem eminently possible.

Dr Temple said that the take-over by Siemens and GEC of Plessey in Britain did not mean that Plessey would disinvest from South Africa.

However, were Plessey to pull out of South Africa, it is likely that Sanlam, which already has a 26 percent stake in Plessey SA would exercise its preemptive right to acquire all of Plessey SA.

Dr Temple said he had envisaged eight different scenarios as a result of the takeover of Plessey UK, and it was anyone's guess which of them would be chosen.

Plessey SA is already a major power in the electronic industry and reported pre-taxed profits of R32,7-million in the year ended March.

It has recently announced that it is investing R15-million this year in manufacturing and research and development. This is an increase of 25 percent on last year's R12-million.

Workers back demands with hunger strike

Labour Reporter

WORKERS at a City electronics manufacturing firm have gone on a hunger strike to back wage demands.

The 430 locked-out Plessey SA workers started a hunger strike to back their reduced wage demands yesterday, according to Mr Brian Williams, assistant general secretary of the Electrical and Allied Workers' Trade Union of SA (Eawtusa).

Fasting would be done on a relay basis with participants taking no food or drink for 24-hour stretches while stationed in a van outside the Retreat factory's gates, Mr Williams said.

The protest would be lifted only when Plessey SA acceded to union proposals which would be revised today and submitted to management in writing.

The latest move by Eawtusa members affected by the two-week lockout follows the company's withdrawal of its threat to sack workers who did not accept its offer by yesterday.

Mr Williams said: "Workers on hunger strike demand justice at the work place, reject Plessey's use of the hated Labour Relations Amendment Act and want to protest against the existence of that Act."

Plessey SA managing director Dr John Temple said the company was offering an average 17% increase on basic minimum wages, moving up to 19,4% for the "bulk" of the workforce.

He denied that the company had "bowed" to any community or international pressure and also denied that Plessey SA had resorted to the Labour Relations Amendment Act in the dispute.

Control arrests losses and improves cash flow

(189)
Stew 11/8/89

By John Spira

Control Instruments has suffered a 19 percent decline in operating income on a 44 percent turnover advance in the year to June 1989.

Per share earnings fell from 9,3c to 6,5c a share but the dividend has been maintained at 2,2c to be covered a respectable three times by earnings.

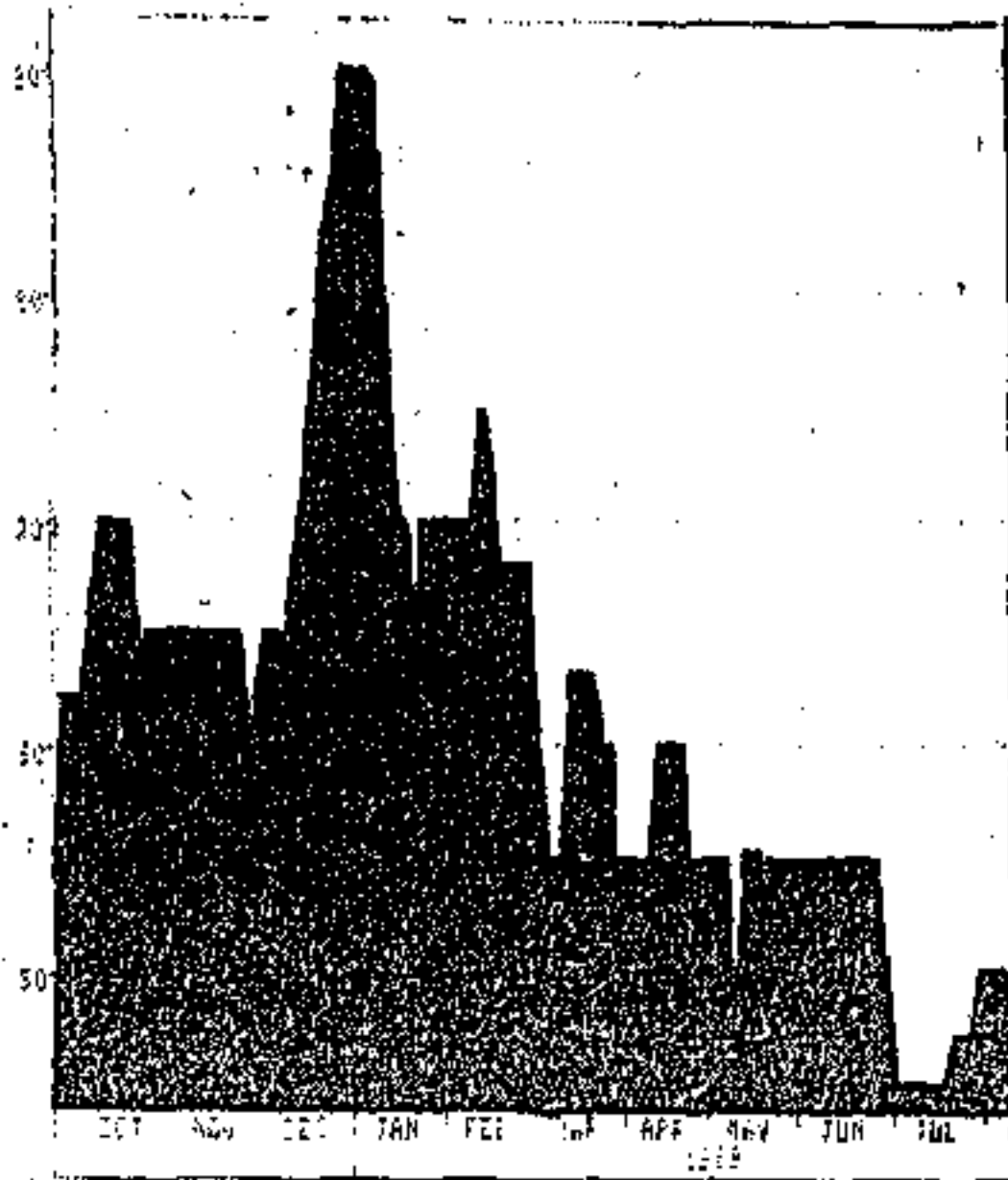
The disappointing results, which had been anticipated well in advance by the market, stemmed from several factors, the most significant of which was the loss incurred by the printed circuit board subsidiary, Alumet Circuit Technologies.

A steep fall off in demand — especially from the Post Office — resulted in a loss which couldn't be offset by the strong sales growth achieved in other sectors of the group's business.

Losses arrested

Alumet was sold in April 1989 for R3,8 million, as a result of which the losses have been arrested and Control Instruments' cash flow improved.

Managing director Richard Friedman says that had Alumet broken even, the group's earnings would have been in the region of those recorded in 1987-88.



Control Instruments share price mirrors the setbacks experienced during the year.

Source: Stock Market Solutions.

Earnings were also adversely affected by the rationalisation of Ferris Instrumentation. However, its integration into the group is now producing positive results.

In spite of the setbacks of the past financial year, Control Instruments had R8,4 million in cash balances at the end of June and although the debt:equity ratio rose to 41 percent (borrowings increased by R10 million to R15 million), the ratio is expected to fall to between 10 and 15 percent by the end of June 1990.

Reduced margins were the result of a further decline in the value of the rand and the group

has accordingly initiated a local content programme.

Some R6 million has been invested in the instrumentation division and, subsequent to the year end, it has acquired the industrial instrumentation division of Harvey & Russell.

Upgrading

Capital expenditure for the year amounted to R6,4 million — principally on the upgrading and expansion of facilities.

R2,3 million was spent on the development of new products, which accounted for 3 percent of group sales.

According to Mr Friedman: "This expenditure has resulted in the finalisation of a number of exciting new products which will be launched during the next financial year and which should further entrench the group's position as a technological leader and innovator in the fields in which it operates."

Meanwhile, exports remain an important part of Control Instruments' activities, accounting for around 15 percent of sales. Continued success in this area is anticipated.

Mr Friedman characterises the past year as one of significant changes and improvements, the result of which is that "the group is well placed to benefit from these developments".

Growth at Powertech

Since its inception in 1980, it has taken Powertech about 10 years to reach almost R1 billion sales and report good profits.

The group remains firmly committed to growth by acquisition, import substitution and the development and introduction of new products, says CE Peter Watt.

Powertech has four divisions: power and communication cables in which listed subsidiary Aberdare Cables excels; power generation, transmission and distribution where the recent merger of Brown Boveri and ASEA Electric SA has more than doubled its sales in 1989; energy management and control where Willard Batteries and the automotive division is predominant; and finally, lighting and electrical accessories.

Powertech has strong investor appeal, possibly due to its low JSE price and its 133 million shares in issue, of which 63,6 percent is held by Bill Venter's Altron group.

While the 1989 annual report showed all four divisions producing record turnovers, management is silent on bottom-line contributions.

With the computed tax losses increasing from R7,8 million in 1988 to R29 million at end-February 1989, losses are being made somewhere in the group.

Debt increased by 250 percent from R16,2 million in 1988 to R56,6 million a year later.

With interest rates rising, could this be a problem? The answer is no — simply because the interest is fully tax-deductible and the Receiver is in fact helping to pay for acquisitions and growth.

In the US, companies and shareholders are used to debt or leverage, as Americans say. It is a way of life and the prevailing attitude is — why use your own funds when you can use someone else's?

Let the lender earn the interest, pay tax on it and find his net increase is less than the growing inflation rate.

When he wakes up his money has depreciated. Somehow it's fashionable to be the borrower today and this trend is set to move into the next decade as the shortage of money increases.

Sales climbed impressively to R853,7 million (1988: R599,4 million), with pre-tax profits R61,3 million (1988: R41,2 million).

Expenditure included losses on the disposal of fixed assets R1,76 million, technical consultancy and know-how fees of R6,83 million (1988: R5,87 million) and significant interest paid of R13,7 million (1988: R6,2 million).

The effective tax rate declined to only 31,5 percent (1988: 37,4 percent), giving tax of R19,3 million (1988: R15,4 million).

After deducting outside shareholders' profit of R13,5 million (1988: R7,7

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Bottom
Line
189
MICHAEL MENOF



million), the bottom line was R28,56 million (1988: R18,07 million).

Earnings per share were 21,4c (1988: 13,5c) and the annual dividend upped to 6,5c (1988: 4,6c).

Powertech has selected a growth industry. It is a significant supplier of advanced technology equipment to the mining industry, major projects such as Mossgas, the electrical reticulation of black townships, the electrification of rural areas and the expansion of the power supply infrastructure.

The motor vehicle industry needed more batteries, the electrical cable market was buoyant and the commercial and industrial lighting markets remained firm, says Mr Watt.

While sales grew steadily in three divisions — power and communication cables R318 million (1988: R254 million), energy management and control R118 million (1988: R93 million) and lighting and electrical accessories R124 million (1988: R109 million), it was in power generation, transmission and distribution with Brown Boveri that sales sparkled, more than doubling to R295 million (1988: R143 million).

Technology development for all divisions flourished and its progressive approach is encouraging for the future.

The balance sheet reflects the growth. Ordinary shareholders' equity stood at R166 million (1988: R146 million) at end-February.

Although working capital improved to R110,3 million (1988: R103,6 million), there are three worrying aspects — year-end stocks have increased by R198,6 million (1988: R130,5 million), the debtors' book has grown to R186 million (1988: R14,7 million) and there's the sudden short-term debt of R48,6 million (1988: R8,5 million).

Eye-catching was the shrewd acquisition of subsidiaries at a discount of R20,8 million, rather than the normal excessive goodwill predominant in most annual reports.

At end-February, net asset value per share was a healthy R1,24.

Management is optimistic about the future. With a combination of a broad, solid customer base spanning a wide range of high-technology products, a record order book, a strong and talented management team and an industry with good development prospects, Mr Watt has every reason to be optimistic.

Chairman Fred Bell also has a message: negative factors in SA should not be exploited to justify mediocre performance and profit inertia — simply get on with the job.

Plessey workers carry on strike

Staff Reporter

MEMBERS of the Electrical and Allied Workers' Trade Union of SA (Eawtusa) at Plessey SA will remain on a hunger strike till their demand for a 26% wage increase has been met, union members said yesterday.

About 300 locked-out workers started the hunger strike at midnight on August 9 outside the factory gates in Retreat. The strike is being carried out on a relay basis with participating groups taking no food or drink for 24 hours.

Eveready fires 1 000 Numsa members

JOHANNESBURG. — At least 1 000 National Union of Metalworkers of SA (Numsa) members were fired by Eveready management at the Port Elizabeth plant yesterday after they ignored a return-to-work call.

And in Pretoria a Numsa national shop stewards' council meeting was held to discuss a revised offer placed on the table by car manufacturers before the adjournment of national pay talks for the motor industry in Port Elizabeth on Friday.

Eveready spokesman Mr Barry Easton said management considered employees who had not accepted the company's pay offer by 3pm yesterday as dismissed.

But he said management would meet with Numsa officials today.

US firm to quit

Argus 29/8/89
The Argus
Foreign Service

NEW YORK. — In yet another US withdrawal from South Africa, Raychem Corporation announced today its South African subsidiary, Sigmaform (South Africa) Pty, is to sell its holdings to Electric Cable Accessories.

Raychem spokesmen did not disclose the terms of the sell-out, but said the transaction would provide "substantial" protection for the rights and benefits of all its employees in South Africa.

JOINT VENTURE

Electric Cable Accessories is a joint venture between Aberdare Cables Africa and J Ilman and Co (Pty), a subsidiary of Berzack Brothers (Holdings).

Sigmaform Corporation develops, manufactures and markets heat shrinkable systems for

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the electrical, transportation, telecommunication and utility industries.

S/Times 3/9/89.

Cullinan feels its way in 189 new ventures

CULLINAN Holdings, the technology-based industrial group which bears the name of its founder and the diamond discovered at the Premier mine he once owned, is a difficult group to rate.

The market may well have been disappointed by the 15% increase in earnings a share recorded in the year to June compared with almost 41% in the previous year.

But it is a group feeling its way from traditional areas of operation, closely tied to refractory bricks sold to the steel industry, into more high-tech electrical and electronic arenas.

It also has property interests which are coming into play as people discover that its Olifantsfontein base, which dates back to Sir Thomas Cullinan's purchase of the farm in 1902, is part of the burgeoning Midrand industrial complex.

The group increased turnover by 33% to R553,9-mil-

By Ian Smith

lion in the year to June 30, taking earnings from last year's record 127,6c a share to 146,2c. The dividend was increased 18%, from 45c a share to 53c.

The earnings mix changed considerably in the past year. Electrical interests contributed 90,5c compared with the 63,5c a share in the previous year. At the same time ceramics, which includes refractories, contributed 79,9c compared with 81,9c. Property earnings jumped from 1,2c a share to 13,6c.

Suffered

Although this indicates the increasing importance of the electrical divisions, executive chairman Neil Cullinan is quick to point out that refractories suffered unduly last year from a bunching-up of maintenance and some industrial relations problems.

The privatisation of Iscor and its good performance offer better prospects in this area, as does the export market.

The performance of African Cables, which was incorporated as a subsidiary in September 1987, has vindicated the buy-out decision. More synergies with Cullinan Electrical are becoming apparent, and Mr Cullinan says the group is happy with the Afcable management and staff.

In computers the group has brought out an up-market PC which is winning acceptance in the professional market. In addition, Skok Systems' range of CAD/CAM software for the design, engineering and electronics markets includes the new Genesis range, which may have export potential.

Ripe

The group has 150ha in Midrand and another 38ha in Boksburg which is ripe for industrial development.

Mr Cullinan says: "We have taken this land to the point where it can be put on the market as quickly as possible and with limited holding costs."

Most the land stems back to Sir Thomas's farm purchase, and it stands in the books at more than R1,5-million.

Sizeable sales would have a big effect on bottom-line figures.

But irrespective of the property prospects, Mr Cullinan is bullish about the year ahead.

GOVERNMENT'S clampdown on consumer spending has slashed Picardi Appliances' (Picapli) earnings and dividends in half for the year to June.

The Cape Town-based investment holding company has posted a drop in unappropriated earnings to R3,4m from R9,9m.

This was produced on undisclosed turnover which increased 114% compared with the 169% hike reported in the previous financial year.

A heftier interest bill of R26,5m (R11,8m) trimmed income before taxation to R10,7m — less than half 1988's R22,6m.

Decline

A final dividend of 7,5c (15c) a share has been declared on bottom-line attributable earnings of R4,8m (R11,5m).

Chairman Jan Pickard said import surcharges, restrictive measures on HP financing and higher interest rates were to blame for the sharp decline in the group's performance over the past year.

"These measures, amongst others, impacted negatively on group stockholding due to the six months lag time on imported goods," he said.

"In order to reduce stockholding in the second half of the year, margin reductions

Earnings slashed for Picardi Appliances

B/Daily 13/9/89

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SYLVIA DU PLESSIS

were introduced to generate the required volume reduction."

This had a negative impact on profitability, he said.

However, demand for the group's refrigeration products — white goods — continued to climb, with the manufacturing division operating at full capacity.

Commenting on prospects, Pickard said

it was expected that consumer demand for semi-durables would remain depressed in the current financial year.

Increased management focus on working capital and expense control, supported by the group's management information systems, would provide a solid foundation for improvement in the future.



● PICKARD

tion for improvement in the future.

City strikers return to work

City- Times 15/9/87
ABOUT 400 workers of city electronics manufacturing firm Plessey, who have been on strike for nine weeks, returned to work yesterday.

The workers, all members of the Electrical and Allied Workers' Trade Union of SA, accepted the management wage offer and extracted major concessions.

As part of the agreement Plessey must donate R50 000 to the Cape Flats Distress Association, which helped workers during the strike. — Sapa

Major shakeup to electronics industry ahead

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w/k/mbus 16/9/89
From DAVID CUMMING

JOHANNESBURG. — The South African electronics industry could be heading for a major shakeup in the wake of the takeover of Plessey plc in the UK by Siemens and GEC, say industry sources.

And Plessey SA's management is still in the dark as to what might transpire locally, after the takeover of its parent.

"It is very difficult to tell at this stage what might transpire," financial director John van Zyl said this week.

"There are multiple scenarios and we are waiting for larger issues to be cleared up in the UK.

"However, I can say that ours is a successful company which should be much sought-after and therefore the future looks rosy."

Industry sources were quick to point out, however, that Sanlam holds 26 percent of Plessey SA through Sankorp and has a pre-emptive right to buy the rest of the company in the case of disinvestment.

"Sanlam also has a 12,5 percent portfolio investment in Grinaker Electronics and the temptation to put the two together to form a new electronics giant would be great," an industry source said.

He added that the deal could see the start of a long-overdue rationalisation of the South African telecommunications industry.

Should the merger of Plessey and Grinaker arise, it would be in line with the known strategic aims of the late Dr Fred du Plessis, the Sanlam chairman killed earlier this year in a motor accident.

He was known to favour increasing Sanlam's investment in the energy and electronics industries.

Plessey SA awarded R30m SABC contract

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19/9/89
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JOHANNESBURG. — The SA Broadcasting Corporation (SABC) has awarded a contract worth R30m to Broadcast Technology, a wholly-owned subsidiary of Plessey SA, for the local manufacture of VHF FM transmission equipment.

The SABC was always dependent exclusively on foreign suppliers for its equipment, but now we are glad that the local industry has developed to such an extent that we can award a contract of this nature to a local organisation.

Recognised technology is being transferred to SA and will be refined and developed further by Plessey for local conditions in terms of a joint venture agreement.

The collaborative venture will establish a local design and manufacturing facility for radio frequency products, which will cater for the SABC's requirements, and we hope that this contract will contribute to the development of an industry with export potential.

All the equipment will be manufactured in Cape Town, and the contract will lead to Plessey expanding its already considerable R & D facilities.

The SABC says it has taken this step forward because it recognises the potential in establishing hi-tech broadcast technology in SA.

Not only will this make SA immune to possible sanctions and fluctuations in the exchange rate but will also provide a higher quality service to radio listeners.

The SABC has full confidence in the SA electronics industry and that it will be able to deal with the project competently.

The 300 transmitters and 600 relay receivers provided for in the contract will be manufactured over a five-year period. These will replace 60% of the equipment within the present FM network which is now over 25 years old. — Sapa

Siltek lifts earnings 57%

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Capt. Tim's 22/9/89

JOHANNESBURG. — Siltek's attributable earnings rose by 57% to R23,4m (1988: R14,9m), for the year ended June.

The total dividends were raised by 42% to 21,25c (15c) a share, covered 3,5 times (3,4 times) by earnings.

Siltek's chairman, Jack Saulez, describes the computer group's results as excellent and, in spite of the fact it started the year from a high base, he expects further growth in the current year.

Furthermore, the group has now entered the export market.

Siltek acquired 40% in M & PD Electronics, as well as 25% in Q-Data, which JSE-listed companies contributed R4,8m to the equity-accounted earnings.

However, these excluded any contributions from Hiperformance Systems (formerly Hewlett-Packard) which was purchased with effect from July 1. The chairman described this acquisition as being of great importance to Siltek.

Referring to the M & PD and Q-Data deals, the Saulez says the sale of certain subsidiaries to these companies as part of the Siltek group's rationalisation programme, resulted in lower than usual growth in turnover and operating profit.

Turnover increased by 37% (63%) and operating profit increased to R31,4m (R27,3m).

Since the year-end, Siltek has made an offer for the remaining 60% of M & PD's share capital which, if accepted by shareholders, will lead to M & PD's delisting.

Siltek subsidiaries and associates continued to perform well in the year and produced very good results.

A start was made with the export of locally-designed and manufactured products. Although export volumes were low, the interest overseas in our equipment is encouraging, says Saulez. — Sapa

Families team up in a R1-billion-a-year deal

S/Times 24/9/89

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will be in H&J — but the two family companies retain their independence and significant non-electrical interests.

H&J will comprise cable and moulded plug manufacture, the Elcentre industrial, electrical cable, wire, commercial and industrial lighting divisions plus Berzack's cable, pipe, design and heavy engineering, plastics, injection moulding and property interests.

Elcentre interests will account for R700-million of H&J's sales and Berzack's about R400-million. Excluding inter-group sales of about R100-million, turnover will exceed R1-billion.

In addition to its stake in the enlarged company, Berzack will retain its sewing machine, lathe, plastic distribution and confirming companies, plus properties and cash of R25-million. They will yield a taxed profit in 1990 of at least R5-million a year.

Revaluation

Because of prefs and debentures, Berzack will receive 40% of the 1990 attributable profit of the electrical group — R40-million. It is thus looking at total taxed profit of R45-million, or 180c a share, in 1990 compared with 64c in 1988 and an

ELCENTRE Group and Berzack Ilman Investments are to buy control of H&J Cables and put their electrical interests into it, forming a supergroup with sales of R1-billion a year.

The electrical group hopes for taxed profit of R100-million in its first year. It will have 40% of the electrical cable market — the same share enjoyed by Bill Venter's Powertech Group.

The giant will be a competitor in cables of Powertech, but being the biggest electrical wholesaler and retailer in SA, it will also be one of Powertech's most important customers.

After cash and share issues by H&J totalling nearly R800-million, Berzack and Elcentre will control it jointly through a pooling of shares. H&J is to be renamed, Berzack and Elcentre, both family companies, have been outstanding performers on the JSE.

"This deal cements friendly relationships between the Mowszowski, Berzack and Ilman families that go back many years," says Elcentre director Nathan Mowszowski, who was at school with Berzack Ilman director Myron Berzack.

"The main aim of the merger," says Myron Berzack, "is to extract enormous synergy in common purchasing, reduced overheads and more economical stock holdings."

Property

After the deal, most of the profits and assets of both Berzack Ilman and Elcentre

estimated 100c this year.

Because of the revaluation implicit in the sale to H&J, net assets of Berzack soar to 1155c a share (331c). The share price is only 800c.

Elcentre's Sanlic, do-it-yourself outlets and its R120-million in prefs will bring in R9,5-million in 1990 and the investment in H&J R60-million. It is looking at taxed profit in 1990 of R70-million, or 115c a share, compared with 82,5c in the year recently completed. Net asset value soars to 713c (119c) compared with the share price of 500c.

In a complex deal, Elcentre and Berzack have agreed to buy 79% of H&J Cables at 172c a share —

By David Carte

after H&J has sold its non-cable interests to Eureka for R15,2-million cash. The price is a discount to the current market price of 180c, so there will be only a standby offer to the H&J minority.

H&J will buy Elcentre's electrical cable and electronic distribution businesses for R420-million, to be settled by the issue of 142,5-million new H&J shares.

It will buy the Berzack businesses for R305,2-million, to be settled by R25-million of cash, 144,6-million new H&J shares and 18,3-million debentures.

The board of H&J comprises Reuben, Nathan and Chanamanania Mowszowski, Maurice and Myron Berzack, Bennie and Stanley Ilman and Phillip Aginsky.

Adprom lifts its earnings

Stav 27/9/87
Adprom's steady growth was maintained for the six months to June, with turnover rising 37 percent to R26 million (R18,9 million) despite competitive markets and difficult trading conditions. (189)

Operating income was 22 percent higher at R2,1 million (R1,7 million) and attributable earnings rose to R1,6 million (R1,4 million).

Earnings per share increased 16 percent to 10,2c (8,8c).

In keeping with Fintech group policy, a single dividend will be declared in future after the end of the financial year. The previous interim was 1,7c.

The directors believe that the outlook for business in the areas which the Adprom group is active remains attractive and they are confident that steady growth will be maintained.
—Sapa.

Powertech on line for R1bn

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S/Times 1/10/89

POWER Technologies is continuing its surge.

In the six months to August 31, Altron's star in the power electrical field continued the run which caught analysts by surprise at the end of the previous year.

Interim figures released this weekend show that Powertech is well on the way to hitting R1-billion turnover for the first time.

Executive chairman Peter Watt says all the companies in the group are profitable.

"There are no losers with us now. I am confident that the remaining six months will result in continued growth and expansion in all areas.

"We are through the election campaign when invest-

By Ian Smith

ment decisions tend to stall. People are back in business and more optimistic."

Turnover jumped by 46% to a record R618,7-million in the six months and attributable earnings rose 41% to 16,9-million. Earnings a share increased from 9c to 12,7c.

Mr Watt says the results are excellent in view of high interest rates and subdued trading. But Powertech has limited exposure to the economic downturn, which has mainly hit consumers.

Much of the improvement resulted from "good bottom-line contributions" from all subsidiaries.

"Powertech benefited

from a healthy order book, sound management, tight cost controls and greatly enhanced productivity."

Interest charges at R7,3-million are much higher than the R2,8-million at last year's mid-point and are not much lower than the R8,8-million paid in the year.

Mr Watt says there is "tremendous emphasis" on managing capital.

"A lot of time is being devoted to reducing borrowings, and it is beginning to bear fruit."

Priority

Borrowings have been adversely affected by the acquisition of Brown Boveri's electric motor business and the more recent takeover of JA Crabtree's South African operation from the UK parent.

Priority is being given to increasing the motor operation's share of the market, says Mr Watt.

The Crabtree business complements Litemaster's product range and its operations have been integrated with the group's lighting and electrical accessories operations.

Major benefits are expected to come from low-cost

housing construction and much-needed electrification throughout SA.

"Home construction and electrification must continue," says Mr Watt. "Spending in these areas is not an option. It has to happen."

Powertech is concentrating on the expansion of manufacturing through the development of products and advanced systems.

The group is well placed to benefit from acquisitions, and Mr Watt says two or three deals are being examined.

"But we do these things carefully — we don't rush in," he says.

S/Times 1/10/89

By David Carte

Berzack thumps profit forecast

BERZACK Brothers and holding company Berzack Illman have whipped their earnings forecast days after announcing that their electrical interests are to be pooled with those of Elcentre in H&J Cables in a R1-billion-a-year megagroup.

Berzack Brothers, the operating company, hoisted sales by 37% to 470,7-million and operating income 64% to R53,6-million. With interest costs down in spite of higher rates and the tax rate pared to 37% (41%), taxed profit rose 83% to R30,6-million.

That gave an 84% lift to earnings a share of 119c (64,6c). A final dividend of 25c makes 31,5c for the year.

Last week at the time of the Elcentre deal, Berzack forecast earnings of 100c.

Sharply

Bivec rocketed in line with earnings up 85% to 83,3c and, thanks to slightly reduced cover, the total dividend rose by 96% to 22c (11,2c).

Shareholders are offered bonus shares instead of the dividend. Berzack holders can take three new shares for every 100c, or five for 150c, at 750c a share, compared to the market price of 950c.

Bivec holders can take five for 150 at 525c compared with the market price of 625c. year 98% of shareholders opted for shares — and made money.

Managing director Myron Berzack says the company has reduced gearing sharply over the years by retaining earnings and offering shares instead of dividends. Gearing

fell from 112% in 1982 to 24% in the past year.

Mr Berzack is confident about the future. Because of the benefits of synergy, he expects Berzack to attain attributable earnings of R40-million from H&J and another R5-million from Berzack's R25-million in cash and other interests — total earnings of R45-million compared with the R30,6-million now declared. That is a 41% increase in earnings.

Mr Berzack says Berzack's cable and plastic extrusion plants came into their own in a booming economy in the past year.

"We geared up to buy the plants and we paid a price in terms of financing costs. Because debt has fallen and our plants have operated flat out, we have reaped the benefits."

Mr Berzack says there is organic growth in H&J and the non-electrical interests. H&J is more than 90% owned by Elcentre and Berzack. It is thus in a good position to issue shares in acquisitions.

At the current price Berzack is on a historical PE of 7,8. The forward PE is only 5,4, which makes it — and its parent Bivec — look dirt cheap.

Faint, illegible text, likely a table or list of data, possibly a stock market listing or financial data table.

Berzack income soars by 95%

CMT-11713 2/11/89

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Financial Staff

BERZACK BROTHERS (HOLDINGS) improved earnings per share to 119c, a rise of 84%, for the year ending June 30.

Net income soared by 95% to R30,6m from a 37% lift in turnover of R470,4m.

The diversified group's sparkling results follow last week's announcement of the merger of Berzack's cable and plastic manufacturing businesses and Elcentre Corporation's electrical distribution businesses in an operation with a turnover of more than R1bn and assets of R0,5bn.

Berzack reported operating income, before finance costs, 64% higher at R53,6m. Income before tax improved by 75% to R50,6m.

With a final payout of 25c (13,5c), dividends for the year totalled 31,5c, 88% higher than 1988. Dividend cover remained at 3,8 times.

Director Myron Berzack said the company proposed to continue the bonus share scheme it initiated in 1987. It will offer shareholders five bonus shares for every 150 held at December 15, 1989, or a cash dividend of 25c.

He said major contributors to the record results were continuing bene-

fits from investments in advanced machinery, buoyant markets in sectors served by the group, greater teamwork and containment of expenses.

In addition to manufacturing cable and plastic products for the mining, parastatal and agricultural sectors, the group also markets haberdashery, plastic and sheeting, labelling equipment and industrial and domestic sewing machines.

Berzack said there was a further substantial decline in debt:equity — to 24% from 46% after 112% in 1986 — and this was reflected in finance costs dropping to R3,09m from R3,9m.

He said the group's parent, Berzack-Illman Investment Corporation (Bivec), will offer shareholders five bonus shares for every 150 held at December 15, 1989, or a cash dividend of 17,5c.

Bivec which has a 50,1% shareholding in Berzack, reported income of R470,7m, a 37% improvement.

Earnings a share improved by 85% to 83,3c after net income rose 93% to R15,5m.

The 17,5c final brought dividends for the year to 22c. Dividend cover was reduced to 3,8 times from 4.

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B/day 2/10/84

Berzack Bros up earnings a share by 84%

ZILLA EFRAT

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BERZACK Brothers achieved an 84% growth in earnings a share in the year to June, because of greater teamwork, continued benefits from investments in advanced machinery, and buoyant markets.

Berzack recently announced its cable and plastic manufacturing businesses would be merged with Elcentre Corporation's electrical distribution businesses.

Net income rose 95% to R30,6m (R15,7m), while earnings improved to 119c (64,6c) a share on an increase in the number of shares in issue. A final dividend of 25c a share has been declared, putting the annual total at 31,5c (16,75c) a share, up 88% and covered 3,8 times.

Director Myron Berzack says the company will offer shareholders the option of five bonus shares for every 150 held, or a cash dividend.

Turnover rose 37% to R470,4m (R344m). Operating profit jumped 64% to R53,6m (R32,8m) with operating margins improving to 11% (9,5%).

With the interest bill down 21% to R3m (R3,9m) and a lower tax rate at 37% (41,5%), taxed profits were up 88% to R31,7m (R16,9m).

The group's parent Berzack-Ilman Investment Corporation (Bivec) showed a 93% growth in net income to R15,5m (R8m). Earnings were up 85% to 83,3c (45c) a share on an increased number of shares in issue.

A final dividend of 17,5c a share has been declared, pushing the annual total up 96% to 22c (11,2c) a share, covered 3,8 (4) times.

Bivec will offer shareholders five bonus shares for every 150 held, or a cash dividend.

Batteries of take-over rumours denied

^{10am} ^{2/10/89}
RUMOURS that Powertech subsidiary Willard Batteries is considering a take-over of Chloride were denied by Powertech CE Peter Watt on Friday. (189)

He said one rumour — based on a visit supposedly made by Altron chairman Bill Venter to Chloride — was quite untrue.

"We have been talking to Chloride on and off for about five years now, but we

CHARLOTTE MATHEWS

are nowhere near a merger. We would be interested in acquiring them, but we are not even near talking about the details."

Willard is a 100% held subsidiary of Powertech and most recent figures put its contribution to sales at 13,8%. Altron owns 63,6% of Powertech.

Powertech earnings rise 41%⁽¹⁸⁹⁾

ZILLA EFRAT

ALTRON subsidiary Power Technologies has achieved a 41% growth in earnings in the six months to August in spite of high interest rates and subdued trading.

The group, which manufactures electrical cables, batteries and lighting and power equipment, produced earnings of 12,7c (9c) a share. No interim dividend has been declared in line with the group's policy to pay a single dividend at the end of its financial year.

Executive chairman Peter Watt attributes the excellent performance to good bottom-line contributions by all subsidiaries in the group.

Powertech benefited from a healthy order book, sound management, tight cost controls and greatly enhanced productivity levels.

Watt says: "The group is now firmly established in the industry as a major supplier of high technology equipment for electrical reticulation of black townships, the electrification of SA's rural areas, the mining industry as well as the Moss gas project."

Turnover increased 46% to a record

R618,7m (R423,7m). With operating margins improving to 9% (7%), operating profits jumped 88% to R55,9m (R29,8m).

An increased interest bill of R7,4m (R2,9m) and tax rate of 40% (37%) resulted in a 73% increase in taxed profits to R29,3m (R16,9m).

However, with outside shareholders' interest substantially higher at R12,4m (R4,9m), attributable earnings grew 41% to R16,9m (R12m).

Watt says J A Crabtree, acquired from its UK parent in March, has been successfully integrated with Litemaster's lighting and electrical accessories operations. He is confident the remaining six months will witness the continued growth and expansion in all areas of the group's operations.

"Powertech remains firmly committed to continued growth and will concentrate on the expansion of its local manufacturing programme through the on-going development and introduction of new local products and advanced systems."

10/10/89

Berzack still bouncing

The Berzack share price has been the market's second biggest mover since February — can it go any further?

Just ahead of the twenty-for-one share split, Berzack was trading at R72. The split meant a drop to 360c, it has moved from there to yesterday's 950c.

The sharpness of the move is attributed to a number of factors. An expensive share is infrequently traded so a split encourages trading which in turn tends to lift the share price.

Following the split some of the family holdings were sold, reducing the Berzack family's stake from around 80 percent to about 60 percent. This resulted in a larger percentage of shares being tradeable which made Berzack a more attractive investment for institutions.

Finally, in recent months there has been much speculation about a major deal in the pipeline. Such speculation always produces a run in the share price.

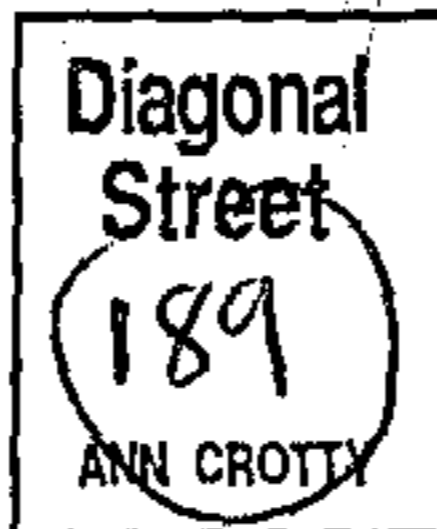
The issue now is whether the share advance has run its course or whether the release of the details of the restructuring means that there is still more scope for advance.

Last week, when this restructuring was announced, Berzack showed the before and after eps figures as 64,6c and 146,5c respectively. The former figure was the actual achieved for the year to end-June 1988.

Yesterday the group released the June 1989 figures (more than three months after the end of the financial year). These showed eps had surged 84 percent to 119c (64,6c) from which a dividend of 31,5c (16,75c) has been declared.

It was an impressive achievement worked from a 37 percent increase in turnover to R470 million (R344 million). Margins were up — from 9,5 percent to 11,3 percent; finance costs were down and the tax rate dropped from 41 percent to 37 percent.

Financial director Myron Berzack attributes the improvement in operating margins to benefits from the ongoing investment in plant modernisation and greater team work which combined to extract the most from the strong de-



mand that the group experienced.

Improved debt collections, slightly reduced capex and the hefty level of retained profits (the last point reflects the very strong response to the group's bonus share-for-dividend offer in financial 1988) all helped to keep down finance costs.

At 950c the share is on an historic price/earnings rating of 8 times — at which level it is looking quite cheap. Powertech — the other major player in the cable industry — is on an historic p/e of 9,3 times. A similar rating would push Berzack to just over R11.

Berzack management has stated that following the restructuring it is looking to earnings per share for 1990 of 146,5c. Following on 1989's 88 percent increase, this 23 percent increase is unlikely to set the market alight.

In view of the fact that the first three months of the year are reported to have been very good; the tax rate will be lower and should some restructuring benefits come through in the first year, the forecast figure is on the conservative side.

Given this, and the fact that H&J (where most of the action will be) will be tightly held by Berzack and Elcentre and that therefore the only way to get to that action is via Berzack and/or Elcentre, there seems to be sufficient reason for Berzack to move towards the 9 times rating.

A lower tax rate for 1990 does appear to be in the bag and indications are that the eps forecast includes some recoupment of tax charges in the wake of the "unlocking of value" that resulted from the sale to H&J of assets at market value. These assets were quoted in Berzack's balance sheet at a much lower book value.

Altron's all-time high neutralised

ZILLA EFRAT

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ALTRON produced a record turnover of R1,4bn in the six months to August, but produced only a marginal rise in earnings.

Attributable earnings rose by a mere 6% to R33m (R31,2m) while earnings were virtually unchanged at 175c (174,5c) a share after the issue of just over one-million new ordinary shares for the acquisition of NCR Corporation.

Although group turnover rose 30% to R1,4bn (R1bn), difficult micro-computer market conditions for Fintech resulted in Altron's attributable earnings showing only a marginal increase. *3,10m 5/10/87*

Earnings were boosted through subsidiary Powertech showing a 41% growth in attributable earnings to R618,7m.

Directors say Altron's future remains sound as it continues to address new markets and opportunities both in SA and abroad.

Ventron, which holds 54% in Altron, boosted turnover to R1,4bn (R1bn) in the six months to August.

As a result of the group's rationalisation programme and higher interest paid, attributable earnings were virtually unchanged at R17,8m (R17,4m). Earnings rose marginally to 66,1c (65,8c) a share.

Business Report

Altech ¹⁸⁹ lifts ^{CMT 11/10/89} earnings to R40,217m

JOHANNESBURG. — Allied Technologies (Altech) has reported earnings attributable to shareholders of R40,217m for the six months to August compared to R39,455m for the same period last year.

Earnings per share were 408,9c (402,1c), while no dividend has been declared as group policy is to pay a single dividend at the end of the year.

Turnover was R359,433m (R349,826m), while operating income before interest was R67,870m (R56,777).

Income before tax was R68,099m (R70,441m) and tax paid amounted to R24,518m.

Post Office deferrals of R200m over the past two years, in the case of STC, have significantly effected group profits. However, state the directors, further deferrals are unlikely.

Altech says no contribution was received from the group's considerable investment in Fintech.

Reduced pre-taxed profits were, however compensated to some extent by export-related tax advantages.

The directors state cost-savings programmes have been introduced without restraining the further development of high-technology systems and products.

Altech is turning its attention to three new areas which directors state look promising.

They are industrial electronics with emphasis on the automotive industry, mining electronics and financial electronics. — Sapa

B/Day 6/10/89

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COMPANIES

Supply problems clip strong performance

FEMCO Technology (Femco), the electric motor and vehicle wiring producer, yesterday released strong interim results.

Bottom-line earnings increased 20% to R4,9m (R4,1m) on turnover which rose 36% to R50,3m (R36,9m) for the six months to June. However, operating profit of R9,5m



NEIL YORKE SMITH

(R7,5m) was trimmed by "non-recurring expenses" of R0,4m and higher finance charges which, at R0,8m, were more than double the previous year's R0,3m.

A dividend of 8c (6,6c) a share will be paid out of earnings of 20,2c (17,5c).

MD James Greig said yesterday the group performed well although margins were reduced by supply problems. "This impacted on profits and operating

efficiencies," said Greig. However, he added the problems would not recur in the second half of the financial year and profits would return to normal.

During the period under review Femco undertook several restructuring and re-creating exercises. These were aimed at increasing capacity and improving operating efficiencies at the group's manufacturing plants. Although reduced demand for some product lines was exper-

enced towards the end of the interim period, especially in consumer durables, Greig said profitability would be maintained.

Greig said similar growth was expected in the second half and would be more clearly reflected in Femco's bottom line.

"Most operations are working to capacity, new products are coming on stream and supply problems have been dealt with," he added.

R200m boost for electronics industry

CME 74/5
13/10/89
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Own Correspondent

JOHANNESBURG. — The Industrial Development Corporation (IDC) has budgeted R200m for the next five years to promote the electronics industry, an IDC spokesman said at the launch of an annual R40m programme for the electronics industry yesterday.

The R40m programme is part of a strategy to promote the industry by specifically concentrating on growth points in new technology and new products.

However, the spokesman said, the funds would only be available to the electronic industry if economic conditions and demand warranted the funds.

Minister of Trade and Industry and of Tourism, Kent Durr said at the launch in Sandton, the programme was not a defensive approach to keep firms or products alive through protection.

He said the programme met an important principle, that support should be enabling.

The programme would have to be monitored to see if it was having a positive effect on the industry, said Durr.

The state would regain its contribution to the private electronic industry through ordinary tax on the increased manufacture and sales. The project would also be a foreign exchange earner, he said.

The launch of the funds yesterday marked the first tangible step by government regarding the new emphasis on technology.

New car sales dropped in Sept

JOHANNESBURG. — New car sales for September dropped sharply by 1 488 units, or 7,9% to 17 372 units from the 18 860 units sold in August.

Figures released by Naamsa yesterday show that compared with the corresponding month of September

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Public support for workers

IN a massive display of public support for striking National Panasonic workers, an estimated 2000 people yesterday joined the workers in a march from Tygerberg Hospital to the company's Parow Industria factory.

A Parow magistrate and the Parow municipality granted permission for the march to be held.

A company spokesman could not be reached for comment last night.

B/accy

17/11/89

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COMPANIES

Yelland's interim earnings take 37% tumble

HI-TECH electrical group Yelland Technology Holdings has shown a 37% fall in attributable earnings in the six months to August after being adversely affected by poor results from certain recently acquired businesses.

However, directors say the group showed an improvement in profitability in the principal operating divisions which generate about 80% of its turnover. The group's management is in the process of rationalising its activities and has

ZILLA EFRAI

taken steps to ensure the same level of profitability does not reoccur in the second half of the financial year.

Directors say results were affected by costs incurred in relocating Yelland's Durban workshop operations, a significantly higher interest bill and R & D expenditure on new products written off as it occurs. Yelland increased its turnover by 38% to R22,3m (R16,1m).

However, operating income fell 19% to R1,6m (R2m).

The interest bill increased to R353 000 after the interest received of R25 000 in the previous interim period.

Taxed profits declined 37% to R643 000 (R1m) and earnings were down 40% to 4,9c (8,1c) a share on an increase in the weighted average number of shares in issue.

A capital gain of R110 000 from the sale of a property investment subsidiary has not been credited to attributable earnings.

An outstanding interest-free sum of R1,5m for subsidiaries and the rights to certain inventions and designs purchased in early 1988 will be settled by the issue of Yelland shares at a value of R1 each over the next three years, say directors.

They say action has been taken to curtail unprofitable businesses and to ensure improved efficiency in the recently restructured engineering divisions. As a result, a significant recovery of earnings in the second half of the year is expected.



LOCKED IN . . . A security guard at the National Panasonic factory in Parow tries to open the factory gates yesterday. Earlier in the morning striking workers jammed the locks so they could not be opened.

Picture: ANNE LAINING

Workers lay siege to factory

By MARIUS BOSCH and BELINDA BERESFORD

STRIKING workers at a Parow electronics factory broke through the factory fence and laid siege to the administration block yesterday.

After members of the Electrical and Allied Workers' Trade Union of SA (EATUSA) broke through, they attacked a guard dog with steel pipes and Mr Richard Burger, production manager of National Panasonic's Parow factory, said.

National Panasonic will "approach the court for urgent relief to protect the company and its employees from further intimidation and violence."

He said workers had also prevented other employees from entering or leaving the premises during the course of the day and had disconnected computers and other office equipment.

A union spokesperson said about 70 workers took control of the building. The workers intended to stage a "sleep-in" through the weekend.

The workers had been on strike for the past 13 weeks since the union rejected management's offer of 20% wage increases. About 200 other workers, however, accepted the offer.

Management had offered to pay the workers for the day on condition they vacated the offices, union officials said.

Yesterday security guards tried in vain to open the gates of the factory which had apparently been jammed by the workers.

All telephone lines at the factory had been disconnected, Mr Burger said, adding that management had requested an urgent meeting with the workers.

EATUSA secretary-general Mr Tommy Oliphant said he was also in the dark.

"The workers decided to do this by themselves, because management was not moving on their demands," he said.

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18/11/85

CAT 1/14/83
21/11/81

Parow strike over soon?

~~1/13/83~~ Staff Reporter

STRIKING workers at a Parow electronics factory, who broke through the factory fence on Friday and laid siege to the administration block appear to be nearing a settlement with management.

Mr Richard Buerger, production manager of National Panasonic's Parow factory, told the Cape Times yesterday that workers had left the premises "of their own accord" on Friday night.

Mr Buerger said yesterday that management had made a new offer to union officials and shop stewards on Saturday which seemed acceptable.

This was confirmed last night by a union official.

injuring eight others.

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Panasonic strike ended

AN AGREEMENT has ended the 14-week strike of some 185 workers at National Panasonic's Parow factory and workers will be back at their posts today. The agreement includes an across-the-board 20% wage increase, a shorter work week, increased overtime rates, death benefits, long service awards, a cash bonus and "back pay" since the strike began in July.

Plastics firm's shares could be a good buy

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VBB
1989

B/DOM 28/11/89

ANALYSIS: STEPHEN RICHTER

JUDGING by its fine track record, Darmag, which is listed in the JSE electronics sector, should be generating buying interest among investors. But the group has been surprisingly out of favour, and dropped to a new low last week of 65c.

Darmag specialises in the manufacture of rubber and plastic products for a wide range of industrial applications. The group proudly displays its six-year track record in the latest annual report covering the 12-month period to end-February 1989.

Turnover has risen to R23,8m in the latest year compared with only R2,6m during 1984. Pre-tax profit advanced strongly during this period to R3,4m from R528 000.

Earnings a share began to accelerate quite sharply during the past three years. In 1987, EPS rose to 7,6c compared to 1,8c the previous year. Darmag then continued to show satisfactory growth with earnings of 11,0c during 1988 and 13,2c for the latest financial year.

Therefore, given the

group's impressive bottom line performance, one would expect a better JSE performance than shown on the accompanying chart. This is especially so given Darmag's fine reception by investors when it originally came to the market in August 1987, just prior to the October crash.

At that time, the group made available 3,5-million shares, of which 2,7-million were offered to the public at 100c. The share price found good support at the 140c level from the time it was listed until the October crash. For most of 1988, the share traded around the original 100c offer price, but bearish sentiment has again dominated Darmag's price action recently, resulting in last week's record low. The fact that Darmag failed to hold above its 200 day moving average confirms the bearish trend.

The JSE listings department confirms that Darmag has not yet reported its interim results covering the six months ended August 1989. This could help explain why

investors have suddenly become nervous of the share.

But a company spokesman says that these results have been finalised, and Darmag should release its interim figures this week.

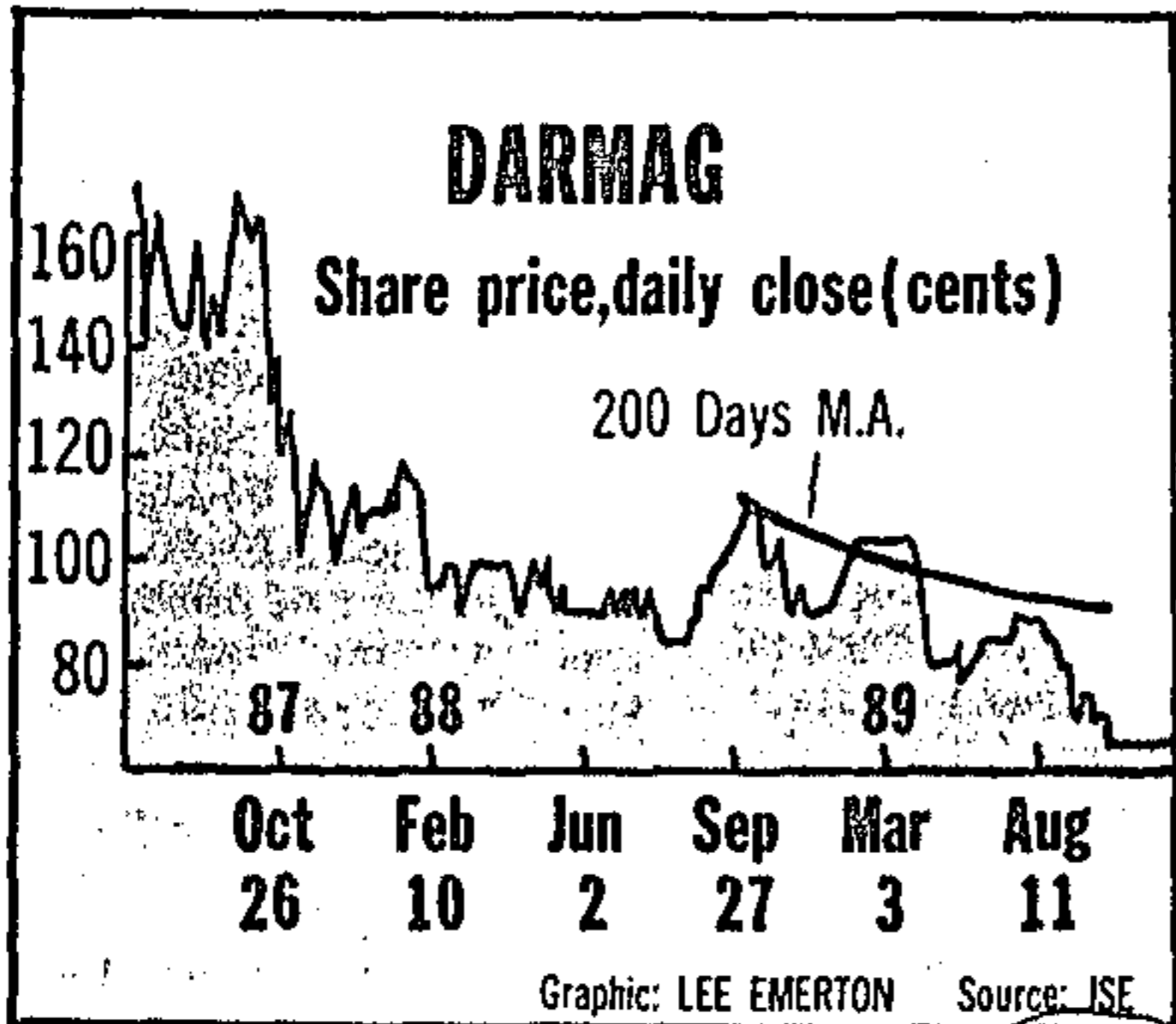
Darmag's basic operations appear to offer good growth potential. Capacity within its plastics division improved by more than 30% during financial 1989. This places Darmag in a good position to capitalise on the swing away from rubber to plastic products in the battery industry.

The group's plastics division was relocated last year to modern facilities in Fort Jackson, Ciskei. Despite the costs incurred in the move,

this was offset by the improvements in productivity and product quality. In addition, the move helped to reduce Darmag's tax rate.

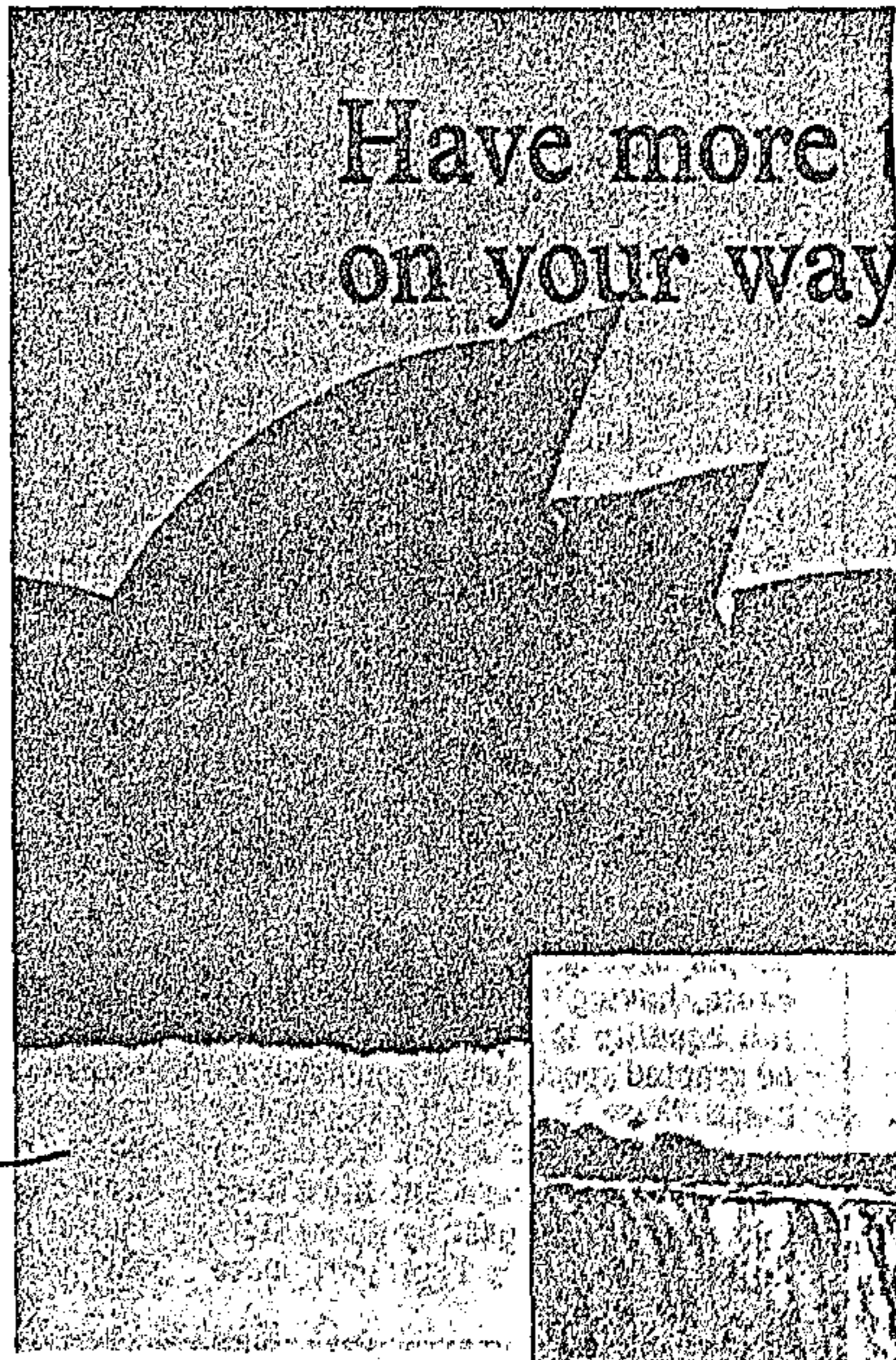
Although Darmag may be affected by the current economic slowdown, it should show a satisfactory performance judging by the six-year track record. But this is difficult to assess until the interim results become public knowledge.

However, with Darmag being involved in the mining industry, this should help the group in the future, given the improved outlook for the gold price. Assuming Darmag had a reasonable interim period, the recent spate of selling may be presenting investors with a buying opportunity.



New Morgan Grenfell offer

LONDON — West Germany's Deutsche Bank AG has made a £950m agreed cash bid for UK merchant bank Morgan Grenfell Plc, a move that could derail a hostile



Crest expected to overcome poor climate

ZILLA EFRAT

CREST Holdings is expected to show acceptable growth in earnings in the current year in spite of tight economic conditions, says chairman Clive Ramsbottom in his annual review.

Crest holds Crest Healthcare Technology, which manufactures anaesthesia equipment and distributes critical care products.

With current economic conditions un-

likely to ease in the short term and interest rates likely to remain high, pressure will be placed on inventory values and cost inputs, says Ramsbottom.

In the year to September, Crest produced earnings of 18.5c (15.2c) a share, up on the pre-listing forecast of 17.5c.

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Delta underrated in JSE electronics sector

ANALYSIS: STEPHEN RICHTER

DELTA Electrical Industries has achieved a very satisfactory earnings growth record over the past five years. This qualifies Delta for fifth place on the Business Times' 1989 Top 100 companies list. But despite the fine showing, the share continues to underperform the industrial sector.

If there was any doubt the electronics sector has been out of favour this year, a glance at the accompanying chart clearly makes the point. The Delta share price has made little progress during 1989 against the backdrop of a record performance by the industrial index.

But according to the latest interim figures, it appears the group will continue to keep its strong earnings growth record intact. For the six months to end June, operating income rose by 68% to R16m from R9,5m for the corresponding period of the previous year. Attributable income advanced by 53% to R7,4m (R4,8m), while the 32% rise in EPS to 18c (13,6c) was proportionally less due to an increase in the number of shares in issue.

Delta continues to add to its fine track record as earnings have advanced to 32,3c for the year ended December, 1988, from 11,9c in 1984. Dividend payments have kept pace with earnings growth over the same period and rose to 12,5c in the latest year from 4,3c.

The electrical repair engineering activity accounted for 41% of attributable income in 1988, while the insulations and conductors division was responsible for 36%. Those percentage contributions have been fairly steady over the past few years, but will change this year as the group has acquired Delta EMD.

Delta EMD is a leading producer of high-grade electrolytic manganese dioxide, prima-

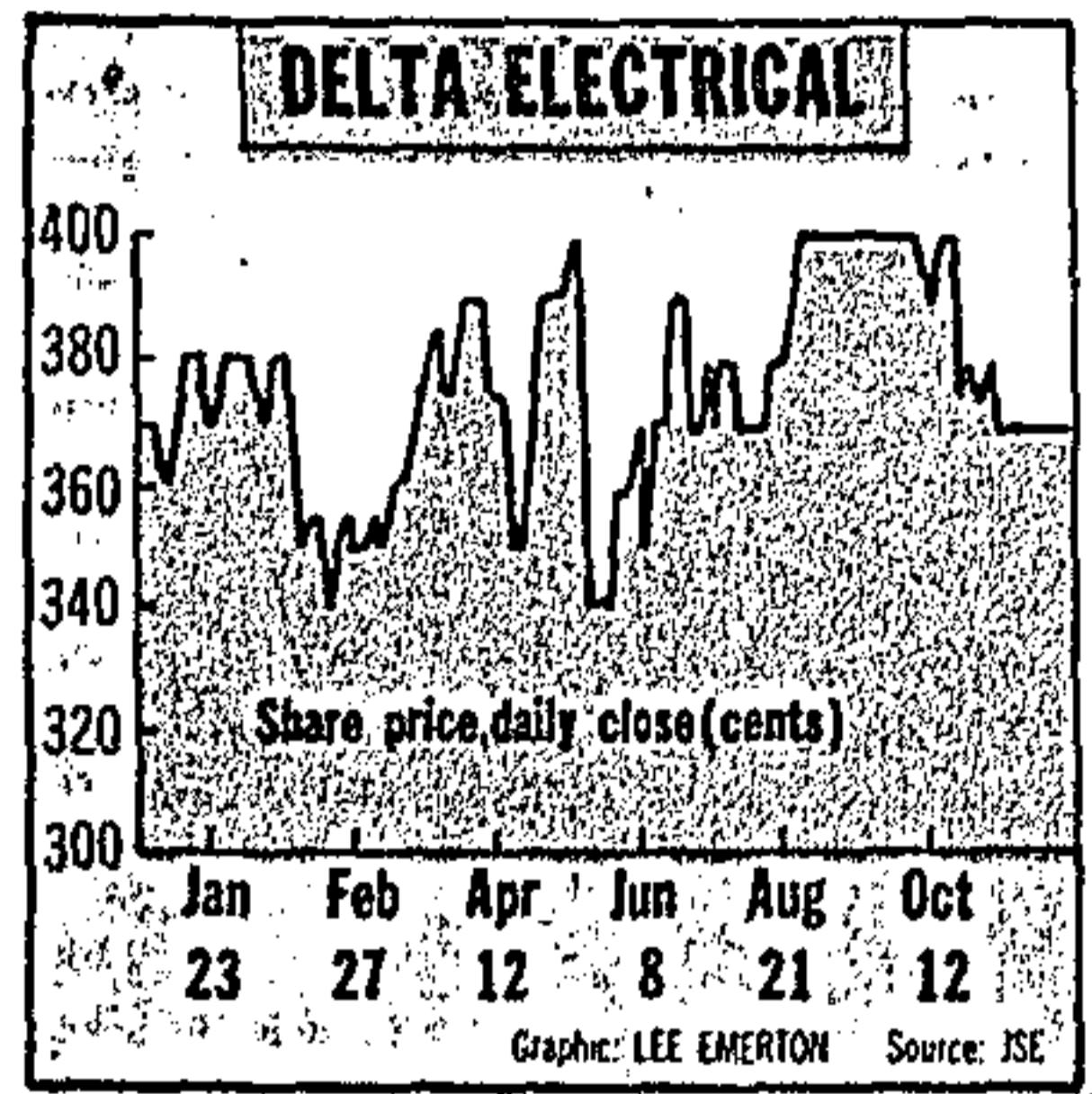
rily used in the making of dry cell batteries. MD Graham Salter estimates Delta EMD will account for 15% of attributable income this year, with the contribution from the remaining divisions staying proportionally the same.

With the addition of this company, Delta will have its first division which will turn most of its attention to the export market. This now gives the group added rand hedge qualities, as Delta EMD is exporting a substantial portion of its current production.

The higher gold price is not expected to have an immediate impact on earnings performance. But Salter is confident mining houses will expand development activities if the price stabilises at the higher levels.

Delta seems set for another satisfactory year as earnings could reach 42c, with a possible dividend of 18c. At 370c, the share would be on a forward earnings and dividend yield of 11,4% and 4,9% respectively.

Given the group's strong track record, the shares appear to offer value at current levels. Once electronics shares regain their premium market rating of a few years ago, Delta should be a leading performer.



Freedom... M... J... S...

Unusual trading conditions depress Darmag

DARMAG has produced a disappointing 28% drop in earnings during the six months to August because of unusually depressed trading conditions in the battery industry and escalating costs of imports.

The rubber and plastics products producer for battery manufacturers showed earnings of 5.2c (7.2c) a share. Attributable profits were R1.2m (R1.6m) on a 6% rise in turnover to R13.4m (R12.7m). No interim dividend has been declared in order to conserve the cash situation.

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Directors say competition, in the face of a diminishing market, seriously affected trading margins. In spite of quality and technical improvements, Darmag had to price its goods below budgeted levels. Pre-taxed profits were down 68% to R774 000 (R2.4m), but a tax credit of R377 000 led to taxed profits of R1.2m. Rapid technological changes in the

markets served are challenging the business's ability to adapt.

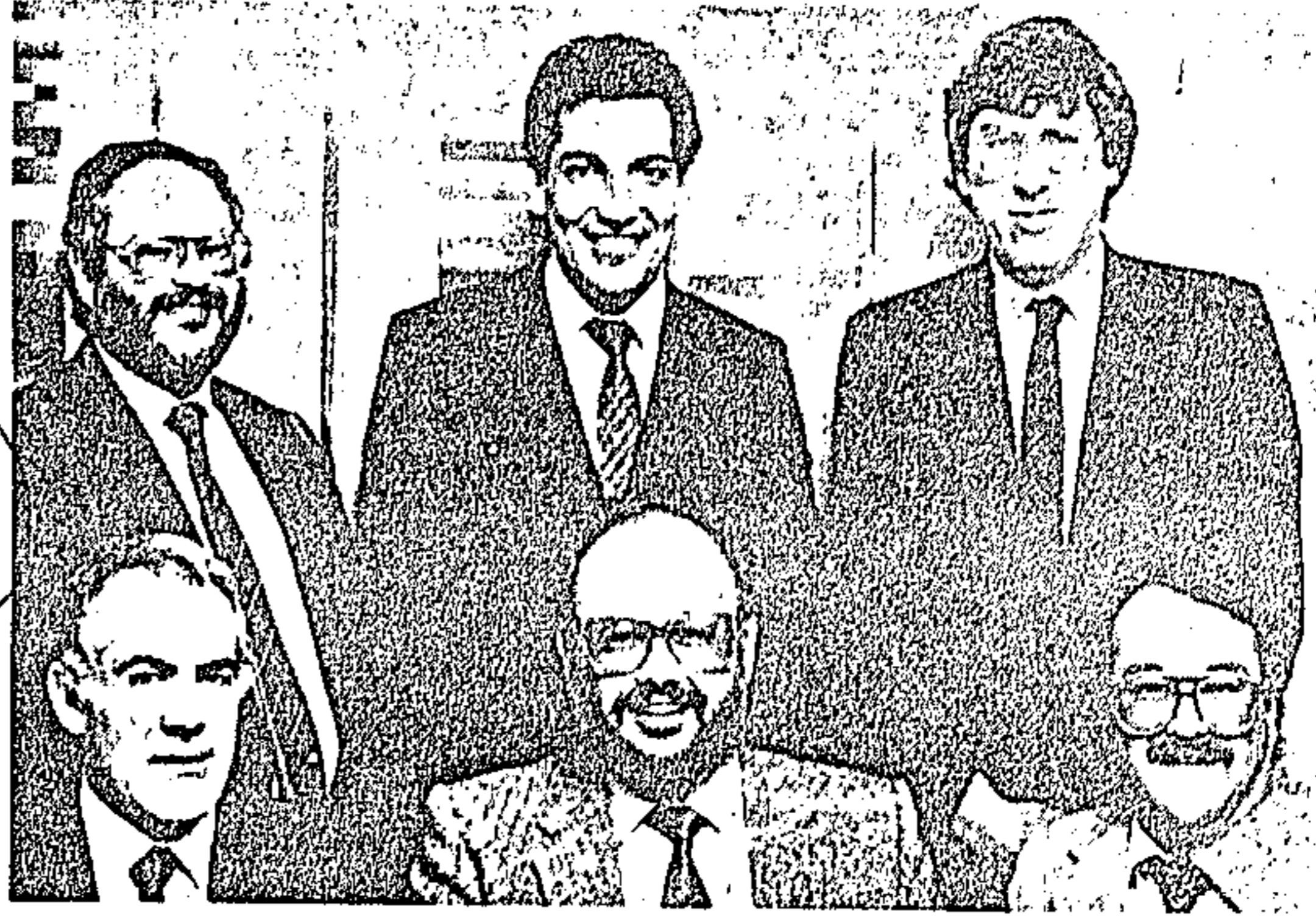
Some significant milestones, such as the SABS 0157 quality assurance award and installation of a full Just-In-Time system have helped, but a wider range of products is needed to balance the resources of this business, say directors. Because technical problems delayed the introduction of newly developed products, the rubber division did not recover from product obsolescence as expected.

Directors say difficult trading conditions are envisaged for the rest of the financial year. As a result, earnings of about R1.7m are forecast for the 13 months to March, compared with R3.6m earned in the year to February 1989.

Directors are confident the core business is sound and will improve as the trough of recent economic adjustments pass. They are currently improving manufacturing efficiencies and profit margins, and are reducing fixed overheads.

The Top 100 Companies 1989

Switch on to expand



THE TEAM: Nathan Mowszowski, Phillip Aglinsky and Myron Berzack (back row) and (front) Stanley Illman, Reuben Mowszowski and Chananla Mowszowski

ELCENTRE turned over R73-million in 1988, but after setting up Voltex Holdings with Berzack Brothers and H&J Cables is shooting for R1-billion next year.

Chairman Reuben Mowszowski says the new structure, which links the wholesaling activities of Elcentre to the manufacturing of Berzack and H&J, will add enormously to group strength.

Says Mr Mowszowski: "We have been working on the merger for some weeks now and it looks better today than when we first announced it."

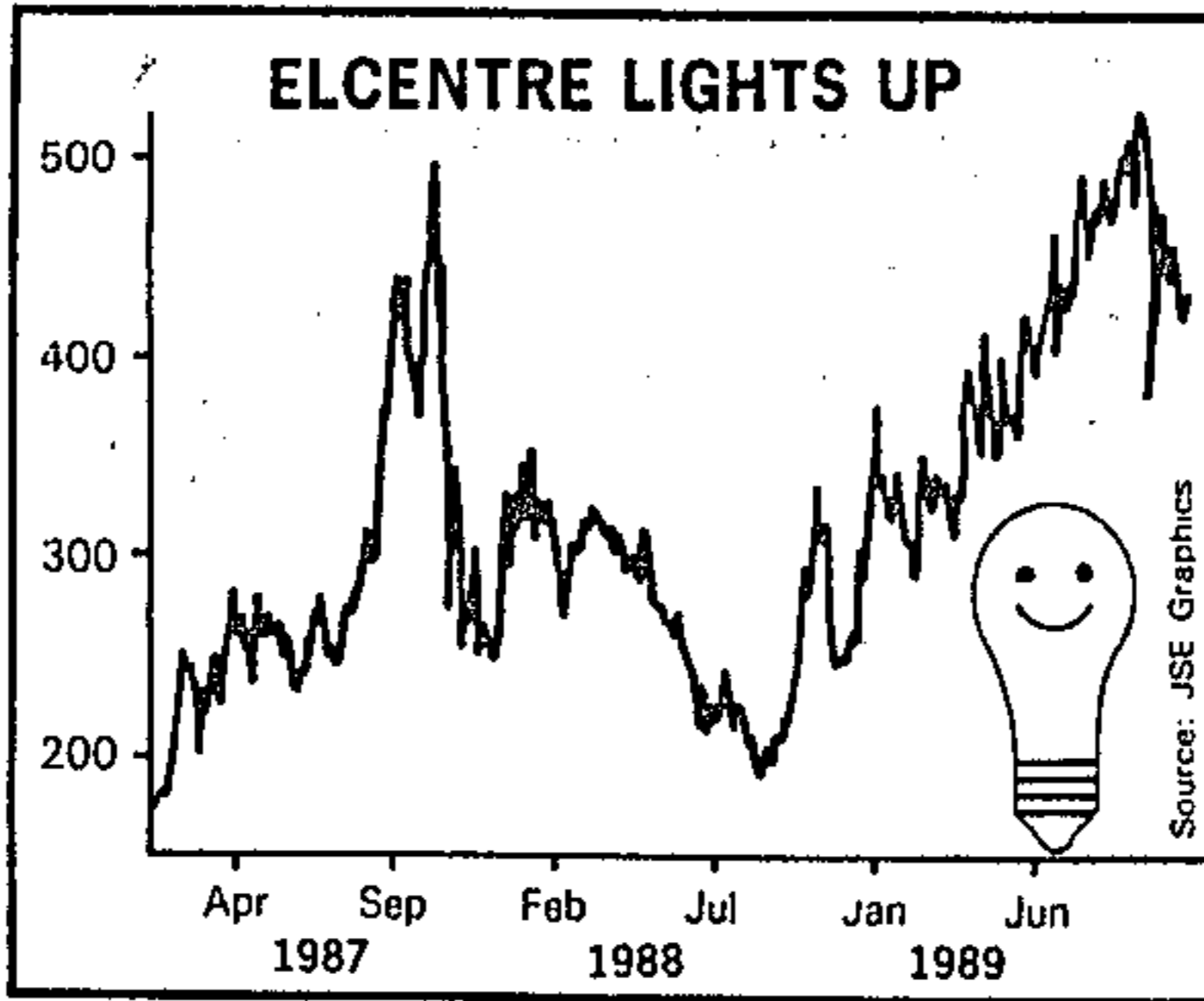
The new company — comprising all the electrical activities of Elcentre, Berzack and H&J — forecasts first year taxed profit of R100-million.

Berzack will have effectively 40%, so it will equity account earnings of R40-million. It expects another R5-million from non-electrical earnings to make R45-million, or 180c in 1990 compared with 64c in 1989. Net assets soar from 331c to 1155c.

Elcentre aims to earn R60-million from Voltex and another R10-million from other sources, making R70-million, or 115c a share, compared with 82,5c this year. Its net asset value rockets from 119c to 713c.

In the past, electrical wholesalers have been at the mercy of manufacturers, who actually compete in certain areas, such as supplying mines and municipalities.

The growth by acquisition and geographical expansion of Elcentre into by



No 3 1984: R10 000
1989: R111 233

far the largest distribution group (sales in 1989 of R518-million) consolidated its power relative to the competition — but it still played second fiddle to the manufacturers.

Now that Berzack and H&J — with 40% of the electrical cable market — are allies, Mr Mowszowski says potential is vast.

He says customers can take comfort in the get-to-

gether, which goes some way towards redressing the balance of power between manufacturer and distributor.

The deal suits the Berzacks and Illmans, who would not have enjoyed being shut out of Elcentre had the latter done a deal with some other electrical manufacturer.

W&A subsidiary Teamcor has 35% of Elcentre,

but is a sleeping partner — yet there are similarities in strategy, notably the Lieberman concept of "rationalising an industry".

Mr Mowszowski says it is impossible to estimate group market share, because participation by manufacturers in supplying mines, municipalities, etc, makes market size indeterminate.

The Mowszowskis, the

Now Elcentre aims at R1bn

By David Carto

Berzacks and the Illmans are old friends and some of them were at school together.

Mr Mowszowski says that business remains brisk in spite of high interest rates and looming recession.

"There are so many mass housing and infrastructure projects on the go that I think we'll be working flat out for some time."

Elcentre developed its own instant wiring system for mass housing, which has been highly successful. It has other self-developed products aimed at reducing electrical costs, but its strength lies in its spread and, the directors aver, attention to customer needs.

New branches have recently been opened in Tzaneen, Middelburg, Transvaal and Uitenhage.

Like its new partner Berzack, Elcentre has long had high dividend cover but re-

cently it has been dropped from 3,1 to 2,5.

At the same time, debt rose to R158-million before payment of the R10-million final dividend. Interest rose to R12-million, but there were interest receipts of R5,3-million, partially offsetting the rise. Interest cover was about 8,4.

Mr Mowszowski says the company had been significantly degeared by further profit retention, the revaluation of assets that had not been revalued for years in the Voltex transaction — and by acquisition of H&J, which was virtually debt free.

Elcentre has performed spectacularly since it was listed in 1981, though there was an expensive foreign exchange loss in 1985. The family established the company in 1959, so it is celebrating its 30th year.

At 430c, the share price in late November was only 5,2 times historical earnings and just over four times projected earnings.

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THE P G GROUP

DIAGONAL STREET

Golden thread in the Woodrow foursome

ALTHOUGH Woodrow Holdings chairman Howard Sacks lives in England, he had sufficient confidence in South Africa to establish an industrial holding company which will write R40-million of business in 1990.

The company was founded only 18 months ago with R3,5-million capital and was listed last December, so it is not surprising that many investors have never even heard of Woodrow. They might know Meter Systems, which was listed in 1987.

TREADMILL

Meters' business has been sold to Woodrow in an exchange of shares, and it will become a cash shell. The enlarged Woodrow will fall under the management of Graham Nel, with Mr Sacks as chairman. The two own 60% of Woodrow between them.

Mr Nel had a cast-iron future career in an engineering business when he fired of the treadmill and bought the 11-year-old Meters six years ago. Meters was listed early in 1987.

Mr Sacks has a string of successes in property and trading. His London-based steel trader Trident was bought by Macsteel (whose



HOWARD SACKS ... bonus for staying aboard



GRAHAM NEL ... outpacing the inflation rate

wasn't?) a few years ago. He is also a former chairman of Merchant Shippers (UK).

Mr Sacks says that there are so many opportunities for business in SA that he decided to found Woodrow. Although it is a young group, its investments are in companies with long histories.

THEME

Apart from 100% of Meters after the corporate restructure proposed last week, Woodrow owns 70% of Hydraulic Steel Tube, and 100% of Valve & Switch Investment Company, bought for

grown well. The share price is at a year's high of 75c.

The Combustion group was formed in March when the Niel Passet group of companies was merged with major competitor Hotwork group. It is now the major supplier of combustion burner and heating systems and controls.

Spot the link — Meters provides to the suppliers of fuels and oil, while the Combustion group serves the users.

CYCLES

Ten-year-old Hydraulic Steel Tube supplies hydraulic fittings, couplings, valves and accessories to mines and industry. Its 80%-owned subsidiary Powerflow supplies hydraulic hose and fittings.

Valve & Switch was formed in 1974 and supplies solenoid valves, pressure and temperature switches. Assembled in SA, the solenoids are used widely in fluid and process control. Mr Sacks says VSI's purchase is a key element in Woodrow's future in the fluid-handling industry.

All four companies are leading suppliers of medium-technology products. They should turn over at least R10-million each in the year to February 1991, and make R1-million taxed profit.

Mr Nel says they are resistant to economic cycles, and

gives his reasons. People still run cars and heat homes and workplaces even when there is a downturn in the economy.

Many of Woodrow's products are installed to reduce costs and the initial outlay can be justified more quickly when money is tight.

GOODWILL

Meters is looking at a smart-card system, initially intended for fleet management, to monitor fuel sales. It could have a significant impact on fuel-control security.

Woodrow's head office complement is four, including a receptionist. Management is decentralised, various managers reporting to Mr Nel.

The proposed restructure involves Woodrow acquiring Meters' assets for R5,4-million cash, including goodwill of R2,37-million.

Meters minorities are to be offered 100 Woodrow shares cum rights for 125 Meters. Woodrow hopes to raise R3-million in a 30-for-100 rights offer of subordinated convertible debentures generously paying prime overdraft rate.

Mr Sacks explains why the offer is so attractive. When he established Woodrow, all the shareholders were his personal friends and associates — perhaps they still are.

He believes they deserve a bit of a bonus for having stayed with the shares. "The shareholders own the company."

INFLATION

The shares certainly do not trade much. The executives hope the additional 350 shareholders who convert from Meters will help to make Woodrow shares more tradeable. They last traded at a high of 85c.

Mr Nel says Woodrow should earn 16c in the year to February 1990, and 24c in the following year. Dividends will be thrice covered.

"The group's objective of growing at double the annual rate of inflation should easily be achieved in the years ahead," he says. "We want to build a blue-chip look to the share."

They are into cash-flow and cash generation. VSI is a cash cow, Hydraulic Steel Tube will start to produce cash from this year, and Meters and Combustion will provide the growth.

If investors start to consider second-tier stocks they could do worse than Woodrow, especially the debentures. There probably won't be many sellers.



Graphtec Holdings Limited

(Registration number 04/00683/06) ("Graphtec")



Kohler Limited

(Registration number 05/09845/08) ("Kohler")

Scheme of arrangement proposed by Kohler between Graphtec and its ordinary shareholders

1. Background

Rand Merchant Bank Limited is authorised to announce that, further to the press announcement dated 4 October 1989, the documentation relating to the scheme of arrangement proposed by Kohler between Graphtec and its ordinary shareholders in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the scheme") is being posted to scheme members today.

2. The scheme

In terms of the scheme Graphtec will become a wholly owned subsidiary of Kohler, whose name will then be changed to Holdains Limited.

3. Scheme consideration

Subject to the implementation of the scheme, which is expected to occur on Friday, 26 January 1990,

before interest and tax is

Chubb slips, but expects recovery

CHUBB'S share price did not ease in spite of results which surprised the market this week.

Some saw it as a sign of things to come when Chubb — a blue-chip security — reported a 6% drop in earnings in spite of writing 18% more business for the interim to mid-October.

Favourable

Trading profit of R6,7-million was 10% higher than previously, but margins declined because of poor performances from the electrical and physical security divisions.

Interest paid more than trebled to R1,3-million. Full tax was paid, and earnings a share slipped 6% to 49,5c. The dividend of 11c was unchanged.

Chubb expects a more favourable second half-year, except from the physical security division. Difficult economic conditions were blamed for the setback.

Dicor companies' yearend results were back in the black after the disasters of the previous year in which many hasty acquisitions turned sour. Dicor itself turned over R273-million, well down on last year's, because some companies were sold. Earnings before ex-

By Julie Walker

traordinary items were 3,9c a share compared with a loss of 7,7c previously.

The directors say that several areas of expansion are being considered. Dicor shares added 4c to 19c.

Danech earned 12,6c before receiving extraordinary profit of R2,1-million. The net asset value is given at 141c, but the JSE rates the shares at 35c.

Plastall raised turnover by 13% to R52-million, and earnings by 62% to 22c a share. Managers of all the companies expect satisfactory performances in the current year.

Diluted

Columbia shares eased to 155c after it announced that a "great deal has been achieved". Pre-tax profit fell by more than half to R4,2-million. Fully diluted earnings a share fell from 24c to 8c.

Columbia has sold a major part of its investments and retains shares in Toco, Pride, Acram, Blocktech and Powernet, together worth R25-million. This is about equal to their cost. Columbia also has cash or near-cash of R20-million, looking for a

home, but nothing meets management's criteria.

More than R11,5-million is recorded as extraordinary loss relating to the difference between the amount paid for acquisitions and the sum realised. Another R2,8-million has been lost since the six months to September.

Seasonal

Lonrho Sugar reports turnover for the six months to September of E164-million — a rise of 17%. Pre-tax profit rose by a half to E45-million, and earnings a share by 44% to 190c.

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ELECTRICAL AND

ELECTRONIC

EXPORTS

1989

Puzzling Punchline reaction

Punchline's news that it is to establish an operation on the US West Coast has met with a singularly unenthusiastic response.

Prior to the announcement the shares were changing hands at 240c; they've since slipped to 220c.

Why the muted response? It seems the market is disappointed that chief executive Mr Barry Schechter, the man who skyrocketed Punchline from sales of R115 000 to more than R400 million in seven years, is to lead the US venture.

Among the comments being voiced is that Punchline will not be run as effectively when Mr Schechter moves to California.

Mr Schechter vehemently contradicts these views, asserting that the new initiative will yield substantial additional benefits for Punchline.

His contention is based on the following:

● The creation of a dynamic US offshoot opens up vast new mar-

Star 30/1/89
Diagonal Street

JOHN SPIRA



kets for Punchline's products.

With the California company acting as a conduit for Punchline's locally produced merchandise, a huge new dimension has materialised.

● Gaps in the international computer marketplace have already been identified and Punchline is poised to fill them.

● Instant and intimate access to the world's latest computer technology will reinvigorate Punchline, ensuring that it remains abreast of the best in the world.

● The domestic operation will not be adversely affected by the move, since, in addition to Mr Schechter maintaining constant contact with South Africa, the

home-based executive team, headed by Mr Richard Savage, boasts outstanding expertise and, besides, will be going all out to prove its worth.

● Ultimate parent company Altech is fully committed to backing the new venture. Its considerable financial muscle and broadly-based international connections are being placed four-square behind the initiative.

Boiled down to bottom-line statistics, there's essentially little difference between what Punchline is doing and the off-shore machinations of companies such as Liberty and Rembrandt.

In other words, investors in Punchline keep what they had before and, in addition, land up with a bonus in the form of an emergent international arm with global markets on its doorstep.

That the market hasn't seen fit to accord the shares the relevant premium is 1989's JSE enigma.

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189 S/Times 13/8/89

Fancy footwork as CI fights back

CONTROL Instruments Group is a world leader in the manufacture of sophisticated devices which track the movement of trucks and railway wagons.

Unfortunately there is no similar device to plot the future movement of markets and the rand. Both factors hit CI's results in the year to June 30.

But the group is doing some fancy footwork to stay out of the corner into which it was forced by the collapse of the printed circuit board market after the Post Office's capex cutback late last year and price pressure on imports from the falling rand.

By Ian Smith

Circuit board manufacturer Alumet, which has contributed handsomely to profits in the past, has been sold to Plessey for R3,8-million and CI's strong drive for SA manufacture has reduced import dependence from 50% to 20% in the past three years.

CI, listed late in 1987, increased turnover by 44% to R73-million in the year, but operating income was 19% down at R5,6-million. Higher interest charges of R1,1-million brought attributable income down by 25,5% to R4,5-million.

Earnings fell from 9,3c a share to 6,5c, but the dividend has been maintained at 2,2c.

"That shows the directors' confidence," says managing director Richard Friedman.

Benefits from acquisitions will strengthen CI's position in the industrial instrumentation sector in the current year. Infrastructural development will ensure it can handle the growth in its traditional distribution of tachographs and automotive electronics and the supply of time and access control equipment.

The group is now neatly compartmentalised. CI handles the traditional distribution of imported and SA-

made equipment through 11 branches and 25 distributors. It has the new Cape Town-based manufacturing division, which has grown from the acquisition of Ferris Instrumentation and the purchase since the year-end of the industrial instrumentation arm of Harvey & Russell from Klipton.

CI believes it has nearly 50% of SA's industrial instrumentation market after the investment of R7,5-million.

Exports

Electromatic in Maritzburg is involved in the manufacture of high-tech traffic control equipment, parking garage electronics and railway electronics.

Emphasis is placed on exports.

"Our parking garage control equipment is found in some of the most unlikely places around the world. Exports account for about 15% turnover," says executive director Alan Gillett.

Electromatic also developed electronic immobiliser equipment which met BMW's high standards.

The group places great importance on research and development to support exports and import substitution.

Last year R2,3-million, or 3% of group sales, was spent developing new products.

Mr Friedman says: "More products will be launched this year to strengthen our position as technological leader and innovator in our fields."

A world first is the Monityre, which gives heavy-truck drivers early warning of a flat tyre. This saves considerable down-time and prevents the destruction of an expensive tyre on a multi-wheel rig.

Much of last year's capital expenditure went on upgrading manufacturing facilities to meet high standards, and this year nearly R6-million will be spent, including R2-million on management information technology.

"All the signs are that we are well placed for new growth," says Mr Friedman.

CAPL. Tink's 3/5/89

R40m boost for electronics industry

Financial Editor

THE government has set up a R40m fund to encourage the development of new technology and products by the SA electronics industry. And customs duty on electronic components may be abolished.

Welcoming the announcement last night, the chairman of Wesgro, Chris Newton, and the President of the Cape Chamber of Industries (CCI), Mike Getz, said in a joint statement that it would give a boost to the Western Cape.

The Minister of Economic Affairs and Technology, Danie Steyn, said yesterday that the fund had been set up because of the key role of electronics in improving productivity in the economy as a whole and the fact that it "experiences a large and growing negative trade balance".

A working group had

come to the conclusion that a higher rate of development of local technology and products was needed.

"This is the key to niche export markets as well as a larger share in the local market.

"The private sector is inhibited from undertaking sufficient innovation because of the risk and cost associated with such developments.

"The working group accordingly recommended a packet of measures whereby the State would provide incentives for more research, technology and product development."

The minister said the extent of support for a project would be related to export and import re-

placement performance.

He had asked the Board of Trade & Industry to look into the possibility of abolishing customs duty on electronic components.

The joint Wesgro and CCI statement said the Western Cape was "already showing strong growth in research and development.

"It should be a stimu-

lus to our regional initiatives to promote technology-based business and to the fast increasing number of electronic firms at Technopark, Stellenbosch.

"We hope such schemes may be extended in due course to other key new technology sectors such as biotechnology and advanced materials."

SA producers unable to overcome high raw material costs — expert

B/Doc
30/11/87 ZILLA EFRAT (184) (182)

SA'S potential strategic advantage as a base material producer was not being exploited, said Femcotec MD James Greig yesterday in opening the new Femcotec factory in Wynberg.

The SA electric motor industry was well-established, had the appropriate product and potential capacity to serve the domestic market and contribute to exports — and yet it currently exported only 3% of production.

Greig said this was because it had to pay exceptionally high prices for base materials and had to overcome political handicaps associated with exporting from SA.

Also speaking at the opening, Trade and Industry Deputy Minister Theo Alant said government was giving special attention to the problem of high costs of local raw materials, but he declined to elaborate further.

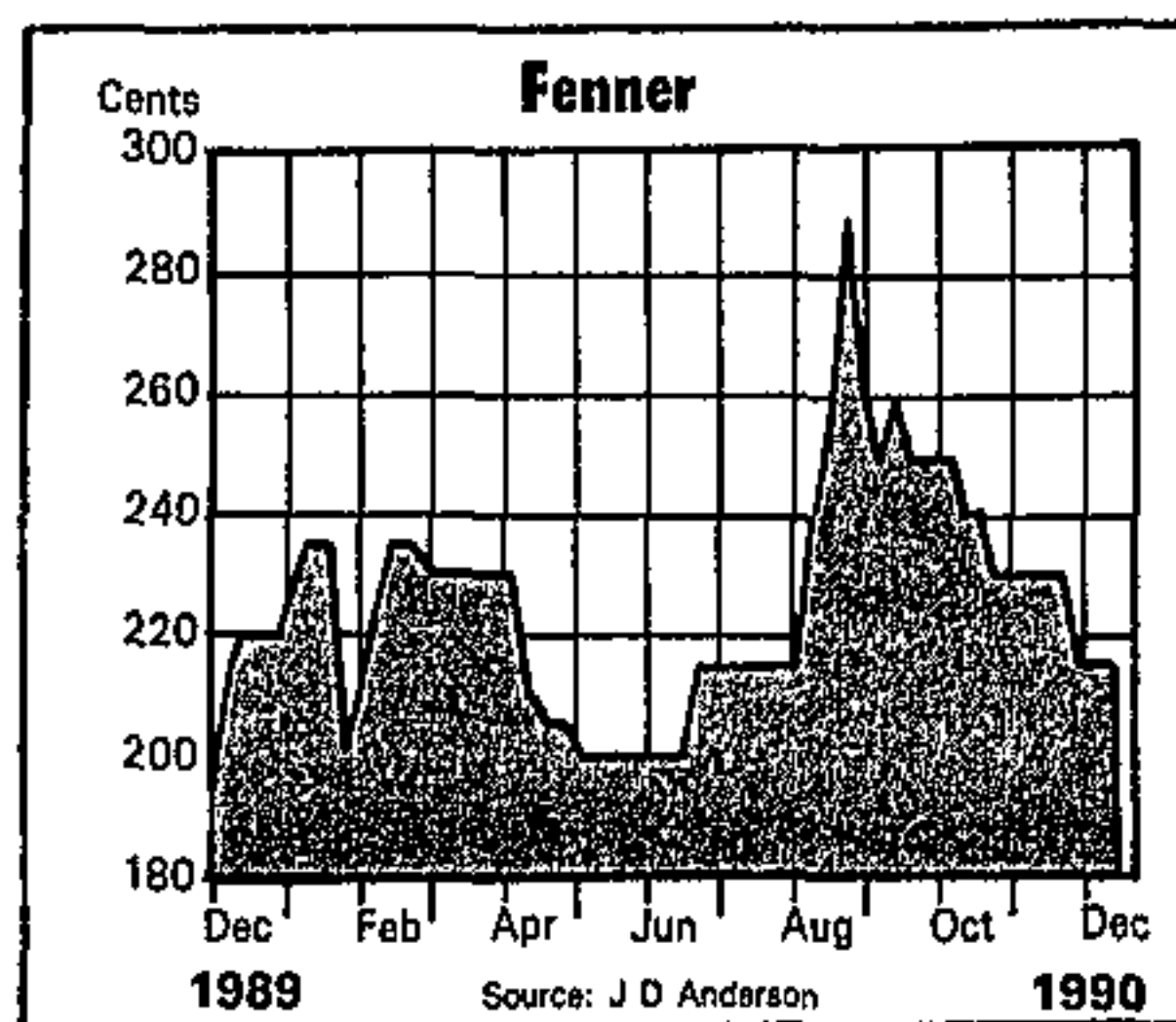
Greig said SA produced three base materials required for the manufacture of electric motors, namely, steel, copper and aluminium.

However, the local electric motor industry enjoyed no advantage over its international competitors who could buy their requirements at lower prices from SA than could the local industry.

MANUFACTURING ~~IRON~~ ~~STEEL~~ ~~etc.~~ ~~ENG.~~ Engineering

1991

JANUARY — SEPT.



share price is languishing just above its 210c listing price.

Most of the 19% turnover advance occurred in the first half of the year, which is not typical of the group. In the second half, the downturn in economic activity and lost time resulting from township unrest, absenteeism and unofficial holidays caused turnover growth to slacken.

Chairman Bob Arthur says KSB Pumps had "another excellent year" — the result of major contracts for Mossref and the soda ash project in Botswana and a steady demand for pumps. Also, the introduction of a locally produced slurry pump "proved most successful." Fenner (SA) achieved its budget, but in the last few months of the year, sales volumes and margins came under pressure. Overall the operating margin increased for the fourth successive year.

Working capital requirements increased substantially. Stock levels rose 64% and debtors by a third. Arthur ascribes this to the "increased trading levels" as well as the importation of certain products as protection in the event of a threatened labour strike. The strike did not occur and stocks were left at an exceptionally high level. Additional financing needs were met through increased debt but also via a buildup in creditors — this helped to keep the interest bill in check and debt:equity below the 0,50 self-imposed ceiling.

Arthur expects the trading environment to remain difficult this year, but says the order books of some group companies look good. These include Fenaplast, KSB Pumps and Control Specialists. Unless business levels deteriorate further, he is confidently expecting an improvement over financial 1990.

With the exception of a strong spurt in the price in August, apparently because of rumours relating to the disposal of Corbank's 12,7% holding, the share's performance has remained unexciting. With the prospect of another year of higher earnings, the group deserves a closer look.

Pam Baskind

FENNER FM 4/1/91 (189E)
SHARE LAGGING

Activities: Manufactures and distributes engineering products.

Control: H J Fenner 50%.

Chairman: R A Arthur; **MD:** A S T Clegg.

Capital structure: 15m ords. Market capitalisation: R32m.

Share market: Price: 215c. Yields: 9,3% on dividend; 28,2% on earnings; p:e ratio, 3,5; cover, 3,0. 12-month high, 290c; low, 200c.

Trading volume last quarter, 228 000 shares.

Year to Aug 31	'87	'88	'89	'90
ST debt (Rm)	5,6	4,9	10,3	21,7
LT debt (Rm)	0,9	3,2	3,2	0,4
Debt:equity ratio	0,30	0,29	0,30	0,40
Shareholders' interest	0,49	0,47	0,45	0,40
Int & leasing cover ..	19,9	14,3	7,8	7,1
Return on cap (%) ..	18,7	21,4	23,6	20,0
Turnover (Rm)	105	132	176	209
Pre-int profit (Rm) ...	10,7	14,6	20,2	24,7
Pre-int margin (%) ..	10,3	11,1	11,5	11,8
Earnings (c)	19,8	37,5	50,7	60,7
Dividends (c)	6,5	12,5	16,5	20,0
Net worth (c)	157	182	217	282

UK-controlled engineering company Fenner has consistently increased earnings since listing in 1987, yet its share price has failed to respond. In financial 1990, despite deteriorating trading conditions, earnings rose by 20% on a similar turnover increase, but the

Tidy profit for some Yelland minorities

By Ann Crotty

1898 E Star 10/11/91

Brown Boveri Technologies, a 50 percent-held subsidiary of the Powertech group, is to acquire Yelland Engineering in an R11,5 million deal equivalent to 81,5c a share.

The deal, which was first mooted late last October, is conditional on acceptance by holders of at least 90 percent of the shares. The directors of Yelland, who control 69 percent of the shares, have undertaken to accept the BBT offer and unanimously recommend that the BBT offer be accepted by all

the company's shareholders.

The share price at which the deal was struck represents a major premium on the 45c price that prevailed for most of 1990. This share price was in line with the disappointing performance in financial '89 when the group reported a drop in earnings to 7,9c a share from 16,2c.

In October, before the deal was first officially announced, the share price surged to 90c and then eased back to 70c.

The end-June 1990 balance sheet shows net asset value of 80,7c a share.

Results for the six months to end-August showed a much im-

proved performance although MD Des Smith stated, when releasing the figures, that he was cautious about the second half of the year — profits were expected to be lower because of the expected decline in the economy.

Announcing the deal, Powertech executive chairman Mr Peter Watt said: "The Yelland acquisition, though small in relation to Powertech's total assets, represents a furtherance of group policy to grow quality businesses and focus on local manufacture. BBT will gain most from Yelland's distribu-

tion and service networks which will be rationalised to achieve optimum performance."

He said that though Yelland will now be part of BBT and no longer listed on the JSE, some units will continue to operate separately and retain their identity.

Mr Watt added that with its strong balance sheet Powertech is still on the acquisition trail.

Although the executive directors took cash for their shares, with the exception of Yelland's executive chairman Mr Jack Yelland, most of them will be staying on and have signed restraints for six months.

DORBYL F M 18/1/91

189E

CONTRACTS WINDING DOWN

Activities: Diverse engineering group supplying motor manufacturers, the mining and refining industries, building and construction, power generation, oil exploration, shipbuilding and transport sectors.

Control: Metkor 35,4%.

Chairman: F P Kotzee; **MD:** D B Mostert.

Capital structure: 31,9m ords. Market capitalisation: R462,5m.

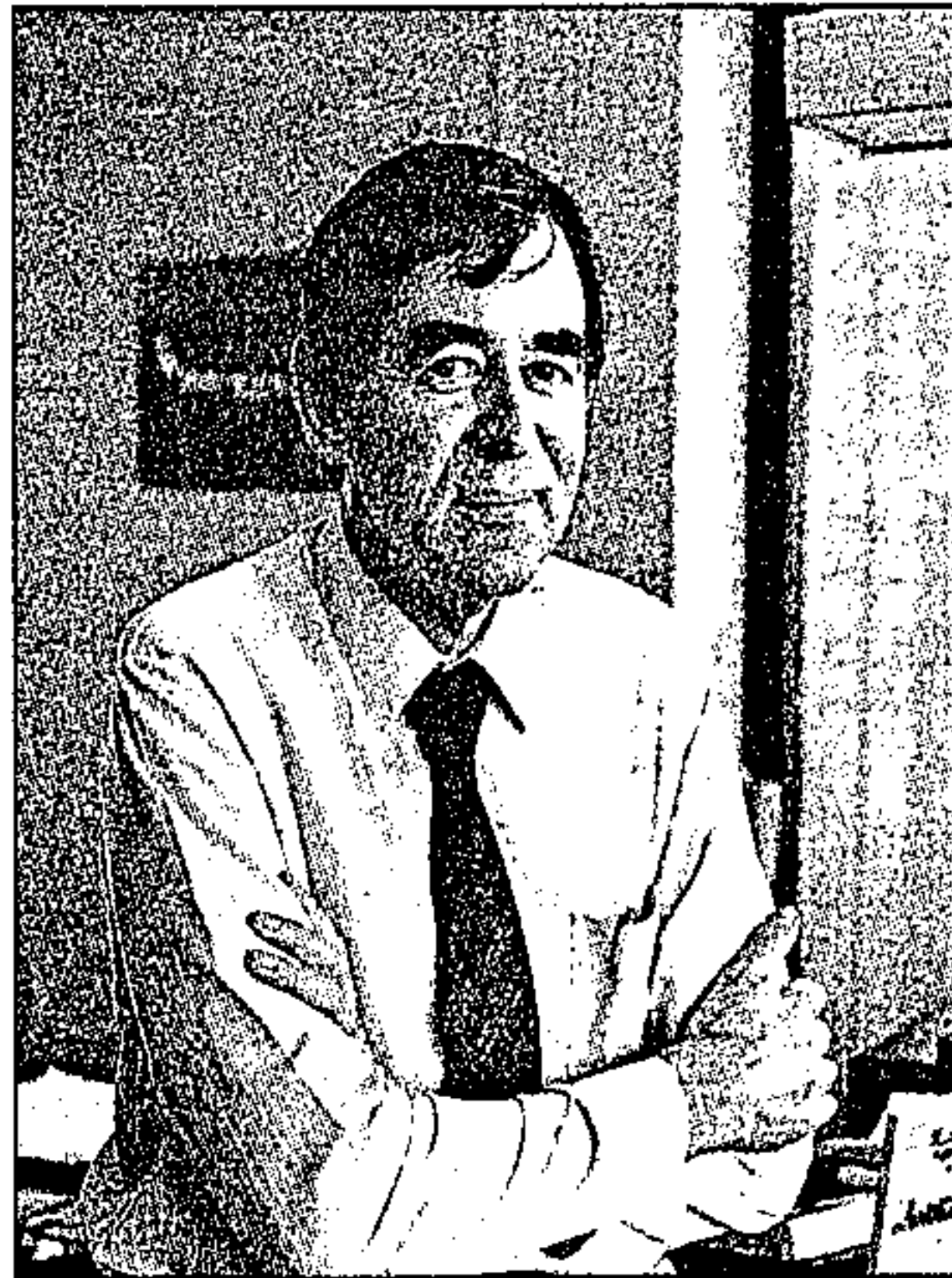
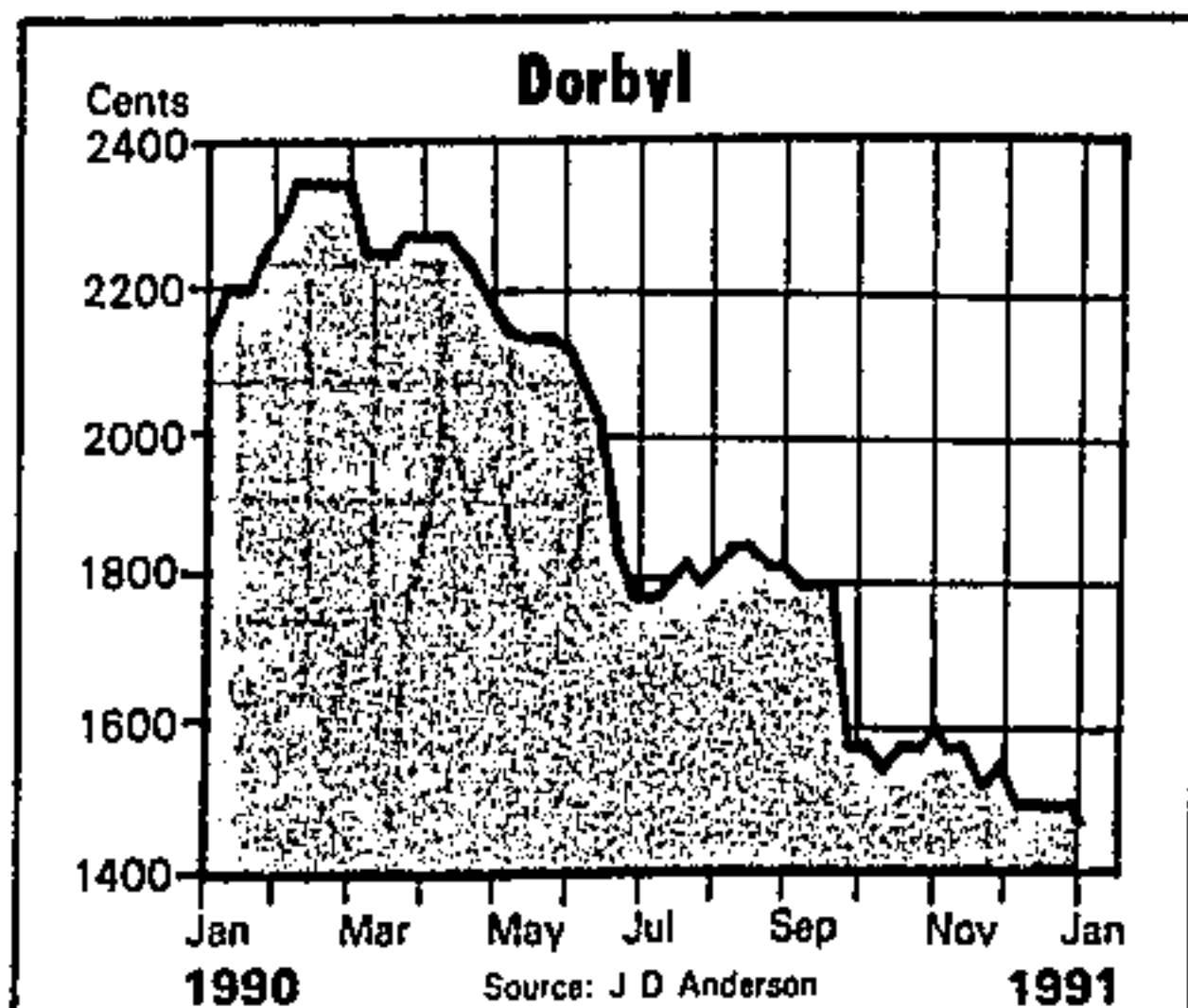
Share market: Price: 1 450c. Yields: 7,1% on dividend; 23,8% on earnings; p:e ratio, 4,2; cover, 3,4. 12-month high, 2 375c; low, 1 450c. Trading volume last quarter, 62 000 shares.

Year to Sep 30	'87	'88	'89	'90
ST debt (Rm)	61,2	89,7	63,3	91,3
LT debt (Rm)	80,1	72,7	76,5	93,1
Debt:equity ratio	0,33	0,25	0,19	0,24
Shareholders' interest	0,51	0,49	0,90	0,86
Int & leasing cover ..	5,6	5,3	6,2	5,0
Return on cap (%) ..	10,7	9,6	23,1	20,6
Turnover (Rm)	1 725	2 077	2 505	2 844
Pre-int profit (Rm) ...	117	129	186	184
Pre-int margin (%) ..	6,8	6,2	7,4	6,4
Earnings (c)	180,4	251,5	352,1	345,9
Dividends (c)	62	77	100	103
Net worth (c)	1 765	1 954	2 210	2 314

A year ago, when Dorbyl's turnaround seemed to be largely complete, the engineering group's management was expecting further strong earnings growth despite the economic slowdown then emerging. In a way, management was right, as the engineering group emerged far better than most industrial groups that have reported results in recent months.

This, however, was not derived simply from the trading performance. Firstly, the bottom line benefited from a reduction in the effective tax rate from 25,4% to 22,9%. Secondly, pre-tax income of R147,4m benefited to the tune of R18m because a "holiday" was declared for the company contribution to the pension fund.

Management contends that the step was taken as a large surplus had arisen from the valuation of the group's pension fund at December 31 1989. The R18m "saved" helped to restrain the dip in the 1990 year's earnings to only 1,8%. Adjustment for this



Dorbyl's Mostert
... export plans

effect indicates that external developments — including the flagging economy and township and labour unrest — affected the trading performance more than is apparent at first sight.

As divisional operating profit regrettably is not disclosed, it is difficult to pinpoint the group's strengths and weaknesses. From the divisional turnover figures, though, Baldwins Steel, Dorbyl Automotive Products and Dorbyl Marine are the most important of the nine divisions; these generate nearly half of group turnover. But that does not shed much light on their profit contributions.

Of the three, Dorbyl Marine looks the most positive. The company entered the 1990 financial year with a good order book and activity levels were generally sustained, resulting in optimum use of production capacity and a significant improvement in performance.

Automotive results were satisfactory, according to management, though below those of the previous year. A declining vehicle market — in which unit sales fell by 5% — had a major effect, as did industrial unrest. Ed Hern analyst Sydney Vianello notes that the group's extensive exposure to the volatile motor industry means that it is bound to take knocks from time to time.

Baldwins Steel suffered from deteriorating trading conditions and was plagued by strikes and stayaways, as well as steel shortages in the early part of the year.

During the year the business and assets of Robor Steel Services were acquired for an undisclosed amount. Robor Industrial Holdings (RIH) had failed to generate acceptable returns from these assets over several years,

and decided to dispose of the company. The problem caused a R12,2m attributable trading loss at RIH last year. However, Baldwins' management says the Robor Steel Services equipment has already helped to ease a production backlog.

For the past few years Dorbyl's trading performance has gained from certain long-term contracts, especially the offshore work for Mossgas. Those contracts have largely been completed. The group does not have a significant involvement in the Lesotho Highlands project and there is little else to replace Mossgas contracts now.

SALES BREAKDOWN

Sales by sector (%)

	1989	1990
Automotive components	18,8	24,5
Building and construction	13,8	9,5
Gold mining and refining ..	8,9	6,1
Iron and steel	7,6	7,4
Exports	5,1	7,4
Wholesale and retail	4,3	4,7
Natural gas exploration .	3,6	5,0
Petroleum and refineries	3,6	1,9
Rail transport	3,3	3,8
Gov and national states	3,2	5,4
Bus transport	2,3	2,7
Electricity generation	2,3	4,9
Agriculture	2,2	1,9
Coal mining	2,2	4,0
Other	18,8	10,8
Total	100,0	100,0

Nor has Dorbyl yet felt the full impact of likely deterioration in a number of market sectors. CE Dawid Mostert, on the other hand, is confident the group will benefit from exports and feels that all is not as gloomy as may appear.

The share has fallen by 39% from its 12-month high of 2 375c and trades at a 37% discount to NAV. The group remains broadly linked to the economy and a significant price recovery this year looks unlikely.

Gerhard Slabber

METKOR F M 18/1/91

DISAPPOINTING YEAR

Metkor chairman Floris Kotzee must be a disappointed man, though he does not say so in his annual report. Last year, he expressed optimism for the group, based on the vibrancy of Dorbyl and the previous year's turnaround from loss to profit in wholly owned subsidiary Metkor Industries. Both Dorbyl and Metkor Industries let him down in the 1990 year.

Despite a 9% increase in group turnover,

Hudaco looking at flatter earnings

8/22/91

After a solid and sustained advance in earnings during the second half of the 1980s, financial 1990 marked a considerable slow down in earnings growth at engineering group Hudaco.

In line with an almost stagnant interim performance, earnings for the full year to end-November were virtually unchanged at 110,4c (107,3c) a share. A final dividend of 29c (28c) has been declared bringing the total for the year to 50c (48c) a share.

At the time that the 1989 annual report was released group CE Mr Kevin Clarke had indicated that he was targeting real growth in earnings for financial '90.

Feeling then was that having made a number of acquisitions, Hudaco had reached a "critical mass which would sustain its momentum". In addition it was argued that the majority of group business was involved in replacement markets which tend to be less vulnerable to economic recession than the markets for new products.

Interim

But by the interim stage, a significant fall-off in the group's original equipment sales slowed down overall performance with earnings up to 47c from 44c.

Full year figures (which were hit by poor conditions in the mining and motor industries) show an 11 percent increase in turnover to R403,1 million (R364,6 million) and a 25 percent hike in operating profit to R54,5 million (R43,5 million).

There was a 31 percent increase in finance costs to R9 million (R6,9 million), reflecting the higher level of gearing that prevailed for much of the year.

According to Mr Clarke:

Diagonal Street

ANN CROTTY



"Most of the apparent increase in turnover and operating profit is accounted for by the change which took place last year in our effective interests in Abcor and Deutz Dieselpower. Operating margins improved from 11,9 percent to 13,5 percent due to a more profitable sales mix, tight control of costs and emphasis on quality business."

A higher tax rate — up to 36,5 percent from 33,3 percent — meant that attributable profit showed a 11 percent advance to R25 million (R23 million). This was further diluted at the per share level because of an increase in the number of shares in issue.

The balance sheet reflects a strong performance from management with stock levels virtually unchanged and year-end gearing down from 35 percent to 25 percent.

Mr Clarke notes that group gearing peaked at 53 percent at end-June. The reduction to the year-end level shows the benefits of stringent stock control measures.

During financial '91 strong cash generation will again be emphasised in an attempt further to reduce the level of debt. This, Mr Clarke says, will strengthen the balance sheet and "allow us to take advantage of any exceptional opportunities should they occur."

Looking to earnings performance, Mr Clarke is not optimistic about an early economic recovery and is therefore expecting relatively flat earnings in the current financial year.

looking at Rentbel's results for the following year, it is difficult to begrudge shareholders any bonus they might have gained as a result of the miscalculation. Earnings for the year to June have tumbled nearly 45% — compared with revised figures for last year — and the dividend was nearly halved at 8c a share.

The wide spread of Rentbel's interests and investments — they range from insurance, property and fishing nets to airlines and engineering — combined with the brevity of information from the group, makes analysis of the individual performance of these assets difficult.

Vermooten acknowledges that Cyclop Engineering made considerable losses and it appears likely that most of Rentbel's subsidiaries, except life assurer Rentmeester Versekeraars, underperformed. A R2,4m operating profit in the 1989 financial year was turned into a R3m loss in the following 12 months, on turnover that dipped 5,6%. It was left to dividend income from associates such

should have a positive effect on the balance sheet they are not expected to compensate in the short term for the projected decline in income.

Vermooten forecasts a further drop in EPS this year. Given Rentbel's historically high dividend cover, the dividend should not be cut much, if at all.

Simon Cashmore

RENTMEESTER FM 25/11/91
SELLING ASSETS 189E

Activities: Investment and holding company with interests in engineering, property, insurance, aviation and the manufacture of fishing and industrial netting.

Control: Directors 37,5%.

Chairman: P H N Bremer; **MD:** J Vermooten.

Capital structure: 3,6m ords. Market capitalisation: R14,5m.

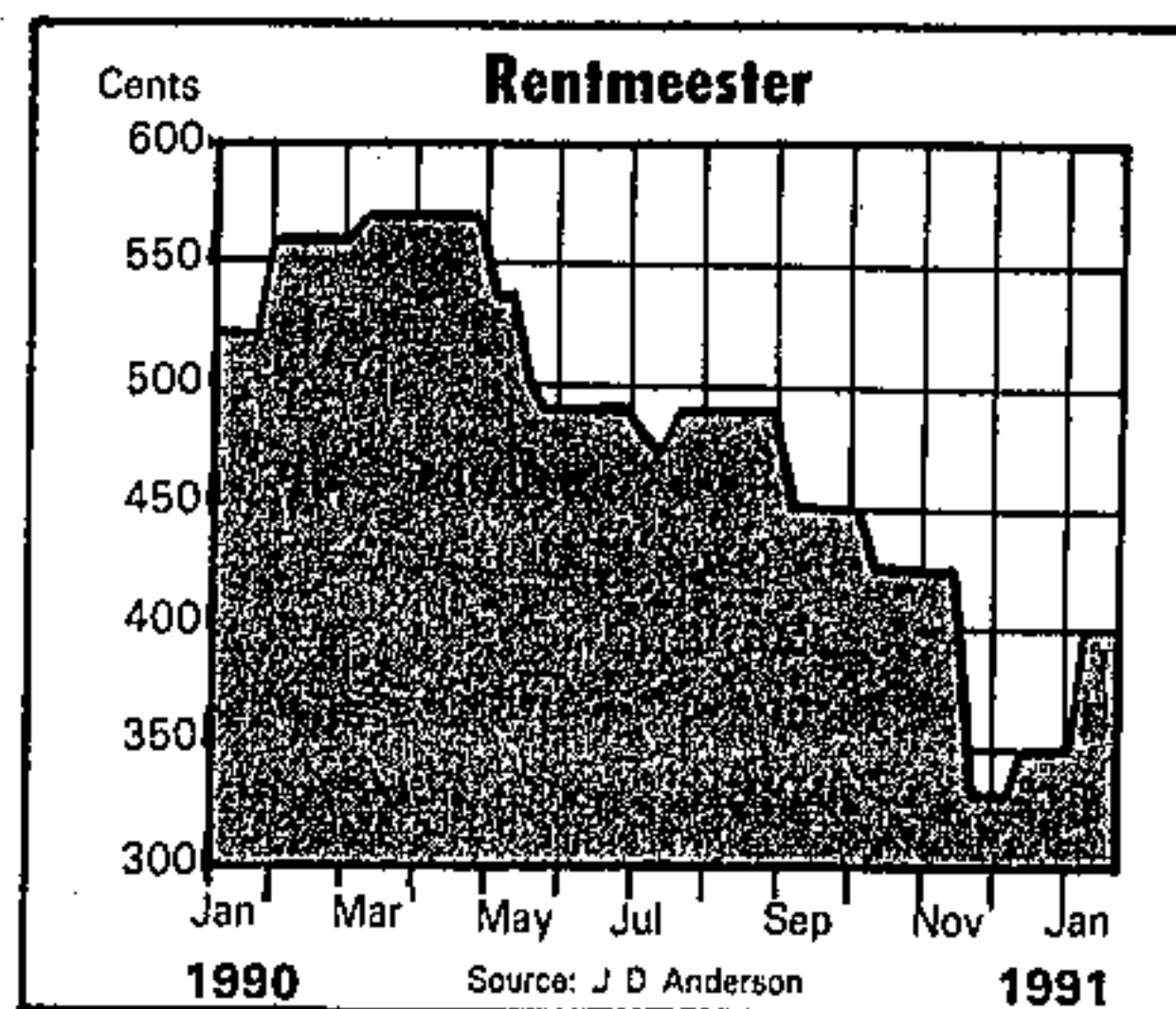
Share market: Price: 400c. Yields: 2,0% on dividend; 16,7% on earnings; p:e ratio, 6,0; cover, 8,4. 12-month high, 570c; low, 330c.

Trading volume last quarter, 5 500 shares.

Year to June	'87	'88	'89	'90
ST debt (Rm)	23,8	25,8	30,8	29
LT debt (Rm)	18,8	22,1	20,5	16,8
Debt:equity ratio	0,62	0,78	1,15	0,32
Shareholders' interest	0,37	0,32	0,19	0,24
Int & leasing cover	—	20,6	—	3,3
Return on cap (%) ..	n/a	0,4	2,2	—
Turnover (Rm)	138	149	180	170
Pre-int profit (Rm) ...	(0,4)	0,5	2,4	(3)
Pre-int margin (%) ..	—	0,3	0,2	—
Earnings (c)	33,7	55,3	121,7	66,9
Dividends (c)	5,5	11	15	8
Net worth (c)	935	824	548	655

A revision by Rentmeesterbeleggings (Rentbel) of its accounts for the June 1989 year has resulted in a restatement of the year's EPS from 134,8c to 121,7c. The error, which apparently arose because Rentbel's Cyclop Engineering subsidiary had overvalued work in progress, means that last year's dividend of 15c was covered eight times rather than the nine that the board intended.

MD Joachim Vermooten says last year's dividend would not have been reduced had the error been detected earlier. However,



as Luxavia and Trek to make up the shortfall and ensure that the group ended the year in the black.

Management blames the earnings slide on the economic climate — which led to a decline in volumes and erosion of margins, particularly in the second half — labour unrest and changes in legislation, that cost the President Insurance subsidiary R1,3m in reduced income.

With the economic gloom unlikely to lift for some time, Rentbel has turned to strengthening its portfolio to improve returns. Income from the sale of the explosives interests and an hotel in Natal did little more than offset losses incurred from the liquidation of the Wolnit textile business. Further sales could be in the offing.

Vermooten says Rentbel will focus on its businesses in insurance and aviation, where most of its income is derived, as well as its fishing and industrial netting companies. He says Cyclop Engineering is performing better now that certain fixed-price contracts have been completed. The insurance businesses and aviation companies Luxavia and Trek are thought to offer the greatest potential for growth.

Overheads, including staff at President Insurance, are being cut to bolster margins. Gearing appears not to be a problem, though return on total equity had sunk to only 10,2% by year-end. Though these measures

HUDACO **STILL AHEAD**

189E Fm 25/1/91

Further consolidation of acquisitions made in the 1989 financial year helped engineering group Hudaco to improve its 1990 performance. CE Kevin Clarke maintains that most of the increase in turnover and operating profit was derived from changes in group structures at Abcor and Deutz Dieselpower.

Operating margins increased from 11,9% to 13,5%, owing to a "more profitable sales mix and tight cost control." However, a 31% increase in the net financing cost to R9m, an increase in the effective tax rate from 32,5% to 36,5% and a more than doubling of the minorities' share of the profit, eroded attributable income. An increase in the issued shares further diluted the bottom line result and EPS rose by 2,9%. This is better than the average for the engineering sector, where a number of groups have reported lower earnings.

After the group drew heavily on its cash to fund acquisitions during the previous year,

TACKLING RECESSION

Year to Nov 30	'89	'90
Turnover (Rm)	365	403
Operating profit (Rm)	43,6	54,5
Pre-tax profit (Rm)	36,7	45,4
Earnings (c)	107,3	110,4
Dividend (c)	48	50

borrowings peaked at R49m at the interim stage. Clarke was not worried then about the 53% gearing and he was confident that tighter inventory control would result in lower borrowings. In the upshot, year-end borrowings amounted to R24m, with gearing down to 25%. Also, no acquisitions were made in financial 1990.

He says the programme to cut inventories began early in 1990 and as the order cycle is about six to eight months, an improvement was expected only in the second half. The process continues and he predicts a much lower level of gearing by the year-end.

Clarke is not optimistic about an early economic recovery this year. As 30%-35% of the group's sales are to customers who, in turn, supply the gold mining industry, he expects increased pressure on sales and margins. Hudaco's customers include the motor and construction industries, which are also in the doldrums. Reduced interest charges should help the group produce improved pre-tax profit, but a further rise in the effective tax rate will probably mean earnings will be maintained.

Though the economy was slowing more rapidly in the six months to end-November,

especially in Hudaco's markets, the group's second-half performance was better than that for the first half. Operating profit rose from R25,6m in the second half of 1989 to R28,9m on turnover figures of R191m and R198m, respectively.

After reaching a 1 120c high last March, the share has dropped back to 880c. It now trades at 930c, on a p/e of 8,4, a markedly better rating than the sector average of 5,7. The profit record has been good for a number of years, though earnings are unlikely to show much growth in the next year or two given the group's dependence on the gold mining, motor and construction sectors.

Gerhard Slabber

FOX FM 25/11/91 (189)

Africa, are expected to provide a modest real growth in profits." With the gold mines seeing shrinking returns, the platinum arm looking at nominal growth of the order of 15% and, with diamonds set for hard times, it seems odd that Johnnies would choose this market in which to sell such a business.

The group's cash, deposits and short-term investments of R1,1bn at June 30 were offset by overdrafts of R438m and deposits of R724m, leaving a net negative position. Dones denies that JCI needs cash and the group, of course, has billions of rands of quoted investments that could easily be realised. Probably Lennings, which has a spotty record, is just more trouble than it's worth.

Gillian Findlay

LENNINGS Fm 25/11/91
UP FOR GRABS (189)

Lennings, the manufacturer of engineering products, 99% owned by JCI, is up for grabs. Johnnies wants to focus more clearly on its core business, namely mining finance, and sees Lennings as a hindrance to this. The mining house has other industrial investments, but most are not even associates and the group certainly does not manage them.

It is not yet known what sort of price could be realised; to some extent this will depend on whether Lennings is sold as a unit or split into its various divisions. "Amic is involved in discussions regarding the foundries," says JCI group public affairs manager Ann Dones, "but nothing has been resolved."

In addition to 13 foundries, Lennings has 16 machine shops and six fabricating facilities. This includes the steel and iron foundries acquired with the purchase of the Standard Brass group in November and the large engineering/machining facility at Benoni.

Lennings's attributable earnings in the year to June 30 1990 were R20,1m. A reasonable exit p/e ratio would be between 4,5-5,0 (the average for the engineering board on the JSE is 5,7), which would imply a value of between R90m and R100m.

JCI's 1990 annual report said of Lennings: "In the current year, lower interest rates and higher export sales, particularly to central

Recession limits Hudaco earnings

B/Pay 22/11/91

189E

DETERIORATING conditions in the gold mining and motor industries limited engineering group Hudaco's growth in attributable earnings to 9% in the year to November 1990.

Attributable earnings were R25m (R23m), but earnings a share were 3% higher at 110,4c (107,3c) a share after allowing for increased taxation and the greater number of shares in issue.

A final dividend of 29c (28c) a share was declared, bringing the total for the year to 50c (48c) a share.

CE Kevin Clarke said the 3% rise in earnings a share was less than previous levels, but was acceptable in the light of the group's worst trading environment for 15 years.

The distributors of diesel engines, bearings, belting, abrasives and transmission components boosted operating profit by 25% to R54,5m (R43,5m) on a turnover of R403m (R364,6m).

Clarke attributed the turnover and operating profit increases to the change in interests of group subsidiaries Abcor and Deutz Dieselpower about 18 months ago.

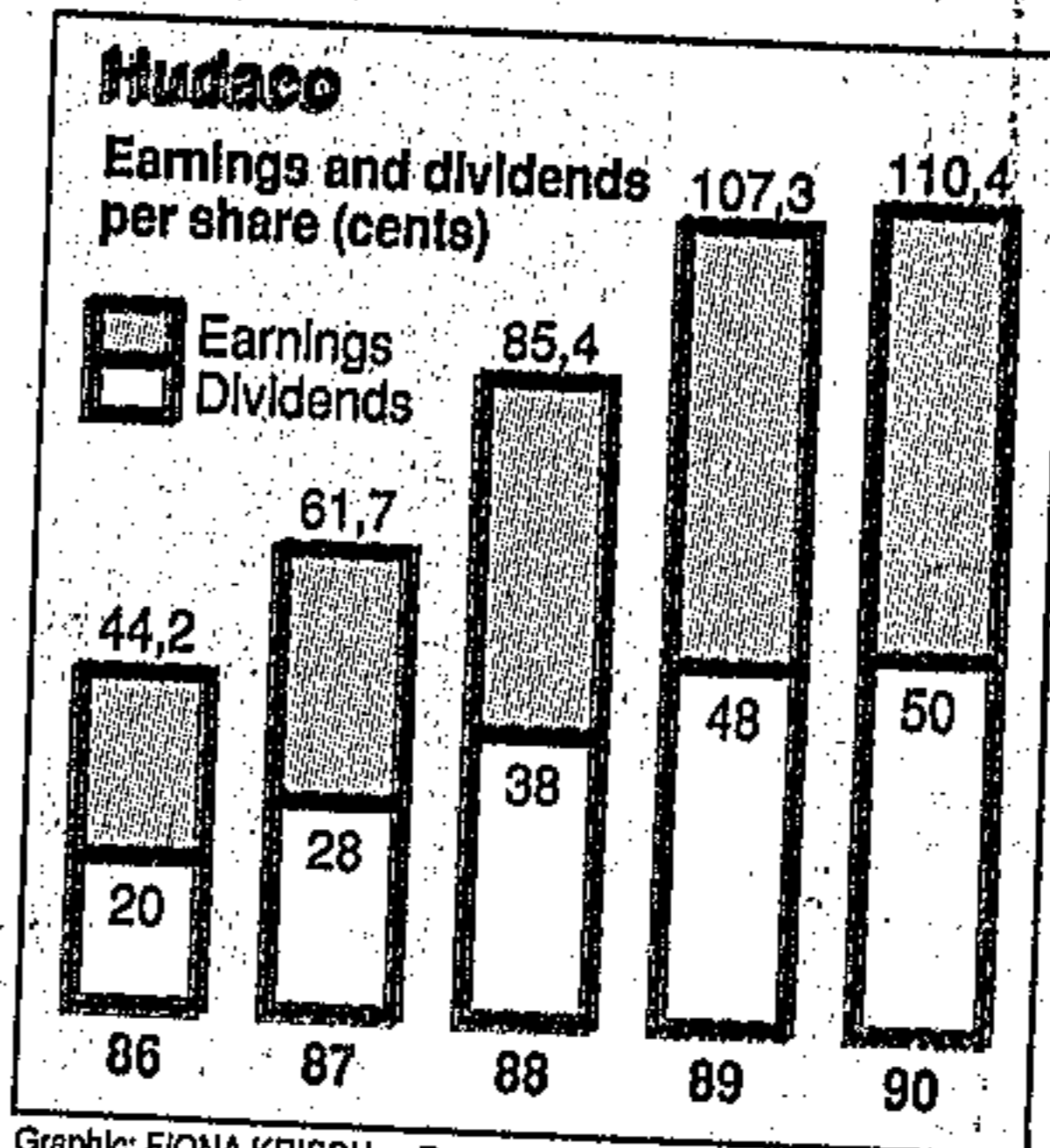
Hudaco merged its Norton Abrasive interests with M & R into a 50%-held associ-

MARC HASENFUSS

ate Abcor in July 1989 and reduced its 50% stake in diesel engine manufacturer Deutz Dieselpower to 30% in May 1989.

Stringent stock control measures implemented throughout the group restricted borrowings to R24m (R30m), maintaining

□ To Page 2



Graphic: FIONA KRISCH Source: HUDACO

Hudaco

B/Pay 22/11/91

interest cover at 6 (6,3) times and reducing gearing to 25% (35%).

Clarke was not optimistic about an early economic recovery this year and expected pressure on sales and margins.

"Although the interest charge will reduce as a result of lower average debt levels, we expect a relatively flat earnings

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□ From Page 1

performance in the year ahead."

He said: "In the near term, we will continue to optimise the strong cash generation of the group, which will reduce the level of debt even further, and our resulting strong balance sheet will allow us to take advantage of any exceptional opportunities that occur."

Downturn hits NEI earnings

By Jabulani Sikhakhane

189E

Star 6/2/91.

A poor showing by the group's diesel operations coupled with a general downturn in the economy, saw engineering group NEI Africa reporting a 36,1 per cent slump in earnings to 332c per share for the year ended December 1990.

The dividend for the full year was down to 165c (211c) which resulted in a reduction in dividend cover from 2,5 times to 2 times.

Managing director and chief executive Lawrence Hyslop says the group faced a severe downturn in the economy resulting in tough market conditions for the engineering industry.

The downturn had particularly negative effects on the transport industry and this, coupled

with difficulties in some operating companies resulted in the group's diesel operations turning in a well-below budget performance.

The poor performance of the diesel operations dragged down the results of the group as a whole, Mr Hyslop said.

Subsidiaries

Through subsidiaries, Pro-power and Probuilt, NEI Africa remanufactures, services and distributes diesel engines including those of Atlantis Diesel Engines (ADE).

Other NEI Africa divisions, particularly the mechanical division did well and achieved good results.

Mr Hyslop says NEI enters the new financial year with a forward order book of R400 million and is well placed to take

advantage of opportunities as they present themselves.

During the review period turnover showed a healthy increase of 21 percent to R713,625 million (R587,010 million), but depressed market conditions saw operating margins falling sharply from 11,8 percent to 7,8 percent.

This translated to a 20 percent fall in operating income to R55,527 million (R69,095 million).

Net financing costs shot up 60 percent to R15,128 million leaving net operating income of R40,443 million (down 32,2 percent).

NEI Africa Holdings, whose sole investment is 53,3 percent interest in NEI Africa, has declared a dividend of 55c on earnings of 166c per share for the year.

W/L-M/64/9/2/91
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Steelmen in united front against Numsa

From DES PARKER

DURBAN. — Employers in the steel and engineering sector in Natal have finally reacted to the threat they face from the deteriorating regional economy and excessive demands from the National Union of Metalworkers of SA (Numsa).

Representatives of about 60 member and non-member companies of the Natal Engineering Industries Association (NEIA), part of the Steel and Engineering Industries Federation of SA (Seifsa), met in Durban this week to work out a mandate for annual negotiations with the union over wages and conditions of employment due to begin in Johannesburg early next month.

According to NEIA chairman Henk Duys, indifference among Natal companies to the outcome of past negotiations had had serious consequences for local employers discussions had been dragged out by unions, and at the end "excessive" wage settlements accepted by the more affluent Trans-

vaal companies had proved fatal for some concerns.

A 19 percent wage rise had been accepted last year, contributing to the closure of a number of smaller companies.

Although recent figures had not been collated, an average of more than 300 engineering jobs were lost every month in Natal between February and August last year, said Mr Duys.

"The time is overdue for employers in the province to present a united front and to let our negotiators be aware of our predicament."

More trouble for a troubled KNJ

By Ann Crotty

18/7/91

Troubled engineering holding company KNJ has reported a 43 percent slump in earnings for the six months to December.

On an 11,6 percent drop in turnover — from R172,9 million to R152,8 million — the group suffered a 43 percent fall in earnings from 9,5c a share to 5,8c.

Over the past 12 months management has undertaken a major clean-up — selling off a number of operations and investments not considered appropriate for the group's portfolio.

Rationalisation and the weak economy suggest the difficult times will continue for at least the remainder of financial '91.

The decline in turnover and weaker margins, down from 8,4 percent to seven percent, resulted in a 26 percent cut in operating profit to R10,8 million (R14,6 million).

Interest payments were down 13 percent to R3,9 million (R4,5 million).

This is not significant, given the drop in activity and the fact that the group had the benefit of the pro-

ceeds from the disposal of assets.

That the interest bill was not lower is attributable to higher interest rates and the 29 percent hike in working capital — up from R95,9 million to R123,4 million.

The tax rate rose to 29 percent (25 percent).

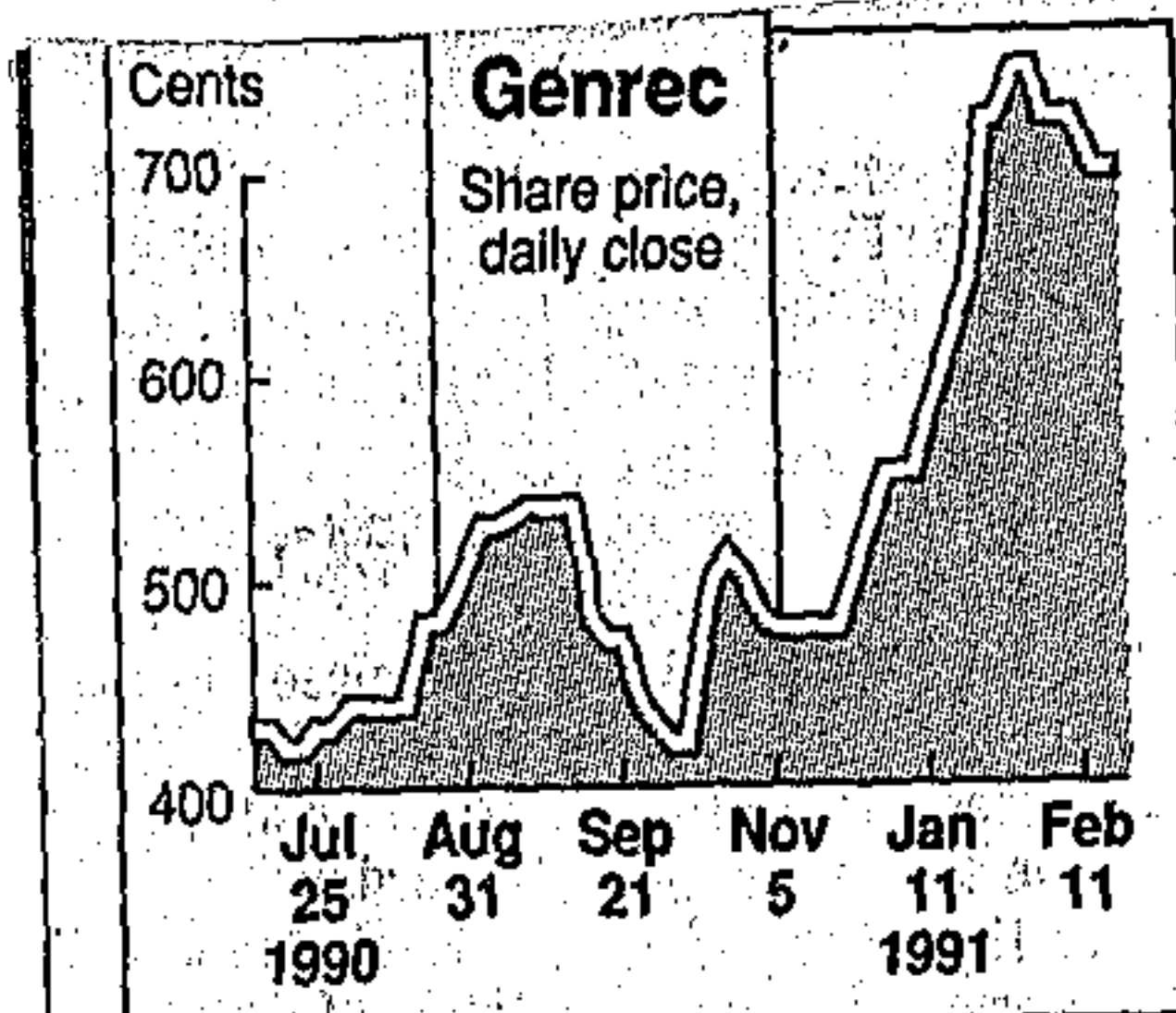
Management says the higher tax rate "arises from the continuing absorption of tax losses through profitable operations, as well as the losses incurred by other subsidiaries, which could not be offset against profits for tax purposes".

Attributable income was down 43 percent to R4,1 million (R7,3 million).

A number of businesses were sold in the review period (or are in the process of being sold).

Management says the capital realised from these transactions will result in a reduction in interest payments.

One of the group's subsidiaries sustained a bad debt of R682 000 — after granting credit based on incomplete and misleading information supplied by the debtor concerned.



Graphic: FIONA KRISCH. Source: JSE

Improved margins help Genrec shine

MARC HASENFUSS

IMPROVED margins on work being undertaken have enabled Murray & Roberts engineering subsidiary Genrec Holdings to almost double its interim earnings.

Attributable profit rocketed 93% to R14,5m (R7,5m) for the six months to December 1990, translating into an earnings rise of 83% to 119c (65c) on an increased number of shares in issue. An interim dividend of 25c (12,5c) was declared, covered 4,5 times. *18/2/91*

The better margins saw operating profit rise 167% to R22,2m (R8,3m) on a 10% increase in turnover to R279m (R253m).

Borrowings were reduced to R1,2m (R1,75m), representing 2% of group equity (4%), while non interest-bearing debt at R70m (R63m) increased the total debt to equity percentage to 110% (150%).

During the period under review, Genrec acquired for cash mining equipment manufacturer Licence Mining and stainless steel manufacturer Falcon Engineering.

□ To Page 2

Genrec

CE Ian Colepeper said high-precision machining facility General Machining Technology (Gemtec) in Port Elizabeth would commence initial production before the end of the year.

Colepeper was confident the level of earnings during the second half of the financial year would be higher than interim earnings because of continued high margins on work in hand and due for completion this year.

"All divisions, however, report a rapid slowing down in work available in the industry in sympathy with the general deterioration in the SA economy, and forward intake is at a level less than that

currently being executed, and at noticeably lower margins," he said.

The general economic slowdown, coupled with the cost associated with the run-up to full production of the R40m Gemtec investment, would have an impact on the level of attributable earnings for the year ending June 1992, he said.

Colepeper said these factors were unlikely to affect the level of future dividends, as the balance sheet was expected to remain strong.

The group's shares have been actively traded, doubling to 700c from a low of 350c last February.

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Fraser Alexander feels pinch as earnings fall

189
Bl Day 20/2/91.

MATTHEW CURTIN

MINING services and construction group Fraser Alexander posted a 27% fall in earnings for the six months to end-December as cutbacks in the mining and engineering sectors sapped revenue.

Fralex Alexander's earnings per share dropped 29% to 44,6c (62,5c) while 3c was knocked off the interim dividend on a 21% fall to 11c a share.

Holding company Fralex, which has a 72,9% shareholding in the group, posted a 28% slide in earnings a share to 25,1c (35,1c).

In contrast, Fraser Alexander earnings rose 23,9% in 1990 after average growth of 42% over five years. Turnover rose 6,8% in the interim to R105m (R98m).



© FLACK

However, group chairman Peter Flack said yesterday Fraser Alexander was on the verge of launching "a major acquisition programme" which would lift the turnover of its waste division to more than R100m a year. The group would make an announcement on one of two possible deals this morning.

SEAN VAN ZYL reports sources said that should the deals come off, Fraser Alexander would have captured 85% of the private waste management services industry.

Group financial director Les Maxwell said due to sensitive negotiations he could not confirm Fraser Alexander was about to take over Waste-Tech, a subsidiary of the Transport Technical Services Industries Group and SA's largest private waste management company.

Presenting interim results yesterday, Flack said the group had not foreseen the extent to which the economic recession would dent profits.

Fraser Alexander's operations

focus on moving mining waste, construction and concrete projects, as well as services like the management of more than 100 tailings dams in SA.

The group has traditionally seen itself as immune from economic recession because it provides essential services.

In the first quarter Fraser Alexander's revenue had fallen to zero as Eskom cut its operational expenditure by 5%, Sasol had cut coal production at its Secunda plant from more than 700 000 tons a month to 275 000 tons, while the mines held back approval for long term projects.

Fraser Alexander had reacted by starting a productivity and cost monitoring drive — Flack said the group had invested too much in its staff for it to consider retrenchments — which by the end of the second quarter, as some long-term contracts were won, boosted revenue to R5,5m.

He was confident the group's expansion programme and projects like the recently commissioned R8m Mega-Waste sanitary landfill site for the East Rand RSC would boost year-end revenue to at least R14,5m.

GENREC (189) FM 22/2/91
WIN SOME, LOSE SOME

A significant improvement in margins on Genrec's current work resulted in operating profit for the six months to end-December nearly equalling that of the previous full financial year. The downside, however, was a tax bill four times higher than for the full year, which held attributable earnings back.

Since a comprehensive balance sheet restructuring more than two years ago, the engineering group boosted surplus cash from R15m to R35m in the year to June. The cash was used in the period under review to acquire the full business of Licence Mining, a company involved in the design, manufacture and maintenance of mining equipment and the supply of consumable spares to the coal mining industry.

Though Genrec does not disclose the purchase price, one can assume that the company must have gone for a bargain price, considering the present state of the mining industry and that Genrec takes a long-term view on this investment.

HIGHER MARGINS

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rm)	253	267	279
Operating profit (Rm)	8,3	13,9	22,2
Attrib profit (Rm) ..	7,5	14	14,5
Earnings (c)	65	124	119
Dividend (c)	12,5	40	25

Also in the first half, Genrec acquired 100% of Falcon Engineering, a manufacturer of stainless steel vessels and tankage for the brewery, petrochemical, dairy and beverage industries. Falcon should contribute to group earnings this year as there is a considerable amount of capex taking place in the industries it serves.

The installation of the high precision machining facility (Gemtec) in Port Elizabeth is on schedule and initial production is expected to start before the end of 1991. The project was initially aimed at import substitution, but the medium-term focus will be on exports. Automotive cylinder heads from holding company Murray & Roberts' aluminium casting facility in Port Elizabeth will be used.

Management expects that the second half's earnings will exceed those of the first half, thanks to continued high margins on work currently in hand and due for completion this year.

All divisions, however, report a diminishing order book for next year and activity is

likely to be lower. Coupled with the cost involved in getting the R40m Gemtec investment up to full production capacity, this will affect earnings in financial 1992, but dividends are not likely to be affected as the group's balance sheet is expected to remain unstretched. Gemtec will only contribute to profits from the 1993 year.

Though the group recovered strongly from the losses of the mid-Eighties the market still takes a dim view of the share. The earnings multiple stands on 3,7 compared to the engineering sector average of 6,3.

Gerhard Slabber

FRASER ALEXANDER
IN THE PITS ¹⁸⁹ FM 22 | 2 | 91

Fraser Alexander's highly diversified operations, which provide critical, long-term services to mines, Eskom and Sasol, had created an impression among management and many analysts that the group was well protected against the effects of recession.

However, sudden spending cuts throughout most of the mining industry caused the group's earnings for six months to December to plunge 27% to R5,6m. Chairman Peter Flack says almost all Alexander's earnings were generated in the second quarter. He attributes the spending freeze to tight budgeting by mining houses as they adjusted to difficult economic conditions.

Understandably, the group's mining and mining services divisions were hard hit by these spending curbs. The bulk materials handling division also felt the effects of similar cutbacks by Eskom and other major industrial customers, while the curtailment of township development projects due to unrest reduced demand for the group's concrete products. The only division that performed

Six months to	Dec 31 '89	Jan 30 '90	Dec 31 '90
Turnover (Rm)	98	117	105
Attrib profit (Rm) ..	7.7	12.8	5.6
Earnings (c)	62.5	103.2	44.6
Dividend (c)	14	32	11

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continue →

SPENDING CUT

Alexander's fledgling waste division is set to expand substantially in the next few months through two acquisitions. The first purchase, expected to be funded out of working capital, could be concluded this week.

Terms of the second acquisition have yet to be agreed and could involve the transfer of both cash and Alexander shares.

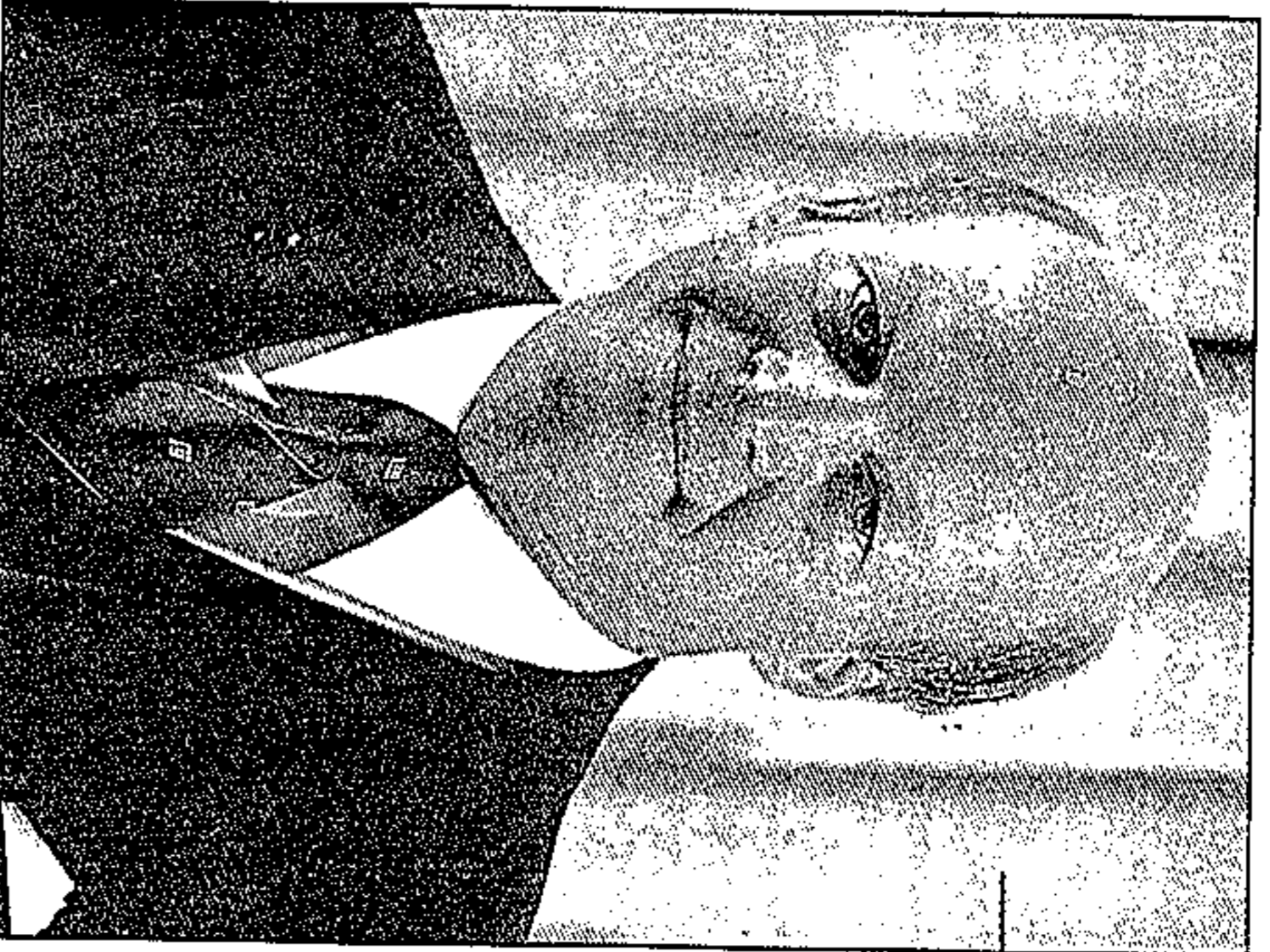
Flack declines to reveal the cost of the proposed acquisitions, or quantify the effects of these transactions on the group's earnings. He does confirm they should make a material contribution to profit.

Further growth in earnings is expected from the group's offshore interests in Europe and the Pacific Rim. These are forecast to add close to R1,5m to Alexander's bottom line this year.

Though the fall in earnings has shattered Alexander's recession-proof aura, the broad-based group may yet weather the current

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FOX



Alexander's Flack ... planning

FM 22 | 2 | 91

above expectations, says Flack, was the coal operation which benefited from a significant rise in exports to Europe.

Flack says second quarter earnings were in line with budget and the next quarter also looks on track. Though second-half earnings will show an improvement on the first six months, the group will not be able to make up the first quarter shortfall. Earnings for the year are likely to be 25% down on 1990, says Flack. This would be the first dip in earnings in five years. EPS are expected to fall from 165,7c to about 124c, with dividends likely to slip from 46c to close to 35c.

Flack reckons the fall in earnings kept gearing well above the 35% level set by management and at the interim it was close to 70%. Gearing is traditionally high in the first six months, as this is when most of the capex is committed and he forecasts that it will be down to 35% by year-end. Interest cover is currently about 5,7 times.

FM 22 | 2 | 91

economic malaise better than many of its rivals. The share, down from 1 350c in August, is trading at 1 050c, on a historical p/e of 7,1, and looks fully priced for now.

Simon Cashmore

With foresight, NTC stays ahead of inflation

Biday 22/2/91

1895

ENGINEERING merchant and manufacturer NTC recorded an inflation-beating performance in the year to end-December, ascribed to above-average sales performance and tight financial management.

Attributable profit climbed 17,5% to R10,3m (R8,8m previously), translating into a 17% increase in earnings a share to 155c (132,9c) after the number of shares in

MARC HASENFUSS

issue increased slightly.

A final dividend of 34c was declared, increasing the total payout 14% to 50c (44c). Turnover increased 23% to R503m (R410m) with operating income, on unchanged margins, improving 22% to R37,4m (R30,6m).

MD Mike Davis attributed the strong performance to the group's diversified structure, which ensured a strong and well-spread customer base and limited NTC's reliance on the mining industry.

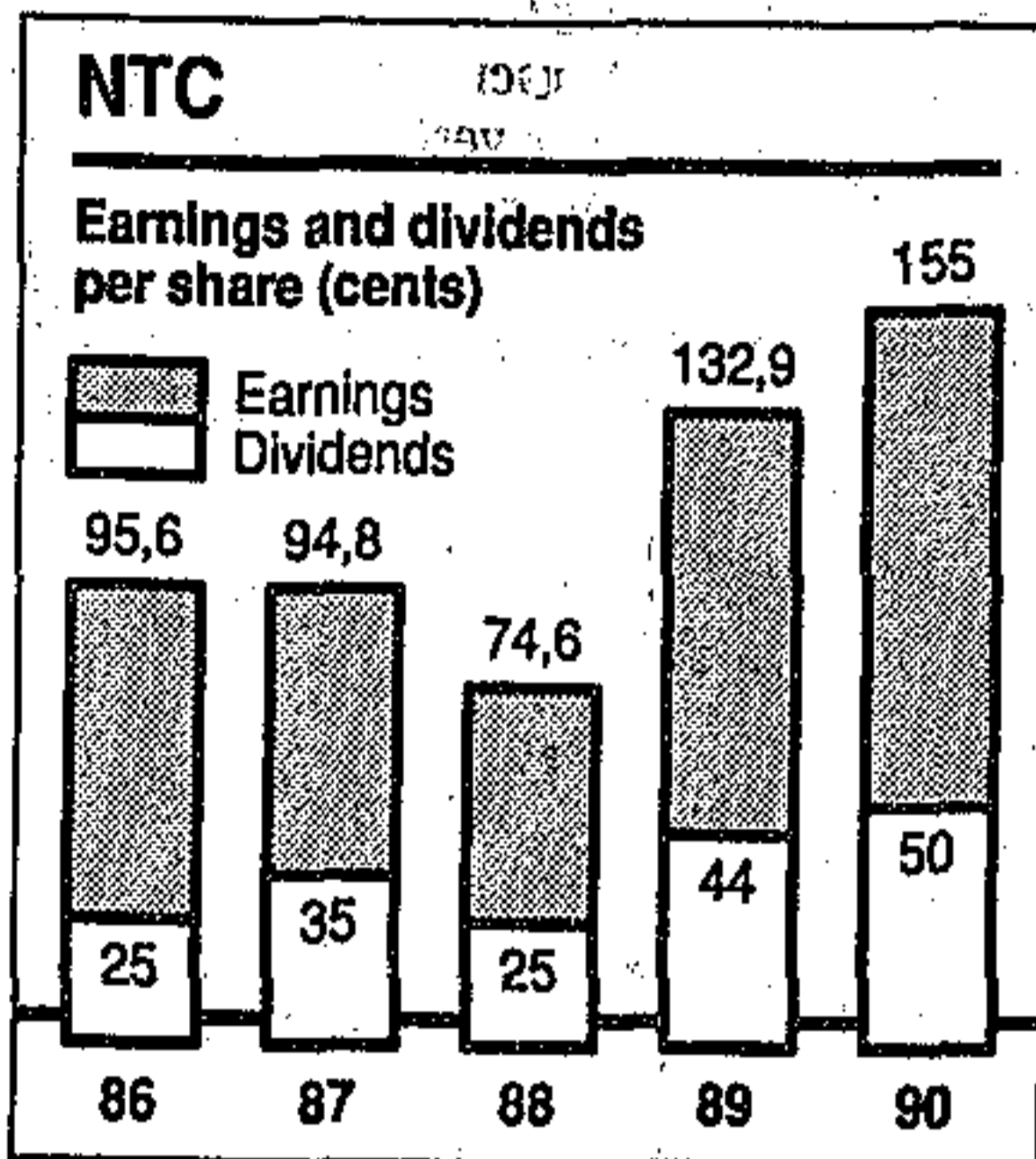
The benefits of anticipating the economic downturn early and introducing effective cost management were apparent, Davis said.

The exporting of flanges through NTC subsidiary National Flanges did not go as well as expected, he said.

Davis conceded that 1991 would be a difficult year, but declined to comment on NTC's prospects.

NTC shares seem set move off their last trading price of 450c.

The shares were bid at 475c yesterday with no buyers in sight.



Graphic: FIONA KRISCH Source: NTC

DANECH INDUSTRIAL CORP

STILL UNDER STRAIN

F1m 113191

189

Activities: Danech Industrial Corp holds 61% of Danglo, which holds 61% of Danech Mining Supplies and 86% of Plastall.

Control: Directors 54% at Sep 30. In October a consortium led by W A R Wenteler took control.

Chairman: J Rabinowitz; MD: W A R Wenteler.

Capital structure: 52,1m ords. Market capitalisation: R2,6m.

Share market: Price: 5c. 12-month high, 15c; low, 5c. Trading volume last quarter, 334 000 shares.

Year to Sep 30	'87	'88	'89	'90
ST debt (Rm)	0,6	45,5	18,9	35,2
LT debt (Rm)	6,5	12,0	10,1	6,1
Debt:equity ratio	0,09	0,54	0,97	2,74
Shareholders' interest	0,50	0,19	0,29	0,15
Int & leasing cover	6,1	0,52	1,7	—
Return on cap (%)	8,1	1,7	—	—
Turnover (Rm)	151	326	273	255
Pre-int profit (Rm)	5,2	2,7	14,6	(1,8)
Pre-int margin (%)	3,5	0,8	5,4	—
Earnings (c)	8,1	(7,7)	3,9	(12,3)
Dividends (c)	3,9	—	—	—
Net worth (c)	36,5	10,9	12,6	6,1

After swinging back into the black in the 1989 financial year, profitability cracked last year and the Dicor group again produced trading losses and saw further deterioration of its balance sheet.

Balance sheet ratios were affected by the worsening trading position, higher borrowings and a decision to write off remaining goodwill, which resulted in an extraordinary loss of R1,8m. Also, the group has continued to rationalise: two operations were sold, six closed and eight merged, requiring considerable write-offs of stocks and debtors.

Dicor is the top holding company, with 61% of Danglo, which in turn has stakes of 61% and 86% respectively in the two listed operating subsidiaries, Danech Mining Supplies (DMS) and Plastall.

DMS — which supplies capital equipment and consumables to the mining, general and electrical industries — was responsible for almost all the operating loss; collapsing markets were blamed. Plastall — which makes and distributes polyethylene sheeting and bags, furniture and components and materials handling equipment for the mining industry — was responsible for 2% of the loss. Wholly owned unlisted subsidiaries, involved in engineering equipment for mining and property investment, made a profit.

With the accumulated loss rising to R31,3m, shareholders' funds were reduced from R6,6m to only R316 000, largely owing to the write-off of all goodwill. Funds attributable to outside shareholders dropped from R12,4m to R4,4m, leaving Dicor's permanent capital (including convertible debentures of R10,2m) cut by half to R14,9m.

The year was not characterised only by

cutbacks. Plastall bought the Gundle division from Consol Plastics for R5,5m. This helped to lift Dicor's borrowings, which rose by R12m to R41m. There were commissioning delays but chairman Joe Rabinowitz says the plant's extruders are now operating smoothly and the division is making a healthy contribution to the group.

Given the state of the balance sheet, the current year could be crucial for Dicor. The bankers and major suppliers of DMS have indicated their continued support for the year, provided there is no major deterioration in the operations of that group.

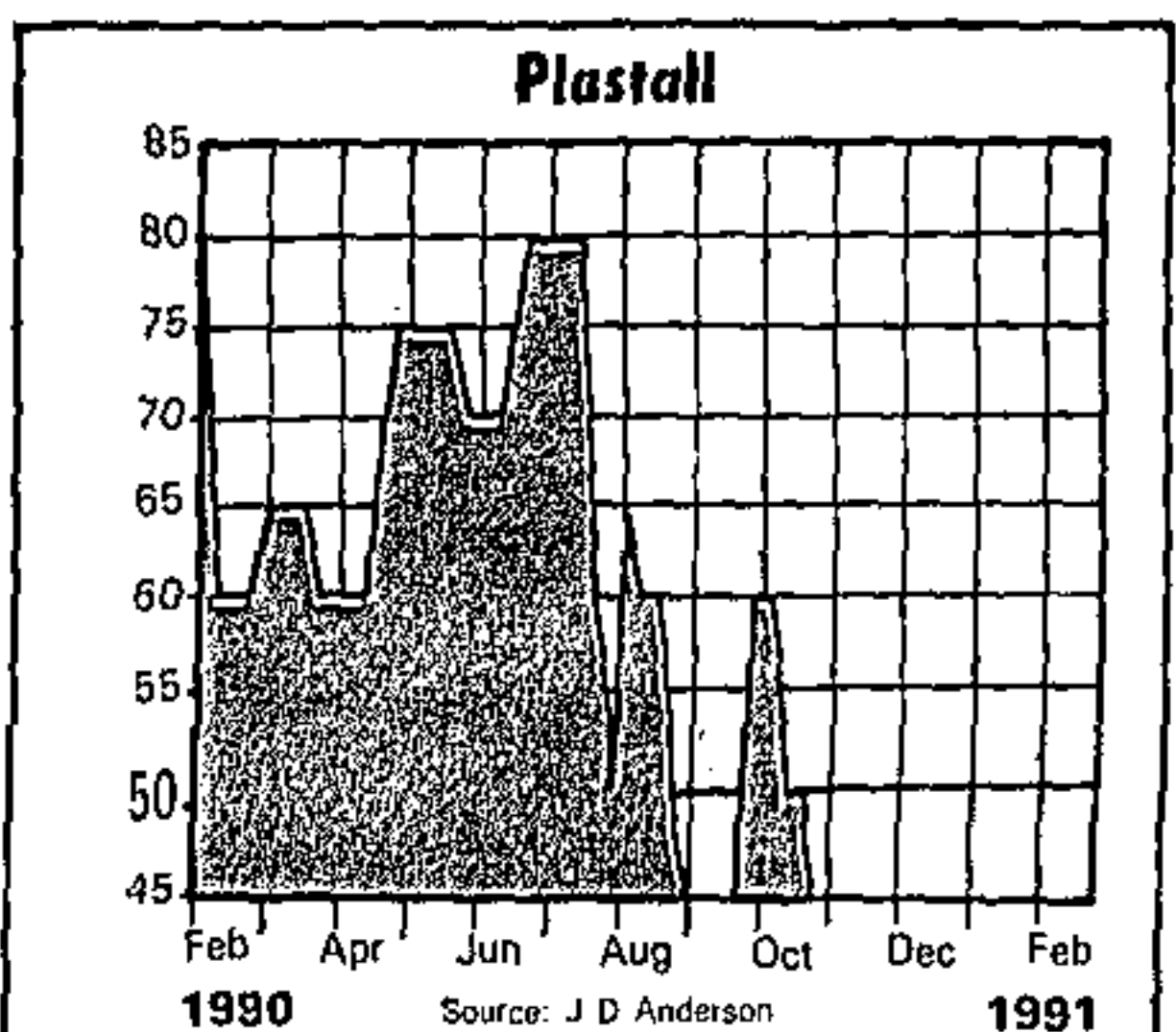
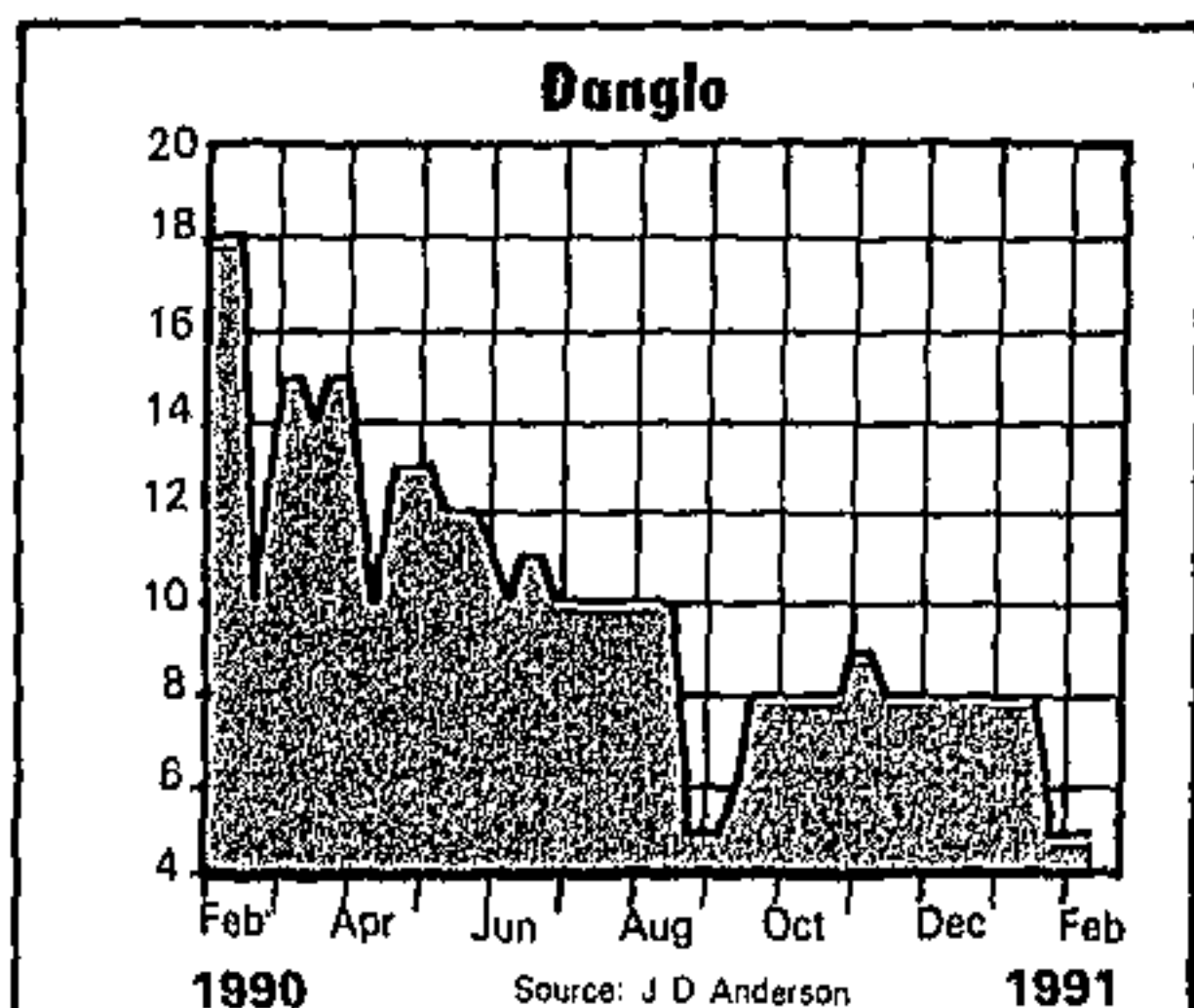
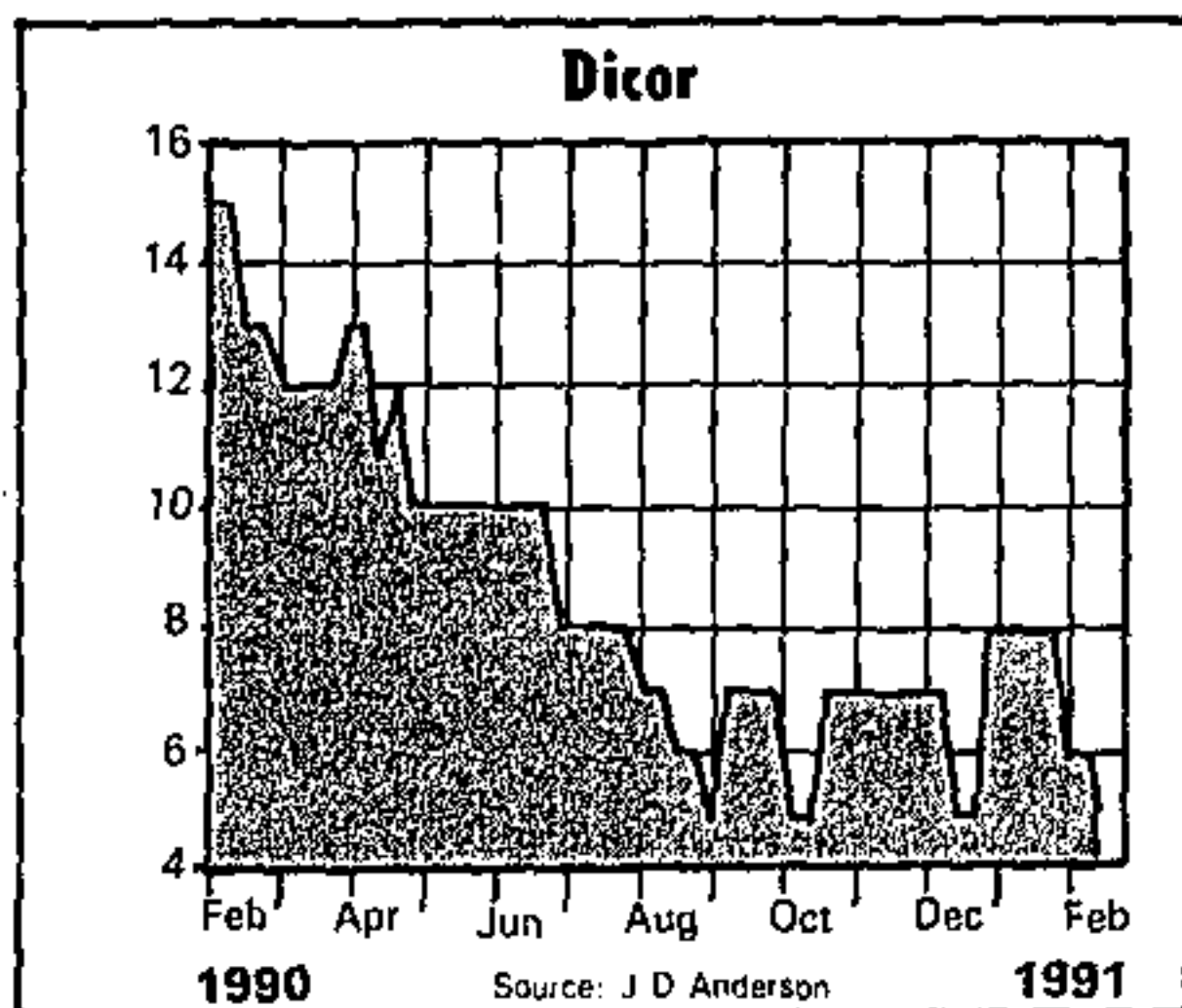
Rabinowitz says cost reductions have been paying off and certain divisions have not only turned around but are producing good profits. There are also hopes for a reduction in short-term borrowings and improved gearing. Meanwhile, the group ended the year with estimated tax losses of R35m.

Aside from these developments, control of the group changed, with effect from November 15, to a consortium led by MD Bob Wenteler. Danglo and DMS are to change their names to Winhold and Inmins respectively by special resolutions at the AGMs; Dicor's name will become Winbel.

However, while there may be some light in the tunnel, it remains difficult to see how the group will resolve its problems. A refunding is needed, which will not be easy with profitability around current levels. The tax loss could turn out to be Dicor's biggest asset.

Not surprisingly, share prices of the group's four listed companies — Dicor, DMS, Danglo and Plastall — have been trading at, or close to, 12-month lows. There may be some speculative interest but, after the previous setbacks, investors will need evidence of a turnaround before taking a view on the shares.

Andrew McNulty



e

Battle for Allied in final stage

Star 4/3/91
By Sven Lünsche

have few n the cover s evi ny is ome- e an nies, ally c re- only y fol of the rise s ap- id in- satis- onfi- t de- other rials, ana- mid- ickel) per- nium more

The takeover battle for Allied between First National Bank and the UBS-led camp enters its final stage this week with analysts expecting FNB to emerge as the winner today.

The two parties are expected to announce an end to the two-month-long battle after a meeting with the Securities Regulations Panel (SRP) this morning. The SRP last week postponed the publication of a secret ruling to give the parties time to resolve their differences.

Should they fail to come up with a solution the SRP ruling will become operative and result in long and extremely costly legal wrangle.

The ruling is a response to an appeal by FNB against an earlier finding which allowed the UBS and its associates to acquire more than 30 percent of Allied shares without making the mandatory offer to remaining minority shareholders.

However, analysts are convinced that the two parties put the final touches on a deal yesterday, which enabled FNB to acquire the Allied and allowed the UBS to make a handsome profit on its Allied shares.

Strong growth at Fedsure

Finance Staff Star 4/3/91

Fedsure has maintained its strong showing since listing in 1987 with 1990's attributable earnings up 24 percent to R23,6 million.

Earnings per share rose 23 percent from 28,6c to 35,1c and a final dividend of 15c has been declared — giving a total dividend of 25c for the year.

Fedsure has achieved a compound growth in earnings and dividends of more than 22 percent a year over the last eight years.

In 1990 the Group's total assets grew by 17 percent and now stand at approximately R4 billion.

Fedsure's income and the bulk of its assets are provided by its principal subsidiary Fedlife, the Group's long term assurance company, which had a particularly good year.

Fedlife's gross premium income increased by 28 percent to R684 million with strong growth in recurring premiums to R528 million and single premiums to R156 million.

Dorbyl looks to exports to halt earnings decline

Star 4/3/91

The performance of engineering group Dorbyl is set to continue to be adversely affected by the economic slowdown, general labour and political unrest and continued high interest rates.

Management has, however, geared itself up to reduce the ravaging effects of the tough business climate on results.

In the latest annual report, chairman Mr Floris Kotzee says that vulnerable areas have adjusted to lower activity levels while growth is being pursued in other areas, including exports.

Dorbyl has extensive trading and manufacturing interests in the engineering industry.

Activities range from heavy engineering and shipbuilding to airconditioning and refrigeration equipment.

The major industries served include automotive manufacturing, mining, refining, building and construction, power generation, oil exploration, shipbuilding and transportation.

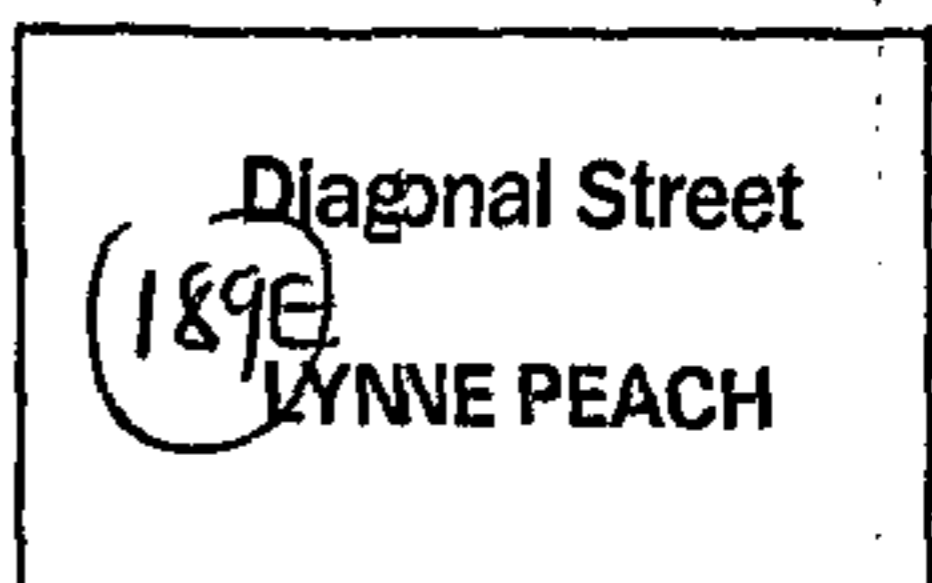
In the year to September, group turnover climbed 14 percent from R2,5 billion to R2,8 billion.

Lower margins, however, caused operation income to decline one percent from R186,0 million to R183,8 million.

Net interest expense rose 22 percent from R29,9 million to R36,5 million due to the higher level of borrowings required to fund the capital expenditure programme of R159 million.

This resulted in pre-tax profit falling 6 percent from R156,1 million to R147,4 million.

A decline in the effective tax rate from 25,5 percent to 22,9 percent reduced the decline in after-tax profit to two percent from R116,4 million to R113,7 million.



After taking into account outside shareholders' interest, attributable retained income of associated companies and preference dividends, attributable profit showed a decrease of less than two percent from R112,1 million to R110,1 million.

Earnings per share retreated from 351,4c to 345,2c.

The dividend for the year amounted to 103c a share, compared with the previous year's payout of 100c.

Mr Kotzee says the major contributing factor to the decline in earnings was poor performances by Dorbyl Heavy Engineering and tubemaker Tosa.

The balance sheet discloses a 32 percent rise in interest-bearing debt from R19,6 million to R184,1 million.

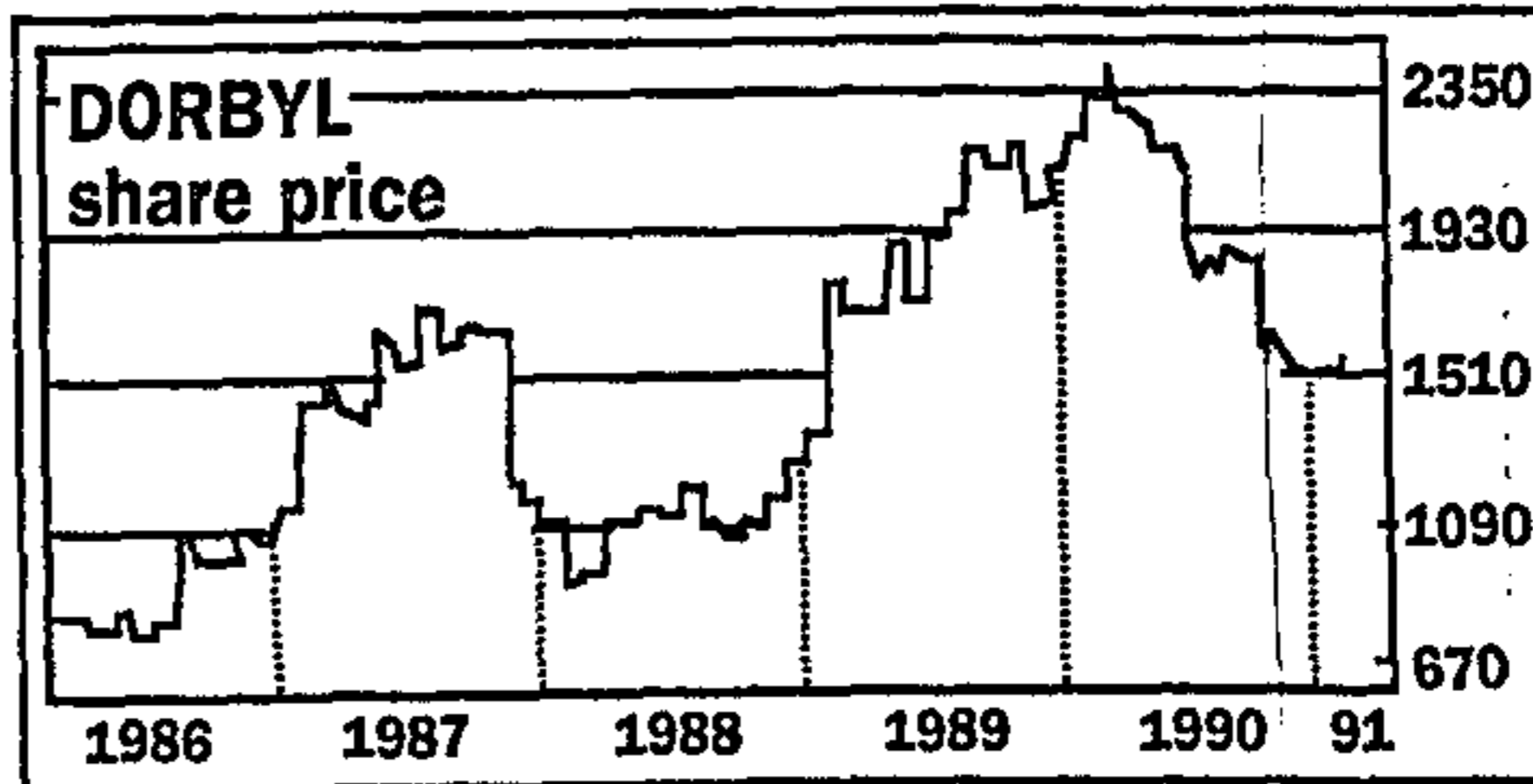
Consequently, gearing deteriorated from 212 percent to 26,1 percent.

Net asset value appreciated five percent over the year from R22,10 a share to R23,14.

Dorbyl, priced at R15,50, is trading on a price:earnings ratio of 4,5 and provides a dividend yield of 6,6 percent.

Although Dorbyl's earnings could decline further in the current year, the group's longer term prospects are favourable.

COMMENT: Dorbyl's share price entered a downturn a year ago after peaking at R25,50. The price looks like it may have bottomed at R15,00. Confirmation of the start of a favourable trend will require the price to rise above R16,00.

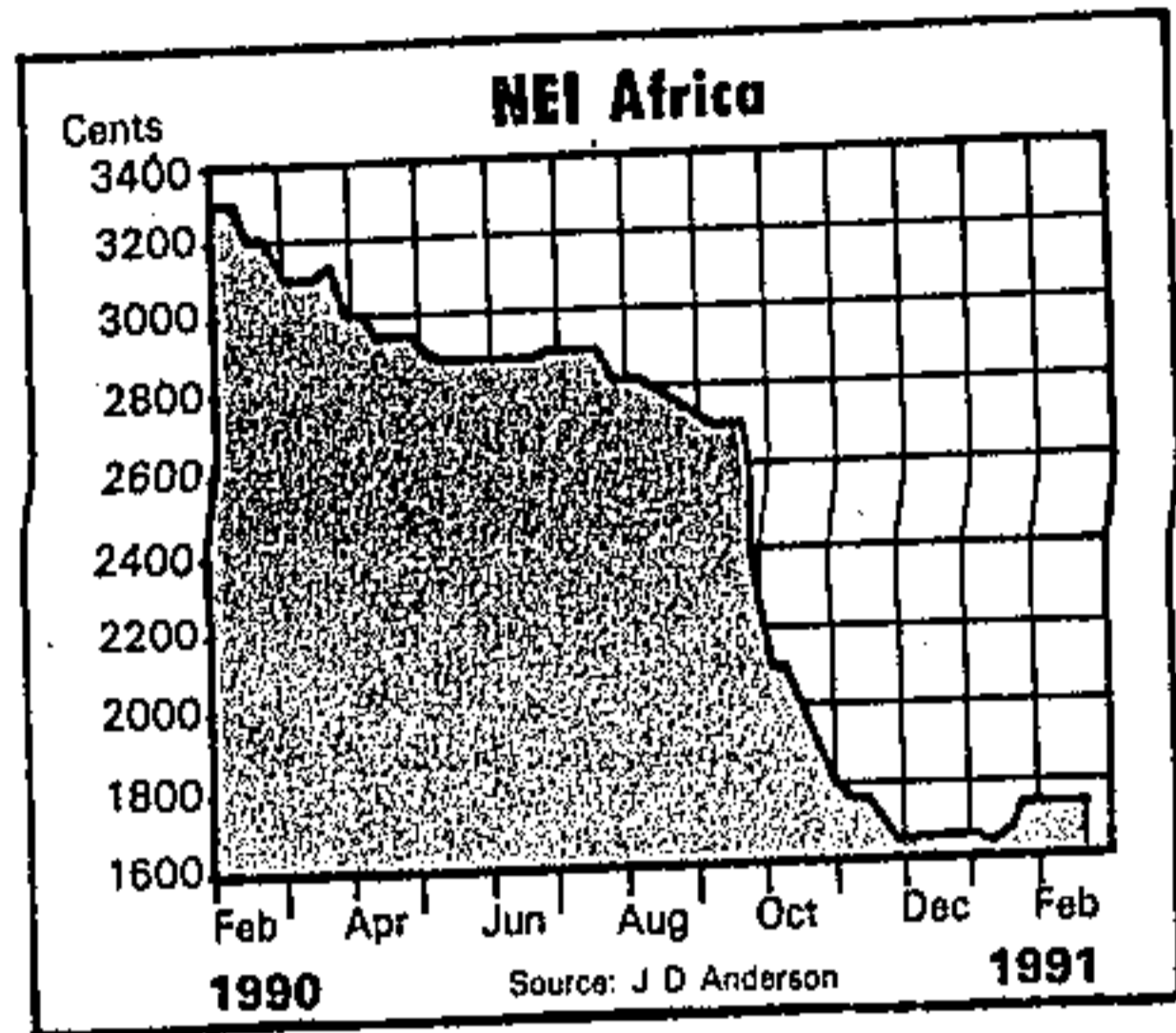


SORRY DOWN-RATING

Fm 8/3/91

The downward rating over the past two years of the once highly regarded NEI engineering group has been dramatic. In mid-1989 a share price of R40 offered a 5,3% dividend yield (historic) and was a 61% premium to net worth. Now, at R16, the yield has almost doubled to 10,3% and the share is at a 44% discount to NAV.

Obviously, the market is not happy with what has happened during this period; nor, apparently, is it looking to any significant recovery, short term. Less clear is whether



Continue ->



NEI's Hyslop ... just a temporary setback?

at the current low share price offers a und buying opportunity for anyone pre- rred to look beyond the immediate future? The answer will depend largely on whe- er management can bridge the credibility ip that has developed between itself and vestors (though CE John Hyslop feels ere is no such gap.) In this connection, an

unfortunate series of events will have done nothing to underpin the market's faith.

Almost a year ago, then-CEO Blitz Bieber told the FM that 1990 earnings should grow by about 15%. In the event, the interim report early in August reflected a 17% decline in attributable earnings for the half-year, while EPS, because of a greater number of shares in issue, fell 20%.

The next "event" was the appointment of an outsider to take over from Bieber on his retirement at end-June last year, raising serious questions as to the depth of management expertise within the group.

Finally, there was the bombshell of the year-end results, which revealed that earnings had been seriously undermined by mismanagement of, and the breakdown of accounting controls in, two major companies forming part of the diesel division — Propower, which distributes diesel engines and ancillary equipment, and Probuilt Diesel, which remanufactures diesel engines.

Tactically, NEI has probably done itself a disservice by not disclosing the exact effects on earnings of the downturn in the economy, on the one hand, and problems in the diesel division, on the other. The only breakdown is

continue ->

RESULTS AND DIVIDENDS

	Pre-tax profit Rm		Per-centage change	Earned / Paid cents per share				Sector	Dividends		
	1989	1990		1989	1990	1989	1990		Amount cents	Register by	Payable about
Anglovaal	287,9	412,9	+43	247	227	30	30	Min Houses	—	—	—
Anglovaal Ind	282,1	315,3	+12	346	363	—	—	Ind Hold	—	—	—
Autoquip	2,5	2,2	-13	9	8	3	2,5	Retailers	*2,50	28.3.91	12.4.91
Bankorp	52,9	81,3	+54	*43	*22	10	10	Banks	*10,00	22.3.91	3.5.91
Beatrix	—	—	—	—	—	50	39	Gold - OFS	*39,00	15.3.91	26.4.91
Blue Circle	119,4	112,0	-6	332	295	110	115	Building	†70,00	15.3.91	28.3.91
Coates Brothers	11,2	15,6	+40	171	233	49	61	Paper & Pack	†45,00	15.3.91	15.5.91
Commercial Union	50,5	31,2	-38	387	331	95	105	Insurance	†70,00	15.3.91	17.4.91
Compass	0,30	0,41	+36	—	—	2	2	Property	*2,00	15.3.91	28.3.91
Confram	27,8	(77,7)	-380	37	(142)	18	#	Clothing	—	—	—
Concor	4,0	11,5	+191	13	27	#	5	Building	*5,00	15.3.91	31.3.91
Cullinan	15,3	9,6	-37	59	54	17	17	Ind Hold	*17,00	19.4.91	24.5.91
Curnow	1,8	2,5	+37	4	6	1,75	2,25	Retailers	†1,25	15.3.91	8.4.91
Fedsure	\$19,1	\$23,6	+24	*29	*35	20,25	25	Insurance	—	—	—
Frame	27,0	(76,8)	-384	64	(258)	30	#	Clothing	—	—	—
General Opt	1,5	1,6	+1	31	31	5	5	Pharmaceutical	*5,00	19.4.91	3.6.91
Grinaker	65,3	51,4	-21	58	42	13	10	Building	—	—	—
Grintek	53,6	40,9	-24	11	7	3	2,4	Electronics	—	—	—
Imperial Group	n/d	n/d	—	44	52	17,25	20,6	Ind Hold	*20,60	22.3.91	18.4.91
Imphold	17,9	22,7	+27	*15	*18	5,75	7,00	Ind Hold	*7,00	22.3.91	18.4.91
Iscor	552,0	329,0	-40	23	16	5,4	4,5	Steel	*4,50	15.3.91	2.4.91
KWV Invest	5,9	6,3	+7	14	15	14	15	Beverages	—	—	—
Longmile	16,9	16,3	-4	21	16	3	#	Ind Hold	—	—	—
M & R Hold	120,2	132,5	+10	197	208	40	46	Ind Hold	*46,00	15.3.91	5.4.91
M & R Inv	51,2	54,6	+7	173	186	33	41	Ind Hold	*41,00	15.3.91	5.4.91
Manro	□	7,5	—	□	12	□	3,75	Chemicals	†3,75	15.3.91	28.3.91
Marlin Corp	9,9	9,1	-8	22	*15	7	5	Other Mines	*5,00	22.3.91	24.5.91
Marlin Hold	□	1,6	—	□	3	□	2,5	Other Mines	*2,50	22.3.91	24.5.91
Maxmech	63,0	◇44,0	-30	1	◇0,5	—	—	Dev Capital	—	—	—
Merhold	10,9	11,7	+7	46	48	17	17	Banks	—	—	—
Metro	29,5	5,6	-81	24	—	10,5	#	Retailers	—	—	—
Middle Wits	6,8	43,3	+533	5	7	2	2	Min Hold	—	—	—
Penrose	0,97	0,08	-91	3,6	2,0	#	#	Printing	—	—	—
Progress Ind	8,2	3,1	-62	192	102	48	34	Clothing	†16,00	Recommended	—
SA Bias Hold	26,1	26,6	+2	98	99	30	30	Ind Hold	—	—	—
SA Bias Ind	17,2	17,3	+1	47	47	18	18	Clothing	—	—	—
Sabvest	26,1	26,6	+2	49	50	14,9	14,9	Ind Hold	—	—	—
Safren	353,4	387,0	+10	203	225	55	60	Ind Hold	*60,00	28.3.91	12.4.91
Samancor	578,6	319,1	-45	195	109	70	40	Manganese	*40,00	8.3.91	28.3.91
Sasol	642,1	769,9	+20	64	83	27,5	32,5	Chemicals	*32,50	15.3.91	15.4.91
Toyota	176,1	252,4	+43	2149	2764	410	475	Motor	†305,00	22.3.91	30.4.91
Trabild	3,5	1,7	-52	8	4	3	2	Retailers	†2,00	15.3.91	—

P = Preliminary. I = Interim. D = Dividend. * = Weighted earnings per share. § = Net attributable profit after tax. † = Final. * = Interim dividend. ‡ = Annual. □ = Not comparable. ◇ = 9 months. # = Passed.

Activities: Manufacture, supply and maintenance of energy conversion and distribution equipment.

Control: NEI Plc owns 53.8% of pyramid NEI Holdings.

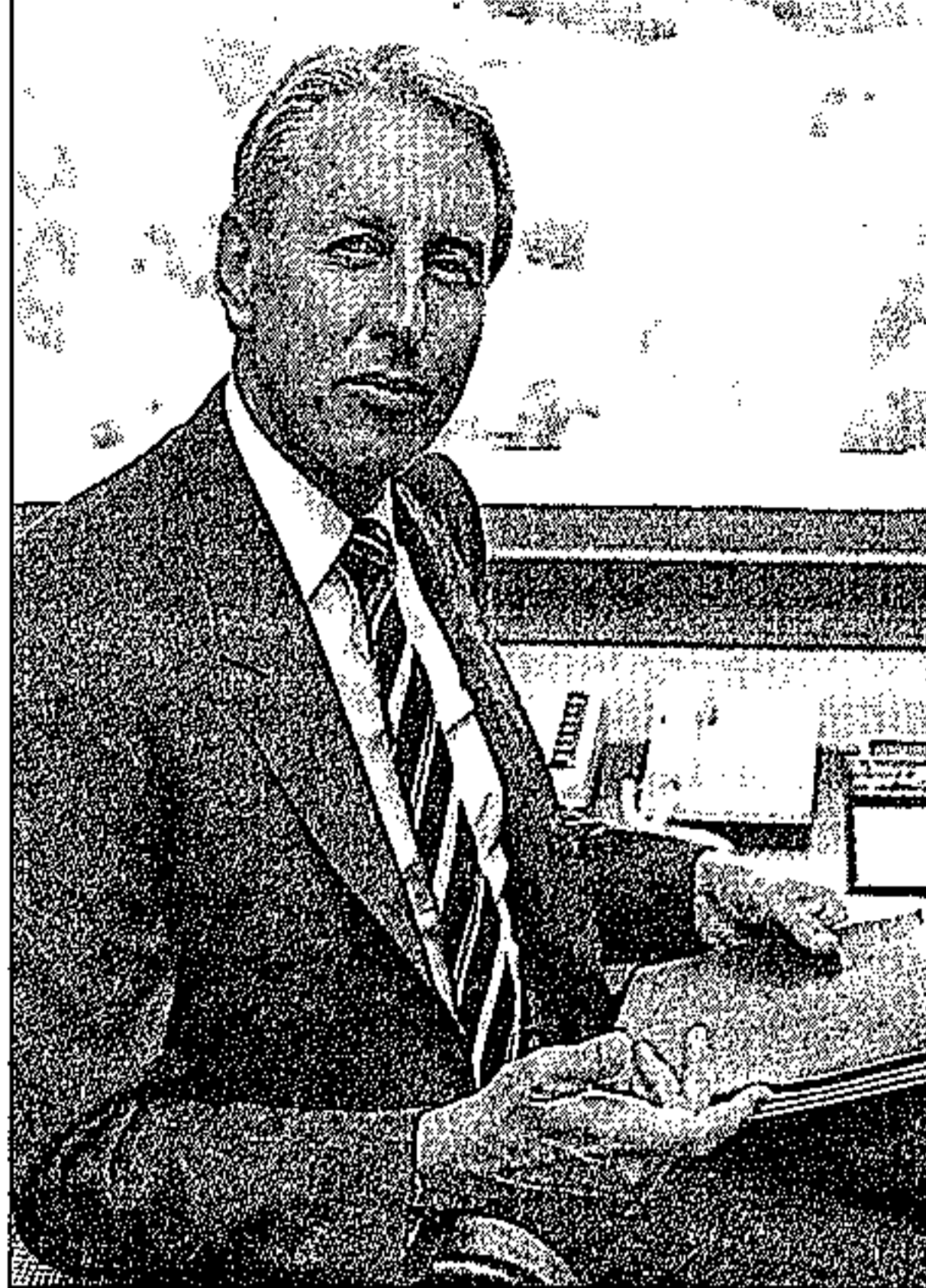
Chairman: L G Abrahamse; MD: L D Hyslop.

Capital structure: 6.3m ords. Market capitalisation: R101m.

Share market: Price: 1 600c. Yields: 10.3% on dividend; 20.8% on earnings; p:e ratio, 4.8; cover, 2.0. 12-month high, 3 200c; low, 1 600c. Trading volume last quarter, 348 000 shares.

Year to December	'87	'88	'89	'90
ST debt (Rm)	78.1	97.5	114.7	142.4
LT debt (Rm)	3.0	2.5	4.2	3.2
Debt:equity ratio	0.26	0.37	0.41	0.61
Shareholders' interest	0.46	0.45	0.43	0.42
Int & leasing cover	9.3	8.5	7.3	3.7
Return on cap (%)	15.7	17.1	17.3	12.9
Turnover (Rm)	392	439	587	714
Pre-int profit (Rm)	45.6	57.3	69.1	55.6
Pre-int margin (%)	11.6	13.1	11.8	7.8
Earnings (c)	450	528	520	332
Dividends (c)	180	211	211	165
Net worth (c)	2 261	2 477	2 722	2 842

this reassessment is realistic. Or will 1990's undeniably poor results prove nothing more than a temporary setback, with the corollary



NEI's Hyslop ... just a temporary setback?

that the current low share price offers a sound buying opportunity for anyone prepared to look beyond the immediate future?

The answer will depend largely on whether management can bridge the credibility gap that has developed between itself and investors (though CE John Hyslop feels there is no such gap.) In this connection, an

unfortunate series of events will have done nothing to underpin the market's faith.

Almost a year ago, then-CEO Blitz Bieber told the FM that 1990 earnings should grow by about 15%. In the event, the interim report early in August reflected a 17% decline in attributable earnings for the half-year, while EPS, because of a greater number of shares in issue, fell 20%.

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continue -D

RESULTS AND DIVIDENDS

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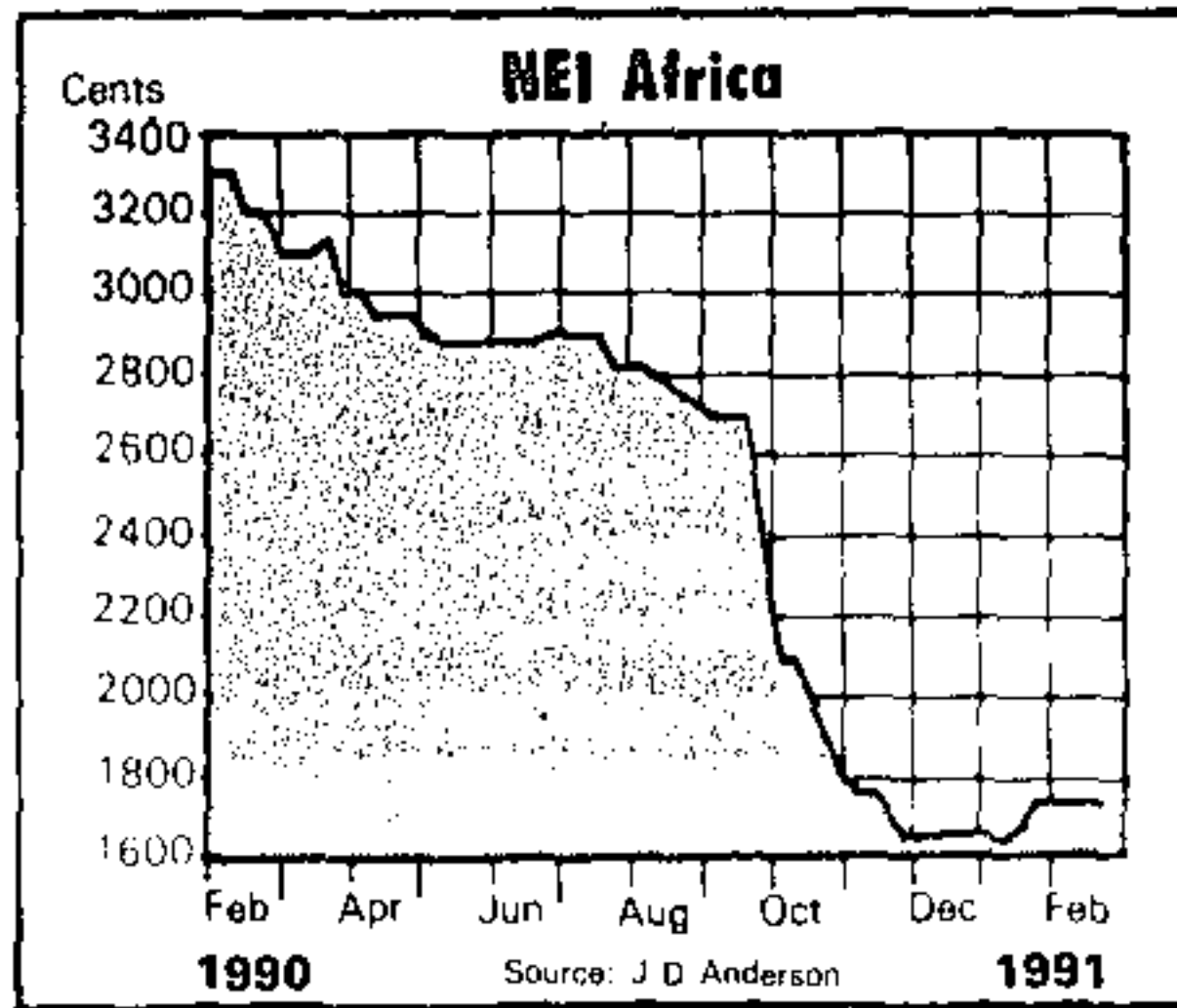
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NEI AFRICA (189E)
SORRY DOWN-RATING

Fm 8/3/91

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Obviously, the market is not happy with what has happened during this period; nor, apparently, is it looking to any significant recovery, short term. Less clear is whether



Continue - P

DATES TO REMEMBER

Last day to register for dividends:

Friday Mar 15: Asseng 4c; Beatrix 39c; Blue Circle 70c; Coates 45c; Compass 2c; Concor 5c; Curnow 1,25c; Cusaf 70c; Everite 4c; Evhold 11,5c; Hiveld 40c; Iscor 4,5c; Manro 3,75c; M & R Hld 46c; M & R Inv 41c; Panprop *35,3c; Sasol 32,5c; T & N 10c; Trabild 2c; U-Con 4,5c; Unihold 9c.

Meetings:

Wednesday Mar 13: Klipton; Yorkcor (Pretoria).

Thursday Mar 14: Danglo (Sandton); Dicor (Sandton); Plastall (Sandton).

Friday Mar 15: Growthpoint; Prochem (S) (Sandton).

All meetings are in Johannesburg unless otherwise stated.

S = Special meeting.

* = Per combined unit.

COMPANIES

Fm 8/3/91

184

opinion that disclosure of further information concerning segments of the group would prejudice the interests of the enterprise as a whole and would be misleading."

Maybe. But if lack of such information in any way contributed to the collapse of the share price — and especially if the current share price turns out to be unrealistically low — it is hard to argue that nondisclosure of the performance of the three widely diverse divisions has been in shareholders' interests.

Following from this, lack of any meaningful information on the performance of individual divisions makes it impossible for an outsider to assess where NEI may go from here. If one accepts management's view that problems in the diesel division have been dealt with, it could be concluded that the current year's results should, at worst, reflect a return to stability — with the recovery of the diesel interests offsetting any further deterioration in the economy.

It is equally clear, however, that the market is not taking this line — if it did, the current share price would be absurd, with

the industrial market busy testing new highs.

What makes the situation even odder is that the 1990 statements still — despite the severe profit setback — reflect the underlying quality of management which contributed to excellent performance up to 1989. Plus factors include a continued tight rein on asset growth, which has seen the asset-turn ratio improve from 1,35 times in 1987 to 1,65. Similarly, current asset management seems adequate, with the ratio of net working capital (stock plus debtors, less trade creditors) constant around 33% of sales.

This year should provide more clarity, to the extent that investors will have the opportunity to assess the impact of corrective action in the diesel division and other restructurings elsewhere. But overall earnings will still be inhibited by the fact that NEI, like others, has been taking on work at low margins simply to maintain adequate capacity/labour utilisation. Such contracts will take time to work out of the system, and improvement here will, in any event, depend on an upturn in the economy.

Brian Thompson

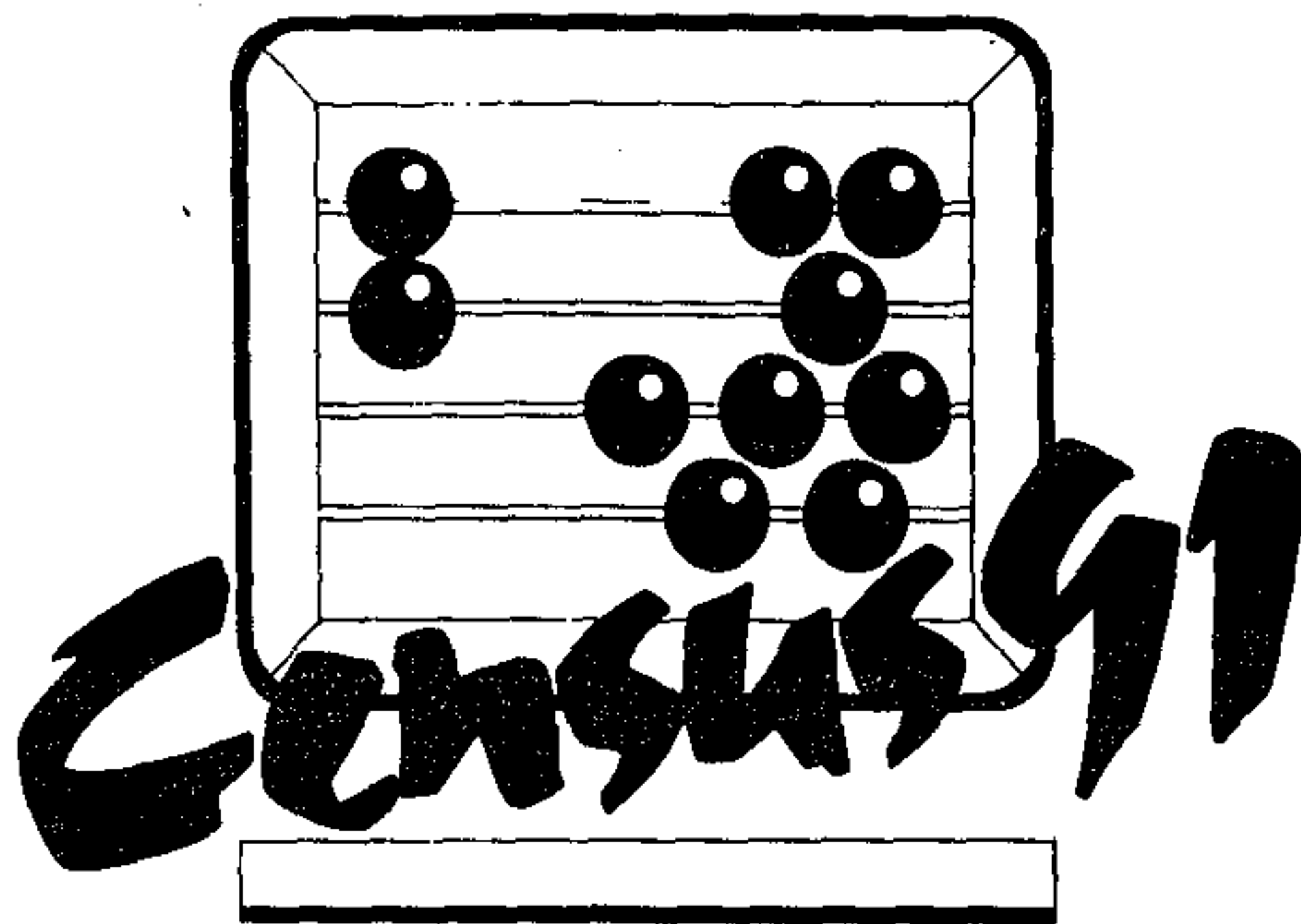
Fm 8/3/91 (189)

the contributions to turnover of the three main divisions, which is of little use to an investor. As regards profits, the annual report notes that "the directors are of the

ISSUES

COMPANY AND TERMS:	NIL PAID LETTERS					FULLY PAID LETTERS OF ALLOTMENT					PRICES OF LETTERS				
	Last day to register	Listing begins	Listing closes	Issued	Last day for splits	Date offer closes	Listing begins	Listing closes	Issued	Last day for splits	Shares listed	Shares issued	Take up price	Price Feb 25	Price Mar 4
AFEX SA — Proposed rights issue: 56 new shares for every 100 shares held at \$1,50 per share.															

You've got a date



South Africa is once again taking a comprehensive population census on March 7 this year

In view of the rapid changes taking place in every sphere of society, there is now more than ever a definite need for fresh and reliable statistics on our population.

This is the reason for Census 91.

Therefore we are relying on the co-operation of everyone.

So, please help the census enumerator.

Census 91 is for all of us.

Dial the toll-free telephone number 0-800-112666 or 0-800-112888 if you have any questions.

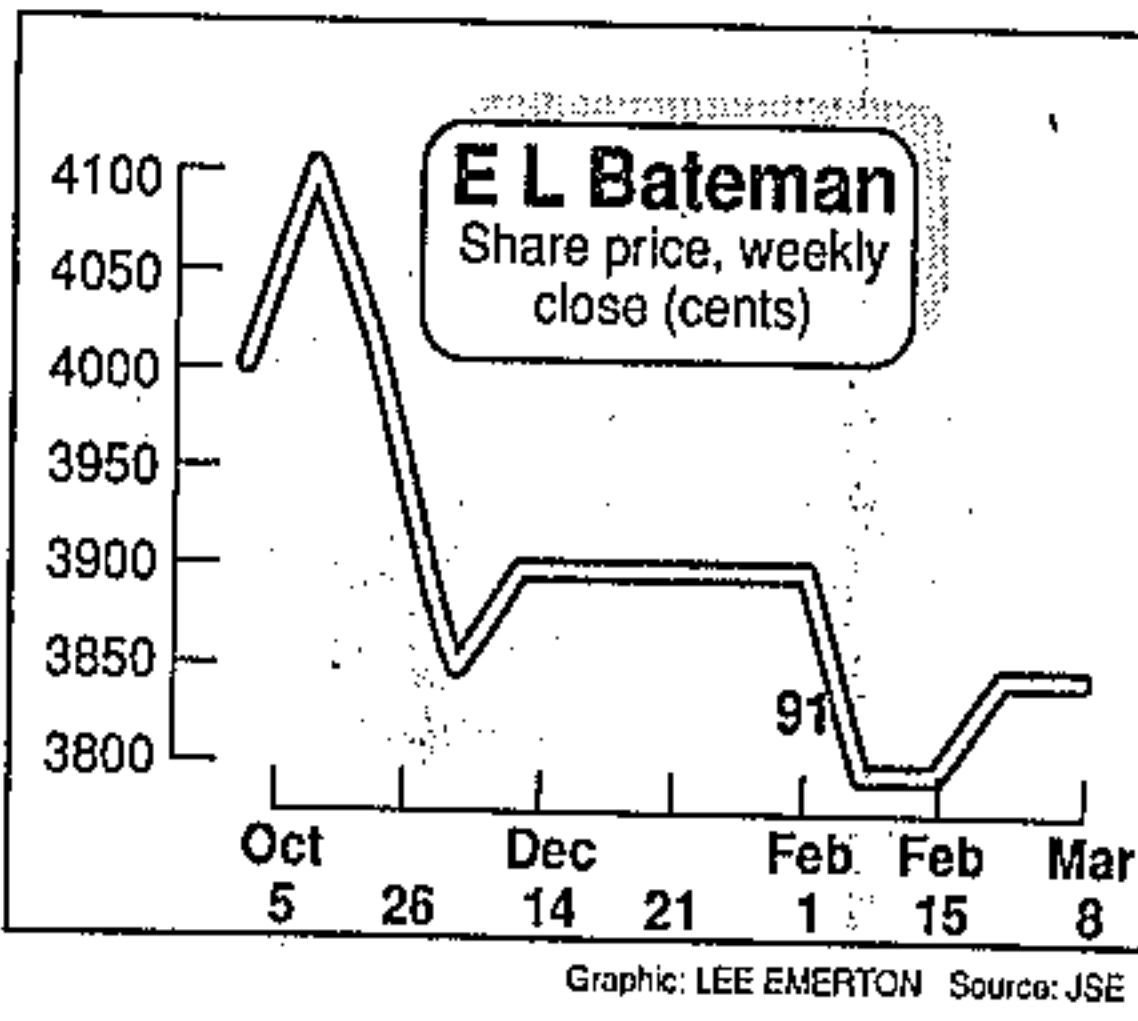
7 March

187773

ELB earnings improve 25%

1891
11/3/91

CHARLOTTE MATHEWS



EQUIPMENT supply and engineering group Edward L Bateman (ELB) has improved interim earnings in the six months to December by 25% to 317c from 254c in the previous interim period, reflecting the resilience of its spread of activities.

Its R423m turnover figure is notional, as it undertakes long-term projects. Billings do not reflect current activities.

Growth at operating profit level, which rose 50% to R14,5m (R9,9m) in this period, is considered a more accurate reflection.

To Page 2

ELB

1891
11/3/91

From Page 1

Profits were, however, reduced by a near tripling of the tax bill to 27% from 10% in the previous period, partly as a result of the restriction of the statutory tax incentives on imports. Bateman directors said the tax rate was likely to remain at this level for the rest of the year.

On attributable income of R8,7m (R6,9m) an interim dividend 26% higher at 72c (57c) a share has been declared.

ELB is the holding company for two separate operations, Bateman Industrial Holdings and Bateman Projects.

Bateman Industrial CE Peter Brereton said the downturn was offering the group the opportunity to acquire additional busi-

nesses and widen its product range.

Bateman Projects CE John Herselman said Batepro was also expanding its international activities and was currently establishing a base in South America.

Herselman believed opportunities for foreign companies in the US would open up as US concerns directed their activities towards reconstructing Iraq and Kuwait.

He said the direction of Batepro's growth would be in undertaking peripheral services for industries now concentrating on their core operations.

Directors said the group's strength in the future would lie in its spread of activities.

Furniture & Equipment
Office Supplies
Accounts Receivable

ASSETS

Bank

R4 000

=

LIABILITIES

Accounts Payable

R3 000

CAPITAL

Capital P. Sauerman

R9 500

ANNEXURE A

Bateman stays ahead in tough trading conditions

Star 11/3/91 *1894*

Engineering group Edward Bateman has sustained its above average performance in the six months to end-December despite tough economic conditions.

Growth at operating profit level was strong at 50 percent, while earnings per share rose by 25 percent to 317c.

The company has declared a 26,3 percent higher interim dividend of 72c a share.

Although these results are encouraging the interim report makes the point that trading conditions have deteriorated. The implication is that profit growth will probably slow down, and with the higher effective tax

rate prevailing over the year, earnings for the full financial year are only expected to show "a modest increase in real terms".

Turnover totalled R423,33 million (R314,37 million) and operating profit for the half year reached R14,51 million (R9,68 million). Interest paid was slightly down at R1,06 million (R1,14 million), raising growth at the pre-tax level to 57,5 percent at R13,48 million (R8,54 million).

The enhanced profitability of the group and the restricted nature of the statutory tax incentives on exports were the

major factors in increasing the tax charge by 318,3 percent to R3,59 million (R859 000) — an effective tax rate of 26,7 percent.

Consequently, growth declined to 28,4 percent at the post tax level to R9,86 million (R7,69 million) and outside shareholders and preference dividend absorbed R1,21 million leaving attributable profits 25 percent higher at 317c a share.

BateInd chief executive Peter Bereton said: "While trading conditions have deteriorated, the downturn is offering the opportunity to acquire additional businesses and widen our

product range."

BatePro chief executive Dr John Herselman added: "Much effort is being directed towards expansion of our international activities and BatePro is establishing a base in South America.

"We also have a number of significant project opportunities on the home front, but with some uncertainty on timing of these projects, we face a short-term reduction in activity level."

Bateman's shares are currently priced at about R38,50 and yield 17,8 percent and 6,1 percent on historical earnings and dividend respectively. — Sapa.

Danglo battling to get back on track

Danglo tells a sorry tale about an up-and-coming company which went on a wild spending spree a few years ago only to find it had bitten off more than it could chew.

Some acquisitions were unprofitable and ill-advised and the group is still battling to get back on track.

Progress has been hindered by the economic downturn, labour unrest and severe competition.

Changes in the past year include further rationalisation, the acquisition of the Gundle division of Consol Plastics by subsidiary Plastall, and a change of control in favour of a consortium led by managing director Mr W A R Wenteler.

The change of control led to a number of changes in the board of directors. In the latest annual report, new chairman Mr J Rabinowitz believes a return to profitability is possible this year.

He says the cost reductions implemented are paying off and certain divisions have not only turned around dramatically but are producing good profits. He adds that the new Gundle division is presently making a healthy contribution to the group.

Danglo is an investment holding company which has 61 percent of listed Danech, a supplier of capital equipment and consumables to the mining, general and electrical industries, and 86 percent of listed Plastall, a manufacturer of polyethylene

Diagonal Street

LYNNE PEACH

sheeting and bags, furniture and components and material handling equipment for the mining industry.

The group also holds 100 percent in various unlisted companies.

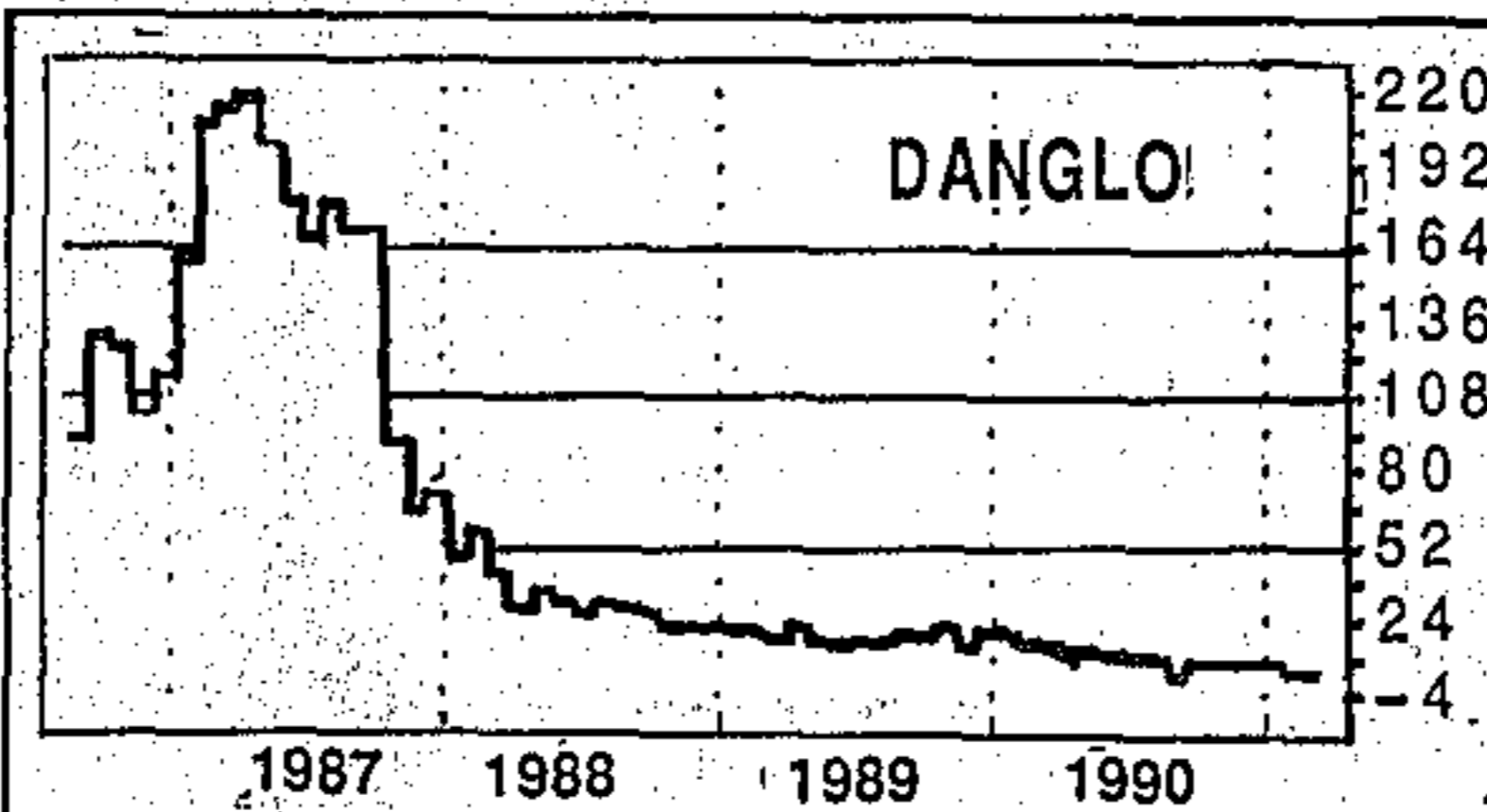
A nine percent increase in net financing costs from R7,9 million to R8,5 million resulted in a pre-tax loss of R10,6 million. After taking tax, outside shareholders, and the preference dividend into account, ordinary shareholders were left with a loss of R10,4 million.

In the previous year, attributable profit amounted to R3,4 million. The loss per share is 16,1c compared with 1989's earnings of 5,2c. No dividend has been paid since 1987.

A feature in the lacklustre balance sheet is the significant 43 percent rise in group borrowings from R28,0 million to R40,1 million.

Mr Rabinowitz attributes the increase to the acquisition of the Gundle division which he says was a necessary strategic decision.

COMMENT: Danglo's share price of 5c is a mere fraction of its 1987 peak of 220c and the downtrend remains intact. The group will probably have to prove itself before buyers enter the market and start driving the price upwards.



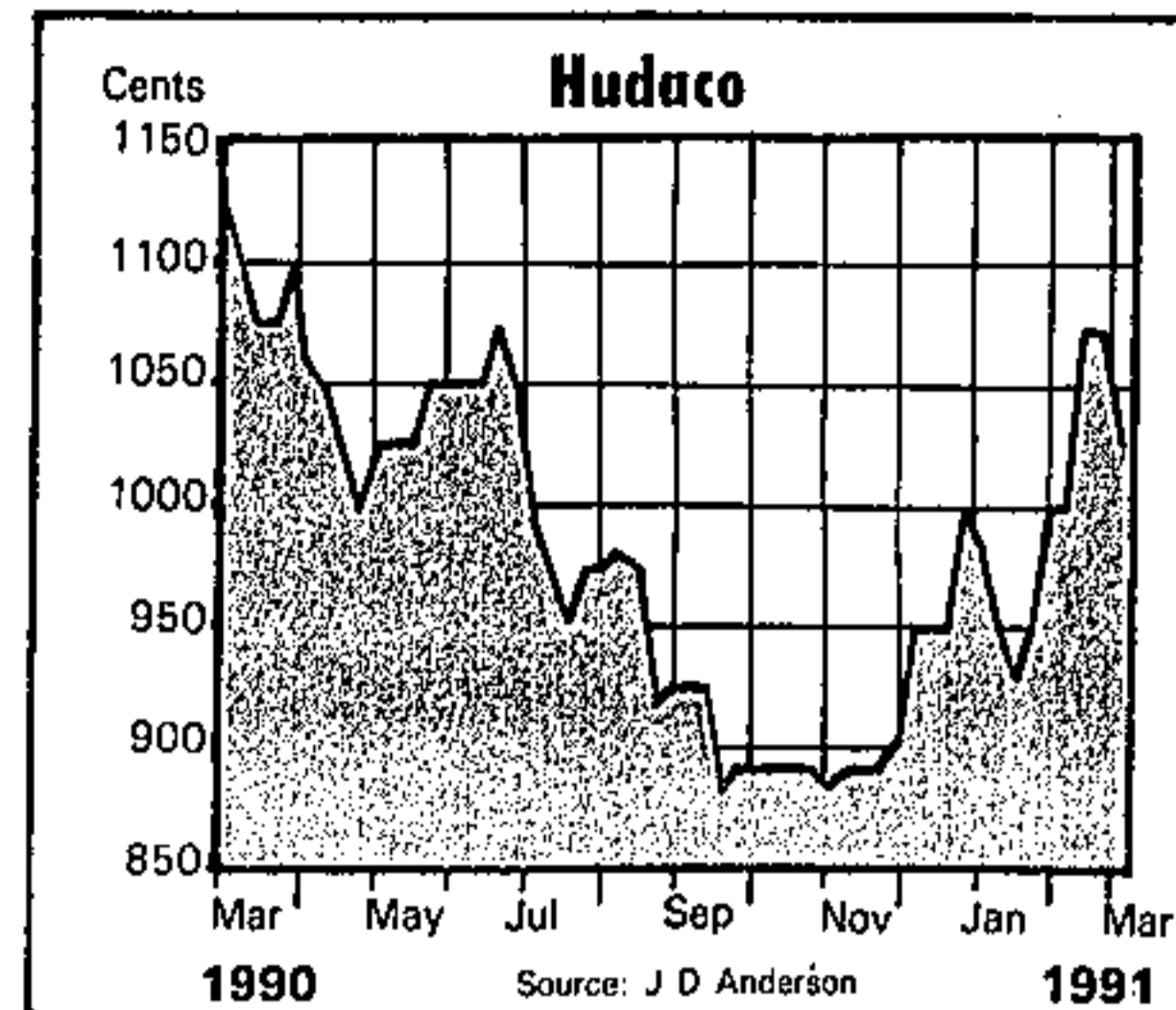
every sector of the economy. The annual report contains ample evidence to back CE Kevin Clarke's claim that action taken has left the group "leaner and fitter" than a year ago.

Clarke describes 1990 as the worst for 15 years. Though group turnover is shown to have increased 11% over 1989, this was distorted by structural changes. On a fully comparable basis, total value of sales declined 2% and, after taking into account price increases averaging 7%, volumes fell by about 9% — mainly because of reduced sales to the gold mining industry, which accounts for about 35% of total group sales.

This could have been a recipe for disaster. Reduced sales usually put pressure on margins; they can also play havoc with stock levels, with serious consequences for both income statement and balance sheet. In Hudaco's case, these consequences were averted by what Clarke calls managing in a recession — a three-pronged approach involving increased emphasis on marketing (thereby limiting potential loss of sales) and cash management (thereby preserving financial strength) and a drive to contain costs with a view to improving gross margins.

Success is reflected in the fact that the trading margin on a fully comparable basis (excluding effects of changes to the group structure) improved from 12,5% to 13,5%, despite lower sales volumes and the inability to increase selling prices by anything like the inflation rate. The group improved a further three of its six key financial/performance targets, leaving only two — asset turn and return on equity — down on 1989.

Much the same emphasis will be applied this year, which Clarke sees as another difficult trading period. To some extent, earnings will be underpinned by the fact that full effects of last year's drive to improve efficiencies have not yet been reflected in the income statement. For example, while year-end net debt was reduced from R30m to just over R24m, the reduction occurred mainly in



the closing months — too late to affect the 1990 interest charge.

This year, reduced financing costs could add more than R2m to the bottom line, though Clarke warns that benefits here are likely to be offset by a further increase in the group tax rate. On balance, he expects another flat year for EPS. This does not necessarily preclude another token increase in dividend, since borrowings are forecast to reduce further and the group has no immediate plans to expand — though there may be opportunities for strategic acquisitions.

What could also help in the medium term is improved potential for exports flowing from SA's emergence from the political wilderness. The group is exploring various possibilities.

Essentially, however, Hudaco will for the time being remain in a consolidation phase where the emphasis will be on optimising performance of existing business units and on its already strong balance sheet — in both instances, in preparation for an upturn.

Investors should probably adopt the same attitude. Accepting that any dividend increase this year is likely to be small, there is not much incentive for traders to chase the share. Those with longer time horizons could well take advantage of a price which, at 1000c, is 125c below best. By historical standards it is cheap, but is unlikely to remain so once the market perceives the end of the current consolidation.

Brian Thompson

HUDACO FM 15/3/91
TEXTBOOK CONTROL

Activities: Manufactures and/or markets diesel engines, bearings, oil seals, power transmission components and abrasives.

Control: Directors own 14,4%.

Chairman: K R Williams; MD: K F Clarke.

Capital structure: 22,8m ords. Market capitalisation: R228m.

Share market: Price: 1 000c. Yields: 5,0% on dividend; 11,0% on earnings; p:e ratio, 9,1; cover, 2,2. 12-month high, 1 125c; low, 880c.

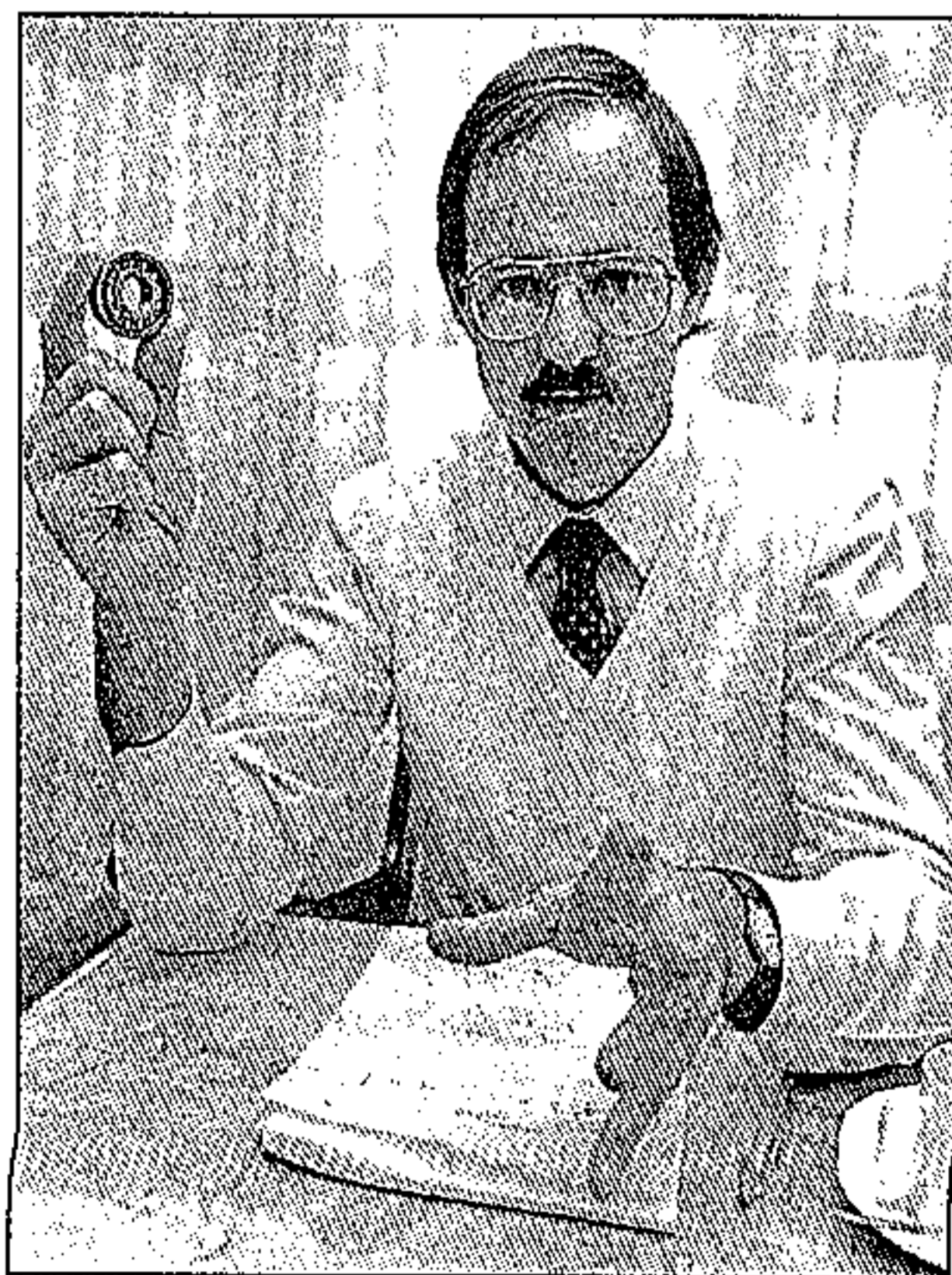
Trading volume last quarter, 932 000 shares.

Year to November	'87	'88	'89	'90
ST debt (Rm)	1,0	12,7	15,3	9,1
LT debt (Rm)	8,4	6,0	20,0	21,4
Debt:equity ratio	0,14	0,01	0,44	0,30
Shareholders' interest	0,36	0,39	0,31	0,37
Int & leasing cover ..	20,7	10,1	6,1	6,0
Return on cap (%) ..	22,4	24,5	20,0	25,0
Turnover (Rm)	208	252	365	403
Pre-int profit (Rm) ...	22,2	27,4	43,6	54,5
Pre-int margin (%) ..	10,7	10,9	11,9	13,5
Earnings (c)	61,7	85,4	107,9	110,4
Dividends (c)	78	38	48	50
Net worth (c)	148	193	261	312

At this stage of the economic cycle, investors should have become used to "economic conditions" and "high interest rates" being cited as reasons for disappointing earnings performance. Less often mentioned is the impact of management — specifically, its ability to adapt to changing circumstances and to exact the best possible performance in any environment.

Hudaco's management style has often been described as "textbook" — it represents a blend of marketing expertise with strong financial controls. But this description does not adequately recognise its pro-active nature, involving the ability to recognise and deal with problems before it is too late.

Certainly, the group's 1990 earnings increase was derived mainly from management's rapid response to the unexpectedly sharp downturn which affected virtually



Hudaco's Clarke ... how to manage in a recession

HAGGIE

BAD KNOCK TO GROWTH

FM 15/3/91 (189)

Activities: Steel rod conversion, non-ferrous metals and light engineering.

Control: Malbak and Amic each have 35,3%.

Chairman: G S Thomas; MD: J Feek.

Capital structure: 19,46m ords. Market capitalisation: R447,6m.

Share market: Price: R24. Yields: 6,5% on dividend; 15,1% on earnings; p:e ratio, 6,6; cover, 2,3. 12-month high, R29; low, R20. Trading volume last quarter, 18 800 shares.

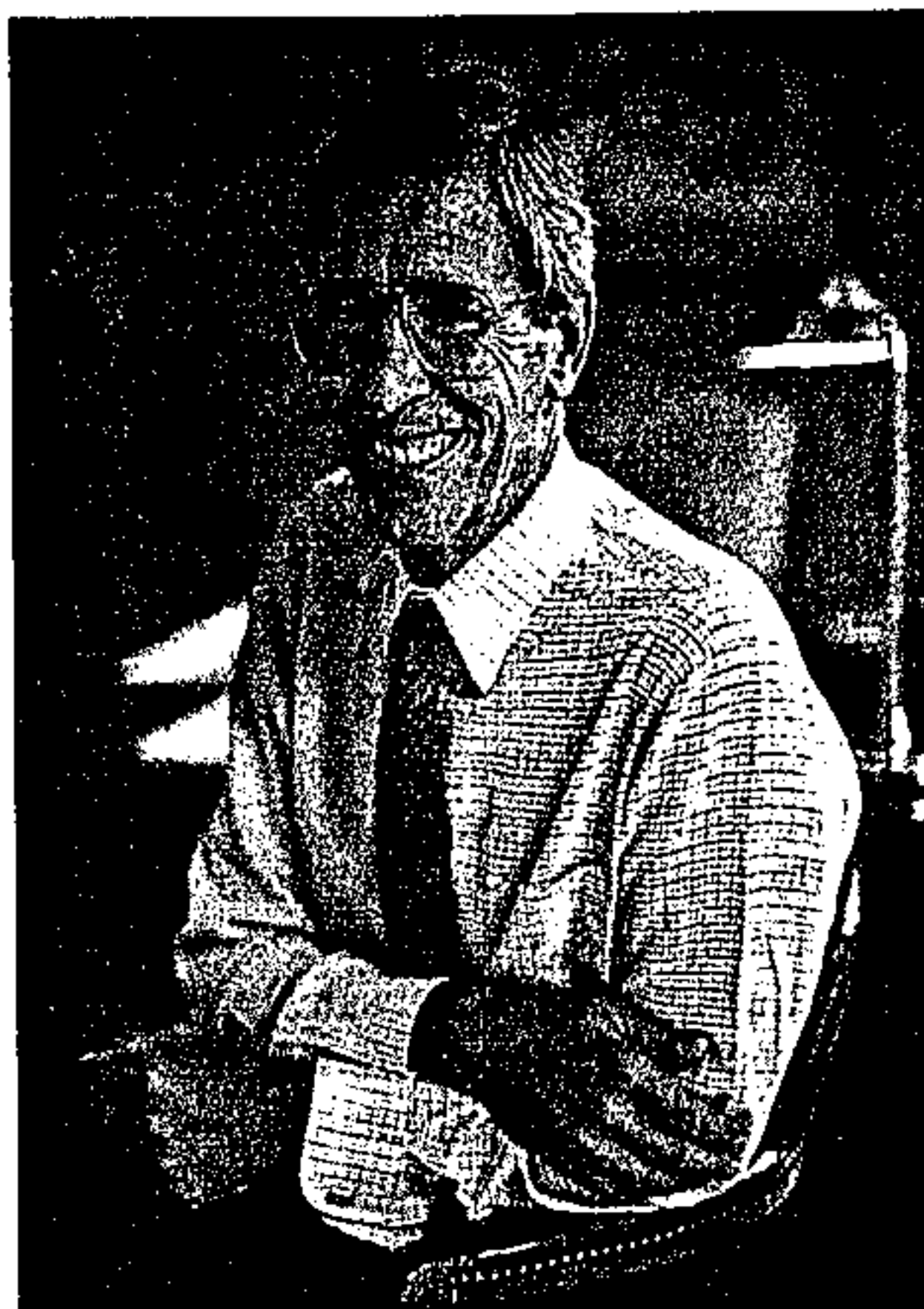
Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	26,1	76,0	108,3	130,4
LT debt (Rm)	10,4	3,5	5,6	4,2
Debt:equity ratio	0,16	0,22	0,30	0,33
Shareholders' interest	0,66	0,70	0,73	0,74
Int & leasing cover	157,6	44,0	12,05	6,42
Return on cap (%)	22,3	22,9	25,4	22,4
Turnover (Rm)	794	875	1 180	1 254
Pre-int profit (Rm)	115	116	150,2	137,1
Pre-int margin (%)	14,5	13,2	12,7	10,9
Earnings (c)	285,4	320	403,3	363,3
Dividends (c)	114	128	157	157
Net worth (c)	1 488	1 684	1 938	2 067

The second half was marginally better than the first, but the improvement could not stop attributable earnings declining by some 10% in the year to December. This trims annual compound earnings growth since 1986 to a mere 11,2%, from the previous year's 19,8%.

To give long-term investors this year a better return than banks can offer — say 15% — Haggie will have to produce attributable earnings of at least R92m; which could, with a bit of luck, just be in reach.

Turnover advanced by only 6%, reflecting the exposure to the mining industry and operating margins narrowed again — this time from 12,7% to 11%. The 9% drop in operating income was mainly caused by extensive training of new employees in several plants after dismissals of existing workers.

Interest charge was the item on the income statement that changed the most — almost doubling from R11,4m to R20,4m. Borrowings rose from R114m to R134,6m, excluding cash and negotiable instruments, which improved by R7,6m to R20,6m. Capital expenditure amounted to R47m. The 26%-held minority interest in Somta Tools



Haggie's Feek ... looking to improve returns

was acquired for R6,29m. An offshore manufacturer of high speed drills was also acquired for R5,3m and since year-end a Natal sisal farm was bought for R4,5m.

Haggie does not disclose divisional performance and it is difficult to judge where the strengths and weaknesses are. MD John Feek says the non-ferrous division, linked to the depressed motor and building industries, saw the biggest volume decline. Inventory reductions by customers also hampered sales volumes. Feek expects the trend to level out in the first half.

Need to raise asset turn

Return on total assets fell from 26,2% to 22% owing to the combined effect of asset turn shading from 2,06 to 2,0 and the narrower operating margin. Feek would like to lift asset turn to at least 2,5. He says management is looking at improving returns by consolidating production activities.

The balance sheet is not stretched. Improved cash flow helped to reduce gearing in the second half from 28% to 26%. Further degearing is planned this year.

Chairman Grant Thomas's review notes that the "worst effects of the recession will manifest in 1991" but is optimistic that the group is well placed to take advantage of any upturn. Pre-tax income could get a nice boost now that the long-awaited lowering of interest rates has started.

The share has risen from R20 in mid-October to R24. The p:e ratio still lags the engineering sector's average, but the broad dependence on the mining industry will not prompt a higher rating.

Gerhard Slabber

BTR DUNLOP FM 15/3/91

FRUITFUL MERGER

Activities: Manufactures industrial and consumer rubber products.

Control: BTR Plc 52%.

Chairman: A M D Gnodde; MD: C R Hooper.

Capital structure: 23,6m ords. Market capitalisation: R671,3m.

Share market: Price: 2 850c. Yields: 5,8% on dividend; 13,1% on earnings; p:e ratio, 7,7; cover, 2,3. 12-month high, 2 900c; low, 1 800c. Trading volume last quarter, 231 000 shares.

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	18,5	3,4	3,5	3,5
LT debt (Rm)	0,4	0,3	0,5	0,4
Debt:equity ratio	0,12	0,01	—	—
Shareholders' interest	0,58	0,63	0,65	0,68
Int & leasing cover	12,2	20,0	27,6	15,2
Return on cap (%)	16,9	22,6	27,1	28,9
Turnover (Rm)	411	529	632	701
Pre-int profit (Rm)	47,6	74,0	110,9	134,3
Pre-int margin (%)	11,6	14,0	17,6	19,2
Earnings (c)	106,6	163,2	309,8	372,0
Dividends (c)	85	105	140	165
Net worth (c)	705	870	1 136	1 340

The 1986 merger of the local operations of BTR and Dunlop continues to bear fruit. In financial 1990 trading margins widened again, from 17,6% to 19,1%, thanks to stringent control of overheads. The question is: how much longer can efficiencies improve in the face of slackening demand?

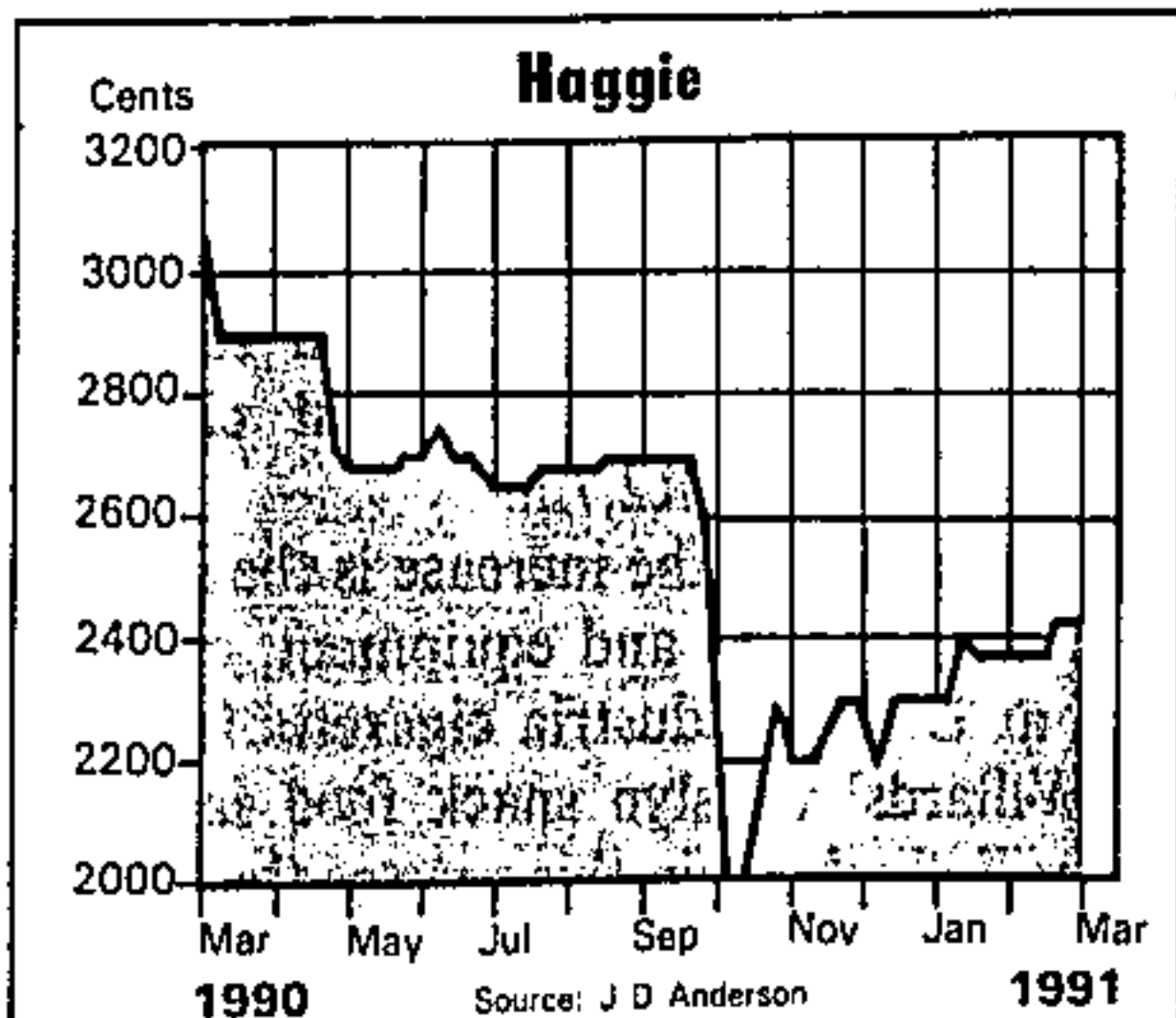
Sales value rose 11%, though volumes fell because of the recession in the building industry and a 5% drop in new vehicle sales in 1990. MD Clive Hooper says that while the mining industry had cutbacks in the second half, the industrial products division benefited from the contract for 42 km steel cord belt for a coal transport installation.

This helped to boost the engineering and industrial division's trading profit by 26% to R60,4m, past the motor division's R59,1m. The consumer division's R14,7m pushed total trading profit to R134,2m. Though financing costs more than doubled to R8,8m, it is low in comparison to trading profit.

The effective tax rate fell by two percentage points to 30%, helping attributable income to rise by 20,7%. Since the merger attributable earnings have grown by 44,8% compound annually.

The group started some time ago to adjust its product range to market developments. It embarked on a R110m capex programme, of which R34m was spent last year, to make radial steel tyres for cars and trucks.

Hooper notes that the SA tyre industry had reasonable growth in 1990 as growth in the replacement market exceeded the decline in the original equipment market, which was



Continue

WINNING THE INFLATION WAR

STRATEGIES REST ON THE SHIFT FROM ENGINEERING TO SOCIAL SERVICES

With many blue-chip industrial groups struggling to maintain — let alone increase — earnings, investors have been scouring the market for companies with the ability to ride out the recession. Afrox is near the top of most investors' lists.

Since the mid-Eighties the UK-controlled engineering group — with extensive interests in the provision of gases, welding products and health care services — has built up an enviable record. Earnings per share have grown at a compound rate of more than 25% since 1985, with dividend cover rarely more than twice earnings.

Capital appreciation of the share has been impressive. The price has climbed from 610c at the beginning of 1985 to just under 5 000c by the end of 1990, well ahead of the 20% compound growth in net asset value. Confidence in the market that Afrox will continue to outperform most of the industrial sector, at least

in the short term, has pushed the share to a high of 5 600c. With a p/e of 20,8 and dividend yield of 2,4%, much is expected of the group.

Chairman and MD Peter Joubert clearly believes caution is a virtue and is reluctant to forecast earnings for the current year. Earnings growth may not be as high as last year's 27%, he says, but it will be in double figures.

He's quick to point out that when he talks of growth he means real growth. Since the Seventies Afrox has maintained a policy of current-cost accounting to offset the effects of inflation. By constantly revaluing fixed assets and charging this depreciation against current revenues, management believes it obtains a much more accurate picture of the group's health and funding needs.

In the year to September these deductions helped to bring attributable earnings down by R15,7m to R66,8m, on a

turnover of R903,9m. EPS were in effect trimmed by 53c.

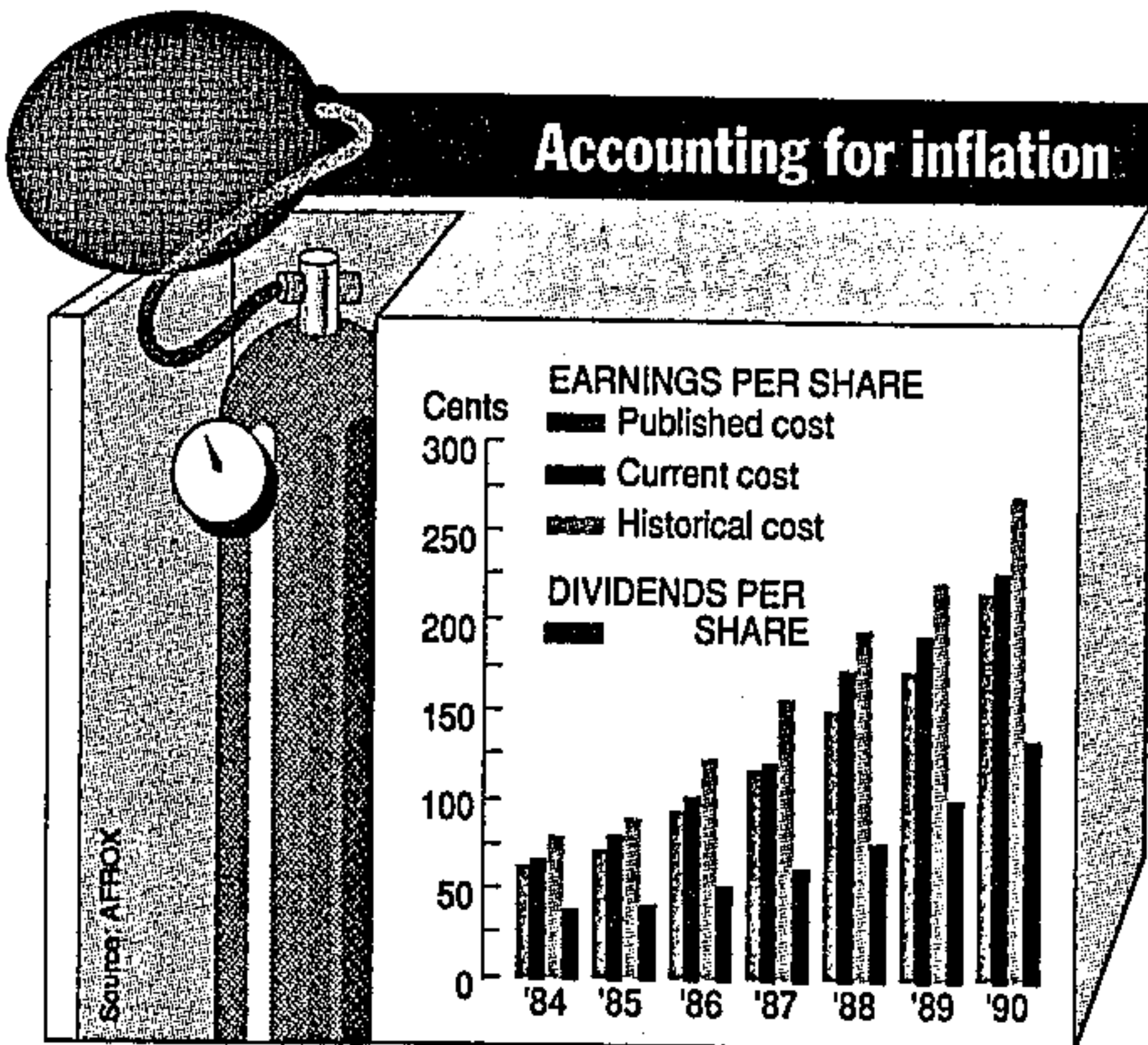
Current-cost accounting is rare among listed companies in SA — but Joubert believes that with current levels of inflation, companies must be crazy not to adopt such policies. Afrox's tight asset management, stringent financial controls and strong emphasis on productivity have been reflected in the group's balance sheet for several years. Trading margins are a healthy 20%, while return on equity (ROE) — based on current cost accounts — stands at around 11,5%; ROE calculated on the historical cost accounts is about 23%.

Joubert's unwillingness to employ a secretary for himself — an answering machine takes phone calls when he is out of the office — and the austerity of Afrox's head office in Selby, Johannesburg, are indications of the cost-conscious culture that permeates the group.

Though Afrox has performed steadily since listing in 1964, only in the last few years has it effectively insulated itself against the fluctuations of the economy. When Joubert took charge of Afrox in 1982, after a two-year stint running the UK business of its BOC parent, the group was heavily dependent on the engineering sector. Not



Afrox's Peter Joubert



The gases operation is the mainstay of Afrox. It supplies more than 120 industrial, medical and speciality gases either in cylinders or using liquid tankers, or direct to customers from on-site plants. Thirteen of these plants operate at customers' sites to provide gases to companies such as Iscor, Middelburg Steel, Impala Refineries, Scaw Metals and Unilever.

Whereas BOC and most of its subsidiaries pulled out of welding it remains an integral component of Afrox's business and the local group

will be spent on the gases operations — and thereafter, Joubert says, it will be pegged at about R100m (at today's values) for the next few years. After being caught with excess capacity in the mid-Eighties, Afrox has been much more cautious in expanding its gases operations.

A strong operating cash flow has been sufficient to fund most capital expenditure and there appears to be little reason for this to change. Borrowings last year swelled R21m to R221m to help cover interest, tax and dividend costs of R111m, though gearing was reduced from 28,2% to 25,8% and interest was covered six times by operating profit.

No funding has been required from Afrox's British parent for decades. Joubert says the two companies co-operate in the development and application of gases, but there is no interference by BOC in the running of Afrox. The UK group reduced its shareholding in Afrox to 58% in order to help the local subsidiary set up a unit trust for its employees which now owns 7,5% of Afrox.

Joubert says there has never been any discussion about BOC disinvesting. With the warming of international attitudes towards SA, BOC is likely to remain committed to the local market. Afrox contributes about 15% of BOC's total profits and the dividend payment reached R23m last year.

Afrox is expected to achieve much of the growth in earnings Joubert expects for the group this year from its expanding gases business. Earnings growth from this, the largest of the group's operations, is likely to continue to overshadow that achieved by the health care and welding businesses.

However, both areas offer considerable growth potential in the longer term. Afrox has frozen plans to build any new private clinics and has been strongly lobbying government to allow it to make more efficient use of some of the State's facilities, where an estimated 11 700 beds are idle. A decision by government to open State hospitals to private contractors could spur rapid expansion of the health care division.

The performance of the welding operation is closely tied to usage of domestic steel and activity in the engineering sector. During recession, earnings from this division are usually flat, but it provides very good returns when the economy is growing.

Though Joubert acknowledges that major infrastructural spending on fuel projects such as Sasol and Mossgas is unlikely to be repeated for some time, he is confident of heavy investment in coming years in strengthening SA's manufacturing base.

The outlook for Afrox in both the short and long term appears sound — and barring some unforeseen catastrophe the group should continue to enhance its blue-chip status. While its historical p/e ratio and dividend yield suggest the tightly-held stock is currently expensive, the group's impressive track record indicates the shares still have much to offer for those who are prepared to look at the longer term.

Simon Cashmore

only was the welding division closely tied to this market, Afrox also owned several engineering companies, including Dowson & Dobson, which were a drain on group resources.

Joubert's strategy was simple: reduce the exposure to the volatile engineering sector and move into essential services where consistent growth was reasonably assured. The two new markets identified were health care and education.

After selling Dowson & Dobson's heavy engineering assets to Klockner-Becorit Coal-equip, and shedding most of the group's other businesses in 1983, Afrox began investing in acquiring and refurbishing private clinics. The diversification came too late for Afrox to avoid being hit hard by the recession in the mid-Eighties, but today the health care division provides an efficient buffer against economic troughs. Comprising 10 private clinics, including the Brenthurst and Lady Dudley in Johannesburg and Pretoria's Eugene Marais, health care operations contributed 17,5%, or R32,8m, of the group's pre-tax earnings last year, up from 13,7% in 1988/1989.

Forays into education have been less successful.

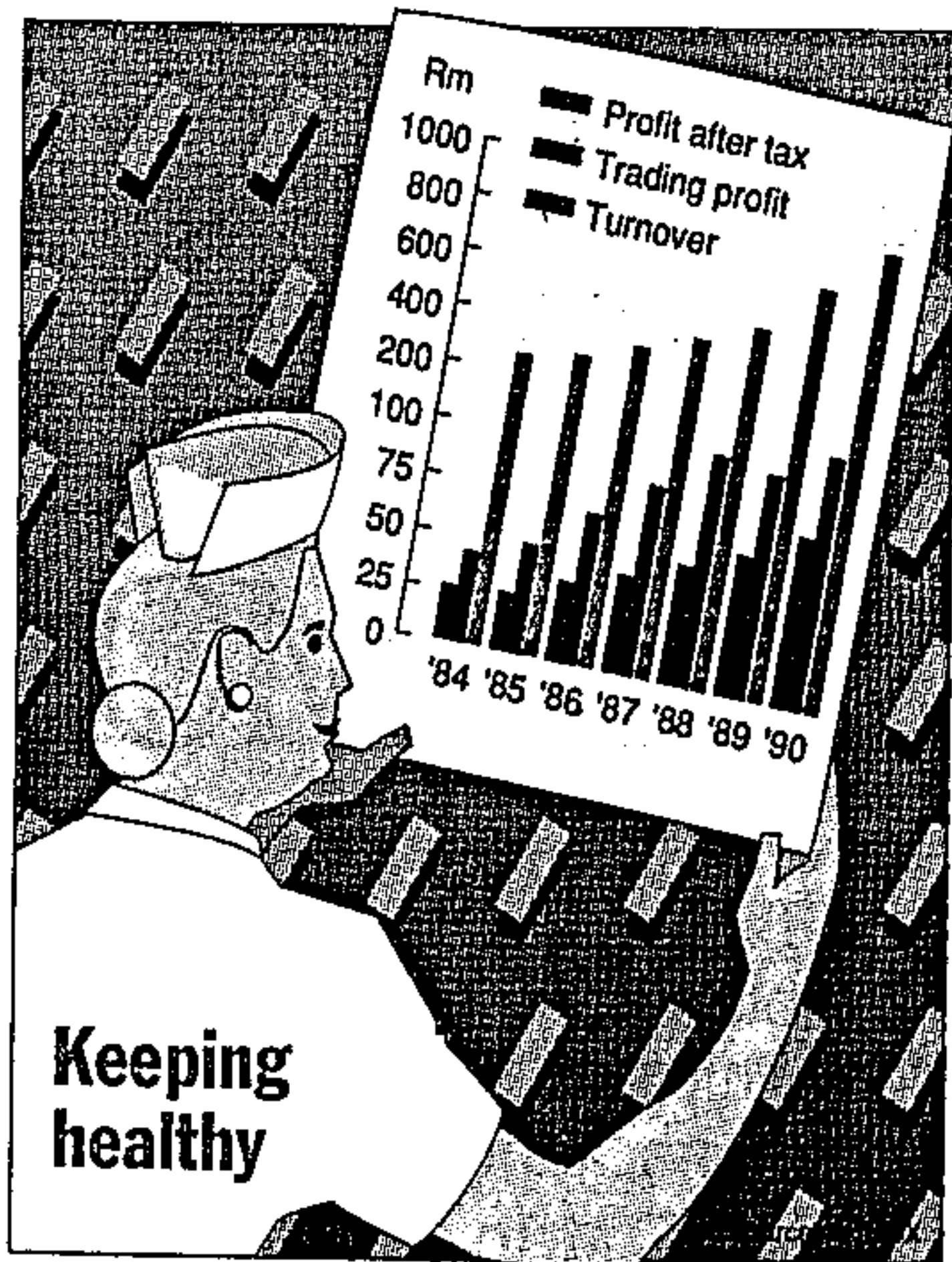
While Clinic Holdings and Rembrandt's Medi-Clinic may dispute Afrox's leadership in the private health care sector, there is no doubt the group dominates the gases and welding markets.

Afrox refuses, for competitive reasons, to split its welding and gases revenues, though their combined contribution to group pre-tax earnings fluctuates around the 80% mark. Well under 5% of pre-tax earnings is contributed by the group's specialised engineering operations: Industrial Research & Development, Industrial Petroleum Valves and the fluid handling operations of Dowson & Dobson. Only one of these engineering companies, Industrial Research & Development, is critical to the group's future, according to Joubert.

has fiercely resisted attempts to erode its market share. It supplies both welding materials and welding equipment — and applications range from DIY repairs to large-scale manufacturing using industrial robots to heavy engineering projects such as Mossgas. Welding products and gas storage and transport equipment made by subsidiary Industrial Research & Development were responsible for the bulk of Afrox's exports of close to R90m last year. Most of these sales were into southern Africa — the group operates subsidiaries in Namibia, Malawi, Swaziland and Mauritius — but the group intends stepping up business with Europe.

All the group's main operations, but particularly health care and gases, are capital-intensive. Capital expenditure in the past three years was close to R340m. About 65% of this was spent on what Joubert terms regular expenditure, such as gas cylinders and tankers or sophisticated medical equipment, with the rest going towards new projects.

Capital expenditure this year will increase by about 16% to R140m — most of which



Danech happy with Gundle

18/10/91
15/11/91

ROBERT LAING

189E

RESTRUCTURED engineering group Danech Industrial Corporation (Danic) "should considerably increase future profitability" thanks to its purchase of Gundle, the group's new management says in its latest annual report.

Last year's decisions of the group to sell two of its operations, close six and merge eight were paying off, chairman J Rabinowitz said in his report.

Control of Danic passed to a consortium consisting of group MD Bob Wenteler and stockbroker Jan Silvis for R1,3m in cash in 1990. The group, through its 61% stake in Danglo, controls Danech Mining Supplies and Plastall.

Tight operating margins hit Bearman's earnings

MARC HASENFUSS

189E

SEVERELY eroded operating margins resulting from price discounting by competitors embarking on stock reduction programmes caused a sharp fall in earnings for engineering supplies group Bearing Man (Bearman).

Earnings fell 28% to R4,7m (R6,5m) or 95c (132c) a share for the year to end February 1991.

A final dividend of 15c was declared, reducing the total payout 25% to 30c (40c), covered 3,2 (3,3) times.

Directors said a conservative dividend cover was maintained due to the reduced earnings, the expected continuation of the current difficult trading conditions and the group's objective to further reduce interest bearing debt. *6 Day 28/3/91*

Turnover was boosted 11% to R96m (R86m) due to the group's selective diversification into a wide range of complementary engineering consumable products.

A 27% reduction in the tax bill to R4,8m (R6,5m) was offset by finance costs, which doubled to R6,6m (R3,2m) during the period under review.

Directors attributed the increase in finance costs to prevailing high interest rates and the level of borrowings required to finance the increased working capital and infrastructure demands of the group's recent growth.

Directors said that efforts to contain the growth of trading assets and to dispose of less profitable and non-productive assets were highly successful, resulting in a positive cash flow and reduction of debt.

The full financial benefits of these achievements would only be realised in the current year.

Bearman shares were untraded yesterday at 330c, well down from the 525c high in July last year. The share slipped to a low of 300c earlier this month.

Scharrighuisen beats forecast and adverse economic climate

B Day 28/3/91
 SCHARRIGHUISEN Holdings has exceeded expectations for the 18-month period to end-December, pushing past forecast earnings a share of 45,3c to post actual unaudited earnings of 57,8c.

The Ladysmith engineering group, listed in October 1989 through a reverse takeover of the Goodall Group, bolstered after-tax income by 33% from forecast income of R9,6m on turnover of R90m (forecast: R53,2m).

The total dividend amounted to 17,5c a share.

Directors said they were pleased with the performance, particularly in view of the prevailing adverse economic conditions.

They said plant hire and construction activities had been affected, but open-cast mining operations had performed very

189E
 well.

Financial director Teunis Scharrighuisen said the rapid growth in the mining division had put pressure on the profit margins.

However, a programme of cost cutting had been implemented with a "great deal of success".

"The group has reduced its long-term liabilities and will continue to do so in the ensuing period," he said. The balance sheet shows long-term liabilities at R17,2m.

Scharrighuisen shares jumped 33% yesterday ahead of the results, adding 50c to 200c and putting the share on a dividend yield of 8,75% and a p/e of 3,5 times.

The sector averages are 5,9% and 6,6 times respectively.

BRENT VON MELVILLE

Hudaco looks good for long term

The performance of diversified distributor Hudaco slumped in the past year but, in the circumstances, the marginal profit growth can be regarded as satisfactory.

In the annual report, chief executive Kevin Clarke says the group experienced its worst trading environment for 15 years.

He is not optimistic about an early economic recovery and expects pressure on sales and margins this year.

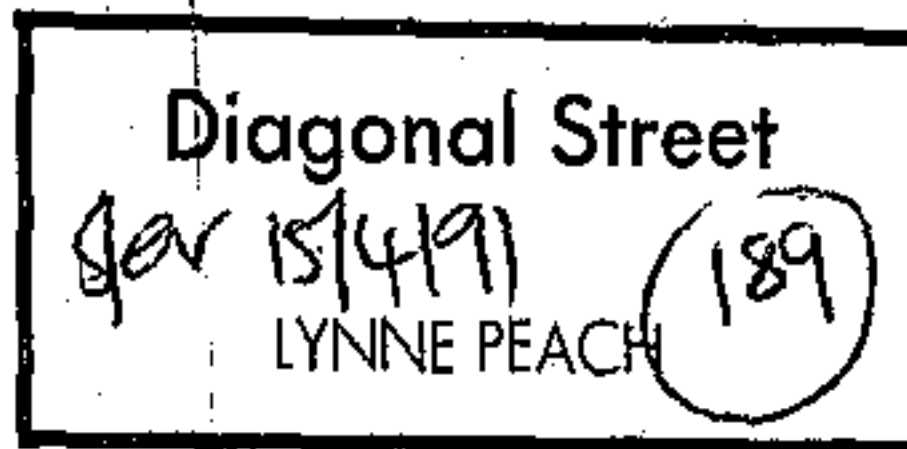
The effective tax rate is also set to increase.

Due to a reduction in interest expense, however, Mr Clarke expects a relatively flat earnings performance in financial 1991.

The principal activity of the group is the distribution of industrial consumables.

The products carry leading brandnames and include diesel engines, bearings, oil seals, power transmission components and abrasives.

The group has more than 100 branches throughout Southern Africa, which distribute to the



original equipment and replacement markets in virtually every sector of industry.

In the year to November, group turnover climbed 11 percent from R364,7 million to R403,1 million.

Operating profit rose 25 percent from R43,6 million to R54,5 million.

A 31 percent rise in finance costs limited the rise in pre-tax profit to 24 percent from R36,7 million to R45,5 million.

Taxed profit improved 17 percent from R24,8 million to R28,9 million due to a four percent effective tax rate increase to 36,5 percent.

After taking outside shareholders' interest into account, attributable profit amounted to R25,1 million.

This was nine percent higher than the previous year's profit

of R23,1 million.

Based on a higher number of shares in issue, earnings per share advanced three percent from 107,3c to 110,4c.

The dividend for the year rose from 48c a share to 50c.

The balance sheet reveals a 20 percent decrease in net borrowings from R30 million a year ago to R24,1 million.

Gearing has improved from 34,5 percent to 24,6 percent.

Hudaco, priced at R10,75, is trading on a P/E ratio of 9,7 and provides a dividend yield of 4,7 percent.

The group is leaner and fitter than a year ago and long-term prospects are sound.

For this reason, accumulation of the share on price weakness is recommended.

COMMENT: Hudaco's share price re-established a positive trend in the last quarter of 1990 after bottoming at 880c.

A challenge for the share is to rise above the resistance level of R11,25.

The outlook will turn unfavourable only if the price falls below R10.

Masterbore clears decks for recovery

S/Times (Bus) Times

By IAN SMITH

1892
2/1/49
since the Persian Gulf war.

PROSPECTS for specialist drilling company Masterbore could be expected to nosedive in today's gloomy gold market.

But it will be a leaner and more profitable company which reports about the end of May on its year to February 28, says managing director Wilf Davies, who moved into the hot seat nine months ago.

That is good news for investors who were shocked by Masterbore's sudden fall into a R723 000 loss in the previous year. They have also seen the share price move from 90c a year ago to 25c.

Mr Davies says the group has faced up to its problems and taken the medicine in one dose.

"Everything has been brought to account, and we have cleared the decks for the current year.

"We reduced borrowings by about R3,5-million in the last nine months, which will ease the interest burden."

Liquidated

There has also been a clean-up of subsidiaries, mainly acquired after Masterbore's JSE listing in May 1987. In January, Masterbore decided to liquidate Brits-based Cliff's Engineering, in which it held 51%, after losses continued into the second half of last year.

Masterbore has started an investigation into the events leading to the liquidation "with a view to recovering all or part of its losses".

Mr Davies says: "It will be some months before we know the outcome of the inquiry, but losses will be treated as an extraordinary item."

Masterbore could have been called on to buy the remaining 49% stake in Cliff's later this year.

The outlook for gold is poor, but Mr Davies says that although some mining groups cut back on exploration during low prices others step up their activity.

Masterbore is protected to some extent from a gold downturn by a successful push for foreign contracts, which currently account for about half of operations.

The group is working in Mozambique and Botswana, it is bidding for a big contract in France, and Opec officials have inquired about Masterbore's ability to drill in Namibia.

"We have the expertise and the equipment to bid for work around the world."

Mr Davies says there has been a strong revival of interest in on-shore drilling for oil and gas in EC countries

Masterbore has five slim hole rigs designed for that work in its fleet of 30, with a replacement value of about R20-million.

All the units were operating until four months ago, but use is down to about 70% now.

"I will be comfortable with 80% use through the year," says Mr Davies.

He attributes most of the past problems to the spate of acquisitions soon after Masterbore's listing.

"Drilling operations were always profitable," he says. "Now we are back to what we know best — exploration drilling. It's a time for consolidation and putting cash back into the group."

ANIES

Accounting breakdown colours firm's outlook

MARC HASENFUSS

189E

A BREAKDOWN in accounting controls in North Engineering Industries Africa's (NEI Africa's) diesel division is more serious than was originally reported, and shareholders have been advised to exercise caution in dealing in the company's shares. *Mon. 25/4/91*

An announcement made by NEI Africa today indicates that although the extent of the problems have not yet been quantified, the effect could be to reduce the stated net worth per ordinary share of NEI Africa of 2 842c as at December 1990 by 25%.

Subsidiaries Propower and Probuilt will undergo further investigations that could take six to eight weeks to complete, the announcement said.

The undetected poor performances by the two diesel divisions pulled NEI Africa's earnings down a hefty 35% to R21m (R32m) for the year to end December 1990.

MD and CE Lawrence Hyslop, commenting on the results, said the breakdown in accounting controls was not apparent until the closing of the year-end accounts.

The board was not able to advise shareholders of the extent of the variation from forecast, and the two companies were in fact performing worse than was reported.

NEI Africa directors said that both companies remained viable with sound growth potential and expected that the outcome of the investigations would not have a material on the group's results in the current financial year.

Optimistic forecast vindicated

(189)
BRENT VON MELVILLE

THE good performance of engineering group Fenner for the six months to February has vindicated the view of its chairman Bob Arthur who, in his annual review in November 1990, confidently forecast an improvement on last year's results.

Earnings of the group improved by 31% to 30,9c (23,6c) a share and the dividend was pushed up by 15% to 7,5c (6,5c), increasing cover to 4,1 (3,6) times.

Directors attributed the growth to the KSB Pumps and Control Specialists companies, which started the year with healthy order books and successfully completed those contracts.

810 24 21579 |
Lower level

They added that the performance was heartening when compared with most other engineering companies during the recessionary conditions.

However, they warned that "order books are now at a lower level" and earnings in the second half were expected to be lower.

Improved margins saw net operating income rise 40% to R13,9m (R9,9m) on a 32% hike in turnover to R123,5m (R93,9m).

Finance costs rose to R2,2m (R1,3m).

Directors said, however, that interest cover was more than adequate.

And borrowings, they said, were within targeted levels.

Strong order books boost Fenner

Finance Staff

1899

The completion of major contracts has enabled industrial engineering group Fenner to report a 32 percent hike in earnings to 30,9c (23,6c) a share in the six months to end-February. An interim dividend of 7,5c (6,5c) a share has been declared.

Credit for the growth is largely focused on the KSB and Control Specialists companies which started the year with strong order books and have successfully com-

pleted those contracts.

Although Fenner's first half performance is encouraging the directors note that "order books are now at a lower level" and earnings in the second half are expected to be "similar to those in the same period last year".

With earnings of 30,9c for the first half and 37,1c for the latter half of last year, the implication is for earnings for the full year to be up on the previous year.

This year's interim dividend is four times covered. Despite the tough

operating conditions the operating margin was up to 11,25 percent from 10,5 percent with a 40 percent increase in operating profit at R13,893 million coming from a 32 percent rise in turnover at R123,487 million.

Finance costs rose by 68 percent to R2,21 million but the directors note that "borrowings are within targeted levels".

Pre-tax profits of R11,68 million are 36 percent up and taxed profits 37 percent higher at R6,01 million.

With much of the

growth coming from 50 percent held KSB, outside shareholders' interest is up by 66 percent, reducing growth in attributable profits to 31 percent at R4,63 million, equivalent to 30,9 cents a share.

Fenner shares are currently priced at about 260c, at which level they yield 23,3 percent and 7,7 percent on historical earnings and dividend respectively.

Comparable yields from the engineering sector of the actuaries index are 10,9 percent and 4,4 percent.

Poor controls behind

NEI's drop in NAV

Star 215791
Investors have marked down NEI Africa's share price by 17 percent since last week's announcement that the breakdown of accounting controls at the group's diesel division were more serious than had initially been thought.

On Tuesday NEI's share price closed at R16 from last Wednesday's R19,25.

The first hint of the problems at NEI's diesel division surfaced in February when the group's results for the year-ended December were released.

Directors reported then that there had been a serious breakdown in accounting controls at Propower and Probuilt but these had not emerged until the closing of the year-end accounts.

These problems were subsequently described in the annual report as failure to budget accurately or to price goods and services realistically. But, at this earlier stage, directors added that the problems had been identified and addressed.

Then last week's cautionary notice stated that it had since emerged that the problems were more serious than had originally been thought and further investigations were being undertaken.

Managing director and chief executive Lawrence Hyslop says when the first announcement was made, NEI was still investigating to see if there were any other problems.

Although the effect of the problems has not been quantified, directors estimate that the final result could be to reduce the stated net asset worth of 2842c by 25 percent or 710c per share.

Based on the group's 6,264 million issued shares, the write-off translates into R44,48 million against shareholder's funds of R178,07 million at year-end.

Mr Hyslop explains that the write-off will not have any material effect on group earnings for the current financial year. "There will be no further cash drain on the group as a result of

Diagonal Street

Jabulani Sikhakhane



the write-off," he says.

Mr Hyslop says the nature of the problems at Propower and Probuilt relate to the overvaluation of assets in the balance sheet.

It appears that stock and work in progress were overvalued, while some of the debtors were doubtful. He adds that the investigating team has not been able to establish why this was done.

Although Mr Hyslop notes that this write-off will not affect current year earnings, it could have some impact on future earnings as stocks are liquidated (through the income statement) at a lower value than initially estimated. This effect may filter through to the income statement over a number of years.

One analyst says that slow-moving and obsolete stock was revalued instead of being written off and adds that the write off will increase group gearing — not because it increases the absolute level of debt but because it reduces the group's level of equity.

Mr Hyslop adds that 95 percent of the problems were in Propower which maintains and operates a complete system for the distribution of engines and parts for engines and trucks. It provides a link between the manufacturer and the end user.

The rest of the problems were at Probuilt Diesel, which runs a remanufacturing facility at Atlantis and produces 5 000 diesel engines annually.

Mr Hyslop hopes that the investigation will be completed by the third week of May. If anything illegal crops up, necessary legal action will be taken.

He adds that a new management structure has been installed at the diesel division.

Afrox beats economic blues

ENGINEERING-listed African Oxygen (Afrox) has beaten the economic blues with attributable profits up 27% to R39,2m for the six months to end March.

The blue chip industrial group has disclosed earnings, inflation adjusted, of 131c (103c) a share, of which a dividend of 63c (50c) a share was declared.

Despite the severe recession which "bat-

SEAN VAN ZYL

tered" the earnings of the engineering sector, chairman Peter Joubert said Afrox enjoyed an improved performance because of its business spread of operations within the group. ~~1896~~

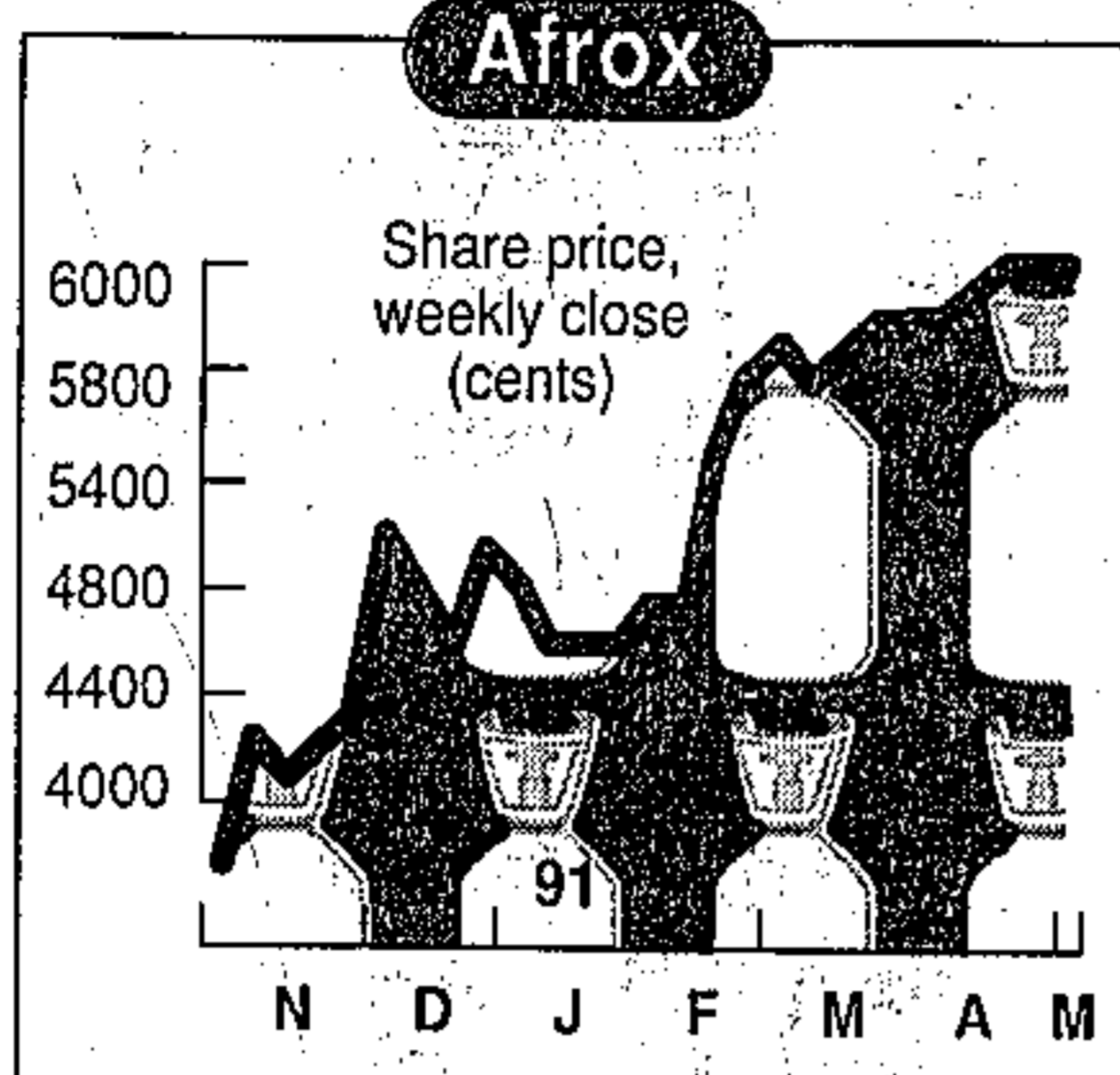
Afrox has interests in gases, welding and private hospitals and health care. Joubert said the gas manufacturing and marketing business was likely to continue to exceed the earnings growth of its other interests.

While Afrox's turnover rose by 18% to R514,5m (R437,7m), the bottom-line operating profit climbed by 19% to R112,5m (R94,4m).

Despite long-term borrowings falling to R15m from R19,2m, interest charges rose by 21% to R19,1m (R15,8m) due to capital expenditure.

He said the gearing ratio "is slightly better", with net borrowings as a percentage of capital standing at 23% compared to the previous period's 27,4%.

A tax bill of 47,3% at R44,1m (R38,1m)



Graphic: LEE EMERTON Source: JSE

BID any 615791

□ To Page 2

Afrox ^{BID any 615791}

resulted in taxed income coming down to R49,2m (R40,4m). In addition, depreciation for the period of R9m (R9m) resulted in inflation-adjusted attributable earnings of R39,2m (R30,8m).

While Joubert said this inflation adjustment reflected more fairly on the group's operating performance, earnings — discounting the depreciation — would have clocked in at 161c a share as opposed to the 131c actually disclosed.

"For many years we have maintained a

~~1896~~ 189

□ From Page 1

policy of current-cost accounting to offset the effects of inflation," he said.

Commenting on the operating divisions, Joubert said the gases and health care interests performed well, although the welding division "slowed down" because of reduced activity in the engineering sector.

He added that Afrox's results were in line with expectations and that the group would probably achieve at least a 20% real growth in earnings this year.

PEANITS

Rv Charles Schulz

Sacked director opens a can of worms at NEI company

S/Times (Burr Times) 12/5/91 (189F)

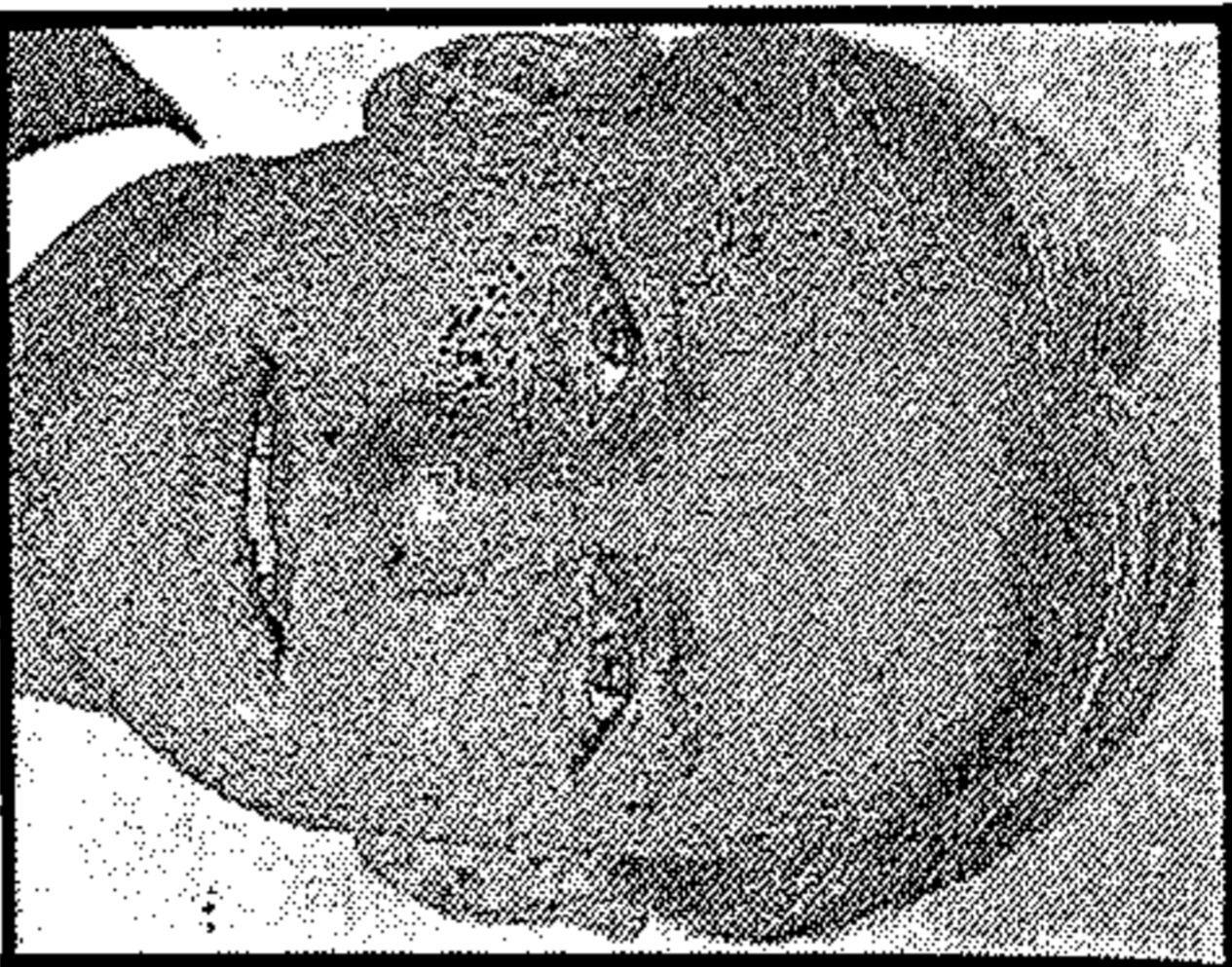
NEI AFRICA has owned up to "a disturbing breakdown" in accounting controls at Propower and Probuilt.

It could reduce the group's net asset value by a quarter.

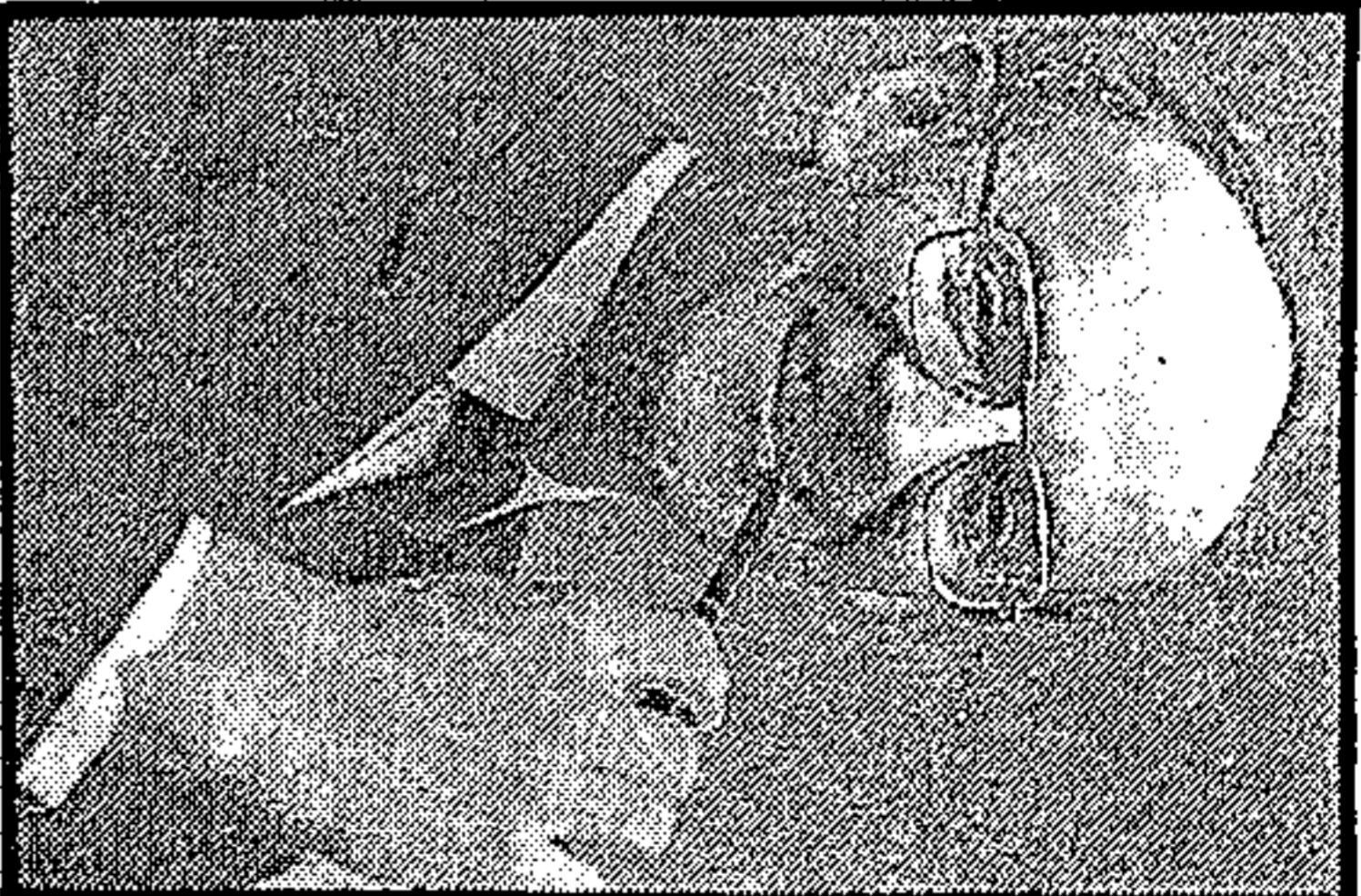
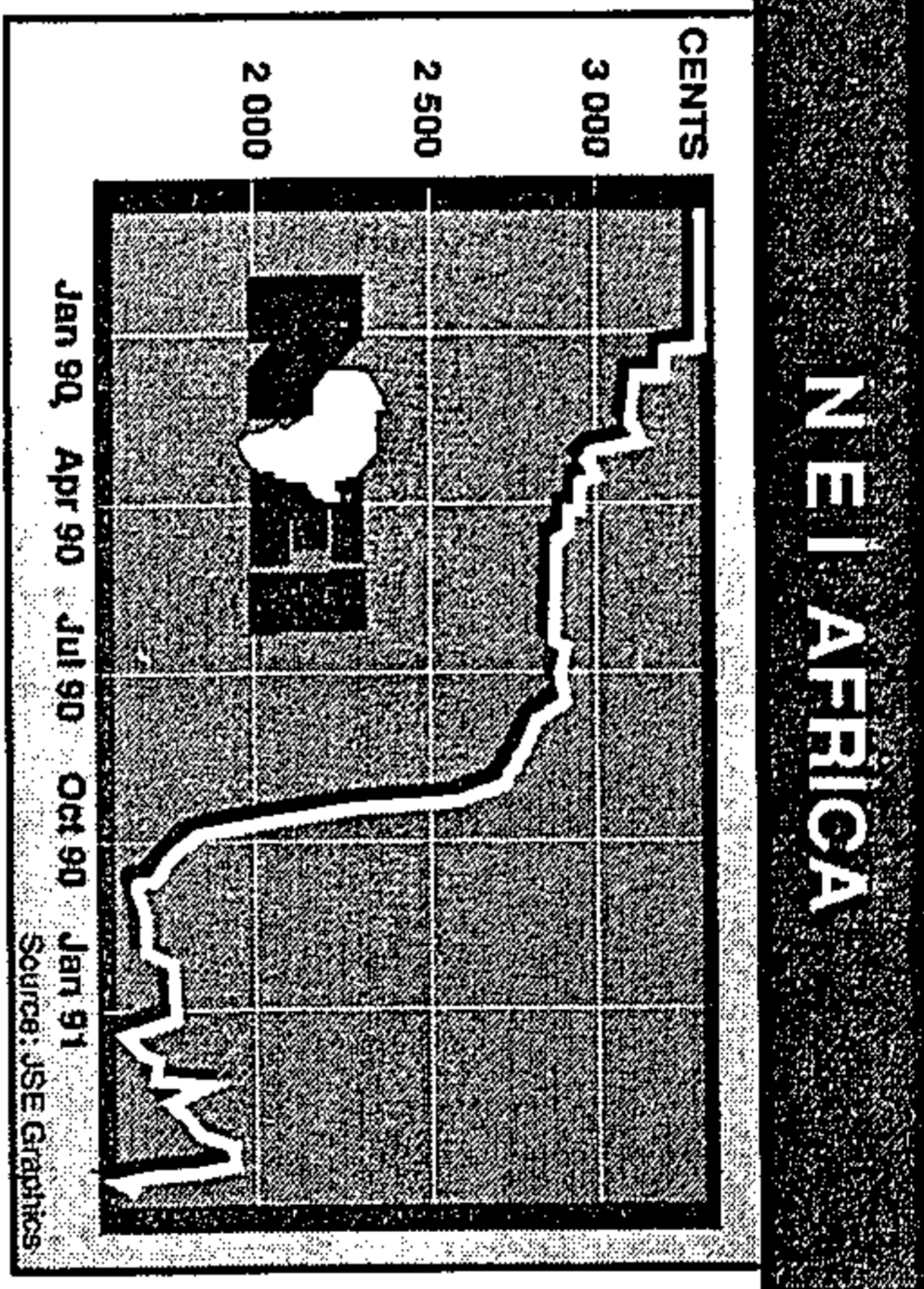
Managing director Lawrence Hyslop hopes the final figure will be below R50-million.

A former director of NEI's APE operations, Richard Beames, alleges there is more to come from other parts of the UK-controlled engineering group.

Mr Beames is contesting his re-trenchment from NEI last year. He joined APE as managing director early in 1989 after being headhunted from a Malbak company by then APE chairman Ken Griffiths. The previous incumbent had retired at 47.



LAWRENCE HYSLOP: Baptism of fire



RICHARD BEAMES: They needed me

terms now coming out of the woodwork," says Mr Hyslop.

He agrees that fictitious sales were concluded and reversed after the close of the financial year. Cash was balanced through borrowings.

To make matters worse, Fitar, a Ciskeian venture with Israeli principals to make and market filters, has turned ugly and is in dispute.

It appears that the Propower and Probuilt books were cooked to keep face under the pressure of having to perform better and better each year.

I asked what shareholders could look forward to. Mr Hyslop said that merely because one operation out of 11 went wrong, the muck unfairly spread across the other 10.

"We have not had cancelled orders or anything like that. The physical assets of the group are untouched and the management has been strengthened.

"We will have turned around in a year."
 Bold words, but I would prefer to have my money elsewhere, given the risks of staying aboard.

"I found basic fraud, which I drew to the attention of my seniors. The thanks I got was to be retrenched," says Mr Beames.

He has taken the matter to an industrial court. In court papers it is alleged that Mr Beames uncovered accounting irregularities in the APE companies. He claims:

- Stock had been unrealistically revalued.
- Contract price adjustment payments had been brought to account three years before they were due.
- New engines had been removed from the bond store and replaced with used ones (a fine from Customs and Excise was paid by APE).
- Forward cover had been taken out for three years instead of the company policy of one year, resulting in large losses.
- Trade-in forklifts valued at R1-million in the books were worth R100 000 as scrap.

Mr Beames says his retrenchment did not follow accepted industrial relations procedures. APE was broken up and spread among other parts of NEI.

Only the forklift division, renamed Masslift, stands alone now, and a general manager was appointed to run it. Mr Beames contends that the job should have been offered to him first.

"Since I left, three major contracts have been lost through bad management. I contend that they needed me," says Mr Beames.

NEI declines to respond to Mr Beames' views. Mr Griffiths was also responsible for Propower, Probuilt, Meissner, AG Walker and Kilber. He and several other top brass resigned last year.

Mr Hyslop joined the group last July after being headhunted from JCI's Lennings industrial division. His has been a baptism of fire. The share price was R29 at the

start of July, but by mid-November it had dived to R17. The sharp drop inspired a reader who was "a serious investor" in NEI, to ask me if I knew anything of its prospects.

I spoke to Mr Hyslop in November. He told me that asset management had been tightened. "We had a problem, but it has been fixed."

Two years previously, NEI was almost debt free. In the year to December R15-million was paid in finance charges out of operating income of R55-million.

Earnings fell by more than a third to 332c a share. The preliminary announcement to shareholders on February 6 referred to a serious deterioration in the performance of two diesel division subsidiaries.

"These problems have now been identified and addressed. The viability of this part of the business and

the fundamental strength of your group is not in question and improved results are expected for 1991."

The latest announcement of April 25 says the problems are worse than feared and net asset value could fall by 25% from 2 842c.

The shares dipped, but have held at R16. Old Mutual, which held 20%, is known to have been a buyer at the low prices. NEI plc has been supportive, says Mr Hyslop.

He told me six months ago that 1991 would be tough. That was before he knew everything.

This week he said that a knock of close to R10-million had been taken because of problems at APE in the 1990 accounts.

"Bad management at Propower and Probuilt and, in the words of our auditors, 'diabolically clever' overvaluations of stock, warranties and so on are at the root of the prob-

Filcar claims R16m from NEI Africa

GILLIAN HAYNE

FILCAR, a Ciskeian venture between engineering group NEI Africa and a Panamanian/Swiss company, is claiming R16m from NEI Africa and its diesel subsidiary Propower. *810am 14/5/91*

A Filcar spokesman alleged yesterday the claims related predominantly to breaches of contract by NEI Africa and Propower and unless a satisfactory response was received soon "summons will be issued at an early date".
NEI Africa MD Lawrence Hyslop said last night he had not yet seen the claim letter and could not comment until he had had time to study the details.
Filcar makes and markets filters which

are used by Propower, a trucking and engine rebuilding concern.
There was little reaction in the market yesterday. Analysts attributed this to the tight institutional holding of NEI Africa which appeared to prop up the share.
After drifting down to 1 600c after the initial announcements about irregularities in NEI Africa's subsidiaries, the share found support and held to close unchanged at 1 700c yesterday.
Problems in NEI Africa's diesel subsidiaries Propower and Probuilt were dis-

To Page 2

NEI Africa

closed in February. NEI Africa posted a 36,1% decline in earnings to 332c a share in the year to end-December 1990.

The share price reacted by dropping to 1 600c, but then pulled back to reach a high of 1 925c by late April.

A week later Hyslop issued a cautionary announcement that the "disturbing breakdown in accounting controls" was more serious than expected and could reduce the net worth of NEI Africa's ordinary shares by 25% (they were 2 842c a share in December 1990).

The share price again descended to 1 600c, where it found buying support despite further admissions by Hyslop that on top of the Probuilt/Propower problems,

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which will cost the firm about R50m, accounting irregularities and the subsequent break-up of subsidiary APE Africa had cost the group R10m.

Analysts say Old Mutual has been buying at the low prices which could account for the share being propped up at the 1 700c level. Others believe the reason could stem from the group's strong underlying value.

McGregor's Who Owns Whom said Old Mutual's shareholding had risen from 18,5% to 19,1% by end-December 1990. But analysts believe the holding has risen to about 30% on recent buying.

NEI Africa chairman Leonard Abrahamse is also Old Mutual deputy chairman.

much above financial 1990's performance, with real growth only expected from 1992. EPS will probably drop slightly in the second half compared with the previous year.

The reason for Mostert's caution is clear. The performance of the diverse group — whose interests include iron and steel fabrication, automotive components manufacture, shipbuilding and the distribution of industrial machinery — is closely linked to the economy. Mostert believes the recession has yet to bottom out and trading conditions will become tougher in the next few months.

First-half turnover remained almost static at R1,25bn while operating income fell 4,4% to R82,8m, narrowing margins from 7% to 6,6%. The improvement in earnings was largely achieved through a reduction in the group's effective tax rate from 29% to 22,5%. Financial director Tony Welton says use of deferred tax, assessed losses and export incentives are likely to maintain the tax rate at current levels for the rest of the year. A further boost to earnings is therefore unlikely.

He adds that interest charges, which were down slightly at R16m at the interim, are unlikely to change much. Borrowings have fallen, with gearing shifting from 25% to 23%, but the debt position is likely to remain in line with 1990 (R196m) at the year-end, says Welton.

Management offers no divisional breakdown of earnings or turnover at the interim, so it is difficult to gauge the performance of the group's diverse operations. Mostert says business at major earnings contributors, such as Baldwins Steel, Dorbyl Automotive Products, Dorbyl Structural Engineering and, particularly, shipbuilder Dorbyl Marine, held up well in the face of increasingly difficult domestic trading conditions. Exports from most of these companies (mainly to Europe) have helped to counter the downturn in domestic business and are expected to contribute a tenth of group sales by year-end.

Mostert says Dorbyl Heavy Engineering, badly hurt by capital expenditure cuts by Eskom and the mines, continues to lose money but losses have been cut substantially since last year. Main problem child is Tosa, or, more specifically, Tosa's seamless steel plant. The plant, a joint venture with Iscor, began production in 1990 but has failed to meet expectations. Mostert says Dorbyl has invested R60m in the plant and further spending is being considered.

Another source of concern is that no major infrastructural projects have emerged to follow Mossgas. Most of Dorbyl's Mossgas contracts were concluded at the end of the last financial year. But Mostert is confident that further large developments will not be long coming. In preparation for such projects and the eventual recovery in the economy, management has maintained its substantial capital expenditure programme.

The share has gained 300c since the beginning of the year and is trading at 1 750c, on a pe of 4,9 and dividend yield of 5,9 for the

continued

FM 24/5/91

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past 12 months. Though Dorbyl's short-term prospects offer little excitement, the share could prove attractive to investors looking for a solid performer that could quickly take advantage of an economic upturn.

Simon Cashmore

DORBYL FM 24/5/91

FLATTENING OUT

189E

Engineering group Dorbyl continues to outperform many of the large industrial conglomerates and pushed up earnings by 6,6% in the six months to end-March.

However, don't expect too much in the second half. CE Dawid Mostert cautions that earnings for the year are unlikely to be

Oversseas investors take up Govt bonds

Star 4/5M

60 74
NEIL BEHRMANN

LONDON — South Africa is discreetly returning to international capital markets and has successfully rolled over a \$50 million (R135 million) RSA loan, bankers say.

Returns for investors are generous as the yield of the three-year loan has been placed at 10 percent, about 2.5 percent above dollar bonds of similar duration.

The privately placed bonds were rolled over in the past few weeks, according to banking sources.

Although the issue, negotiated by Swiss and other European banks is a refinancing measure, and does not attract new money to South Africa, it is regarded as significant.

It follows a Dm120 million (R192 million) loan refinancing package for Eskom and the response for that privately placed issue was also good.

This is hardly surprising. South Africa's repayment record is impeccable and the yield

at 10.75 percent on that four-year loan is about 2 percent higher than other sovereign D-mark bonds.

South Africa's re-entry into the international capital market was within weeks of President F W de Klerk's visit to Europe. Bankers were most impressed with Mr de Klerk's performance.

Initial international financing is expensive for the borrower, but there is little alternative so far.

Bankers believe the yield premium of the bonds will remain high until the debt moratorium is relegated to history.

Moreover there is continual concern about violence, uncertainty about the intentions of the African National Congress, worries about the South African economy and its high inflation rate.

Nevertheless, reflecting an impressive improvement in confidence, South African debt has soared to 87 US cents on the dol-



B.S. 82 © 1991 United Feature Syndicate, Inc.

GOOD ADVICE: 'I'm telling you, these RSA bonds are winners.'

lar from 81 cents a month ago and only 70 cents last August.

That compares with Brazil's tradeable debt of 28 cents on the dollar, Argentina's 22 cents, Mexico's 57 cents, Venezuela's 62 cents and Chile's 86 cents.

The financial rand discount has narrowed to 17 percent, from around 30 percent nine

months ago. It is down to levels in the early 'eighties just before the Reserve Bank scrapped the investment currency temporarily.

Since November, when Reserve Bank governor Chris Stals hinted that the dual currency would be gradually abandoned, the financial rand has appre-

ciated by 10 percent against the dollar.

For European investors this has proved to be a boon, because the appreciation in terms of their own currencies is more than 20 percent. Meanwhile, interest income from those rand bonds amounted to about 11.5 percent in the same time-span.

Talks boost share price

Bliss 7/6/91
18912
WHILE the market awaits an announcement from Ladysmith-based Scharrighuisen Holdings and the Finansbank-controlled Frigate group, Scharrighuisen's share price is shooting up.

The engineering group has gained more than 50% in the past month and is one of the largest movers on the JSE this year, having more than doubled in value. It rose strongly yesterday, adding 15c, or almost 5%, to its value to close at 340c.

So far two cautionary announcements have been issued.

Both groups are involved in coal mining and plant-hire activities and one analyst argues that one benefit of a link-up would be that Scharrighuisen could get involved in coal exports.

Rehabilitation of exhausted open-

cast mines is another major operation of the Scharrighuisen group. A recent Davis Borkhum Hare analysis said increased environmental awareness and more environmental legislation had contributed to the group's strong rating.

With the Scharrighuisen directors holding 83% of the shares, tradeability is thin. The recent 1-for-10 capitalisation issue and any deal between Scharrighuisen and Frigate will increase tradeability.

In Scharrighuisen's latest annual report the directors state that the strong historic growth trend of the group is likely to be maintained in this financial year. Earnings are forecast to increase to 60c a share from 57,1c.

5/FINANCE

Yabeng is primed for another successful year

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LIZ ROUSE

B 12am 11/6/91

YABENG, the Bophuthatswana investment company which has built up net assets of just over R78m, at cost, is assured of further growth this year.

For the eighth year in succession Yabeng has provided shareholders — now numbering 5 000 — with growth in asset value and earnings.

The investment portfolio for the year to March 1991 includes two new companies, but more importantly, several of the underlying target companies have established new trading outlets in centres which offer growth potential, says CE David Gould in his annual review.

Yabeng fared better than expected in the past year, with attributable profits up 37,5% to R14,8m (R10,8m), equal to earnings a share of 28,6c (20,8c) and the dividend was raised to 21c (16c).

Almost without exception, Yabeng's equity holdings showed significant growth in earnings and dividends, notwithstanding a number of consumer boycotts and some unrest, say directors.

Interest rates held firm throughout the year and this provided a steady income from loan investments. Interest income climbed to R3,1m (R1,7m).

The shares, currently at a year's high of 400c, are trading far above net asset value of 150c. Historic earnings yield is over 7% and dividend yield 5,25%.

Winbel bogged down by heavy interest bill

FAILURE to reduce its heavy interest bill kept struggling engineering group Winbel (formerly Dicor) in the red for the six months to end-March 1991.

Difficult economic conditions, a shrinking economy and high prime rate impeded attempts to return Winbel to profitability at the half year.

Margins were further eroded to 2,5% (5%) as operating profit plunged 55% to R2,9m (R6,4m). The R4m interest bill resulted in an R884 000 loss (previously earnings of R858 000).

Turnover for all three listed companies within the group — Winbel, Inmins (formerly Danech mining supplies) and Winhold (formerly Danglo) — was down, with large interest bills causing losses at pre-tax level.

Winhold (61% held by Winbel), posted a loss of 2,3c a share against earnings of 2,5c in 1990. Winhold holds 51% of Inmins and 86% of Plastall.

Hopes of placing Winbel back in the black received a small boost when DCM-listed subsidiary Plastall returned to profitability this year.

Mining supplies group Inmins

MARC HASENFUSS

made a loss of 5,7c a share compared to nil earnings in 1990. It managed an operating profit of R1,8m from a R1,9m loss at year-end. However, finance costs remained high at R3,3m (R3,5m) and contributed to a net deficit of R1,5m (previously earnings of R474 000).

Inmins' volumes were knocked by low industrial demand and the collapse of confidence in the gold price.

Directors believe that with the elimination of two loss making companies, Inmins half year loss could be turned into a profit for the full year.

"With fewer public holidays in the second period of the year and with the effects of cost reductions, the budgets show return to profitability."

In order to maximise returns and improve gearing, consolidation of Winbel's activities would continue until the economy recovered.

Winbel and Winhold shares at 5c are hovering just above their May low of 4c. At 10c Inmins shares are just above the 9c low in May, down from 22c in June 1990.

Engineering

acquisition

6/10/91 18/6/91
WILLIAM GILFILLAN

ENGINEERING group Scharrighuisen Holdings is to acquire the contracting division of the Frigate group — a move that is expected to greatly increase profitability, executive director Cas Scharrighuisen announced last night.

He said the acquisition would make the Scharrighuisen Group SA's biggest contract mining operation.

No purchase price was mentioned and no indication given about the method of payment.

The Frigate division conducts operations at collieries mainly in the Witbank and Middelburg area and has over 80 major earth-moving machines. The new operations have a projected monthly tonnage of over 500 000 tons with monthly turnovers of over R5m.

Scharrighuisen's latest annual report says the acquisition will increase its net asset value but no figure is given.

Fraser's management buyout cancelled as backers withdraw

By Ann Crotty ^{Star} 19/6/91

Plans for a management buyout at Metro subsidiary Fraser's have been cancelled and it now appears that about 800 jobs will be lost with the closure of the country's largest conventional wholesaler.

Negotiations for a management buyout at Fraser's have been under way for some months.

As talk of the unbundling of Tradegro took hold in the market it seems that the management of Fraser's approached

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Tradegro executives with plans for a buyout. This plan was originally turned down but appears to have been put back into play when the Premier group acquired Metro.

(Before the Premier/Metro deal was effected Tradegro sold Fraser's 42 mine stores to Peppor.)

When the Premier/Metro deal was announced last month, it seemed to be only a matter of weeks before an MBO plan for Fraser's would be finalised. But it appears that First National Bank, which was to provide

Fraser's management with the necessary finance, decided against proceeding with the transaction.

No figure has been put on the buyout price, but given the extensive write-offs that Premier took in relation to Fraser's at the time that it acquired Metro, it would seem that the price was well covered by asset value.

As part of the acquisition of Metro, Premier took a write-off of R170 million. Some R80 million of this related to Fraser's with R40 million attributed to

trade mark write-offs and R40 million attributed to the writing down of stocks.

This suggests that the residual value that Premier attributed to Fraser's represented a very conservative valuation of Fraser's assets.

That residual value was the price at which Premier was prepared to sell the operation to Fraser's management. That this amount could not be raised seems to reflect the belief that there is no longer room for a conventional wholesaler. But it is also an indication of

the dearth of finance available in this country for venture capital type projects.

Given that the price was well covered by assets and that the Fraser's management team have considerable experience in this area it is unfortunate that cash-rich institutions that are daily looking for investment opportunities in an overheated JSE could not be persuaded to fund this MBO.

Sanlam may understandably feel that this sort of sentiment is what initially got them embroiled in Tradegro.

NEI Africa to report on 'irregularities'

MARC HASENFUSS

BRITISH-controlled engineering group NEI Africa is expected to release a statement tomorrow detailing the extent of alleged accounting irregularities in certain of its subsidiaries. *8/20/91*

Alleged irregularities at NEI Africa include the unrealistic revaluation of stock and the bringing into account of contract price adjustment payments three years before due date.

The "disturbing breakdown in accounting controls" in the Pro-power and Probuilt Diesel subsidiaries alone could reduce NEI Africa's R28,42 net asset value a share by a quarter.

Indications are that further accounting irregularities could be discovered in other NEI Africa divisions.

Observers said it was disturbing that the UK-based aircraft engine manufacturer Rolls Royce, which holds an effective 30% in the company, had not reacted to the reports of the irregularities.

Institutions have been taking advantage of NEI Africa's low share price, currently holding at R17 just above its R16 low. Analysts believe Old Mutual, which has a 20% stake in NEI Africa, to be the main buyer.

Accounting irregularities turn NEI profit into loss

Bl Day 21/6/91.

1898

THE uncovering of serious accounting irregularities in NEI Africa's diesel division has forced the group to write off R52,5m of its net asset value.

The irregularities see NEI Africa's adjusted figures for the 1990 financial year restated to a loss of R4,3m from published net income of R20,8m. Earnings a share, published at 332c, has been restated to a loss of 68c a share.

NEI Africa CE Lawrence Hyslop said yesterday that R26,5m of the write-off related to over-valuation of slow moving stock and warranties in subsidiary Propower.

A further R14m related to bank borrowings which were not reflected as liabilities.

"While no evidence of misappropriations (in other words theft) has to date emerged from the accounting investigations, further investigations

MARC HASENFUSS

into such a possibility will continue," Hyslop said.

The pure accounting side of the Propower investigations had been completed and carried out by a NEI senior management team and external auditors KPMG & Aiken and Peat, he said.

Viable

Hyslop said the special audit investigation revealed that between 1988 and 1990 the NEI Africa board had been presented with incorrect information on the financial performance of Propower.

Corrective action had been taken at Propower and a new management team instituted.

Hyslop believes Propower is still financially viable and has sound

growth potential.

Future dividend payments could be affected as high payouts between 1988 and 1990 were affected by Propower's overstated profits.

"We have paid out too much and now capital rebuilding and debt redemption are priorities for the group."

Published shareholders' funds for 1990 of R178m have been restated to R125,5m, while net asset value a share shrunk to R20 from R28,42 at end-December.

NEI Africa has still to face a R16m claim relating to breaches of contract from filter-maker Filcar.

NEI Africa's share crept up 25c to R17,25 in anticipation of the announcement detailing the extent of the breakdown in accounting controls.

The share peaked at R29 in July last year.

Pale-blue
STimes 23/6/91
turns red
(bus times)
for NEI (189)

By JULIE WALKER

INFLATION accounting takes on a new meaning when the 1990 profit of almost R21-million was really a loss of R4,3-million at engineering group NEI Africa.

NEI was formerly one of the JSE's pale-blue chips, with solid British backing and Old Mutual as a big shareholder.

But earlier this year the group fell from grace when it announced that the true position within the Propower division had been severely misrepresented to the NEI board by Propower's management. The management resigned in December.

A total of R52-million now being written off was missed by the board of directors. Of this figure, R14-million was bank borrowings never shown as liabilities, and the value of slow-moving stock and warranties had been inflated by R26-million.

In 1988 and prior years, the writeoffs have been quantified at R19-million. In 1989, operating profit was overstated by R12-million and in 1990 by R25-million.

NEI's net asset value has been sliced by 30% to R20 a share. The lightly traded share has found support at around R17 (R29 a year ago).

Hudaco is ^{189¢} unhindered by fall in turnover

MARC HASENFUSS

A HEFTY reduction in interest and better margins allowed engineering group Hudaco to maintain earnings despite a marked drop in turnover for the six months to May.

Earnings were unchanged at R10,7m or 47c a share as deteriorating trading conditions in the gold mining, construction and agricultural sectors eroded turnover by 11% to R183m (R205m). The interim dividend was also maintained at 21c. *Bl Day 24/6/91*

In an attempt to further focus group activities, three underperforming businesses, which accounted for R14m in turnover, were sold for R3m.

Net borrowings were reduced to R19m (R24m) causing the significant drop in the interest bill to R3m (R4,7m). Gearing dropped to 19% (25%).

Hudaco traded at its R14 high on the JSE on Friday. It has recovered well from its R8,80 low in September.

CONTROLS TIGHTEN

A year ago, priority was given to a policy of whittling away at debt. This made all the difference to Hudaco in the six months to May, as earnings were maintained despite worsening business conditions.

Last May, Hudaco's debt totalled R40m and net finance costs for the half-year amounted to R4,7m. Funds were tied up in inventories, which management set about reducing fast, slashing debt to R24,1m at end-November, with gearing at 25%. Debt is now down to R19,1m, gearing is 19% and net finance costs were R3m. That helped compensate for a 7,6% fall in operating profit, to R23,8m.

CE Kevin Clarke indicates that pressure to reduce borrowings will continue. He forecasts another fall by year-end, which will leave the balance sheet looking "particularly healthy." A tighter rein is also being kept on

BEARING UP

Six months to	May '90	Nov '90	May '91
Turnover (Rm)	205	198	183
Pre-tax profit (Rm)	20,9	24,6	20,8
Attributable (Rm) ..	10,7	14,4	10,7
Earnings (c)	47,0	63,4	47,0
Dividends (c)	21,0	29,0	21,0

Continue

debtors. These were reduced to R56,4m at end-May, from R62m at end-November — which seems the only course of action to take, considering that Clarke expects business conditions to deteriorate further.

The 11% drop in turnover in the first six months was largely because of a R20m fall in original equipment sales, mainly new Deutz diesel engines. Hudaco's customers supply capital equipment to the gold mining, construction and agricultural sectors all of which are feeling the economic pinch.

Clarke points out the bulk of the group's sales are to the replacement market which is not quite as cyclical. Sales margins actually improved, despite the drop in turnover and price-cutting by competitors.

Clarke has emphasised market share is all-important. "Hudaco is a sales and service driven group," he says. "Our market share is of paramount importance and, if necessary, our financial goals may have to be subordinated in the short term to the maintenance of our market position."

The share has climbed to a 12-month high of 1 400c, compared with 1 075c in April. On Clarke's prediction of a pegged final giving a 50c total payout, the prospective yield is only 3,5%; that compares with 4,7% in April. Hudaco has a well-proven record, but the share is starting to look expensive. *Brendan Ryan*

NEI boss accused in Ciskei court papers

(189E) S/Times 7/7/91. (bus times)

By JULIE WALKER

PAPERS before the Ciskei Supreme Court claim that NEI Africa chairman Len Abrahamse was told of irregularities in the inter-company accounts of wholly owned subsidiary Propower and 25%-owned Filcar.

The affidavit was signed on October 3, 1990. At the start of September, NEI's share price was R27.

But by the time shareholders were told of the alleged irregularities in the 1990 report circulated on March 4, 1991, the price had dropped to R16,50.

Mr Abrahamse denies that he was told in 1990. He says he first learned of irregularities in Propower in January 1991 and of those in the inter-company books of Filcar and Propower a little after.

His 1990 chairman's statement refers to a breakdown of accounting controls in the diesel division "which did not emerge until the closing of the yearend accounts". The statement is dated February 5, 1991.

Reluctant

Only in April did NEI warn shareholders that the problems were more serious than had been apparent. In June, NEI told shareholders that R52,5-million had to be written off.

NEI auditor KPMG Aiken & Peat is reluctant to concede any blame for not picking up the accounting problems, prevalent for the last three years.

"It is not for newspapers to find this out," says audit partner David Cox.

The claims in the court papers are backed by those of former NEI Africa employee Richard Beames.

Bank row

□ From Page 1

Justice Conradie referred the matter to the Attorney-General and the Registrar of Banks.

Dr Van Greuning replies in an affidavit: "My office has fully investigated the allegations made by Mr Riaan van Rensburg ... and I am satisfied that no fraud or any other offence or any attempt to do so has been committed by the employees of either CIB



LEN ABRAHAMSE: It's not true

Mr Beames says he told management of irregularities he uncovered while at NEI's now-disbanded APE division at least a year ago.

NEI's 1990 report shows an extraordinary cost of R2,9-million on reconstitution of the pump division.

NEI Africa managing director Laurence Hyslop says trading losses accounted for another R7-million.

Now, NEI Africa's cash cow ICAL has laid off 80 white-collar workers, underlining that the group's troubles are not over.

ICAL is the bulk of NEI's mechanical division. According to the 1990 report, turnover in that division was 51% of the R713-million total.

Its contribution to profit is not disclosed, but in light of the losses now uncovered in the Propower diesel division, ICAL is probably the most important profit centre at NEI.

ICAL's staff have been told that because the principal business of supplying boilers to Eskom has taken a dive, there is not enough work to keep them employed.

NEI is suffering on several

or Prima Bank or the banks themselves ..."

He says that the bills of exchange were inchoate in that they were not accepted by CIB, were undated and certification on the back was unsigned. He confirms that a Reserve Bank official was present at a meeting where it was agreed that in the event of a run on the bank, a series of accommodation bills should be obtained.

Such bills would have to be endorsed and meet all legal requirements, he says.

fronts, but the share price is holding at R17. The Old Mutual is a big shareholder. Mr Abrahamse is a member of the Mutual board.

Control of NEI Africa lies with Northern Engineering Industries plc, whose owner is Rolls-Royce plc.

Mr Hyslop, who joined the group last year, says he does not believe Rolls-Royce will take legal action against NEI Africa's directors for alleged failure to carry out their fiduciary duties.

A Rolls-Royce spokesman says he cannot comment.

To add to the woes, another R15-million is at stake through claims by 25%-owned Ciskei company Filcar, whose other shareholders are Panamanian and Swiss companies. Filcar makes filters for cars.

Partnership

Filcar maintains it went into partnership with NEI which undertook to expand the filter range to heavy trucks. It now wishes to sue for alleged breach of contract.

NEI has unsuccessfully applied for Filcar's liquidation and was refused leave to appeal. A higher appeal is pending.

Several claimed irregularities have been reported in papers before the Ciskei Supreme Court, including allegations that certain NEI Africa directors helped themselves to company funds.

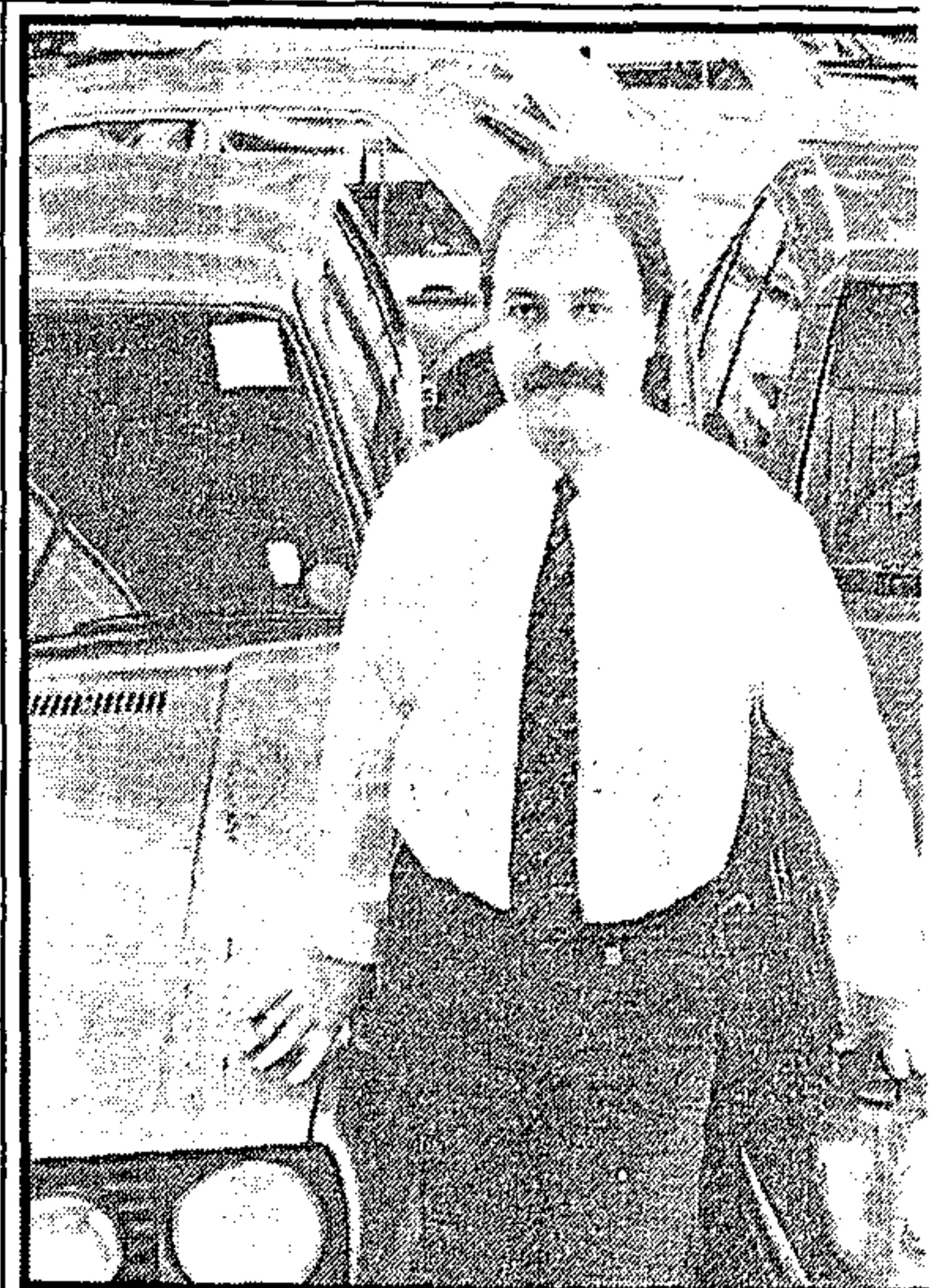
Shareholders have not been told about any difficulties with Filcar and no contingency has been made by NEI against its claim.

This week Mr Hyslop was asked if NEI Africa would make a statement about the liquidity of Propower and guarantee that it would not be liquidated by NEI Africa to the detriment of creditors. His reply was that "NEI Africa has confidence in the future of Propower".

Mr Hyslop says both NEI Africa and, he believes, the auditor are satisfied that the irregularities were confined to Propower.

NEI Africa director Ken Griffiths was chairman of Propower, Probuitt, Meissner, AG Walker and Kilber. Mr Griffiths and Propower managing director Don Blair resigned from NEI Africa with effect from January 31, 1991.

Mr Abrahamse did not follow the usual path of thanking them for their services in his 1990 chairman's statement.



DARRYL JACOBSON: More than 1 600 cars worth R30-million

Price of used cars slumps

USED-CAR prices have dropped 10% in the last few months, mainly because of impending VAT and changes to perks tax.

The new perks tax regulations make it more beneficial for employees to operate a company car than receive an allowance. But this year's budget in March favoured the car allowance and caused many fleet owners to sell their vehicles on the used car market.

Anglo American is among those that opted for the car allowance.

One company to benefit from the flood of used company cars is Burchmore's, which has a used-car auction operation. It doubled its monthly sales to 1 600 cars worth R30-million. The increase came from the sale of one company's fleet, says managing director Darryl Jacobson.

The new perks tax change, effective on June 1, that favours company cars has caused major planning problems, says Arthur Mutlow, sales and market-

By DON ROBERTSON

ing director of Fleetlease Contracts.

It has caused a drop in demand for used cars by individuals with allowances which has forced dealers and manufacturers into "distress merchandising" with higher than normal discounts. Some are selling zero kilometre cars as used vehicles and heavily subsidised interest rates are offered.

Duties

Although not necessarily related, BMW has reduced the interest rate on new vehicles from 22% to 15%.

The increase in the Phase Six local content programme from 65% to 70%, announced in June, could also hit the new-car market.

Toyota chief executive Bert Wessels says that should local content rise further, there will be cost pressures which could lead to price increases.

Hudaco dispels acquisition rumours

189E

Biday

22/7/91

SEAN VAN ZYL

WHILE engineering group Hudaco Industries' future strategic plan could include a "well-managed and positioned" acquisition in the next 18 months, nothing was on the cards at the moment, CE Kevin Clarke said on Friday.

Market rumours had suggested that Hudaco might be in the process of linking up with an offshore operation. The rumours followed Clarke's recent visit to the UK.

However, Clarke said "this was absolutely out of the question" and that the group had no intentions of expanding into the European market.

He added that the group was concentrating on reducing its debt exposure and maximising its African business before looking at further acquisitional growth.

Hudaco's share price rose by 4% this week to R14, boosting the price to

earnings ratio to 12,7 against an average of 8,7 for the engineering sector. Based on analysts' projected earnings, Hudaco is on a forward p:e to 13,8 times, which they consider slightly expensive.

The share's rise of more than 50% this year, while most other engineering shares languished at low levels, resulted from market expectations that the group was geared for new growth. Simpson McKie analyst Heidi Vollmer said that the group's expansion into the greater African market was particularly promising.

She added that Hudaco's working capital management programme — implemented in the previous financial year — had been particularly successful. Hudaco's net borrowings

stood at about 24,6% (R24m) of shareholders' funds at the end of the past trading year-end to November. However, net borrowings had dropped by 21% to R19m at the 1991 half-year point, and Vollmer expected a further fall to about R10m by the end of this financial year. This equates to roughly 10% of present shareholders' funds.

Vollmer said that the group's strong balance sheet, coupled with its impressive financial management team, made Hudaco one of tomorrow's prime blue chip candidates. She felt that the share was fully priced in the short term at its current p:e, but was well worth holding onto.

While the group's African sales were still a minor portion of gross revenue, Clarke said this market could develop into a growth area for Hudaco.

COMPANIES

Masterbore wins oil contract

DRILLING company Masterbore has won a multimillion-rand contract to drill for oil in Etosha Pan in northern Namibia as it seeks to reduce its reliance on gold mining business. *B10day 22/7/91*

A spokesman said the well would be drilled by subsidiary Universal HS Drilling for Overseas Petroleum and Investment Corporation (Opic), a subsidiary of Taiwan's Chinese Petroleum Corporation.

He said the Opic concession was the only one being explored in advance of a number of other concessions the Namibian government would release later this year. *(63)*

Masterbore posted a drop in earnings from 5,3c a share to 3,8c a share as attributable earnings fell from R697 000 to R583 000 for year ended February. *(189)*

While the company's turnover plummeted from R38,5m to R22,9m, Masterbore converted a R765 000 operating loss in 1990

MATTHEW CURTIN

into a R1,4m operating profit this year.

The spokesman attributed the turnaround to the restructuring of the company and a 50% cut in bank borrowings, through the issue of debentures worth R3,3m.

Masterbore liquidated its Cliff's Engineering subsidiary in which it had a 51% stake in January and has undertaken an investigation into events leading to the move in order to recoup its losses.

Despite the depressed conditions in the gold mining industry, the spokesman said Masterbore's order books for the next year were fuller than expected.

Masterbore is working in Mozambique, Botswana and has bid for a large contract in France. MD Wilf Davies has said the Gulf war sparked renewed interest in on-shore drilling for oil and gas in Europe.

UK engineering group buys SA firm

IN WHAT is seen as one of the first major foreign reinvestments in SA, the huge British engineering group Babcock plc yesterday announced it had bought a local engineering company for R21m.

The UK group said it had acquired the Transvaal-based chemical engineers Foster Wheeler in a deal that will give Babcock 100% control of Foster Wheeler's complete operating businesses and properties. Sources said the UK group would incorporate the Foster Wheeler operation into Babcock Africa.

The unlisted Foster Wheeler has an annual turnover of R200m.

Company spokesmen could not be contacted last night. *B10cm 25/7/91*

AP-DJ reports from London that Babcock said the move dovetailed with a drive

Business Day Reporter

to internationalise the operations of its contracting division.

It said the SA market was especially attractive because of the political changes taking place.

SA was "expected to be one of the most dynamic economies in the world following the current process of political change".

The UK group generates annual sales of about £760m from a broad range of heavy engineering and construction activities. It recorded pre-tax profits of £42,6m for the year ended March 30 1990.

Babcock stock yesterday rose a quarter point to 58,75p a share in afternoon trading on London's International Stock Exchange.

Haggie Group strengthens hold on rivets with R4m Sarmco deal

IN A bid to consolidate its position in rivet manufacturing, engineering-listed Haggie Group has bought Sarmco Africa from its British holding company Claythirpe for R4m

Haggie MD Chris Murray said that the Sarmco Africa acquisition should contribute meaningfully to the further development of Haggie's engineering consumables division and would place it in a dominant position in rivet manufacturing.

MARC HASENFUSS

Durban-based Sarmco Africa manufactures rivets, metal pressing and machinery for use in the fastener and packaging industry. *8/10/91 2/18/91*

The acquisition follows Haggie's R6,2m minority interest buyout of Maritzburg-based Somta Tools last year.

Murray said that a working committee was currently studying the ration-

alisation and incorporation of Sarmco Africa with Fascor, Haggie's other wholly owned blind rivet and rivet tool manufacturer. *189E*

The committee is chaired by Somta Tools MD Jack Dalton, and consists of Fascor and Sarmco Africa executives.

The agreement, signed on July 24, is with effect from January this year and is subject to Reserve Bank approval as the seller is a non-resident.

Haggie, jointly held by Anglo American (35%) and Malbak (35%), has made a strong recovery on the JSE despite expectations of reduced export margins in the current financial year following the removal of export allowances under the general export incentive scheme (GEIS).

The share has climbed to a 12-month high of R28,50 after slipping to R20 in October.

Genrec vindicates shareholders' faith

189
B10am 15/8/91

BRENT VON MELVILLE

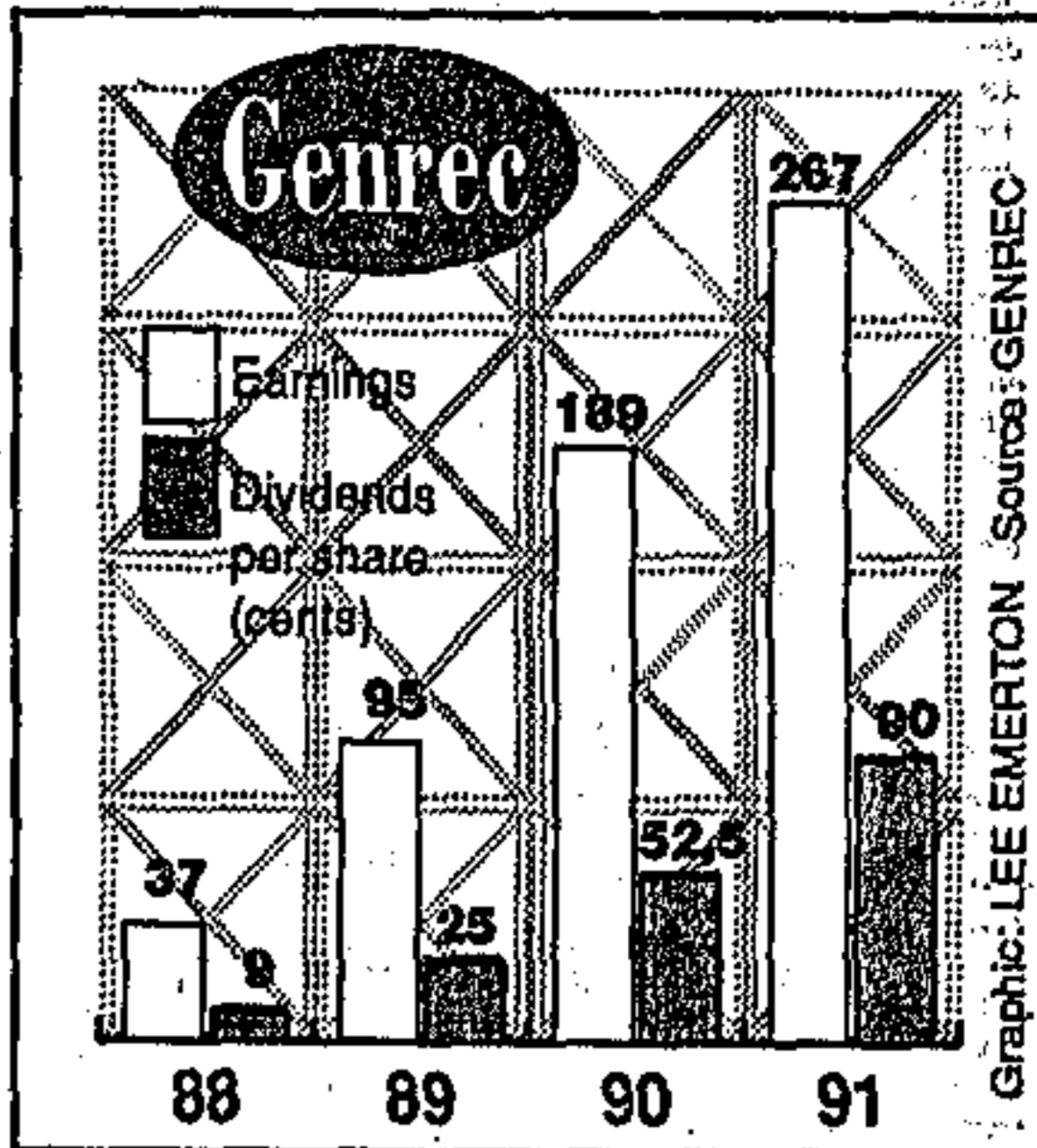
THE exceptional performance of Genrec, Murray & Roberts's engineering subsidiary, for the year to June has vindicated shareholders who have pushed its share price up by 135% since the beginning of the year.

Largely boosted by lucrative contract work on the offshore jacket for the Moss-gas project, group operating profit soared 128% to R40,3m (R17,7m) on a 14% increase in turnover to R593m (R519m).

After allowing for a heightened tax charge (at R11,4m, compared with R2,2m, or an effective 27% versus 10%) attributable profits rose 51% to R32,5m (R21,5m), translating to earnings of 253c (175c) a share. The dividend allocation was pushed up 71% to 90c (52,5c), reducing cover to 3 (3,6) times.

Group CE Ian Colepeper said the group had decided against its two-year-old policy of issuing bonus shares in lieu of a cash dividend because of the strength of its cash resources.

During the year cash in the bank rose to R56,3m (R36,7m), while borrowings climbed to R21,8m (R1,2m), largely to



finance acquisition of the Port Elizabeth-based Gemtec. As a result gearing climbed to 29% from a negligible 2% last year.

Colepeper said he was happy with the level of gearing, which was well within the group's parameters.

He said Gemtec, on which Genrec has spent about R42m, should come on stream in 1993, at which point it will be ideally

□ To Page 2

Genrec

B10am 15/8/91

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□ From Page 1

placed for export markets. He said Gemtec, which machined automotive components, would be supplying VW locally and in Germany.

Other acquisitions during the year under review included 100% of Licence Mining and Falcon Engineering. Subsequent to the year-end the group bought VMI Tooling from M & R Construction.

On prospects, Colepeper said he expected earnings for next year to be ahead of this year's, despite the high rate of growth over the past two years.

Prospects for the construction of several other offshore jackets for Chevron looked less than promising. He said Chevron had all but scotched hopes that an SA contractor would be building the jackets, which were intended for the US and Argentina.

Staff cut after scandal at NEI

~~STimes (Bus)~~
By DIRK TIEMANN

NORTHERN Engineering Industries Africa (NEI) is cutting staff after disclosures about its accounting scandal. 18/8/91

Group managing director Lawrence Hyslop admits the layoffs, saying: "Executive layoffs at our Propower subsidiary are the result of the company's having been grossly mis-managed."

"People resigned at the beginning of the year and now we are right-sizing."

NEI Group's interim results, to have been published last week, have been delayed because international shareholders must approve them, says Mr Hyslop. They are not expected to be good. 18/8/91

Skulduggery

Propower has lost the Atlantis Diesel Engine franchise and closed a factory in Isando.

The accounting frauds discovered in May did not show bank borrowings as liabilities and overvalued stock. The result was that the 1990 recorded profit of R21-million was a R4,3-million loss.

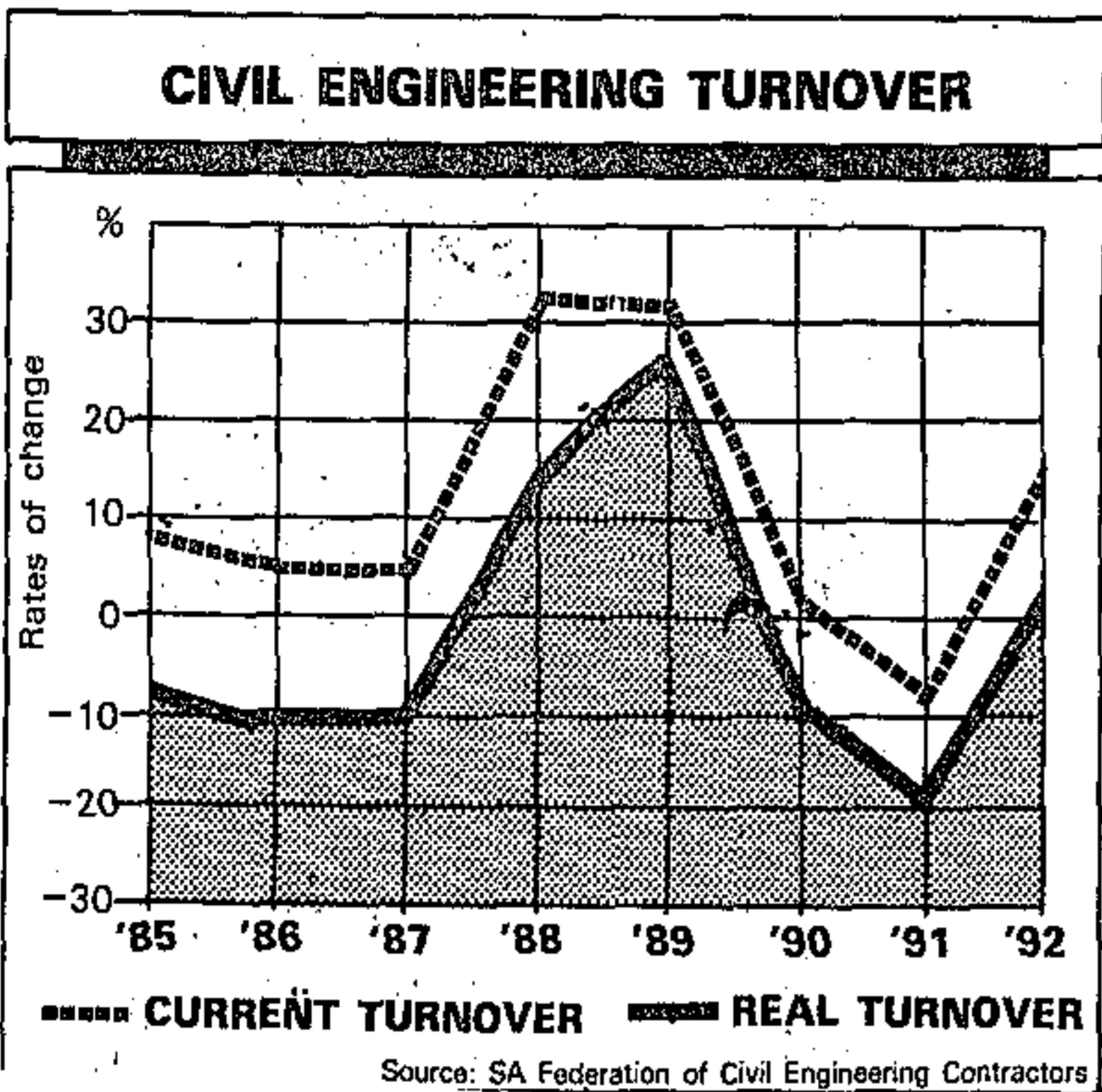
NEI says the skulduggery was restricted to Propower. But talk is that what it called the "disturbing breakdown in accounting controls" affected several subsidiaries.

Tough business conditions are given as the reason why 2% of the 2 500 staff members at International Combustion Africa (Ical) were laid off.

Ical contributed almost 30% to group turnover last year. It made tube boilers for Eskom and the drilling derrick for Mossgas.

Vat booster hopes out of the window

S/Times (Bus/T) 18/8/91 (189A) (2) (3)



THIN order books for capital goods suggest that the expected take-off of capital investment after the introduction of Vat will not happen this year.

Steel and Engineering Industries Federation of SA (Seifsa) economist Michael McDonald says his sector expects better business conditions only in the second quarter of next year.

But even then, the turnaround will be slow, says Mr McDonald.

The projections of businesses involved in capital projects contradict economists who expect an upturn in the economy before the end of the year.

Lead

Mr McDonald says: "The order books were starting to improve, but there was a big drop in July. We did a survey of orders and 70% of respondents said business would be worse than last year."

Seifsa represents the motor industry, shipbuilding and all engineering except civils.

Mr McDonald says capacity use is less than 50%. There is a lead time of between six and 12 months before orders are executed.

Layoffs in steel and engineering have been running at about 2 500 a month for the past year, and 6 916 were discharged in July.

Mr McDonald says it will take a long time for the industry to recover because of the decline in government capital expenditure.

Motor manufacturers do not expect an increase in truck sales after the introduction of Vat.

Chemicals, which provides many industrial materials, is also gloomy about the rest of the year.

By DIRK TIEMANN

South African Federation of Civil Engineering Contractors (SAFCEC) expects a 20% drop in real turnover this year. In the last recession the worst year-on-year decline was a little over 10%.

SAFCEC economist Hank Langenhoven says order books look poor and the third quarter will be worse than the second. Tender activity is still declining, seasonally adjusted.

Mr Langenhoven says: "Turnover and employment in the industry hit an all-time low in 1987 and 1991 will be similar. Employment in the industry for the first half of 1991 dropped 20% to 79 000 — the lowest ever — and 1992 will not be much better.

"March and June are traditionally the busiest months because of government and local authority yearends, but nothing has happened.

"Civil engineering activity usually lags behind the economy by a year. Economists seem to think this lag has been reduced because of the government social spending, but this is not happening. Contracts for township development are not increasing."

Breweries

Private construction spending is holding steady at about R1,5-billion. This includes breweries and head offices.

Mr Langenhoven says the industry hopes for real growth of between 3,5% and 4,5% in 1992. But the economy must pick up between the fourth quarter of this year and the second quarter 1992 for it to happen.

Capacity use in the industry is about 60% and will not reach levels of the early 1980s, he says.

NEI takes 25% ⁽¹⁸⁹⁾
drop in income 19/8/91

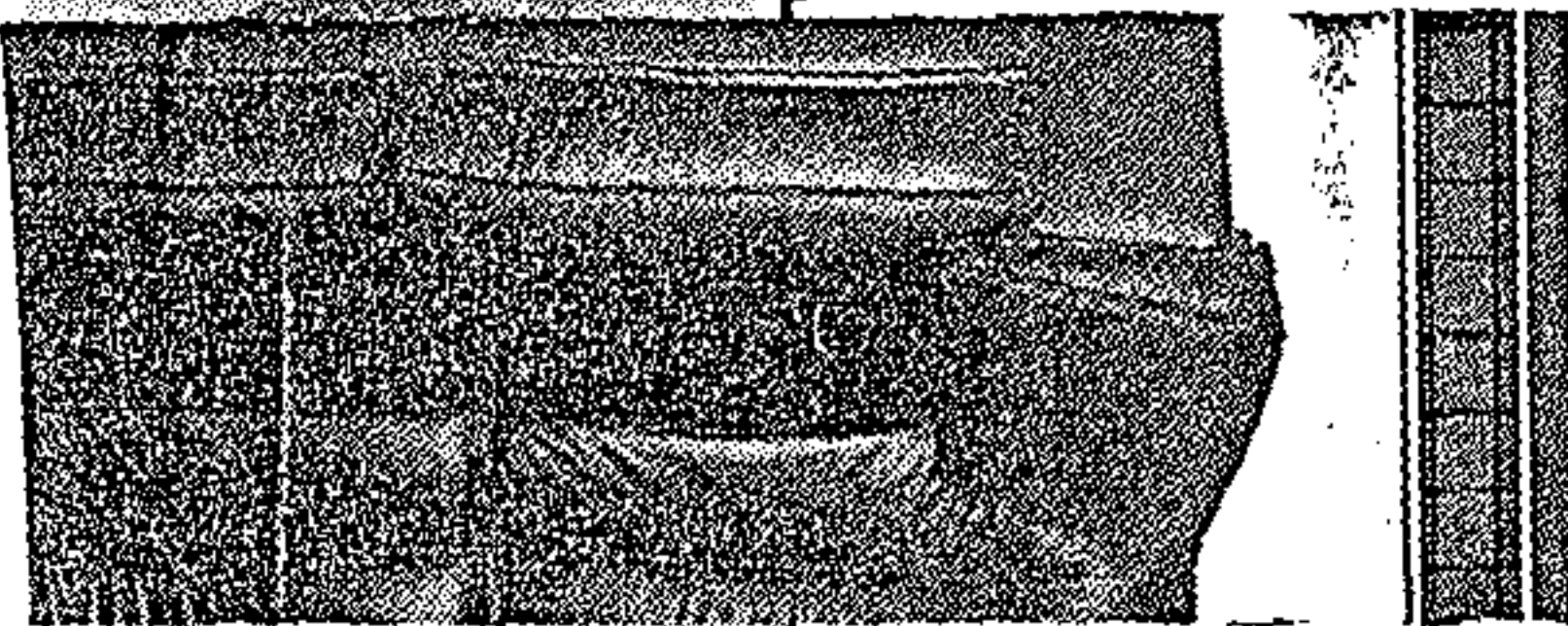
JOHANNESBURG. — High interest rates, difficult trading conditions, particularly in the heavy engineering sector, and higher working capital resulted in a 25% decrease in net operating income at Northern Engineering Industries Africa Limited for the six months to June 30, 1991.

Net operating income fell to R5m compared with a restated figure of R6,8m for the same period last year despite a 10,9% increase in turnover to R360m.

Earnings per share amounted to 16,8c a share (originally 176,6c a share, restated as 30,3c a share loss for 1990). An interim dividend of 7c a share (55c a share for 1990) has been declared.

Taxation decreased to R3,920m (original R10,3m and a restated R8,624m).

Holding company, NEI Africa Holdings, reports earnings a share of 8,4c compared with a loss of 15,2c a share last year. It has declared an interim dividend of 3,5c (27,5c). — Sapa



NEI finds ¹⁸⁹ going tough

Star 19/8/91

High interest rates, difficult trading conditions, particularly in the heavy engineering sector, and higher working capital resulted in a 25 percent decrease in net operating income at Northern Engineering Industries (NEI) for the six months to June 30.

Net operating income fell to R5 million compared with a restated figure of R6,8 million for the same period last year despite a 10,9 percent increase in turnover to R360 million.

The restated figure follows a writing-off of R52,5 million in net asset value at NEI subsidiary, Propower. This was a consequence of financial reporting problems in the company between 1988 and 1990, a company statement said.

NEI reported net income of R1,05 million and earnings per share of 16,8c. An interim dividend of 7c (55c) has been declared.

According to Chief Executive Mr Lawrence Hyslop new management at Propower and a change in operating procedures will ensure the subsidiary reaches its full potential and compliment the achievements of the other operating units within the group.

Holding company, NEI Africa Holdings, reports earnings a share of 8,4c compared with a loss of 15,2c a share for the same period last year. It has declared an interim dividend of 3,5c a share.— Sapa.

Unihold fights its way back onto growth track

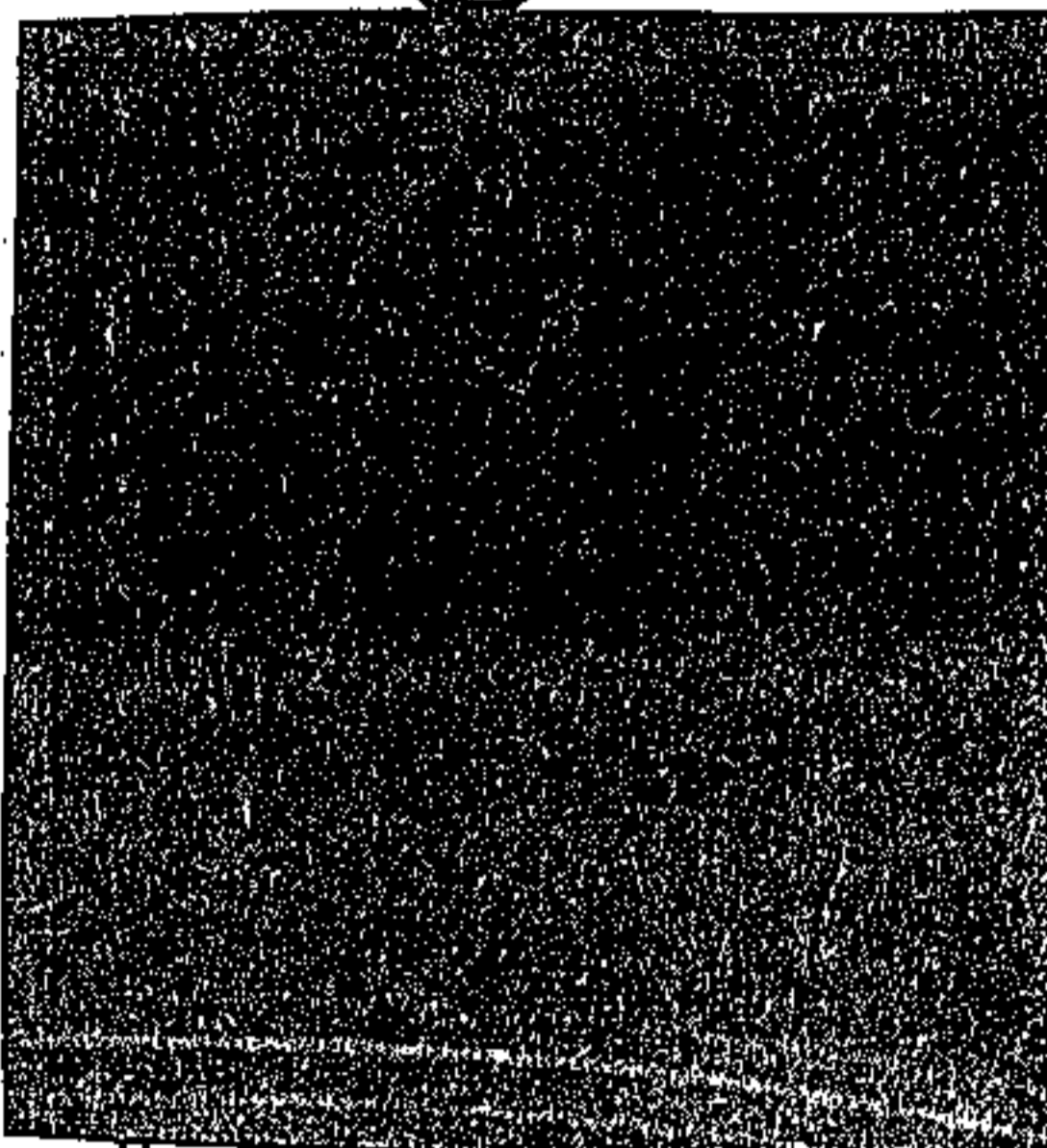
18902
 B10am 26/8/91
 BRENT VONMELVILLE

ENGINEERING, foundry and electrical goods group Unihold has put itself firmly back on a growth track by pushing up attributable profits 35% for the half-year to end June.

The strong interim showing came on the back of a 17% improvement in turnover to R105,1m (R89,6m) and an 11% rise in operating income to R11m (R9,9m). Fully diluted earnings were 21% up at 11,5c (9,5c) a share, although the dividend was left unchanged at 4,5c.

Group MD John Butler said on Friday that he hoped the total dividend for the year would not be less than last year's 13,5c, but said an improved dividend was not envisaged.

Butler said the company had ridden out the current depressed state of the economy as best it could and was looking at the second six months of the current year with a great deal of caution.



He said the engineering division had performed strongly over the first half, while the foundry division was still putting in a reasonably healthy showing. The electrical division too, had managed to stave off depressed conditions in its markets.

Butler admitted the balance sheet looked a little overgeared — at 74,8% off borrowings of R28,7m (R19m) — but said the group's borrowings were normally front-end loaded due to

higher capex for the first six months. He said a stronger cash flow for the second half should see gearing down slightly, and expected it to be at about 60% by year-end.

Capital expenditure for the first six months amounted to R6,6m and Butler said the group would be spending about R5m over the second half on upgrading of foundry projects. He added that there were also a couple of acquisitions on the go but said it was still too early to comment on them.

The balance sheet disclosed fixed assets 24% up at R57m (R46m) while investments dropped slightly to R759 000 (R946 000). Net worth per ordinary share was calculated at 133c (128c), down from 136c at last year end. The group's current share price is 140c.

Unihold holding company U-Control saw an interim dividend of R1,4m (R1m), translating to an unchanged 2,25c a share dividend on more shares in issue.

Auto catalyst output to be stepped up

STimes 20/11/91

189

TRANSKEI-BASED
K Braun Engineering, which began producing auto catalysts last August, is to increase manufacturing capacity to 500 000 units a year by the end of 1991.

Bosal, SA's largest exhaust manufacturer, will enter this lucrative market about the end of the year.

K Braun managing director Willy Grauss says that since the company started canning — inserting platinum-coated monoliths in stainless-steel cases — it has exported 25 000 units to Germany.

K Braun makes the catalytic converters for Mercedes-Benz, which shipped its first consignment to the parent company in Germany in September for evaluation.

Ceramic

The monoliths, or ceramic cores, are imported. They are impregnated with either platinum and rhodium or platinum and palladium by Algorax in Port Elizabeth.

Algorax is a subsidiary of Degusa AG of Frankfurt and the Industrial Development Corporation (IDC).

Johnson Matthey, the world's largest producer of auto catalysts, will start impregnating monoliths in the middle of this year. Until last year only Europe, America and Australia made catalysts.

Exhaust catalysts are compulsory for vehicles in America, Canada, Australia and Korea. By the middle of next year, most European countries will insist that all

By DON ROBERTSON

vehicles be fitted with converters.

Catalysts are used to clean exhaust emissions of nitrogen oxides, carbon monoxide and hydrocarbons in an effort to keep the world "green".

K Braun, which cans the monoliths under licence to Eberspacher of Germany, has spent R8,5-million on its 10 500m² plant at Butterworth. It is a subsidiary of Maschinen Fabrik Braun of Germany.

Bosal will begin canning catalysts later this month on behalf of Volkswagen which will export them to its German parent.

A complete monolith sells for between R400 and R500 depending on its construction. When in full production Johnson Matthey and Algorax plan to produce 3-million monoliths a year.

They could earn SA about R1,5-billion a year in foreign currency, less the cost of the imported monoliths.

Dorbyl looks to exports

PETER COUTROMANOS

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EXPORT prospects for Dorbyl Engineering looked "very promising" in 1991, CE Dawid Mostert said in an interview yesterday after the group's AGM.

Numerous new opportunities had arisen as a result of political events in SA, with exports to Eastern Europe showing an increase. *B. Mostert 24/1/91*

But, said Mostert, trade with East European countries was problematic as many did not have sufficient foreign exchange reserves to pursue active trade. Accordingly, Dorbyl would be looking to counter-trade agreements.

Mostert said Dorbyl was seeking also other export markets, paying particular attention to southern Africa.

Those countries also had limited foreign exchange reserves, but the large amounts of foreign aid they received provided good opportunities for trade.

Dorbyl was prepared to manufacture seamless tubing to the precise requirements of those countries, which should help boost exports, he said.

The group's Tosa plant, which manufactures the tubing, had experienced some problems, but those were not expected to hamper Dorbyl's export drive.

Haggie boosts turnover, but profit falls

CHARLOTTE MATHEWS

ENGINEERING group Haggie's turnover improved 6% in the year to end-December but attributable profit fell 10% as a result of falling sales volumes, sustained high interest rates and costs arising from labour problems in the first half.

Turnover for the period under review rose to R1,2bn from R1,18bn in 1989.

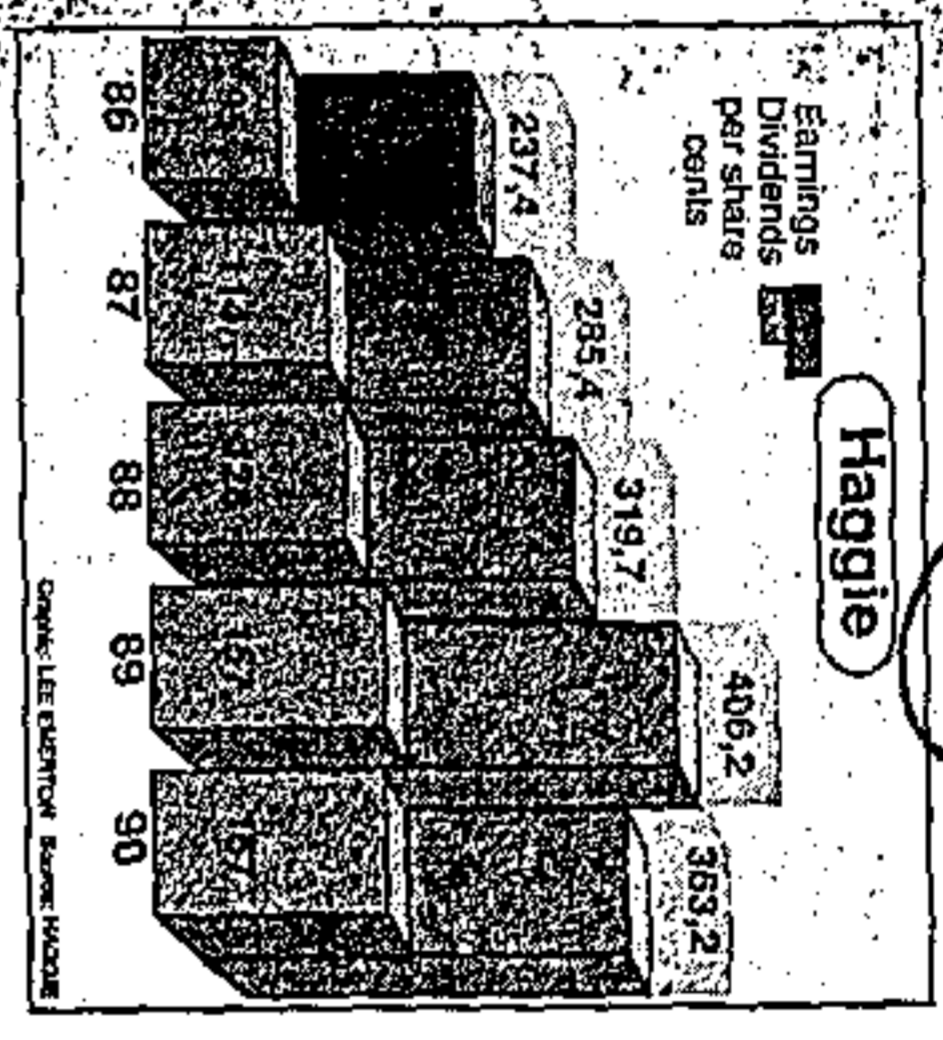
Haggie's main markets for its steel and metal products and light engineering tools are the mining, construction and agricultural in-

dustries. All these sectors have been performing badly in the past year. The group has also been affected by Eskom slowing down its reticulation programme.

MD John Feek said in an interview yesterday: "It has been a difficult year and we believe we have come through well under the circumstances."

Attributable profit fell to R70,7m from R78,5m. On earnings of 363,2c (406,2c) a share, the dividend was maintained at the 1989 level of 157c a share on a lower dividend cover.

Operating income dropped 9% to R137,7m (R151m), reflecting a decline in operating margins to



11% from 12,7%. The interest bill rose to R20,3m from R11,5m as a result of the high interest rates in 1990 on in-

creased borrowings. Net short-term loans on the balance sheet went up to R109,8m (R95,2m). The tax rate fell to 31% from 35% owing to export allowances and an assessed loss.

In this period export volumes rose by 1,8% and exports accounted for 13% of total turnover, but income from exports was depressed by the rand's strength against the dollar.

During the year Haggie acquired for R6,2m the remaining 26% of Sonta Tools to make it a wholly owned subsidiary.

It also bought an offshore manufacturer of high speed steel drills for R5,3m.

Since year-end Haggie has bought a sisal farm in Natal for R4,5m. The farm has supplied Haggie with the high quality sisal needed to make wire rope cores and natural fibre ropes.

Feek said Haggie would not diversify out of supplying the mining sector in spite of its poor prospects. Export markets would improve with the lifting of sanctions, he said.

In 1991 Haggie had the opportunity to maintain its 1990 results. "Our budget depends on operating conditions and how we manage our business. Haggie is well placed to take advantage of the upturn when it comes."

Engineering group Haggie had a tough financial 1990, given its dependence on the mining industry, general engineering, vehicle manufacture and agriculture. Between a fifth and a quarter of the group's business is related to mining, directly and indirectly, so the mere 6% advance in turnover comes as no surprise.

EPS dropped by 11%, largely because operating profit fell and the net interest bill rose by 77%. Thanks to the strong balance sheet, the board pegged the dividend at 157c, with a slight reduction in cover from 2,6 to 2,3 times.

At the interim stage Haggie MD John Feek said the group was pursuing exports and not simply pinning its hopes on a recov-

STRETCHED

Year to December 31	1989	1990
Turnover (Rm)	1 179	1 254
Operating profit (Rm)	151,1	137,7
Attrib profit (Rm)	78,5	70,7
Earnings (c)	406,2	363,2
Dividend (c)	110	110

Continue →

ery in local trading conditions. But, while this option may have been lucrative a year ago, the international economic downturn and the strengthening of the rand against the dollar are now making exporting less attractive. Haggie expanded its export volumes but export turnover edged up by only 1,8% due to the stronger rand.

The 9% drop in operating income is blamed on the extensive training of new employees required in several of the group's plants after dismissals. This affected the group in several ways. Some sales were lost and, more important, production and overhead recoveries fell as a significant quantity of finished products was imported.

The non-ferrous division, linked to the depressed motor industry, saw the biggest volume decline. Inventory reduction by customers also hampered group sales volumes. Feek expects this trend to level out in the first half.

Return on total assets dropped from 26,2% to 22% as the operating margin narrowed from 12,7% to 11%, while asset-turn slipped from 2,06 times to 2. Feek says the objective is to lift the figure to 2,5 times.

Export allowances and assessed losses enabled a fall in the effective tax rate from 1989's 34,7% to 30,8%. Gearing was reduced in the second half from 28% to 26%, and further degearing is targeted. Feek says he would prefer to see gearing at 20%, but that is unlikely to happen in the first half. First and third provisional tax payments in the first half usually increase funding requirements.

In Feek's view, the economic outlook for

this year, both at home and abroad, is not encouraging. There are, however, opportunities for improvement in the group and management is looking at improving overall returns by consolidating production activities.

The share rose from R20 in mid-October to 2375c and now offers a 6,5 earnings multiple compared to the engineering sector average of 7,3. The group's broad dependence on the mining industry hardly makes it a candidate for a firm rerating now.

Gerhard Slabber

Haggie expects lower margins

B10am 7/3/91

MARC HASENFUSS

ALTHOUGH prospects for the removal of sanctions were improving, the phasing out of the export allowances in line with the introduction of the General Export Incentive Scheme (GEIS) was expected to reduce export margins, said Haggie chairman Grant Thomas in his annual review.

This was regrettable considering the high-value nature of many Haggie products, he said.

Engineering group Haggie was currently reviewing its businesses with a view to improving overall returns by consolidation of production activities.

Consolidated Wire Industries was currently determining the impact on its business of the planned closure of Iscor's rod mill, while the copper and copper alloy operations were

under evaluation. (184)

Thomas said Haggie was well-placed to take advantage of an economic upturn. Management was acting to control costs and working capital and to improve operating efficiencies.

He stressed, however, that the group's ability to maintain 1990's earnings would largely depend on the local and international economy.

Haggie, held by Amic (through Scaw Metals — 35%) and Gencor (through Malbak — 35%), reported a 10% drop in earnings for the year to December 1990 to 363c (406c) after a reduction in production and overhead recovery when a significant quantity of finished product was imported.

Thomas said since year-end a sisal farm in Natal was purchased for R4,5m to secure the supply of quality sisal for use in the manufacture of wire rope cores.

Domestic demand for ropes, twines and chains was unlikely to better that of 1990, but gains were expected in productivity improvements and the development of new export markets.

Haggie expects to improve its performance in 1991 in the wire products market if potential export business is secured.

The levels of raw material prices and the effect on margins, together with the potential damage to the agricultural wire fencing market should widespread rains not occur soon, were possible negative influences on the wire market, Thomas said.

Export growth helps Standard Engineering

p/day 28/3/91

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STANDARD Engineering boosted its interim earnings 29% as continued export growth enabled the group to withstand the effects of reduced local demand and a setback in its Astas operation.

Export sales rose to R61m (R46m), representing 20% of total turnover.

Axle and transmission manufacturer Astas was severely affected by the halving of sales when Mercedes-Benz cancelled orders as a result of strike action and overstocking.

Attributable earnings for the Malbak-held engineering group lifted to R15,8m (R12,3m) for the six months to end-February despite a 9% drop in turnover to R296m (R326m).

Reduce

Ordinary shares in issue increased to 34 268 (26 968) after last year's acquisition of minority interests in subsidiaries, diluting the increase in earnings a share to 46c (45,5c).

An unchanged interim dividend of 14c was declared, covered 3,3 (3,2) times.

Chairman Hugh Brown said although increased exports reduced operating income they also substantially lowered the tax rate.

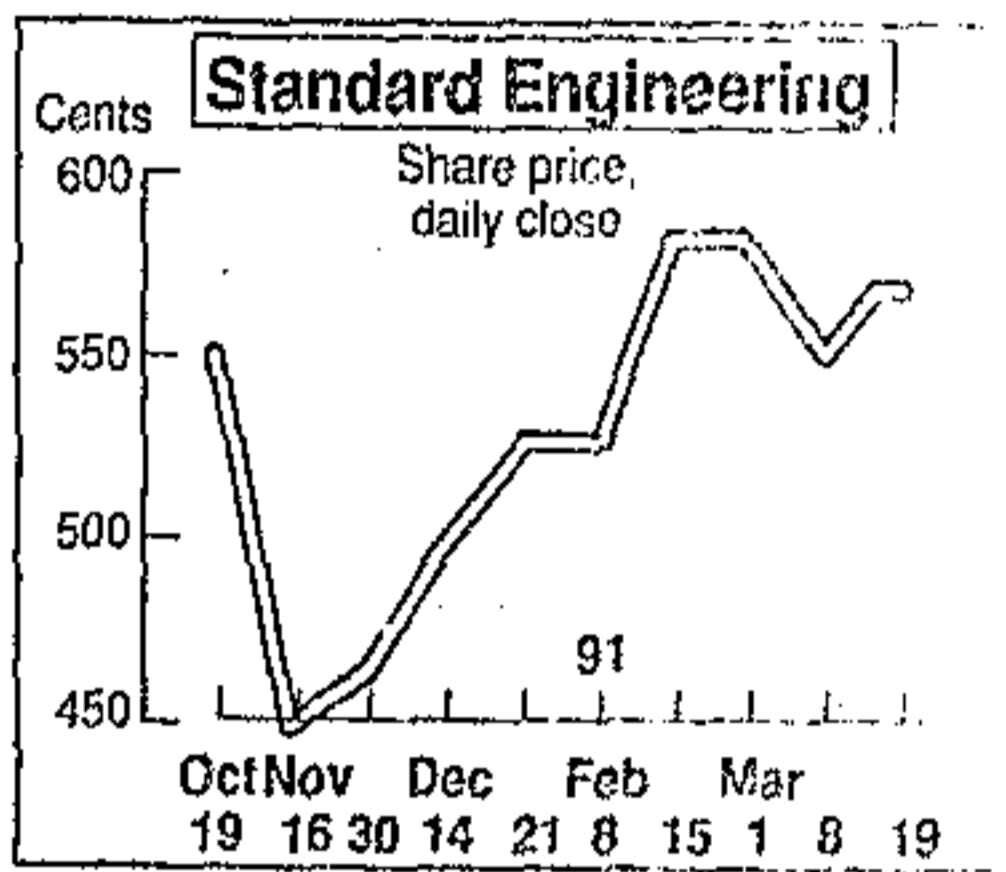
The group's tax rate fell to 28,2% (34,7%) for the period under review, reducing the tax bill almost 40% to R7,7m (R12,5m).

MARC HASENFUSS

Brown said the results indicated that the diversity of Standard Engineering's products and markets were an enormous strength.

The group's 70,8% held Union Carriage subsidiary performed strongly, increasing turnover to R57m (R8m).

Union Carriage delivered 18 passenger trains to Taiwan during the interim period.



As a result of the Mercedes-Benz strike Astas was forced to carry large volumes of stock which raised interest charges to R8m (R7,6m).

Other operations, in particular the continuing penetration of export markets spearheaded by a strong performance from train manufacturer Union Carriage, countered the substantial profit fall from Astas.

Astas is still expected to have an interim profit which is higher than last year's, but it is not fully on any improvement in the market, he said.

And pipe manufacturer Hall Long more than made up for the drop in graded and galvanized pipe and steel piping for American Cold Steel Institute subsidiaries. This would significantly offset the substantial export potential.

Brown said group manufacturing Plant Holdings, which performed poorly in the interim period, was recovering to last year's level.

He said the group is at an acceptable 35,3% (21,8%) level and a strong balance sheet. Standard Engineering had a sound base from which to pursue further growth opportunities.

Local demand for group products was expected to remain at its low level for the time being, but this would be at least partly offset by increased exports.

"We therefore still believe that in spite of a difficult start to the interim period, Standard Engineering will continue to show a strong performance in the interim period."

The group's interim dividend was set at 14c, with a cover of 3,3 times of 45,5c. The interim dividend was paid on April 1, 1991.

Exports help cushion Standard

By Jabulani Sikhakhane

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Increased exports and a lower tax rate helped cushion the impact of adverse local trading conditions at Standard Engineering in the six months ended-February.

Attributable earnings grew 28,5 percent to R15,759 million (R12,267 million), but a 27 percent increase in the share base shaved growth at the earnings per share level to only one percent at 46c (45,5c). The dividend has been maintained at 14c.

star 20/3/91
The increase in the issued share capital is due to the issue of 7,3 million shares to fund the acquisition of minority interests in subsidiaries last year.

Chairman Hugh Brown says Standard's performance was adversely affected by the poor showing at Astas which manufactures heavy vehicle gearboxes, axles and brake components.

Astas was hit by customers cancelling orders which reduced turnover from R119 million to R56 million. The two-month strike at Mercedes Benz, which is a major customer and the general industry cut-backs were major factors.

As a result at the end of the review period Astas's stock holding were R20 million above the normal level.

Mr Brown says gearing was reduced from 37,8 to 35,3 due to tighter working capital management in other group divisions. If it had not been for the extra stock in Astas, gearing would have been at 25 percent.

All divisions reduced working capital, except Union Carriage which had to fund the growth in turnover from R8 million to R57 million.

During the review period group turnover fell 9,2 percent to R295,989 million (R325,931 million). Because of the problems at Astas and lower margins on exports, the operating margin fell to 11,9 percent from 13,4 percent.

This translated to a 19,5 percent drop in operating income to R35,089 million (R43,593 million). Borrowings were slightly lower at R81,153 million (R87,961 million), limiting the increase in financing costs to only 4,5 percent — up to R7,902 million (R7,559 million).

Exports increased to 20 percent of group turnover and as a result the effective tax rate was reduced from 34,7 percent to 28,2 percent thanks to export allowances. This helped counter the effect of lower margins at the bottom-line.

The tax charge fell 38,7 percent to R7,663 million (R12,498 million).

Last year's acquisition of minority interest in subsidiaries meant that the outside shareholders interest fell 66,6 percent to R3,761 million (R11,265 million).

Mr Brown says the expected reduced demand from the local market will be partly offset by increased exports.

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B/P am 2/3/91

Low demand expected for engine parts

MARC HASENFUSS

ALTHOUGH new local and export contracts were obtained during 1990, world demand for engine components was expected to remain depressed, said Associated Engineering (Asseng) chairman Colin Hope in his annual review.

Asseng's automotive component exports rocketed 92% to R13m in the last financial year to end-December, reflecting the benefits of capacity expansion undertaken over the past two years in the AE Bearings and AE Valves divisions.

Hope said the realignment of the group's manufacturing and cost structures, based on current order intake, had progressed well.

"In line with a major concentration on improved cash flow during 1991, capital expenditure will be limited."

After sustaining heavy losses at its Roodepoort operations during last year, Asseng initiated a major plant refurbishment exercise aimed at reducing scrap and upgrading the equipment to required levels, he said.

Problems at Roodepoort offset increased exports, causing Asseng's attributable profit to fall to R8,3m (R14m) for the year to end-December 1990.

Hope said T & N Holdings, which had a 76% stake in Asseng, also faced a difficult year ahead.

UNI HOLD FM 22/3/91
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TURNING DOWNWARDS

Activities: Engineering, foundry and electrical goods.

Control: Directors 52,9%.

Chairman: J C Haslam; **CE:** J W Butler.

Capital structure: 30,17m ords. Market capitalisation: R40,7m.

Share market: Price: 135c. Yields: 10% on dividend; 20,9% on earnings; p:e ratio, 4,8; cover, 2,1. 12-month high, 165c; low, 110c.

Trading volume last quarter, 215 700 shares.

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	4,4	8,6	18,1	14,6
LT debt (Rm)	5,1	8,7	8,6	15,3
Debt:equity ratio	0,46	0,47	0,54	0,54
Shareholders' interest	0,52	0,55	0,51	0,49
Int & leasing cover	3,5	3,6	3,84	3,02
Return on cap (%) ..	16,1	18,3	22,3	20,3
Turnover (Rm)	84,1	115,7	159,0	196,9
Pre-int profit (Rm) ...	8,8	13,0	22,1	23,0
Pre-int margin (%) ..	10,5	11,2	13,9	11,7
Earnings (c)	27,3	36,9	37,9	28,2
Dividends (c)	10	12	12	13,5
Net worth (c)	64	99	123,2	136,4

Engineering group Unihold saw a steady improvement in its operating margin since 1986, but the trend was reversed in financial 1990, when the margin narrowed from 13,9% to 11,7%. Effects of the slowdown were felt from the second quarter onwards. The result was that attributable earnings fell for the first time in four years.



Unihold's Butler ... prospects are mixed

The foundry and engineering divisions — which supply consumable products to the mining industry — have continued to face pressure on selling prices as well as rising costs. Worst affected was the engineering side, whose margin dropped from 20,2% to 16,4%; the foundry operation improved its operating margin slightly to 14,2%.

CE John Butler says that five of the group's 10 companies reported improved results compared to the previous year. He is particularly impressed with the performance of Rely Precision Castings, where turnover

LOSING POWER

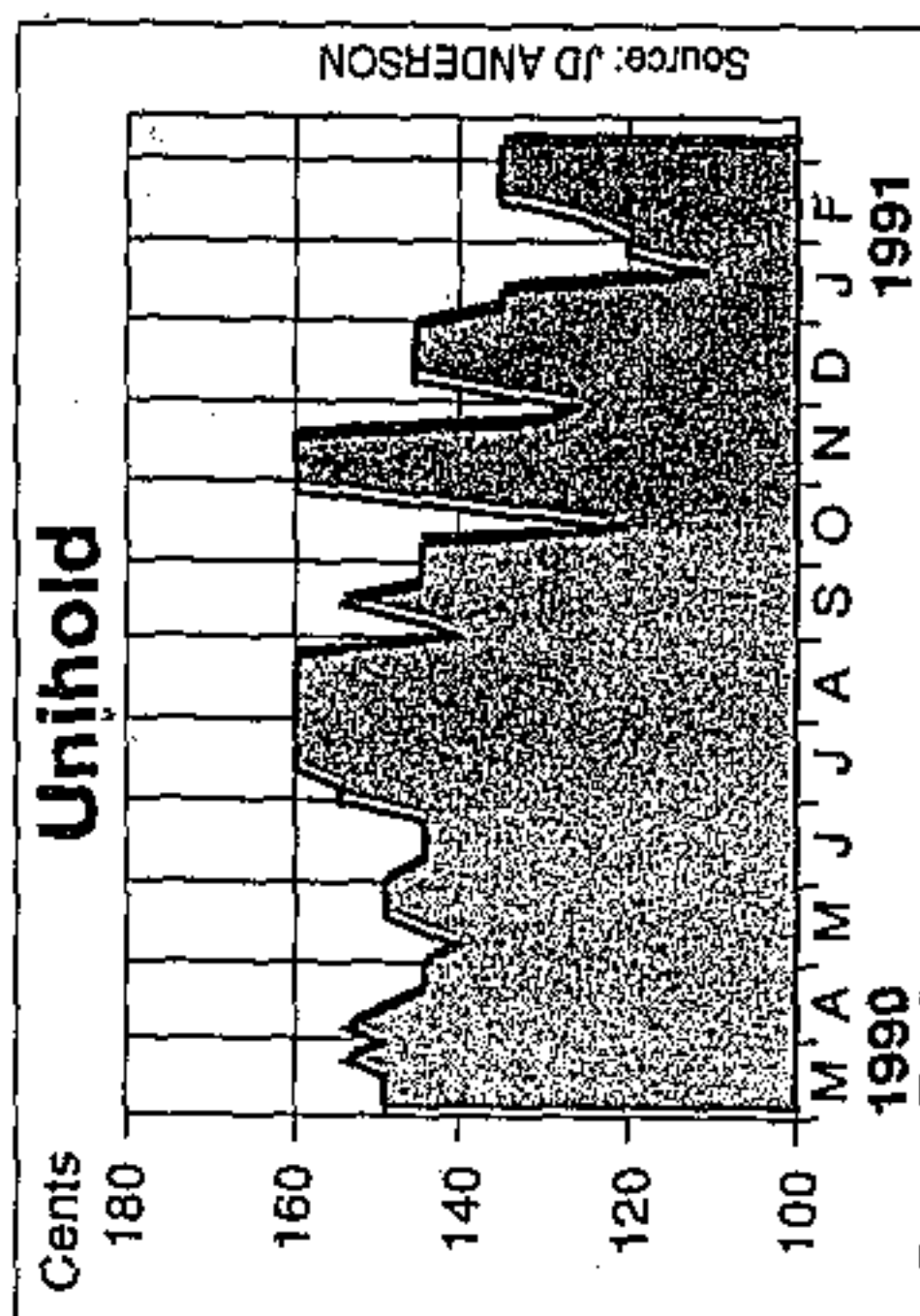
	Turnover (Rm)		Operating Profit (Rm)	
	1989	1990	1989	1990
Foundry	49,5	64,5	6,7	9,1
Engineering	48,7	63,9	9,8	10,5
Electrical	67,1	82,9	6,8	5,6

was up by 59% and operating income by 69%.

Additional casting capacity was installed in 1990 to meet continuing increases in demand. No further plant expansion can be achieved in the existing building and the first phase of a major building extension programme was started early in 1991. This will absorb about R2,5m of the planned capital spending of just over R15m. The capex programme will be funded primarily out of trading cash flow.

The other good performer was the industrial lighting company, Zumtobel Barlite, of which the group holds 50%. In a very depressed market its turnover rose by 15% and its operating income increased by 24%. Butler says this was done mainly by taking advantage of niche markets. The company serves the construction industry, as well as such markets as specialised lighting in retail shops, where the demand remains fairly steady.

continue →



The group's stated objective of lifting export sales to at least 5% of group turnover has yet to be achieved. Last year, the rand value of exports remained almost static and equated to 2,6% of total turnover, down from 3,3% in the previous year.

No acquisitions or disposals were made in financial 1990. However, Butler reckons that the R13,3m investment in new plant and equipment has resulted in increased turnover and efficiencies, and contributed towards profitable gains in market share last year.

On March 1, the group acquired for R7m Benoni Engineering Works — a foundry — and the Mine & Steel Products division of E C Lenning. Butler expects the foundry side will enhance export earnings this year.

Butler says prospects for the year are mixed. Growth is expected from the divisions operating in niche markets and from those where manufacturing capacity have been expanded. On the other hand, the mining related activities will continue to suffer and will probably deteriorate even further.

For the next year or two, growth prospects will remain restrained by the group's dependence on the mining and automotive sectors, together accounting for more than half of group turnover. This unexciting outlook is reflected in the share price. Since last August it has dropped from 165c to the current 135c and offers a dividend yield of 10% compared with the average of 6% for the engineering sector.

Gerhard Stabber

Activities: Manufactures and supplies drilling related equipment.

Control: Directors 80%.

Executive chairman: D L Stevens.

Capital structure: 25m ords. Market capitalisation: R16,3m.

Share market: Price: 65c. Yields: 7,7% on dividend; 23,2% on earnings; p:e ratio, 4,3; cover, 3,0. 12-month high, 100c; low, 50c.

Trading volume last quarter, 109 300 shares.

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	—	1,76	0,3	—
LT debt (Rm)	1,36	1,42	0,6	0,6
Debt:equity ratio	—	0,20	—	0,02
Shareholders' interest	0,62	0,52	0,62	0,67
Int & leasing cover	—	22,0	32,5	9,7
Return on cap (%) ..	21,0	23,7	25,9	14,7
Turnover (Rm)	25,2	38,7	45,5	45,0
Pre-int profit (Rm) ...	4,2	6,8	7,8	4,7
Pre-int margin (%) ..	16,5	17,7	17,1	10,5

Earnings (c)	18,2	14,9	19,6	15,1
Dividends (c)	4,0	5,0	6,5	5,0
Net worth (c)	52	61	74,5	86,0

end-December were higher than expected and contributed 17% of total turnover.

As a result of the rising exports, the effective tax rate was more than halved, falling from 35,4% to 14,2%. And, with more substantial increases in exports targeted, Stevens reckons the rate will fall even further. However, while a reduced tax rate is cushioning the current earnings performance, investors may be concerned about the effects of a rising rate in future.

In contrast, the performance in domestic markets was disappointing. Demand was particularly weak for raise-boring equipment, where sales fell by 80%. Adamas Dia-

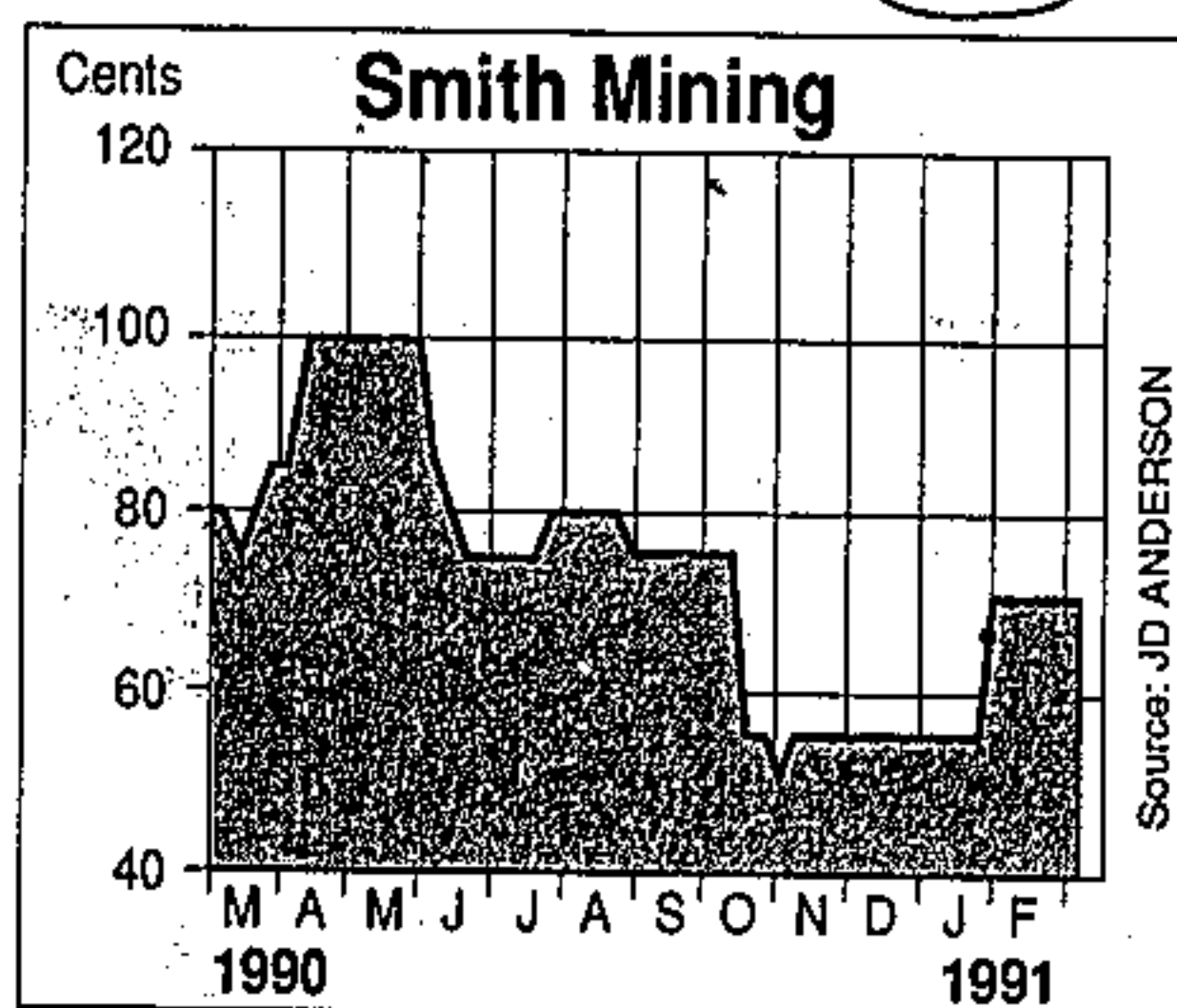
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EXPORT BENEFITS 189

Smith Mining Equipment reorganised its operations into three major divisions during financial 1990 and a separate company has been set up to handle exports from all the divisions. To offset what is seen as a long-term negative outlook for the gold mining industry, the group has continued to expand its product range.

Executive chairman David Stevens expects that these steps, together with expanding export sales, should ensure there is no further drop in earnings this year. Last year, EPS fell by 23%.

The group has enjoyed good growth in exports to worldwide markets, with those to Africa and Australasia showing significant improvements. Export sales in the period to



mond Products and Tunnel & Shaft Boring were combined under the Smith Mining division, which produced half of group turnover.

The Smith Capital Equipment division — which contributed 30% of group turnover — encountered a depressed market and its profit was maintained at the previous year's level.

Drilling Exploration Equipment was the only division to perform to management's satisfaction. It was the biggest contributor to group profit though it produced only a fifth of total turnover.

Stevens reckons the second half of 1990 was probably the trough of the recession, with most customers reducing inventories and capital spending.

The group is virtually ungeared and is fortunate not to have a high interest bill. Emphasis is being placed on conservation of cash and acquisitions are not high on the list of priorities.

The share price has dropped from 100c to 65c over the past nine months. Given the recent earnings performance and the group's reliance on the mining industry, which could limit growth prospects for some time, the share looks fully priced.

Gerhard Stabber

FM 22/3/91
STANDARD ENGINEERING

STRIKING SETBACK

The seven-week strike at Mercedes-Benz's East London plant, and an overstocked situation at original equipment manufacturers due to a market downturn, had a major impact on first-half results to February. Heavy vehicle gearbox manufacturer Astas suffered a severe setback.

However, buying out minorities at the end of last year helped to reduce the minorities' interest by 66,6%. This led to a 28,5% rise in attributable earnings but a higher issued equity of 34,3m shares (26,9m) diluted EPS.

Chairman Hugh Brown says the strike and customer destocking led to the cancella-

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LEVELLED OUT

Six months to	Feb 28 '90	Aug 31 '90	Feb 28 '91
Turnover (Rm)	326	365	296
Operating profit (Rm)	43,6	36,5	35,1
Attrib profit (Rm) ..	12,3	13,4	15,8
Earnings (c)	45,5	49,7	46,0
Dividend (c)	14	18	14

FM 22/3/91 (189)
tion of firm orders. As a result, Astas's turnover halved from the year-ago figure and operating profit dropped by 80%. It has a six-month lead time with its German suppliers and by the end of the review period was R20m overstocked. Management had to lay off about 200 people, 30% of the work force, Brown says "the slice was from top to bottom, including some top management."

Standard Engineering was reshaped two years ago when all Malbak's engineering interests were combined into it. Brown notes that the diversity of products and markets is an enormous strength. Proof is the increase in group earnings despite the Astas setback.

The group started to shift towards exports some time ago to shelter it from local conditions. This also paid off handsomely. Brown reckons continuing penetration of export markets, particularly a strong performance by train manufacturer Union Carriage, countered the shortfall from Astas. Had Astas "produced even a modest profit, results would have been extraordinarily good."

Union Carriage's first-half turnover beat the previous full year's. It is running at 50% capacity, which is good at this time, Brown feels. A R150m order book extends to end-1992 and the company is tendering for large export projects to begin in 1993.

Fluid Holdings returned to health, but slower than Brown expected. Considering the 50:50 dependence on mining and agriculture it did well. Hall Longmore's products fared well in Africa, where prices tend to be better than on other export markets. Abertech Industries also had a good first half, the doubling of Harvey Tiles' exports making a significant contribution.

Brown is particularly pleased with asset management. Group working capital fell by 20%; but for the setback at Astas the decline could have been 28%. Gearing increased from the financial year-end 30,1% to 35,3% due to the Astas overstocking. But for this it could have been below 25%, notes Brown.

The second half should be better. The traditional profit split is 45:55, because of the Christmas shutdown. Brown expects Fluid, Hall Longmore and Abertech to do slightly better, with Astas and Union Carriage repeating their first-half performances.

The share has improved from a 450c low in November to 575c. On a 6,0 p/e ratio it does not look overpriced.

Gerhard Stabber

Export order for trains

MARC HASENFUSS

189

UNION Carriage, the 70,8% held Standard Engineering subsidiary, was negotiating a R400m export order for commuter trains, MD Bob Bingham said at the weekend.

Union Carriage is in the final stage of completing a R100m order from the Taiwan Railway Administration (TRA), which involves the design and production of 12 four-car electric multiple-unit train sets.

The Nigel-based group designs and produces passenger and electric coaches, electric and diesel locomotives and rolling stock. B1027 25/3/91

Bingham said since the group embarked on its sales drive into international markets about three years ago, it had secured export orders totalling more than R180m.

In the current financial year, exports would account for about 80% of Union Carriage's turnover, he said.

In the six months to February 1991 its turnover rocketed to R57m (R8m), allowing Standard Engineering to boost its interim earnings 29% to R15,8m (R12,3m).

Union Carriage lift for Standard Eng

UNION CARRIAGE kept Standard Engineering on track for the six months to February.

The 71%-held subsidiary handed its first train set of a new contract to major buyer Taiwan in the face of stiff international competition and contributed almost 26% of total group operating income of R35-million.

It was responsible for R57-million of R96-million turnover and accounted for almost all exports.

This fine performance came in time to offset the problems besetting wholly owned gearbox axle and brake component manufacturer Astas.

Reduced orders from the original-equipment market and the long strike at Mercedes-Benz meant a halving in Astas' turnover to R56-million, and a contribution of only R3,9-million to income compared with last year's R20,2-million.

At a presentation to investment analysts, chairman Hugh Brown said that if Astas had been able to do better, Standard Engineering's results would have been extremely good.

Although income before tax was down by a quarter, the bill was lowered because of export allowances. Outside shareholders' interests fell from R11,3-million to R3,8-million, which allowed attributable income to climb by 29% to R15,8-million.

Correspondingly, the weighted average num-

ber of shares in issue rose by 27% to 34,3-million. Earnings a share were 0,5c higher at 46c and the dividend was maintained at 14c.

The net asset value is 520c and the share price 575c.

Mr Brown still expects Standard Engineering to achieve its forecast of increasing earnings a share above last year's level.

Pipe manufacturer Hall Longmore has upgraded a mill to produce steel piping to American Petroleum Institute standards, which should boost its export potential.

Mr Brown says that the Middle East needs piping, and even if SA companies do not supply it directly, there will be opportunities.

Abertech's Harveytile doubled export sales. Its head office was merged with that of the fifth company in Standard Engineering, Fluid Holdings.

In addition to the R10-million for the pipe mill, R20-million has been spent on Astas. An assembly factory for expansion cost R9-million, equipment for axle industrialisation R8-million and that for productivity improvement in gearbox manufacture R3-million.

The group is 75 years old this year. It has R314-million of funds employed, including interest-bearing debt of R81-million. Return on shareholders' funds dropped from 21% to 18% in the last six months because of problems at Astas.

SITimes
24/3/91

Haggie awaits better times

Diagonal Street

LYNNE PEACH

Engineering group Haggie, like most other companies, underestimated the severity of the downturn in 1990.

This year the deepening recession is a lot more visible and prospects for the group somewhat subdued.

In the annual report, chairman Grant Thomas says the ability to maintain 1990's earnings will depend largely on the state of the world and SA economies.

He says management action to improve operating efficiency is bearing fruit.

As far as VAT is concerned, financial director Bill Smart expects the new system to have a marginally positive effect on cost structures.

Haggie is a diversified holding company whose subsidiaries are primarily engaged in steel-rod conversion, non-ferrous metals and engineering consumables.

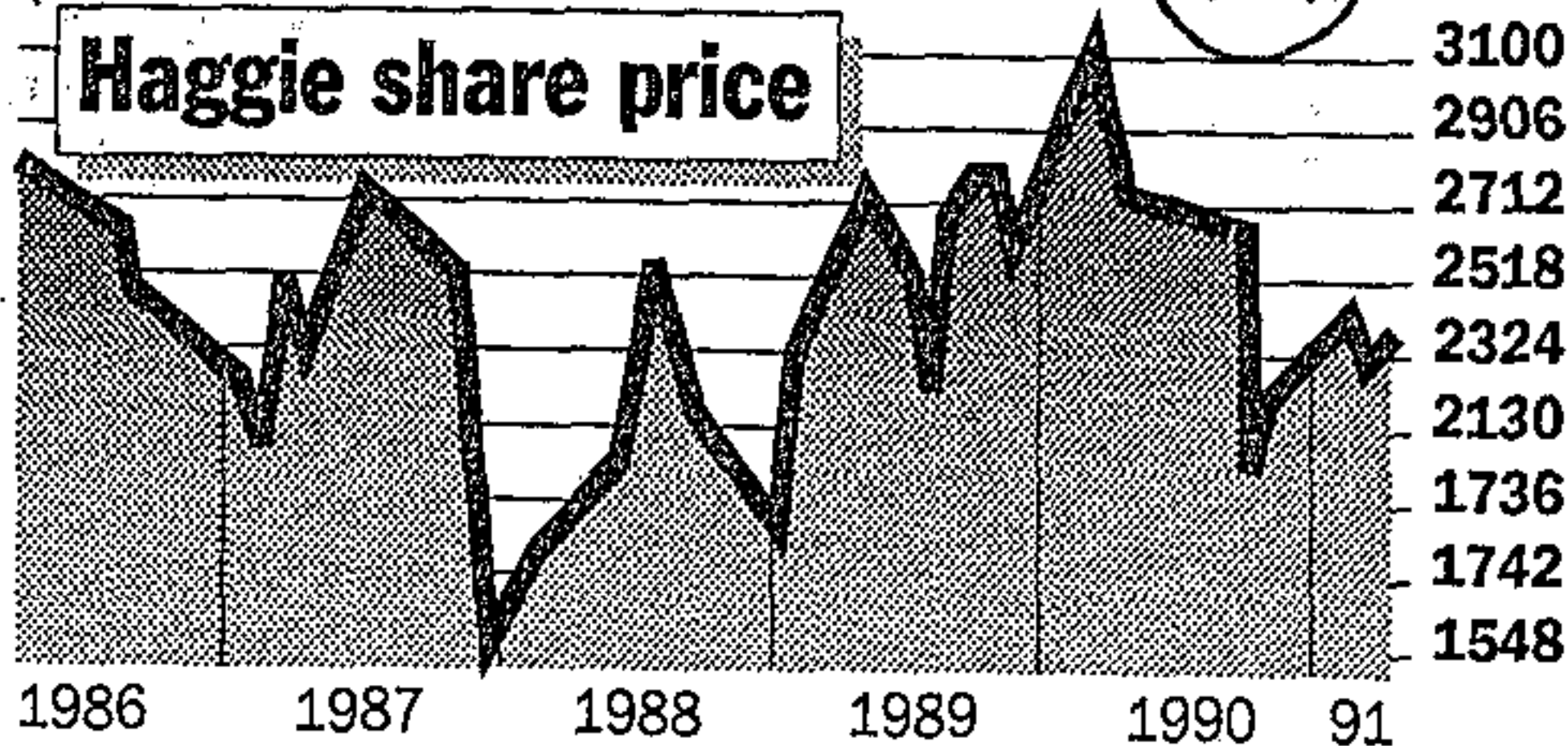
During the year the group spent R11,6 million on two acquisitions.

Since year-end, a sisal farm in Natal was bought for R4,5 million.

The farm was acquired for strategic reasons, sisal being used in the manufacture of fibre cores for certain steel wire ropes.

Anglo American Industrial Corporation (through Scaw Metals) and Gencor (through Malbak) each hold 35 percent of

Haggie share price



the equity.

In the year to December, group turnover climbed six percent from R1,2 billion to R1,3 billion, while operating income fell nine percent from R150,2 million to R137,1 million.

Mr Thomas says the reduction in operating margins occurred mainly in the second half of the year and was influenced by non-recurring events.

After interest expense shot up 77 percent from R11,5 million to R20,3 million, pre-tax profit tumbled 16 percent from R138,7 million to R116,8 million.

Export allowances and the recoupment of assessed losses were primarily responsible for a decrease in the effective tax rate from 34,5 percent to 30,8 percent.

This reduced the decline in taxed profit to 11 percent from R90,8 million to R80,8 million.

After taking into account dividends from subsidiaries, outside shareholders' interest and preference dividends, attributable profit amounted to R70,7 million.

This is 10 percent lower than

the previous year's profit of R78,5 million.

Based on a higher average number of shares in issue, earnings per share fell 11 percent from 406,2c to 363,2c.

The dividend for the year was maintained at 157c a share.

The balance sheet discloses a marginal increase in gearing from 25,4 percent to 26,1 percent.

Net asset value appreciated seven percent over the year from R19,38 a share to R20,67.

Haggie, priced at R23,50, is trading on a P/E ratio of 6,5 and provides a dividend yield of 6,7 percent.

In view of the group being well-placed to take advantage of the upturn in the economy when it comes, possibly in the second half of 1992, it is recommended that the share be gradually accumulated.

COMMENT: Haggie's share price entered a downward trend a year ago after reaching R31,00.

A reversal will be confirmed by the charts if the price rises above R24.

Haggie out to beat mine slowdown

(Buss/T) ST Times 14/7/91
189

DIVERSIFIED Haggie group is looking for increased earnings in the year to December in spite of the slowdown in the mining industry.

Chris Murray, who became managing director this week, says budgets are up on last year and results in the first three months match last year's.

"I would be disappointed if earnings were only maintained. We expect a lot from our export efforts."

In the year to December last, attributable profit dipped 10% to R70,6-million from R78,4-million and chairman Grant Thomas warned that it might be difficult to maintain earnings in the current year. Much would depend on the state of the world and the SA economies.

Planning

Although Mr Murray claims he is "green" in his new job, he hopes earnings will improve during consolidation to be undertaken in the next few years.

A problem facing the group is the introduction of the general export incentive scheme (GEIS) which replaces export allowances. This, says Mr Murray, results in Haggie's exports being classified as category three products offering only 6% on exports compared with at least 10% under the previous scheme.

Another problem is that GEIS can be changed at any time by the authorities, making planning difficult. Last year, exports were worth R170-million — 13,4% of turnover.

Mr Murray says: "We have a technological lead in some products we make

By DON ROBERTSON

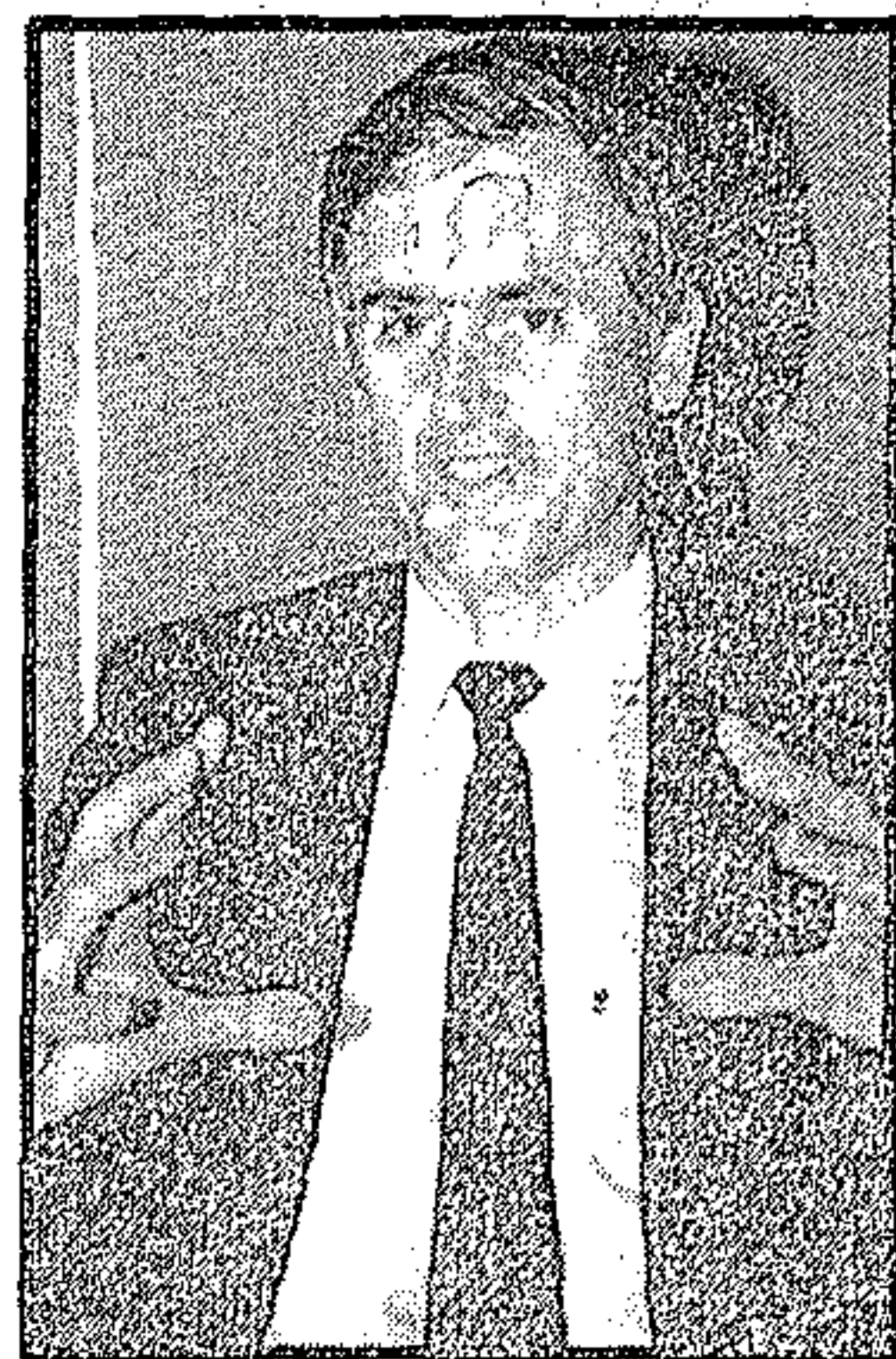
and this will be an advantage, especially when the US opens up. We also have particular skills and are listed in the Guinness Book of Records as having made the longest wire rope in the world at 9,5 miles. We are a world player in wire ropes and also have skills in concrete stressing material."

Mr Murray insists, however, that Haggie will have to work more closely with Iscor.

Skills

"We need better prices for raw materials going into products destined for export so we can sell them at competitive prices. These prices must be negotiated individually based on the market for which the products are destined."

The group is involved in steel rod conversion, processing of non-ferrous metals, particularly yellow metals, in which it holds a dominant position in SA, and the manufacture of engineering consumables, mainly through Somta Tools, which became a wholly owned subsidiary last year.



CHRIS MURRAY: Focus on exports

Haggie recently bought a farm in Natal to secure high-quality sisal for the manufacture of cores for wire ropes and for the manufacture of ropes from natural fibres.

It operates successfully in the scrap-metal market. It also exports scrap.

The group is owned 35% each by Amic and Malbak, which manages it.

The downturn in gold mining will cause problems this year, says Mr Murray. It has resulted in the company's laying off 100 people of a total of 2 500 at its Jupiter wire-rope factory.

Mr Murray was "head-hunted" for his new job. He was managing director of Pilkington Shatterprufe Safety Glass in Port Elizabeth. He replaces John Feek who is leaving to follow his own interests.

Mr Murray is confident that the management skills he learned at Pilkington in 19 years will help Haggie.

South Americans offer hope for mine suppliers

(189)

SITimes
(bus/T)

21/4/91

MINING machinery and equipment suppliers, faced with falling domestic sales, should look to South America.

Chile's export market development programme offers SA companies access to world markets.

Plans are being made for the industry to embark on an export marketing programme which will culminate at Expomin 92, a specialised mining fair which will be the fourth largest in the world.

The programme is managed by Breyer Development Services of Sandton and Edi-

Business Times Reporter

tec of Santiago, Chile, who publish *Mineria Chilena*, Chile's authoritative mining magazine.

It is supported by the SA Department of Trade and Industry (DTI), which will sponsor SA's pavilion at Expomin in May next year.

John Bell, managing director of Breyer, advises potential exhibitors to arrange space, transport of equipment and exhibition material now.

Dorbyl to open London office

TIM MARSLAND

189

ENGINEERING giant Dorbyl is to open an office in London in an attempt to promote trade in Europe. *Day 16/5/91*

Dorbyl said in statement former Dorbyl Heavy Engineering executive director Kobus de Beer had been appointed executive director of the new office.

He would handle inquiries about products which Dorbyl could supply, such as rough machined castings, and would also make contact with potential partners and associates as well as handle Dorbyl's bids to European firms. *16/5/91*

The office would maintain relations with major overseas firms and SA trade consuls.

It would seek new opportunities and keep abreast of latest technology and trends.

Dorbyl CE Dawid Mostert said in an interview recently Dorbyl would be looking at trade with Eastern European countries.

It was aggressively seeking other export markets and was paying particular attention to southern African states.

ENGINEERING

FM 17/5/91

HEAVY WEATHER (189)

The heavy engineering sector is in dire straits. Employers are laying off between 2 000 and 3 000 workers a month because of shrinking order books.

This is likely to rise sharply towards the end of the year when construction on the Moss gas project ends and about 13 000 workers are laid off. About half will be in heavy engineering and metal working.

Seifsa chief economist Michael McDonald says there's no saying when the industry will turn around but he expects things to improve around the second or third quarter of 1992 when fixed investment should start to show

continue →

FM 17/5/91

(189)

an upturn.

Some work is emanating from oil companies which are spending millions on upgrading and expanding refining capacities to cope with increased demand and to capitalise on government's plans to deregulate refining.

Seifsa has also held discussions with the World Bank which is doing a feasibility study on piping natural gas to the PWV from Mozambique. If the project gets off the ground SA companies should get most of the work. McDonald has doubts. The Cahora Bassa hydroelectric experience shows that Mozambique is not a reliable supplier.

Dorbyl Marine MD Joe Bullough says the firm needs another order before the end of the year to ensure continuity of work. It has two shipyards in Durban and is busy with a R275m order to build three container ships for a Cyprus-based owner. The first vessel will be launched in August and delivered in November. The next will be delivered in May and the third in November 1992.

In its Dorbyl Shipbuilders yard, where it builds 37 m and 50 m luxury motor yachts under cover, the slipways are empty. "We build the hulls and superstructures, fit the engines as subcontractors and then send them to Europe as deck cargo on Safmarine container ships where they are fitted out and sold," says Bullough. With SA's high import surcharge it makes sense to complete the basic structure here and add the high-value fittings and electronic components elsewhere.

Sacob deputy director-general Ron Haywood says heavy engineering is suffering because of the downturn in the economy and mining, the reduction in Armscor and Defence Force contracts and public corporations like Transnet using their own resources rather than going out to tender (*Business* May 3). ■

Cuts in interest and tax aid Dorbyl

Biday 21/5/91

189

MARC HASENFUSS

REDUCTIONS in interest charges and tax allowed engineering giant Dorbyl to lift its interim earnings 6% despite a further decline in business conditions in the group's market sectors.

Earnings for the six months to end March 1991 crept to R51m (R48m) or 160c (150c) a share on the back of a slender 1% increase in turnover to R1,26bn (R1,24bn).

The interim dividend was maintained at 28c, covered 5,7 (5,4) times.

Dorbyl CE Dawid Mostert said the results were also hit by the poor performance of the new mill at Tosa's Seamless division.

Mostert said as a result of reduced volumes and fierce competition, the operating margins of most divisions were adversely affected, resulting in a 4% decline in operating income to R67m (R7m).

The 25% drop in taxation to R15m (R20m) was attributed to deferred taxation from losses in the Tosa operation and tax free income from exports.

However, once assessed losses are made up the tax rate will gradually rise, said Dorbyl's financial director Tony Welton.

Mostert said Baldwins Steel saw a 15% drop in earnings due to depressed domestic demand, but would attempt to counter this

by increasing exports.

Dorbyl's automotive division was slowed by static vehicle sales in the interim period. Mostert expects the months ahead to be even tougher.

Low levels of fixed investments from the gold mining sector and Eskom held back the heavy engineering division. Mostert said substantial losses were reported by this division last year but major reorganisation had improved the situation.

However, the heavy engineering division would not be profitable by year end.

The marine engineering division remained the gem amongst Dorbyl's operating divisions. The marine division is currently building three ships for export, and the effect of this order will only be reflected in next year's financial results when the first ship is completed, Mostert said.

He said the structural engineering division had to adapt from huge projects to producing smaller structures.

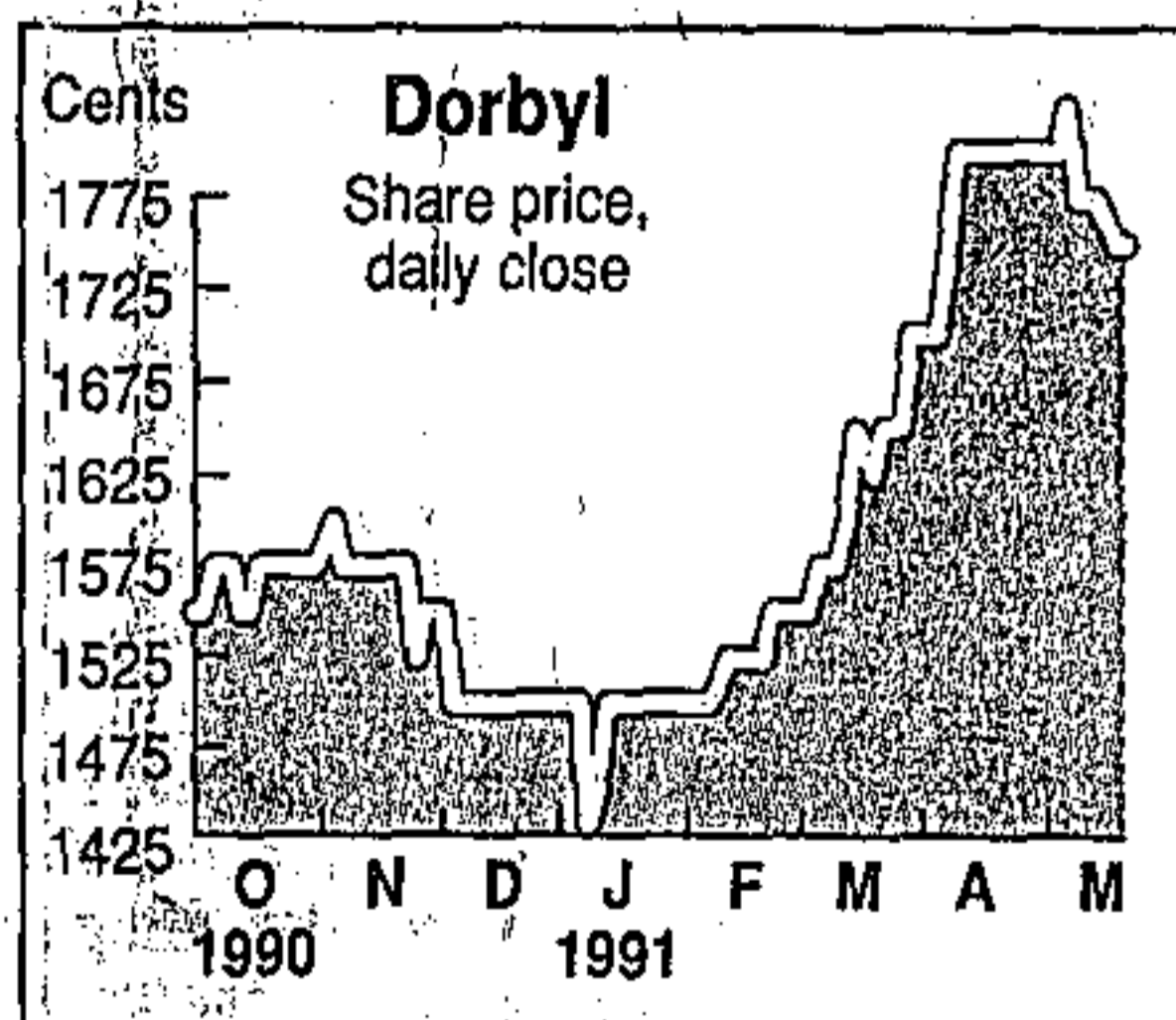
Dorbyl Transport Products saw demand for buses taper off significantly due to cuts in government subsidies to bus companies.

Dorbyl's pipe manufacturing division, Tosa, underwent further problems in commissioning the Seamless division plant (jointly owned by Iscor), but Mostert said further capital expenditure was being considered to alleviate the problems.

Capital expenditure on the modernisation of existing facilities and the establishment of new operations continued in the interim period, with R55,8m being spent.

Looking to the future, Mostert said Dorbyl could see further export growth in all divisions. Exports currently make up 10% of turnover for Dorbyl.

Earnings for the year are expected to be of the same order as last year, when earnings fell marginally to R110m (R112m) for the year to end September 1990.



Graphic: FIONA KRISCH Source: I-NET

Stiff competition puts Star 21/5/91 squeeze on Dorbyl (189)

By Jabulani Sikhakhane

A lower tax charge helped engineering group Dorbyl report a 6,6 percent growth in earnings per share to 160,1c from 150,2c for the six months to March.

An unchanged dividend of 28c, covered 5,7 (5,4) times, has been declared.

Chief executive David Mostert says business conditions in the markets served by the group continued to decline.

Results were also affected by the continuing commissioning problems at the Tosa Seamless Division.

Mr Mostert says the difficulty has been in finding a process suitable for the smaller South African market, but which will still produce world-quality products.

Additional capital expenditure is being considered to alleviate bottlenecks.

The structural engineering division adapted very well to building lighter structures and enjoyed successes on the export front.

Late last year a new hangar for jumbo jets was delivered at Tel Aviv airport, Israel.

Group turnover rose one percent to R1,25 billion (R1,24 billion) — a decline in real terms.

But reduced volumes and stiff competition squeezed operating profit, which fell from R86,58 million to R82,81 million.

Total debt fell from R296,80 million to R192,256 million, leaving gearing at 23 percent. The interest charge fell slightly to R16,80 million (R16,91 million).

The tax charge fell 25,6 percent to R15,03 million (R20,20 million) thanks to assessed losses, partial deferred tax and export allowances.

The effective tax rate was 22,5 percent (29 percent).

Attributable earnings were up 6,6 percent to R51,07 million (R47,88 million).

The group spent R54,8 million on modernisation of existing facilities and the establishment of new operations.

Titaco to look outside SA

Biday 26/6/91

189

MARC HASENFUSS

ENGINEERING group Titaco is pinning its hopes on expanding its international opportunities to offset the lack of large-scale projects and the economic downswing in SA.

In his chairman's review Reinier Meyjes said Titaco had gained international recognition, especially in the fields of base and precious metals, and ferro-alloy smelting.

"This international dimension puts a totally new facility at our disposal by means of which the effects of the local business downswing can be reduced or even eliminated."

Off-shore

He said the absence of a mega-project to replace Moss gas pointed to an over-supplied capital goods market, strong competition and reduced margins.

However, Titaco had a number of "very attractive possibilities both locally and off-shore" waiting in the wings.

"There is a growing confidence

among our management that one or more of these prospects will come to fruition in the near future."

He said that existing contracts, comprising more than half of the planned 1991/92 order book, would support the group well into the financial year.

□ Vastly improved margins helped a restructured Titaco to treble earnings to R1,8m (R639 000) despite a R15m fall in turnover in the year to end-February 1991.

However, increased borrowings pushed Titaco's gearing to 55% from 6%.

The group is involved in a variety of engineering projects, including work in platinum and base metal refineries, mine surface development, ash handling, petrochemicals and pumping and piping systems.

Titaco's shares have recovered to 70c on the JSE after bottoming at 45c in May. They peaked at 100c in September last year.

EXECUTIVE QUOTE

Masterbore to drill for Namibia oil

By IAN SMITH

(Sun Times)

JSE-LISTED drilling group Masterbore has won a major contract to drill for oil in Namibia.

Work will start soon on the first well near Ondangwa in northern Namibia for Taiwan's Overseas Petroleum & Investment Corporation (Opic), a subsidiary of the \$8,7-billion-a-year Chinese Petroleum Corporation.

Masterbore managing director Wilf Davies will not disclose the value of the contract, but he says it is a "multimillion-rand" deal.

The contract celebrates the restructured group's announcement of a R2,2-million turnaround from a loss to R1,4-million operating

due to be granted by the Government later this year.

The presence of Masterbore subsidiary Universal HS Drilling in the region should strengthen its claim for more work.

Mr Davies says the contract was won in the face of strong international competition.

Universal has put 10 key personnel on the contract and has recruited skilled people from Algoa Oil of Port Elizabeth and Sanchem of Alberton. An HS 150 slimhole rig, which holds a world record for drilling to a depth of more than 5 500m in 1982, is being converted for the contract.

The project boosts Universal's attempt to establish the company in oil and gas exploration to offset depressed gold work.

"The contract also gives Masterbore a head start in its consolidation and restructuring programme," says Mr Davies.

Borrowings

The group's turnaround follows heavy pruning which left a much leaner operation. The sudden fall to a R765 000 loss in the year to February 1990 sent the share price from 100c to 25c three months ago.

Improved expectations, which have been fulfilled, have doubled the share price to 50c.

Last year's profit of R1,4-million was achieved in spite of a drop in turnover of R38,5-million to R22,8-million after the disposal of subsidiaries.

Borrowings have been cut from R8,8-million to R4,4-million, largely through a debenture issue which raised R3,3-million.

Masterbore achieved fully diluted earnings of 2,7c a share, but no dividend is being paid to ensure that the improved cash flow can be maintained. Rationalisation will continue.

About R3,5-million of extraordinary losses of R5-million are due to Cliffs Engineering, which was liquidated early this year. An inquiry into the Cliffs operation has been completed and Mr Davies hopes Masterbore will see some return.

"I am confident that we have got rid of the problems. Even before the Namibian contract our order books were better than expected."



WILF DAVIES: Better days

profit in the year to February 28.

Mr Davies says the more optimistic outlook was apparent before the Namibian order was secured.

"Our prospects were much better before this order was signed. Now they are even brighter," he says.

Opic has been operating in one of Namibia's most promising onshore oil regions for two years and has completed its geological and geophysical research.

"Hopes are high for a sizeable strike in the area," says Mr Davies.

The Opic contract is the first awarded since Namibia's independence, but there is strong interest by international oil companies in another 30 exploration options

8/Day 30/7/91
**Titaco has
eyes turned
offshore**

MARC HASENFUSS

ENGINEERING group Titaco Consolidated Investments could gain a lucrative foothold in international markets after "major inquiries" for the group's specialised services were received recently from South America, Asia and the US.

Titaco CE Reinier Meyjes said the group's work in SA was receiving international attention and that "a couple of years down the line" exported Titaco engineering expertise could account for 30% of group revenue.

Titaco's share, at 70c, has attracted minimal investor interest. It is currently wedged midway between its 45c May low and year-ago 100c high.

Analysts said the share would realise an upward trend only after Titaco had established a consistent track record and further overseas developments were formalised.

Recovered

Meyjes remains confident that the opening up of world markets to SA companies would increase the demand from less developed countries for engineering groups experienced in minerals beneficiation.

The group is completing contracts in the Middle East and South America.

Titaco recovered well in the year to end-February 1991 from a 48% earnings plunge in the previous year. Drastically improved margins saw group earnings treble to R1,5m and dividend payouts resumed.

Titaco's core interests now lie in platinum group metal refineries, electric arc smelting and base metal refineries.

The group's annual report says existing contracts should support the group well into the current financial year.

189

SA firm wins
US contract

6/10/91 6/8/91

MATTHEW CURTIN

A JOHANNESBURG company specialising in managing mechanical failure has won a contract with US Steel to help cut costs by millions of dollars. (5/1)

Graham Fogel, MD of Condition Monitoring Services (CMS), said yesterday the contract with US Steel, America's second largest steel producer, was "a major breakthrough and testimony to the tremendous savings which can be achieved through condition monitoring and predictive maintenance systems".

CMS provides data-management systems to monitor performance and wear in industrial equipment.

Fogel said predictive maintenance had many advantages, especially in "a production-critical industry such as steel manufacture or mining, where down time costs alone can be as high as R90 000 an hour".

CMS had installed condition-monitoring systems at several mines in SA, including Malta, Secunda, Sishen and New Vaal collieries.

Fogel said the systems provided a safeguard against "unannounced failure" at a mine or factory.

Exports prove a big boost for Haggie

By Jabulani Sikhakhane

A 32 percent rise in export turnover helped cushion Haggie against the severe impact of a local economic downturn during the six months ended June. *Star 8/8/91*

Local trading conditions deteriorated sharply in the second quarter of the year, resulting in a seven percent drop in domestic turnover.

But a R11,4 million rise in export turnover to R81,69 million helped reduce the fall in group turnover to only three percent from R601,05 million to R583,54 million.

Exports now represent about 14 percent of total group turnover. Most of the growth in exports came from the Iron, Wire and Rod division which had the most surplus capacity due to destocking by mines.

The higher exports also resulted in the tax rate falling to 31 percent (34 percent).

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	6 mth to 30/6/91	6 mth to 30/6/90	% Change
Turnover (Rm)	583,5	601,0	-3
Operating profit (Rm)	61,9	72,7	-15
Operating margin %	10,6	12,1	-
EPS (c)	162,1	184,1	-12
Dividend (c)	47	47	-
Share price	28,50	26,75	+7
PE ratio	17,6	14,5	-

Group managing director Chris Murray points out that as most exports went to Europe, the group did not benefit much from the exchange rates. The rand has strengthened against most European currencies.

Also the group's high-tech products are classified under category three of the General Export Incentive Scheme which means that Haggie gets a six percent subsidy compared with the after-tax subsidy of 18 percent they will get under category four.

Also Haggie is busy negotiating the acquisition or existing overseas operations or starting new opera-

tions. This change in strategy is due to the scrapping of marketing allowances which meant that the group recouped all commissions paid to agents.

He adds that group has identified new markets in Eastern Europe, while other opportunities should result from the lifting of sanctions, particularly in the US.

The group should be able to meet this expected new demand from exports and the picking up in local markets from its current surplus capacity without any major capital expenditure, Mr Murray says.

Haggie is also negotiating a technology tie-up for the copper-based products with one of the European companies.

Despite higher capital expenditure, gearing fell from 28 percent to 23 percent due to improved working capital management. Also R30 million was switched from short-term to medium-term financing at favourable interest rates.

COMPANIES

Asseng takes some punishing knocks

FURTHER declines in demand for automotive engine parts and a heavy interest bill knocked Asseng's interim earnings down 30% in the six months to end-June.

Although operating profit was maintained at R6,2m, the R1m increase in interest paid reduced earnings to R2m (R2,9m) or 5,1c (7,2c) a share. The interim dividend was cut to 2c (3c) a share, covered 2,5 (2,3) times.

MD Johan Meyer said losses were stemmed at the group's Roodepoort manufacturing plant and, after losses of R6m last year, the plant had realised profits in the past three months.

"This has been achieved by the combined effects of cost cuts, including re-trenchment, sharp focus on quality and training, and refurbishment of plant and equipment.

(189) 15/10/91
MARC HASENFUSS

A significant capital investment at Roodepoort had given the plant spare capacity for the first time in five years.

Meyer said the effects of foreign piston dumping on the SA market was still felt in the period under review, but was no longer a source of concern.

The de-stocking process in the replacement market was expected to be less severe in the second half of the year and demand from the sector should strengthen.

Asseng hoped to bump up its exports towards the end of 1991 as foreign economies recovered from current slumps.

"Exports at present account for around 10% of our production, but we see this proportion of Asseng's business rising significantly from next year," he said.

T&N's showing shakes off recession

Biday 15/8/91 *(189)*

MARC HASENFUSS

SUCCESSFUL cost reduction and improved efficiencies allowed industrial holding company T & N Holdings to beat the recession and almost treble interim earnings.

An improved contribution from associates (R1,7m) and a pension contribution holiday (R2,4m) helped to boost bottom-line earnings to R6,5m (R2,2m) on the back of a slender 4% increase in turnover to R206m for the six months June 1991.

Shareholders were rewarded with a 7,5c (3,8c) dividend, covered 3,75 (2,5) times.

The results excluded a R2,1m receipt of a one-off dividend from a property owning associated company.

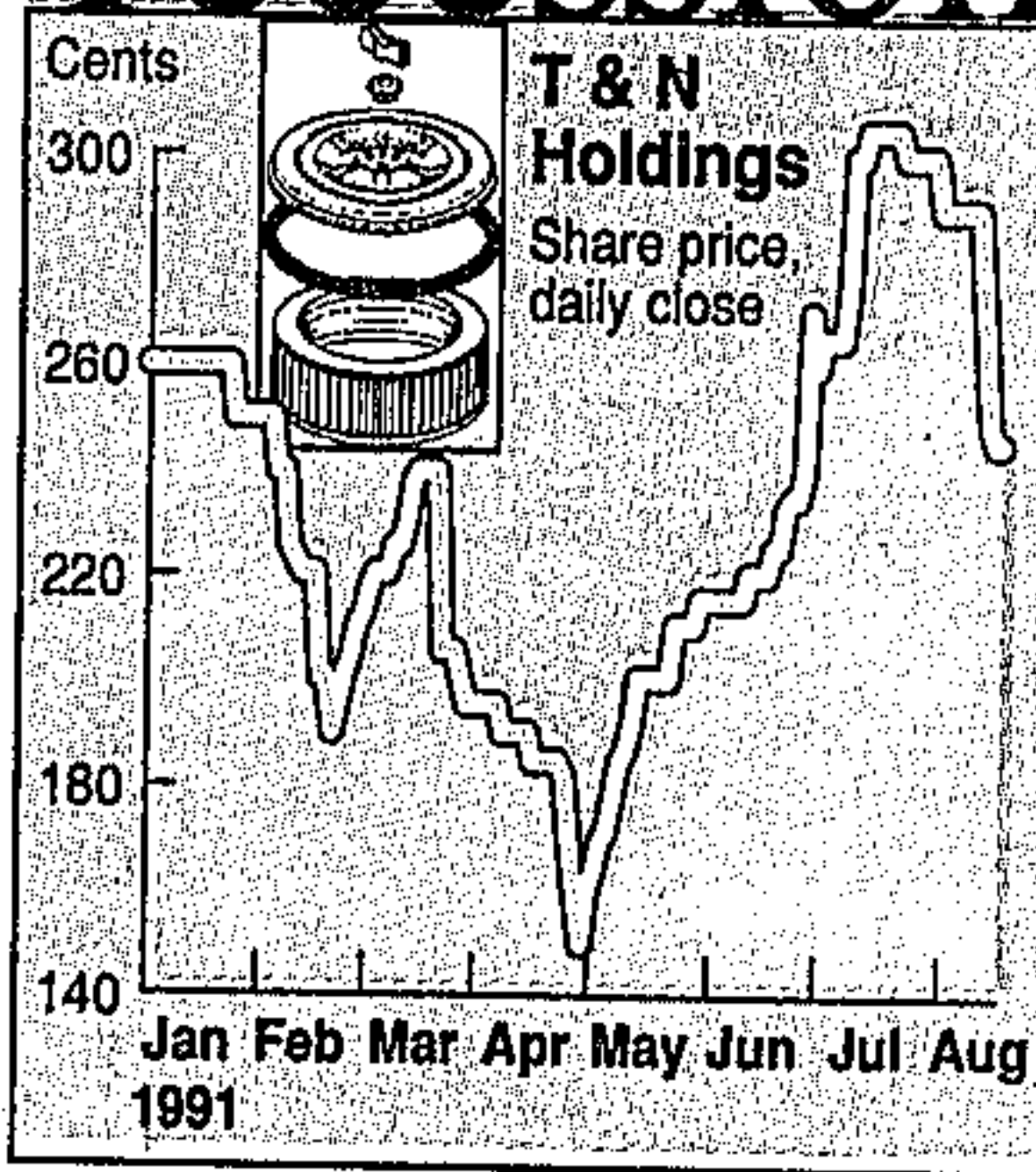
CE Matthys Pretorius said the slowdown in the economy was more severe than expected and T & N had continued to take steps to contain fixed costs.

"Trading in the second half of the year is expected to be difficult, but the group should build on the progress made to date."

Pretorius emphasised that all avenues of group export markets were being aggressively pursued.

In his divisional review Pretorius said Asseng, T & N's 76% held subsidiary, increased sales slightly in a very competitive market where destocking continued, but was expected to be less severe in the replacement market in the near future.

T & N's Bearing operation was successful in increasing exports but the recessionary conditions in the UK would have a negative impact on the growth of export



Graphic: FIONA KRISCH Source: I-NET

sales.

He said friction material manufacturer, Ferodo, produced good results with a strong demand for disc pads and rail blocks. "As a result of streamlining production processes in the December 1990 shutdown costs have reduced, resulting in increased profits."

He said higher exports and better plant efficiencies would offset the traditional drop in orders in the second half.

Silverton Engineering increased its penetration into the export markets while gasket manufacturer and distributor Payen gained market share and was now able to manufacture gaskets locally, resulting in significant import substitution.

The group's chemical divisions continued to struggle in the current recession.

also become unwilling to carry stocks and are extremely aggressive on price.

He emphasises that this market should be seen in perspective. Wire ropes account for about 40% of Haggie's total business and the gold mines account for only 60% of the wire ropes business. Even so, sales volumes to the gold mines are down by about 30%. "The effect of that is devastating," says Murray. "The wire ropes division is a high overhead carrier."

Murray, who took over earlier this year, says he intends to concentrate on arresting the weakening margin trend and turning it around if possible. "I believe that the local margin should definitely be up," he says. "However, the growth in our exports could hold the group's figure back over the next couple of years, because exports are always at lower margins. So I am not sure whether the decline has bottomed out yet."

Exports grew by 32% during the six months, approaching an annualised value of about R200m and providing a useful buffer against the half-year's 7% drop in domestic turnover. There is surplus capacity to expand exports further and Iscor has been "very supportive" in this programme.

There were also benefits during the first half from a rationalisation programme, which saw a reduction in production sites for copper products from six to two. The rationalisation effort will swing next year to the Consolidated Wire Industries division, some of whose plants have been working at 50% capacity. But the emphasis is on improving efficiencies rather than reducing capacity.

Markets remain troubled in the agricultural sector; early spring rains have again been poor and demand is down "significantly." It's hoped there will be opportunities to expand exports of these products.

Murray believes that growth will also be derived over time from other sectors of the mining industry. Platinum and coal producers are still spending heavily on expansions.

Cash flow has been strong and gearing was reduced to 23% from the year-ago 30%, while a higher proportion of loan funds is

HAGGIE FM 16/8/91

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Mining pressures

Profitability continues to weaken at Haggie, which for decades could rely on steady demand from the gold mining industry and thus nurtured an image of being resistant to recessions. Latest interim results show a decline in turnover and yet another drop in the operating margin.

A tight rein was kept on funding costs and the effective tax rate dropped from 33,5% to 31,3%, but EPS still fell by 12%. There appears to be little prospect of a recovery in the second half.

New markets are being built up, particularly for exports, but these have not been enough to cushion weaker demand from the traditionally larger sectors. Turnover was only marginally lower, but the margin was down to 10,6% compared with 11% for the 1990 financial year and 12,1% at the 1990 halfway stage. The margin has been falling since the 1987 year, when it reached 14,5%.

Apart from the recession, the main problem has been the travails in the gold mining industry. The large wire ropes division relies fairly heavily on the gold mines. MD Chris Murray says that in the past 12 months the mines have ordered fewer ropes. This is due partly to better maintenance but they have

TIGHTLY STRETCHED

Six months to	Jun 30 '90	Dec 31 '90	Jun 30 '91
Turnover (Rm)	601	653	584
Operating inc (Rm)	72,7	65,0	61,9
Attributable (Rm) ..	35,8	34,8	31,5
Earnings (c)	184,1	179,1	162,1
Dividends (c)	47	110	47

now in long-term liabilities. With the balance sheet firm enough to take the strain, the interim dividend was maintained at 47c on a cover of 3,5 (3,9) times.

At R30, the share has gained 50% since its 12-month low of R20 last October. With a larger earnings decline possible in the second half and the earnings multiple now standing at 8,8, the counter is not attractive on short-term prospects.

Andrew McNulty

Increased exports to Africa boost Smith Mining's turnover

189
13 (Day 22/8/91)

MATTHEW CURTIN

MOUNTING exports to Africa boosted turnover but could not reverse the damage to margins at engineering company Smith Mining which has been hit by the mining industry slump.

In the six months to end June 1991 earnings were cut in half from 9,4c to 4,7c a share. Smith does not declare an interim dividend.

However, MD Brian Coetzee said yesterday the lifting of sanctions would open up the African markets for the Smith's products. The company specialises in the manufacture and supply of drilling equipment for mining exploration and production.

The demise of sanctions had boosted the company's exports to central Africa and overseas which was responsible for about 25% of Smith's increased sales in the period.

Turnover rose more than 9% to R24m at the interim stage as Smith won new orders from Zaire, Zambia and Zimbabwe as well as from traditional export markets in Latin America, Europe and the US. Turnover in 1990 was R48m.

Coetzee said mines in African countries had been run down over the years,

but as mining was the most likely way of for them to earn foreign exchange, African governments were paying renewed attention to the sector.

He said Smith was looking to take advantage of the Lesotho Highlands Development Project.

Coetzee was less optimistic about the prospects of the local market. Mining houses whose new financial years had started had not increased capital expenditure as much as expected and the local market would stay depressed for about 18 months.

In the six months to June, Smith's operating profit plummeted from R3,8m to R1,5m, while attributable earnings, helped by a 89% lower tax-bill, dropped to R1,2m from R2,3m at the interim stage last year.

Chairman David Stevens said yesterday a drop in interest charges as well as growing exports meant the prospects for the next six months were brighter.

The company capitalised its debt in the period, but paid R205 000 in interest against only R24 000 in the same period last year.

189

Engineers in line to earn millions for SA

Finance Staff *Star*
26/8/91

Members of the SA Association of Consulting Engineers could generate millions in export earnings for South Africa through marketing their expertise in the rest of Africa, says association president Ian Scott.

He says the 1 000 members in 360 firms were involved in capital works worth an estimated R10 billion in the year to February.

"This could increase markedly through involvement in projects in the rest of Africa. The continuing improvement in the climate towards South Africa certainly extends to our profession."

Mr Scott attended a meeting of African member associations of the International Federation of Consulting Engineers (FIDIC) in Nairobi earlier this year and is hoping an Africa-based member of FIDIC's executive will attend the SA association's convention in October in Somerset West.

To focus attention on export earnings poten-

tial, the theme of the convention forum will be "South African technology — we serve our continent".

"The areas in which the South African profession could serve the continent span the spectrum from housing developments and the related infrastructure through to projects such as Mossgas, the Lesotho Highlands water scheme and electrification."

Overseas experience has shown that the export of engineering designs for projects invariably leads to growth in the manufacturing and contracting industries in the exporting country.

"It is not uncommon for governments actively to encourage their consulting engineers to acquire this kind of assignment because of the tremendous spin-off for the economy as a whole.

"SA's readmission to the international community presents a tremendous opportunity for South African consulting engineers to export their technology to Africa and to the world."

MANUFACTURING - ENGINEERING

189F

1991

Defence budget cuts hit Cemenco

19/12/91
B/Dam
WILLIAM GILFILLAN

CUTBACKS in the defence budget saw Cementation Africa's (Cemenco's) engineering division fare the worst of all its other operations this past year, chairman Ronnie Shaw said in his 1991 annual report.

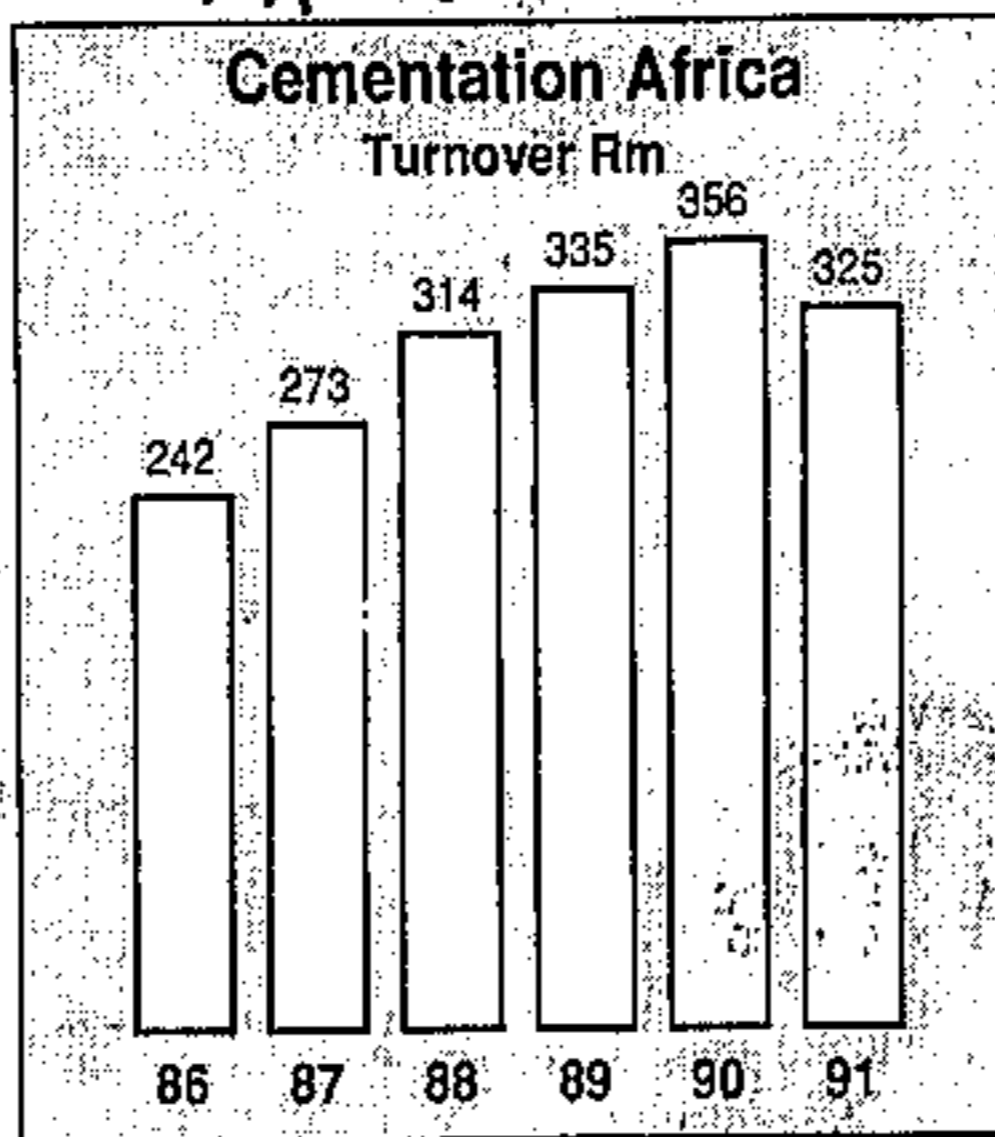
Also he said the group labour force had been cut by 1 154 people to 4 550 in the year under review.

The absence of new defence orders — which for many years had constituted a large portion of the engineering division's turnover — had been aggravated by substantial losses being incurred on major contracts.

Although the losing contracts had now been completed, Shaw remained concerned about the division's outlook because of "the critical shortage of a suitable workload".

But he said, in order to maintain viability under current conditions, an extensive rationalisation programme within the division had been implemented. Included in this was the disposal of the "depressed" fan division to Howden Safanco.

He said profitability in the mining division, which continued to be the



Graphic: FIONA KRISCH Source: CEMENTATION AFRICA

mainstay of the group, was hit by a critical shortage of shaft sinking and new capital project work.

Exploration drilling activities, which had achieved record levels in recent years, had also declined.

However demand for the traditional cementation, underground drilling and backfilling services had maintained "a fair level with the call for mechanical mining operations experiencing a welcome improvement in the last quarter".

(1898)
The division's order book was about 50% of last year's, he said.

Despite working well below capacity, the forgings division performed profitably as did the foundry division. But the structural division experienced a much weaker demand for steelwork and recorded a loss.

But Cemenco was confident of acquiring large export sales in the coming year although no improvement was expected in the local market.

The establishment of Barracuda Granite Tile, which the group owned jointly with Marlin Corporation, was recently completed and he was bullish about its future prospects.

On the group's prospects he said, as recovery of the local economy in the short term continued to be clouded by political uncertainty, it was unlikely the sectors in which the group operated would see any rapid recovery.

However, he expected a return to profitability if there was no further decline in the economy.

In the year to September, the group posted an after-tax loss of R7m against an after-tax profit of R9m in 1990 on the back of drop in turnover to R325m from R356m.

Fenner waiting on an economic upturn

Engineering group Fenner is expected to put in a modest performance in the year ahead.

In the annual report, chairman R A Arthur says the economic climate remains a worrying feature and that the order book is down, in line with this.

On a positive note, Mr Arthur says progress is being made with international sourcing activities, which should assist the group in maintaining its competitive edge.

In addition, the group has positioned itself to take advantage of any upturn in the economy, or to consider appropriate acquisitions.

The Fenner group is made up of specialist engineering companies, each a leader in its particular field.

Activities include the manufacture of power transmission products, PVC conveyor belting, centrifugal pumps, valves and process control equipment.

The group also provides on-site services in the form of leak sealing, machining and valve repairs.

In the year to August, group turnover climbed 17 percent from R209,3 million to R245,8 million and operating profit 12 percent from R24,7 million to R27,8 million.

After net finance costs rose 19 percent from R3,5 million to R4,2 million, pre-tax profit rose 11 percent from R21,2 million to R23,6 million.

A reduction in the effective tax rate from 48,4 percent to 47,5 percent pushed taxed profit to R12,4 million.

This is 13 percent higher than the previous year's R11 million.

Diagonal Street

Stamp 15/12/91
LYNNE PEACH

(189F)

After an increased share to outside shareholders, attributable income grew 10 percent from R9,1 million to R10 million.

Earnings a share rose from 60,7c to 66,4c and the dividend for the year from 20c a share to 22c.

The balance sheet improved in strength, with borrowings down from R22,1 million to R15 million and growth in cash on hand to R7,9 million.

Gearing, net of cash, decreased significantly from 47,7 percent to 14,5 percent.

Mr Arthur attributes these achievements to continued management focus on the controllable areas of the business, which resulted in a R12,6 million reduction in stocks and debtors.

Net asset value appreciated 15 percent over the year from 282,5c a share to 325,8c.

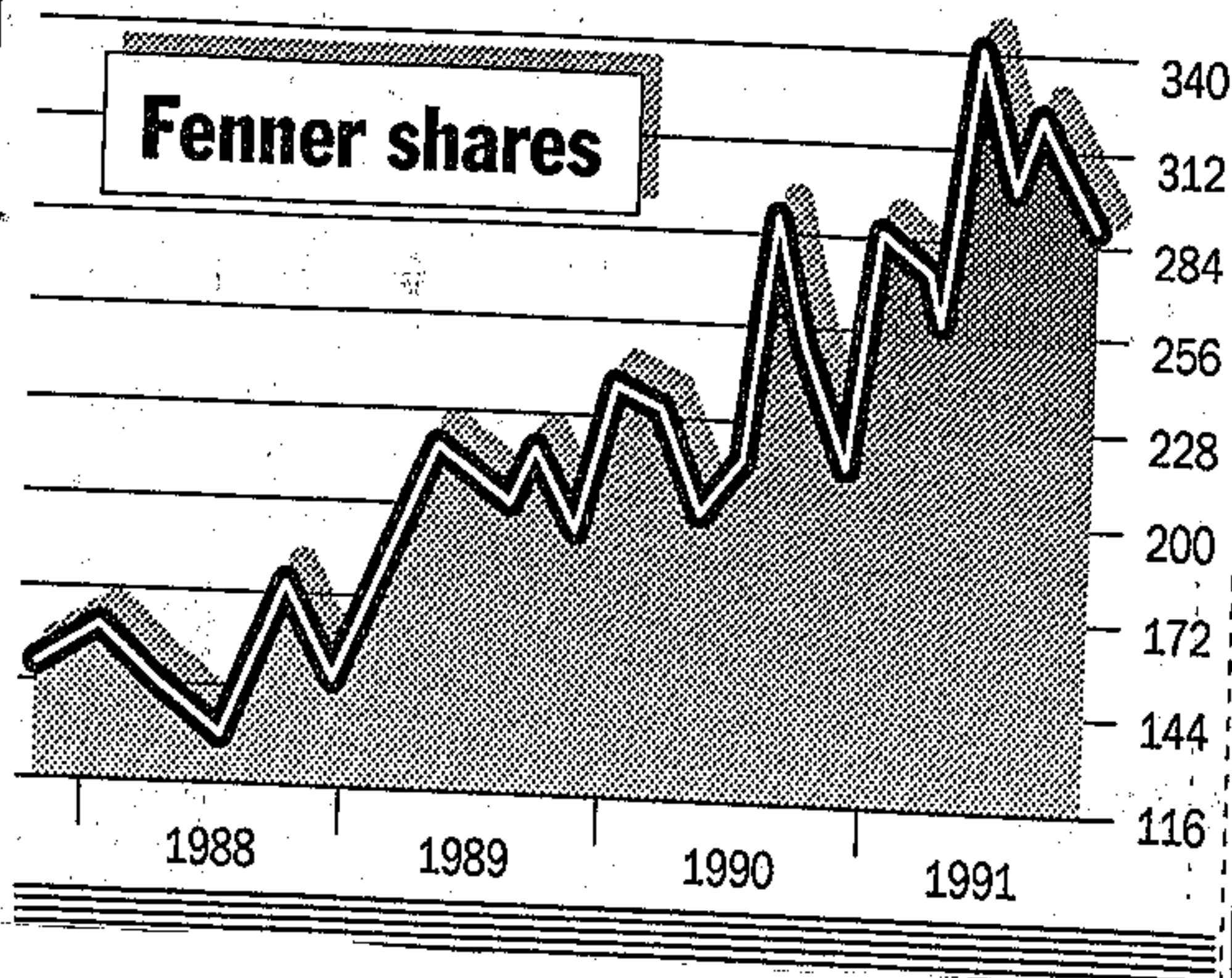
COMMENT: Fenner, priced at 300c, is trading on a P/E ratio of 4,5 and gives a dividend yield of 7,3 percent.

These yields are relatively attractive and shareholders could be well rewarded in the longer term.

Since its listing in May 1987, Fenner's share price has climbed continuously.

Recently, the price fell to 300c from its peak of 340c.

A further decrease will signal the start of a negative trend.



Masterbore falls into red hole

PAUL ASH

189F

DRILLING company Masterbore has reported a drop into the red for the six months to end August. The company disclosed an attributable loss of R690 465 (previously R1,31m profit).

Curtailement of drilling contracts at the end of June caused turnover from drilling operations to plummet from R14,15m to R10,53m and reduced operating profit to R1,29m (R2,83m), the directors said in the statement.

Loss per share was 3,0c compared to earnings per share of 9,7c for the comparable period last year. No interim dividend was declared. *Biday 11/12/91*

The company, which declared a R4,46m loss for the year to end-February, has been restructured to develop and expand core operations in the drilling industry.

With orders at low levels and "difficult conditions in the drilling industry", it was unlikely the group would make a profit in the current financial year, the directors said.

One and one make three in Hudaco-Valard deal

1891

S/TIMES (BASS)
By JULIE WALKER

VALARD managing director Stephen Connelly and partners Simon Nash and David Makins spent 10 years building the respected group whose turnover topped R170-million last year.

Across the office car park in Elandsfontein lies Hudaco, which has been developed from obscurity seven years ago into a leading industrial group with sales approaching R400-million.

Prudent acquisitions of good businesses with uncertain management have paid dividends aplenty for both groups.

This week they announced a get-together that will result in the delisting of Valard and holding company Valhold and the incorporation of its businesses under the Hudaco banner.

"We have known each other for a long time," says Hudaco chief executive Kevin Clarke of Mr Connelly. "We kept meeting each other in the car park."

Reduced

Two years ago Valard bought control of Landlock, a much bigger company but not making money.

"We strained the balance sheet to do the Landlock deal," says Mr Connelly. "We have now got it back into shape, but realised that if we were to grow any further we would have to wait a few years."

"Our scrip is not as tradeable as Hudaco's and my partners' and my combined stake in Valard has been reduced from 100% of the operations to 56% of Valhold."

"We realised that control would go sooner or later and always looked at Hudaco as the model we would choose."

Valard need not emulate Hudaco now that they have joined forces. Mr Clarke has

no hangups about control, being of the view that if the directors deliver, they will not be voted out by shareholders.

"Valard's culture is similar to ours," says Mr Clarke. "We started by talking about a deal in our respective hydraulics, businesses and things went from there."

They rent near-identical offices where modesty prevails. The businesses dovetail neatly. Where there is overlap, rationalisation will take place. The principal activity is the manufacture and dis-

tribution of industrial consumables.

Mr Connelly will join the Hudaco board as an executive director and his Valard partners will be non-executive members, the same role they play at Valard.

They will become large shareholders in Hudaco and will be restrained to the tune of R4,5-million for five years — a condition Hudaco insists on.

Mr Clarke says the deal is a takeover in the sense that Hudaco will come to own Valard, but is a merger from the point of view of operations. Mr Connelly will assume additional responsibilities at Hudaco.

The deal is worth R75-million and Hudaco will pay R11,3-million in cash and issue paper at R12 a share for Valhold and Valard. There is a cash underpin for up to 40% of Valard and Valhold members' Hudaco entitlements because institutions have been eager to accept more Hudaco scrip and shares have been placed.

Both parties are convinced that one and one will make three in this merger of two acquirers.

"Watch for our results in six months' time," says Mr Clarke.

Hudaco is R12,50, Valard 95c and Valhold 100c.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Norvic	N/A	+7	-3,4	N/A	-23,9	N/A	—	—
Metpol	—	—	—	—	70,0	+24	46,0	+22
Plastall	64,2	-1	1,6	N/A	10,6	N/A	4,25	—
INTERIMS								
Columbia	29,9	-15	1,3	-75	3,3	-72	0	N/A
Dalswa	—	—	2,8	-1	20,8	0	3,5	0
Farm-ag	5,8	-84	-7,6	N/A	-28,1	N/A	—	—
Rale	5,8	-84	-8,2	N/A	-3,3	N/A	—	—
Acrom	22,4	-7	1,0	-70	1,3	-69	0	N/A
Premier ▲	5216,5	N/A	181,0	N/A	113,0	N/A	32,0	N/A
Sho-craft	3,3	+14	0,08	-55	0,62	-22	1,0	0
Eureka	64,4	-25	2,1	-25	1,1	-45	—	—
Absa	—	—	260,2	+108	46,4	+15	15,5	+11
C-Matic	10,3	+17	0,3	-37	1,3	-35	—	—
Eurevest	24,8	-19	1,8	+32	113,6	+10	—	—
Twins ▲	262,1	N/A	58,8	N/A	34,6	N/A	10,0	N/A
Toco	65,7	+16	8,2	+16	9,0	+2	2,75	+10
LTA	998,0	-1	26,7	+30	53,0	+36	10,0	0
Saampro	6,7	N/A	0,9	N/A	6,45	N/A	4,0	N/A
Saambou	—	—	-72,7	N/A	N/A	—	0	—
Hi Score □	819,0	N/A	17,2	N/A	N/A	—	6,0	N/A
Score-Clicks □	819,0	N/A	17,2	N/A	N/A	—	3,5	N/A
Gresham ▲	546,6	N/A	7,6	N/A	8,1	N/A	1,5	N/A
PDC ▲	337,4	N/A	3,1	N/A	7,6	N/A	1,5	N/A
Clicks #	423,1	N/A	21,1	N/A	56,1	N/A	22,0	N/A
Score \$	201,1	N/A	-1,9	N/A	—	—	—	—
Metcash \$	1727,4	N/A	7,0	N/A	2,2	N/A	—	—
Racy	32,3	+1	2,4	-12	5,3	0	—	—

▲ 7 months, □ 35 weeks, # 8 months, \$ 18 weeks.

Petrel (189P)

seeks 80%

SL Times (BUS) 8/12/91

CAPE-BASED Petrel Engineering is poised to capture 70% of the R8-million-a-year crop-spraying market after buying the copyright from the liquidated Janisch Cropsprayer manufacturer.

Petrel has bought the original copyrighted drawings and data for the manufacture of spraying equipment for use in deciduous fruit and citrus orchards, vineyards and vegetable-growing areas. The nearest competitor is an imported brand.

CEMENCO

Downhill ride

Trading conditions in the mining, engineering and contracting sectors deteriorated more rapidly in the second half than was expected when the Cemenco interim report was issued during May.

Continued decline in demand saw further shrinking of margins, as well as acceptance by management of increasingly onerous conditions of contract — all of which squeezed the operating result for the year. After first-half operating profit fell from the year-ago level of nearly R14m to R361 000, in the second six months the figure slumped to a R5,1m loss.

Another problem was mounting trading losses in the electronics division. Closure of this division has resulted in the provision of a further R3,9m as an extraordinary item, following the provision of R2,2m in the 1990 year.

Largely in an effort to expand export earnings, a R10m plant has been completed, which will manufacture, cut and polish granite tiles. A full range of products will be produced from various types of granite. Management feels confident that sales will perform well once production starts during the 1992 financial year. The investment in the plant, part of a 50-50 joint venture with Marlin Corporation, is equity accounted.

However Cemenco's profit source may change, short-term effects are overshadowed by the postponement of mining projects, particularly in the gold mining sector. Half the group's turnover is derived from contract



Cemenco's Shaw . . . shrinking margins

mining; 60% of its engineering operations also serve the mining sector.

Even when work is available, MD Graham Lotter says, profit margins have generally been tightly squeezed. Chairman Ron Shaw adds that the problem has not only been the postponement of gold mining projects, but also the time lag between awarding contracts and getting the go-ahead from mining houses.

The deterioration at trading level, as well

as an interest bill of R9m (1990: R8m), resulted in a pre-tax loss of R13,8m. Interest-bearing debt was slightly reduced but gearing remains onerous for present conditions, at about 70%. Shaw says management's main objectives this year will be to improve productivity and asset control in all sectors.

The market evidently believes it will be a tough task to restore profitability during this

IN THE RED

Year to September 30	1989	1990	1991
Turnover (Rm)	335	356	325
Pre-interest profit (Rm)	22,1	23,9	(4,7)
Attributable (Rm)	10,7	9,0	(7,0)
Earnings (c)	155	100,6	(78)
Dividends (c)	75	50,0	—

year. The share price fell from 540c to 300c in the nine months before the year-end, and stands at only 260c.

Basil Barber

HUDACO/VALARD

FM 6/12/91

189P

A bigger engineering player

Engineering group Hudaco has decided to take its biggest leap since listing in 1985 with the R75m acquisition of Valard. As the *FM* suggested last week, the deal is to be done by delisting Valard and its holding company, Valhold.

This will be by far the biggest acquisition so far for Hudaco, whose largest purchase until now was Norton Abrasives, for about R35m. It results in a group with turnover of around R500m, and more than 4 000 employees. Attributable profit of Hudaco and Valard total more than R30m.

The thinking behind the deal is that it should help to generate growth for the businesses of both the existing groups, as well as improve efficiencies in some areas. A third factor, says Hudaco CE Kevin Clarke, is that there should be a greater potential to acquire or develop new businesses in future.

If all goes as planned, then Valard's shareholders, in particular, stand to gain from better growth prospects. While Hudaco has maintained good growth, and should continue to do so, Valard's growth capacity has become limited. Gearing has for some time been fairly high, and management was reluctant to take on much more debt. At the same time, there was little scope to expand by issuing shares, because the share is tightly held and does not have a high rating.

Three directors — and founders — now control Valard: chairman David Makins, CE Stephen Connelly and Simon Nash. After the deal, they will collectively hold about 12% of Hudaco. They will hold the shares as individuals but the combined stake would be worth some R39m, based on the market values of both groups of about R327m.

Aside from the value of their equity holdings, Makins, Connelly and Nash will receive R4,5m as part of a five-year restraint of trade agreement. This was a condition of the Hudaco offer and starts on 1 December 1991 when the agreement takes effect.

However, all three are to become directors of Hudaco. Connelly is to manage what will probably be called the new Valard division — though its operations will be different from those in the present Valard. This, says Clarke, will be by far the largest division in the enlarged group. "Stephen will be in a position to spearhead the growth of the business," says Clarke.

Offer prices for Valard and Valhold shares are at varying premiums to the last market prices. Payment is being made in a combination of Hudaco shares and cash. Hudaco will issue 5,3m new shares, while the cash offers will be funded by Hudaco (R7,3m) and by financial institutions which have agreed to provide a cash underpin.

In the Valhold leg, which will cost



Hudaco's Clarke ... buying more momentum

R56,3m, Hudaco is offering to acquire all the issued shares for 105c a Valhold share, only slightly higher than the last trading price of 100c. Valard shareholders are being offered a larger premium (36%) to the last market price — the offer price is 116c a share, compared with the last trading price of 85c.

Clarke says the cash option was included because the major shareholders wanted to receive at least some of the price in cash. It was agreed that shareholders of both companies would be able to take up to half the total purchase price in cash.

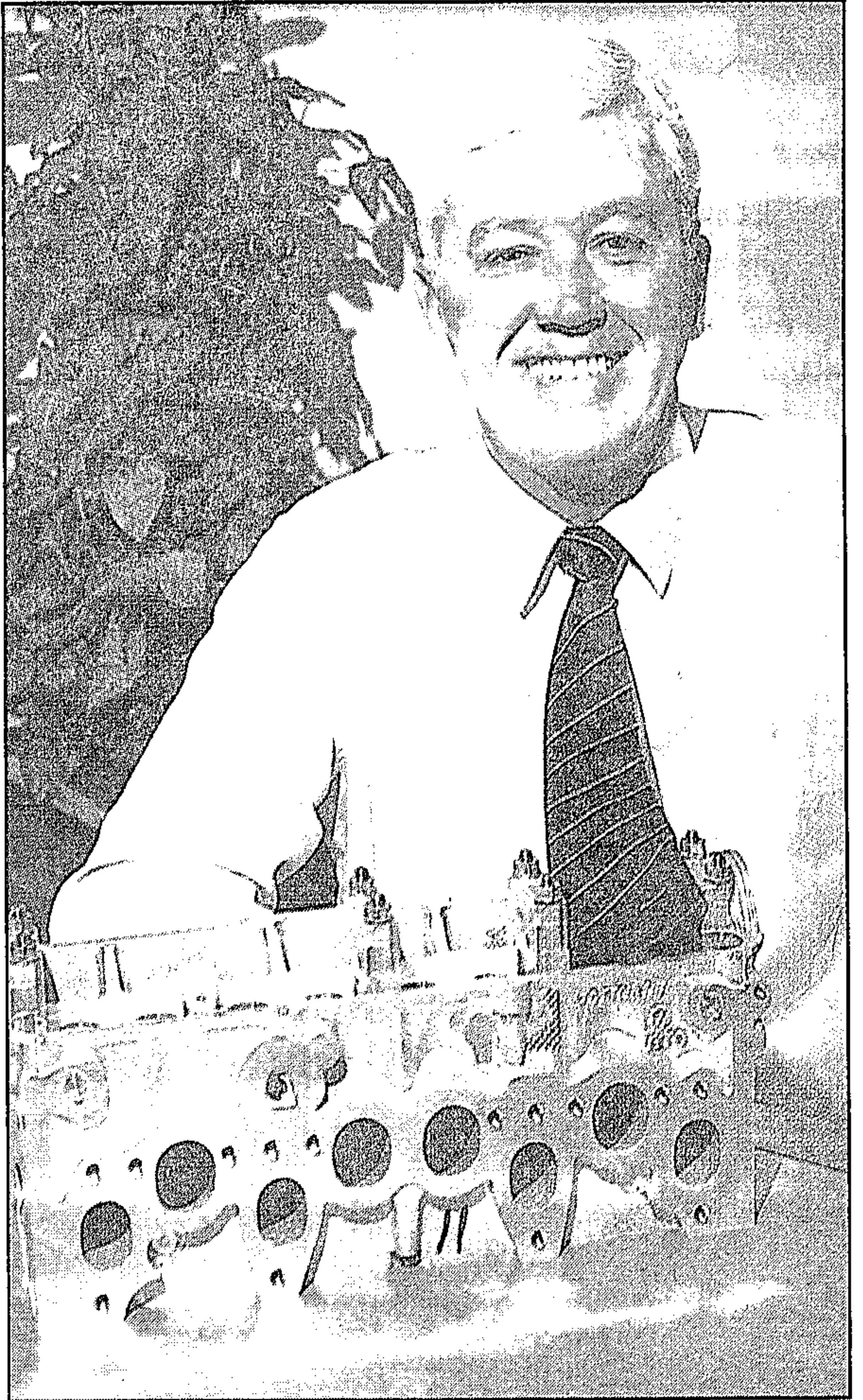
For those investors who decide to take the full Hudaco share offer, the attraction will be the opportunity to have a stake in a larger group which has produced a solid growth record for some years.

The price has remained in an uptrend over the past four years, having tripled since early 1988, but has underperformed against the JSE Industrial index since the first quarter of 1990. Old Mutual, Syfrets and Liberty Life currently hold about 50%. No acquisitions are without risk but, if management performs as in the past, the share should remain popular with institutions.

Andrew McNulty

Genrec back from the brink

189A
S/Time (BUSS)
11/2/91



IAN COLEPEPER . . . A damn fine team who get on well with one another

SELECT your managers carefully, give them authority and then manage them, says Ian Colepeper, chief executive of Genrec, the 10th-best performer over five years.

Mr Colepeper's formula has been proven at the broad-based engineering group that was on the verge of disaster four years ago.

Mr Colepeper also heads the Murray & Roberts engineering divisions and has been with the group for 25 years.

In 1975, M&R bought a third stake in Genrec, but it turned out to be one of its poorer investments. By 1987, M&R was faced with a choice of either losing out completely on ailing Genrec, or taking it over and trying to salvage it.

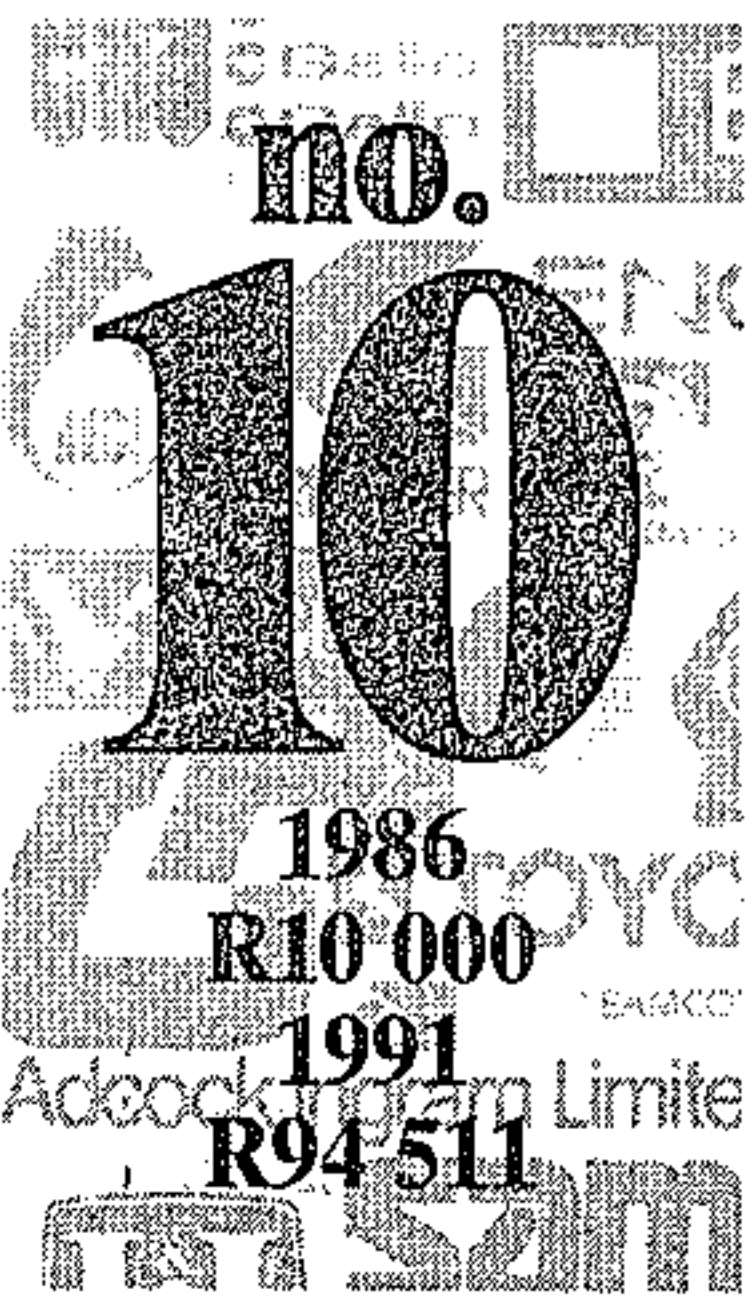
Injected

Taking the second route has paid handsome dividends.

The task fell to Mr Colepeper and a small team from M&R to get Genrec right. The year before he took over, Genrec lost R18-million.

Mr Colepeper injected

By **JULIE WALKER**



came to the party now comprise barely a quarter of the group's total business and perhaps half that in terms of profit.

Profits returned in year one when the new Genrec made R4-million. The next year it made R10-million, then R22-million, this year R33-million. Mr Colepeper expects an improvement in the current year.

Beer

The group is active in stainless-steel equipment such as used in the high-growth areas of brewing, dairy products and other food and drink businesses. "Beer consumption has

doubled in six years," says Mr Colepeper.

"Capital expenditure on breweries has grown six-fold in that time."

Genrec's Consani tanks business has won two major exporting awards and is the second-largest business of its kind in the world.

Genrec also makes and assembles Marion Dresser draglines for collieries and installs Bucyrus Erie components made in SA by another engineering group.

Genrec has started to make automotive components, such as cylinder heads.

Genrec won acclaim for the flawless installation of the jacket for the offshore rig at Moss gas. The 15 000-ton jacket was positioned, floated, lowered and pinned into place in a remarkable feat of engineering.

Heads

Needless to say, Mr Colepeper and the executive directors at Genrec are all engineers from various disciplines.

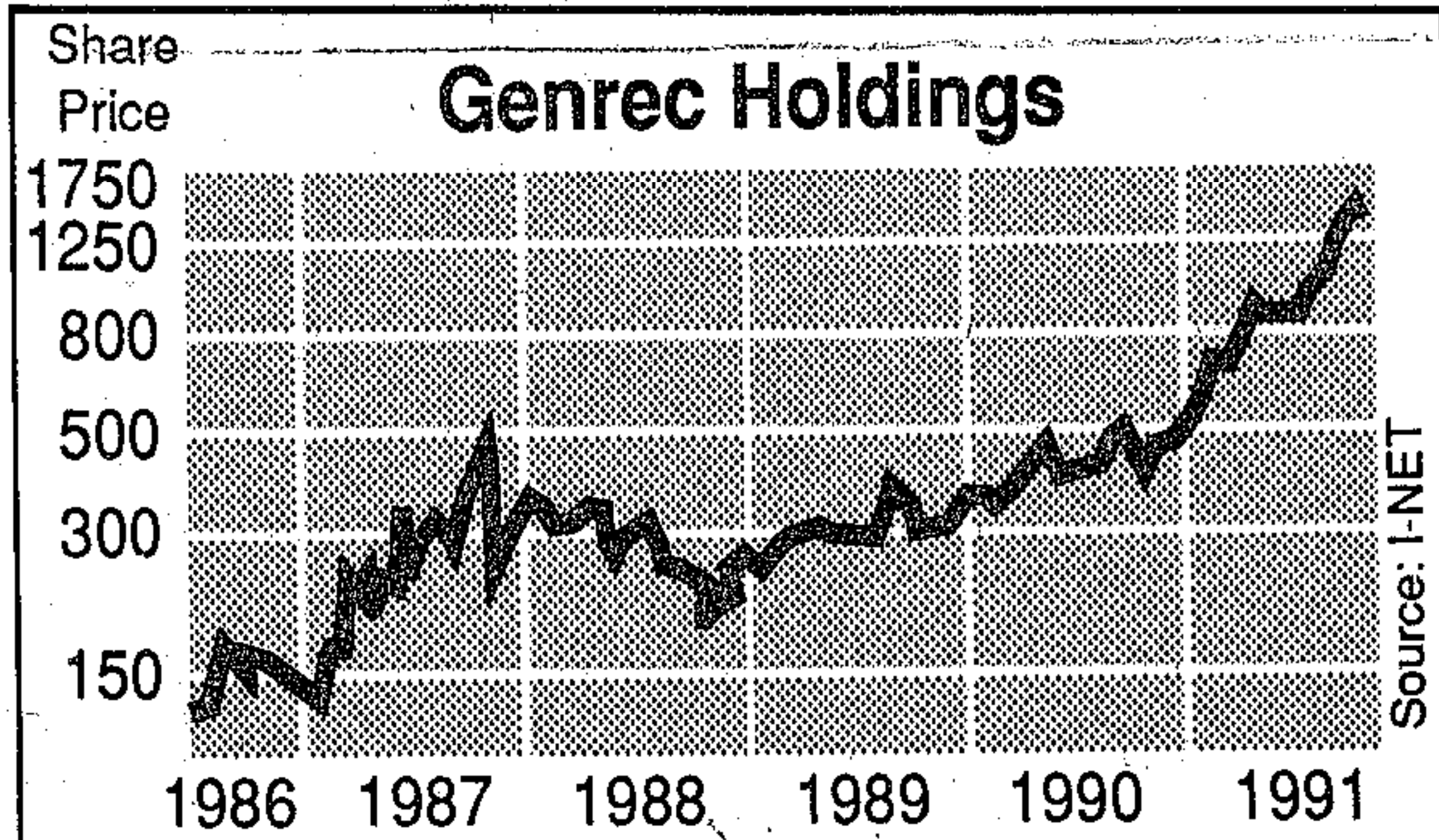
"We have a damn fine team here," says Mr Colepeper. "All of us get on well with each other despite some fierce arguments from time to time.

"In business, too much

autocracy stifles ideas and good people cannot work well under such conditions.

"All I have really done is get the right people in, give them their heads and the authority to get on with things and then managed them."

Genrec is one of the few engineering companies to make any headway in the past two years of declining economic activity. It is plain to see why.



Engineers seek export incentives

CAPE TOWN — Talks between the Trade and Industry Department and the SA Association of Consulting Engineers (SAACE) on export incentives for the profession's services are under way.

The department, with the SAACE, is conducting a survey of the 1 200 SAACE members to determine the type and extent of technical expertise currently being exported.

"We hope the survey is a forerunner of tax incentives," association executive director Hennie Lemmer said in an interview, adding that most other governments provided incentives for consulting engineers.

"Invisible exports of human resources, knowledge and expertise are invariably the forerunner of the export of plant, equipment and materials," Lemmer said.

SA consulting engineers are currently involved in work in the Lesotho Highlands, Taipei, Namibia,

Mozambique, Angola and Botswana.

Lemmer said Dutch, Finnish, German and Portuguese delegations of consulting engineers had recently visited the SAACE to investigate the possibility of establishing liaisons with SA firms.

SAACE president Ian Scott said the world market for consulting services was worth more than \$1,5bn last year, of which Africa represented 40%.

"This is a significant market for which we have the expertise. The spin-offs for the manufacturing, industrial and contracting industries are enormous," Scott said.

Improved political relations with African countries have opened up the possibility of SA engineers taking part in infrastructural development.

Lagos-based International Federation of Consulting Engineers execu-

tive member Joseph Folayan who is visiting SA to speak at the SAACE AGM this week, said that last year 35% of the \$835m World Bank-financed projects came to Africa, representing about \$350m in consultancy fees. An additional \$320m in fees came from UN agencies.

He said SA consulting engineers were well placed to participate in these markets as they had the understanding of, and the expertise to handle, Third World problems and needs and had been involved in the development of low cost and appropriate technology.

They would be cheaper than their US and European counterparts who were taking the bulk of the work.

Folayan stressed, however, that to be competitive on international markets, SA consulting engineers would need government support in terms of tax incentives and embassy promotion of their work.

LINDA ENSOR

IN a downturn, companies cannot do much about their order books.

That is why Hudaco concentrates on aspects of its business that it could improve, such as stocks, assets, debtors and operating costs.

Chief executive Kevin Clarke says that in spite of the worst engineering recession in 20 years, the group responded early to the signals, and has withstood the recession without too much pain.

He believes the economy is at the bottom and that now is the time to consider the next steps in the group's remarkable recovery.

Hudaco is 100 years old this year and Mr Clarke draws an analogy between the environment that faced founder Hubert Davies and that encountered today.

Common to both are a fragmented society, low productivity, new technology, a skills shortage. But of opportunities — plenty, then and now.

"We have spent a lot of time in the last two years positioning ourselves for a protracted downturn. The result is a strong balance sheet and management team, and although we will proceed carefully, we are ready to take new opportunities."

There are four key areas of business — bearings, diesel engines, abrasives and power transmission. Hudaco is dominant in all.

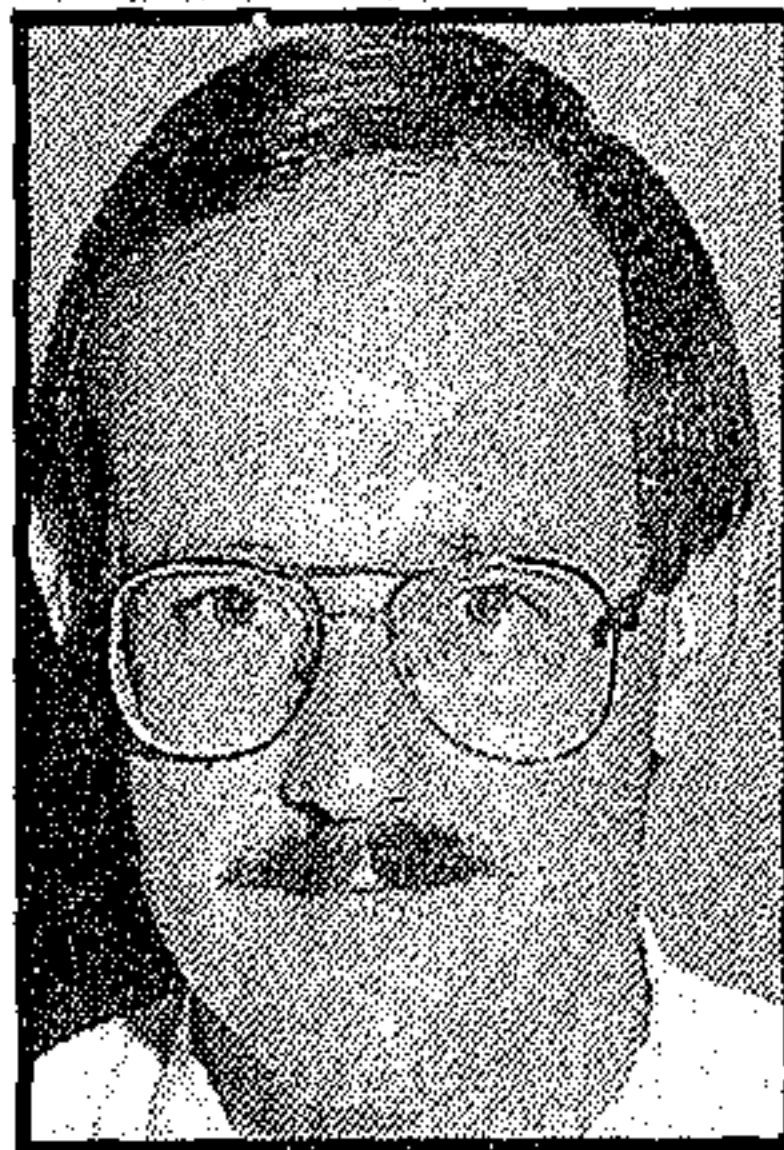
Mr Clarke says the bearings industry should look a little healthier now that two competitors have merged. Obviously, certain areas have been under pressure, such as gold mining, but food, cars and a few other pockets are doing well.

Being in the replacement rather than the primary market means that the bearings division is not too vulnerable to economic cycles.

Diesel engines are at the

DIAGONAL STREET by Julie Walker

Hudaco in S/Times (Buss) 27/10/91. 189F fine trim



KEVIN CLARKE: Early response

core of any developing country, says Mr Clarke. Hudaco operates in stationary applications, but Mr Clarke does not expect the protection enjoyed by Atlantis Diesel Engines to last forever.

A free market would allow Hudaco to compete in truck and tractor engines.

The abrasives division has done well since the merger of Cumar and the 1989 acquisition Norton.

"It was one of the deals

where there really was a synergistic benefit. We can knock out 40% of the operating cost on the high-volume grades."

Power transmission — chains and belts and so on — is also doing well. In short, nothing is doing badly.

The group has a November yearend, so it is a bit too close for Mr Clarke to drop any hints. But shareholders will not be disappointed.

Shareholders are in an unusual position in that there is no clear control of the group, membership being spread across management and institutions.

"Obsession with control by some groups entrenches incompetence, and stifles new blood and new ideas," says Mr Clarke. The view is that if management fails to deliver, it should pay the penalty.

Hudaco pre-empted the severity of this recession two years ago and is one of the few companies that will not have to use the downturn as an excuse for poor results. That is the kind of management I would entrust with my savings.

Specialist company grows into leader in building services

B1024 22/10/91

189F

WILLS Aeroboe & Associates has come a long way in the 25 years since its inception, and is today a leader in the provision of building services in southern Africa.

The company was founded in 1966 under the name Air Conditioning Advisory Services, which was changed in 1974 to John B Wills & Associates and then, in 1988, to Wills Aeroboe & Associates, in recognition of the services of Mervyn Aeroboe, director responsible for mechanical and piped services.

Branching

For the first 17 years, the company practised as specialist air conditioning and ventilation engineers, initially specialising in industrial applications and then branching into the commercial market, becoming a leader in the field of air conditioning for retail stores and later shopping centre developments.

In 1983, the company broadened its scope to include plumbing and drainage services and in 1984 developed into a multi-

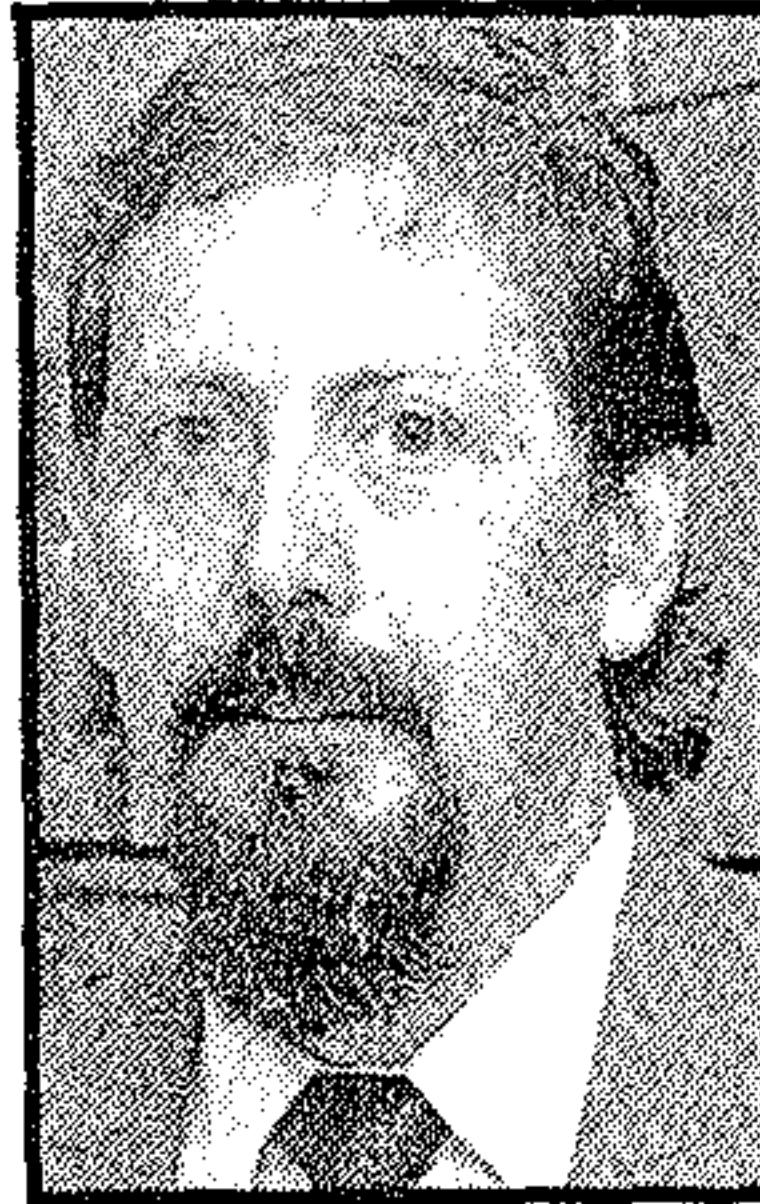


JOHN WILLS

disciplinary practice to encompass electrical and electronic engineering under the direction of Ken Wardle, a technical engineer.

Founder and MD John Wills says: "Our activities range from feasibility studies to design and supervision, cost control and the management of maintenance and energy conservation programmes."

The firm's philosophy is to provide a practical and commercial approach to professionalism to achieve the best possible compromise between initial cap-



MERVYN AEROBOE

ital investment and the long-term owning and operating costs.

The philosophy has paid off, and Wills, Aeroboe & Associates has amassed an impressive array of projects.

It has been responsible for the design and supervision of building services in 15 of Sun International's resort hotels and entertainment centres in southern Africa over a number of years.

The company has also been involved in the retail sector and over the past 20 years has been responsible

for installations in some 30 shopping centres and more than 250 stores for Edgars.

Its services encompass new developments, conversions and refurbishments of high-rise office towers and parks.

"We are committed to meeting the needs of the developer, the financier and the tenant without compromising on services and designs to achieve the most cost-effective results while meeting the specific requirements of each project," says Wills.

Innovative

Apart from major refurbishments of established hospitals and clinics, Wills, Aeroboe & Associates has also been involved in some of the most innovative projects in the health-care sector in southern Africa.

Its involvement with industrial projects has also been extensive, with applications varying from aircraft assembly plants, oil refineries and laboratories to diamond cutting works and pharmaceutical production and cosmetic plants.

Southern Africa is ready to take off

WITH sanctions crumbling, Wills Aereboe & Associates is in a strong position to capitalise on growth opportunities.

Business 22/10/91
The firm has widened its scope of activities in its 25 years of operation and is now active in virtually the entire southern African region.

Over the past several years it has worked in Namibia, Botswana, Swaziland and, more recently, Mozambique.

MD John Wills says the firm is also looking to move back into Angola, from which it had pulled out several years ago.

189B
In Botswana, work has ranged from extensions to the Gaborone Sun to work on the new Gaborone Private Hospital.

It has also done extensive work offshore, being involved in hotel/resort work on several Indian Ocean islands, including projects and refurbishments in Mauritius and the Seychelles.

The firm has made inroads with a number of projects in Madagascar and is consulting engineer for a multi-million rand Bazaruto island development, which is being handled by Gordon Schachat Investments.

Wills Aereboe will be working on a variety of services, one of which involves the conversion of an old lighthouse into a casino.

EDWARD L BATEMAN (189) Rewarding top people

Activities: Process and project engineering and supply of capital plant and consumables.

Control: Directors 47%. FM 18/10/91

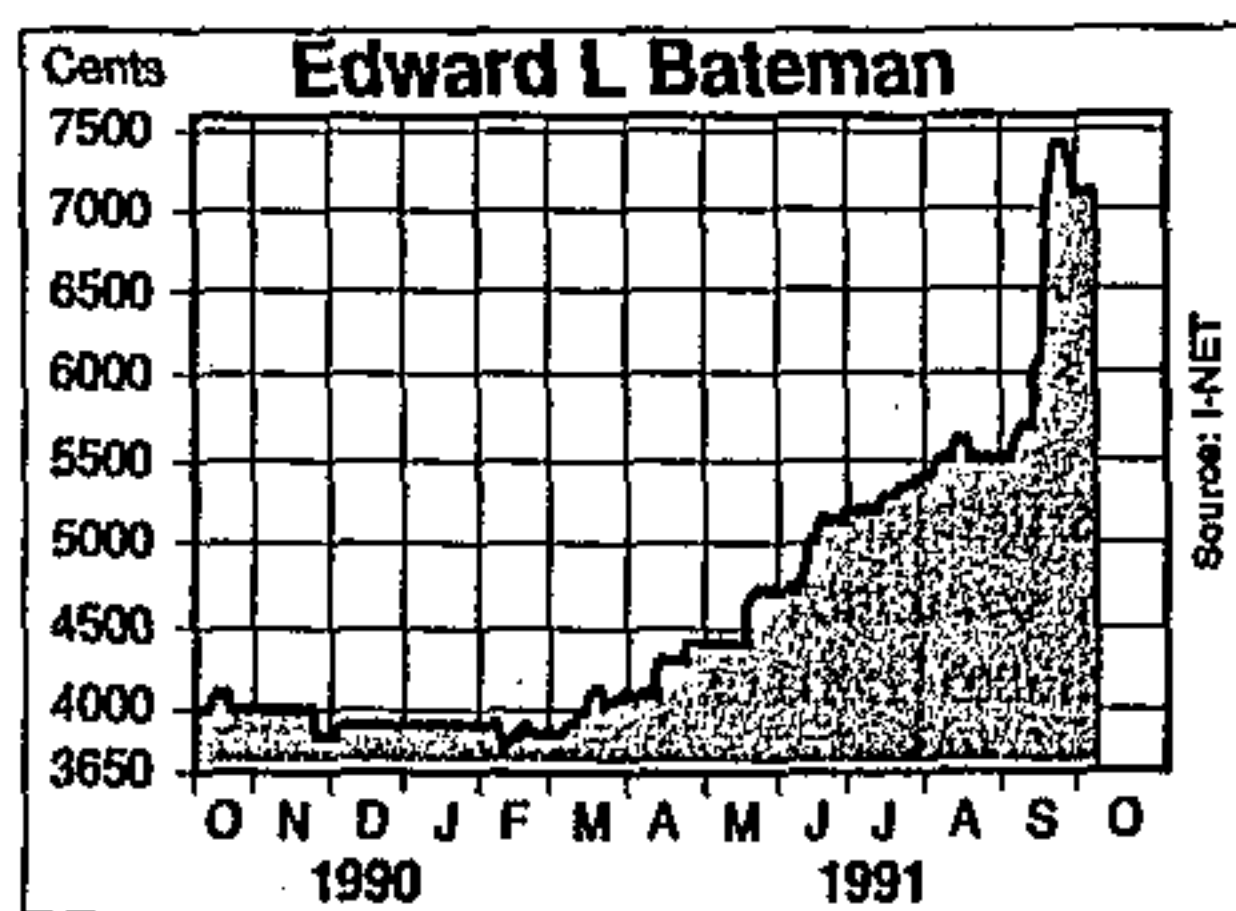
Chairman: W G L Bateman; Joint MDs: H P M Brereton, J P Herselman.

Capital structure: 2,7m ords. Market capitalisation: R192m.

Share market: Price: R71. Yields: 3,7% on dividend; 11,3% on earnings; p:e ratio, 8,8; cover, 3,0. 12-month high, R72; low, R37,50c. Trading volume last quarter, 17 000 shares.

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	4,5	9,1	10,0	18,0
LT debt (Rm)	4,5	0,2	0,8	0,2
Shareholders' interest	0,24	0,27	0,27	0,26
Int & leasing cover .	5,8	8,5	8,8	11,5
Return on cap (%) ..	4,9	6,3	8,5	8,8
Turnover (Rm)	735	844	589	786
Pre-int profit (Rm) ...	12,7	18,3	29,1	36,2
Pre-int margin (%) ..	1,7	2,2	4,9	4,6
Earnings (c)	318	531	672	803
Dividends (c)	130	170	216	265
Net worth (c)	2 340	2 643	2 951	3 359

The message behind chairman Bill Bateman's annual statement is blunt: get people of the right calibre and ability into the top



decision-making positions and the concern — a company or a country — will prosper.

Few would argue with the theory. But whether he is correct in citing his group as proof is another matter. It could be argued that Bateman's experience underlines another truism; that top people need top motivation if they are to deliver top performance.

Bateman's performance during the Eighties can be broken into three distinct periods. The first lasted up to 1984, during which earnings stagnated in a range of about 130c-180c. Year-to-year performance was erratic, but the general trend was downwards.

The second, lasting four years, was 1985-1988. Apart from the fact that the earnings plateau was higher (roughly 270c-335c), it had the same basic characteristics, being marked by erratic year-to-year performance but with an underlying easier bias.

Then came the introduction mid-way through 1989 of a revolutionary, complex and sometimes controversial management incentive package based on the concept of creating a "partnership" between operational management and shareholders. For participants, the scheme represented the roll of a die with some pretty large numbers on it: if they didn't perform, they stood to lose the best part of R3m. But if certain performance criteria were met, their returns (at the expense of shareholders) would be enormous.

What happened next is interesting. After having languished on two earnings plateaux for the best part of a decade, the group suddenly got up and charged. From 1988 as a base, the cumulative gain in pre-tax profit to date has been 239%, while even taking into account the diluting effect of the scheme as an increasing proportion of profits accrued to management, EPS rose 153% — which, for the record, was double the net improvement of the previous nine years.

Critics of the scheme would probably argue that these gains could have been achieved in any event. In theory this is true, since the scheme per se did not create the business opportunities which Bateman has obviously been exploring with considerable success. What it did do, however, was to provide the motivation for management to get out and find those opportunities — and during a recession of increasing intensity and when one main traditional market, mining, was under great pressure.

Viewed one way, the costs to shareholders of breaking Bateman out of its lethargy have been high. Over the past three years, a total of R8,5m in profit has, in effect, been passed over to the management of the two operating subsidiaries, while in the balance sheet, minority interests representing management's stake in those two companies now have a book value of R15,9m (including, presumably, the R3m participants had to contribute in pref share capital).

Against this, without the scheme would there have been a 153% gain in EPS for shareholders and, more particularly, would the market have rerated the share to the same degree? The fact is that the combina-

FM 18/10/91 (189)

tion of renewed earnings growth and rerating has benefited shareholders enormously — over the past three years, the price has more than trebled from 2 050c to 7 100c, adding R139m to market capitalisation.

It needs also to be accepted that the major benefits have already been achieved and are a thing of the past. This becomes clear from comparing current profitability ratios with those of three years ago. Tighter asset management has contributed to improvements in gross return on capital employed (excluding interest-free liabilities) from 17,6% in 1988 to 27,4%, while the corresponding gain in ROE has been from 13,6% to 23,9%. In both cases, these returns are about as high as they are likely to get, leading to the conclusion that future results will depend largely on business conditions.

A plus factor is that 1991 saw completion of phasing in what has become management's 20% stake in the operating subsidiaries. So there will be no further dilution, making this year's forecast of "at least maintained" earnings that much easier to achieve. Last year, an 85% increase in the minorities charge diluted a 29% gain in attributable profits to under 20%.

If Bateman earns 925c, it could pay a three-times covered 308c for 1992 — a forward dividend yield of 4,3% which, despite the substantial rise in the share price, is not unattractive.

Brian Thompson

Cape bridge for Houston

Staff Reporter

189F

CAPE TOWN — An SA engineering company has pulled off a multimillion-rand coup by being awarded a US tender to build the deck of a bridge to be erected in Houston, Texas. *6/10am 18/10/91*

The 800m bridge — to be erected over the Houston ship channel — is currently under construction in Cape Town's Table Bay harbour and is expected to be completed by April 1992, at an overall cost of about R270m.

The project was commissioned by the Texas state highway authorities.

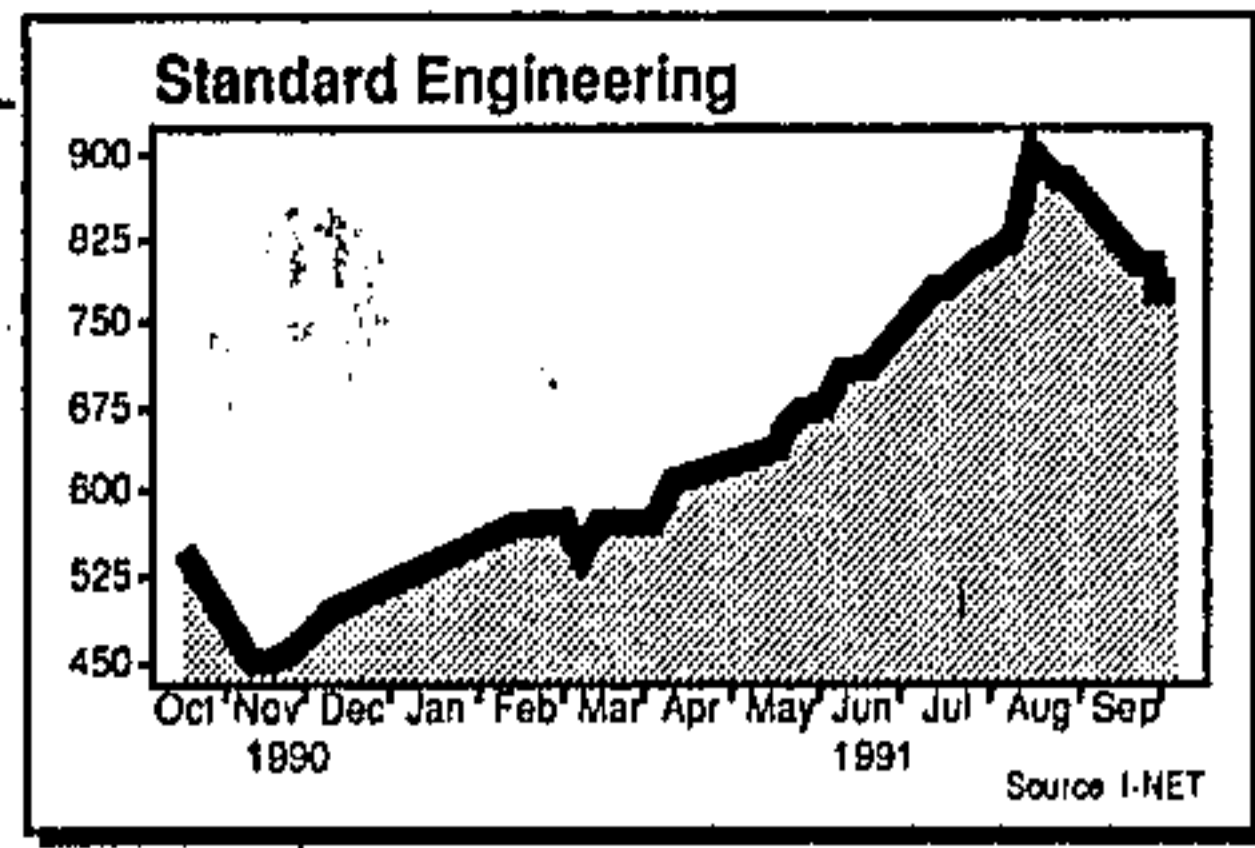
The steel deck for the bridge will be transported by ship to Houston.

The tender was awarded to the Johannesburg-based Group Five Projects engineering and construction company because economics favoured SA, sources say.

"Labour and reinforced steel in SA is cheaper than the US and Korea," a source said.

Trains on track for Standard

189F
S Times
(Bus)



TRAIN sets were on track but automotive parts lost momentum at Standard Engineering during the year to August 1991.

Chairman Hugh Brown told members of the Investment Analysts Society that AS Transmissions and Steerings operated on turnover of R108-million, only 40% of the previous year's.

But the rolling stock company Union Carriage, in which Standard has 71%, saw its business treble to almost R120-million, thanks to orders from Taiwan.

The other three divisions are pipe company Hall Longmore, fluid handling division Fluid Holdings and metal pressings operation Aber-tech.

Reason

These three each contributed between R133-million and R143-million to Standard's 1991 turnover of R639-million, a decline of 8% on 1990's.

Exports made up 17% of the total and was the main reason behind a tax bill of only R5-million on pre-tax profit of R55-million. This compares with 1990's previous bill of R21-million on profit of R61-million.

Mr Brown went to some lengths to show the notional effects of exports on operating results after grossing up

DIAGONAL STREET by JULIE WALKER



taxation benefits arising from export incentives.

Income before tax would have been R75-million and tax R24-million, leaving the same bottom line taxed profit of almost R50-million.

One analyst queried the validity of the comparison, saying the day of judgment

would come for Standard when it had to pay a proper tax rate.

Mr Brown retorted that as long as the group continues to export — as it will in the foreseeable future — it will not have to pay a high rate of tax.

Outside shareholders' in-

13/10/91
interest fell from R14,5-million to R8-million because Standard has bought out many of the minority shareholdings in group operations.

As a result, earnings for ordinary members topped R41-million, a rise of 61% on 1990. An increase in the number of shares in issue led to a rise of 27% at the bottom line to 120,9c a share, and the dividend was lifted by a quarter to 40c.

The biggest divisional contribution to earnings came from pipes, with 38%, down from 1990's 44%. Rolling stock chipped in 25% with the successful completion of an export order to Taiwan; metal pressing made 17%; fluid handling 14% from last year's minus 2%; and automotive parts only 7%, compared with 32%.

Mr Brown said R55-million had been spent on capital items during the financial year. Buildings and equip-

ment for assembly lines at ASTAS, at a cost of R15-million, give the company the capacity to make gearboxes and axles for 10 000 heavy vehicles a year.

But ASTAS has operated at only 30% of capacity for the last nine months, so the economy will have to pick up substantially before a return on investment can be expected at ASTAS. Long lead times could mean the bonsella will have to wait a year or two,

improve quality. In only seven months, Hall Longmore has exported more than in the whole of last year.

Mr Brown said Standard's gearing was a comfortable 34,5%, having varied little during the past two years. Net asset value a share has risen steadily to 552c.

The group achieved a 29% return on funds employed in the year to August 1991, about the same as last year's.

But the divisional breakdown changed markedly. Rolling stock returned 114% of the funds employed in that division, compared with 16% last year. But that on automotive parts shrank from 24% to 11%. The return on average shareholders' funds was 23,4%.

Mr Brown outlined the group's prospects, saying that although uncertain times lay ahead, Standard was budgeting to maintain earnings in the year to August 1992. It is also looking for acquisitions to supplement and extend present activities.

Standard Engineering is itself an acquisition target for Murray & Roberts. Current major shareholder Malbak is to sell half its 73% holding in Standard to M&R, with an option on a further 10%.

Comfortable

Fluid Handling bought Protea Technology for R17-million, giving it the facility to handle major turnkey contracts, such as Island View.

Another R3-million was spent on increasing capacity at Valmatex, the expanded metal business, which hopes to increase exports.

So does Hall Longmore, where R10-million was used to upgrade the ERW mill to

Lord looks for the facts

13/10/91
S Times
(Bus)

LORD COBBOLD, managing director of the British based currency manager Gaiacorp, believes that South Africa could become an important player in global currency markets.

Lord Cobbold was in SA this week on a fact-finding exercise, fully aware of the country's foreign exchange controls.

When SA companies begin to take opportunities offshore, as well as currently being able to borrow foreign funds, Lord Cobbold believes there will be a greater need for currency risk management.

Gaiacorp has operated successfully for several years. Its secret lies in adhering to a technical forecasting model developed by its owner, Ross Jackson.

"It is a very disciplined model and takes away the gut-feel factor. We always



LORD COBBOLD

follow the model, even if fundamentals suggest otherwise. Currency management is difficult, but not impossible," says Lord Cobbold.

Dr Jackson likens current against the domestic currency markets to the tides and currents of the oceans. Currency movements can also be logged, modelled and predicted.

Three main commercial functions require a knowledge of risk management. Least pertinent at present to SA is global asset management. But corporate treasurers and debt managers could benefit.

Corporate treasurers are at risk in three fields: transaction exposure on receivables and payables; translation exposure on profits from investments in foreign subsidiaries and on foreign currency debt; and economic exposure to the currency situation of competitors or to other market factors.

Debt managers can reduce the cost of their foreign loans by switching the debt into more favourable currencies

in the forward market.

Gaiacorp aims to improve clients' returns by an extra 3% a year on total exposure by active risk management.

Lord Cobbold says that advice needs to come from an independent. Banks dealing in the currency markets have a time horizon measured in seconds or minutes, whereas corporations and investors need a longer-term view.

Gaiacorp builds an optimal weighting out of 18 currencies.

Where the model forecasts appreciation in certain currencies, these are bought. Where the currencies are expected to fall against the base, these are shorted in the market.

Gaiacorp has established a representative office in Rosebank, Johannesburg. It will be managed by David Duff.

Before joining Gaiacorp, Lord Cobbold ran BP's foreign exchange operations for eight years and was treasury director at the Trustee Savings Bank.

Cash

Malbak's chief executive, Grant Thomas, told the analysts that Malbak wished to focus on two major areas — food and health care. This is why it is talking to SA Drugists and Fedfood, and why it has disposed of such companies as Protea Technology.

Malbak is to concentrate on consumer operations. M&R has a gross domestic fixed investment brief and Federale Volksbeleggings is to be the services arm.

Sankorp is the investment division of Sanlam, and is a major shareholder in Gencor, the parent of both Malbak and M&R. Sankorp is also tidying its retail and wholesale operations.

Malbak will issue shares for its two acquisitions and receive cash for the sale of Standard Engineering. This will bring its gearing down to 20%.

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Soaring exports boost Standard

By Jabulani Sikhakhane

Strong growth in exports helped buttress Standard Engineering against the weak local market. In the year to August, export turnover rose R65 million to R111 million — contributing 17,5 percent to group turnover.

On an enlarged share base earnings a share rose 27 percent from 95,2c to 120,9c and dividends were up 25 percent to 40c (32c).

Due to weak local market conditions group turnover fell 7,5 percent to R639,08 million. Because of lower export prices, operating income fell 8,1 percent to R73,59 million.

But this was off-set by a sharp drop in the tax charge which dropped R15,5 million to R5,78 million — thanks to export allowances. The effective rate dropped from 34,7 percent to 10,4 percent, boosting after-tax income by 23,7 percent to R49,69 million.

Earnings

Outside shareholders interest was reduced by 43 percent, lifting attributable earnings by 61,4 percent to R49,69 million. But with 27 percent more shares in issue, earnings a share rose only 27 percent.

Boosted by exports Union Carriage did well,

increasing turnover by R78,45 percent to R119,41 million and its contribution to group attributable earnings from 11 percent to 25 percent.

Mr Brown says Union Carriage enters financial 1992 with an order book of R120 million which is spread until 1993. It should also benefit from the railway investments in Western Europe, North America and the Far East. In Western Europe Railway investment is forecast to grow by £14 billion or 9 percent into the year 2000.

Although turnover was down R16,7 million at R132,8 million, steel pipe manufacturer Hall and Longmore did well considering the five-month shut-down at all Longmore's mills.

The upgrading enabled Hall Longmore to export more steel pipes than the previous financial year. Mr Brown says the pipe manufacturer's facilities were fully booked with export orders until February 1992.

Longmore should also benefit from the R1,8 billion capital expansion programmes by the local oil refineries.

Automotive components

manufacturer Astas continued to suffer, due to cancellation of orders by customers. At interim stage Astas's stock was R20 million above normal and Mr Brown says at end August the situation was still pretty much the same.

Throughout the year Astas's operating volumes averaged 40 percent of last year's, although there were signs of improvement towards year-end.

Contribution down

Turnover dropped R149,84 million to R107,93 million and contribution to group attributable earnings fell 7 percent (32 percent).

After last year's rationalisation Fluid Holdings increased turnover by R28,596 million to R143,12 million. Profitability also improved with contribution to group attributable earnings improving from a negative two percent to a positive 14 percent.

Mr Brown says Standard is looking for acquisitions, to add a new leg to its existing business portfolio or complement the existing businesses. For financial 1992 he is looking for maintained earnings.

Exports help Malbak's Standard lift profits

189A

B/Dan 8/10/91

BRENT VON MELVILLE

CONTINUED inroads into export markets saw Malbak subsidiary Standard Engineering boost attributable profits 61% for the year to end August.

Attributable income of R41,4m (R25,6m) translated to earnings of 120,9c (95,2c) a share, covering the dividend of 40c (32c) an unchanged three times. The results come on the back of the disclosure that Murray & Roberts (M & R) is to take half of Malbak's 73% stake in the engineering concern.

Standard's current chairman Hugh Brown said yesterday it was still uncertain what form M & R's inclusion in the group would take, but it was likely there would be some rationalisations in the pipeline.

For the past financial year, tax benefits accruing from the increased level of exports saw Standard's effective tax rate at 10,4% (34,7%), translating to a reduced tax bill of R5,8m (R21,4m). Brown said if the effect of export incentives were factored into operating results, adjusted operating income would have been at R92,7m, an 11,5% improvement on last year.

This is in comparison to reported operating income of R73,6m — an 8,1% decline from R80,1m in 1990. The results came off a 7,5% decline in turnover to R639m (R691m).

At the same time export turnover has increased by 140% from last year and represents 17,4% of total

turnover, or about R111m, compared with R46m last year. The bulk of exports came out of the rolling stock division, represented by Standard's 71% stake in Union Carriage.

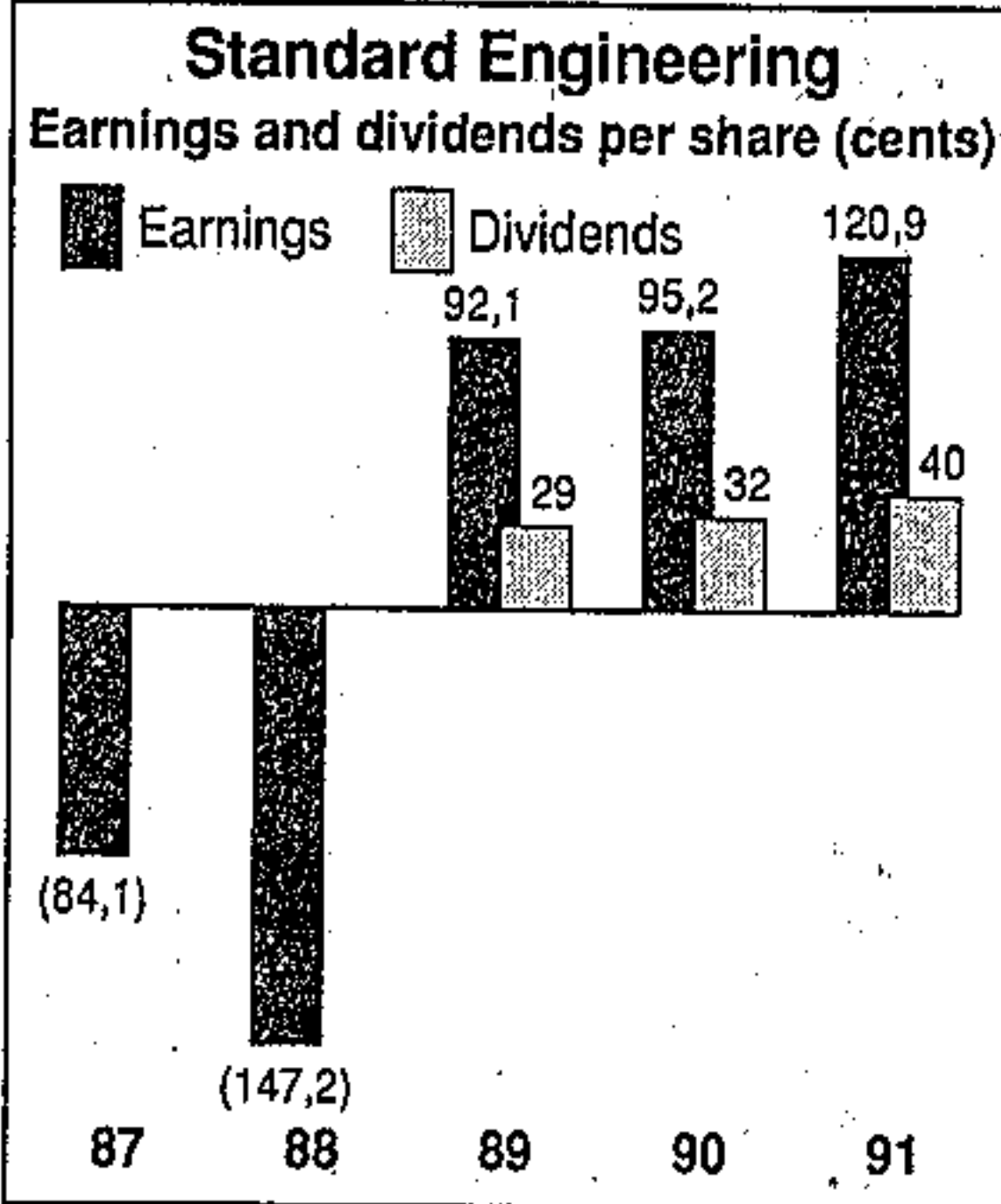
Union Carriage this year completed an export order to Taiwan for several commuter train sets worth \$50m.

On the depressed end of earnings, the automotive division (Astas) suffered badly from poor demand for heavy commercial vehicles, and cancelled orders by Mercedes-Benz.

Astas saw its contribution to group drop by 65% to R2,9m (R8,2m), or 7% (32%) of attributable earnings.

The Fluid Handling division upped its contribution to group bottom line to 14%, from a 2% loss to the group last year. The division's improved fortunes were partly due to the R17m acquisition of Protea Technology from parent Malbak in May.

The biggest contributor to Standard, the Pipe division, under Hall Longmore, saw its share of bottom line decline to 38% (R15,6m) from 44% (R11,3m) last



Graphic: FIONA KRISCH Source: STANDARD ENGINEERING

year. Abertech, which is involved in metal pressing, contributed to group bottom line, increasing to 17% from 16%.

Capex in all divisions amounted to R55m, of which R45m was spent on major expansion projects and acquisitions. Borrowings moved up 25% to R82,9m (R66,3m), pushing gearing up slightly to 34,5% (30,1%).

STANDARD ENGINEERING (189P)
 FM 11/10/91
Exports to the rescue

There was a major deterioration in domestic sales but, thanks to export incentives, Standard Engineering showed much better earnings. The group has been upgrading plant to

continue →



Standard's Brown ... should at least maintain earnings

FINANCIAL MAIL • OCTOBER • 11 • 1991 • 81

FOX

FM 11/10/91

export quality. Most recently R10m was spent by Hall Longmore on refurbishing a pipe mill. Results were bolstered by a big rolling stock order from Taiwan, and other export orders, which contributed R111m to sales, an increase in exports of 140%.

Rolling stock company Union Carriage was the star performer, boosting its divisional contribution from just over 10% to 25%. Fluid Holdings was restored to profitability, stemming from the previous year's rationalisation of manufacturing interests.

Poorest performer

(189)

The poorest performer was Astas, which supplies truck axles and gearboxes. Group chairman Hugh Brown says Astas has installed capacity to make 10 000 gearbox and axle units and has fulfilled its obligations under the Phase Six local content programme. The automotive division's contribution to earnings fell from 32% to 7%.

Group operating and pre-tax income both

SAVED BY EXPORTS

Year to August	1990	1991
Turnover (Rm)	691	639
Operating income (Rm) ..	80	74
Attributable (Rm)	26	41
Earnings (c)	95,2	120,9
Dividend (c)	32	40

fell but thanks to the export incentives the effective tax rate dived from 34,7% to 10,4%. Brown says that if export incentives were grossed up to the pre-tax equivalent operating income would have increased by 26,1%.

Because of the tax rate and reduced minority interest, attributable earnings were 61% up; the issue of shares the previous year to buy out minorities in Astas, Hall Longmore and Union Carriage trimmed the gain in EPS to 27%, to 120,9c. The dividend rose to 40c with unchanged 3 times cover.

The balance sheet still looks strong, though gearing tightened from 30% to 34%. Protea Technology was bought from Malbak by Fluid Holdings for R17m. Few capital projects or acquisitions are planned this year so gearing should fall, but Brown says that if a suitable acquisition becomes available he could live with gearing of between 60%-70%.

Rationalisation prospects

As the *FM* went to press it was announced that Murray & Roberts would acquire 37% of Standard Engineering from Malbak. There could be significant rationalisation between the two groups' engineering interests, which could strengthen earnings. Brown predicts that earnings will be maintained but adds that this is conservative. He says the effect of VAT on capital purchases cannot yet be measured.

At 775c Standard Engineering sits on a p/e of 6,4 and dividend yield of 5,2%. In view of export prospects and the new input from Murray & Roberts it could be undervalued.

Stephen Cranston

Powertech (189)^f pins hope on townships

By Boban 6/6/91
ROBERT LAING

POWERTECH expects development of township infrastructure to be a source of business after cutbacks from the power engineering industry's two major customers, Eskom and the gold mining groups.

That is the view of Powertech chairman Peter Watt in the group's latest annual report.

He said there was sufficient infrastructural spending to keep business moving forward despite spending cutbacks from the power engineering industry's two major customers.

"It must be borne in mind that Mossgas, Mossref, the Sua Pan soda ash plant and other capital-intensive projects are now virtually complete, with no sizeable new developments currently in the pipeline," he said.

Inaccessible

Watt said the firm was well positioned to play a key role in providing essential equipment and services to township residents "once community support and participation renders the development process viable.

"Despite the availability of substantial resources to launch mass housing, reticulation and electrification projects, development projects are being hampered by political instability and factional violence, which are making some areas virtually inaccessible.

"Community participation and a return to normality are prerequisites if the task of infrastructural development is to be resumed," Watt said.

BEARING MAN. Fm 31/5/91

DEBT LADEN

189F

Activities: Distributes ball and roller bearings, power transmission components, seals and other engineering consumables.

Control: Directors 87% (80%).

Chairman: R E Sherrell; **MD:** G J Till.

Capital structure: 4,9m ords. Market capitalisation: R14,5m.

Share market: Price: 295c. Yields: 10,2% on dividend; 32,2% on earnings; p:e ratio, 3,1; cover, 3,2. 12-month high, 525c; low, 290c. Trading volume last quarter, 15 000 shares.

Year to Feb 28	'88	'89	'90	'91
ST debt (Rm)	6,6	9,3	22,9	20,1
LT debt (Rm)	4,4	1,7	3,8	6,0
Debt:equity ratio	1,04	0,78	1,41	1,20
Shareholders' interest	0,36	0,35	0,30	0,34
Int & leasing cover	6,3	6,3	5,0	2,5
Return on cap (%) ..	25,6	22,9	26,0	25,6
Turnover (Rm)	41,7	52,0	86,4	96,0
Pre-int profit (Rm) ...	7,4	9,1	16,4	16,2
Pre-int margin (%) ..	17,7	17,5	19,0	16,9
Earnings (c)	131	80	132	95
Dividends (c)	—	20	40	30
Net worth (c)	221	286	385	442

The heavy debt burden Bearing Man picked up in financial 1990 continues to hamper the engineering group's performance.

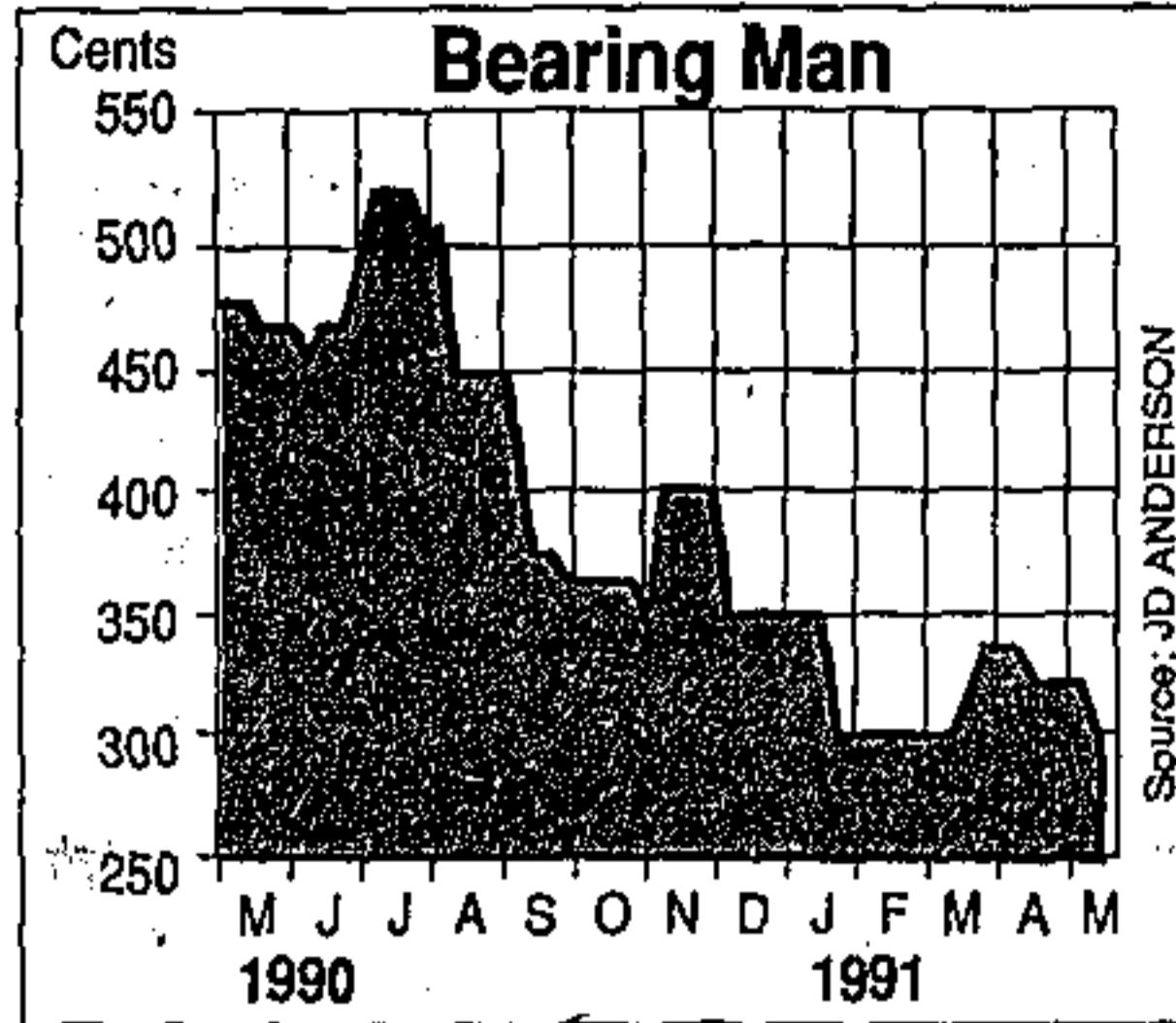
Though borrowings fell slightly in the year to end-February — after growing 143% in the previous 12 months — high interest rates meant that finance charges doubled to R6,6m. Effects of this surge in interest costs fell straight through to the bottom line; operating profit remained almost static and the group was fully taxed, with the result that attributable earnings dropped 28%.

The main reason for Bearing Man's disappointing trading performance was heavy discounting by competitors in the bearings market, says MD Greg Till. Effects of this discounting were most evident in the second six months, and the group's operating margin fell from about 19% at the interim to 14%. Turnover climbed 11% to R96m.

Till says this discounting is continuing but increased sales of high-margin products have helped push the group's operating margin back to the pre-interim level. Though the bearing market depends heavily on the performance of the engineering industry, Till expects trading in the sector to improve this year. He reckons the group's seals and power transmission operations, which together contributed about 30% of group earnings last year, have good growth potential.

"We are fairly close to our optimum market share in the bearings business," says Till.

Till expects the group will again be fully



189

taxed this year. In recent years, swings in the effective tax rate have caused earnings to be fairly erratic despite — until this year — a consistent improvement in operating profit. This has no doubt deterred some investors and contributed to the share's poor rating. But the debt position is surely the biggest deterrent. At year-end the group's gearing was 120% and interest and leasing cover a mere 2,5 times.

Till points out that gearing has improved (it was 141% at the end of the previous year) but acknowledges that more work needs to be done. He hopes to reduce gearing to 60% by year-end. Much of the group's performance, and its standing with investors, is likely to be determined by the success, or otherwise, of these efforts.

The share is well down from the 525c reached in July and is trading at 295c, well below NAV of 442c. Its current p:e of 3,1 is one of the lowest in the engineering sector. In the past year the directors have edged up their holdings to about 87%. Other investors are unlikely to share the directors' enthusiasm for the counter until the balance sheet is in better shape.

Simon Cashmore

RMB shows 21% profit growth for half year

5/10 am 6/2/91

ANDREW GILL

RAND Merchant Bank Holdings yesterday reported a strong 21% growth in attributable profits for the six months ended December 1990.

Good results from the trading and project finance divisions helped the unlisted group cap its 20% growth for the full year ended June last year, while other divisions all fared "reasonably well", said chairman G T Ferreira.

The outlook for the next six months should see profits maintained at the 21% growth rate, he said. Earnings a share were up 21% to 19,5c from the corresponding six months in 1989.

A taste of things to come for other banks was apparent in the 53% jump in total assets as a result of the new Deposit-Taking Institutions Act.

Although only implemented at the beginning of the month, RMB decided to put off-balance sheet assets targeted by the Act on balance sheet for the interim. Ferreira said most of the asset growth had risen as a result of this.

He said declining short-term interest rates and the consequent "normalisation of margins", together with more stringent asset/liability management, enabled the banking division to improve on its budget.

An expected further decline in short-term interest rates should have a positive effect on margins and improve prospects in the banking division, he said.

COMPANIES NEI's diesel operations drag earnings down 36%

8/10 am 6/2/91

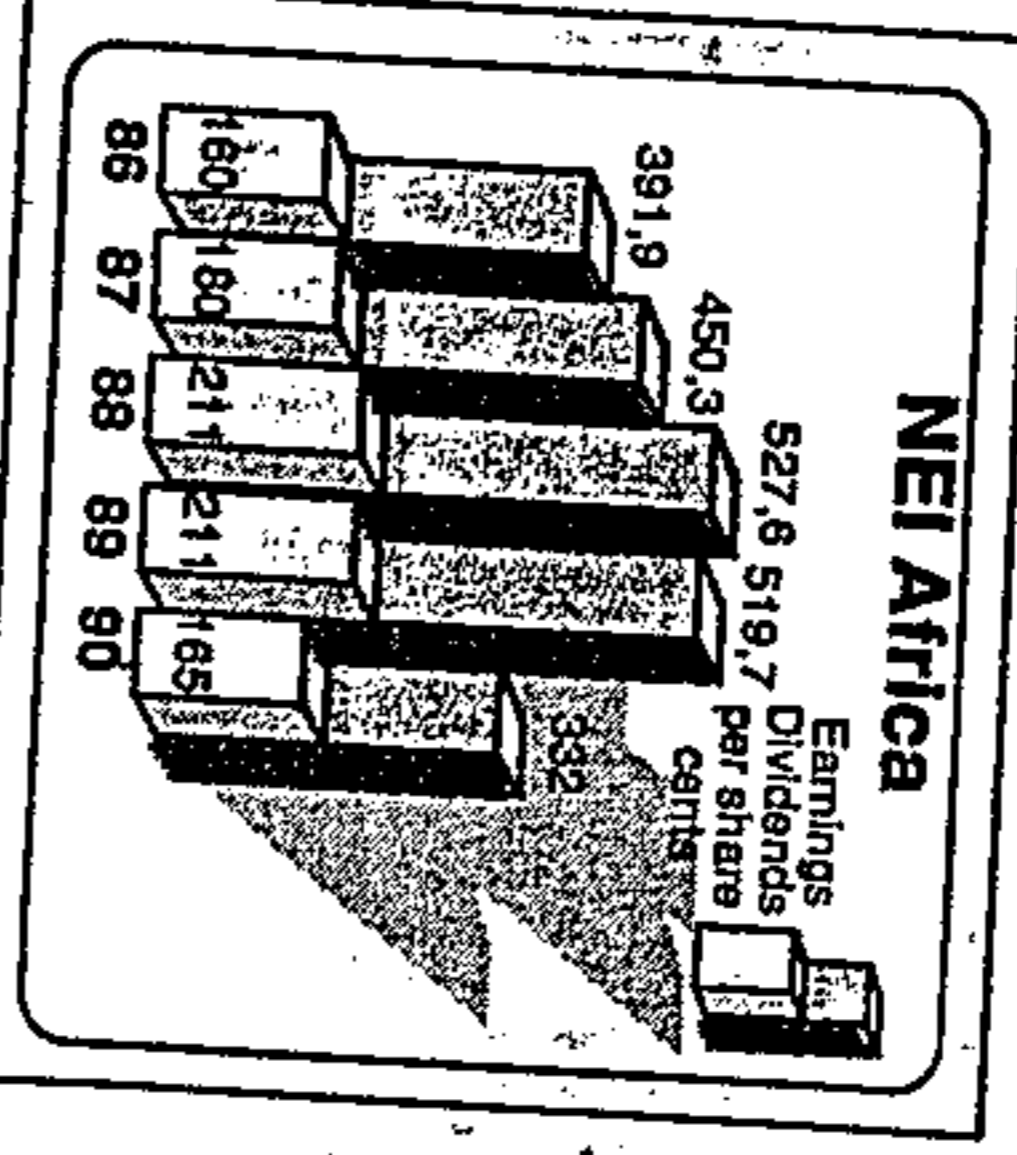
MARCIA KLEIN

THE undetected poor performances in two of North Engineering Industries Africa's (NEI Africa's) diesel operations resulted in a 36,1% decline in earnings to 332c (519,7c) a share in the year to end-December 1990.

The engineering group's MD and CE Lawrence Hyslop said last night that a serious deterioration in the performance of two subsidiaries "was exacerbated by a breakdown in accounting controls" — which was not apparent until the closing of the year-end accounts.

This meant that the board was unable to advise shareholders earlier of the nature and extent of the variation from forecast, and the two companies had "been doing a lot worse than was reported".

He said the transport industry had been badly affected by the downturn



GRAPHIC: LEE EMERTON. SOURCE: NEI AFRICA

In the economy, and this, together with "some operating company difficulties" resulted in the two subsidiaries of the diesel operations turning in performances well below budget. While NEI Africa's turnover increased by 21,6% to R713,6m (R587,0m), the combined effects of a 19,6% drop in operating income to

R55,6m (R69,1m) and a 59,9% increase in net financing costs to R15,1m (R9,5m) saw net operating income down by 32,2% to R40,4m (R59,6m). Net income after tax declined by 35% to R20,8m (R32m).

A final dividend of 110c was declared, bringing the full year dividend to 165c (211c) a share on a reduced dividend cover of 2 (2,5) times.

However, besides the diesel operations, other divisions in the group had performed well, particularly the mechanical division where International Combustion Africa Limited (ICAL) and John Thompson Africa had achieved "very positive results".

While Hyslop would not make forecasts for financial 1991, he said the group had a sound base with orders totalling about R400m in the books.

Holding company North Africa Holdings declared a final dividend of 55c a share based on earnings of 166c (255c) a share.

COMPANIES

Brown Boveri is to acquire Yelland

BROWN Boveri Technologies (BBT), part of Powertech, is to acquire Yelland Engineering for R11,5m cash. Yelland will be delisted.

The takeover means a further rationalisation of the SA power electrical industry.

BBT intends to buy Yelland's entire issued share capital and will offer Yelland minority shareholders 81,5c a share.

The share is trading on the JSE at about 70c. *bidang 10/11/91*

Yelland directors, who hold 69,4% of the company's ordinary share capital, have already accepted BBT's offer.

Directors say Yelland has reached a point where affiliation with a major group in the local power electrical industry is necessary to facilitate its ongoing expansion.

They say BBT and Yelland have identified an opportunity to develop their combined reactive power compensation capabilities and expertise.

Yelland markets a wide range of standard and high technology products and is

ZILLA EFRAT

particularly strong in reactive power compensation.

BBT, which is held 50/50 by Powertech and Swiss-based BBC Brown Boveri, is a supplier of high technology electrical equipment.

Powertech executive chairman Peter Watt says the acquisition will increase BBT's production facilities, add to its specialist capabilities in the electrical engineering field and provide both companies with various synergistic benefits.

He says Powertech could have added to its existing facilities, but this would have increased excess capacity in the industry.

The acquisition, if implemented, will have a minimal impact on Powertech's earnings and net asset value per share.

Watt says that Powertech, with its strong balance sheet, is still on the acquisition trail, investigating opportunities as they arise.

ELECTRICAL

AND

ELECTRONIC

1990

Defence cuts may hit electronic sector

CMT Times 9/1/90

Own Correspondent

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JOHANNESBURG. — Defence budget cuts will have a major effect on the electronic industry in the coming year, Business and Marketing Intelligence (BMI) spokesman Alan Paul said yesterday.

However, he added, it was still too early to anticipate exactly what would be lost to the industry.

Paul, electronics department manager for BMI, underlined a number of possible ways that the defence budget cuts of R1,5bn would effect military electronics, one of the largest sectors of the electronic industry, and the industry as a whole.

"It is unlikely that research into new high technology arms will be affected by the cuts, rather a cut in quantity can be expected," Paul said.

He added, the cuts would mean that many people would be lost to the electronic arms industry.

However, this would not necessarily have a negative effect on the electronics industry as a whole, as these people could be released to contribute to other spheres of the industry.

A senior analyst on the JSE said: "Defence budget cuts will affect the industry."

"The military electronics industries internal structure will be altered to suit the new budget. The spin-off caused by this must affect the electronic industry, considering the annual input of the military on the industry."

However, senior portfolio manager for Frankel, Kruger and Viderine, Harry Lay disagreed and said the cuts would primarily affect the personnel side of the SADF budget.

"Government's cuts in defence expenditure will not affect the electronics industry in any real way. Armament production is too important to the country because of its export potential," he added.

A senior analyst at the JSE said: "It is too important for the SADF to keep abreast of technological advancement in the rest of the world for the government to cut its arms production budget."

A spokesman for the SADF yesterday declined to comment on the issue.

SABS remove their stamp from Domestic products

THE South African Bureau of Standards has warned that Domestic Geysers Manufacturers, manufacturers and suppliers of electric geysers with the trade mark "Domestic", are no longer allowed to have the SABS stamp on their geysers.

"It has come to our attention that geysers displaying the SABS mark and manufactured after the lapse of the permit, have been distributed for sale.

"In the public interest, prospective buyers are accordingly urged to ex-

ercise caution before buying one of the units still bearing the mark, to ensure that the unit was not manufactured after the date of suspension on June 2 1989."

Affected units are those with serial numbers greater than 893162."

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Sowetan 12/1/90

Go-ahead for cable and electrical giant

(189) ZILLA EFRAT

THE JSE and shareholders have given the go-ahead for the formation of a R1bn-a-year cable and electrical giant to be called Voltex Holdings Limited.

The new company, currently H & J Supreme Cables, is the result of Elcentre and Ilman's injection of their electrical interests into H & J after acquiring control of it.

At respective general meetings this week, Berzack, Elcentre and H & J shareholders approved H & J's acquisition of Elcentre's electrical, lighting and cable businesses, Berzack's cable and plastics products operations and certain property-owning companies.

They also approved the change of the par value of H & J's shares from 50c to 1c each. *By Nam 19/1/90*

The JSE has granted listings from January 29 for new H & J ordinary shares and J & H debentures, as well as the application to reflect the amended par value of the shares and the listing of these shares under Voltex's name.

Electronic auto parts sector gets boost

W. Argus. (189) 20/1/90

From MIKE PEIRSON
DURBAN. — The local electronic automotive parts industry is booming thanks to the implementation of the latest phase of the local content programme for motor vehicles.

The value of this market burst through the R100 million level in 1989 and the potential for expansion means the figure is expected to have more than doubled by this time next year.

Motor manufacturers are busy analysing the most viable areas where import substitution can be implemented, particularly in passenger vehicles, and local suppliers are working through their research and development departments to help guide them.

Makers motivated

Mr Paul Lambert, automotive division director of the country's biggest supplier of these products to the industry, Durban-based Conlog, said: "The change in the local content laws has assisted us substantially, particularly in terms of getting manufacturers motivated to go for local products and design.

"But the market is still being defined and most vehicle makers have set up special forex task forces in their purchasing and engineering departments and companies like ourselves are working closely with them providing input on feasibility.

"In the past nine months they have been looking for possible suppliers who not only have the ability to produce in volume, but also have the design capabilities and the support infrastructure for a product once it gets into the field.

"The potential for growth in design and development of automotive parts is enormous. But it must be remembered it is a very harsh environment. We have to match the formally imported piece of equipment and in some cases have actually been able to improve on it.

Code of practice

"As a result of this we are

market place of millions, which meant those parts were much cheaper than if manufactured in this country.

"There is obviously a break point manufacturers reach where the price premium paid locally weighed against the rebates the government is prepared to give — as well as the strategic aspect of future lines of supply — makes the local product a viable proposition."

Mr Lambert said most vehicle makers had already identified components they would like to tackle first and the high-ticket items on which they would be able to claim the highest rebate.

He explained too that apart from import substitution many new products had been developed.

Affect on price

He did not feel the implementation of the latest stage of the local content programme would have a negative effect on the price of motor vehicles. There had been a move to rationalise models, a glut of which in the past had tended to boost price tags, and this had spread into the field of components.

"There is a very positive attitude within the industry about its implementation and there is certainly plenty of spare capacity available within our electronic components sectors to cater for the increased pressure on us in future," he said.

"In addition every step of the way we go in the domestic field we are evaluating export opportunities via the motor vehicle manufacturer.

"While we expect the market currently worth R100 million to more than double by the end of 1990, projection for further growth will depend entirely on how far the car manufacturers are prepared to go and how well the local suppliers respond to their requirements."

Mr Lambert explained his business was extremely specialised and the industry made very high demands on design, supply and services, and there

fuel injection and engine management systems, one of the more complex areas. From a higher volume, lower technology point of view there will also be an expansion of what we call miscellaneous modular devices, such as relays and flasher units."

The availability of skilled personnel to match these demands was "very bad" and companies had generally to start looking for engineers six months before they were actually needed.

"With every new appointment you find the package has changed and the demand is forcing up the price of the average engineer," he said. "And the problem does not stop there. It spreads into skilled production management. The only area where we have plentiful resources is among assembly line workers where we do our own training."

Conlog currently employs more than 700 people at their new Brickfield Road headquarters and half of these are involved in electronic automotive component production.

Stimulated many

"In the past 18 months however the whole Phase Six local content programme, has stimulated many companies into growing enough to be able to take advantage of the opportunities," he said. "Therefore local competition in our sector is growing rapidly."

"The main thrust of future developments is likely to be in

development base... Japanese requirements."

Mr Lambert said it was very difficult to compete on price with the very high volume items from overseas. This was because local suppliers had not yet established world markets to give added volume. The local market represented only 210 000 new vehicles a year.

International suppliers had a

clashes in the Soviet

H&J starts new lease of life under Voltex name

Star 29/11/90 (189)

Finance Staff
The launch of the former H&J Cables as a company under new management and a new name, with assets exceeding R550 million and a turnover of R1 billion, is into its final countdown.

The transmuted listing statement published today shows the company under its new name of Voltex Holdings as a major operation combining the core electric and electronic activities of the Elcentre and Berzack-Illman groups.

The Elcentre and Berzack consortium bought the 79,3 percent control of H&J from Eureka in September 1989 and followed up with an offer to the minorities.

The existing businesses were disposed of and Elcentre and Berzack then reversed their major interests into H&J in a deal which saw them receive a blend of shares and debentures.

This resulted in the Elcentre group holding approximately 60 percent of Voltex, with Berzack having almost 40 percent and minority shareholders holding the balance of 0,7 percent.

The shareholding will be spread wider in the reasonably near future.

Voltex's projected earnings for the financial year to February 1990 are 24c a share based on full conversion of the debentures.

This compares with earnings of 16,2c a share prior to the deal for the 1989 financial year.

Dividend cover will be between 2,5 and three times, indicating a distribution for the current financial year of around 9c a share.

Voltex's shares, which will continue to be listed in the Electronics sector, are currently trading at about 185c, giving a P/E multiple of 7,7 on the projected 24c and a dividend yield of 4,9 percent on the indicated dividend.

This compares with Actuaries Index averages for the Electronics sector of a 9,7 P/E and a 3,5 percent dividend yield.

The restructured company will be the major supplier of a wide range of industrial electrical and electronic products, power cables and wire in South Africa.

The intention is to develop Voltex through both local and international expansion and to acquire established businesses "with dedicated management, growth potential and distinctive marketing capabilities".

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Electromechanical firm loses R2,6m as sales drop

(189) ZILLA EFRAT

CONTROL Instruments (CI), which makes and sells electromechanical equipment, made an attributable loss of R2,6m in the six months to December, mainly due to lower than anticipated sales.

The loss of 3,8c a share follows a 26% fall in attributable earnings in the year to June 1989.

Directors attribute the 5% drop in turnover to R33,3m (R35m) to various factors, including industrial action at the factories of certain motor manufacturers for four months of the half year.

However, the industrial instrumentation division has shown steadily increasing sales.

CI has reduced and curtailed certain export activities.

CI's interest bill soared to R2m (R715 000) and its interest-bearing debt jumped to R22,7m (R10,5m), while shareholders interest, which includes deferred tax, fell to R26,2m (R35,6m).

Directors say gearing rose due to the cost of maintaining higher than anticipated levels of stock and the purchase of the instrumentation division of Harvey & Russel.

There were extraordinary items of R4,8m and about R1m relating to goodwill and provisions after the purchase from Harvey & Russel. These led to a retained loss of R7,4m.

Directors expect gearing to fall significantly by the end of the current half-year. Steps have been taken to reduce expenses, the effects of which should be felt in the current half-year.

There was capital expenditure of R2,3m to complete Electromatic's Maritzburg factory and upgrade facilities at Cape Town's industrial instrumentation division. No major capex is planned for this half-year.

M & A may have R10m investment

CHARLOTTE MATHEWS

MATHIESON & Ashley (M & A) office furniture company may have found an investment for the R10m cash it has been holding on call for nearly a year.

A cautionary in yesterday's Business Day warned shareholders that negotiations were in progress which could affect the value of M & A and holding company Vestacor shares.

Chairman Winky Ringo refused to comment but admitted the notice related to a deal that M & A had been working on for a long time.

M & A specialises in manufacture and distribution of quality office furniture and distributes office equipment.

Commentators have suggested M & A could move into an acquisition as high as R40m due to its low gearing.

At yesterday's closing price of 575c a share market capitalisation was R66m.

Strong demand for SA pumps

STK 12/2/90 (189)

The first locally manufactured hydraulic pumps are being marketed by Debex, a subsidiary of De Beers, and are competing successfully with imported equivalents.

Research and development work started two years ago and a licence was acquired by Debex for the local manufacture of the Swiss Von Roll equipment.

Hydraulics manager Mr Tim Addison reports there is keen interest in the local equipment.

"There is a strong preference for local products provided you can match or better the imported equivalent," he says. "The demand is varied and strong in mining and other industries."

The Debex pumps feature power transmission at working pressures up to 40 MPa with coils, non-flammable and water-based fluids. A variety of standard modules are available to customise or tailor the equipment to specific requirements and modular controllers include electric and pressure compensation types.

Extensive field and operational testing has been a feature of the local development and rigid Swiss-style quality control measures are built into every stage of the manufacturing process.

Turbine supervisory instrument equipment worth more than R1 million has been ordered from electronic control technology specialist Conlog for the Mossgas refinery project.

The Bently Nevada Systems 3300 equipment will be made up of 84 racks. The system will pro-



A design engineer tests a radar signal processor at the ESD South laboratory.

tect a series of large and expensive compressors at the refinery by continuously monitoring bearing vibration, thrust and temperature.

As the equipment will link into a distributed control system, operators will be able to obtain, at the push of a button, status information on the individual compressor units.

There will be a facility which can be used for trouble-shooting and predictive maintenance.

Work is nearing completion on two major contracts totalling about R27 million for a bulk materials handling system at Matimba power station.

The contracts were awarded to Spencer Melksham, now in-

corporated in LTA Process Engineering, in 1984 and most of the work will be completed in May this year.

Total length of the conveyor system is 4,7 km and this will feed a million tons of coal a month — mined at the adjacent Grootegeeluk colliery — to six silos, each of which will feed one of the six boilers.

The conveyor system comprises twin belts, the second belt to be used as standby or for peak loads.

The first radar system developed locally by private enterprise has been produced by ESD South, a research and develop-

Industrial Beat

STAN KENNEDY



ment company in the Reutech group.

ESD was established three years ago in Stellenbosch to combine academic and private sector capabilities to the benefit of advanced technology in South Africa.

So successful was the partnership with the local tertiary education bodies that last October it became the first private company to move into its own building in Technopark, Stellenbosch.

The development of radar technology in South Africa began in 1979 when a Barlow Rand subsidiary, the forerunner of ESD, won a contract to supply local-manufactured air traffic control radars.

It was a big challenge and involved about 200 sub-contractors and the procurement of more than 15 000 different components.

New technologies were established which formed the basis for further advancement across a wide spectrum of industrial applications.

ESD has followed a modular approach in its radar development programme and, as a result, components developed in the initial phase are to be used as building blocks in future systems.

Despite tough trading conditions . . .

189
Carr 7/1/90 21/2/90
Siltek boost earnings 86%

Own Correspondent

JOHANNESBURG. — In spite of difficult trading conditions in the information technology industry, Siltek's earnings rose 86% in the six months to December.

Attributable profits were R16,9m (R9m), while earnings improved 30% to 39,4c (30,2c) a share on a 15,5m rise in the number of shares in issue to 45m.

A dividend of 11c (9c) a share has been declared, up 22% and covered 3,6 times.

MD Mike McGrath says Siltek's focus and strong representation in all sectors of the information technology industry provided a strong platform for growth.

While the effects of slowdown in the economy are evident in some sectors, synergies created by the new acquisitions are showing positive results.

He says the group is concentrating on rationalisation and consolidation to ensure maximum efficiency.

For the first time Siltek's results fully reflect contributions from HiPerformance Systems, formerly Hewlett-Packard SA, and M & PD Electronics.

Turnover grew 300% (58%), but actual figures are not provided. Operating profit rose 127% to R36m (R18,2m).

McGrath attributes the high rise in turnover relative to operating profit to a larger involvement in the field of PCs and peripheral equipment.

Competition in some sectors resulted in lower margins. This is reflected in listed subsidiary Elex Electronics's results and Elex will be restructured to reduce overheads.

Siltek received no income from investments following the R2,3m earned in the previous interim period. Its interest bill jumped to R3,3m after no interest was paid in the previous period.

With the tax rate unchanged, taxed profits rose 81% to R17,5m (R9,6m).

Siltek's share of associated companies' earnings was R445 000 (nil) and income attributable to outside shareholders was R1m (R546 000).

In a change in accounting practice, goodwill has been disclosed as an asset.

Siltek continues to invest in research and development and plans to expand local manufacturing facilities.

McGrath says: "The interim earnings are in line with budget and it is anticipated that earnings for the second half of the year will exceed those of the first half."

Delta Electrical Industries still living up to its strong track record

DELTA Electrical Industries continued its strong track record with a 53% rise in earnings in the year to December.

The electrical repair, services and supply group produced attributable profits of R17,6m (R11,5m). Earnings rose 33% to 42,9c (32,3c) a share, based on an increase in the number of shares in issue to 41,1-million (35,6-million).

A dividend of 19c (12,5c) a share has been declared, up 52% and

ZILLA EFRAT

(189) rose 65% to R37,2m (R22,5m).

covered 2,3 (2,6) times.

MD Graham Salter says Delta's profit growth remained strong in a business climate that showed signs of weakening in the second half. All divisions performed well.

The acquisition of Delta EMD and the 20% stake in Valard contributed to improved results.

While no turnover figures have been provided, operating profit

With the interest bill jumping to R1,2m following an interest received position in the previous year, pre-tax profits were up 53% to R36m (R23,5m). *B/Daw 23/29*

However, a fall in the tax rate to 46,9% (49,7%) led to taxed earnings improving 62% to R19m (R11,8m).

With income from associated companies at R1,4m (R408 000)

and outside shareholders interests at R3m (R739 000), net earnings rose 53%.

Delta changed from a cash position at the end of 1988 to having interest bearing borrowings at December of R6,9m, but Salter says this is well within the rise expected in the last annual report.

This represents a comfortable level of gearing of 11%. The current ratio fell to 1,7:1 (1,8:1).

BIP 9/12/90

Electromechanical firm loses R2,6m as sales drop

(189) ZILLA EFRAT

CONTROL Instruments (CI), which makes and sells electromechanical equipment, made an attributable loss of R2,6m in the six months to December, mainly due to lower than anticipated sales.

The loss of 3,8c a share follows a 26% fall in attributable earnings in the year to June 1989.

Directors attribute the 5% drop in turnover to R33,3m (R35m) to various factors, including industrial action at the factories of certain motor manufacturers for four months of the half year.

However, the industrial instrumentation division has shown steadily increasing sales.

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There were extraordinary items of R4,8m and about R1m relating to goodwill and provisions after the purchase from Harvey & Russel. These led to a retained loss of R7,4m.

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There was capital expenditure of R2,3m to complete Electromatic's Maritzburg factory and upgrade facilities at Cape Town's industrial instrumentation division. No major capex is planned for this half-year.

Resurgence of Reunert

STimes 25/3/90

now a boest buy

189



SENTIMENT moves the market faster than any other factor — a maxim noticeably displayed by the performance of Reunert.

In September the shares were 2350c ahead of great results. Political progress since then has served to defuse perceived prospects of any company within a national miles of defence.

National service was halve the war in Namibia over everything on the border.

Two weeks ago, before the budget, Reunert could not get rid of shares at R12. The consensus was that defence spending would be sliced.

In reality there was a nominal increase. No real growth, nothing to counter the effects of inflation, but no cuts either.

Result? Reunert is suddenly the best buy on the market. The shares rallied to R12 with other defence contractors.

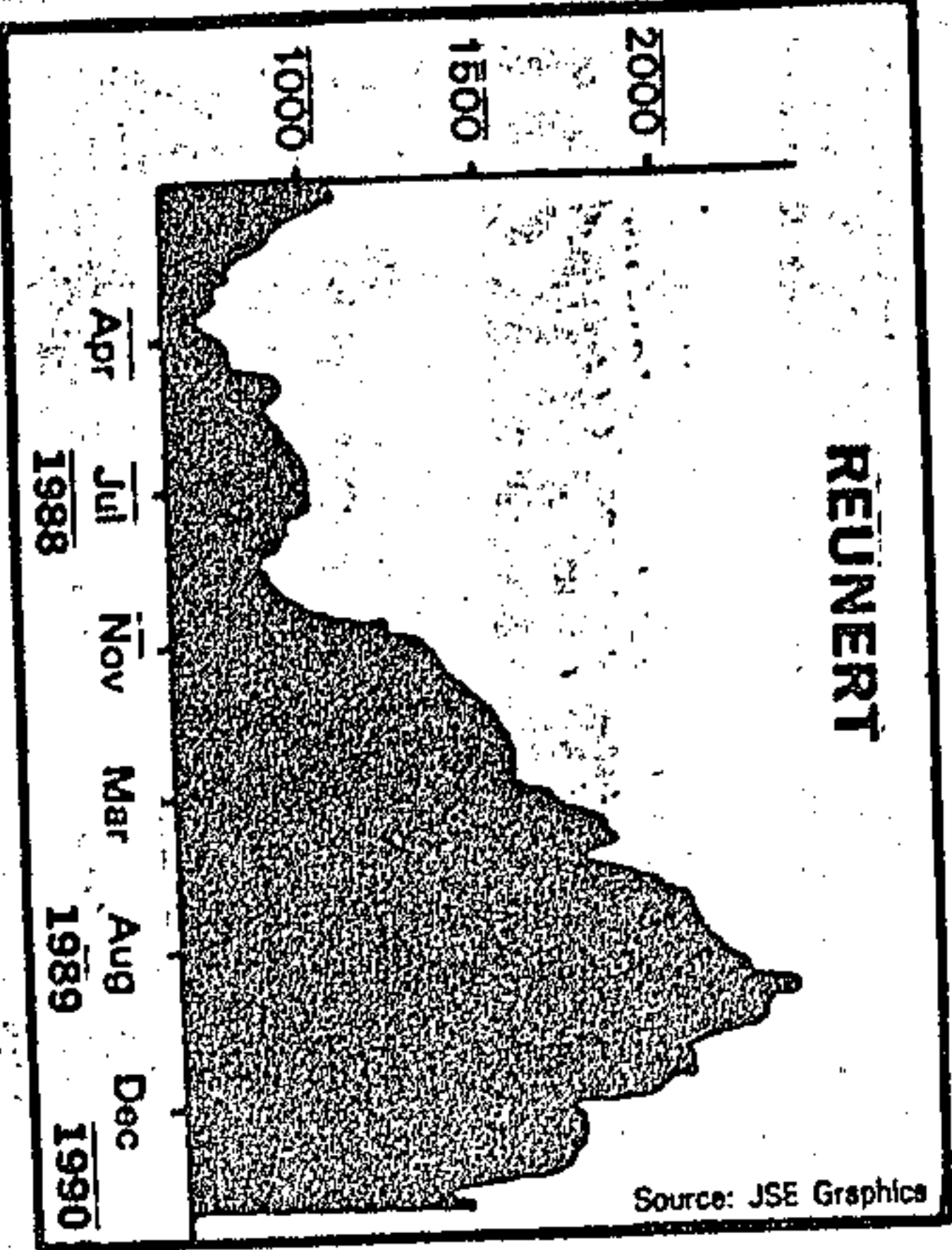
The big question remains. How much of Reunert's profits are from defence anyway? The annual report does not elaborate.

OPTIMISTIC

Financial director Clive Vaux confirms that there is a promising element of defence in Reunert's work.

Reunert is to examine the budget in terms of personnel and personnel will be cut. Spending on contracts and personnel will be cut. Spending on contracts and personnel will be cut.

Reunert remains — real in earnings. It appears the alarms were not raised. Reunert won't suffer



Source: J&S Graphics

much in defence, and the annual report expounds plenty on other projects, the shares look attractive on fewer than seven times historic earnings.

Reunert was almost demoted to Cinderella status from the 1988 financial year, when the glamorous computer division was stripped out and merged with IBM's.

Reunert members were given 150 resulting TSI shares for every 100 Reunert held. Since then, TSI has been a bit of a pumpkin, whereas Reunert shareholders have had a ball.

Mr Vaux says there are three broad divisions, electronics (including defence), electrical engineering and

money.

On the second division, GEC UK is Reunert's major partner in electrical products and components, and power engineering. Broadly speaking, GEC is the technical partner and Reunert the day-to-day operator.

Last year, GEC UK's power engineering interests were merged with those of the French Compagnie Generale Electricite to form GEC-Alsthom.

This effectively furnishes Reunert with a bigger foreign bedfellow in power engineering. Mr Vaux says Reunert is busy aligning its operations to fit in to the new group. There could be quite a lot of realigning — Alsthom has several other businesses in SA which could be housed under the Reunert/GEC-Alsthom roof.

Reunert's financial prospects for 1990 will be affected by bigger average borrowings and a higher interest bill.

The assessed losses referred to in the accounts relate to GEC, but will help to keep the tax rate close to last year's effective 29%. However, the recently announced changes on capital allowances on plant and machinery will have an adverse effect.

Mr Vaux warmed up a bit to explain these matters. He is naturally a chartered accountant. He even volun-

VALUE

Mr Vaux says it is fair comment to suppose that Eastern European and other developing nations would be buyers for SA's technology. It is not the very latest state of the art, but offers value for

teered the information that Reunert will probably have a positive cash flow this year.

Export potential certainly brings out the best vibes in Mr Vaux. Reunert sensibly researches foreign markets, then tailors products to meet demand. There is little point in trying to sell fridges to eskimos.

Domestically, the Government's moves to corporatise para-statal before, hopefully, privatising them, might result in lower spending over the next few years.

Ultimately, high-tech companies such as Reunert will still be doing plenty of business with the new-look service companies, but the near-

future is uncharted. Last year's 70c dividend is well covered by earnings of 202.7c. More than 88% of Reunert's 31.3-million shares are held between Barlows and Sanlam, although the share is reasonably tradeable.

It looks like a good buy at the current price of R14.

Otis lifts taxed profits to R8,7m

LIZ ROUSE

189

THERE has been a noticeable move from high-rise to lower rise buildings where the market for elevators remains competitive, says Otis chairman Dru Gnodde in his annual review. 1989-2713190

The company has again been able to improve its share of the market for new elevators and escalator installations. Modernisation of existing elevator installations continues to grow as significant performance improvements are achieved using modern computer-based motion control equipment to replace electromechanical elevator control devices.

The maintenance and repair of elevators under contract continues as a most important part of the company's business, says Gnodde.

The Otis board takes a cautious view on continuation of the increase in building sector activity.

Notwithstanding a substantial improvement in turnover to R91,8m (R72m) in the year to November 1989, the rapid rise in the cost of materials and labour resulted in Otis being able to increase its taxed profit by 8% to R8,7m. The dividend was raised to 45c (42c).

By Ian Smith

BATTERY manufacturers Raylite and Chloride SA have merged to create a new power in the industry.

The holding company of both, First National Batteries, will be the biggest player in both the auto and industrial battery markets. It is controlled almost equally by three big groups — Raylite's controlling shareholders Metair and Federale, and Chloride PLC.

Listed Metair and Federale have a close association with the motor industry through subsidiaries in the component field.

The group will have a turnover of R150-million a year and a combined workforce of 1 500.

Marketing

Chloride SA managing director John Smith says: "Our parent company has made this decision on industrial and business logic and not through political pressure — it is not relinquishing any South African assets."

The Raylite factory in East London and Chloride's Benoni plant will continue in production. Both companies will maintain separate marketing identities to keep their brands alive.

Chief executive of First National Batteries is Louis Laubscher, who is also managing director of Raylite.

Mr Laubscher says: "The merger has given the group access to the best battery technology in the world through agreements with Hagen Batterie of Germany and the UK's Chloride."

Conditions in the battery manufacturing industry have been difficult for many years with some overtrading and the original equipment sales of automotive batteries

Raylite, Chloride merge

189
S/Times 1/4/90

stalled by static new-vehicle sales.

"The national car park has grown, vehicles being kept on the road for longer. But there has been too much manufacturing capacity.

"The merger will allow the business to compete on the best terms here and abroad."

Market sources believe the group will supply more than half of the batteries sold to new-vehicle manufacturers.

The group will benefit from more effective buying, economies of scale, transport and "considered rationalisation" in manufacturing.

Effective

There will also be advantages in distribution and retail sales. Raylite's Battery Centre franchise will add weight to Chloride's distribution, which has concentrated on sales through parts and accessory stores.

Both companies are major suppliers of batteries and stand-by power products to industry and the mines.

Raylite's access to Hagen copper stretch metal negative plate technology helped it to develop the world's first commercial load-levelling system.

The system, commissioned at Vaal Reefs No 10 shaft towards the end of last year, is expected to save the mine hundreds of thousands of rands.

Lamp

Chloride, with companies in North America, Europe, Africa and Asia, has been in the industry for more than 100 years.

Its technology developments include the recombination techniques which have been effectively used in stand-by power batteries and the Oldham maintenance-free miner's cap lamp.

Federale executive director Tony Barnes is chairman of First National Batteries. He says the merger will benefit the industry and the staff of the two companies.

"Both organisations are strengthened by the merger. We will gain local market share.

"We also have increased export potential through superior technology and improved production capacity. All this leads to greater security and opportunities for staff members and customers."

Voltex power ⁽¹⁸⁹⁾ boosts Berzack

S/Times 11/4/90

VOLTEX, the new electrical giant formed by Berzack Brothers and Elcentre, met all its targets and helped Berzack to double earnings in the six months to December.

Thanks to attributable earnings of R20-million from the electrical goods manufacturing and distribution company, Berzack reports taxed attributable profit up by 100% to R23,1-million. Earnings a share rose in line to 87c (1989:43,5c). An interim dividend of 15c (6,5c) has been declared.

Berzack pyramid Bivec reports taxed attributable profit up by 107% to R12,2-million and earnings a share ahead at 63,5c. It has declared a dividend of 11c (4,5c).

Because assets were badly undervalued, both companies recorded a gigantic extraordinary capital profit in the Elcentre transaction — Berzack R197,6-million and Bivec R101,5-million.

Berzack managing director Myron Berzack says Vol-

By David Carte

tex, contributor of 85% of taxed profit, met all expectations. If Berzack's share of Voltex's profits was R20-million, the company as a whole made R50-million in the first half, suggesting it is still on target for earnings of R100-million and that Berzack will derive at least the R40-million originally projected.

Confident

Mr Berzack reports business "slacker but still strong". Although there has been something of a lull in black housing development, he is confident that it will be a long-term national priority. Berzack and Elcentre through Voltex, supply most the electrical requirements for housing.

The Berzack and Mowszowski families, long-time friends before the deal, continue to get along "famously" and all is set fair. Because of heavy capital spending, Voltex paid virtually no tax.

But because assets have

been marked up, depreciation shot up to R11-million in the half-year from R3,5-million last year. Cash flow benefited by an additional R7,5-million.

Trademarks worth R110-million are being written off over 10 years, so these are conservatively stated earnings.

With R25-million of cash in the balance sheet after the Voltex deal, Berzack is looking for acquisitions.

The non-electrical parts of Berzack — mainly domestic and industrial sewing machines — also did well, lifting taxed profit by no less than 50%.

The Berzack board has

been reconstituted. Benny Illman is chairman and Myron Berzack and Stanley Illman are joint managing directors. They spend 95% of their time at Voltex. Mervan Berzack runs the non-Voltex operations.

There are no non-executive directors. Mr Myron Berzack says: "We don't want non-executives. They would merely add to costs and make us less decisive. As to protection for minority shareholders, I reckon they have done well. We have certainly never had a complaint."

If Voltex contributes R39-million and the rest of the company R8-million, Berzack would be contemplating earnings of 176c (115,2c) a share for the year.

At 960c, the share is only 5,4 times earnings. Bivec looks good for at least 167c of earnings, so its forward PE, at 665c, is less than four.

The transaction and these results treble Berzack's net asset value to 1 227c and Bivec's to 902c. Both appear to have plenty of upside.

Battery-makers expect a flat 1990

THE R350m-a-year SA battery manufacturing industry was not charged for growth, major players said yesterday.

The main manufacturers, whose products include automotive and industrial batteries, are Chloride, Raylite, Willard, Sabat and Dixons.

Tough marketing conditions led to the weekend merger of Raylite and Chloride under the holding company, First National Batteries (Pty) Ltd, which has a combined turnover of R150m. Raylite and Chloride will keep their separate marketing identities.

First National Batteries and Willard (a wholly owned subsidiary of the Powertech group) now control about 50% and 37% respectively of the battery market. Willard held the lion's share in the field before the formation of First National Batteries.

Willard MD Sakkie Filmalter said car and industrial batteries made up two-thirds and one-third respectively of the market at present. The latter are used in standby supply, underground locomotives, forklift trucks and motorcycles.

Filmalter said there were several reasons for the 6% decline in the mar-

ACHMED KARIEM

ket last year over the previous year and he did not expect any dramatic growth in 1990.

"SA has had a mild climate in the last two years. Severe winters are conducive to high batteries sales.

"Furthermore, manufacturers are constantly improving batteries that are lasting longer, which affect the replacement market," he said.

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First National Batteries CE Louis Laubscher (Raylite MD) said yesterday he did not expect huge sales volumes this year. The merger would allow new business to be competed for on the best terms, locally and internationally.

Sabat MD Roland Woolcott said the market experienced negative growth last year, and he also did not expect much improvement in the economic circumstances.

Dixon's MD Richard Dixon said his company supplied replacement batteries mainly through franchise holders. He declined to give details of his company's performance.

Pichold profits slump as interest costs soar

Star 11/4/90 189

Finance Staff

The results of the Cape Town-based Picardi Holdings group (Pichold) slumped further in the six months to end-December as depressed conditions in the household appliances market depressed earnings at its major subsidiary Picardi Appliances (Picapli).

Pichold earnings per share fell to a loss of 44c compared with a profit of 128c in the second half of the previous financial year, it was reported today.

The loss followed on a decline in margins to 5,8 percent (9,8 percent) and a 42,3 percent rise in the interest bill from R15,1 million to R21,5 million.

This exacerbates the situation at the year-end in June when attributable profits fell from R14,2 million to R10,3 million and interest payments virtually doubled to R35 million.

The major contributor to the poor performance was 90 percent held subsidiary Picapli, which is responsible for over 50 percent of sales. Its earnings per share tumbled from profits of 32,2c in financial 1988 to a loss of 12,7c last year as the tighter monetary policy hit consumer demand for household appliances and electrical goods.

Once again higher interest rates played a major role by pushing up the interest bill from R4 million to R15,2 million, but turnover was also down by 4 percent over the period.

Earnings at Union Wine also dropped to a loss of 5,6c a share, compared with a profit of 5,4c previously, despite a rise in turnover of 12 percent.

Chairman Jan Pickard Snr expects interest rate costs to be cut in the second half of the year, it was reported.

Trading improves

Closure of the Krost kitchen cabinet division and resulting cost benefits enabled the Unidev-controlled consumer products group, Prestige, to lift operating profit by 37% in the 1989 year. The division was closed in 1988, and last year the Krost and Prestige divisions were fully integrated. ~~189~~ (189)

Prestige makes and distributes kitchen utensils, microwave appliances, pots and baby products. Turnover figures are not revealed. Financial director Gavin Wiggitt says total turnover increased 2%, but on a comparable basis — excluding the discontinued division which accounted for about 20% of turnover in 1988 — the increase was 24%.

While the trading performance picked up, the bottom line was marred by higher finance charges and tax. Interest paid rose to R1,8m (R1,1m) mainly due to higher rates and higher working capital requirements. There was a tax charge of R226 000 relating to an adjustment in respect of 1988, when there was a receipt of R470 000.

Attributable earnings dropped by 16,3% while EPS — calculated before extraordinary items and the prior tax charge — were slightly higher. The dividend was pegged at 2,5c. The policy is to maintain dividend cover at 2,5 times but Wiggitt says cover was increased to 2,8 (2,6) owing to a R380 000 extraordinary item.

This item relates to retrenchment of employees when the Krost cookware and hardware factory relocated to KwaNdebele. MD Angus Snowden says the factory became

F/M 13/4/90 ~~189~~ (189)

operational in January 1990 and he expects benefits to be reflected in operating costs this year; 85% of the group's products are locally made and half these will be sourced from the new factory.

Snowden says conditions in the first three months of the year have been firm and demand remained strong. New products are contributing to this demand. Snowden is confident the group will improve earnings and dividends this year.

The market remains cautious, with the 23c share price at a 12-month low and yielding 10,9%.

Pam Baskind

Sales on the blink

Tedex seems unable to pull out of its tailspin. The earnings dive which started in the second half of fiscal 1989 has steepened as falling turnover combined with squeezed margins and higher finance charges cut earnings by a third in the half year to end-February. *FIM 20/4/90*

MD Jack Cohen is putting on a brave face and hopes to arrest the decline this half, but it will be an up-hill battle as long as government continues to squeeze credit.

Tight credit controls and slowing economic activity have hampered performance from the second half of its 1989 year, but, despite management's efforts at working capital and stock control, margins have simply not held up. Tedex is no different from its competitors and turnover dropped in rand terms even though prices were pared to support volumes. Trading profit slithered to 8,3% of sales from 10,8% in the corresponding period of 1989.

Cohen believes turnover's decline can be halted this present six months and adds that Tedex's main divisions maintained their market shares.

The deterioration in trading conditions was worse than Cohen expected at the 1989 year-end. As a result, inventories rose, leading to higher working capital requirements and a higher level of short-term debt. That put an end to 1989's debt decline. Interest-bearing debt rose 9,6% to R87m and the first half's interest bill increased to R7m (R6m). Though debt:equity remains at 0,44, inter-

DIM PICTURE

Six months to	Feb 28 Aug 31 Feb 28		
	'89	'89	'90
Turnover (Rm)	203,1	202,6	195,9
Operating			
Income (Rm)	21,9	20,4	16,3
Pre-tax Income (Rm)	15,9	15,0	9,3
Attributable			
Income (Rm)	15,5	15,1	10,0
Earnings (c)	25,33	24,67	16,39
Dividends (c)	7,0	10,0	5,0

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FIM 20/4/90 (189)

est, cover has deteriorated from 3,81 to 3,65 and now 2,3 in the last three halves. Still, Cohen expects a decrease in debt and an improvement in gearing by the year end.

Assessed tax losses and a R0,69m loss suffered by outside shareholders in Haz marginally lessened the negative effect on attributable earnings which fell 35,3%. Assessed tax losses of about R70m remain and Cohen hopes the loss at Haz will be reversed by year-end.

Cohen says the relaxation of hire purchase conditions in March may benefit trading marginally but warns that general conditions in Tedex's markets are likely to deteriorate further. He expects the profit performance in the second six months to be similar to that of the first half, even though the decline in turnover and margin is expected to be stemmed.

Investors' caution is reflected in the current share price of 190c — a discount of 41% to NAV — and in the high dividend and earnings yields.

Pam Baskind

Different animal (189)

Activities: Engineering, foundry and electrical goods.

Control: Directors 52,9%.

Chairman: J C Haslam; MD: J W Butler.

Capital structure: 28,5m ords. 285 000 red. R1 prefs. Market capitalisation: R42,8m.

Share market: Price: 150c. Yields: 8,0% on dividend; 25,3% on earnings; PE ratio, 4,0; cover, 3,2. 12-month high, 150c; low, 110c.

Trading volume last quarter, 244 000 shares.

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	3,2	4,4	8,6	18,1
LT debt (Rm)	3,9	5,1	8,7	8,6
Debt:equity ratio	0,44	0,40	0,47	0,54
Shareholders' interest	0,59	0,52	0,55	0,51
Int & leasing cover .	1,8	3,5	3,6	3,8
Return on cap (%) ..	11,7	16,1	18,3	22,3
Turnover (Rm)	55,1	84,1	115,7	159,0
Pre-int profit (Rm) ...	4,1	8,8	13,0	22,1
Pre-int margin (%) ..	7,4	10,5	11,2	13,9
Earnings (c)	6,4	27,3	36,9	37,9
Dividends (c)	—	10	12	12
Net worth (c)	48	64	99	122

Unihold overcame a major hurdle last year when it increased profits sufficiently to absorb a 32% tax rate (1988: nil) and keep EPS rising.

In value terms, the main thrust came from the engineering division, which virtually doubled operating profit and provided more than half the increase in total group pre-interest income. A sound performance was expected from this sector, which benefited from acquisition of Unique Engineering and subsequent rationalisation — clearly with good effect.

What may not have been expected is that engineering in one leap became the most profitable division in return on assets employed. The pre-interest return on average assets of almost 40% eclipsed the 30% of the foundry division (previously the most profitable) and left the electrical sector a poor third at 19,4% though operating profit here rose 111%.

With electrical accounting for 42% of total assets employed, its relatively low profitability affected overall returns, though there was an improvement from 20% to 26%, exceeding the target of 25%. For 1990, the target has been increased to 30%, indicating a major improvement in the fortunes of the electrical division is expected now 50%-owned Zumtobel-Barlite has been restored to full profitability.

To achieve the higher pre-interest return target, profits this year will have to improve by at least a third, if the asset base merely remains constant in real terms. Given the average 58% growth over the past two years, the target does not seem impossible. But it has to be recognised growth is moving off a much higher base than two years ago, which underscores the importance of bringing the electrical division up to scratch if the target is to be achieved.

The group will probably see a higher interest charge on outside borrowings. Last year's effective rate on year-end debt was only 16,4%, reflecting the uptick in borrowings from R17,4m to R26,7m and, apart from having to service higher debt for a full year, borrowings will likely rise to fund expansion. Another factor that will inhibit earnings growth is the probability of a continued rise

in the tax rate from 1989's 32%, though effects this year will be less severe.

The final uncertainty concerns the timing of conversion of the 15% debentures. Holders have an option to convert the 8,5m debentures into a similar number of ords at end-May; if exercised, this will increase issued capital by 29%. The effect of conversion, based on last year's results, would be to dilute EPS by 20% from the 37,9c achieved to 30,2c. The diluting factor will increase as earnings rise, as the only offset is the fixed constant of the debenture interest (13,5c/unit).

After the Budget, conversion may occur earlier rather than later. As things stand, conversion would yield a 67% capital profit based on the 90c take-up price of the debentures. With the freeing of dividends from tax, there would be a 78% income advantage

as well.

Previously, the taxed interest of 6,75c per debenture compared with after-tax ordinary dividends of 8,4c in the hands of an individual. Probability of early conversion is also suggested by the fact that the debentures are trading at the same price as the ords.

On balance, Unihold will be hard pushed to increase EPS this year. With a three times dividend cover policy, there is not much room to manoeuvre here either. The 150c price, yielding an historical 8%, indicates the market is not looking to any fireworks in the short term.

At the same time, there can no longer be much doubt Unihold is a very different animal to the loss-maker of a few years ago and those prepared to look beyond the current year could find the share rewarding.

Brian Thompson

R4m expansion at Plessey

20/1/1990
28/11/90

By DICK USHER
Business Staff

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RAPID expansion of Plessey's research and development division created the need for a R4 million expansion at the company's South African headquarters.

MD Dr John Temple said this week that the requirements of the many projects in which the company was involved had created such pressure on working space that it had to build a new complex for management and administrative staff so that the research and development division could occupy the whole of the old head office.

"The fact is that management staff have been squeezed out by the technology people," he said.

The new administrative block was built at a cost of about R2,5 million while adapting the old building to the requirements of the development division cost another R1,5 million.

Dr Temple said that space requirements of the technology division had more than doubled in the past five years and the company used more than 8 percent of its budget on research and development in the last financial year.

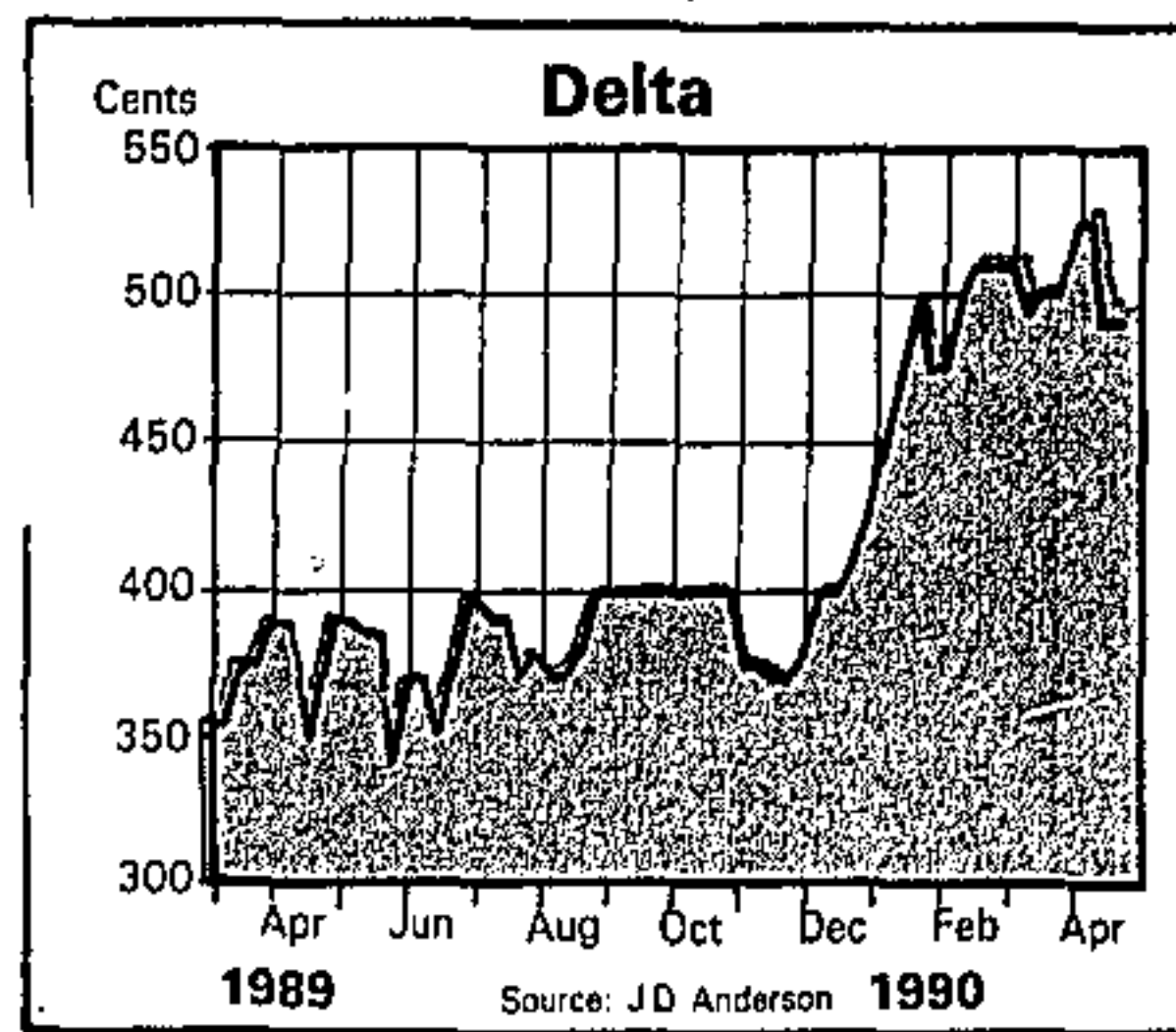
"We've had some major successes with our projects and this expansion will give us the space to push ahead in this field," he said.

Among Plessey's successes have been the development of a new PABX for the Post Office and new broadcasting transmitters for the SABC.

Dr Temple said the new PABX was announced by Minister of Public Enterprises Dr Dawie de Villiers when he presented the Post Office budget. The company had produced a prototype of the new transmitter and the first unit would be delivered this year, said Dr Temple.

Other important projects were the development of a datalink replacement for the Post Office's continual cable linkages which could carry up to 32 lines by microwave and a budget energy meter for pre-paid electricity.

Opening of the technology centre and the new building on June 4 will be performed by Minister of Finance Mr Barend du Plessis.



DELTA ELECTRICAL FIM 4/5/90

Returns rising (189)

Activities: Makes and services electrical and mechanical goods.

Control: Delta Plc holds 49,9%.

Chairman: N A Bury.

Capital structure: 41,1m ords. Market capitalisation: R215,8m.

Share market: Price: 525c. Yields: 3,6% on dividend; 8,2% on earnings; PE ratio, 12,2; cover, 2,3. 12-month high, 525c; low, 340c.

Trading volume last quarter, 307 000 shares.

Year to Dec 27	'86	'87	'88	'89
ST debt (Rm)	4,9	0,1	0,2	6,8
Debt:equity ratio	0,05	—	—	0,15
Shareholders' interest	0,59	0,54	0,53	0,51
Int & leasing cover .	5,7	—	—	32,2
Return on cap (%) ..	19,5	25,3	25,6	32,7
Turnover (Index)*	250	360	455	615
Pre-int profit (Rm) ...	11,6	17,8	22,5	37,2
Earnings (c)	18,9	24,9	32,3	42,9
Dividends (c)	7,7	10	12,5	19†
Net worth (c)	97	105	125	129

† Excludes special dividend of 25c

* 1984 = 100

The rerating of Delta which occurred a few years ago is now well entrenched. And the group is likely to extend its growth from the larger base established last year.

Significant acquisitions were the purchase from January of 60% of Delta EMD, a producer of high-grade electrolytic manganese dioxide used in dry cell batteries and 20,4% of listed engineering group, Valard. The Delta EMD stake was held by Delta SA, Delta's holding company, a subsidiary of Delta Plc.

The cost of these and smaller investments was a 15% increase in issued shares and payment of R19,7m cash, against nil the previous year. Another R4,8m was spent on upgrading plant at EMD and R4,1m is budgeted to complete the work this year.

Gearing reappeared at 0,15 and the directors say further spending may raise it to 0,30 this year. That hardly poses a threat to earnings given that gross cash flow was 72% higher last year and interest cover was 32 times.

Despite a 35% increase in the turnover index, which was six times higher than in 1984, working capital rose only 7%. Earnings were 33% higher and have grown at a compound annual rate of 29% for the past five years.

With the increase in capex and the 52% rise in the dividend, cover was reduced to 2,2

(2,5). It is not expected to decline further.

MD Graham Salter says Delta continues to look for acquisitions. Previously, the group has acquired companies in good condition, while associate Valard has a reputation for turning around companies taken over. Delta and Valard both supply parts and services for machinery but avoid capital goods; Delta concentrates on the electrical sector, while Valard is in the broader industrial market.

Salter says all divisions are operating well. Attributable income was derived from electrical repair engineering 33% (41%); insulations and conductors 29% (36%); EMD 17% (15% was forecast); and industrial products 18% (14%).

Delta has gained a rand hedge element in EMD, which exports 70% of its production. Delta's other business is shielded from economic downturn in that the mining industry is the group's largest customer and its services in repairing electric motors and transformers are required as long as the mines maintain production tonnages. Political uncertainties are probably depressing sales of capital goods but are unlikely to affect repairs and rewiring of machinery much.

The group has produced consistent growth and kept returns at high levels. The share offers a fairly thin yield but should continue to justify the rating — though a more sedate increase in the pay out can be expected this year.

Teigue Payne

Altech boosts cash holdings

5/24 7/5/90 (189)
Cash resources at Altron subsidiary Allied Technologies (Altech) improved significantly during the second half of the 1989 financial year to R67 million, leaving it well placed to fund its new activities.

As part of the management restructure of the Altron group, Don Snedden had been appointed executive chairman in July.

"He has since then implemented strategies designed to turn the group into a more broadly-based supplier of professional electronic equipment and services," Altron said.

"Altech has also been successful in obtaining new business to fill deferrals of Post Office contracts exceeding R200 million during the past two years," Altech said.

In view of the directors' confidence in future growth and profitability, the dividend has been maintained at 268c the same level as the previous year, although earnings per share fell from 884c to 834c.

ABERDARE F/M 11/5/90

Switched on (189)

When Powertech decided in the mid-Eighties to "fix" the over-traded and under-profitable electrical cable industry, there was no short-

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Activities: Manufactures electrical cables.

Control: Jointly by Powertech (54,8%) and Philips (34,5%).

Chairman: P A Watt; MD: P B Wilson.

Capital structure: 14,5m ords. Market capitalisation: R254m.

Share market: Price: 1 750c. Yields: 7,5% on dividend; 15,0% on earnings; PE ratio, 6,7; cover, 2,0. 12-month high, 1 750c; low, 1 150c. Trading volume last quarter, 27 000 shares.

Year to Dec 31	'86	'87	'88	'89
Debt:equity ratio	nil	nil	nil	nil
Shareholders' interest	0,74	0,75	0,61	0,58
Return on cap (%) ..	11,6	13,4	18,5	27,5
Turnover (Rm)	250,7	256,0	321,1	434,8
Pre-int profit (Rm) ...	18,1	21,7	38,1	69,5
Pre-int margin (%) ..	7,2	8,3	11,5	15,8
Earnings (c)	75	89	142	262
Dividends (c)	37	45	71	131
Net worth (c)	794	840	869	1 003

age of sceptics who questioned whether the results would justify the effort.

Such scepticism may have been justified in the initial period after 1985's three-way merger of Asea, Scottish Cables and Aberdare. While earnings improved, the gains achieved were off a very low base and profitability was decidedly sub-standard. But, in 1989, the whole act seemed to come together as turnover spurted and margins leaped.

So if company executives seem to be smiling a little more broadly than usual it was probably because they can hear the crunching sound of words being eaten after earnings catapulted to give a net return on equity of over 25% — a remarkable achievement for a company which is completely ungeared and which pays virtually full tax.

It is difficult to pin-point any one specific factor as having been responsible for the transformation. Rather, it appears to have been due to a convergence of a number of different factors, starting with the progressive rationalisation of the productive capacity of the merged group, thereby setting the scene for the vastly improved economies of scale that were achieved in 1989 when sales took off.

And that, in turn, partly reflected a more market-orientated approach, with the focus shifting to the development of speciality products which have been well received and, equally importantly, have yielded good margins, thereby contributing to the gain from 11,5% to 15,8% in the overall group operating margin.

Another spin-off has been in the area of

working capital control. Stocks, on the high side a year ago, have normalised as a result of the higher sales. And, with a general tightening-up of debtors and creditors, the ratio of net working capital to turnover declined significantly to 14,3% — five percentage points down on 1988 and the lowest figure achieved by the group since the merger.

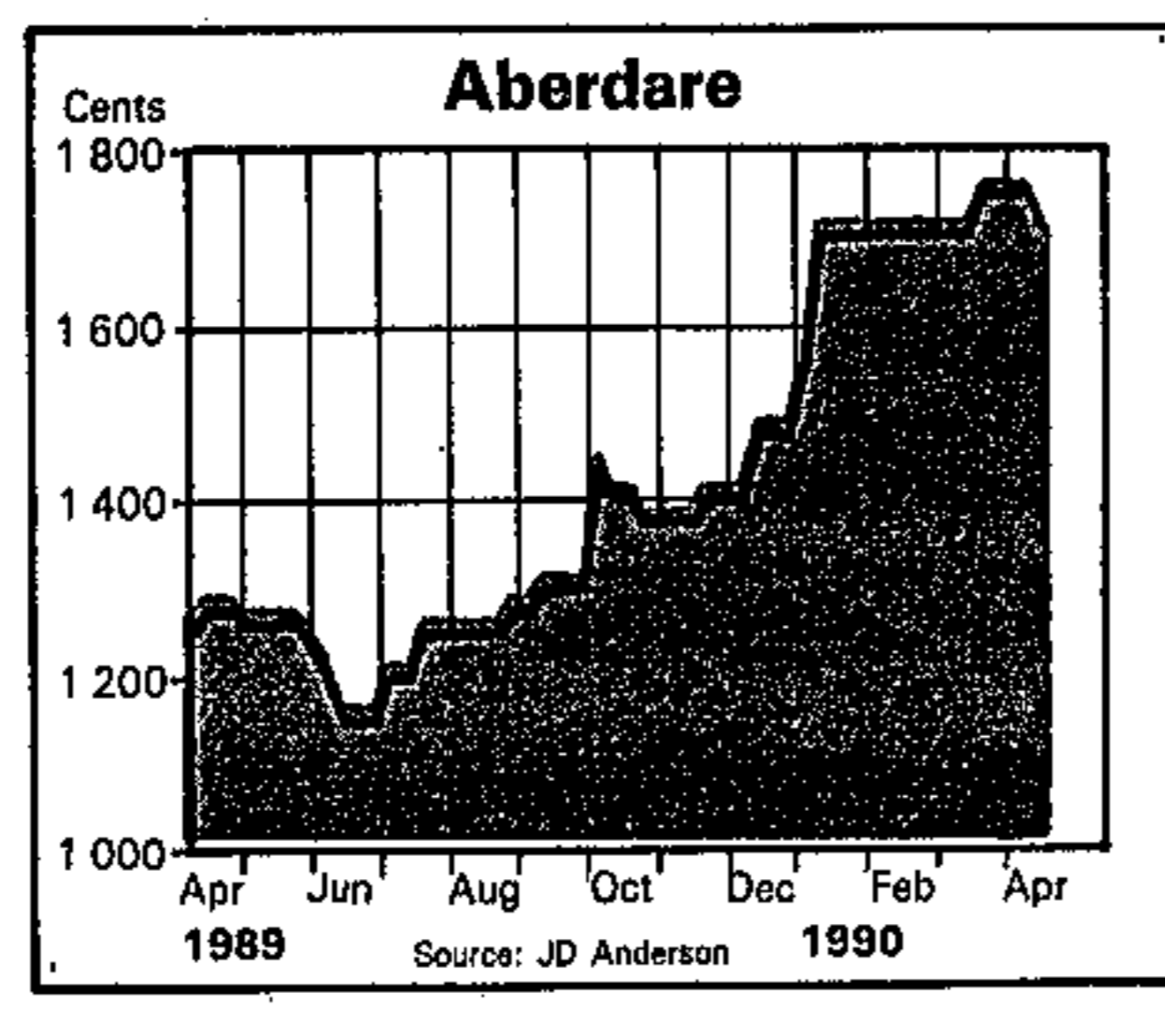
In rand terms, the improved working capital ratio translated into a R22,6m saving, thereby contributing materially to the doubling of cash resources on hand at the financial year-end from R32m in 1988 to R64m. Coupled with its debt-free balance sheet, this clearly places the group in a favourable position to pursue acquisitions, which it says it will do as suitable opportunities arise.

Based on present operations, however, the current year must inevitably be more sedate than the one just completed. Apart from the effects of spending cutbacks, the high returns now being generated indicate there is not much scope for further productivity improvements in terms of asset management, which will also slow earnings growth.

The one bright spot is the new joint venture with Berzack, AIB Investments, which seems to be following an aggressive acquisition programme. This company had just started operating at year-end and, consequently, will be making a first-time contribution during the current year. Another area offering potential is exports where good progress is said to have been made since the establishment of an export division in 1988.

The market remains a bit wary of the company and, though there has been some improvement in the rating of the share over the past year — reflected in a decline in the dividend yield from 9,2% a year ago to 7,5% now — it is still trading at a massive discount to the market.

At one level this is understandable, given the poor track-record of the cable industry. But for those who believe the establishment of Aberdare as the dominant player in this sector will lead to improved earnings stability, there could be considerable upside in the price on a medium-term view. *Brian Thompson*



Cenmag Holdings posts earnings rise

51/2000
23/5/90
PIERRE DU PREEZ
189

DCM-listed industrial concern Cenmag Holdings has seen attributable earnings for the year ending February rise by 26% to R1,6m (R1,3m) on a 28% increase in turnover to R52m (R41m).

This, the company says, was due mainly to improved cash management and organic growth.

However, Cenmag, which is involved in the manufacture and servicing of electromagnetic and motor rewinding requirements for heavy industry equipment, had to contend with a 41% rise in taxation to R1,3m (R932 000).

This left earnings per share 26% higher at 18,02c (14,3c) yielding a final dividend of 4,2c (3,5c), to lift the total dividend for the year by 20% to 6c (5c).

A big chunk of Cenmag's business emanates from the Lesotho Highlands Water Project and its clients include organisations such as Eskom and Sasol.

Financial director Victor Farkas says continued satisfactory results are forecast for 1991. Cenmag was not in a hurry to get to the main board, but would rather establish itself as one of the top companies of the DCM, before making the all important move.

He maintains that although high interest rates will remain and tough trading conditions are likely to continue, the company is well poised to benefit from the time and effort invested in research and development, as well as taking advantage of export opportunities.

On a current share price of 70c, Cenmag shows an historical dividend yield of 7,6% and an earnings yield of 23% against sector averages of 6,1% and 11,6% respectively for the DCM.

Allowing for the year-end results current dividend yield would stand at 8,6% and earnings yield at 26%.

In February last year, Cenmag posted a 79% increase in earnings per share — its maiden year.

As a long-term objective Cenmag wanted to make acquisitions that would ensure a strong base and good growth potential.

Voltex on the acquisition trail

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DTC 29/5/90

By Ann Crotty

Voltex Holdings has reported earnings per share of 24,3c for the 12 months to February — just pipping the 24c forecast in the transmuted listing statement. A dividend of 9c a share has been declared.

In the comment accompanying the results the directors say: "The group is currently actively pursuing the acquisition of various businesses."

There is some market speculation that African Cables may be one of the parties with which Voltex is negotiating. Voltex would not comment.

The African Cables share price has moved ahead in recent trading and yesterday closed at 460c — significantly ahead of the net asset value at end-June 1989 of 288c. But this book value may be considerably below the current market value of the assets.

The directors refer to the change in Voltex's financial year-end to June, which means that financial '90 will be a sixteen-month period. They forecast earnings per share of 32c for that period.

This means earnings of at least 8c a share will be achieved in the four months to end-June.

In view of group policy of paying dividends of 2,5 to three times, a dividend of around 3c a share could be on the cards for that four-month period.

Voltex comprises the electrical, electronic distribution, and cable operations of Elcentre and the cable and plastic manufacturing businesses of Berzack.

The review period's results include the Elcentre businesses from March 1989, the Berzack businesses from July 1989 and the cable and moulded plug businesses from March 1989.

In the period to February turnover was R794,8 million, with operating income of R98,4 million.

Finance charges took R11,2 million, leaving pre-tax income at R87,2 million.

The directors say: "No provision for tax has been made because of the utilisation of various tax allowances available to the group."

These stem from the acquisition of the assets now comprising Voltex. On the sale to Voltex, these assets were re-valued at market value, which was considerably higher than the value at which they had been written down to in the Elcentre and Berzack balance sheets.

The deal was done ahead of the change in depreciation allowances (from the more generous 50:30:20 percent basis to a five-year 20 percent basis).

The attractiveness of the allowances is highlighted by the fact that the directors estimate that no tax or deferred tax will be payable or provided for in the next two years, after which it is expected the effective tax rate will not exceed 10 percent for the following three years.

Interest on convertible debentures was a hefty R21,6 million. The interest relates to the 101,8 million convertible debentures that were issued to Elcentre as part payment for the assets it sold into Voltex. (It also received 142,5 million ordinary shares.)

Attributable income was R65,6 million. The EPS figure of 24,3c is after conversion of the debentures and so is based on the R87,2 million profit figure before the interest on debentures is deducted.

Extraordinary items of R9,9 million comprise R8,5 million restraint of trade payments, R3 million preliminary and share issue expenses and R1,5 million profit received on discontinued operations.

Six of the Voltex directors have received a combined R8 million from restraint agreements which, if they left Voltex, would restrain them for five years from the time of their departure.

Elcentre, which has also changed its year-end to June, has reported earnings for the 12 months to end-February of 100,6c a share. A second interim dividend of 21c a share has been declared.

Voltex Holdings meets forecasts of earnings

b Day 29/5/90 (189)

VOLTEX Holdings, the recently restructured electrical and electronics group, has met its earnings forecasts despite increasingly difficult trading conditions in the year to February.

Voltex, with manufacturing and wholesaling of cables and allied equipment as its core business, produced earnings of 24,3c a share — above forecasts of 24c a share.

A dividend of 9c a share has been declared, covered 2,7 times.

Voltex, formerly H & J Supreme Cables, was acquired in September by the Elcentre and Berzack groups, which reversed their respective electrical and electronic supply and manufacturing businesses into it.

Most of H & J's former interests were disposed of and the renamed Voltex Holdings was recapitalised by the issue of 287,1-million additional ordinary shares and 120,2-million convertible debentures to meet the R729m purchase price of the acquisitions.

The face of Voltex has changed from H & J and a comparison of the overall results are meaningless.

Benefits to former H & J share-

ZILLA EFRAT

holders are earnings have improved by 50% to 24,3c (16,2c) a share, based on conversion of the debentures.

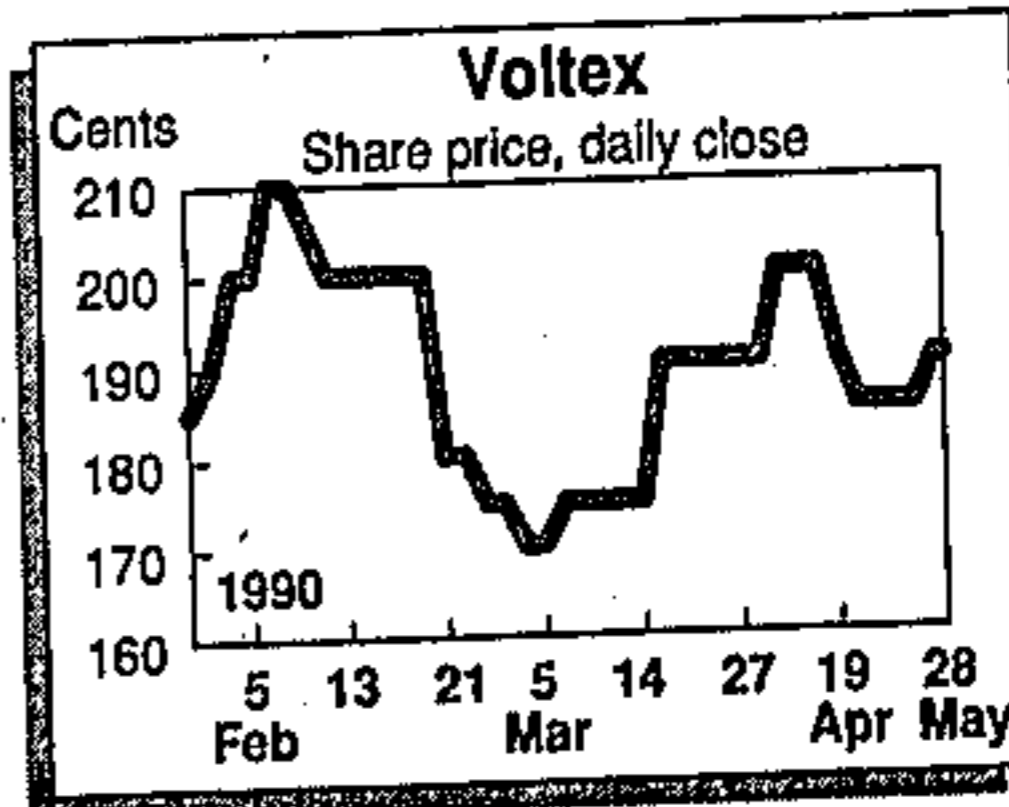
Directors say in spite of competitive markets and trading conditions which became more difficult during the year, the acquired businesses performed well and sustained growth was maintained.

Turnover reached R795m and operating profits of R98,4m were achieved on operating margins of 12,4%.

The interest bill, at R11,2m, is covered 8,8 times by operating profits. Gearing is at 22% (38%) and the current ratio improved to 2,1:1 (1,9:1).

Various allowances eliminated tax which is not expected to become payable over the next two years and should only reach an effective 10% over the following three years.

The income statement and balance sheet include the Elcentre businesses and H & J's cable moulded plug businesses earnings for the year and the Berzack businesses from July 1989. Profits of R1,6m from the disposed H & J businesses have been included as an extraordinary item.



Extraordinary items, which total R10m, also include R8,5m for restraint of trade agreements and R3m for preliminary and share issue expenses.

Voltex is pursuing the acquisition of various businesses.

Directors say this is in line with its policy to expand, both locally and abroad, and to reinforce its position in the market place by acquiring or establishing businesses with dedicated management, good growth potential and distinctive marketing capabilities.

They expect earnings for the 16 months to June — the new financial year-end — to reach at least 32c a share based on the full conversion of the debentures.

EXECUTIVE

B1P4 29/5/90

Elcentre's earnings grow 22%

ZILLA EFRAT

THE restructured Elcentre group's earnings grew by 22% in the year to February after improved results from Voltex and Sanlic Hardware Holdings.

It achieved earnings of 100,6c (82,5c) a share and has declared a dividend of 40c a share, up 21% and covered 2,5 times.

The group has changed substantially in over the last year. (189)

Its major interest now is a 59,6% stake in Voltex Holdings, while it also holds 82% in hardware and security components supply group Sanlic Hardware Holdings.

Voltex today reports earnings in line with forecasts, while Sanlic reported a 38,9% growth in earnings in December.

Both these acquisitions are classified as associated companies as Elcentre's holdings in these companies are a combination of shares and convertible debentures.

In addition, a number of smaller acquisitions took place during the year.

Expand

Directors say Sanlic experienced an exceptionally difficult trading period. Major problem areas have been addressed and Sanlic's contribution is expected to show a meaningful improvement in the current year.

Directors expect Voltex to reinforce and expand its position in the market place both locally and abroad.

Income from investments amounted to R19,5m (R5,3m) and the share the taxed earnings from associated companies was R64,9m (R51m). Net finance costs soared to R23m (R7,4m).

Elcentre's net tangible asset value has increased to 778c (119c) a share.

Elcentre has changed its financial year-end to June and directors expect earnings in the 16 months to June 1990 to be at least 134c a share.

Elcentre's pyramid company Elgro, which holds 54% of Elcentre, has reported attributable earnings of R34,5m (R27m) or 50,3c (41,2c) a share.

Higher margins put power into Voltex

8/7me 3/6/90

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VOLTEX — formerly H&J Cables — turned in a supercharged performance in the 12 months to February 1990.

The manufacturer and distributor of cabling and allied equipment, formed from the merging of various interests of Berzack, Elcentre and H&J, achieved sustained growth in line with directors' expectations.

Operating margins jumped from 5,8% of sales to 12,4%, leading to earnings of R65m. But extraordinary items of R10m were paid, including R8,5m in restraints of trade.

Having 24,3c earnings a share in the bag, the directors forecast not less than 32c for the 16 months to June. The group is pursuing acquisitions.

Elcentre benefited from the deal, its earnings for the same 12 months rising by 22% to more than R1 a share.

Diamonds

Shield Trading, a supplier of food and other goods to more than 200 stores, was a strong performer. Turnover in the year to February topped R500m, earnings a share rising by 70% to 9,4c.

Rembrandt associate Trans Hex gives as little information as possible, but earnings from the diamond company were up by 46% to R22,2m.

Of the 19 companies reporting this week, 12 earned more than in the previous

put power into Voltex

By JULIE WALKER

comparable periods, and climbs of greater than 20% were notched up by seven of them. No company reported a loss.

But one or two balanced the books finely. Bedroom-textile specialist Debonair's sales grew by 29% in the year to February (absolute figures not given). Operating income halved to R1,7m, which in turn was almost entirely grazed by the interest bill.

Earnings a share plunged from 12,7c to 0,6c. The directors blame high interest rates and the economy, and are trying to reduce gearing.

Consumer electronic and allied goods retailer Milstan improved turnover by 14% to R109m in the year to February. But it was at the expense of margin.

Milstan's tax in the previous year was lowered, hence earnings were boosted, by a film investment. But since FSI company Homemakers took a 31% stake in Milstan, the policy has been to restate the earnings as 22,6c a share and not 35c.

That was lucky for Milstan because the year's percentage drop in earnings to 19,3c a share was limited to 15%. It would have been almost halved if the previous year's originally stated figure was still to be believed.

Electronic goods supplier Audiodek's business grew by 13% to R47m in the year to March, but the expense of setting up a manufacturing operation was absorbed into profits.

Curious

A higher interest bill knocked the bottom line by 26% to 6c a share. The directors are cautiously optimistic that sales and profits will be better in the current year.

A curious comment comes from City Investment Holdings, whose earnings a share dropped by 46% to 1,71c in the six months to February. Managing director FC Eloff says: "A further improvement of results is expected for the remainder of the year."

Does he regard a 46% dive in earnings as an improvement?

Voltex keeps mum on 'R300m UK deal'

B1297 5/6/90
MERVYN HARRIS

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THE market was yesterday rife with speculation that Voltex, the joint cable and allied equipment venture between Elcentre and Berzack, is about to sign a R300m deal to acquire a UK company.

Voltex directors Myron Berzack and Nathan Mowszowski are both overseas. Another director, Reuben Mowszowski, said yesterday he was not in a position to confirm or deny the speculation.

Market sources said the UK company was engaged in wholesale and retail sales activities similar to those of Elcentre in SA. Voltex would concentrate on exporting its manufactured goods and distributing them through the UK company.

It is understood Reserve Bank approval for the deal has already been obtained.

Voltex, formerly H & J Supreme Cables, was acquired in September by the Elcentre and Berzack groups which reversed their respective electrical and electronic supply and manufacturing businesses into it.

Turnover is about R785m a year.

The acquisition of the UK company would be in line with Voltex policy to expand both locally and abroad.

B104 5/6/90

(189)

Cable industry rationalisation is 'a necessity'

MERVYN HARRIS

RATIONALISATION in the cable industry remains a necessity despite inconclusive discussions between Voltex and African Cables, according to Rod Stewart, financial director of Cullinan Holdings which controls African Cables.

"We have always talked about the need for such rationalisation and have held discussions with all the players in the market, but nothing has yet come of it," he said.

Rationalisation was necessary because of over-capacity in the industry. It would bring significant benefits in production runs. If there were developments leading to a deal, the company would issue a cautionary announcement, Stewart added.

Speculation on a possible deal with Voltex lifted African Cables' share price 34% from a low of 365c at the end of April to a high of 490c. The price eased yesterday to close at 475c.

Aberdare is the major player in the electrical power cable industry. The other participants include Voltex, African Cables, Siemens, Usko and Delta.

Voltex up
5 days 6/6/90
as Elcentre
surprises (189)

MERVYN HARRIS

VOLTEX, the joint cable and allied equipment venture of Elcentre and Berzack, rose 10c to 200c yesterday and was well bid at that price in the wake of market speculation it is about to pull off a R300m deal to acquire a UK company.

But Elcentre shares eased 10c to 540c, surprising some analysts in view of its Voltex holding.

Elcentre has a 59% stake in Voltex while Berzack's stake is about 40%.

At the current price of 200c a Voltex share, Elcentre's interest is worth about R492m and it has a R30m interest in Sanlic.

Divided by the 63,5-million Elcentre shares in issue, this places a value of 822c on each share, representing a discount of 34% on the current market price of 540c.

The question analysts are posing is whether Voltex shares are expensive or if Elcentre shares are looking cheap?

Only about 1% of Voltex shares are in public hands, making them highly untradeable and the current price of 200c might therefore not be an accurate reflection of its value.

Powertech on track ⁽¹⁹⁸⁹⁾ with earnings up 30%

8 Day 6/6/90
POWERTECH is on track and well placed in the power electrical market to repeat 1989's solid financial performance this year, says executive chairman Peter Watt in his annual review.

It has the combination of a solid customer base spanning a wide range of products, a record order book, a strong management team and an industry with good medium-to long-term development prospects.

In the year to February, earnings grew 30% to 27,8c (21,4c) a share and a dividend of 8,4c (6,5c) a share was declared.

This was despite SA's almost static power electrical industry, resulting from minimal growth in the mining industry, modest developments in black township reticulation and electrification of rural areas.

Buoyant

The group faced high interest rates and more competition on many fronts.

However, the electrical cable market remained buoyant and the group intensified its penetration into the industrial battery market. Mossgas became a significant client of several subsidiaries and the industrial lighting market experienced an upsurge.

Powertech concentrated largely on organic growth and new product development. It also pushed forward programmes to enhance its manufacturing efficiency, product quality

ZILLA EFRAT

and customer service.

Watt says the group is in shape to take advantage of significant acquisition opportunities and wherever possible, continued emphasis will be placed on local manufacture.

He says cable, lighting and power generation are expected to prosper in the current year and the SA battery market will benefit from rationalisation in the industry.

Optical fibre cabling has dramatically increased the speed of telecommunications and data transfer. This favours manufacturers of these products.

Government's privatisation programme will continue to affect major customers Eskom, Transnet and SAPT. While low capex spending is expected from these customers in the short term, large sums will have to be invested to maintain the integrity of various systems.

Between two stools

Control of electronics manufacturer Plessey SA is likely to pass into local hands as a result of the acquisition of the company's UK parent by European rivals GEC and Siemens.

Since the Anglo-German consortium seized control of Plessey UK early this year, most of its business has been split between the two predators. GEC has taken over, among others, Plessey Semiconductor, Aerospace, Avionics and Naval Systems while Siemens has acquired Plessey Radar, Controls and Defence Systems.

The fate of Plessey SA, together with some of the group's other less substantial interests, is still undecided. GEC and Siemens each has an effective 37% stake in the SA company. The remaining 26% is held locally by Sanlam's investment corporation, Sankorp.

The absence of a controlling shareholder is unlikely to continue for long. Management at Plessey SA has made no secret of the fact that it would prefer control of the company to rest in SA.

MD John Temple believes either one of the two European shareholders could be persuaded to sell its stake. Both already have major investments in SA that might conflict with Plessey SA. Siemens' Swiss subsidiary owns 52% of the local Siemens company while GEC has a 50% stake, together with Reunert, in GEC SA. The local operations of Plessey and GEC jointly own Telephone Manufacturers of SA.

Sankorp has pre-emptive rights to any Plessey SA shares that come up for sale. According to Sankorp GM investments, Derek Hunt-Davis, the Sanlam company would be keen to increase its shareholding in Plessey SA provided the price were right and the move would help rationalise the local electronics market. He says Sankorp, together with other local companies, has held discussions with both GEC and Siemens about the possible impact on the SA market of the

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takeover of Plessey UK. As yet, however, there have been no negotiations to increase Sankorp's shareholding in Plessey SA.

Temple says uncertainty over the future of Plessey SA has not led to a major loss of business but is bound to have affected clients' confidence in the company. He stresses the company continues to enjoy access to products and technology that were previously imported from Plessey UK.

Just over 20% of Plessey's estimated sales last year of R300m were generated from imports. Though this dependence has declined in the past few years, the company's international technology links remain important.

The slowdown in the economy, fierce competition in the overtraded telecommunications market and severe cutbacks in Post Office spending have depressed profits at Plessey SA. Pre-tax profits rose only 10.4% last year to R36m on the back of a 34% increase in turnover.

The company has ventured into new markets in the past 12 months, including automotive electronics, broadcasting systems and air navigation equipment. Plessey SA also intends expanding its interests in the systems engineering and software market through acquisitions.

Sparks from Delta Electrical

NICK STAVRAKIS

DELTA Electrical Industries is one of the few companies to achieve a high rating on a low profile.

After taking out the library files on Delta, I learned a lot about cars — Opels mostly.

Delta Electrical Industries managing director Graham Salter and three directors told me more about the quiet giant. Turnover is not disclosed, but pre-tax income in the year to December 1989 topped R36-million. Sales must be about 10 times that.

Delta SA is wholly owned by British Delta PLC, and in turn holds 49% of Delta Electrical. Mr Salter is also managing director of Delta SA. In 1983, Delta SA reversed certain assets into listed electrical repair engineering company LH Marthinusen and changed its name to Delta Electrical.

Through acquisition, organic growth and setting up manufacturing facilities, Delta Electrical Industries has become a key player in SA's electrical engineering services.

Electrical Repair Engineering chipped in 33% — the lion's share — of net income in 1989. Starting from LH Marthinusen, other Delta SA assets were sold into this division in 1986.

Delta's next-largest division, which contributed 29% to the bottom line, makes insulators and conductors.

Its products are used in both repair and equipment manufacture.

An electric heating element factory was estab-

lished 18 months ago to fill a market gap in industrial and catering applications.

The third division, cables and accessories, rang a few alarm bells. Delta put out a warning two weeks ago, but I undertook not to pry into its nature. Still, SA's cables industry is probably in for rationalisation. I broached the subject.

Mr Salter says: "We won't tell you what it is, but it is not in that area."

Cables & Accessories is the smallest contributor by a long way — 6% of attributable income last year. The biggest customers are the coal, trackless and other mining industries.

Industrial Products accounted for 18% of profits last year. It distributes high-quality replacement parts for earthmoving equipment.

Maiden

Delta picked up 20% of listed Valard after selling to Valard its share of a joint partnership with the company in exchange for its shares.

The electrolytic manganese dioxide company at Nelspruit chipped in 17% to Delta in its maiden year as part of the group. It was sold by Delta SA.

The Nelspruit factory supplies SA's dry-cell battery needs and is still able to export 70% of its production, giving Delta a rand-hedge component.

The group has achieved enviable compound annual growth of more than 30% in the past five years — enough to make it one of the Business Times Top Ten performers. It was left out of the

lists one year when a 3.5-for-one share split and a one-for-10 capitalisation issue were ignored.

Financial director David Davie is proud of Delta's ability to generate cash. After meeting all interest, tax, expenses, depreciation, extraordinary items and so on, Delta's net flow of funds from its businesses was R13-million.

Delta's borrowings represent only 11% of shareholders' funds, proving that growth can be attained without high gearing. The five-year feat was achieved from an already high return on capital and a full tax rate.

Mr Salter says the group tends not to focus on capital items, concentrating on repairs and servicing. I deduce that in times of economic downturn Delta should do well.

Mr Salter counters by saying that Delta could underperform in boom times. The bottom line suggests that Delta does well no matter what wind prevails.

Delta has three major institutional investors, and the team which talked to me gives several presentations a year to institutional shareholders. It is a pity that only 1.4-million, or 3%, of Delta's shares traded last year.

Low tradeability is not unique to top-quality companies such as Delta — it is a major problem on the JSE.

The share price of 500c is close to its high and on 11.7 times historic earnings.

I believe the company has strong management and great prospects.

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Stake in Jasco is worth the price

DELTA Electrical Industries has bought a stake in electronics company Jasco in a deal valued at R2,5-million.

Jasco has bought Delta's Procom, to be settled by the issue of Jasco shares of 75c each to Delta. This will give Delta 11,5% of Jasco.

Delta's directors have resolved to increase the shareholding to 20% by buying shares from the controlling shareholders of Jasco at 71c each.

Before the deal was announced, Jasco was trading at 50c, and before it made a cautionary announcement to shareholders on May 23 the price was lower. Jasco's net asset value will increase from 32,7c to 37,7c.

Stake

So, Delta has paid a premium to secure a stake in Jasco. I asked Delta's managing director, Graham Salter, why.

He says that you don't buy too many good companies for a price of only 5,5 times historic earnings.

Point taken. Tangible net asset value is not an appropriate yardstick by which to measure the worth of service-orientated companies.

Mr Salter says that Delta

keeps up to date on every company listing on the JSE which might be of future interest to it. To be in that little log must carry high kudos.

Delta would have taken a bigger slice of Jasco had it been available, but the controlling shareholders did not wish to sell out. They agreed to part with enough shares to make Delta's stake up to 20%.

Procom and Jasco's existing Pasco operate similar businesses in complementary fields. Each supplies connectors, special cables and semi-conductors. The two are ideal partners for a merger.

Delta's strategy is to invest in well-managed growth companies. In a similar deal last year it bought 20% of Valard, which this week announced a pyramid deal with troubled Landlock.

Enlarged

Valard will sell its entire business to Landlock in exchange for the issue of 41,2-million Landlock shares of 116c and R8,46-million cash for a total of R56,3-million.

Valard's sole asset will be 81% of the enlarged Landlock. Minorities in Landlock will be offered 116c for their shares, which traded at 100c before and after the deal and were half that last October.

Effective from June 1, Valard has the right to acquire 58,4% of Landlock

from controlling shareholder BBA Group plc.

As part of the deal, Landlock is to sell to Auto Industrial its Girlock business and property for R28,4-million cash.

The rest of Landlock's businesses, mainly in automotive part manufacture, complement Valard's existing operations.

The tangible net asset value of Landlock is given as 141c, and the 116c used in the deal lies between that and the market price.

Goodwill

Landlock's market capitalisation is lower than R17-million, yet it is selling a single business for cash of R28-million.

Valard, trading at 85c, is capitalised at R46-million, 10c off its May high, but 15c above the March low.

Landlock is in desperate need of guidance after being untended by its major shareholder. Not once did Valard's directors meet with their counterparts of BBA. The whole deal was negotiated through merchant bankers.

Valard's managing director Stephen Connelly says Landlock was made a good offer for Girlock, which included R2,5-million of goodwill. He believes that a decent return can be better achieved by buying at a discount to net asset value and turning companies around.

Analysis by
STEPHEN RICHTER

Delta Electrical Industries geared for higher growth

DELTA Electrical Industries has been considered a leading group within the JSE electronics sector for many years and it appears poised to continue to produce above average earnings growth in future.

Companies which carry a premium JSE rating usually possess a good management team and are involved in businesses offering above average growth potential. Delta certainly can be classified in this group.

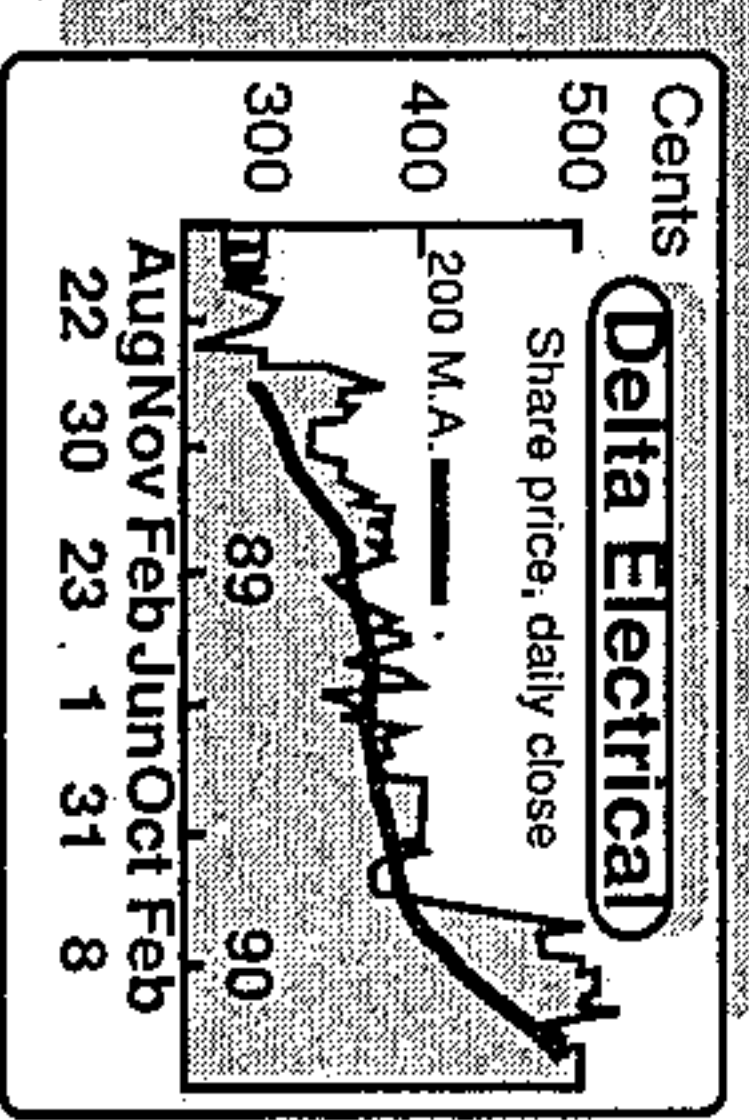
In the latest annual report covering the year ended December 27, 1989, the directors state that "the business objectives of Delta are to provide electrical and mechanical services and con-

sumable products to the mining, electrical and industrial sectors of SA's economy and where feasible to export these services and products".

Delta's performance statistics continue to impress with the return on average capital employed growing from 30% in 1984 to 54% in the latest year. Return on average shareholders' funds has also risen steadily over the same period from 20% to 36%.

Earnings a share have also advanced impressively to reach 42,9c during the latest 12-month period compared with 11,9c in 1984, which translates into an annual compounded earnings growth of

29% during the past five years. Over the same period, dividends were raised



Graph by: LEE EMERTON Source: JSE

to 19c from 4,3c, which resulted in dividend cover reducing to 2,3 from 2,8.

It performed well in all its activities and shows promising growth potential in the future.

In January 1989 Delta also acquired a controlling stake in Delta EMD. According to the directors, Delta EMD is recognised worldwide as an important producer of high-grade electrolytic manganese dioxide which is a key power source for the modern high-performance dry cell battery.

In 1989 the directors approved a major capital expenditure programme at Delta EMD to upgrade the quality of

electrolytic manganese dioxide produced to meet customer requirements and demand. It would appear this decision will enhance the long-term potential of Delta EMD and indicates management's willingness to keep in touch with the latest available technology. This is important if the group expects to maintain market share.

While Delta's JSE rating is in line with the average industrial share, it would seem that once electronics counters come back into favour, a premium rating would be justified given the group's outstanding track record and future potential.

Slower growth in electronic industry

CM- Tips 18/6/90 189

Financial Staff

THE world market for electronics equipment will be worth \$733bn in 1990, of which \$130bn is in Eastern bloc countries, and the balance of \$603bn in Western and Third World countries.

Growth has been slowing in this industry, from 22% in 1988 to 9% forecast in 1990, said Alan Paul of BMI-TechKnowledge.

The SA electronics industry follows closely with the recorded revenues of R10,4bn in sales of new equipment in 1989, and sales are expected to reach R11,7bn in 1990. Added to this figure was another R850m in services revenue which makes for an industry valued at R12,7bn in 1990.

BMI-TechKnowledge's report on the electronics industry forecasts a revenue growth of 12%, or minus 3% in real terms for 1990.

"A turnaround for the industry is unlikely to happen until at least 1992, due to less than inflationary growth in most sectors, following an abnormally high growth year in 1988.

Cutbacks in capital expenditure by the SA Posts & Telecommunications and by Armscor have affected the industry and will continue to make an overall negative impact.

Two exceptions to low growth are computer systems and software and services.

These two sectors will continue to show better-than-inflation growth prospects for the future, with software and services due for growth of 33% this year, and 26% next year.

DP hardware growth is slowing to a probable 21% this year, and 16% next year," says Alan Paul, Director of BMI-TechKnowledge.

The local electronics industry is still heavily dependent on imports which accounted for 43% of the industry value, at an actual "f.o.b" value of R4 034m in 1989. This corresponds closely to the average for the five-year period from 1984, when import figures were first monitored.

Duties on imports account for another 12% of the industry value.

The extent of local manufacture in SA is increasing at a very slow rate, due in part to the drop in telecommunications system manufacture by the major suppliers to SAPT.

The total value of local manufacture and assembly in 1989 was just over 18% of the total industry value. The balance of local value comprised vendor margins totalling 21% of the industry.

The value of exports of electronics products in 1989 amounted to a mere 3,5% of the value of imports. This value has increased only marginally from 1987 and 1988.

'No progress' on dispute at SA Philips Tyl plant

By Mhntshiwa Moroke

SA Philips and the National Union of Metalworkers of SA (Numsa) began talks yesterday aimed at resolving the differences that led to this week's closure of the Martindale plant near Johannesburg.

A spokesman for Philips said the parties had not made progress yesterday.

Numsa said the meeting had "started on a bad note" and added it viewed the radio and television manufacturing company's action as "nothing but power play and fascist".

Early

The factory was closed on Monday. The Dutch multinational company said about 150 workers had continued to breach contractual conditions of employment by working shorter hours.

SA Philips' human resources director Jeremy Pollock said on Monday

Numsa members had begun clocking out early from June 11 and had worked only a 40-hour week.

Yesterday Mr Pollock said: "Management is not prepared to change its position on its exclusion of certain workers who arbitrarily reduced their working hours.

"We will meet the union again (today). The plant will not be open to normal business."

Numsa said in a statement yesterday its members at the plant had been locked out without prior notification.

It said when it had approached the company about the workers' demand for a 40-hour week on June 6, it had refused to discuss the issue.

"The workers' case is that they are being discriminated against in that the majority of white workers are working a 40-hour week."

Top nuclear men from overseas at SA conference

Star 23/6/90

JAMES CLARKE

DELEGATES from several overseas countries were among more than 300 nuclear technologists and engineers attending this week's nuclear conference which ended at Eskom's Megawatt Park last night.

The organisers — the Institution of Nuclear Engineers — were taken by surprise at the great overseas interest in the two-day conference.

Top nuclear men from Britain, the United States and Europe attended as well as one from Mexico. The consensus at the conference was that although the 1986 Chernobyl nuclear disaster was still vivid in the public mind, nuclear power was the only practical alternative to coal-fired power stations which are now blamed world wide for climatic instability and public health problems.

Future design

As far as the design of future nuclear reactors is concerned it was clear that most of the two dozen speakers favoured standardisation — though few countries have it. Britain and the US have many different designs which means technologists and safety officers have to be retrained when they transfer jobs.

The French, on the other hand — the most nuclear country on earth, with three-quarters of its power derived from the atom — have a tradition of standardisation. South Africa has adopted the French PWR (pressurised water reactor) design and will also standardise all future plants.

A cut in the tax rate on dividends could make inflation-hit widows and pensioners and

S/Times 24/6/90

Directors bear the brunt at Yelland

JACK YELLAND, chairman of the listed Yelland group, says the directors have been the biggest losers in the buy-back of non-performing incentive shares.

He queries the use of the word "elect" in the heading of a Page 2 article in Business Times a fortnight ago which claimed, "No losers for the elect at Yelland".

Elect referred to the terms of the scheme as set out in the Yelland prospectus. The prospectus implied that only nominated employees could buy shares, and that the offer was not extended to all.

Burden

Mr Yelland assumes that the elect referred to directors of Yelland, who were not allocated shares. He says the directors allocated shares to all employees.

Yelland directors own 68% of the company. They are the major losers from the extraordinary write-down of R357 000 caused by the re-issue of shares in the scheme.

Mr Yelland says the directors are asking other shareholders to share this burden in the company's long-term interests.

Most of the shares sold by departing directors DR and JS Yelland at 140c apiece went to the remaining members of the board. They are still active in the company.

Mr Yelland says they have lost most since the drop of the trading price to below 140c — currently 40c.

Mr Yelland invited me to learn more about the company, what went wrong and what the prospects are.

Yelland has four subsidiar-

the brunt at Yelland



JACK YELLAND

ies, by far the largest being Yelland Engineering. Powerplan Systems and Yelland Drawing Office are wholly owned, and the managing director of Strike Technologies owns a quarter of it. Each subsidiary is sub-divided.

Of the 220 group staff members, 19 are engineering graduates. Several have hit the big time by designing award-winning products for Yelland.

Mr Yelland says employees are highly paid and excellence cannot be achieved without a high-quality workforce. The truth is that the company won so many orders last year that it bit off more than it could chew.

Indigestion set in, and the task is to relieve it.

The group has operated in areas of high competition and low margin, but has refocused its effort on niche markets and specialised products.

One — difficult to explain as is all this high-tech stuff — is removing "pollution" from the electricity systems of major consumers. The client list reads like a who's who of SA's mines and biggies.

Lightning

A smooth supply of electricity is disrupted by power electronics applications in such things as mine winders, mills, variable-speed drivers and electrically driven vehicles. A kind of filtering system is needed to iron out the creases. Yelland claims to be the leader in this field.

Lightning protection technology is another Yelland strength.

YDO, the drawing office, has had its problems, and Mr Yelland hopes it will do better this year.

The directors are embarrassed by the near halving of the company's earnings in the year to February when compared with the previous two years' growth. Shareholders can at least hope for better things. The intention to improve is genuine.

AEC goes public with its hi-tech services

881 27/6/90
(189) (18)

By Derek Tommey

South Africa could become an important supplier of nuclear fuel rods to the world's nuclear powers in two or three years' time, says Dr Wynand de Villiers, chairman of the Atomic Energy Corporation.

The corporation has plans to become a one-stop supplier to the nuclear power industry, he said.

At present many electricity authorities buy their uranium from one source, have it enriched by a second party and then get it made into fuel rods by a third.

As a result of experience gained in supplying nuclear fuel rods to the Koeberg power station, the Atomic Energy Corporation was well placed to do all this in one go.

Dr de Villiers believes that overseas utilities would welcome such a service.

At present the AEC is going

slowly with the scheme as many countries will not purchase South African uranium. "But this is expected to change in the near future".

The AEC also needed to build up a track record for reliability, other AEC officials pointed out.

In the meantime, the AEC is looking for partners who are able to commercialise the hi-tech skills it has acquired in developing the nuclear fuel rod manufacturing process.

These included the fabrication of stainless steel and aluminium, the separation of dust from air, the manufacture of turbines, laser technology, metallurgy and the identification and characterisation of mineral deposits.

Public offer

This public offer of hi-tech services by the AEC is the result of a Government decision to make the scientific para-statal start earning money.

The process is called 'commercialisation' and is intended to make the para-statal cash generators instead of cash users.

The AEC could at least double its present income of R170 million a year said Dr de Villiers.

The 'commercialisation' of the AEC was announced by Dr Wim de Villiers, a former head of the organisation and now Minister for Administration and Economic Coordination who numbers among his duties the need to cut Government spending.

He said it was intended that South Africa should use its comparative advantages, especially in the metals and minerals field.

South Africa had relied too much on the higher gold price that followed the 1973 oil price jump, he said. If South Africa had started developing these advantages South Africa would be a different country today.

The news of the commercialisation of the AEC was announced at a meeting in Johan-

nesburg yesterday attended by potential customers.

Generally the feeling was the commercialisation of the AEC was a worthwhile development. But some doubt was expressed about whether the AEC's specialised high-tech resources were not too rarified for industry.

Concerns

Another concern was that the AEC is not allowed to initiate any project itself but has to wait for someone to come along and seek advice and a partnership.

It was felt that the AEC knew better than most people its skills and abilities, and that this prohibition could seriously affect its ability to enter identifiable niche markets.

The AEC's chief executive, Dr Waldo Stumpf, said that the AEC had established a corporate marketing department and that all departments were becoming market-oriented.

Happy birthday (189)

Power Technologies (Powertech) celebrates its 10th anniversary as a listed company with sales in excess of R1bn and a profit performance which makes it the star of the Altron stable.

Turnover rose 36% and margins firmed despite little growth and heightened competition in the electrical power industry. It seems that buoyant electrical cable and industrial lighting markets and Moss gas business protected it from reduced spending by major clients such as the mining industry, Eskom, Transnet and the Post Office. Excel-

Activities: Manufactures electrical cables, batteries, lighting and power equipment.

Control: Altron 63,6%.

Chairman: P Watt; MD: J A R Alty. (189)

Capital structure: 133,7m ords. Market capitalisation: R260m. FIM 6/7/90

Share market: Price: 195c. Yields: 4,3% on dividend; 14,3% on earnings; p:e ratio, 7,0; cover, 3,3. 12-month high, 270c; low, 160c.

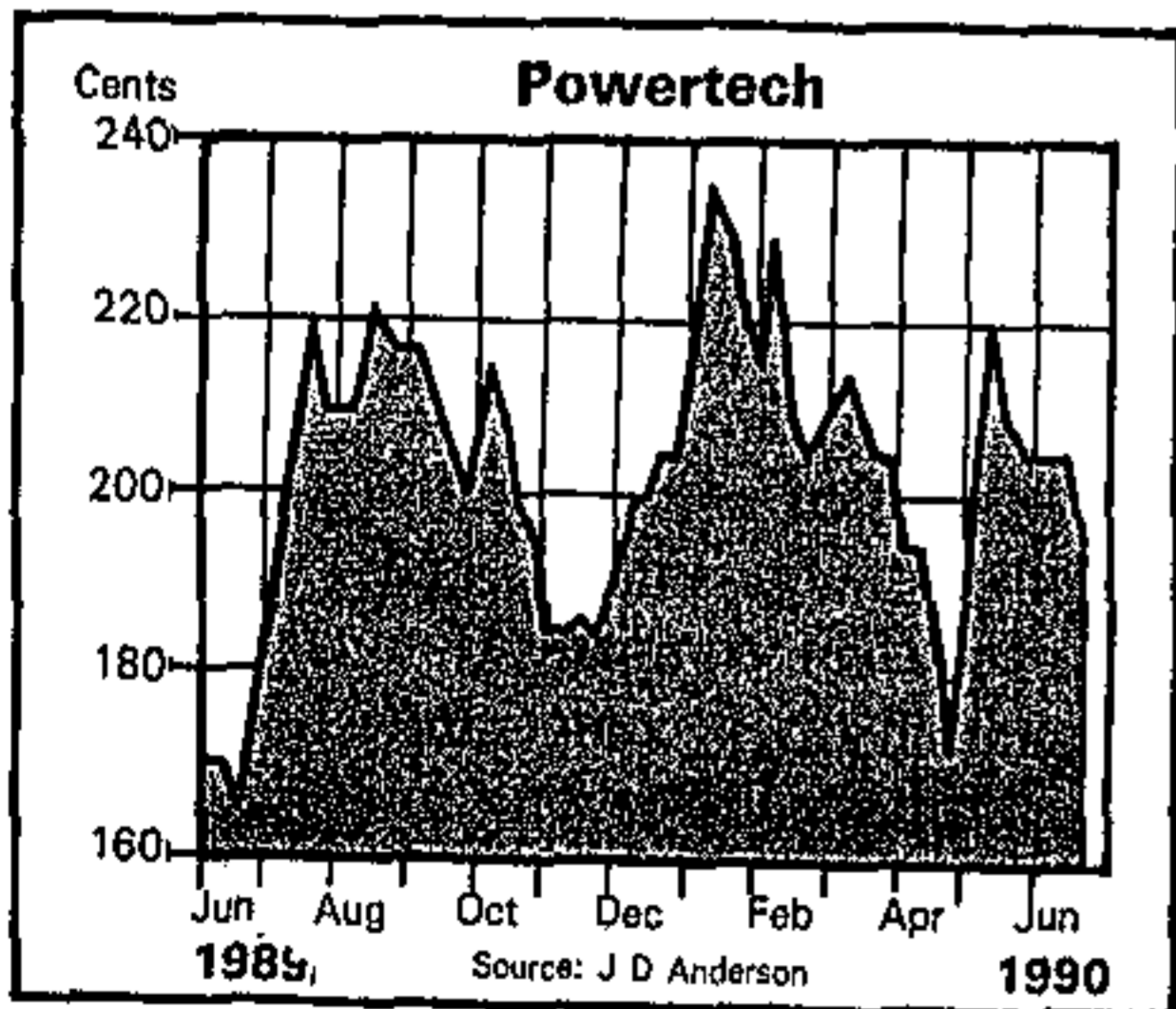
Trading volume last quarter, 1,4m shares.

Year to Feb 28	'87	'88	'89	'90
ST debt (Rm)	7,5	8,5	48,6	37,3
LT debt (Rm)	8,8	7,7	8,0	10,1
Debt:equity ratio	0,07	0,07	0,21	0,07
Shareholders' interest	0,62	0,58	0,45	0,50
Int & leasing cover ..	7,5	13,4	8,0	7,6
Return on cap (%) ..	10,6	11,8	13,2	20,5
Turnover (Rm)	601	599	854	1 157
Pre-int profit (Rm) ...	36	44	70	117
Pre-int margin (%) ..	6,0	7,4	8,2	10,1
Earnings (c)	10,1	13,5	21,4	27,8
Dividends (c)	3,8	4,6	6,5	8,4
Net worth (c)	95	109	124	140

lent results from Aberdare — the 55%-owned cable manufacturer which contributed 37% of sales — and the lighting and electrical accessories division reflect these trends.

Emphasis on asset management is apparent from a reduction in net borrowings during the year to R20,9m from R49,3m and the debt:equity of 0,07. Even so, interest payments rose, denting attributable earnings.

Shareholders' share of trading profits was



FIM 6/7/90
 above any negative sentiment attached to the rest of the Altron group and the electronics sector in general.
 (189)
 Pam Baskind



Powertech's Watt ... may the force be with him
 FIM 6/7/90
 (189)

the Voltex group — is harnessing excess capacity and should bolster profitability. Brown Boveri Technologies won an important contract as sole supplier of large power transformers to Eskom. This subsidiary is forecast to grow further. Rationalisation of the battery industry should benefit Willard.

But to maintain growth at the 1990 rate further acquisitions seem inevitable. Watt confirms that suitable opportunities are being sought. Cash-rich and debt-free Aberdare could house any such acquisition.

Results and prospects should lift the share

further eroded by a higher effective tax rate and virtual doubling of outside shareholders' interest. But earnings and dividend-a-share growth remained high, at about 30%.

Chairman Peter Watt is confident that subsidiaries will continue to provide "good bottom-line contributions" this year. Aberdare should benefit from rapid growth in optical fibre applications and instrumentation cabling for Moss gas and the telecommunications market. Little growth is expected in traditional cable markets. Aberdare's joint export venture with Illmans — part of

TGH sets out on overseas acquisition trail

By Jabulani Sikhakhane

The restructured Tollgate Holdings (TGH) is going on an overseas acquisition trail.

Chairman Julian Askin said yesterday that within the next 18 months about 80 percent of the group's earnings will be in non-rand currencies.

The acquisitions will be mainly in electronics, electrical and industrial materials distribution.

But analysts say for TGH to attract the necessary support from London institutions, it will have to clean up its balance sheet and bring down debt which stood at R373,7 million at end-December 1989.

As part of the plan to strengthen the group's capital base and reduce gearing, TGH will raise R44 million by way of a right offer of 14 percent unsecured subordinated compulsory convertible debentures at 225c per share.

Mr Askin yesterday said the overall plan in-

volves restructuring of the group's local assets as announced recently and reduction of gearing. However he declined to give any further details saying an announcement will be made shortly.

Analysts believe TGH is looking at disposing of some of its local assets.

DUROS

In terms of the restructuring plan, Duros would be wound down and TGH become a pyramid company with two listed subsidiaries Arwa and Gants. Entercor and Norths will be the two wholly owned subsidiaries.

Meanwhile, Mr Askin said yesterday's foreign purchase of Duros shares at 650c (against the market price of 875c) was the last part of the original deal which saw a consortium acquiring control of the group earlier this year. Part of the acquisition was made through the financial rand.

New pay deal for city electronics workers

By TOM HOOD, Business Editor

ARSL 8/8/70

MORE than 50 percent of the 600 Plessey workers at Plumstead will receive pay rises of between R132 and R313 a month backdated to July as a result of wage settlements with two unions.

The working week has also dropped to 43 hours from 44 without loss of pay, the company announced today.

Many employees will receive a further service increase of about R10 a month, said the managing director, Dr John Temple.

Negotiations affecting other work-

ers are still in progress with the Metal and Electrical Workers Union of South Africa (Mewusa).

The lowest-paid employee with no experience will now start at R1 034 a month and a factory worker will get no less than R1 157.

In practice Plessey's service increases would give the typical factory worker with eight years' experience R1 240 a month plus a guaranteed year-end bonus, said Dr Temple.

"These wages should be seen against the background of current union demands in other industries

ranging from R800 to R1 000 a month," he said.

"Plessey's wages and benefits must be seen as extremely fair and reasonable, especially as the electronics market faces an uncertain future.

"They should also be seen against the wages paid in the Far East which is the source of competitive products.

"We are competing against products made in mainland China where highly skilled workers earn only about \$50 (R150) a month."

Business had been hit by the cancellation of Post Office orders.

Anbeeco and Supalek expect growth in earnings

IMPROVED performance in all the operations of Anbeeco Investment Holdings in the last four months of its reporting period will enable it and subsidiary Supalek Holdings to achieve real growth in earnings for the year to end-April 1991, says chairman Tony Brookstone.

In the latest report, which covers a 16-month period to end-April, he said that based on the 147% in-

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crease in net income for the four months to April 1990, together with reduced surcharges and personal income tax, he was optimistic that real growth would be achieved in the new financial year.

Both Anbeeco, which distributes watches and audio equipment, and Kenwood and Cortina distributor Su-

2104y 9/18/90
palek experienced a dip in earnings in the first twelve months of the trading period due to a "cooling down" of the economy.

The group had R5,2m cash on hand at end of April 1990, and being un-gearred it had the borrowing capacity to fund expected future growth, Brookstone said.

Frankel Kruger Vinderine portfolio manager

Bruce Wolov said the group posted steady results over the last three years, despite the economic downturn and both companies had promising future growth potential. He forecast good dividend increases for 1991.

Anbeeco's share price closed unchanged at 64c yesterday, slightly off the July 24 high of 70c, while Supalek shares traded at 31c with buyers asking 30c.



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NE

600 fight for right to strike

By Brendan Templeton

About 600 workers and their employers in the small Northern Transvaal town of Brits are engaged in a struggle which could prove crucial to the development of industrial relations in South Africa.

At stake is the workers' right to strike over dismissals. The telephone and optical fibre cable manufacturing com-

pany, ATC, applied for and was granted an interdict in the Industrial Court preventing its workers from embarking on strike action after the dismissal of three shop stewards.

The National Metalworkers Union (Numsa) said a direct effect of the court ruling will be to make all strikes over dismissals illegal.

This undermined the very intentions of the Labour Relations Act, Numsa said.

Despite the interdict, workers embarked on their planned strike and were locked out of the company premises, a shop steward said.

ATC said in a statement it viewed the matter as a dispute of right which should be resolved through arbitration. "The decision to strike where such a dispute resolution mechanism has been offered is considered unfair and can only cause harm in the relationship

between the company and its employees," it said.

Numsa general secretary Moses Mayekiso said the dismissals were "selective" and an "attempt to rob the workers of their leadership".

The union's legal officer Ruth Edmonds said the interdict was not served as a rule nisi which would have given the union a chance to challenge it. It was up to the company to follow it up.

Own Correspondent

JOHANNESBURG. — Rank Xerox, which sold its SA interests to Fintech when it disinvested in 1987, has announced it will terminate its distribution agreement with Fintech.

The agreement, on the sale of its local operations now renamed Xeratech, permitted either side to terminate the distribution arrangement with a year's notice.

The US company has now exercised its rights to terminate the agreement with effect from August next year.

Altron group executive Mr Jacques Sells-

Rank Xerox

cuts SA link

chop said: "We are aware that sanctions pressure exercised by certain black mayors in the wake of Mr Nelson Mandela's visit to the US compelled Xerox Corporation to put out this announcement."

He said Xeratech was not unduly concerned

since, it had been positioning itself for some time for such an eventuality, "which, in any event, we regard as temporary".

He said it would be business as usual and customers would not be disadvantaged in any way.

"Besides, considering the pace at which events are moving towards Mr Mandela's minimum requirements for revoking his sanctions call, we are confident that our ample resources of stock and supply channels will not even be remotely taxed before the entire issue of termination becomes irrelevant," Mr Sells-chop said.

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Voltex beats its earnings forecast

By Jabulani Sikhakhane

Notwithstanding difficult trading conditions, Voltex Holdings has managed to beat its forecast and reported earnings of 33,8c per share (forecast 32c) for the 16 months to June 1990.

The group has changed its financial year-end from February to June and the earnings are annualised at 25,3c.

A final dividend of 2c per share has been declared, making a total for the year of 11c, annualised at 8,25c.

The dividend is covered 3,1 times.

Voltex was created when the Elcentre and Berzack groups merged their electrical and electronic supply and manufacturing business into H&J Supreme Cables.

The merger was followed by a major restructuring of the re-named Voltex Holdings, which

was recapitalised by the issue of 287,1 million additional ordinary shares and 120,2 million convertible debentures.

Results include the Elcentre business from March 1 1989, Berzack business from July 1989 and the cable and moulded-plug business from September 18 1989.

Operating margins improved to 13 percent (12,4 percent in February 1990).

This made for operating income of R140 million on a turnover of R1,075 billion. At the end-February stage, turnover was R795 million and operating income R98 million.

Finance charges took R13,046 million, leaving pre-tax income of R126,681 million.

No provision for tax has been made due to various allowances available.

Directors estimate that no material tax will be payable or provided for in the next two years.

Interest on convertible debentures was R26,437 million, the interest relating to convertible debentures issued to Elcentre as part payment for assets sold to Voltex.

The earnings per share figure of 33,8c is based on attributable income (to shareholders and holders of convertible debentures) of R126,424 million.

Extraordinary items of R24,554 million comprise R9,435 million for a restraint-of-trade agreement, R1,7 million for a loss on discontinued operations and R13,4 million written off for goodwill.

Directors say the R142 million acquisition of a 52 percent stake in UK-based Bennett & Fountain was met out of existing resources.

Although the group is performing satisfactorily, the directors are wary of making a forecast because of uncertain current political and economic factors.

Altech negotiating with foreign group

By Jabulani Sikhakhane

Altech 3/10/90 189
Allied Technologies (Altech) is involved in negotiations with a major telecommunications and electronics group, possibly French-based Alcatel, which should result in its acquisition of not more than 10 percent of Altech.

SHARES

Altech will issue about 981 500 new shares to the interested party.

Based on yesterday's closing price of R70, the market value of the investment should be about

R68,7 million.
Executive chairman Don Snedden said at the presentation of Altech's interim results yesterday, which showed a 6,5 percent drop in earnings to 383,2c per share, that negotiations had been going on for the past six months.

The investment by the international company would open up opportunities for Altech to expand further in the professional electronics field, Mr Snedden said.

Analysts pointed to Al-

catel, the world's second-largest telecommunications group, as the likely party because of its close ties with Altech.

SUBSIDIARY

Alcatel is a subsidiary of Compagnie Generale d'Electricite (CGE).

In 1987 Altech merged the telecommunications division of subsidiary STC (SA) with Teltech, which was 50 percent owned by Alcatel.

Altech directors yesterday reported a 21 percent rise in turnover to

R436 million for the six months to August.

But declining margins saw operating profit falling 7,5 percent to R62,775 million (R67,870 million in the six months to August 1989).

Altech has been diversifying into mining, financial and industrial electronics to lessen its dependency on telecommunications.

A sharp increase in cash resources to R127 million (R39 million) saw interest received shoot up to R5,703 million from R229 000.

This left pre-tax income marginally up at R68,478 million (R68,099 million).

Certain tax advantages applicable to the group have expired and the tax bill was higher at R27,361 million, leaving taxed income of R41,117 million (R43,581 million).

EARNINGS

After outside shareholders' interest and attributable share of retained income of associate companies, attributable earnings were R37,613 million (R40,027 million) — equal to 383,2c per share.

Directors said all group divisions were trading profitably.

Mr Snedden said priority was being given to the diversification programme, which is being boosted by more technological development and expenditure.

Listed subsidiary Autopage Holdings reported a 14 percent increase in earnings to R2,176 million (R1,914 million) — equal to 8c per share.

Turnover rose 31 percent to R14,955 million and the tax rate rose to 47 percent at R1,925 million.

CCTV (the closed circuit television security surveillance division) had been sold to former group MD Robin Beek for a cash consideration of R1,5 million with effect from September 1 1990, he said.

Chubb is facing another tough year

Chubb's performance came under pressure in the past year to March and with the worsening economic climate and continued high interest rates, there seems little chance that this year's results will not be subdued.

In the latest annual report, chairman Dirk Ackerman comments that further declines in the building industry will negatively affect group activities tied to this industry.

Nonetheless, he says the new financial year has been entered with reasonable order books and, despite the economic situation, he is confident of satisfactory financial performance.

Chubb Holdings is a financial investment holding company whose activities are totally concerned with the manufacture, distribution and servicing of security products.

The product package incorporates physical, electronic and fire security. The Electronics Security Division accounts for approximately 36 percent of group trading profit, the Fire Security Division contributes about 33 percent and the Physical Security Division the remaining 31 percent.

In the year to March, group turnover climbed 18 percent from R121,6 million to R143,6 million. All divisions contributed to this increase, especially the Fire Security Division with its sales increase of 33 percent.

Trading profit, however, fell 14 percent from R15,8 million to R13,5 million. This is attributable to a decline in the margins of all divisions due to competition, low demand from the building industry and the effect of product obsolescence in the Electronics Division due to technological changes.

Diagonal Street

87c
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LYNNE PEACH

Interest expense increased significantly from R1,5 million to R3,7 million.

Mr Ackerman attributes this to high interest rates, an increase in borrowings to finance capital expenditure and increased working capital levels.

The outcome was a 31 percent slide in pre-tax profit from R14,3 million to R9,9 million.

After a marginal increase in the effective tax rate from 44,8 percent to 45,2 percent, attributable profit showed a decline of 31,5 percent from R7,9 million to R5,4 million.

Based on an increased number of shares in issue, earnings per share fell 32 percent from 145,5c to 98,6c.

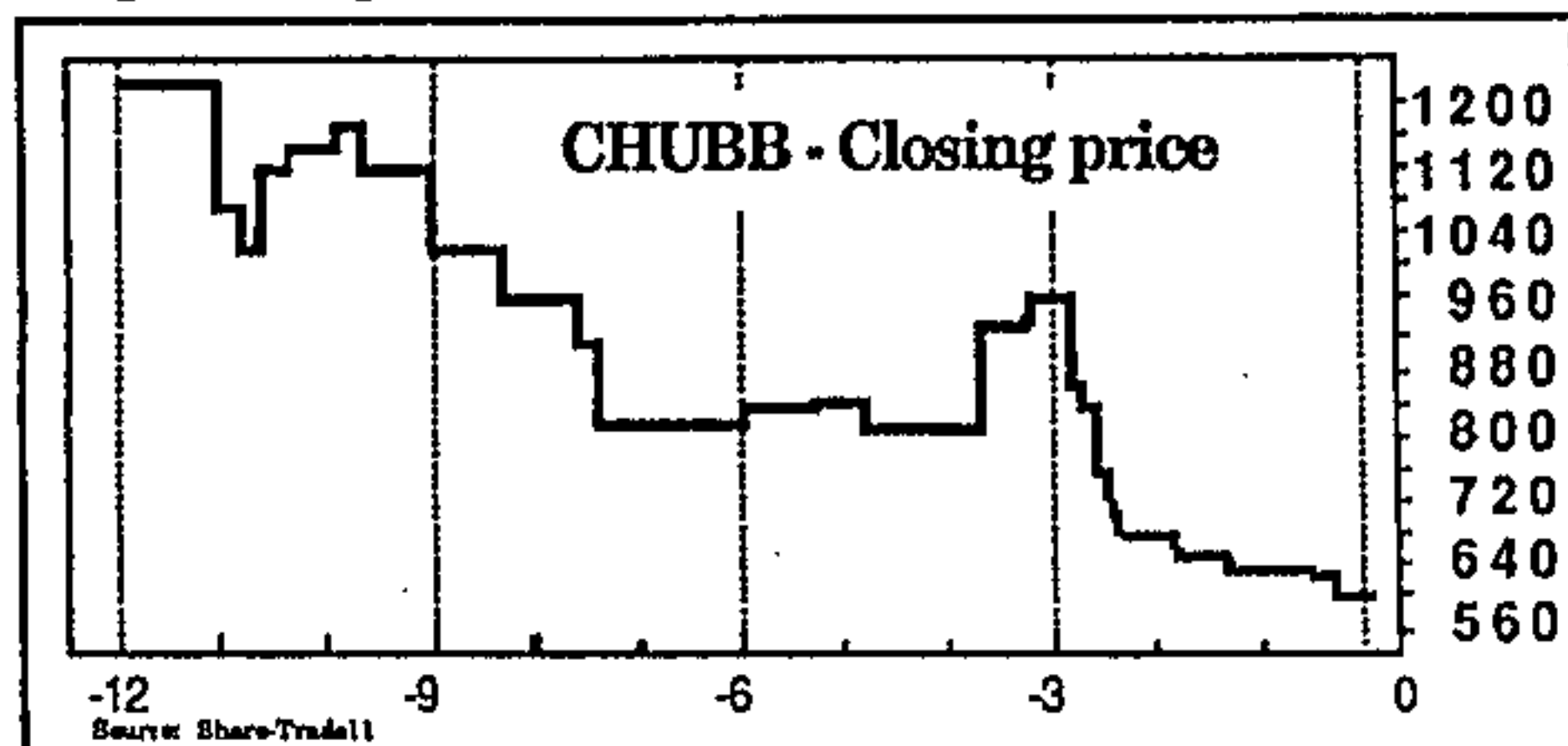
The dividend for the year amounted to 25c a share, 40 percent below the previous year's payout of 42c.

The strength of the balance sheet deteriorated with total borrowings more than doubling from R11,8 million a year ago to R23,4 million.

Chubb, priced at 590c, is trading on a price:earnings ratio of 6,1 and provides a dividend yield of 4,2 percent.

The current recession and the unlikelihood of any significant decline in interest rates in the medium term creates doubt as to whether the share is worth holding.

COMMENT: Chubb's share price has been in a downward trend since the last quarter of 1989 when it reached R12,50. Only if the price rises above 650c will there be hope of a trend reversal.



Altron picking up the pace

By Jabulani Sikhakhane
After a 22 percent drop in earnings in financial 1990 due to losses from the Fintech and Punchline operations, the Altron group has recorded improved profitability and executive chairman, Bill Venter is looking for a further improvement in the second half of financial 1991.

Yesterday, Altron announced a 16 percent rise in earnings to 203,3c per share (175c) for the six months to end-August.

Group turnover fell 4,4 percent to R1,314 billion from R1,375 billion. Directors attribute the lower turnover to the curtailment of the Punchline retail and systems business in the 1989/90 financial year.

This saw Fintech's (including Fintech Informatics - formerly Punchline) turnover in the first half of financial 1991 falling 34,5 percent to R258,073 million from R394,064 million. This, in turn, has also had an impact on Altron.

But Dr Venter said yesterday that he was looking

at a turnover of around R3 billion for the full 1991 financial year. This will mean a second half turnover of R1,7 billion from R1,3 billion (an increase of 31 percent).

During the review period, Altron's margins improved from 9,6 percent to 11,5 percent due to improved operational efficiencies. This left operating income up 14,2 percent at R150,782 million.

INTEREST BILL

The interest bill fell 30,9 percent to R11,8 million and this helped boost pre-tax income 21 percent to R139 million. The lower interest bill is due to a 20 percent reduction in working capital (helped by a trimming of stock levels), resulting in interest bearing debt (including preference shares) falling to R106,672 million from R252,304 million.

Gearing fell from 40 percent to 15 percent and interest cover improved to 12,8 times (7,7).

The group's tax rate rose to 38,5 percent (34,8 percent), which meant

189 Star 5/10/90
taxation of R58,540 million; after-tax income rose 14 percent to R85,458 million. Attributable earnings rose 16 percent to R38,442 million equivalent to 203,3c a share.

All Altron's main core businesses showed an improvement and Powertech continued to excel, increasing attributable earnings 18 percent to R19,9 million - equal to 14,9c (12,7c) a share.

Excellent results came from Powertech subsidiaries Aberdare and BBT while Willard Batteries and others showed sound performances.

Powertech's turnover was marginally higher at R620 million (R619 million) and executive chairman, Peter Watt attributes this to stayaways, labour unrest and political unrest in the townships. He says Powertech's order books are strong.

But due to improved operating efficiencies and tight control of overheads, operating profit was up

16,9 percent to R65,410 million (R55,932 million). Margins improved from 9 percent to 10,6 percent.

BORROWINGS

Borrowings were down 15,4 percent to R55 million (R65 million) and as a result the interest bill dropped 35,5 percent. This helped boost pre-tax income by 25 percent to R60,658 million (R48,567 million).

But a higher effective tax rate of 43,4 percent (39,8 percent), pruned the increase in after-tax income which rose only 17 percent to R34,309 million. Attributable earnings were R19,878 million equivalent to 14,9c per share.

Altron's overseas interests, held through London-listed Telematrix, showed improvement.

Ventron, the holding company for Altron has reported a 15,9 percent rise in attributable earnings to R20,636 million - equal to 76,6c per share.

COMPANIES

Shareholders back purchase by Voltex

VOLTEX's R142m acquisition of a controlling stake in UK wholesale and retail electrical components group Bennet & Fountain (B & F) was approved by its shareholders in Johannesburg yesterday.

Electronics and electrical group Voltex paid £20m for the B & F acquisition in July this year after B & F's shareholders' approval of the deal.

Depending on certain warranties, Voltex's final

ZILLA EFRAT

stake in B & F could be as high as 60%. The minimum will be a 52.3% interest.

However, this percentage is expected to be finalised in December when the B & F audited financial statements for the period to end-June will be released.

The acquisition will establish an offshore base for exporting Voltex's products to the UK, increasing the utilisation of Voltex's pro-

duction facilities.

B & F trades throughout the UK and is listed on the International Stock Exchange in London.

Voltex executive director Phillip Aginsky has already taken up his position as CE of B & F in London. He is currently investigating ways in which the Voltex philosophies can be applied to improve B & F's profitability, says Voltex director Nathan Mowszowski.

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Union claims lockout ^{Mewu} 26/10/20 was illegal

Supreme Court Reporter

AN electronics company acted illegally in locking-out more than 200 workers on September 3, the Cape Town Supreme Court has heard.

The Metal and Electrical Workers Union of South Africa (Mewusa) is claiming that the lockout of 227 workers by National Panasonic at its Parow Industria factory nearly two months ago breached the Labour Relations Act.

National Panasonic has denied the lockout was illegal.

The company declared a deadlock on August 13, but Mewusa submitted in papers that no deadlock had yet been reached on that date.

The union claims that further dispute-settling procedures agreed to between the parties were still to be attempted and the matter was prematurely submitted to the Industrial Council before 30 days had passed after the company's dispute letter.

Mewusa claims that the dispute letter did not constitute a deadlock notice as determined by the Act. It was sent by telefax, not by hand or registered post as determined by the Act, and was consequently invalid, the union submits.

The hearing was postponed to Monday.

Yelland

57 Times 4/11/90
NEGOTIATIONS which could lead to Altron company Powertech taking a controlling interest in listed Yelland Technology are promising, says Yelland chairman Jack Yelland. (189)

The company has announced a 92% increase in attributable earnings to 9.4c a share in the half-year to August 31.

Panasonic and union agree

Chc-71-75 8/11/80
Staff Reporter *189*

NATIONAL Panasonic and the Metal and Electrical Workers' Union of SA yesterday signed an agreement which ended a 10-week lockout by the company.

A joint statement by the company and the union said both parties re-affirmed their support for dialogue, discussion, negotiation and procedures as a preferred way of settlement.

COMPANIES

Voltex braces itself to combat tougher margins

ZILLA EFRAT

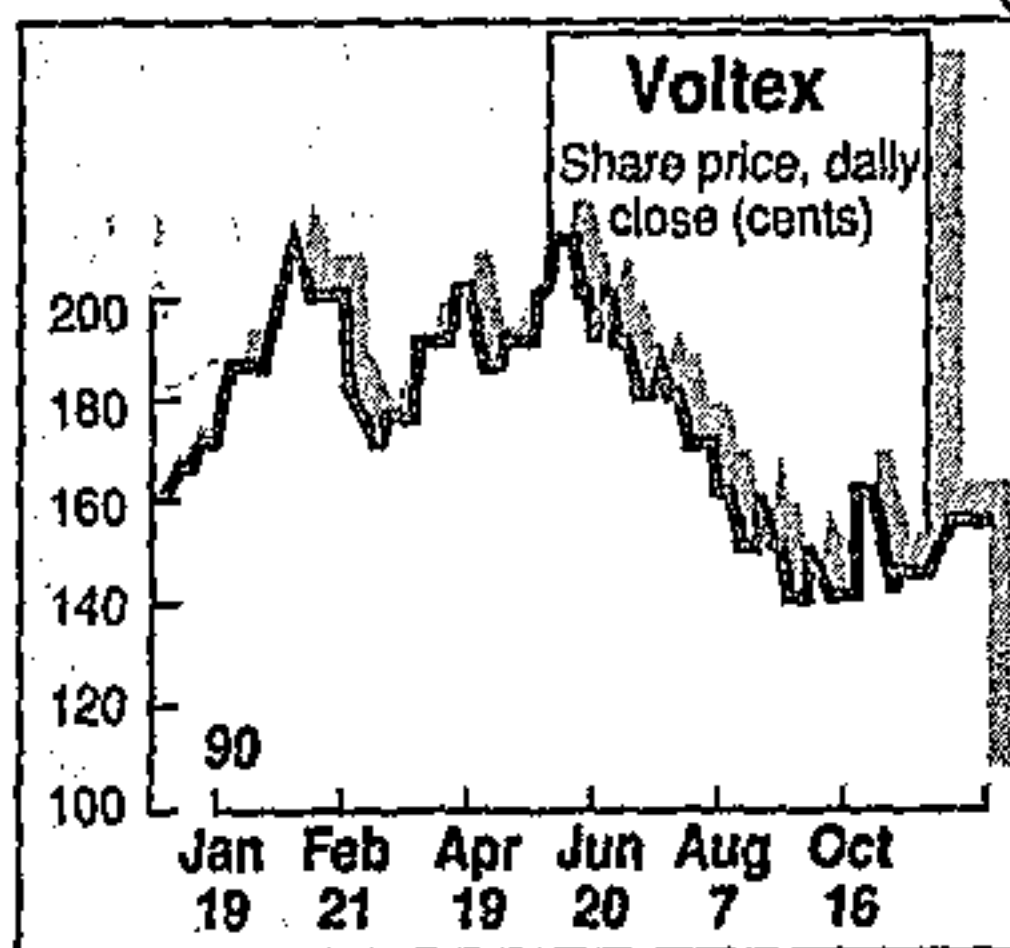
A FALL in demand in the housing and mining markets, coupled with high interest rates, could result in Voltex's margins coming under pressure in the current year.

This is according to Voltex's joint chairmen Bennie Illman and Reuben Mowszowski in the group's annual report, released yesterday.

They say: "The current political and economic climates in the country are most uncertain and it is unwise to forecast the group's future performance". However, current performance is "satisfactory".

Emphasis will be placed on containing operation costs and improving working capital ratios. In addition, increased activity is expected from further development of the group's export markets where encouraging results have been achieved in recent months.

In the longer term, Illman and Mowszowski see major growth opportunities stemming from a combination of electricity reticulation necessary for SA's massive low-cost housing requirements, capital expenditure by the mining industry and such opportunities as the Lesotho Highlands Water and Mossel Bay



projects.

The Voltex group was formed last September when the electrical and electronic wholesaling interests of Elcentre and related manufacturing operations of the Berzack-Illman group were reverse-listed into H & J Supreme Cables.

As the group's financial year-end was changed to June, it has reported for a 16-month period during which earnings of 33,8c a share outstripped forecasts of 32c a share and were achieved "against a background of high inflation, overall cost increases and declining margins".

On an annualised basis, earnings were 25,3c a share and the dividend was 8,25c a share.

Illman and Mowszowski say Voltex's investment in the UK-based Bennett & Fountain group (B & F) is

expected to expand its exports and offer it a base for the sale of its products into Europe.

However, they warn that the expected slowdown in the UK economy will result in a less active market in the near term.

Voltex has subscribed for a stake of between 52% and 60% in B & F, an electrical wholesale distributor, for R142m with effect from July 16.

It plans to overhaul and rationalise B & F's current businesses by seconding senior executive personnel to improve and expand its business operations and formulate new strategies. Illman and Mowszowski say that measures taken in recent months to rationalise B & F and disinvest from underperforming operations should lead to real benefits in the future. They add that B & F has the cash resources and management skills required for further acquisitions.

At the end of the period to June, Voltex had no borrowings. The R142m for B & F was paid in July out of the group's existing cash and borrowing facilities.

Directors say longer term methods of funding this acquisition are being considered and will be implemented in due course to maintain the group's desired gearing ratio of less than 0,5:1.

Trimmer Sanlic now aiming for the black

SD 22/11/90.
SANLIC Hardware Holdings should return to profitability in the current year, chairman Nathan Mowszowski says in his annual review.

Sanlic, in which the El-centre group has a 82% stake, was established over the past 20 months after businesses involved in security products, electrical accessories for the DIY market, tools and hardware were merged with it.

However, it experienced teething troubles, incurring a net loss after extraordinary items of R6,5m in the year to end-June.

Borrowings

This is attributed to unexpected losses in the safe factory, the brass foundry and the key factory. Sanlic's performance was further aggravated by the costs of absorbing acquired businesses, notably FS Consumer.

Although inventories were reduced, borrowings remained unacceptably high and finance costs increased substantially.

However, major rationalisation, including the disposing of major loss-makers, and consolidation has

189
ZILLA EFFRAT

resulted in the group's operating expenses being reduced significantly.

The group now focuses all its efforts on distribution of its core products and remains firmly entrenched as the market leader in these sectors, he says.

Attention is also being given to asset management and a rights issue is being considered to achieve a meaningful improvement in Sanlic's finances. Mowszowski believes these steps will restore profitability to Sanlic in the current year and says the board is hopeful that dividend payments will be resumed in the short term.

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The speakers included
visiting US Professor Wal-
ter Williams (author of SA's
War Against Capitalism),
Free Market Foundation
executive director Leon
Louw, DP leader Zach de

ANC economic depart-
ment spokesman Tito
Mboweni was the only
speaker to emphasise the
key role of the state in the
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Williams said that SA's

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TAU calls for urgent conservation strategy

Blowan
1/11/90
GERALD REILLY 

PRETORIA — The development of a comprehensive conservation strategy had become urgent, the National Veld Trust conference was told yesterday.

Transvaal Agricultural Union executive member Charles Baber said much of the damage over the past few decades was irreversible. If the deterioration was to be stopped, effective action could not be delayed.

He said among the reasons for the critical conservation situation in some areas were:

- The disproportionate political clout of the rural areas over many decades.
- The misuse of financial assistance by farmers.
- Subsidised interest rates and financial assistance to workable land in marginal areas.

Options

Other reasons were the subdivision of farms into un-economic units, damage done by mining industry and urbanisation, and the adoption of political policies which resulted in concentrations of people in areas where the land could not take the pressure.

Baber said some farmers had pursued the wrong options and had been unrealistically optimistic about the land's potential.

They were repeatedly bailed out of financial disaster at great cost to the taxpayer.

There was a new awareness of the threat of a possible collapse of the SA environment. But, he added, conservation had another dilemma — the population explosion.

It would not be possible, he said, to accommodate and employ all the future millions in the rural areas.

There was only one solution — urbanisation and industrialisation. However, both of these posed problems of worsening pollution.

Baber warned that SA farmers would have to shake off their lethargy, or they would find themselves dictated to by "a possibly unenlightened pressure group".

Recession and violence hinder Berzack forecast

DESPITE tough trading conditions, Berzack Brothers Holdings (Berzack) continued to operate "satisfactorily" but a "meaningful forecast" for the year was impossible, chairman Ben-
nie Illman said in the annual report.

Factors such as the recession, political uncertainty and township rioting, which had resulted in a feeling of trepidation, prevented forecasting with any accuracy, he said.

The major change for the group

GILLIAN HAYNE

during the year involved the sale of its cable and plastic making operations into Voltex.

Illman said gearing had been reduced a further 6% and was likely to fall even further.

He stressed that the group would counter pressure in the garment industry with "tighter overhead controls, better inventory management

and improved market share".

However, the household products field would have to postpone the introduction of a broader range of products because of the fierce competition and a contracted market.

The labelling division was set to continue its "extremely satisfactory" performance because of an increased product range and improved efficiency but the foreign division was experiencing difficult market divisions.

11/8/84
BHP/ary 23/11/84

Berzack powered boy

By Heidi Vollmer
SITimes 2/12/90

earnings, although the business was a loser at the time of the deal. Interest on Voltex's R140-million purchase price is large, but the long-term export potential it provides for the group's products as well as future access to an integrated Europe makes the deal attractive.

MYRON BERZACK, joint managing director of Berzack Brothers, predicted last year that the group would be in the Top 10 in this year's Business Times list. Since then the group has gone through a metamorphosis, but Mr Berzack has attained his expectation. Berzack Brothers is No. 10 this year.

Berzack Brothers increased its net worth by 202% and earnings by 44% in the year to June 1990 — when most industrial operations are struggling to maintain the previous year's earnings.

Berzack sold its cable and plastic manufacturing operations into a new group called Voltex for cash shares. Simultaneously, Elcentre sold its electrical wholesale interests into Voltex. H&J Cables was also incorporated in the new group which now turns over more than R1-billion a year.

The Berzack assets which went into Voltex were at a huge premium to book value resulting in an extraordinary capital gain of R186.4 million. This increased the book value of Berzack's net worth a share from R4.28 to R12.36. Both Berzack and Elcentre are in this year's Top 10.

Berzack Brothers now consists of two separate entities.

Base

1985 R10 000
1990 R81 404

The investment in Voltex contributed 87% of 1990 earnings. The sewing machine, wholesale and confirming operations contributed most of the rest.

Myron Berzack says there are four reasons for the excellent return provided to shareholders in the past five years.

In earlier years the group kept a low profile while setting up a base to build a business which

could compete with giants in the industry. Berzack's cable division now has top market share with Aberdare.

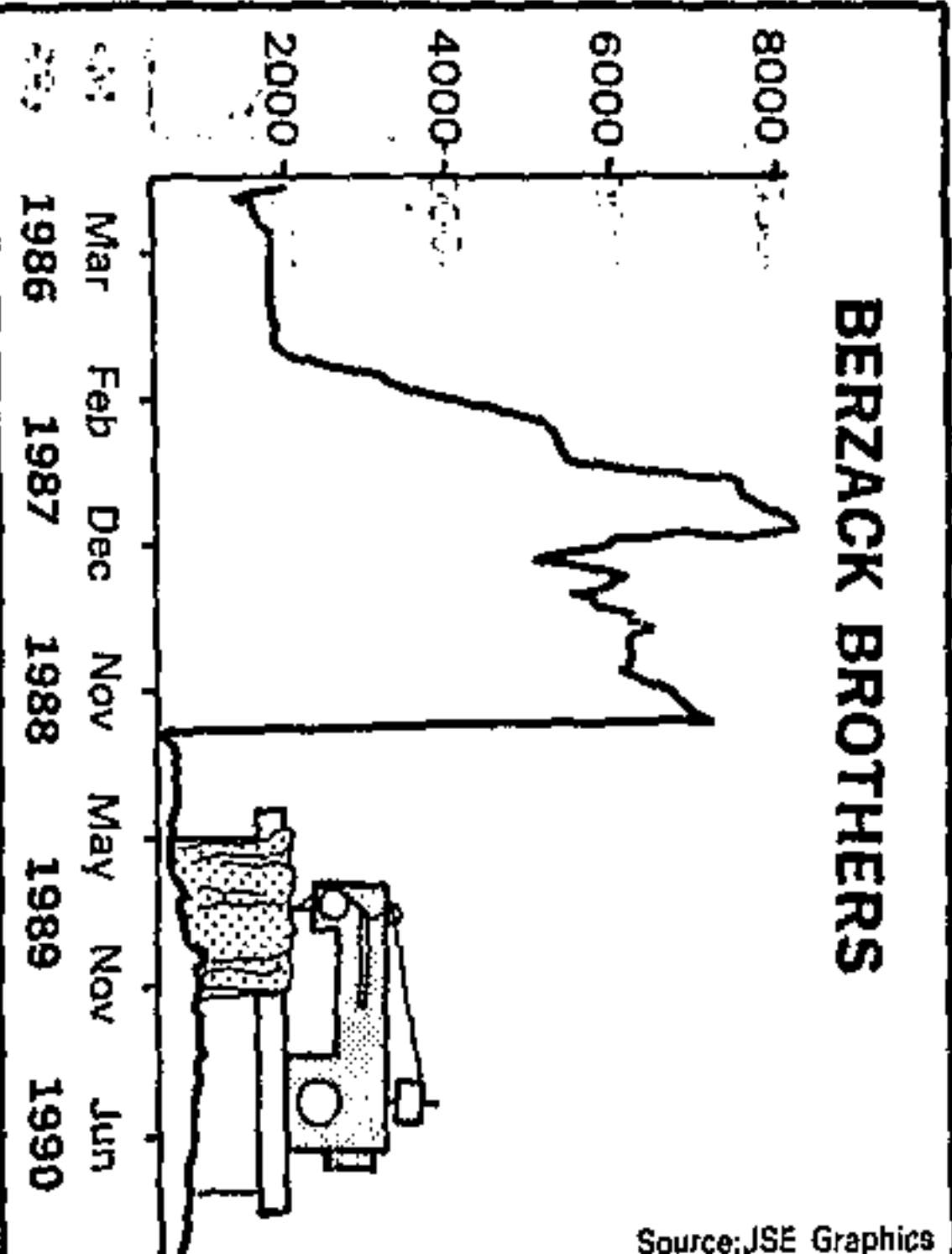
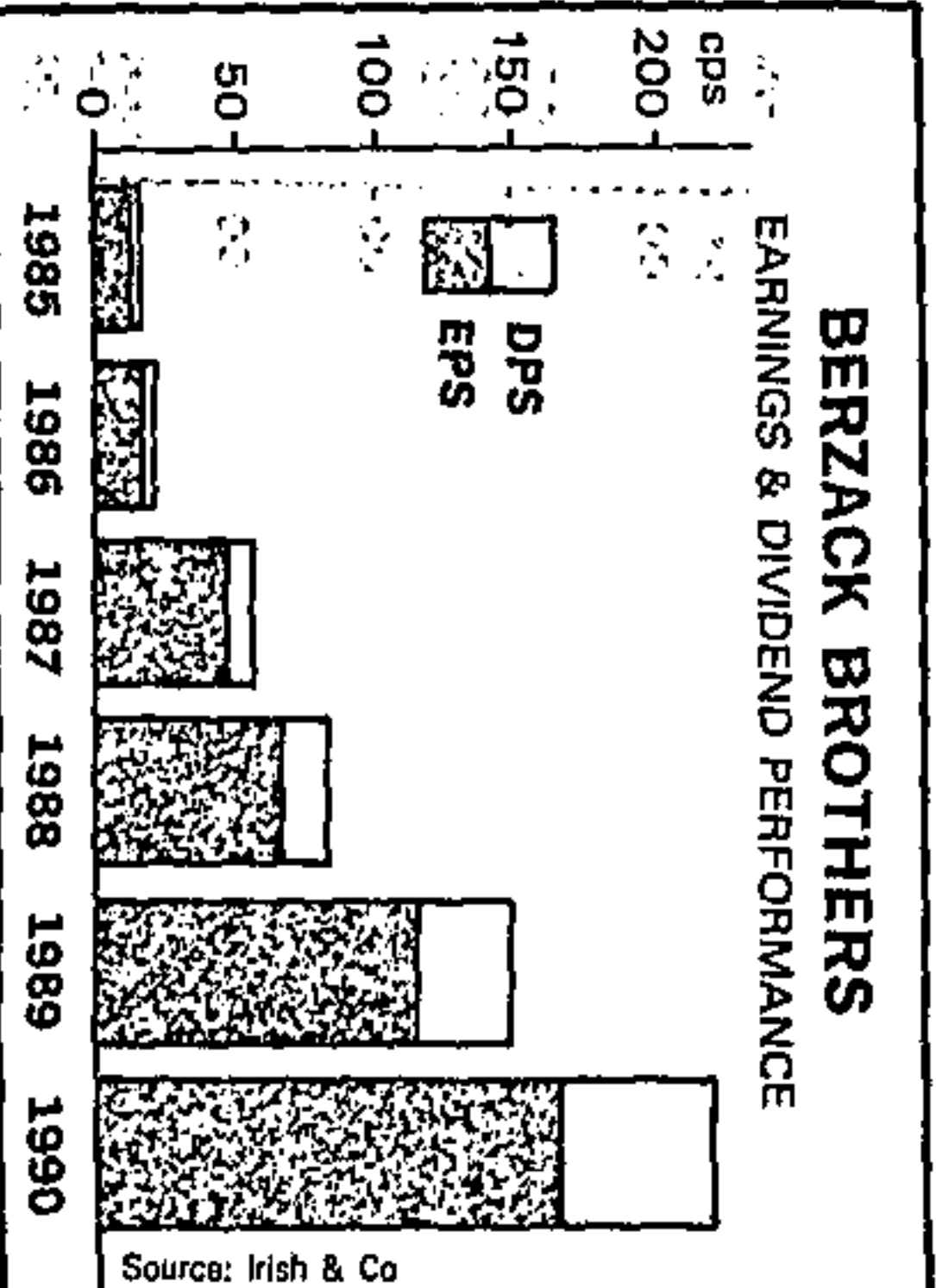
Through high capital expenditure Berzack has acquiring sophisticated plant and equipment in the cable, plastic injection moulding and plastic extrusion industries.

Investment in computerisation has also helped

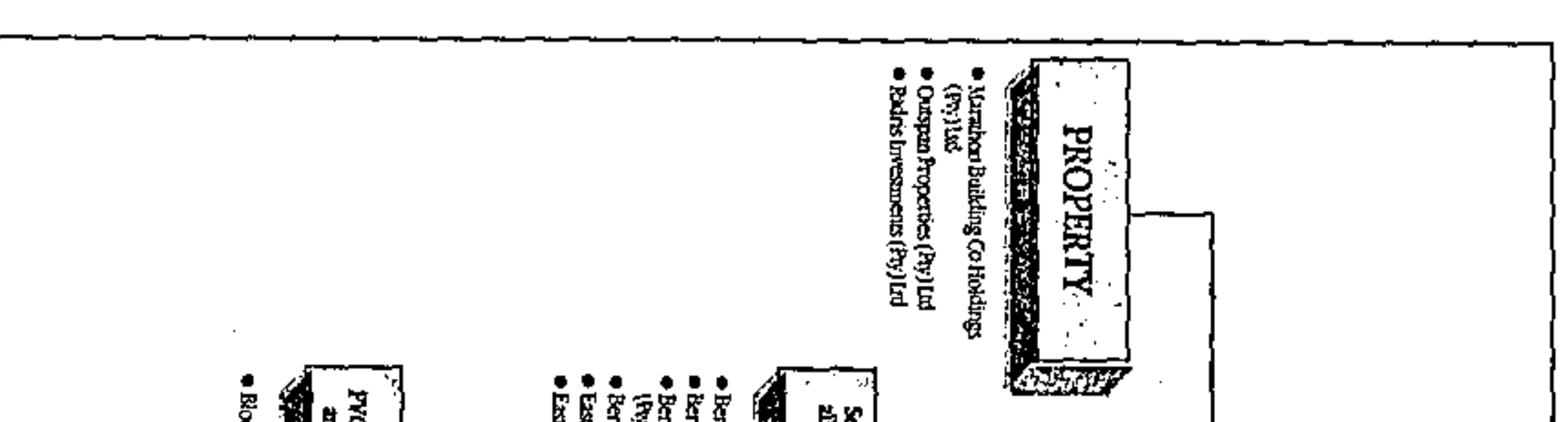
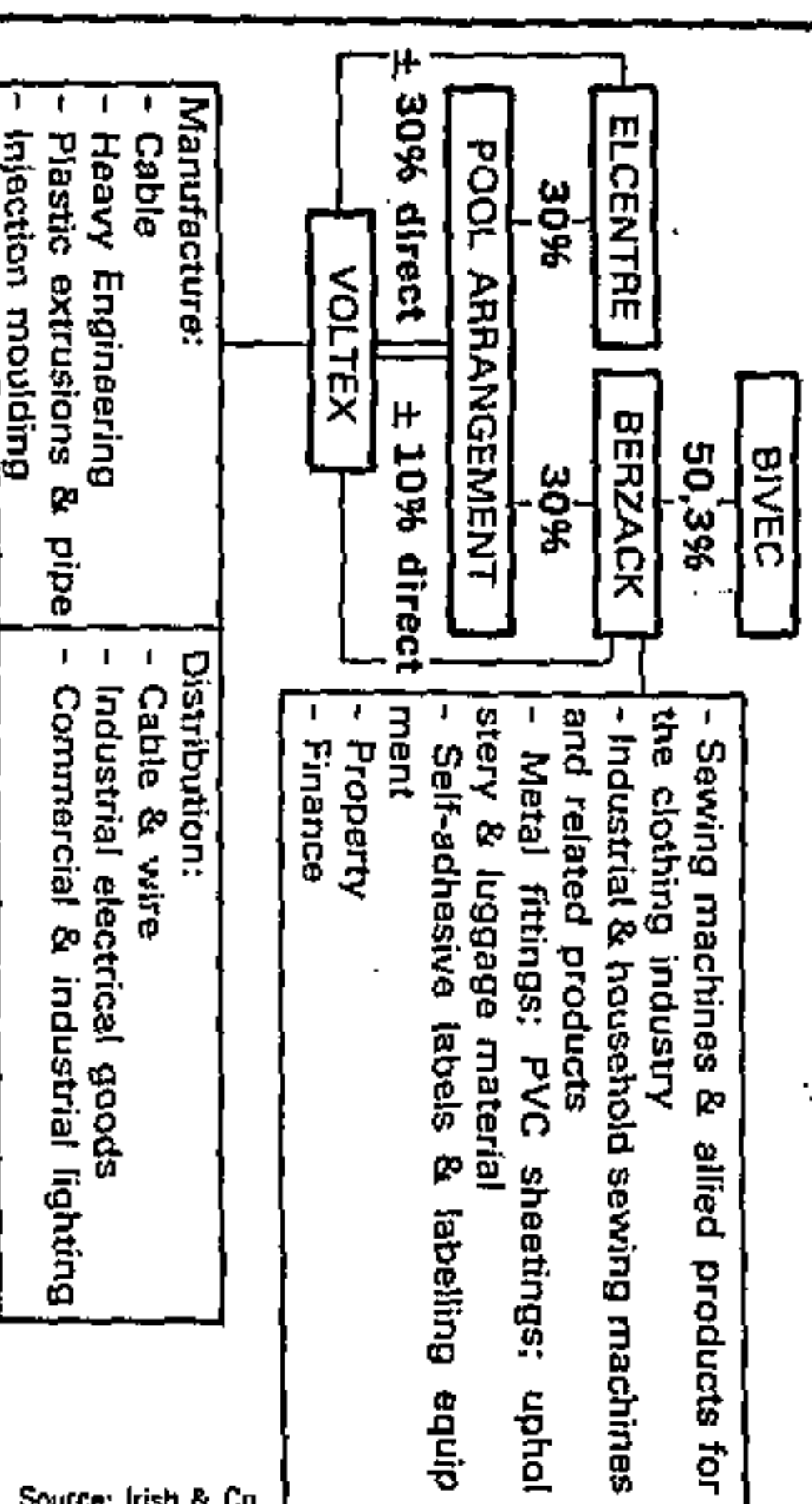
Loser

After capital expenditure outflow and dividend receipts, it is likely that the Group has a similar amount available for acquisitions at favourable prices in the weakened economy.

The Voltex acquisition of 52%-60% of London-listed Bennet & Fountain effective from July 1990 should contribute to 1991



STRUCTURAL CHANGES AT BERZACK



MYRON BERZACK: A prediction comes true as structural changes take a R1-billion concern into the big time and a top rating

Berzack powered by Voltex voltage

By Heidi Vollmer
2/12/90

MYRON BERZACK, joint managing director of Berzack Brothers, predicted last year that the group would be in the Top 10 in this year's Business Times list. Sure then the group has gone through a metamorphosis, but Mr Berzack has attained his expectation. Berzack Brothers is No. 10 this year.

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Investment in computerisation has also helped

Loser

Berzack Brothers received about R25-million cash in the Voltex transaction and the group's debt-equity level dropped to only 6% at June 30, 1990.

After capital expenditure outflow and dividend receipts, it is likely that the group has a similar amount available for acquisitions at favourable prices in the weakened economy.

The Voltex acquisition of 52%-60% of London-listed Bennet & Fountain effective from July 1990 should contribute to 1991

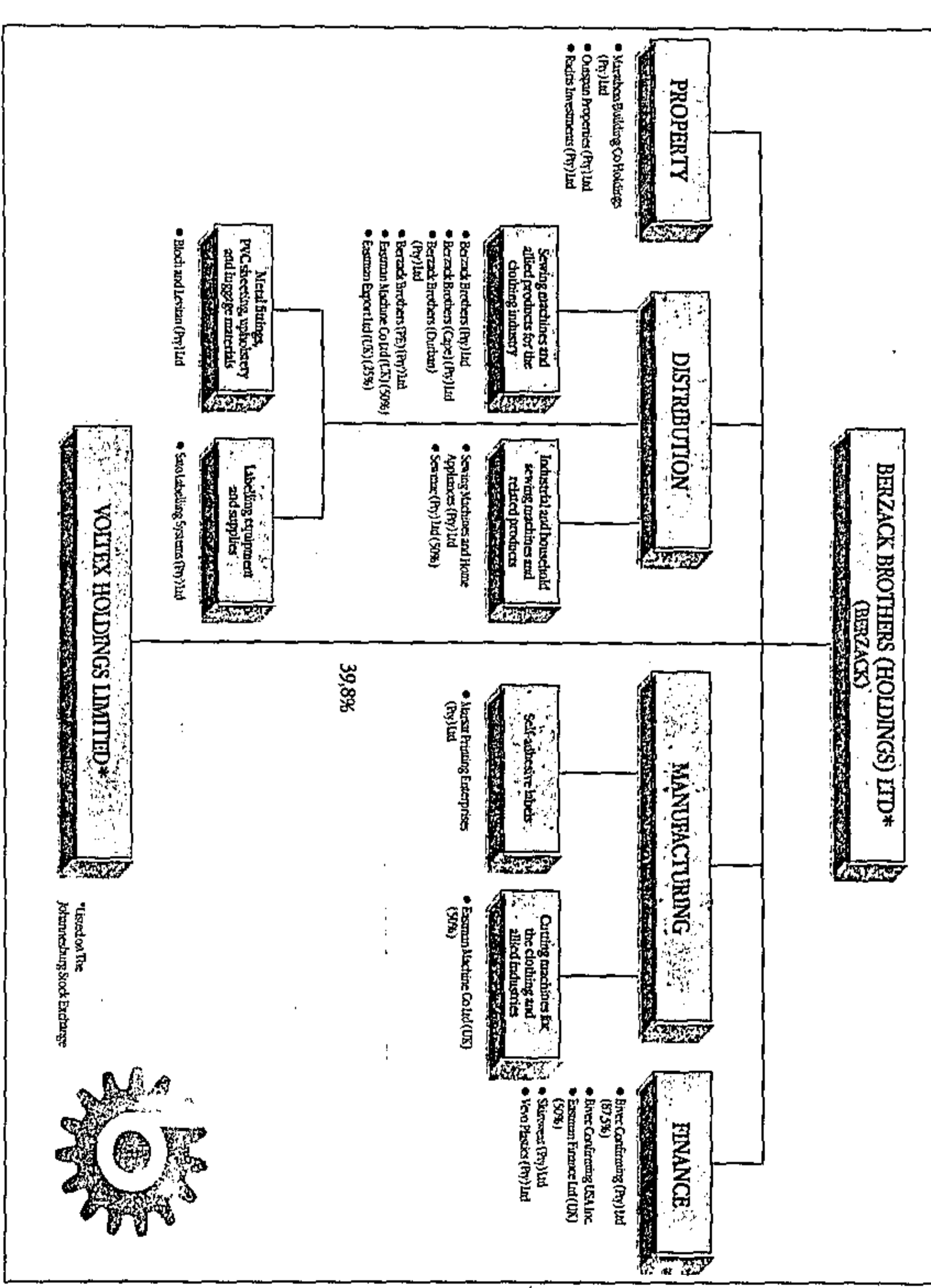
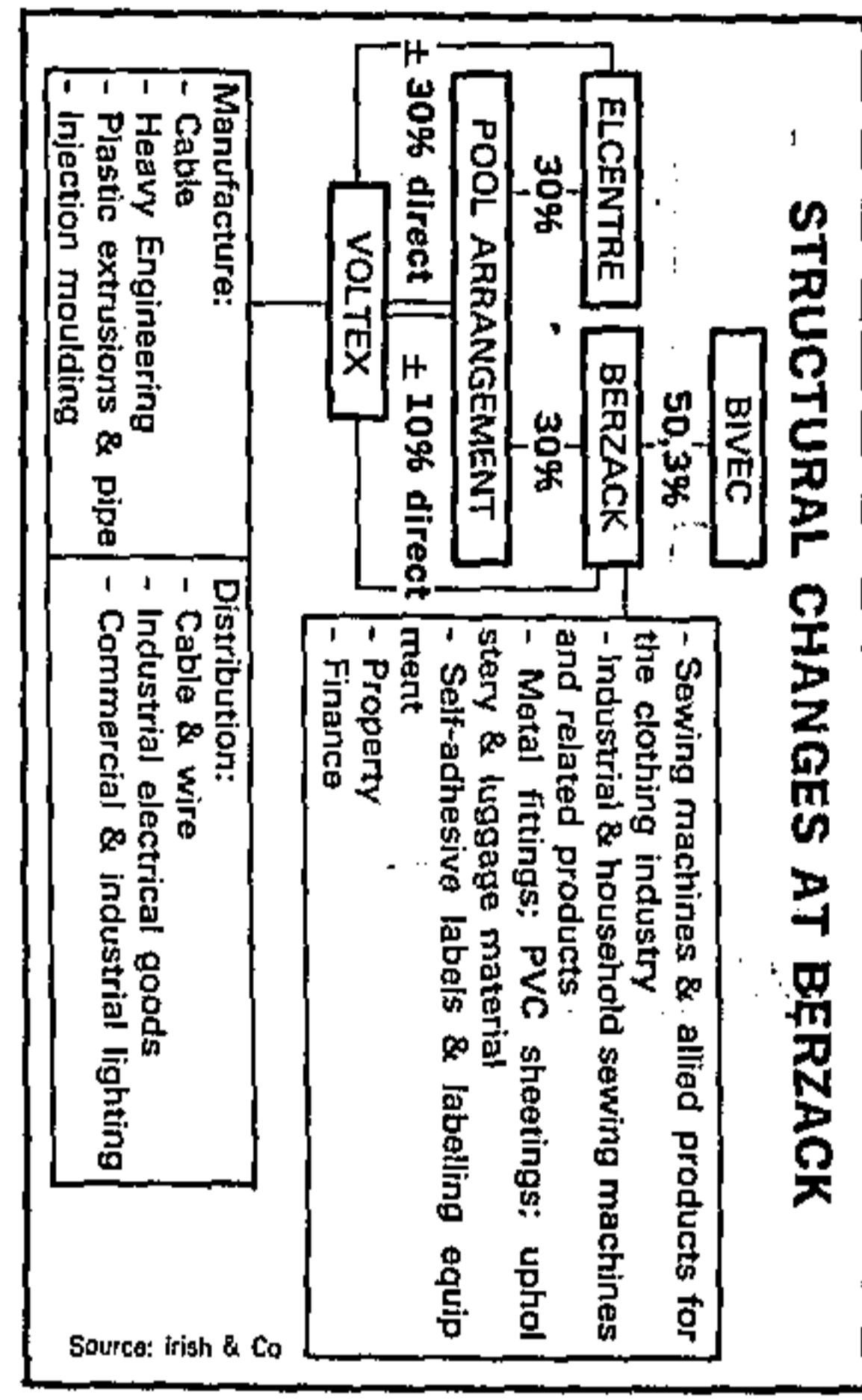
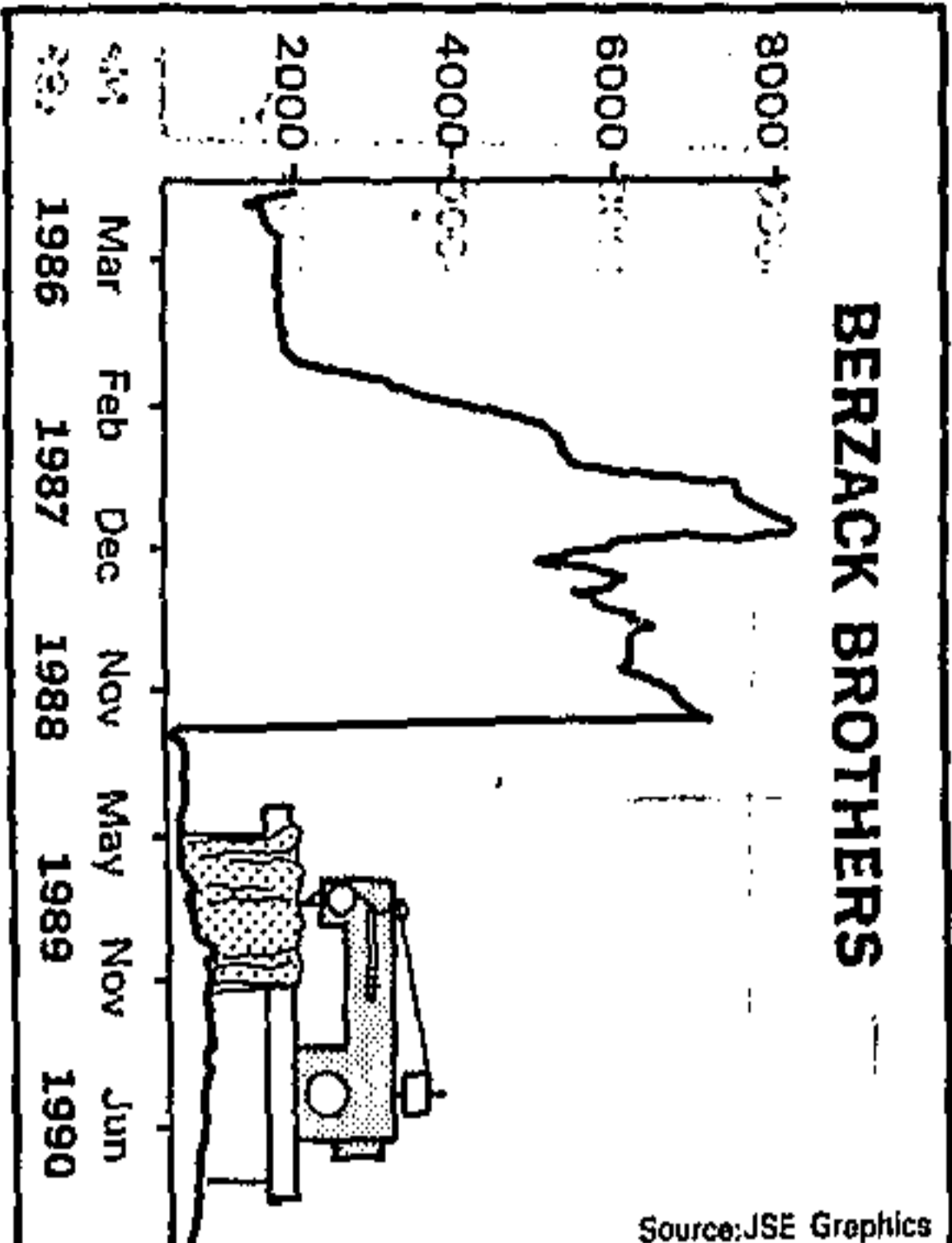
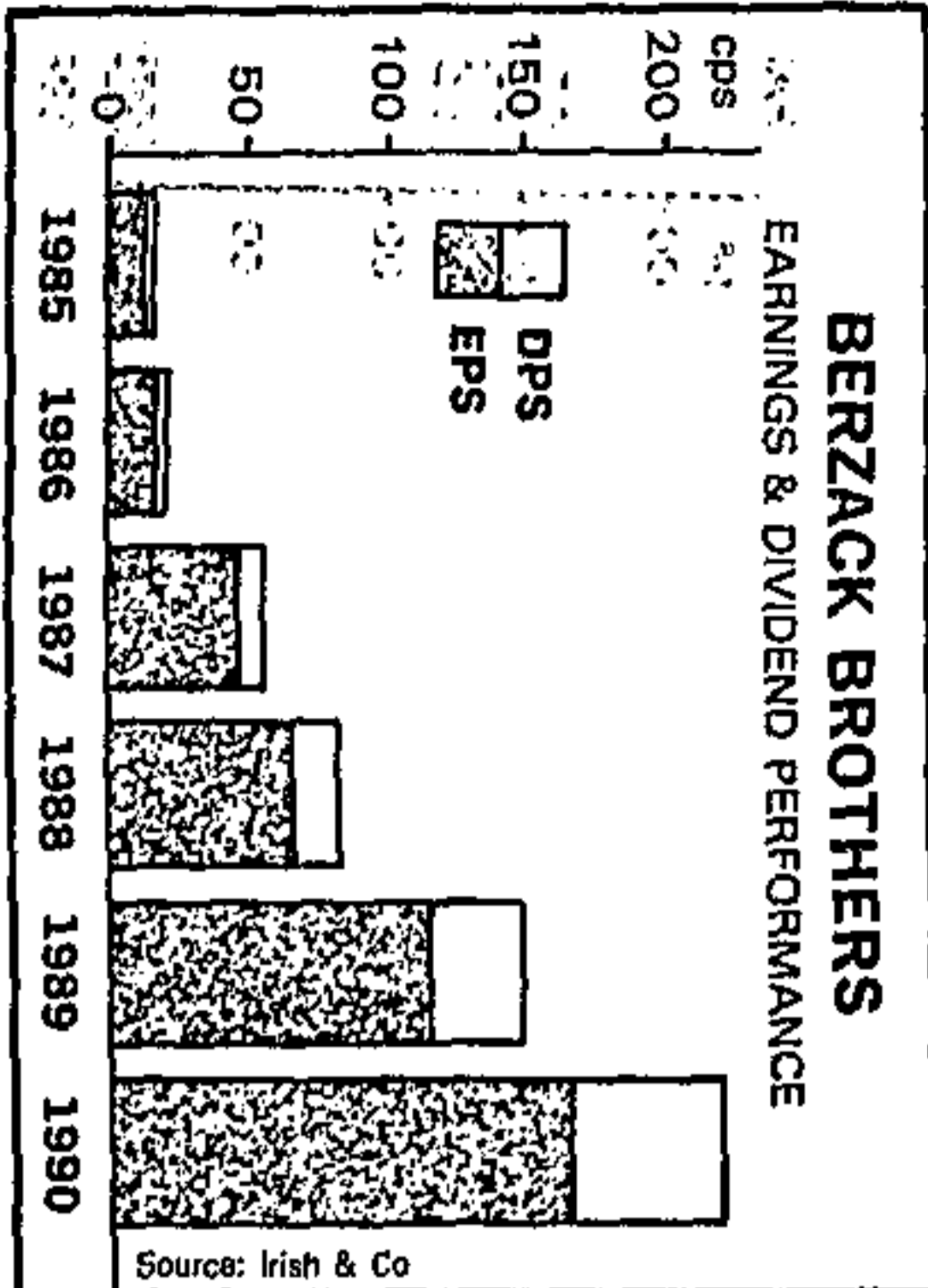
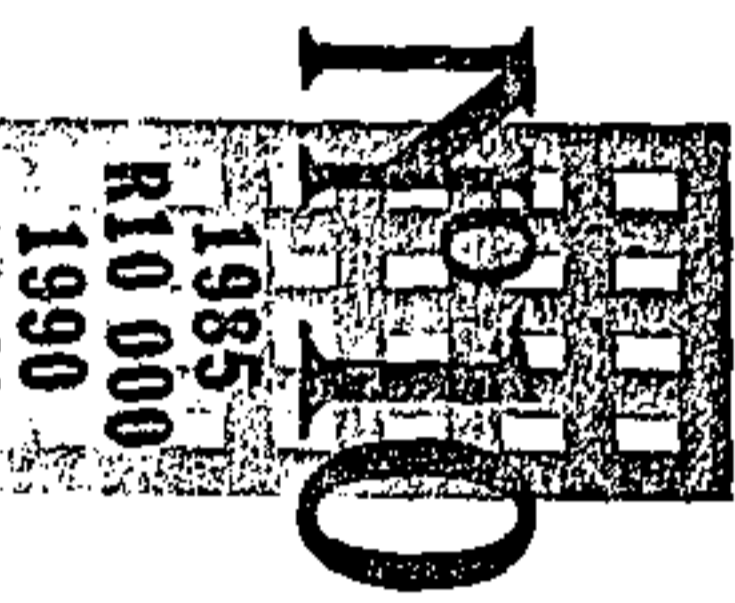
earnings, although the business was a loser at the time of the deal. Interest on Voltex's R140-million purchase price is large, but the long-term export potential it provides for the group's product as well as future access to an integrated Europe makes the deal attractive.

Trends in the building and construction industry tend to lag behind the decline in the economy. The negative effect of declining demand on Voltex is likely to be more marked in the second half of the current year. The more risky continuing operation in Berzack has been reduced.

Domestic sewing-machine sales have felt the effects of the weak economy. Because the wholesale business is exposed to the agricultural, paint and food industries, earnings growth is expected to slow.

Volter transaction will start to benefit earnings. Myron Berzack believes the group will produce a real increase in earnings in the current year.

The benefits of sound strategic management and earnings growth over the past five years — sustained by a high dividend



FIM 14/12/90

Activities: Manufactures and distributes electrical equipment.

Control: Jointly by Elcentre and Berzack. (189)

Joint-chairmen: B Illman/R L Mowszowski.

Capital structure: 300m ords; 120,2m convertible debentures. Market capitalisation: R700m.

Share market: Price: (ords) 150c. Yields: 5,5% on dividend; 16,9% on earnings; p:e ratio, 5,9; cover, 3,1. 12-month high, 210c; low, 140c.

Trading volume last quarter, 203 000 shares.

Year to June	'87	'88	'89	†'90
ST debt (Rm)	2,5	3,5	7,0	nil
LT debt (Rm)	1,2	2,0	3,3	nil
Debt:equity ratio	0,25	0,31	0,50	(0,10)
Shareholders' interest	0,61	0,61	0,56	0,69
Int & leasing cover ..	5,0	5,2	2,6	10,0
Return on cap (%) ..	5,8	13,6	8,1	17,6
Turnover (Rm)	12	42	51	806
Pre-int profit (Rm) ...	1,4	3,9	3,0	104,8
Pre-int margin (%) ..	11,8	9,2	5,8	13,0
Earnings (c)*	11,6	23,3	16,2	25,3
Dividends (c)	1,75	2,5	—	8,25
Net worth (c)*	125	148	156	98

† 16 months annualised. * Fully-diluted.
Comparative data for H & J Cables (year-end February)

— being the first since its formation through the three-way merger of the electrical interests of Elcentre and Berzack with those of H&J Supreme Cables. Instead of providing a kind of bedrock from which projections could be made, Voltex did not even wait for the end of its financial year before announcing a major UK acquisition which leaves the year-end financial statements hopelessly out of date.

This is not to criticise the group or its management. It merely underscores the point that, having established a large and diversified company, Elcentre and Berzack do not intend to delay developing Voltex to its potential. Minorities will probably have to accept that reports they receive will record where the group has been and not necessarily where it is or where it is heading.

So where has Voltex been? Though most of the comparisons are not particularly meaningful, the accompanying table provides a few answers, particularly as regards improved efficiencies and cost savings achieved through the merger. Comparing Voltex with the old H&J, one sees that whereas annualised turnover was 16 times that of H&J alone before the merger, the increase in operating profit was 35-fold and the resulting 13% operating margin was higher than ever achieved by H&J alone.

Annualised EPS of 25,3c were 2c higher than H&J's 1988 peak. While this does not reflect great growth for the old H&J shareholders over the two-year period, Voltex's profits are completely ungeared.

Recapitalisation of the group at its formation gave a strong balance sheet, placing it favourably for the subsequent expansion. At June 30 there were cash balances of R40m and no debt; after the purchase of Bennett & Fountain Plc for R142m in July, and adjusting the balance sheet for payment of the final dividend and debenture interest since year-end, the post-balance sheet position should have reflected net borrowings of about

FIM 14/12/90 (189)

R161m, giving a debt:equity ratio of 0,39 — well within the group's self-imposed limit of 0,5.

Consideration is being given to refinancing the B&F purchase in a more permanent way. Structurally, this does not really seem necessary now, but desirability of doing so will also be influenced by other factors. One is further acquisitions, which may require additional cash; another is whether B&T will earn enough to service the borrowings supporting its purchase without causing a drain on the rest of the group.

Voltex has no tax liability and no significant liability is expected for the next few years. Interest payments, therefore, thump right down the bottom line with no tax set-off, making debt fairly expensive. This adds to uncertainties about the short-term earnings outlook. The group is facing a contracting local market, due both to the economic climate and effects of unrest on the black townships' electrification programme.

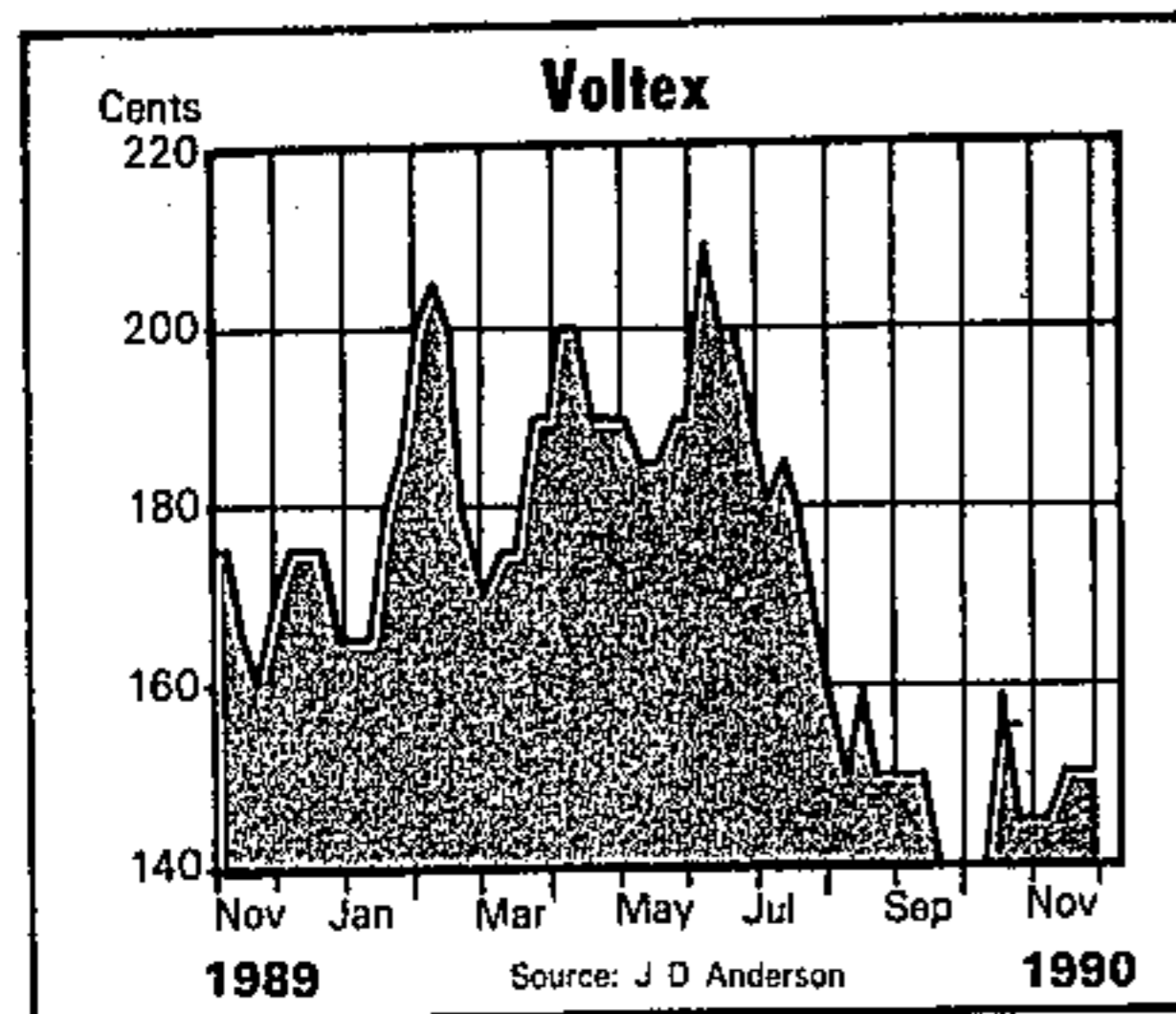
Still, the market seems relaxed, as is reflected in the 5,5% yield and 5,9 p:e — neither unduly out of line with averages for the electrical sector. Partly, this must reflect the fact that the group has kept earnings tilted in the right direction. After earning EPS of 11,1c in the half-year to August 1989, it earned 13,2c for the following six months. The figure for the remaining four months of the 16-month accounting period, pro rated to six months, was 14,3c and if this progress is maintained, 1991 EPS and dividends could come close to equalling the 34c and 11c of the period just completed.

Brian Thompson

VOLTEX FIM 14/14/90 (189)
CHANGING FAST

By all appearances, Voltex is going to be one of those companies where the financial statements never quite keep pace with development of the group as it pursues an active policy of acquisition.

The 1990 annual report, for example, should have been something of a milestone



COMPANIES

FM 14/12/90 189

Activities: Manufactures and distributes electrical goods, tools and hardware through two associate companies — Voltex and Sanlic.

Control: Elgro 54%.

Chairman: R L Mowszowski.

Capital structure: 63,5m ords. Market capitalisation: R191m.

Share market: Price: 300c. Yields: 12% on dividend; 30,1% on earnings; p:e ratio, 3,3; cover, 2,5. 12-month high, 600c; low, 300c.

Trading volume last quarter, 5,9m shares.

Year-end June	*'87	*'88	*'89	†'90
ST debt (Rm)	5,7	2,4	60,7	4,1
LT debt (Rm)	6,6	18,7	97,0	182,5
Debt:equity ratio	0,57	0,39	2,19	0,36
Shareholders' interest	0,36	0,38	0,22	0,71
Int & leasing cover .	4,5	11,9	5,3	n/a
Return on cap (%) ..	13,5	23,2	20,3	n/a
Turnover (Rm)	110	338	518	n/a
Pre-int profit (Rm) ...	8,2	32,8	65,8	20,4
Pre-int margin (%) ..	7,4	9,7	11,7	n/a
Earnings (c)	22,0	58,6	82,5	90,2
Dividends (c)	8	23	33	36
Net worth (c)	63	88	119	807

* February year-end.

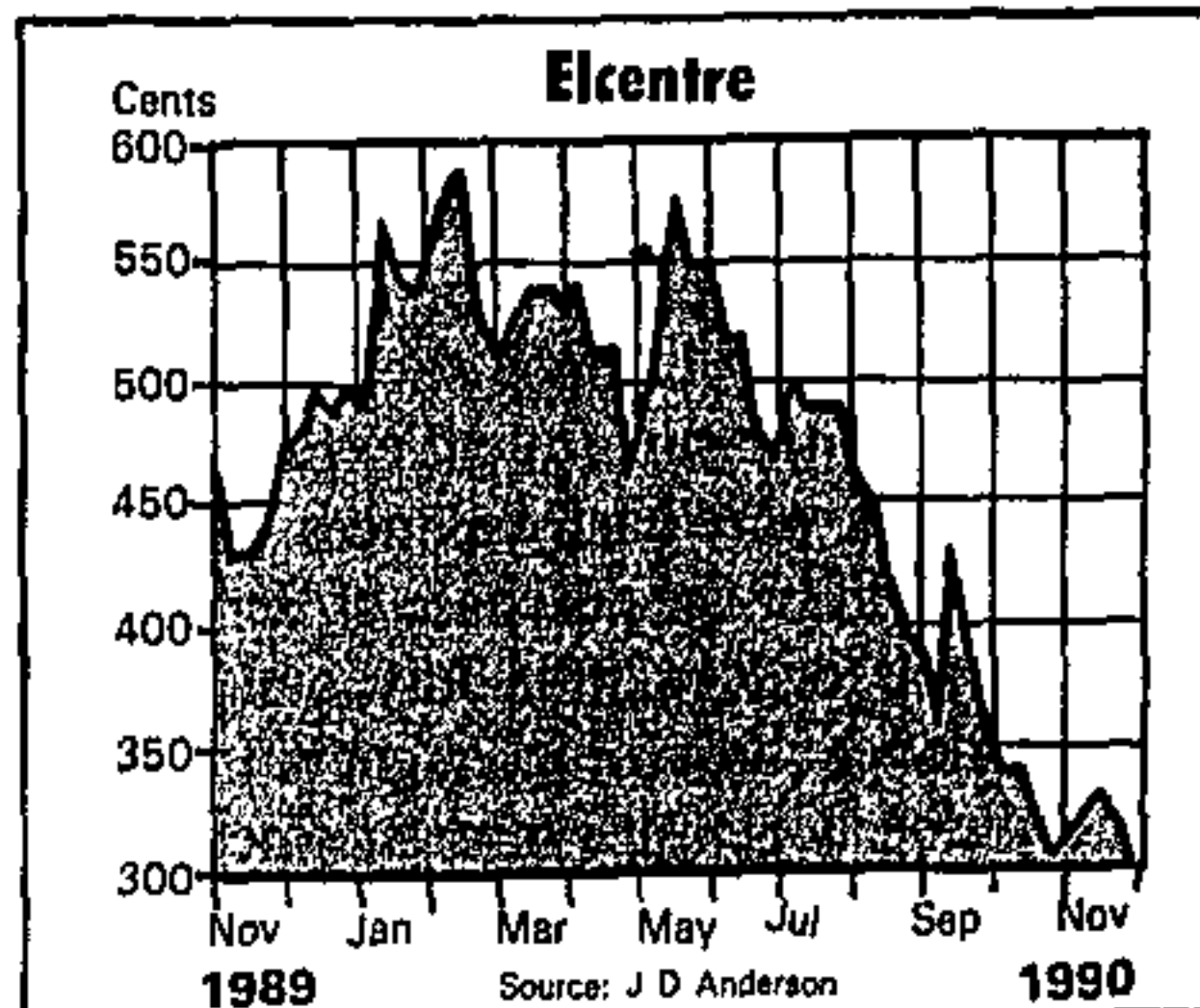
† 16-month accounting period annualised.

cal accessories) went to Sanlic, while the wholesale electrical equipment distribution business is now part of Voltex.

Short-term effects have been mixed. While Voltex, which combines the electrical interests of Elcentre and Berzack, performed well, the enlarged Sanlic incurred a loss — which is one reason why Elcentre's 1990 earnings growth slowed to only 9% on an annualised basis. This alone, however, hardly explains the marked deterioration of investor perceptions of the group, which are reflected in the 12% yield and p:e of only 3,2.

The 300c share price is less than half the market value of Elcentre's investment in Voltex, which dominates the income statement and balance sheet. Even if one offsets all outside liabilities against the value of the Voltex investment, the residual value applicable to Elcentre based on this single investment would still be 357c.

The core of the problem seems to lie with the group's structure. Though Voltex and Sanlic are classified as associates, Elcentre's effective interest in both is well over 50% when convertible debentures are taken into account. Both could, therefore, have been — and from the market's point of view, probably should have been — consolidated to give a more comprehensive picture of total assets employed and real income, from the top of the income statement to the bottom, attributable to those assets.



ELCENTRE *FM* 14/12/90 189
STRUCTURE QUERIED

The past year saw a complete restructuring of Elcentre, with operations housed in two equity-accounted associate companies: Pace Consumer Products (distribution of electri-

COMPANIES

FM 14/12/90 189

As things stand, the financial statements are more likely to mislead than inform the average investor who, using conventional ratios — such as those used by the *FM* — could conclude that gross return on total assets in 1990 had fallen to under 3% from over 20% for the previous two years. Armed with the Voltex and Sanlic financial statements, one can unravel the true position. But it is a fairly safe assumption that the average person won't bother and the share will suffer accordingly.

Similarly, the market usually likes to see investment holding companies ungeared. So the 0,36 debt:equity ratio of Elcentre in its new guise appears a bit unconventional and may, therefore, also hamper the market rating. Here again, the true position is somewhat different in that two-thirds of the group's borrowings are covered by investments in redeemable prefs which are considered to be "near cash." Treating these prefs as cash, the ratio of net borrowings to permanent capital is 0,13 which, in the circumstances, would be far more acceptable to the market.

If Elcentre was rated on the same basis as its main investment, the share price would be about 650c, instead of 300c. That would still be a fairly substantial discount to pay, but is attributable largely to Sanlic, whose potential remains unproven. So even though chairman Reuben Mowszowski is hesitant about the short-term earnings outlook, potential exists for a rerating to a level more in keeping with the strong growth Elcentre has achieved over the years — if it can convince investors of the benefits and potential of the new structure.

Pyramid company Elgro has two issued shares for every Elcentre share it owns and, as is the case now, Elgro shares (150c) should trade at half the Elcentre price.

Brian Thompson

DETAILED given by SA Reserve Bank Governor Chris Stals at the Eurromoney Conference in Cape Town on November 26, together with data from various other sources, have at last made it possible to put together a foreign debt redemption schedule for SA with a reasonable degree of confidence. As at the end of 1989 the foreign debt outstanding amounted to \$20.6bn, of which there was an outstanding \$7.3bn of affected debt (inside the net), \$3.1bn of debt converted into longer-term loans, \$7.2bn of debt outside the net in respect of guarantees, indemnities, or securities furnished by the state, and \$3.4bn in short-term liabilities.

According to Stals, there have been \$600m conversions into equity through the financial rand. These are not included in the total \$20.6bn. The reduction in foreign debt to \$20.6bn in the past four years has been, in part, negated by rapid growth of non-resident ownership of domestic gilts and semigilts.

Ihus, according to Stals, conversions into long-term loans and into equity amounted to \$3.7bn by the end of 1989. According to the exchequer accounts, nearly \$450m has been channelled through to the Public Investment Commissioners (PIC).

Accordingly, I assume the PIC conversions to be included in the figures covered by the state schedule. (The average exchange rates of the respective years have been used for converting the exchequer accounts into dollars.)

When assessing the future years of the final redemption payments, it was arbitrarily assumed that the bulk — \$2bn — of these other conversions were into long-term loans, which are redeemable in 10 equal instalments in five years after a five-year moratorium under the second interim arrangement. This occurred in 1988, leaving a residual \$0.6bn converted in 1989.

Stals mentioned that a further \$400m of conversions into long-term loans and equity occurred during 1990. The bulk of these are assumed to be long-term loans, still under the second arrangement. The third interim arrangement, running from mid-1990 to end-1993, provides for six re-

SA is not yet out of the debt repayment woods

EDWARD OSBORN

demption instalments in the final two-and-a-half years on converted long-term loans.

The state schedule of redemptions, as published in the Government Gazette of November 9 1990, provides details of the various currencies of denomination of payments due. These have been converted into US dollars using the exchange rates of December 31 1989. That schedule referred to the government guaranteed debt as of March 31 1990. Comparison with a smaller schedule published last year and referring to the debt position as of March 31 1989, throws up two points of interest, assuming they are comparable.

Firstly, there is a slight increase in the overall "state" debt position between March 1989 and March 1990. As conversions into long loans with the

PIC were negligible in 1989, the explanation must lie in terms of nearly \$800m in rollovers and/or fresh borrowings. Secondly, it is evident SA passed through the 1990 second quarter debt crunch because of some \$1.9bn in rollovers. The effect of the rollover is a new bunching of debts due in 1993, when debt outside the net will amount to \$2.2bn.

The new schedule also shows we are not out of the woods in 1991 after all, for \$1.7bn is due outside the net for the year. As much as \$1bn of this falls due in the second quarter.

The conversions, other than those held by the PIC, are assumed to start their redemption in 1994, although it is possible that the commencement date will be earlier, in that there were three-year conversion options available under the first interim

arrangement. Any earlier payments exacerbate the position in the period to 1993. But, broadly speaking, the payments on converted long-term loans begin at a time when redemptions of debt outside the net have begun to fall away sharply.

In the case of affected debt, repayments have been estimated on the basis of the schedules of percentages payable in the second and third interim arrangements, which go through to the end of 1993. These have been applied to the affected debt outstanding at the end of 1989 plus the non-PIC conversions, as the latter continue to enjoy the benefits of the redemption schedules.

To complete the table through to 1999, it has been assumed that there will be a 3% per half-year redemption programme from the beginning of 1994 applicable to affected debt outstanding at that time, but excluding the non-PIC conversions.

	Total (end 89)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1990s	Balance
Outside net State schedule	7 231	1 179	1 662	693	2 208	330	356	243	217	121	200	7 209	22
Conversions: \$3.7bn	(454)												
PIC — R886m						400	400	400	400	400	400	2 000	0
Other								129	129	129	130	646	0
Equity: \$600m								80	80	80	80	320	80
Inside net													
Other, short term		3 394	310	549	565	659	286	270	254	238	224	211	3 566
Total	20 597	1 489	2 211	1 258	2 867	1 016	1 155	1 106	1 064	954	621	13 741	6 856
Rand at 2.55	52 522	3 797	5 638	3 208	7 311	2 591	2 945	2 820	2 713	2 433	1 584	35 040	17 493

The country is nevertheless committed to a real reduction in indebtedness, which it can do only on the basis of current account surpluses on the balance of payments. This means continuing drive to expand exports and restraint on imports through tight monetary and fiscal policies.

On average, SA should be aiming for a current account surplus of about \$2bn each year — R5bn-R6bn. This has its implications for feasible growth rates in the absence of foreign capital inflows.

Finally, Stals expressed a relaxed attitude towards the balance of payments position facing the country at this stage. This does not seem altogether appropriate given the extent of the debt commitments in 1991, the possible high cost of oil, and a sharp reduction in agricultural exports because of the drought.

Osborn is chief economist at Nedbank.

Activities: Jointly controls Voltex. Other interests include distribution of machinery, equipment and supplies to the clothing industry; distribution of household and labelling equipment.

Control: Bivec 50,3%.

Chairman: B Illman; Joint MD: MC Berzack and S H Illman.

Capital structure: 26,5m ords. Market capitalisation: R199m.

Share market: Price: 750c. Yields: 6,9% on dividend; 22,2% on earnings; p:e ratio, 4,5; cover, 3,2. 12-month high, 1 000c; low, 725c. Trading volume last quarter, 24 000 shares.

Year to June	'87	'88	'89	'90
ST debt (Rm)	23,7	21,1	23,6	9,0
LT debt (Rm)	40,9	15,9	3,5	11,5
Debt:equity ratio	0,82	0,35	0,16	0,05
Shareholders' interest	0,40	0,44	0,52	0,84
Int & leasing cover	4,2	7,8	14,5	4,6
Return on equity (%)	10,0	19,8	28,1	13,5
Turnover (Rm)	247	344	470	108
Pre-int profit (Rm)	19,3	32,8	53,6	10,7
Pre-int margin (%)	7,8	9,5	11,4	9,8
Earnings (c)	27,1	64,6	119,0	166,4
Dividends (c)	9	16,75	31,5	52
Net worth (c)	271	326	424	1 236

Since the financial statements are now dominated by an equity-accounted associate, comparisons with previous years are of interest only to define the changes.

In the income statement, the only valid comparison to be made is at the bottom line. After taking into account the equity-accounted contribution from Voltex, impact of the restructuring can be seen in a 44% improvement in earnings (40% in EPS after taking into account the small increase in issued shares), while shareholders have also benefited from a reduced need for profit retentions. Cover was reduced from 3,8 to 3,2 times, yielding a 65% increase in the distribution.

All this should have delighted the market, especially as Voltex is being actively developed which should, in time, yield further significant profit growth. However, as pessimists would say, every silver lining has a

BERZACK FIM 14/12/90 189

VALUE UNRECOGNISED

The 1990 financial statements are the first to reflect the sale of Berzack's electrical cable/accessories division to Voltex Holdings, and the resulting substitution of a 39,8% stake in Voltex for these interests in the group accounts.

To say, as does chairman Bennie Illman, that the group has undergone considerable change is an understatement. For one thing, merging of the electrical interests in Elcentre and Berzack into Voltex was done at the current value of the assets in question which, for Berzack, yielded a R188m surplus on disposal. This, in turn, trebled net worth from 424c in 1989 to 1 236c at June 30 1990.

That is just the tip of the iceberg. The investment in Voltex, which is jointly controlled by Berzack and Elcentre, at R320,3m represents 80% of total group assets and contributed 87% of attributable income.

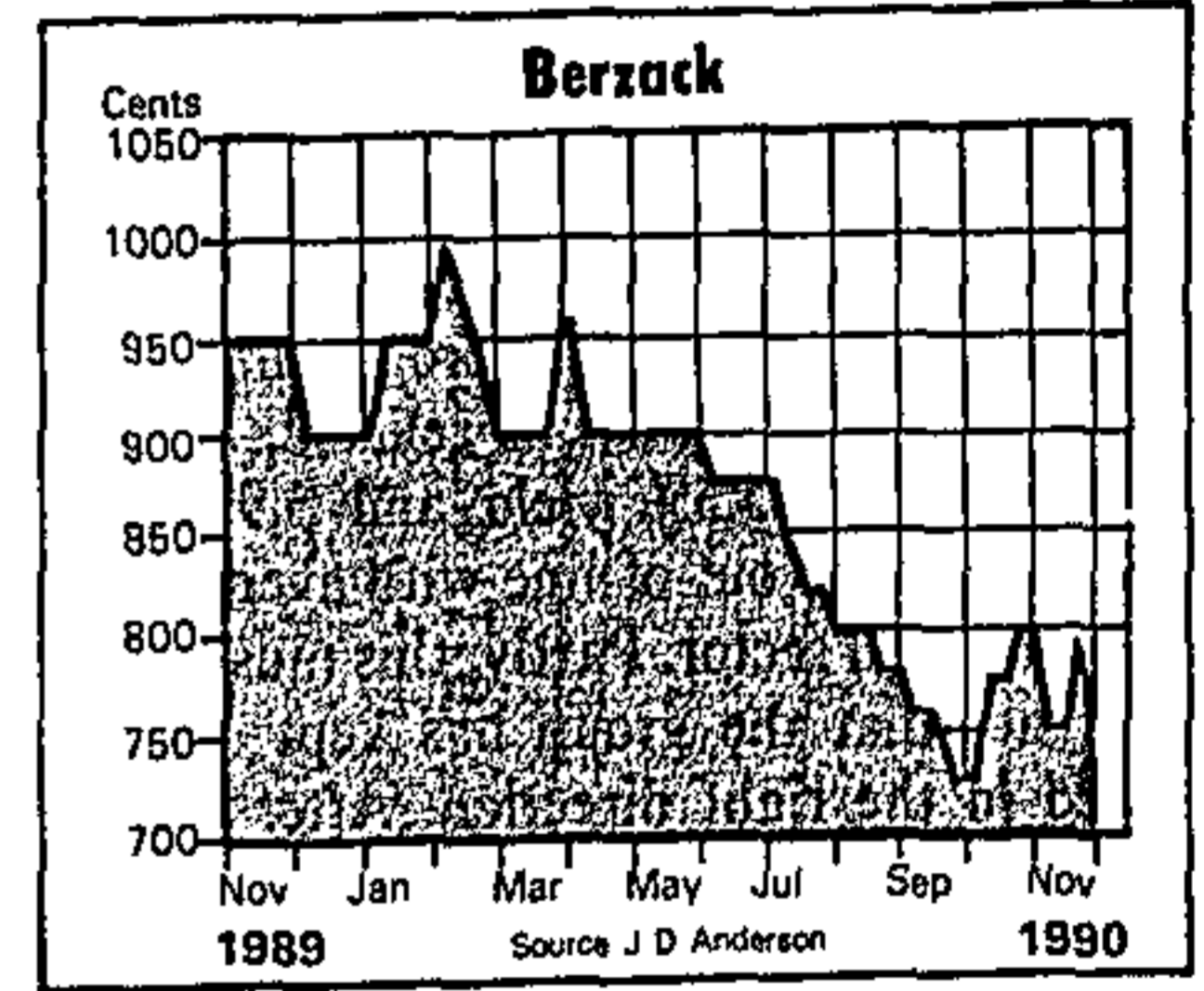


Berzack's Berzack ...
development plans

dark cloud: in this instance the cloud is easier to describe than to explain. Its existence is reflected in the fact that Berzack's current share price of 750c is considerably lower than it should be relative to the underlying value of its Voltex investment — while excluding its other interests.

At current prices the Voltex holding has a value of R260m, or 981c per Berzack share. Even if one deducts the group's residual debt (R20,5m), which is underpinned by Voltex's indebtedness to Berzack, there remains value exceeding 900c per Berzack share — 20% more than the actual price.

Viewed differently, the market appears to be putting a negative value on Berzack's remaining consolidated activities, which



hardly seems right. Part of the reason could be a perception that management attention is focused on Voltex, raising the possibility that the other interests could suffer neglect. Not so, says joint MD Myron Berzack. Management has every intention of developing these and he expects the income statement to gain a more balanced appearance as the process continues.

Certainly the potential to improve profit from this source seems to be there. Last year, for instance, pre-interest profit was only R10,7m, a return of 13% on total assets employed. There was a net working capital requirement equivalent to 54% of sales, suggesting asset management might not be all it could be.

Even so, unless one is expecting a loss from these activities, Berzack is still undervalued relative to Voltex and, therefore, offers the attraction of a cheap entry to this major electrical group.

Bivec is the pyramid company of Berzack, owning 50,3%. It also owns properties. Based on its shareholding in Berzack, one Bivec share should be about 70% of one Berzack share. At 500c (against 750c for Berzack), Bivec is marginally underpriced.

ELECTRICAL AND

ELECTRONIC

EXPORTS

1990

By JULIE WALKER

Wedded bliss at new Voltex



VOLTEX — the recharged H&J Cables — zaps into the JSE tomorrow after a three-way "marriage" gave birth to the manufacturing and distribution giant.

H&J Cables was used as the vehicle into which electrical distributor Elcentre and manufacturing leader Berzack injected parts of their businesses together with the moulded plug and cable operations of H&J.

Control of H&J — 79% — was bought from Eureka at 172c a share in September, and the minority was later offered the same.



MYRON BERZACK ... R2-million restraint payment



NATHAN MOWSZOWSKI ... R1-million in package

The directors do not expect cuts in expenditure on housing, which provides a large outlet for many of Voltex's products.

Nathan Mowszowski says the cabling business is in much better shape than it was five years ago. Production methods have been improved, resulting in greater efficiency. Serious money is now being made.

Myron Berzack is optimistic about the prospects for exports. Together with the Board of Trade and Industry, an export company has been established on behalf of the whole of SA's cabling industry with a view to promoting its products abroad.

He says there is plenty of capacity to raise exports to make up 20% of sales within five years.

RESTRAINT

Part of the deal is the issue to Elcentre and Berzack of Voltex convertible debentures. After full conversion Elcentre will own 59,6% and Berzack 39,7% of Voltex, leaving a fraction in minority hands. This leaves scope for scrip to be issued in any acquisitions.

The H&J share price hovered around 170c until rising to 185c recently as expectations about the R1-billion-a-year turnover company grew.

Shareholders' meetings to approve the deals also gave carte blanche to the payment of R1-million each to Elcentre's three Mowszowskis — Nathan, Reuben and Chan-

ania — and Phillip Aginsky for restraints of trade.

Stanley Illman and Myron Berzack of Berzack each received R2-million for similar restraints — all tax free.

Voltex directors comprise these six and Benny Illman. Wearing their Voltex hats, they were certainly generous to themselves in their other capacities as directors of Elcentre and Berzack.

Perhaps they do not trust themselves — or one another — not to want a quickie divorce and to set up in opposition to Voltex.

Voltex now owns Febstep, which bought Berzack's property-owning companies for R25-million settled in 172c shares, and Rolcia for R35-million cash. Property-owning Rolcia was owned by the

trusts of the three Mowszowski brothers.

The transmuted listing statement contains a fair and reasonable statement to the members of H&J.

CONVENIENT

Elcentre brings 70 distribution outlets to the Voltex party, Berzack 13 factories and H&J one manufacturer, conveniently across the road from three of Berzack's in Eloff Street, Johannesburg. There will be more than 3 000 employees.

The core business is the manufacture and wholesale of cables and allied equipment, such as lighting and switchgear. Customers include the Government, municipalities, mines and industry.

DIVIDEND

The possibility that Voltex might buy out one or more of its competitors should not be discounted, says Mr Berzack.

Voltex's yearend will move from February to June to fall into line with its major shareholders.

In the year to February 1990 Voltex is forecast to earn not less than 24c a share — based on full conversion of the debentures. The first dividend will probably be 9c.

Elcentre and Berzack shares have done well in the past few years, and there is no reason to doubt that Voltex will follow their trend.

Philips builds up SA stake

S/Thines 4/2/90

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By Ian Smith

DUTCH electrical and electronics giant NV Philips is gearing up for a new era of expansion in South Africa.

The multinational, which has world sales of more than \$28-billion a year, has restructured the management of its subsidiary to make room for more South Africans on the board.

The company, a leader in all the fields in which it operates in SA, has traditionally been run by a three-man team consisting of an expatriate chairman and financial director and an appointee representing the Sanlamed insurance interests which control 25% of the subsidiary.

Holiday

Now the only expatriate on the board is chairman Frank Manders, who came to SA from the Eindhoven headquarters in May 1987.

Mr Manders says: "I am here to stay with my family. We came to this country on holiday from New Zealand and I decided then that it was the country to live in."

The changes, which took effect on February 1, must effectively kill rumours which surface periodically that the group is about to disinvest from SA.

Mr Manders has been joined on the board by the top management of the SA group — Frank Touwen, who came to SA from the Netherlands as a boy and now heads the telecommunications and data systems division; Pino Garbini, chief of consumer electronics; Jeremy Pollock, human resources director; and Ian Barnes, who has been appointed financial director.

Willem Pretorius, managing director of Metropolitan Life, remains the insurance interest representative of the



FRANK MANDERS ... holiday visit led to family putting down roots Picture: Pierre Oosthuysen

board, and he has been joined by two more outside directors: Alec Rogoff, past president of Assocom and former chief executive of Beares, and Mohale Mahanye, a corporate consultant and member of the President's Economic Advisory Council.

Commitment

Mr Manders says: "We have been operating successfully in SA for 60 years. We have taken steps to ensure our success for the next 60 years."

"The growth of the busi-

ness meant it was essential to spread corporate responsibilities and strengthen our SA commitment.

"It is right that the people who make decisions vital to the company's future are here to implement them and ultimately to take responsibility."

He expects the reform movement in SA to broaden the consumer and electronics markets for a wide range of Philips product lines.

SA is also well placed to supply other sub-Saharan countries with products designed for African conditions.

Mr Manders says the com-

mitment of the NV Philips group has not been reduced.

"Our relationship with the worldwide group is as close as it has ever been. The umbilical cord is important to us."

"We have direct access to the technical, marketing and management know-how and the products and components developed wherever Philips operates."

Internationally, the group spends \$5-million a day on research and development.

Financial details of the SA operation are confidential, but Mr Manders says the group is profitable. "Last year was not so good, but then it was a difficult year for everyone in our sectors."

Permanent

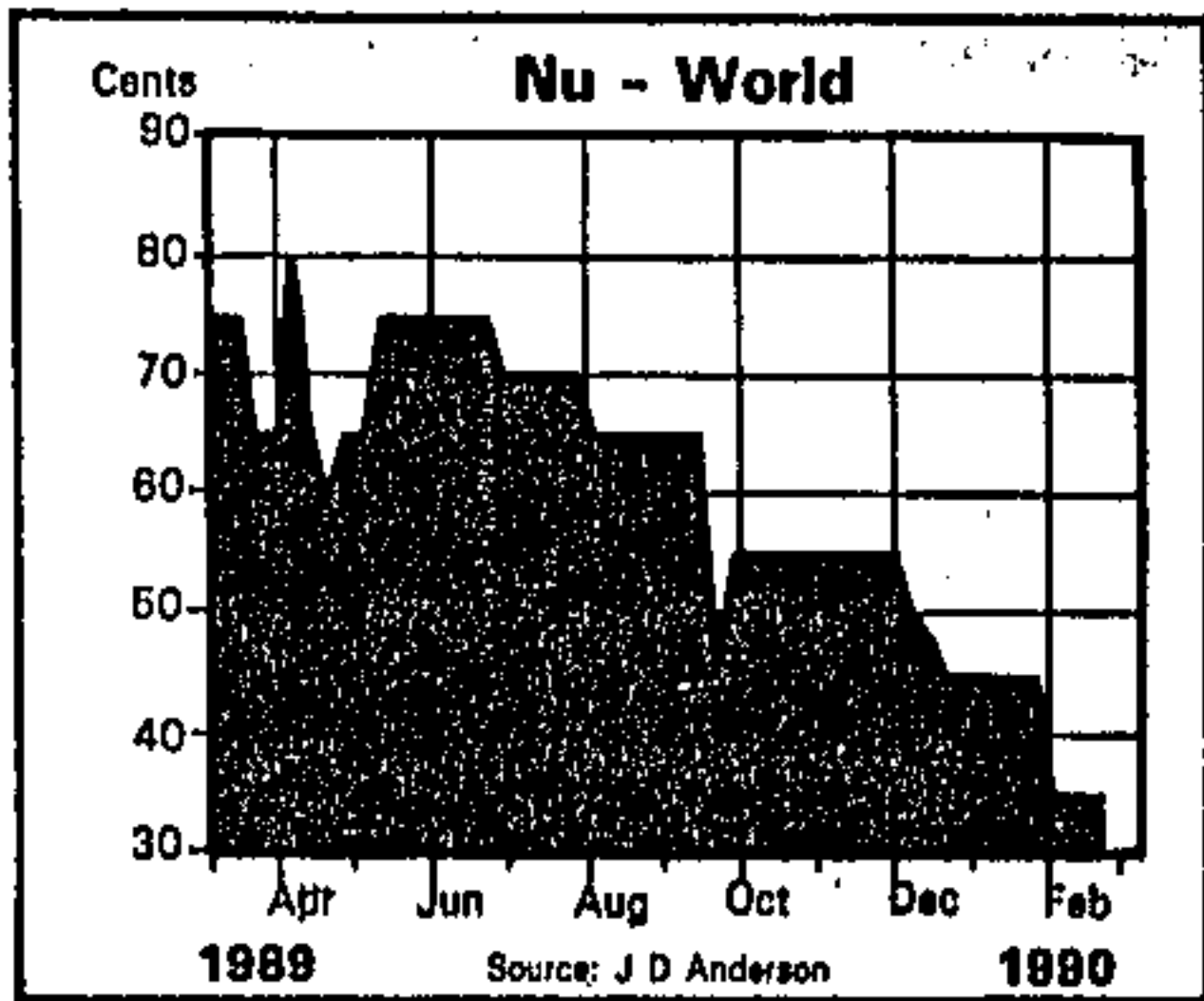
The group, which has nearly 2 000 employees, manufactures and supplies small and large domestic appliances, audio and video equipment, hearing instruments, lighting, telecommunications, data systems and medical, industrial, scientific, video broadcasting and electronic office equipment and electronic components and assemblies.

The financial contribution breaks down to about 35% from consumer products, 25% from telecommunications equipment, and 10% each from lighting, medical systems, industrial products and components.

Mr Pretorius, who has served on the Philips board for 13 years, says: "I am as convinced as ever of the commitment of Philips to maintain a profitable existence in SA in the interests of customers, staff and shareholders."

Mr Mahanye says the structural change is significant and timely.

"It will reassure South Africans that Philips is a permanent player in the country."



tightening of credit restrictions and increasing competition slowed turnover growth to 35% (57%) and reduced the pre-interest margin. Also, stock levels jumped by no less than 110%, with the rise attributed largely to the increased stocking of certain imported products and raw materials, to overcome poor delivery problems and the introduction of new product lines.

The debtors' book lengthened but financial director Alan Lipchin says bad debts remain insignificant because most customers are large wholesalers and retailers.

The run-up in stocks and debtors, combined with additional long-term loans, resulted in sharp deterioration in debt and interest cover and the debt:equity ratio climbed to 0,95. The long-term borrowings were provided by the IDC at subsidised interest rates for investment in fixed assets and R&D.

An additional IDC loan of R3,3m has been taken since year-end to repay short-term debt. Lipchin says the debt:equity ratio improved marginally at the half-year (0,87) and forecasts a debt:equity ratio of 0,65 by year-end. The IDC borrowings are at rates between 5%-15%, which reduces the negative impact of the high debt level and provides some competitive advantage.

With the capex programme ending, funding requirements should ease this year. The group has made substantial investments in plant and machinery as part of a European export drive. Exports to Europe and Africa represented 15% of turnover in 1989 and are growing. New export incentives effective from next month are expected to insulate these operations from exchange rate fluctuations and the exports may provide a buffer against domestic economic conditions.

Export and other allowances enabled a fall in the effective tax rate to 27% (35%). No significant change is expected.

Management believes that, despite difficult trading conditions, the declining trend in turnover growth will be reversed and margins maintained in the 1990 year. Lipchin says that figures for the first half show improved sales, market share gains and better control of stock and debtors. If these trends continue throughout the year, a meaningful rise in earnings can be expected.

Improved prospects have not influenced the share price. It continues to drift downwards on small volumes.

Pam Baskind

Stocking up (189)

Activities: Manufactures, distributes and exports domestic appliances and wiring accessories.

Control: Goldberg family 85%.

Chairman: J Temple; MD: M S Goldberg.

Capital structure: 12,8m ord. Market capitalisation: R5,8m.

Share market: Price: 45c. Yields: 9,6% on dividend; 36,9% on earnings; PE ratio, 2,7; cover, 3,9. 12-month high, 80c; low, 33c.

Trading volume last quarter, 88 400 shares.

Year to Aug 31

	'87	'88	'89
ST debt (Rm)	—	0,6	3,0
LT debt (Rm)	—	0,4	1,8
Debt:equity ratio	—	0,18	0,95
Shareholders' interest	—	0,45	0,33
Int & leasing cover	—	29,85	5,38
Debt cover	—	2,21	0,47
Return on cap (%)	—	37,46	22,75
Turnover (Rm)	12,1	19,0	25,7
Pre-int profit (Rm)	1,6	2,91	3,52
Pre-int margin (%)	15,3	15,3	13,7
Taxed profit (Rm)	0,8	2,8	2,9
Earnings (c)	6,1	14,3	16,6
Dividends (c)	—	4,3	4,3
Net worth (c)	—	27,4	26,7

* Pro forma

Nu-World's 1989 results reflect its dependence on the highly cyclical consumer market and a heavy capex programme.

Deteriorating economic conditions, a

Tax hump

Activities: Manufacture, supply and maintenance of energy conversion and distribution equipment.

Control: Northern Engineering Industries Plc 50%.

Chairman: L G Abrahamse; MD: H M L Bieber.

Capital structure: 6,26m ords of 50c. Market capitalisation: R196m.

Share market: Price: 3 125c. Yields: 6,8% on dividend; 16,6% on earnings; PE ratio, 6,2; cover, 2,5. 12-month high, 4 000c; low, 3 125c. Trading volume last quarter, 43 715 shares.

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	0,9	0,9	0,9	0,9
LT debt (Rm)	7,7	5,9	5,0	4,1
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,46	0,46	0,44	0,42
Int & leasing cover ..	5,0	9,3	4,0	7,2
Return on cap (%) ..	14,2	15,4	16,7	16,7
Turnover (Rm)	327	392	439	587
Pre-int profit (Rm) ...	37,6	46,6	57,3	69,1
Pre-int margin (%) ..	11,5	11,6	13,0	11,8
Earnings (c)	392	450	528	520
Dividends (c)	160	180	211	211
Net worth (c)	1 972	2 261	2 502	2 723

NEI Africa's EPS dipped in 1989 for the first time in at least 10 years, reflecting the effect of a significantly higher tax rate and a slowdown in fixed investment and the transport sector.

Net operating income before tax rose 18% (24%) on strong turnover growth of 34% (12%). But a steep rise in the tax rate, from 37,5% to 46%, meant that after-tax income showed only modest growth; an increase in issued capital resulted in a marginal drop in EPS. The sharp rise in the tax rate resulted from the exhaustion of assessed tax losses. MD Blitz Bieber says export incentives and capital investments should hold the tax rate at around this level and future growth in pre-tax income should translate directly into EPS.

The lack of capital formation in the country and the marked slowdown in the transport industry limited growth in the sectors in

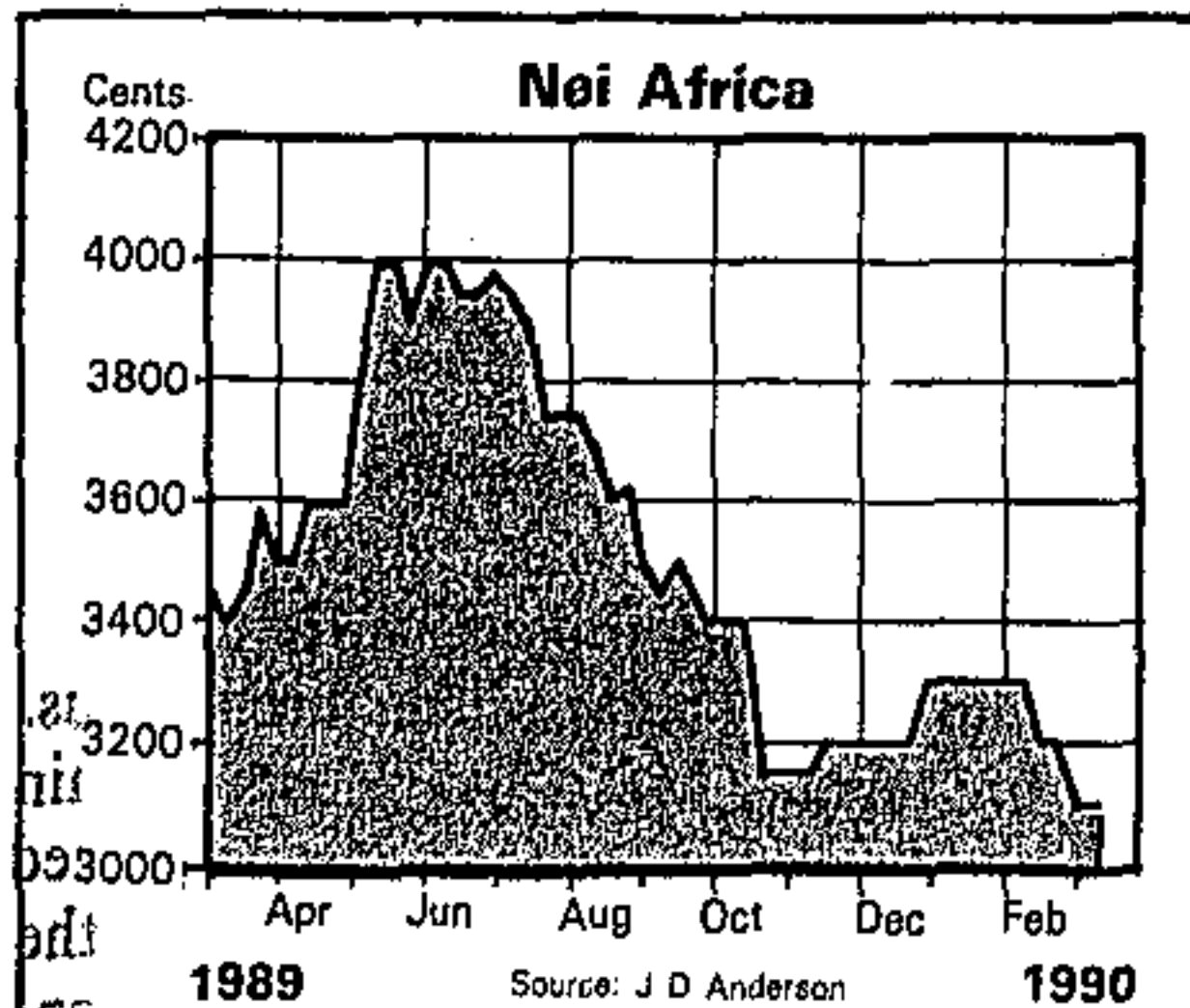


NEI's Bieber ... less

profit power FIM 30/3/90 189

which NEI operates. Margins in the electrical division were hampered by a reduction in Eskom's capex programme and a very competitive environment.

The diesel and industrial division was badly affected by a real decline in the sale of parts and components for diesel engines. Bieber says pressure on margins resulting from increased competition is being countered by a cost reduction programme, elimination of unprofitable activities and better



working capital control.

The more positive political environment and beneficial incentives boosted NEI's export activities. Exports as a percentage of net turnover rose to 7,5% (3%) and Bieber expects they may reach 10% in 1990.

Prospects for 1990 appear favourable. The forward order book at year-end stood at about R400m. These orders relate to all three divisions. Long-term projects include work on Eskom power stations and Mossgas. Other positive factors include higher mining capex emanating from recent tax changes and Eskom electricity distribution projects. Despite continuing difficult conditions in NEI's market sectors, Bieber says the group aims to achieve a minimum real growth of 5% in EPS in 1990.

Bieber retires as CE on July 1. He will be succeeded by Lawrence Hyslop, who joins the group from Lennings, the JCI engineering company.

NEI Africa Holdings has as its only investment a 53,3% holding in NEI Africa. EPS in the holding company fell 2,4% to 255c and the dividend was maintained at 105,5c. NEI Holdings and NEI Africa are trading at 12-month lows of R16 and R31,25, with Holdings close to the theoretically correct R16,50 based on the ratio of 1,89.

Patient dies as strike goes on

Cape Times 20/3/90

By CLAUDIA KING and PETER DENNEHY

A WOMAN has died as the hospital workers' strike enters its 16th day.

A reliable source within Grootte Schuur Hospital told the Cape Times yesterday that an elderly woman admitted to the hospital for a routine hernia operation died after her operation was postponed and she was sent home.

"The hernia strangulated, she was rushed to hospital for emergency surgery and died post-operatively last week," he said.

The Health Workers' Union, the Commission for Administration and senior officials of the Cape Provincial Administration are to meet for continuing talks today in an attempt to thrash out a solution to the strike.

According to the Administrator of the Cape, Mr Kobus Meiring, "progress had been made" during talks yesterday.

The Public Servants' League (PSL) also announced yesterday that they would meet the Minister of Health, Dr Rina Venter, this morning.

They "felt betrayed" by the authorities and unless the outcome of their talks was satisfactory, they would call on members to extend the strike nationally, a PSL spokesman said.

The Registrars' Association of Cape Town yesterday issued a statement supporting the demands of the strikers and urging the government and the Minister of Health to take the plight of the workers seriously and begin negotiations with them immediately.

"Whilst the hospitals and therefore the community suffer, Dr Venter's stubborn refusal to talk to the workers is inexplicable. Stalling and procrastination are as misplaced as messengers," said the statement.

The Congress of South African Trade Unions has also reiterated its support for the striking workers and called on all public sector workers to unite with them "in taking forward the fight for a living wage".

Commenting on the woman's death, the Dean of the UCT Medical School, Professor J P van Niekerk, said it was very difficult to blame anyone for a death of that nature — but agreed that the strike could result in someone dying.

● Twenty-eight doctors who joined more than 1 000 hospital strikers on a march around Grootte Schuur early yesterday were met on the steps of the hospital by the superintendent, Dr Jo-

To page 2

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DIVISIONAL CONTRIBUTIONS (%)

Division	Turnover		Net operating income	
	1988	1989	1988	1989
Mechanical	43,2	43,9	56,1	58,3
Electrical	25,8	23,1	16,7	12,0
Diesel/Industrial .	31,0	33,0	27,2	29,7

The prospects do not appear to be reflected in the prices, though this may partly be the result of the limited tradeability.

Pam Baskind

Afcot results dampened by heavier interest bill

STIFF competition and sluggish consumer spending in the year to March failed to hamper turnover growth at Associated Furniture Companies (Afcot), but a heavier interest burden filtered down to earnings only 12% up at 190,3c (170c) a share.

The JSE-listed group raised turnover by 21% to R701,4m, but an interest bill of nearly R20m (R12,7m) translated into attributable earnings of R46,7m, compared with a corresponding R41,6m.

A final dividend of 42,5c has lifted total distribution to 95c (85c), twice-covered.

On the balance sheet, strict management of working capital demands contained the increase in net assets to 10% in spite of the higher level of turnover, and gearing improved to 41% (44%).

Executive chairman Laurie van der Watt, in a

SYLVIA DU PLESSIS

statement accompanying the results, said quarterly private consumption expenditure growth rates had declined to an estimated nil growth in the March 1990 quarter.

"Against this backdrop, and extremely competitive trading conditions, Afcot performed well to achieve a turnover growth of 21%," he said.

Van der Watt said the continuing application of stringent fiscal and monetary restraints expected in the months ahead would continue to "severely inhibit" consumer demand.

"In this scenario of reduced demand and increased competitive pressures, Afcot will be hard-pressed to achieve the results of the past year, although it is well-placed to take advantage of any improvement in trading conditions."

Reunert earnings boosted by exports

REUNERT's attributable earnings grew 32% in the six months to March — in spite of difficult trading conditions — after being boosted by exports.

Reunert, a member of the Barlow Rand group, achieved earnings of 80,1c (61,1c previously) a share. A dividend of 22c (18c) a share was declared, up 22% and covered 3,6 (3,4) times.

The results are in line with chairman Clive Parker's forecast that Reunert's growth in earnings would be satisfactory in the current year, but at a lower rate than the 56% jump in the 1989 financial year.

Exports again boosted earnings of this electronic, telecommunications and electrical engineering group.

MD Tony Ellingford says the continued higher offshore earnings are the result of an export drive started six years ago. Reunert continues to design and develop products for export.

However, Ellingford says trading conditions are tough.

The group's electronics engineering interests have felt the effects of the economic downturn.

In addition, uneasy industrial relations have made life difficult for certain companies.

While turnover rose 21% to R651,4m (R539,8m), operating profit improved 35% to R52,4m (R38,9m) because of management of costs.

The interest bill, however, soared to R11,1m (R3,2m) reflecting higher interest rates and the in-

ZILLA EFRAIT

creased borrowings needed to finance working capital.

This saw interest cover fall to 4,7 (12,3) times and pre-tax profits rise 16% to R41,3m (R35,7m).

However, a slightly lower tax rate and a 35% rise in the share of associated companies' profits contributed to the rise in attributable profits to R21,1m (R19m).

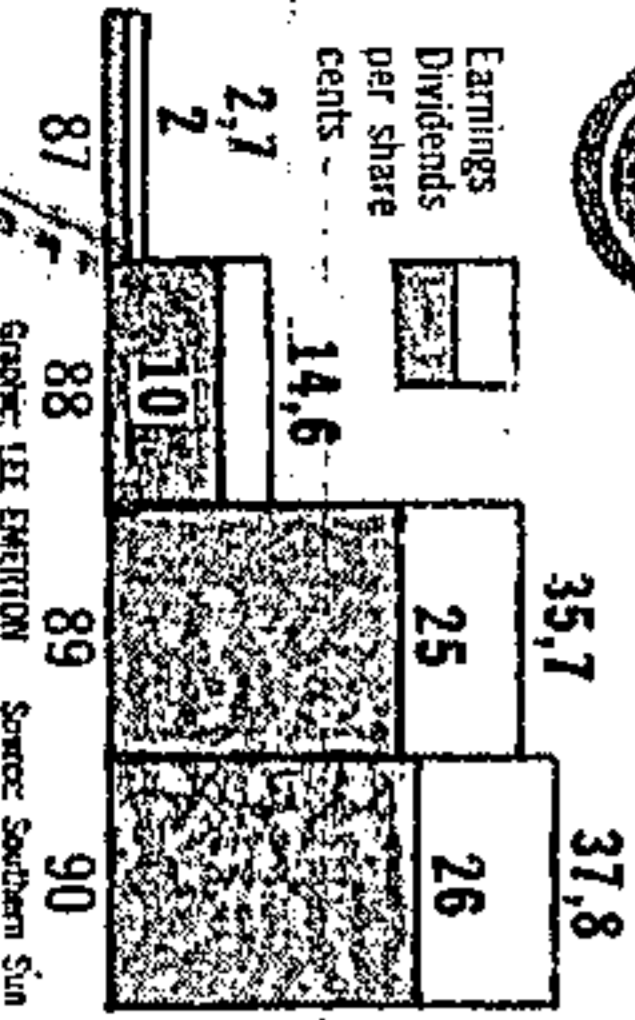
Net borrowings to shareholders equity remains at 33% and total liabilities to total shareholders funds lowered to 156% (167%).

Directors expect trading conditions to remain difficult in the second half, but they say exports will continue to make a meaningful contribution to earnings.

Indications are the results for the full year will show satisfactory growth, although not at the same level as the first half.

Escalating debt takes some shine off Southern Sun

Southern Sun



THE cost of maintaining SA's premier group of hotels took some of the lustre out of SAB-controlled Southern Sun Hotel Holdings (Suthsun) in the year to end March as its interest bearing debt escalated sharply.

Earnings improved by a marginal 6% to 37,8c (35,7c) a share, on attributable profits of R26,5m (R25m) — slightly ahead of analysts forecasts. A dividend of 26c (25c) a share was declared.

The performance puts the share, at 600c, on a dividend yield of 4,3% and a P/E rating of 15,9 times, compared to the sector

BRENT MELVILLE

averages of 3,2% and 14,6.

Group interest bearing debt increased by R54,7m to R323,5m (R268,8m), attributed by directors to further investment in refurbishments and maintenance.

The heightened debt pushed gearing to 64% (59%) although the group improved its cash deposits to R29,7m (R7,5m). Directors believe capex budgeted for this year, including R42,5m relating to the acquisition of the Drakensberg and Airport Sun properties, should not affect gearing.

Although operating profit al-

most doubled to R28,2m (R14,7m), with receipt of dividends chipping in an additional R22,7m (R18,3m), financing costs climbed by 85%, slashing off R34,4m (R18,6m).

Directors say that the results were significantly affected by action taken by authorities to cool local consumer demand.

"The impact was partially reduced by the improvement in overseas tourism, and real growth in the annual occupancy rate improved to 64% (62%), ahead of the industry," say directors.

A modest improvement in earnings this year is expected.

Play tough for toy wholesaler

PIERRE DU PREEZ

REDGWOODS Holdings' August interims could be worse than the finals to end-February just announced, CE Allen Muirhead indicated yesterday. But he said the toy retailer and wholesaler "could have turned the corner".

"Results in August are not going to be good," he said, adding things would have to get worse before they improved.

Redgewoods shares are currently priced at around 20c after trading above 100c at flotation in 1987.

Muirhead said all the corrective measures were in place for a recovery and company overstocking had been rectified.

Improvements now depended on the state of the economy. Trading conditions were still very tough.

A retail analyst said Redgewoods's problem last year had been one of stock.

"The bottom-line was that stock holdings were quite high," she said.

On the margin decrease from 11% to 5%, she felt the idea was "not too far-fetched at all" that some stock was sold below cost. Muirhead denied this, saying some stock was sold at low margins but not below cost.

EXECUTIVE SUITE

AS YOU KNOW, THERMILEY, THE COLD WAR IS WARMING.

Medipark Clinic

CM 7.45 5/6/90 189

R4m research centre opened

PLESSEY (SA) spent 8% of its turnover — R20m — on research and development in the last financial year, a spokesman said at the opening of its new R4m extension in Retreat yesterday. It is likely to increase this by at least 15% in the current year.

It created new products, some of which will be exported, and competed successfully against overseas firms to land a R30m contract to supply the SABC with FM transmitters.

Mentioning this at the opening ceremony SABC chairman Christo Viljoen said that developing this product meant that "from being an importer of FM transmitters SA is about to become an exporter."

Viljoen said there were two good reasons why SA electronics companies should continue to invest in research.

One was that they could solve problems peculiar to Africa. This would give unique opportunities to enter the rest of Africa.

The other was that a nation could secure real wealth only through exports. SA could not compete with the Far East in mass production because labour in this country was too expensive and productivity too low.

But SA electronic engineers were innovative. SA should continue to invest in Technoparks like that in Stellenbosch, and in research and development departments.

panies attending the function, realised it had been necessary to cool down the economy.

This particular year great demands were made on the economy by foreign debt repayments. It was important that it should register with other countries that SA had met its liabilities.

"There are sectors of the economy where the landing has been quite hard," he admitted.

"But there are other sectors that are doing quite well."

It was difficult to manage and control when the economy made a hard landing. But SA management had learned valuable lessons from "the terrible experience of 1985".

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Business Report

Voltex gets 52% in UK company

Financial Staff

THE recently restructured electrical and electronics giant Voltex Holdings has propelled itself into the international arena in a deal which will result in the company taking a 52% control in British-based Bennett & Fountain Group PLC (B & F), subject to the approval of B & F's shareholders.

The B & F group has a network of some 110 wholesale and retail electrical distribution stores throughout Britain, which "will provide Voltex with an offshore base for exporting products to the UK and increasing utilisation of Voltex's production facilities".

The group is listed on the London Stock Exchange, with a current market capitalisation of about £17,5m.

The deal is expected to slightly reduce the net asset value and earnings of Voltex, which is jointly controlled by the Elcentre and Berzack groups, but the longer-term implications are considered to be favourable.

Based on Voltex's recent interims, which reported 50% higher earnings of 24,3c and a net asset value per share

of 92c, the deal would reduce these to 22,1c and 85c respectively.

The "infusion of new management, rationalisation of operations and Voltex's ability to increase substantially the level of its exports" are factors expected to improve B & F's performance and increase its earnings in the future.

B & F currently has 42,5m shares in issue which will be topped up to 89m by Voltex's investment of some £20m.

This amounts to about R130m at the current finrand exchange rate — funded through Voltex's borrowing facilities with a rights issue by Voltex, a longer-term consideration.

Voltex director Phillip Aginsky will be seconded as CE of B & F and Reuben Mowszowski and Mayron Berzack will also join the board in non-executive capacities.

Voltex shares are currently listed at about 200c, having risen in response to the recent results announcement and rumour of a major offshore deal.

The current yields at this price are 12,2% on earnings and 4,5% on dividend.

Voltex strikes R130m deal

VOLTEX, the restructured electrical and electronic group, has moved into the international arena by acquiring a 52% controlling interest in British-based Bennett & Fountain Group (B & F).

The deal is worth £20m, or R130m at the current finrand exchange rate, and will be initially funded through Voltex's borrowing facilities. A rights issue is being considered for longer term requirements.

B & F is listed on the International Stock Exchange, London, with a current market capitalisation of about £17,5m. The 42,5m B & F shares in issue will be topped up to 89-million through the investment by Voltex, subject to the deal being approved by B & F's shareholders at a July 2 meeting. Voltex announced yesterday the acquisition was a strategic investment to establish an off-shore base for exporting products to the UK and increasing utilisation of Voltex's production facilities.

MERVYN HARRIS

B & F is engaged in the business of wholesale and retail electrical distribution and has a network of 110 UK branches.

The deal is expected initially to reduce the net asset value and earnings of Voltex, jointly controlled by the Elcentre and Berzack groups, but the longer term implications are considered to be favourable.

Based on Voltex's second interim report which showed earnings up 50% to 24,3c a share and a net asset value of 92c a share, the deal would reduce these to 22,1c and 85c, respectively.

Voltex said the infusion of new management, operations rationalisation and its ability to increase its exports level, were expected to improve B & F's performance and increase its future earnings. Voltex shares were untraded on the JSE yesterday at 200c after rising earlier in the week on speculation of an overseas acquisition.

VOLTEx IN THE POUND SEATS WITH UK DEAL

By DAVID CARTE

THE DEAL by which Voltex acquired troubled UK electrical appliances group Bennett & Fountain cost an arm and a leg. But Voltex is convinced it will pay handsomely.

Nathan Mowszowski says: "We have bought control of a business nearly identical to Elcentre. It has had problems until now, but we know precisely how to fix it.

"Because the company was in trouble, we got it at 43p a share compared with 250p two years ago. We believe we can get the share price back to a pound fairly quickly."

Flattered

The reason the deal looks expensive and will dilute Voltex's earnings and net asset value is that the SA buyer had to pay in financial rands. But if profits resume, as expected, B&F could become a turbo-charger.

Myron Berzack says: "B&F had annual wholesale sales of £70-million and retail of £30-million. But it made only £571 000 after tax.

"That actually flatters the trading picture because the wholesale division lost £3-million before interest. The figures were also enhanced by the sale of rental busi-



MYRON BERZACK

nesses for £3.8-million.

"One of their big mistakes was to own properties instead of leasing them. That is why they ran into so much debt. Already 100 of 150 shops have been sold."

The deal was done at net asset value for B&F of £20-million. Net asset value is warranted.

Elcentre financial director Philip Aginsky will become chief executive of the group. Reuben Mowszowski and Myron Bertram become non-executive directors. Three of B&F's directors stay on the board.

Mr Mowszowski believes there are huge rationalisation benefits if B&F is run along the same lean lines that made Elcentre one of the JSE's top companies.

He says Voltex hopes to channel exports of SA-made cable and other electrical products through B&F. That was the main justification for the purchase and explains why the Reserve Bank permitted it.

View

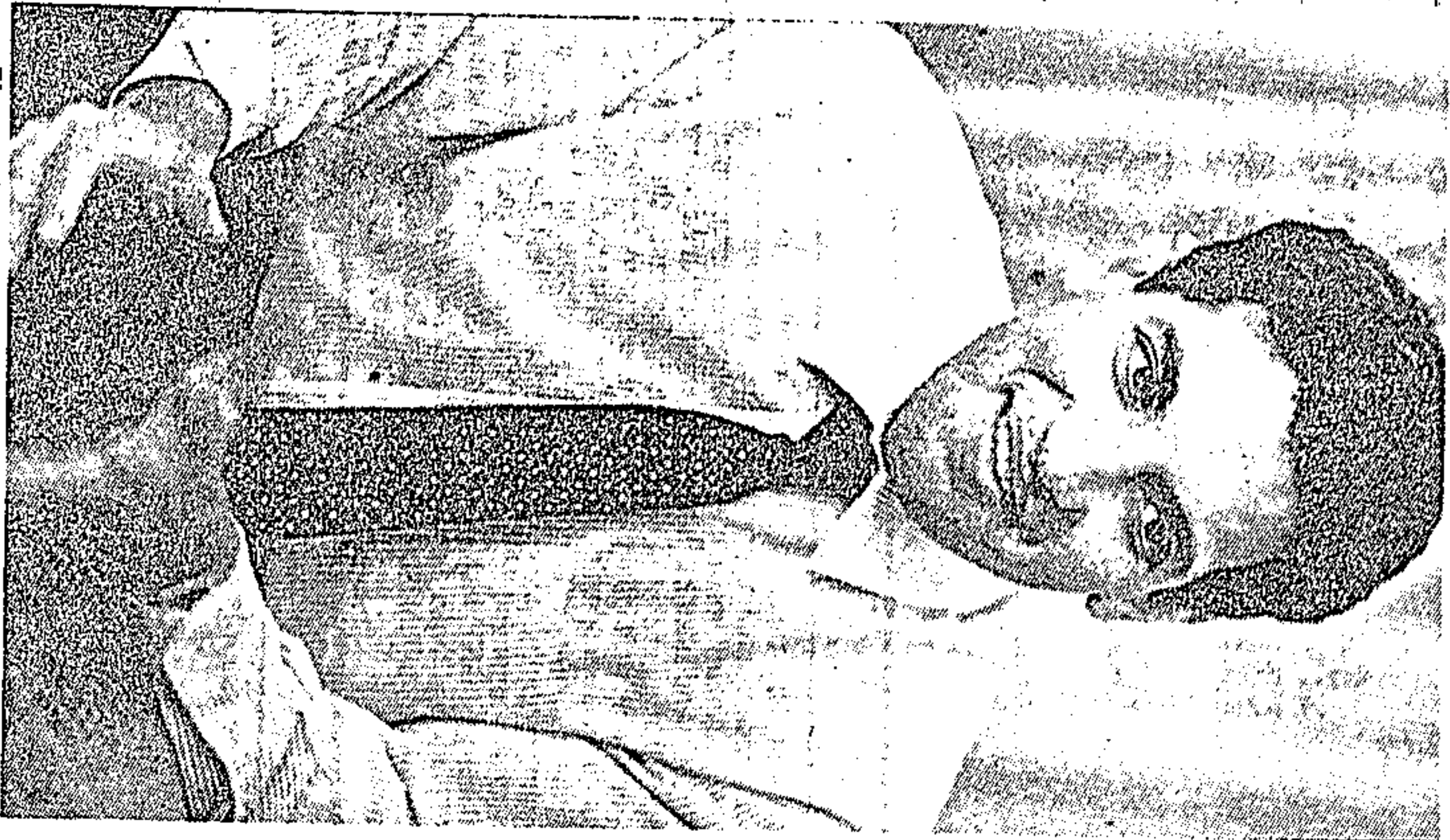
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The London Takeover Panel did not require Voltex to make an offer to all minorities. In the first place, this was a rescue of a kind. Second, there was no seller. Voltex has put £20-million of new money into the company for new shares.

The deal has the effect of degearing B&F from 150% to 20%. Interest savings will immediately improve the profit picture.

Voltex is prohibited by London Stock Exchange rules from giving a view on future profits, but if B&F can attain Elcentre's 12% or 13% return on sales, the company would be looking at £13-million before and £7-million after tax.

Through the commercial rand that translates into a contribution of R30.8-million — a grand return.



Elcentre's Phillip Aginsky... 'just part of a team'.

Taking success to the UK

Business Day 22/6/90

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PHILLIP Aginsky is a member of that elite group of people who go through life chalking up distinctions.

After a brilliant scholastic and academic track record, he has been a major driving force behind the rise of the Elcentre group as the dominant player in the electrical wholesale industry in SA.

In a few weeks he leaves for London to spearhead the group's move into the international arena as CE of Bennett & Fountain (B & F), the listed UK electrical retailer and wholesaler in which Voltex recently acquired a 52% stake.

The UK acquisition by Voltex, formed out of the electrical, cable and allied equipment divisions of Berzack and Elcentre, is subject to the approval of B & F shareholders at a meeting on July 2.

But Aginsky, 37, is confident the deal will go through, and he is looking forward to the business challenge of restoring the ailing UK group to health. Judging from his track record, it should not be long.

When Aginsky left the auditing profession to join Elcentre in 1981, the group had a turnover of about R18m. In the last financial year, turnover of the group and its various interests topped the R1.1bn mark. How?

"We — the Mowszowski brothers, Nathan, Reuben, Chanania, and I — work as a partnership and

Phillip Aginsky, a major force behind Elcentre group's rise in the electrical wholesale industry in SA, will leave for London soon to spearhead the group's move into the international arena. **MERVYN HARRIS** reports.

each of us has an important role in the success of the group."

Johannesburg-born and educated, he completed matric with distinctions at the age of 15 and qualified in auditing with honours at the age of 22. His half-dozen or so academic qualifications include a B Comm, higher diplomas in income tax and company law with honours, and an MBA from Wits.

Elcentre was one of his clients while Aginsky was working as a partner for a firm of auditors. In 1981 he joined Elcentre and found it to have potential.

Founded in 1959 by Wolf Mowszowski, father of the Mowszowski brothers, Elcentre was then a private company with three legs: surgical, photographic and electrical wholesaling distribution.

A view was taken to divest Elcentre of its other interests to focus on developing the wholesale electrical arm. A few months after Aginsky joined the group, Elcentre was floated on the JSE in September 1981. An aggressive marketing policy was adopted by opening new outlets.

Management equity participation was a new concept in the electrical wholesaling industry and it

has proved a winner. From 1981 to 1986, 14 such outlets were established which boosted group turnover to R70m.

Aginsky's responsibilities included overseeing the functional operations of the branches and evolving strategy which included the acquisition of small wholesalers in specific areas to strengthen the distribution network.

The first big acquisition was made in November 1986 with the takeover of Giolec, the largest electrical wholesaler in the country, followed by that of the Atlas Cable group and then Keens and Litecor, making Elcentre the dominant player in the electrical wholesale and cable industries in SA. Super-sales was acquired in 1988 to gain a major foothold in the wholesale lighting arena.

In 1989, the wholesale electrical operations were merged with Berzack to form Voltex, while the KTC/Greatrex group of companies, together with Elcentre's existing DIY operation, Pace Consumer Products, were put into Sanlic Holdings in a reverse takeover.

The merger with Berzack to form Voltex was a strategic move

to protect the group's supply sources, and gave it the most advanced manufacturing facilities for low voltage cables in SA.

Voltex was now ready to compete in the international market. Aginsky had been investigating possibilities in the UK market from May 1988. After identifying the market, he approached B & F in October last year.

B & F is the sixth largest electrical wholesaler in the UK but ran into problems after rapid expansion in the two years to 1987.

When Aginsky approached B & F, the company had recorded heavy losses.

The management equity participation scheme will be introduced at B & F which will also be a source for channeling exports from SA, and provide Voltex with a rand hedge.

Aginsky believes the current downturn in the UK and SA economies will give the group the time and opportunity to put in the infrastructural developments to position B & F for future growth.

Like most other listed companies in the UK, the B & F board does not have a controlling interest in the company but Voltex already has the support of 31% of the shareholders. Aginsky is confident that a vote in favour of the deal will be passed on July 2.

If positive, B & F will be one of the few companies in the UK where management and executives will have majority control.

COMPANIES

Voltex stake in B & F approved

ELECTRIC and electronic giant Voltex is poised to establish a significant export market after its acquisition of a 52.3% controlling stake in British-based Bennett & Fountain group (B & F) was unanimously approved by shareholders of the UK company and all subsequent formalities finalised.

MERVYN HARRIS

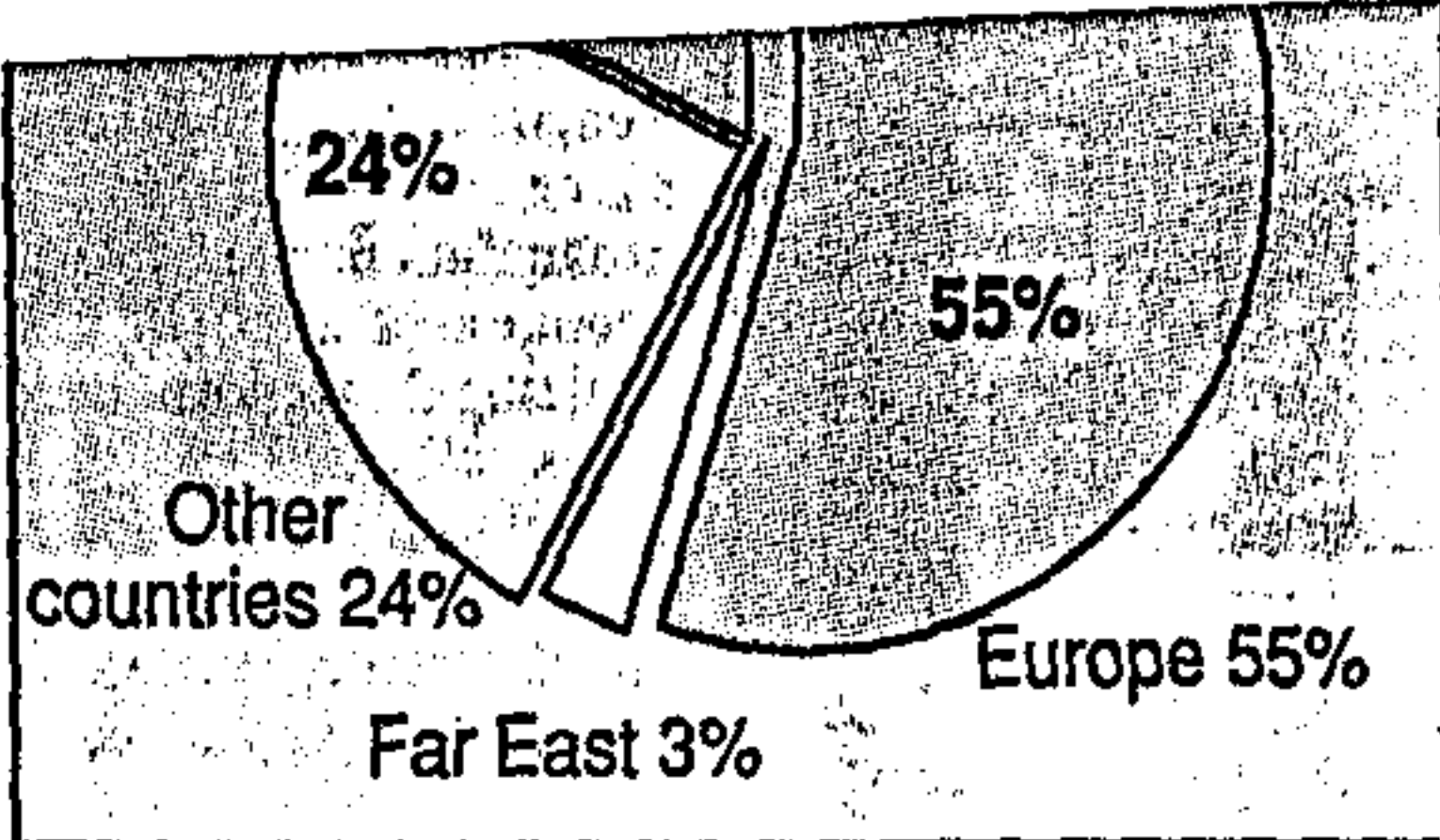
The deal was valued at £20m which translated into R130m through the firmand.

B & F is a wholesale and retail electrical components group operating through a network of 110 branches throughout the UK and is listed in London

at a current market capitalisation of £40m. (189)

Voltex director Phillip Aginsky leaves next month to take up the post of CE of B & F. 6104 19/7/90

Voltex shares rose to a recent high of 210c on news of the deal but the shares have since retreated to 180c.



ATC boosts capacity through extra shifts

BRITS-based African Telephone Cables (ATC) has been named a merit award winner in the manufacturing sector for the 1990 State President's Export Awards.

In the past three years, ATC's cable exports have grown from less than R50 000 a year to more than R20m.

It manufactures telecommunications, instrumentation, pilot, control, coaxial and optical fibre cables, wires and fibres and is a supplier of optical fibre systems and equipment.

ATC is 55% held by GEC SA, in which Reunert has a 50% equity.

Overseas cable specifications are stricter than those applied locally and special packaging had to be designed to meet customer requirements.

Having formed a small base of customers in Africa, Europe and the Indian Ocean rim, ATC is looking at expanding its markets into the Middle East, the Far East and South America, as well as trying to break into the fiercely competitive market for optical fibre cables.

The company recently implemented a three-shift system to increase capacity available for exports.

Tubatse sets the trend

WHILE the ferrochrome market worldwide over the past 12 months suffered a decrease in demand resulting in an oversupply of ferrochrome, the Tubatse division of Samancor Chrome, which produces and exports high carbon ferrochrome, managed to increase exports by 36%.

Chrome Alloys divisional manager Deon Toerin says one reason for Tubatse Ferrochrome's success has been its excess capacity,

created over the past few years to meet demand.

With planned expansions, Tubatse has solidified its position as a trend setting, cost-effective, responsible and long-term supplier and has emerged as the second largest ferrochrome producer in the world, with 300 000 tons a year.

"Tubatse's exports increased by 36% over last year, with exports as a percentage of sales increasing from 78% to 96%," he says.

30 years of plying the trade

VALOR Central Co-Operative has been exporting for more than 30 years.

Based in Port Elizabeth, Valor exports fruit juice concentrates, candied and frozen peel and citrus oils.

Traditional markets have been the UK, Europe, the north-west Continent and Mediterranean countries and a few exports to the Far East, says Valor GM Richard Spargo.

Valor's exports account for about 55% of its production. In 1987 its exports grew 54%, 56% in 1988 and 112% in 1989. \$10m 6/11/90

Purchased

Fresh oranges, pineapples, lemons and grapefruits are purchased from local farmers' co-operatives and the juice is extracted and processed to make the various concentrates.

These are then packed for export.

The peels, with the exception of pineapples, are then either frozen or chemically preserved.

The company exports five different concentrates, frozen peel and candied peel.

The company's success can be attributed to personal contact with customers, prompt responses to inquiries and adherence to international quality standards, says Spargo.

Interest charges dent Nu-World

MARCIA KLEIN

HIGH interest charges and reduced margins have pulled Nu-World Holdings' attributable earnings down by 16% to R1,8m (R2,1m) for the year to August.

The electrical appliances manufacturer and distributor reported a 36% increase in turnover to R35,1m (R25,7m) helped by the introduction of new products. However, operating income decreased by 9% to R3,2m (R3,5m).

The interest bill almost doubled to R1,1m, and operating margins were under pressure — falling from 13,7% in 1989 to 9,1% at the August year-end.

According to executive director Jeffrey Goldberg, Nu-World launched a range of Ideal steam irons, and in the ensuing price war as competitors fought for market share, margins were shaved. The bottom line showed a cut in earnings to 14c (16,6c) a share. However, the total dividend

was maintained at 4,3c.

During the year, gearing was reduced from 95% to 69% as major capital spending financed by debt slowed. Goldberg expects a further reduction this year.

"We are quite pleased with the increased sales and are not unhappy with the results relative to our competition. However, margins are not what we would have liked."

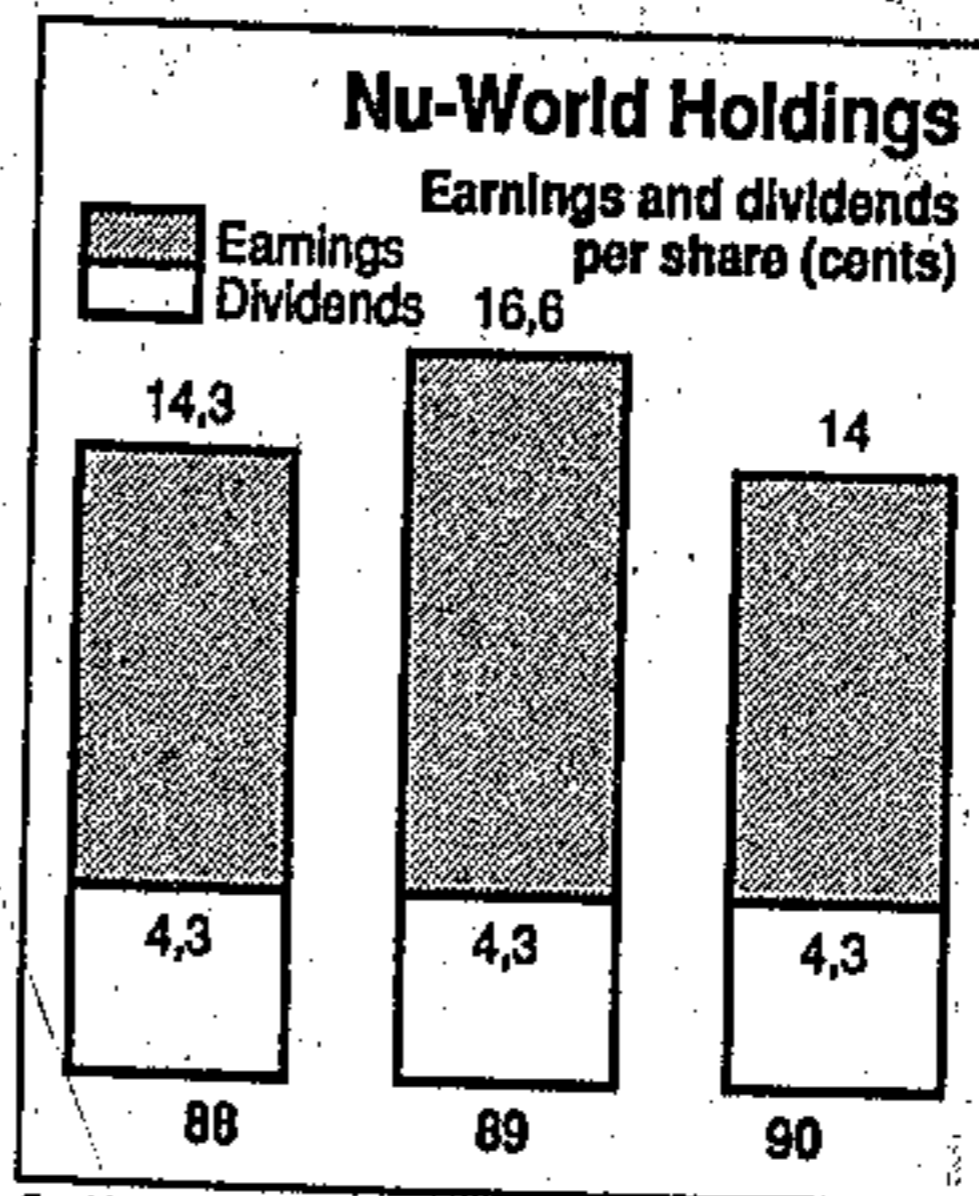
He expects trading conditions to improve and says Nu-World has plans to launch a number of new products in 1991.

Since August, agreement has been reached with European manufacturers to import components for assembly into irons in SA for re-export to Europe.

Exports to Europe and Africa are expected to help

the company overcome slack demand at home.

Goldberg also expects



Graphic: FIONA KRISCH Source: NU-WORLD HOLDINGS

operations to be improved by a move into new premises and the introduction of new computerised inventory and financial control systems.

EXECUTIVE SUIT

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