MANUFACTURING — NON-METALLIC MINERAL PRODUCTS

1995

Corobrik gearing up for expected rise in demand

(193) Star 20/1/95

BY MAGGIE ROWLEY

Cape Town — Corobrik is gearing up to meet higher demand for building products by recommissioning five factories mothballed during the recession.

Executive chairman Errol Rutherford said yesterday two factories closed in recent years had already been reopened — one at Odendaalsrust to supply bricks for the first RDP housing programme to get off the ground at Kathlehong, and the second at Glencoe in KwaZulu/Natal to meet demand from the Hillside smelter at Richards Bay.

The third factory to be dusted off is the Phesantekraal 1 factory in Durbanville, closed since 1989. Recommissioning the factory to target regional demand from RDP housing programmes will lift Corobrik's capacity in the region by about 32 percent and create 100 jobs.

Rutherford said he was bullish about prospects for the industry in the medium term and he had no doubt the two remaining factories, where capacity had been halved in recent years — Rietvlei in Pretoria and a second plant at Odendaalsrust — would be fully commissioned by year's-end.

This would bring Corobrik's capacity, currently running at 90 percent, to one billion bricks per annum and boost employment levels from below 5 000 to roughly 5 400, he said.

In addition, Rutherford said the huge stockpile of bricks they had been sitting on for the past couple of years had dropped significantly from a peak of 300 million to 200 million.

"We expect the surplus to be rapidly absorbed by the market this year."

Mike Ingram, director of Corobrik's Eastern and Western Cape regions, said recommissioning of the Phesantekraal 1 factory in Durbanville was already in progress and the factory would start operating next month.

Clay brick sales, he said, had increased nationally by about 4 to 5 percent in 1994, despite a very slow first half-year due to election uncertainty, which had negatively impacted on the construction industry.

Corobrik dusting off old factories

(193)

CT 20/1/95

By MAGGIE ROWLEY
Property Editor

COROBRIK is gearing up to meet increasing demand for building products and recommissioning five modern factories mothballed during the recession, including one in the Western Cape

Executive chairman Errol Rutherford said two factories closed in recent years had already been opened — one at Odendaalsrus to supply bricks for the first RDP housing programme to get off the ground at Kathlehong and the second at Glencoe in northern kwaZulu/Natal to supply the demand from the Hillside smelter at Richards Bay

The third factory to be dusted off is the Phesantekraal 1 factory in Durbanville which has been closed since 1989 The recommissioning of this factory, which will be targeting regional demand from RDP housing programmes, will increase Corobrik's capacity in the region by about 32% and create about 100 jobs

Rutherford said they were bullish about prospects for the industry in the medium term and he had no doubt the two remaining factories where capacity had been halved in recent years — Rietvlei in Pretoria and a second plant at Odendaalsrus — would be fully commissioned by the year's end

Smaller stockpile

This would bring Corobrik's capacity, currently running at 90%, to one billion bricks per annum and boost the company's employment levels from below 5 000 to roughly 5 400, he said

In addition, Rutherford said the huge stockpile of bricks they had been sitting on for the past couple of years had dropped significantly from a peak of 300 million to around 200 million

Mike Ingram, director of Corobrik's Eastern and Western Cape regions said work had started at the Phesantekraal 1 factory in Durbanville and the factory will be operating from next month

Clay brick sales, he said, had increased nationally by about 4% or 5% in 1994 in spite of a very slow first half year due to election uncertainties which negatively impacted on the construction industry

"This was more than made up for in the second half of the year and we are optimistic for the outlook for the industry over the next five years"

Sales this year, said Ingram, were expected to show growth of around 15%

"The recommissioning of the Phesantekraal 1 factory will provide more capacity than our immediate needs and will stand us in good stead for the next few years particularly as our other four factories in the region all have spare capacity"

Ingram said that to meet the ambitious RDP requirements to housing, building materials companies would need to improve production output and reduce the cost of building materials

Two years' service for doctors 'unlikely to be implemented'

BD 26/1/95 (193)

KATHRYN STRACHAN

A RECOMMENDATION made this week that newly graduated doctors be forced to serve for two years in the public health sector is unlikely to be implemented

Health Department deputy director-general Dr Harms Pretorius said recently that public service would not be compulsory. Instead, ways of luring doctors to under-resourced areas through incentives, were being investigated

Aside from increased pay for doctors serving in rural areas, the department was looking at a scheme whereby graduates with state bursaries could work them off in half the time in rural areas than they would in urban areas Improving working conditions would help to attract doctors.

The recommendation was included in a report compiled by a team of health experts serving on a finance advisory committee appointed by Health Minister Nkosazana Zuma.

Their report, submitted in November, was finally made public on Tuesday — but Zuma emphasised its contents did not reflect the view of the Ministry The Ministry would choose which aspects of the report it wished to follow up.

The Representative Association of Medical Schemes (Rams) said yesterday it was greatly encouraged by the Minister's decision to make the report public.

The report has been at the centre of a controversy over the way the Ministry has dealt with a plan to introduce a national health fund. Her refusal to release the report provoked allegations that the process lacked transparency.

Rams yesterday voted unanimously in favour of its executive director, Reg Magennis, serving on the technical committee investigating the possibility of a national health insurance fund.

Rams chairman Keith Hollis said the association would look for practical solutions while taking into consideration the country's economic constraints

The recommendation that newly graduated doctors be forced to do two years compulsory service is one of a range of measures put forward by the finance committee to strengthen the public sector.

Cement sales up for first time in five years

ROBYN CHALMERS

DOMESTIC cement sales rose 10,22% last year over 1993, the first real annual increase in more than five years as the industry emerged from the lengthy recession

Figures released by the SA Cement Producers' Association yesterday showed sales rose to 7,9-million tons (7,17-million tons). Analysts said the higher sales were indicative of the upturn in the building and construction industries. Demand had risen as several major projects, including Columbus, Alusaf and the Lesotho Highlands projects, came on stream (193)

The figures showed a steady rise in sales in the second six months, with a slower increase in the first half BD 8/2/95

Association executive director Graham Mitchell said the higher sales did not reflect the reconstruction and development programme, as government's low-cost housing initiative had not yet taken off.

"The industry is, however, bullish that the housing programme and the construction of related infrastructure will get underway by midyear This will boost sales and take up the slack once demand from major projects begins to dissipate"

Analysts estimate that the RDP should boost cement sales by 8,5% on an annual average compound basis over the next five years This would increase manufacturers' total revenue by R1,6bn

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Building material suppliers warned of price controls

(193) BD. 10/2/95

ROBYN CHALMERS

PRICE increases for building material supplies have to be transparent and defensible if suppliers are to avoid government's threat of price controls, says Building Material Suppliers Consortium chairman George Thomas.

There have been signs of building material price increases beyond the rate of inflation over the past few months, despite an agreement reached among suppliers last year to keep price rises reasonable.

The recently released Bureau for Economic Research survey on the building industry showed that building costs rose 11,2% in the fourth quarter of last year, and looked set to increase further this year.

Housing Ministry director-general Billy Cobbett warned last year that should prices begin to spiral, it would undermine government's housing programme and force the implementation of price controls.

Thomas said the consortium, which had mushroomed over the past few months to represent more than 350 companies, had attempted to instil a measure of discipline and transparency among members.

"Price increases are, however, often beyond the control of companies which have to contend with international pricing and rising input costs.

"In addition, the lengthy recession has bitten deep and many organisations have suffered so there is a temptation to raise prices significantly. This would be counter-productive and exceedingly harmful to the industry as a whole," he said.

At the Botshabelo housing conference in October, the organisation committed its members to price discipline and value for money. As a signatory to the housing accord, the consortium said it believed stable prices were best delivered by fair competition and limited import tariffs.

A further key concern was the loss of capacity because of the recession and production slump, fuelling fears that the construction sector would run out of capacity once the housing programme geared up.

The White Paper on housing stipulated that it was essential to have certainty on government's housing policy and strategy to initiate sustained capacity growth.

Italtile boosted by lower debt costs (193)

CT 10/2/95

Special Correspondent

JOHANNESBURG — Improved margins and lower debt helped tile and sanitaryware retailer Italtile grow attributable profit 60,3% to R5,2m in the six months to December, against the same period in 1993

Turnover lifted by 19,5% to R105m (R87,8m) on which operating profit rose 57,5% to R7,6m, showing operating margins at 7,2% from 5,5%

The interest bill dropped to R269 000 from R1,5m as cash sales rose by 27%, but this was partly offset by an increase in the tax rate to 30% from 23%

On a slightly higher number of shares in issue, earnings were 59,8% higher at 29c (18,2c) An interim dividend of 5c (3c) has been declared

Concrete body changes name

(193)

THE Concrete Masonry Association has changed its name to the Concrete Manufacturers' Association

CMA director Patrick Kelly said the name better indicated companies and products represented. These were concrete masonry, block paving, retaining blocks and roof tiles.

Kelly said the Concrete Roof Tile Association had joined forces with the CMA to form a wider body representing the interests of an industry with yearly turnover of R1bn.

"We believe the association now reflects the greater diversity of the products produced by its 26 member companies," he said. BD 15/2/95

Companies represented by the association produced about 45% of the 4-billion bricks manufactured in SA yearly — up from only 5% when it was established 23 years ago.

"The CMA and its members are becoming more proactive this year and are looking for substantial growth as a result of the reconstruction and development programme (RDP). Our products are ideally suited to infrastructural projects called for by the RDP. These include concrete products for mass housing, roads and township services."

Consol climbs on wine bottle boom

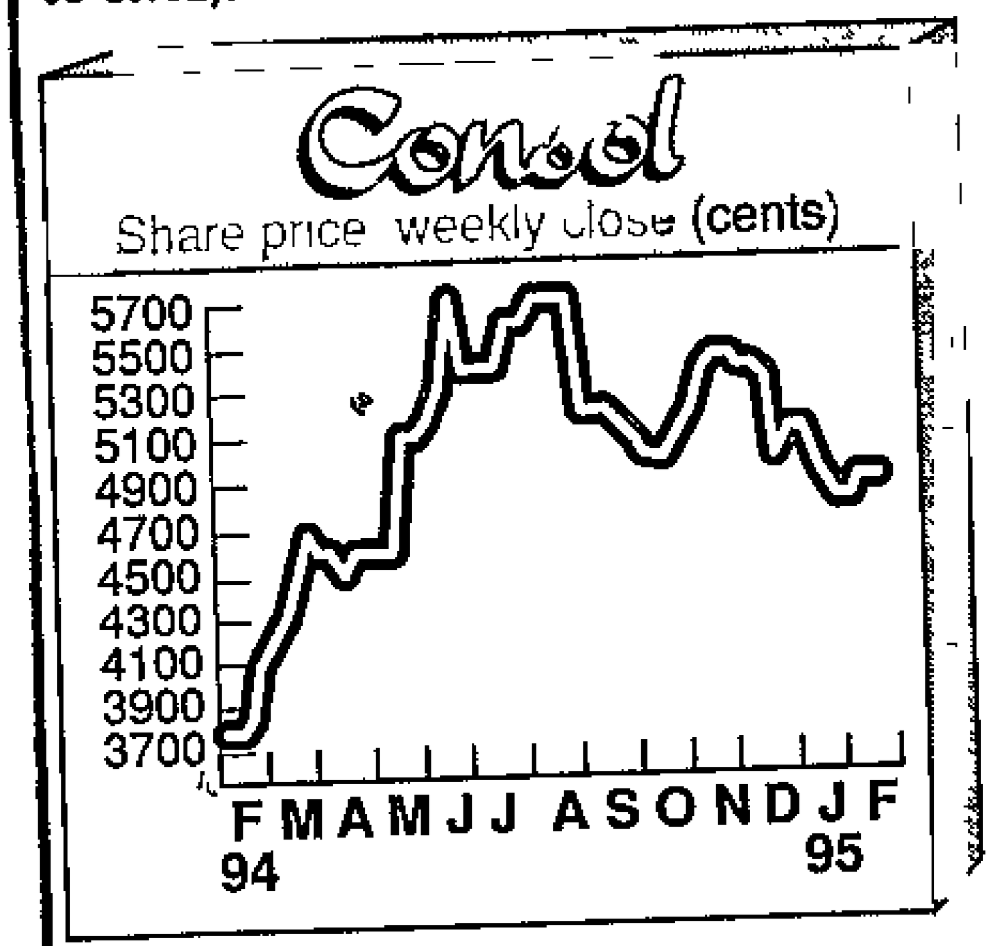
(193) BD 15/2/95

YURI THUMBRAN

PAPER, packaging and rubber group Consol lifted earnings 15% to R94,3m as the improved economy saw sales increasing in most divisions, chairman Clive Menell said yesterday

Turnover rose 21% to R1,45bn (R1,20bn), with operating profit increasing to R164,2m (R139,4m), but tight competitive conditions had resulted in pressure on the group's margins

Profit after tax was 15% higher at R94m In terms of turnover split, packaging and related products improved 27%, contributing R659,4m, and rubber and related products' contribution increased 16% to R792,8m



Packaging and related products' operating income was 27% higher at R84,2m and rubber and related products moved up 10% to R79,9m

Menell said the 27% improvement in packaging's turnover and operating profit resulted from the contribution of Interpak, which had been acquired during the previous financial year

"Glass volume improvements resulted mainly from growth in demand for wine bottles to meet increased exports The general improvement in the economy also led to increased sales, particularly of soft drink bottles and food jars," he said

The plastics division made losses

The rubber operations benefited from sustained demand for tyres and industrial rubber products

However, the 10% increase in profit reflected tight competitive conditions Imports of low margin earthmover steel radial tyres also affected earnings, and a sharp increase in the world price of natural rubber had a further impact on earnings

Group MD Piet Neethling said while a 15% earnings increase was achieved, a number of constraints curbed a higher earnings increase

Mines warned of 'unstable' cement

BD 17/2/95 (193)

MICHAEL URQUHART

A TYPE of cement used in the mining industry might decay rapidly when exposed to the temperatures experienced in SA's deep-level mines, says a report by Lafarge Fondu, one of the world's leading cement makers

The Lafarge report refers to a cement known as calcium sulphoaluminate (CSA), which is widely used in the mining industry because of its rapid hardening characteristics.

According to Lafarge, CSA decays at a temperature of 80°C, leading to a complete destruction of the cement The report adds: "This process could commence above 50°C."

CSA is widely used in the mining industry in rock-bolting grouts, which form a crucial part of the support for the roof and walls in deep-level mines

SA subsidiary Fondarge's mining sales manager, Dennis van Heerden, said although there had been no major disasters resulting from the use of CSA, the cement's stability was uncertain He questioned its use in a situation where its failure could kill people

He also said the paper showed the acid in CSA contributed to rusting and could accelerate the failure of steel roof bolts.

Van Heerden was expecting a response from mines that had been sent the CSA findings last month.

Peter Bredenkamp, MD of Fosrock, the sole supplier of CSA cement in SA, denied that his company's cement decayed and said comprehensive studies by international research centres and UK universities had shown that CSA was stable

Fosrock had switched from high aluminous cement (HAC) to CSA a few years ago as a cheaper alternative CSA was sourced from China.

The mining houses said no conclusive proof had been presented to show CSA was unsafe. One rock mechanic described the conflicting claims as a commercial dispute between Fosrock and Fondarge.

JCI chief rock mechanic Willem de Maar said there was no conclusive proof that CSA was unsafe. There had been no problems with it. JCI mainly used conventional cement, because of costs, he said

Anglo American spokesman James Duncan said both types of cement were used in Anglo mines There was a continous investigation of CSA by a UK-based firm of consulting material engineers and Anglo was monitoring the application of CSA in its mines, he said

Strong demand for masonry goods

(193) CT 24/2/95

Property Editor

THE improved demand for masonry products seen in the last quarter of 1994 has been sustained so far this year, according to Dave King, vice president of the Western Cape Masonry Manufacturers' Association.

He said industry orders were up about 10% to 15% on a year ago but demand generally could be higher as a plethora of new smaller players, who did not submit their sales figures, had sprung up.

While no further significant growth was seen for the industry this year, due to RDP-related projects taking longer than expected to get off the ground, the market was being underpinned by demand from the private sector, which has been forging new developments.

Current capacity in the industry, he said is between 30% and 40%, which is far lower than the 50% spare capacity seen during the five year recession.

Further increases in interest rates, however, he warned, could kill the recovery "stone dead"

Clive Archer, sales manager of Crammix Bricks, the biggest producer of bricks in the Western Cape, was a little more confident and bleives Cape brick manufacturers may well need to move production capacity up sharply to meet future demand.

"Interest is booming in the hotel industry alone not only with the news that Kersaf has purchased the Cape Showgrounds but also from the Taiwanese and Malaysian groups showing interest in other sites.

"If the Olympics squabble is cleared up and the bid is successful, enormous numbers of hotels will have to be built as the resultant tourist boom brings thousands of pre-Olympic visitors to the city.

"In addition, the Olympics infrastructure has to be largely in place or at least feasibly planned and located."

Archer said that as part of the company's commitment to the RDP, they had expanded their training school for bricklayers.

"Trainees from the building industry will be given intensive instruction at the school to help meet the demand for proficient artisans."

"We are commited to the promotion of clay face bricks as a cost effective and maintennace free walling particularly if we are to start now to create the necessary buildings for the Olympics and to avoid a giant maintenance bill for those buildings between now and 2004."

Significant growth for local cement industry

(193)

THE cement industry is forecasting a significant growth in demand from the middle of this year as major road contracts take off and government's housing programme gets under way.

There are fears the industry could run out of capacity before the year 2000, and both Anglo-Alpha and Pretoria Portland Cement are investigating the possible construction of kilns worth about R1bn

Evidence of an upturn in the recession-hit sector began to filter through last year, with the SA Cement Producers' Association saying figures showed that sales rose 10,22% last year. BD 6/3/95

Murray & Roberts (M&R) Holdings CE Andre van der Colff said M&R subsidiary Blue Circle was expected to benefit significantly from increased activity in the fixed investment market.

"Growth in the cement industry is expected to be huge, with significant demand coming from the informal sector"

Blue Circle former CE Graham Hardy said in M&R's annual report that options to increase capacity were being investigated, although there was sufficient capacity to supply the short term market

He said planned capital expenditure

ROBYN CHALMERS

over the next three years totalled R500m, of which 40% was earmarked for expansion projects.

PPC group MD John Gomersall said domestic demand for cement had risen substantially since April 1994, increasing the utilisation of the group's production facilities and focusing attention on future capacity expansion plans

PPC was budgeting for an increase of 8% in sales volumes this year, but sales during the past three months indicated that growth could exceed expectations

"A team is currently reviewing plans for recommissioning the Dwaalboom plant Our estimates of cement demand growth indicate that it will have to commence production within two to three years"

In the Eastern Cape, Gomersall said PPC's Port Elizabeth factory could not meet local cement demand and there were moves afoot to discover a new limestone reserve to allow the expansion of the factory's production capacity.

Anglo-Alpha deputy MD Ronnie Searle said the organisation was considering building another kiln at its Dudfield plant

No overtime, so 70 Denver workers fired

(193)

By Gloria Mogase

SEVENTY Africa Glass Mirror workers at Denver were dismissed yesterday for allegedly refusing to work overtime

Angry workers, all members of the Chemical Workers Industrial Union, said they were surprised by the move because they were not given any notice

They said they found the security guards waiting for them with dogs at the entrance yesterday morning

They were not allowed in and were told by security guards that they had been dismissed

Sowetan 8/3/95

Glass Mirror manager Mr John Tenderini said he dismissed the workers because they refused to work overtime

"I fired them for three other charges too, which I cannot disclose to you You can come to my office if you want to know more," he said

Secretary of CWIU Mr Nelson Mthombeni said he contacted Tenderini, who told him of the workers' "actions of misconduct, intimidation and their refusal to work overtime"

BD 10/3/95 (193)

Concern over safety of defective cement

ROBYN CHALMERS

THE cement industry has warned independent firms selling defective cement particularly in black areas are mushrooming which could adversely affect the reconstruction and development programme

This follows a number of incidents reported in Gauteng and KawZulu/Natal where the use of blended Portland cement led to cracked houses and threatened bond boycotts

Portland Cement Institute executive director Graham Grieve said a growing number of operations were using incorrect proportions of waste materials as extenders

This weakened the product and had led to the construction of unsound buildings In many cases the percentage of fly ash or other extenders mixed with Portland cement was not disclosed on packages, usually sold as plain brown paper bags

The operations were widespread in Gauteng, and had also extended to the Eastern Transvaal, Northern Transvaal and KwaZulu/Natal

Grieve said the operators were mainly targeting small builders and consumers in the townships

He said this had wideranging implications on health and safety standards and could have a spin-off on the builders' warranty mechanism under discussion between banks, government and the construction sector

SA Bureau of Standards civil engineering and packaging director Iain Bennie said the lack of markings on the packages was of concern to the bureau, as the quality of the cement could vary considerably

The SABS has been assisting the Business Practices Committee in a preliminary investigation to identify and control these operations. A company recently agreed to stop blending and merely re-package cement.

A committee spokesman said the organisation was formulating a revised code of conduct for the cement industry in a bid to govern the conduct of local producers.

She said the existing code was too technical and was not user-friendly. The new code would ensure quality principles and standards were adhered to

Consol to spend R650m on expansion programme

(193)

BD 13/3/95

MARCIA KLEIN

CONSOL Ltd's glass division, Consol Glass, would spend R650m over the next five years on an expansion and technology advancement programme, it announced at the weekend.

MD Dave Spindler said it would spend R300m on its Western Cape operations, including a new capacity expansion programme and enhancement of capabilities at the Bellville factory.

The balance of R350m would be used to develop the northern factories of the glass packaging division

He said Consol Glass had been a strong cash generator for many years and the expansion would be funded from internal funds

The Western Cape expansion programme would add about 70 000 tons of production capacity and enable Consol Glass to meet projected market requirements well into the next century, Spindler said

"The investment ensures and demonstrates Consol's commitment to the long-term requirements of the wine and spirits, beer, soft drink, fruit juice and food industries of the Western Cape," he said

In the five years up to last year's election, volumes were depressed But there had been a "significant and unexpected surge" in demand for glass containers late last year, especially from the wine and spirits markets Consol Glass had increased output and all its facilities were in full production However, it had taken several weeks "to get the downed facilities up and running"

The increase in capacity on the same skills base meant it was not running as efficiently as before and there were some supply and service problems The situation had eased and finished goods stock levels were back to normal The company did not expect to be in short supply to the wine and spirits industry

Spindler said customers would be able to compete more effectively in local and overseas markets "This is of tremendous importance to our customers who are increasingly exporting their products into highly competitive and demanding world markets"

It was reported last year that there was some criticism about Consol's domination of the bottle industry, particularly from the wine producers Wine exporters said it would be cheaper to import from Europe if duties were lowered, that Consol held monopolistic control over the market and that the supply of locally manufactured bottles was insufficient Spindler said at the time this criticism was unfounded

Last month Consol reported 15% higher earnings of 146,5c a share on a 21% turnover increase to R1,5bn for the interim period to December At the time directors said glass volume improvements largely reflected growth in demand for wine bottles to meet increased exports

(193)

CONSOL GLASS

Glass expansion

FM 17/3/95

The post-election future arrived with startling suddenness for the packaging division of Consol Glass, as surging demand for containers — largely wine bottles for export — caught the industry unawares Never again· Consol will spend R650m in the next five years to upgrade plant and expand capacity by 20%-30%

Of this, R300m will go to Western Cape operations and R350m to "northern" sites in Wadeville and Midrand. One Bellville furnace has already been rebuilt at a cost of R32m, taking the division part of the way into its modernisation programme.

"We have pulled ourselves out of the ark but are not yet into the spaceship", jokes MD David Spindler

But this will change with the new electronically controlled furnaces, which will take the group through to the 21st Century, both in increased volume and in technological achievement. Customers who export want glass packaging that meets world standards and Consol aims to meet the challenge

Spindler reckons the local industry is "looking at real growth in wine and spirit, soft drinks and returnable beer containers" and also wants to increase direct exports. Growth is estimated to be over 30%. SA wine and spirit producers are expected to welcome the investment.

Consol, whose main shareholder is Anglovaal Industries (59,8%), is assessing funding options It plans to fund capex internally and from borrowings, and does not intend going to the market. The initial outlay will be heavy as most of the money will be spent within three years, but Spindler expects the investment to promote shareholder confidence

"More development makes us more competitive and this will translate into dividends in future", he says.

The pathway to the future is not entirely smooth, though Challenges from other packaging materials have to be faced, particularly in the soft drinks industry where steel and aluminium cans are the major threats. However, modern manufacturing techniques produce strong, lightweight glass containers that can hold their own.

In the wine and spirits industry, glass containers are a staple There, the question is who supplies the best. Though Consol Glass has the lion's share of the market, Metal Box Glass is in the running again, and Nampak is rumoured to be considering a glass plant in the Western Cape

US company Owens Brockway, which holds 19% of Consol, will contribute technological know-how and management backup to the expansion One of its strengths as a shareholder is the link it offers with the global marketplace.

The share is trading at a 12-month low of R40, which may be an excellent time to buy. Profitable expansion of the glass packaging division will increase profits, helping to offset possible weakness in the plastics division Returns to shareholders over the medium to long term ought to prove worthwhile

Margaret Anne Halse

Spindler *catching up with this century*

Aries aims at industry giants

(193) ARG 18/3/95

JOHN VILJOEN
Business Staff

PROSPEROUS Cape-based packaging group Aries hopes to take on the industry's big players when new machinery comes on line at its Atlantis plant

Aries was installing a R500 000 die cutter in what ammounted to a significant modernisation step, sales director Garth Glasby told the group's AGM this week

The machinery would allow Aries to add a wide range of packaging products to its present capabilities "We intend taking on the big players in the packaging industry, like Nampak and Kohler," Mr Glasby said

A tax break helped Aries increase attributable earnings by 57 percent from R2,2 million to R3,4 million for the year ended December Earnings a share rose from 19,7c to 31,1c The Aries directors have declared a final dividend of 7c

Turnover increased just over nine percent to R36,2 million

MD Dieter Neckel said the fibre drums division was the only one showing a loss and it was possible it might be sold

"It is under close observation," he said.

Chairman George Kohler said Aries would investigate possible acquisitions "We are on the lookout all the time We are not short of cash We have the capabilities, manpower and cash"

The results for the first quarter of this year had been the most encouraging so far since Aries was founded in 1981 The group was benefiting from the economic upswing

This week's budget contained a slight let-down, however "We were disappointed to find that our optimistic prediction of a removal of STC (secondary tax on companies) has not materialised," Mr Kohler said

In his statement Mr Neckel said the group had achieved its objectives for 1994

The paper situation became critical during the last quarter with severe shortages and constant increases in price.

Aries had, however, anticipated this development and was able to aviod shortages in its operations. Forward buying also produced significant savings.

There were encouraging signs of improvement in the economy as a whole, Mr Neckel said

A lot would depend on good labour relations and strict fiscal disciplines Aries was trying to position itself in the best possible way to reap the maximum benefits from the economic upswing

There would be further extensions and modernisations in the year ahead and Aries was looking forward to further improvements in its results, he said

Cement industry enjoys growth

18 (193) BD 29/3/95

ROBYN CHALMERS

THE cement industry is experiencing an unexpectedly strong growth in demand, with a 16% surge in domestic cement sales during January surprising analysts.

SA Cement Producers' Association figures released recently showed domestic cement sales rose to 551 271 tons in January against 475 833 tons for the same month last year.

Analysts and cement producers have predicted that the main growth in demand would filter through from the middle of this year when major road contracts take off and government's housing programme gets under way.

However, one analyst said he was revising the projected growth of the industry for this year, as there were early indications that sales could exceed expectations.

He said his initial prediction for growth in sales volumes this year had been 10%, but this had been revised upwards by 2% to 3% particularly as the association's figures showed sales had reached 10,22% last year.

Another analyst said the higher sales were a positive trend, but cautioned that January was not always a reliable pointer of the market's direction.

Marlin benefits from industry recovery

(193) MICHAEL URQUHART

A GENERAL recovery in the SA granite industry and tight cost controls enabled Marlin Corporation to turn a R4,6m loss for 1993 into a R1,2m profit in 1994

Marlin chairman Peter Gain said a focus on unit costs had allowed the group to produce a profit despite prices last year which were 20% lower than in 1992. The group had built up a heavy overhead structure during "good times" prior to 1991, which had not been cut back quickly enough when the granite market slumped

Marlin's turnover for the year ended December rose sharply to R76,6m (R54,4m) due to higher sales volumes Gain said the market was recovering from the Gulf War and a decline in building activity

The group did not declare a dividend as the level of gearing at 61% did not make this feasible. Reducing the high gearing, which had led the market to perceive the group as vulnerable, would be a priority

Marlin was considering a rights issue this year to recapitalise, upgrade plants and place the group in a position to take advantage of the improved market.

Prospects were better for 1995, with the market for granite blocks showing an improvement. Selling prices of blocks had not yet, however, shown expected increases.

Price rise trend for building materials

ROBYN CHALMERS

BUILDING material prices will continue to firm this year on strong growth in the local industry and a shortage of supply on export markets, says Masonite chairman Alan Wilson in the 1994 annual report.

Wilson said the market price of hardwood pulpwood had escalated by 20% during the year. BD 5|4|95

"The export of a considerable tonnage of wood chips out of Richards Bay, due in part to a strong yen and a world shortage of timber, will adversely affect the availability of timber locally," he said.

Earnings for the building material manufacturer rose to R9,7m (R8,7m) during the year ended December, on turnover which increased 13% to R154,6m (R137,1m).

This translated into earnings of 142c (128c) a share. (193)

The company participated with Masonite US and Masonite UK in the joint marketing of door panels in international markets, which reduced selling costs and enabled a full product range to be offered.

The forestry operation achieved a modest profit against a budgeted break-even, but he said lack of rain remained a problem which would affect future yields.

While capital expenditure was modest at R10,3m in the light of the company's commitment to invest in capacity, technology and products, Wilson said a number of opportunities continued to be researched.

SA to step into fibreglass gap: (193) South Africa's only fibreglass manufacturer, Acoustical Fibreglass, is increasing the capacity of the furnace at its Springs factory from 5 400 tons to 9 000 tons a year The company's executive chairman, Hennie Steyn, says there is a severe shortage of fibreglass worldwide, and it could export at very favourable prices

CT(BR)6/4/95

Cement sales set for strong growth

(193) BD 11/4/95

ROBYN CHALMERS

THE building industry's annual turnover should surge by more than R10bn to reach R25bn by the turn of the century with positive spinoffs for the cement sector, says the SA Cement Producers' Association 1994 annual report

The association, whose members are Anglo-Alpha, Blue Circle, Pretoria Portland Cement and Natal Portland Cement, said domestic cement sales should increase by an average of 10% this year

Cement sales rose 9,8% last year to 7,9-million tons against 7,2-million tons in 1993, and analysts said the association's forecast of a 10% hike in sales this year could be conservative

The report said sales would be boosted by an expected growth performance of up to 3,5% and higher fixed investment spending.

Increased fixed investment would not only be as a result of spending on the reconstruction and development programme (RDP), but would also emanate from higher investment in export orientated businesses.

This followed a sharp drop in cement exports to neighbouring countries and overseas destinations last year, with exports falling 20% to 113 000 tons However, clinker exports more than doubled to 316 000 tons last year, with a large proportion going by sea to the Gulf states

Prospects for the civil engineering industry this year were bearish Apart from the planned Saldanha smelter, no new large civil engineering projects were envisaged on the domestic front and the RDP was expected to add only about 5% to civil engineering turnover this year

The report said clarification on government policy regarding the privatisation of toll roads was still awaited. This approach was seen as the only way to finance large road building projects in the future

The major growth for the building and cement sectors was expected to come from the RDP's housing objectives which, if achieved, would see the delivery of 300 000 houses a year by 1997. This would entail annual expenditure of at least R9bn

The report estimated the provision of related social infrastructure such as roads, schools and clinics would have a multiplier effect of about 1,5 on resource requirements

Cement sales spark optimism

(193)

BD 19/4/95

ROBYN CHALMERS

DOMESTIC cement sales continued their strong growth during February, rising almost 12% and sparking early predictions that the industry was heading for a record sales year.

SA Cement Producers' Association figures released yesterday showed that domestic cement sales increased to 628 007 tons in February against 562 943 tons for the same month last year

The February figures were slightly lower than those of January when sales rose 16% to 551 271 (475 833) tons, but an association spokesman said January was traditionally a bouyant month as pre-Christmas orders were fed through.

The association predicted in its 1994 annual report that cement sales would rise by an average 10% this year, but major manufacturers were reporting better than expected sales and orders

This followed a four-year recession when total cement sales plummetted from a high of 8,4-million tons in 1988 to below 7,3-million tons in 1992, before picking up to total 7,99-million tons last year

Analysts said the higher cement sales were indicative of a general upturn in the building and construction industry

One analyst said there were encouraging signs that the housing component of the reconstruction and development programme (RDP) would get off the ground by mid-year and further boost sales.

He pointed to Housing Minister Sankie Mthembi-Nkondo's swift movement in apportioning a share of the R2,92bn housing budget to the nine provincial housing boards.

The R1,8bn Mthembi-Nkondo made available to the provinces at the weekend would be siphoned to the boards in monthly tranches for subsidy programmes for the development of low-cost housing projects.

He said the stronger trend in gross domestic fixed investment was also encouraging, having improved by 2,7% in real terms for the first three quarters of last year against the same period in 1993.

This improvement was more significant in the non-residential market which recorded an increase of 5,1% over the period, compared with a rise of 0,5% in the residential market.

However, another analyst cautioned that with major infrastructural projects such as Columbus Stainless Steel and Alusaf nearing completion, there would be a drop in demand for cement.

Despite optimistic predictions that the RDP would get going by the middle of this year, he said it might not be soon enough to take up the slack left by the completion of the projects.

Activities: *Manufactures and distributes hardboard, insulation and door-panelling, owns and develops plantations*
Control: *Masonite Corp (USA) 66,7%*
Chairman and MD: *A Wilson*
Capital structure: *6,82m ords Market capitalisation R85,3m*
Share market: *Price 1 250c Yields 3,0% on dividend, 11,4% on earnings, p e ratio, 8,8, cover, 3,7 12-month high, 1 675c, low, 950c Trading volume last quarter, 4 392 shares*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	4,2	2,7	4,6	3,2
LT debt (Rm)	4,7	11,5	2,3	0,7
Debt equity ratio	0,15	0,24	0,05	—
Shareholders' interest	0,58	0,59	0,65	0,67
Int & leasing cover	8,9	4,6	15,6	71,7
Return on cap (%)	19,1	6,0	10,7	13,4
Turnover (Rm)	126,5	120,5	137,1	154,6
Pre-int profit (Rm)	19,6	6,8	11,0	14,8
Pre-int margin (%)	15,5	5,7	8,0	9,6
Earnings (c)	167	53	141	142
Dividends (c)	60	10	35	38
Tangible NAV (c)	875	882	983	1 087

MASONITE (AFRICA) (193)

Ringing growth

FM 21/4/95

The 1994 annual report shows the continuing improvement in Masonite's performance as it pulls out of recession Turnover was up 13% and pre-interest profit rose 34% Chairman and MD Alan Wilson says the group is "in general in a strong position" It was "hit hard" by the recession in 1992, but has fought back hard and appears to be winning

Good management increased the return on capital employed by 25% to 13,4% and reduced borrowings to R3,9m from R6,9m in 1993 Cash reserves of R4,2m comfortably cover the debt Interest payments dropped 70% to R207 000 from R707 000, which contributes to the strong positive cash flow

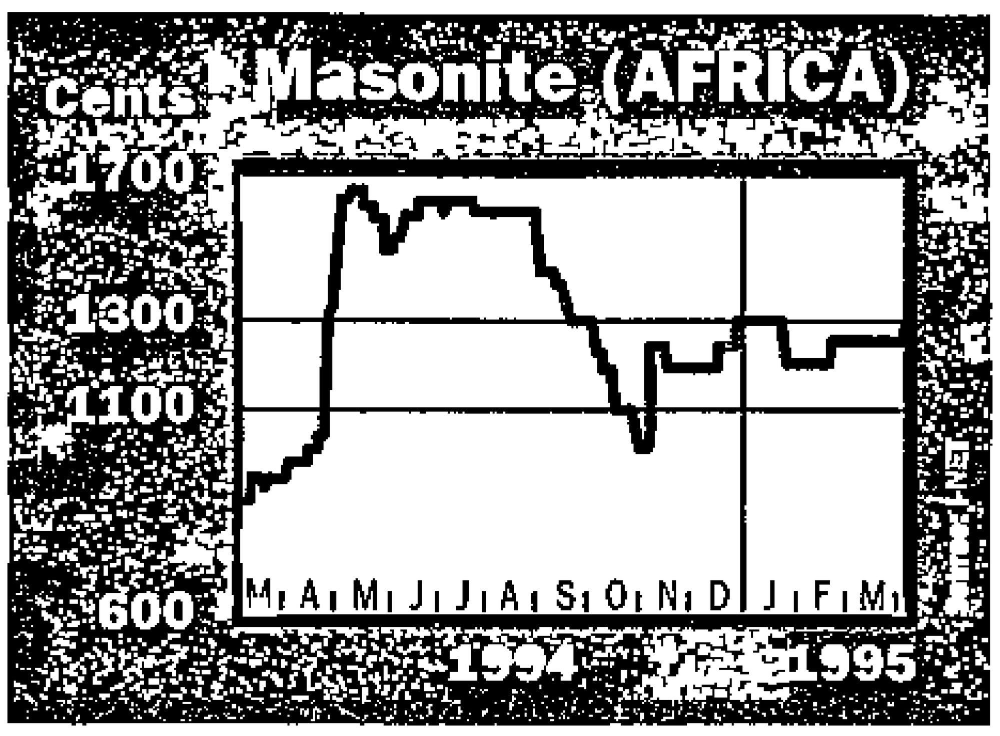
The major shareholder is Masonite USA, owned by International Paper, the largest paper company in the world, with sales exceeding $15bn. The SA group is "quite close" to its parent, with whom it conducts joint marketing programmes for its door panels overseas.

Masonite's order book for the year is holding up well Products are supplied to a wide range of markets "Some have been quite weak, such as furniture," says Wilson, "others, such as building and packaging, have compensated We are not unhappy with our market position right now"

The mix of industrial and domestic markets tends to even out the more severe fluctuations in the group's business cycle But there are weak areas Because about 50% of its core product, hardboard, is sold through distributors, the group is vulnerable to destocking cycles when times are tight.

Wilson expects exports of "value-added products" such as painted and embossed door panels, now contributing about 20% to total income, to increase in value, if not volume Wilson says the group's only problem is a pleasurable one "We have a finite capacity" Management is monitoring the market with a view to increasing capacity, to maintain export volumes

There is a shortage of timber now, due primarily to large SA timber exports to



Japan, and worsened by the drought Japan with its strong yen is setting the local price for timber, which Wilson sees as a looming problem for the industry, though not for the group

Masonite (Africa) has a significant advantage in the SA market because it produces about 90% of its own timber requirements Through its international connection the local group benefits from access to US technology, particularly in board and coating development NAV has risen from 882c a share in 1992 to R10,87

At the current price of R12,50, the premium to NAV is thin and the p e of 8,8 is extremely attractive The group appears to have sorted out its post-recession woes with speed and efficiency, which leads one to believe there is solid value added in this group

Margaret-Anne Halse

Strong cement sales boost PPC

BD 26/4/95 (193)

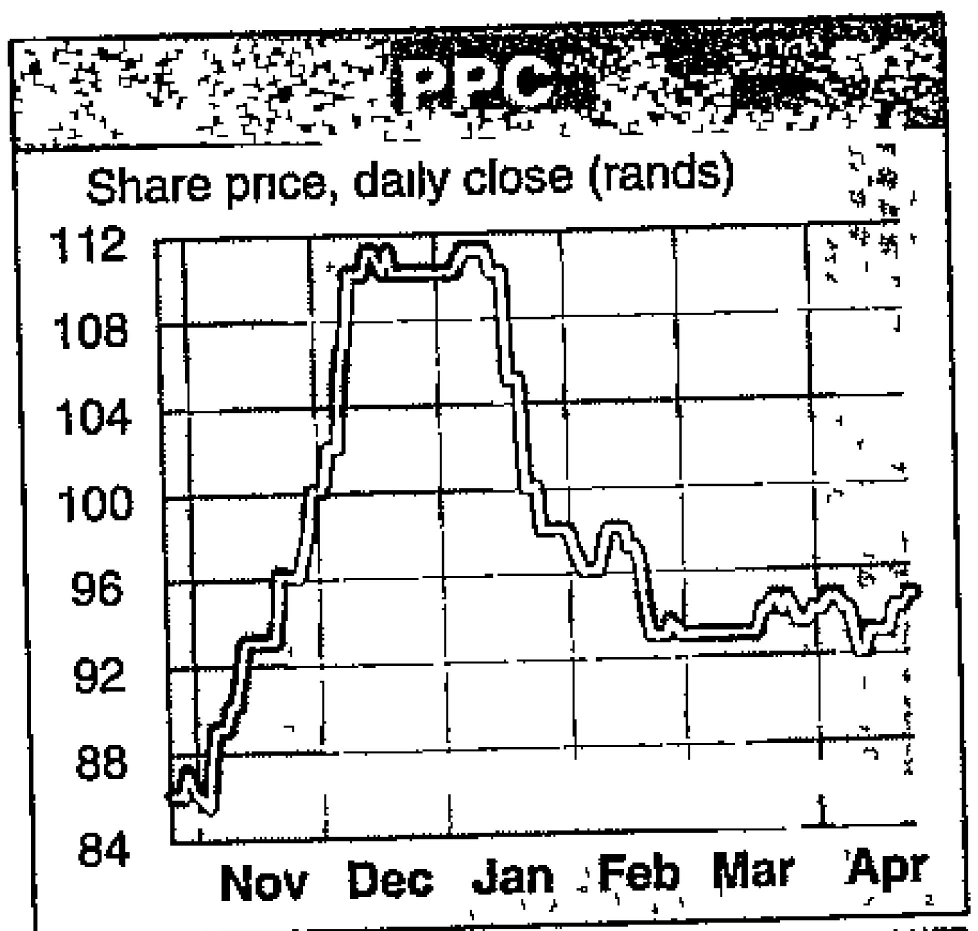
ROBYN CHALMERS

CEMENT maker Pretoria Portland Cement (PPC) benefited from greater cement sales volumes, posting a 41% hike in earnings to 214,1c (151,7c) a share for the six months ended March

Turnover rose more than a fifth to R751,1m (R612,1m in the previous six-month period) and operating profit increased to R138,3m (R110,4m) Pre-tax profit rose 27% to R146,7m A drop in average tax rate meant its tax bill increased only 9% to R57,8m, leaving post-tax profit 43% higher at R88,9m An interim dividend of 80c (65c) was declared

PPC group MD John Gomersall said that while good results were expected in the second half, growth was unlikely to match that achieved in the first six months "Cement volumes are the key factor. In the first half of the year they were up, reflecting the effects of post-election confidence." He expected profit for the year to be up 25% on year-earlier figures.

Gomersall said PPC Lime put in a solid performance in a static market, increasing its contribution to R34,9m (R34,3m) despite



Graphic FIONA KRISCH Source I NET

higher energy costs. PPC Cement saw a 23% increase in manufacturing turnover, largely attributable to domestic sales volumes, which rose 14% to 1,559-million tons Advances in development of the company's distribution capability pushed distribution turnover up 39% to R185,6m

"We have been able to improve our operating profit margins in cement to 16,7%

☐ To Page 2

PPC

(193) BD 26/4/95

☐ From Page 1

from 15,5% despite the impact of increased turnover from lower margin distribution business and while maintaining our three-year commitment to keep factory prices below inflation," Gomersall said Two focused management teams had been created in the cement division to ensure that opportunities presented by the impending collapse of the cement cartel were maximised

Plans to bring the mothballed Dwaalboom factory in Northern Transvaal on stream to produce clinker in the first half of next year were moving ahead This project would add 600 000 tons to the group's clinker capacity

If the market continued to grow at current rates, PPC would need to consider installing additional inland capacity by the end of the decade "We have several options, including raw material from newly proven deposits located near our Beestekraal quarry Several of these options will enable us to further improve our strategic positioning in the region"

Work on providing additional limestone reserves in the Eastern Cape was nearing completion It would enable PPC to install sufficient capacity to supply all the region's cement requirements

CC

'No price war' as cement cartel ends

CT(26/4/95 (BR) (193)

BY JOHN SHERROCKS
KWAZULU NATAL BUSINESS EDITOR

Faced with the dismantling of the cement cartel, Natal Portland Cement (NPC) has ruled out the prospect of embarking on a price war, warning customers instead that in certain areas prices are likely to climb

"We need to make a reasonable return in order to be able to expand our production facilities in Simuma and grow with the economy of KwaZulu Natal," said Raimund Weber, NPC general manager

Weber said building trends and the demands of the RDP will stretch to the limit supply capacity at NPC, which is at present a benefactor of cartel subsidies

"It is quite possible that we might not be able to meet the cement demand of our peripheral markets such as Maritzburg and the North Coast These markets will be supplied from the north and this could be more expensive"

He disputed popular belief that the dismantling of the cartel would cause the price of cement to fall

He said NPC had always relied on clinker and cement at subsidised transport rates "This will be a thing of the past and any shortfalls in future will be railed in Whether the old suppliers and new competitors will subsidise transport as in the past is a serious question

Weber said he was confident NPC would retain its traditional market "Our cement blends are suited to coastal conditions and the transportation system is meeting customers' requirements"

44

Concrete profit from PPC

CT(BR) 26/4/95 (193)

FROM SAPA

Improved cement sales propelled Pretoria Portland Cement's after tax profit 43 percent higher to R88,9 million in the six months to end March 1995, from R62,1 million in the same period last year

PPC's 23 percent rise in turnover to R751,1 million (R612,1 million) was largely driven by its cement division which increased domestic sales by 14 percent

Improved operating margins also helped to push the group's operating profit 25 percent up to R138,3 million (R110,4 million)

In addition, a 71 percent growth in investment income to R8,4 million (R4,9 million) resulted in a 27 percent rise in profit before tax of R146,7 million

Earnings a share climbed 41 percent to 214,1 cents (151,7 cents) and PPC declared an interim dividend 15 cents up at 80 cents a share

However, managing director John Gomersall said the group was unlikely to match the first six months' strong performance in the second half of the year

"Cement sales volumes are the key factor," he said "We anticipate a more sustainable growth rate of 8 percent for the second half, giving an average of 11 percent for the financial year"

Saficon could be split up or sold off, analysts say

BD 28/4/95

18 (193)

MARCIA KLEIN

MOTOR and building materials group Saficon, which had cautioned shareholders that it was involved in negotiations, could be sold, market sources said this week.

Analysts said it had been speculated for some time that chairman Sidney Borsook wanted to sell his stake, or that the motor and building supplies interests could be separated, with either one or both being sold.

Saficon's major interests are Cargo Motors, Lindsay Saker and other motor companies and listed building supplies company Boumat. Malbak Motor Holdings and Barlow Motor Investments have been suggested as possible buyers for the motor interests, and McCarthy has been mentioned as a more remote possibility.

It was not clear if Boumat would be sold.

Results for the year to March will be released shortly, and analysts expect them to be good, off a high base. They said the company had been doing well, and market sentiment was reflected in the share price.

Saficon gained 50c or 3,2% on Wednesday to close at a R16 high — up more than fourfold since this time last year. The share has gained nearly 24% in the past month.

Holding company Sakers' share closed unchanged on Wednesday at its R24 high. The share, which was trading at 525c a year ago, has gained 28% in the last month

At the September interim stage, Saficon more than trebled earnings to R18,2m off an 18% turnover rise to R1,7bn. Interim results indicated it was continuing the recovery evident at the March 1994 year-end.

(193) ST (BT) 30/4/95

Cement makers' fortunes cast in signs of the times

PACIOLI

PRETORIA Portland Cement's fortunes have certainly improved since South Africans patiently stood in line to vote this time last year

More confidence in the economy and movement on previously deferred decisions have meant better cement sales and profits for this volume-sensitive company

Domestic cement sales tend to be heavily influenced by political disruptions and the level of gross domestic fixed investment

Sales dropped after the Sharpeville shootings and Soweto riots, boomed with the gold price in the late 1970s and crashed with P W Botha's Rubicon speech in 1985 After a downward spiral of several years, sales levels turned last year and PPC posted a better than expected 25% rise in earnings a share for the year to September

This week it announced a 41% leap in earnings to 214,1c a share for the half-year to March Its dividend was 23% up at 80c a share

The improvement came on the back of a 14% rise in cement sales volumes and a drop in its tax rate These gains offset the disappointing performance from its lime interests

Fellow cement producer Anglo-Alpha has also scored from better cement sales, posting a 50% rise in earnings a share for its year to December

The cement industry now looks set for a record year with trends indicating that cement demand in 1995 could rise by more than the forecast 10%

On the back of improved building activity, domestic sales in February were almost 12% higher than in February last year January sales were 16% higher than January 1994

Indeed, the talk now is that the industry could run out of capacity before 2000 Capacity levels are running at about 65%, but most players are looking at expanding production facilities This week PPC confirmed it was recommissioning its Dwaalboom factory

The change in fortunes could not have come at a better time Towards the end of last year, Minister of Trade and Industry Trevor Manuel accepted the Competition Board's recommendation to disband the cement cartel within two years The cartel consists of PPC, Anglo Alpha and Blue Circle It fixes prices and its market-sharing agreement covers 70% of cement sales in South Africa

Analysts, however, expect a relatively painless transition because the industry will be deregulated into a growing market

The growth is largely linked to the economic upturn Benefits from the reconstruction and development programme will be "the cherry on the top" and could last for several years

All three cartel members have been gearing up for the changes for some time and have been buying up distribution outlets to gain a competitive edge

Because much of their production takes place in remote areas, they are unlikely to make huge inroads into each others' markets However, the more competitive Gauteng and Western Cape regions may be somewhat more hotly contested

Lesley-Anne Dry, an analyst at Rice, Rinaldi & Co, says a price war in the next few years is unlikely

"Demand will be such that the guys will be more than busy," she says

But after deregulation the industry, which is subject to cyclical swings, may find earnings fall much faster in a downturn than they did in the past

The "negatives" surrounding cement companies appear to be their high ratings. PPC has a price earnings ratio of 21,6 and Anglo-Alpha's is 20,3 — far higher than most companies in the building and construction sector An analyst says these are based "on the optimistic high-road scenario" which is not necessarily a certainty

PPC is most favoured because it has the best geographic spread of plant and the lowest unit costs in the industry It also has mothballed capacity which can be commissioned at the lowest costs

Coming off a higher base, PPC's management predicts earnings growth of at least 25% for the year to September Several analysts, however, have hedged their bets at a 28% rise and may increase this if cement sales continue to show strong growth

Zilla Efrat

Building sector 's[illegible] pledge'

ROBYN CHALMERS

THE major building material manufacturers around SA had stuck to a pledge they gave government last year, and kept price increases reasonable, the Building Material Suppliers' Consortium said at the weekend

Consortium chairman George Thomas said recent research showed that any price increases implemented by larger manufacturers of cement, bricks, paint, ceramics and door frames had been in line with the inflation rate

This followed a prediction by Stellenbosch University's Bureau for Economic Research (BER) that building costs could rise 18% this year as the building and construction industry emerged from a lengthy recession. The BER survey for the first three months of this year found that building contractors and subcontractors experienced a much better quarter in terms of work on hand.

It said the main factors still constraining activities were demand and cost of financing, with no apparent shortage of bricks, cement or plumbing materials, although contractors did report slower delivery

Industry analysts feared that the upturn in the building sector would lead to higher building material prices, which could have a negative effect on government's plans to build 1-million low-cost houses within five years

However, Thomas said the only two materials which had been affected to date were timber and plastics.

Masonite chairman Alan Wilson said recently that the price of hardwood pulpwood had risen by 20% last year, which he attributed to strong growth in the local market and a shortage on export markets

He said the export of a considerable tonnage of wood chips through Richards Bay, due in part to a strong yen and a world shortage of timber, would adversely affect the availability of timber locally.

Thomas said the major manufacturers were, by and large, sticking to the compact they entered into last year after government called on them to keep any price rises reasonable in a bid to ensure the reconstruction and development programme was not impeded.

He said one of the biggest concerns for building material suppliers was that labour unions had not been included in the compact and a significant hike in labour costs could render the compact ineffectual.

"It must not be forgotten that price increases are often beyond the control of companies, which have to contend with international pricing and rising input costs," he said

However, Thomas said the imminent disbandment of the cement cartel was a positive factor for the industry, as competition was the surest way of keeping price increases reasonable.

BD 2/5/95

REET

Julie Walker

(193)

PPC's flexible cement

ST(BT) 7/5/95

IF you had invested £100 in Pretoria Portland Cement when it listed in 1910 and reinvested the dividends over the next 84 years your investment would have been worth R3,7-million by November last year.

John Gomersall, managing director of the 102-year-old cement and lime producer, says that during the company's life it has operated under various conditions of price control — government interference, cartel and free market — so it does not expect the dismantling of the country's three-strong cement cartel to be too disruptive

Presenting PPC's prospects to the Investment Analysts' Society in Johannesburg this week, Mr Gomersall said he did not expect a price war between the industry's players.

"Competing on price alone will not necessarily win market share because customer service and distribution are highly valued," said Mr Gomersall

The outlook for demand is firm and demand could begin to outstrip capacity.

Mr Gomersall said 1,5 tons of raw material were needed to make a ton of cement, and for transport reasons it was important that cement works were located at the site of the deposits

PPC's Dwaalboom plant, mothballed almost as it opened in 1984, is to be recommissioned Designed for 600 000 tons a year, this could be taken to 700 000 tons with minor changes and even doubled to 1,5-million tons a year by the end of the century. The question is, at what cost?

Mr Gomersall's short answer is that it would be for significantly less than starting from scratch

Looking ahead, Mr Gomersall said delays in implementing much of the reconstruction and development programme could cushion the cement industry from the effects of the next economic downturn.

"So far, RDP-specific projects have had little direct impact nationally, but on a personal level, people are building homes, expanding existing ones and so on because there is confidence in the future."

Asked about investment opportunities north of the border, Mr Gomersall said PPC had already made some technical input, that it would consider taking over the management of some cement plants but it would have to be an exceptional opportunity for it to make an investment

"It is always a long process in Africa, things move slowly."

The presentation left the market undecided on PPC shares — no doubt it is a good company but what chance of its repeating the equivalent of £100 to R3,7-million in 84 years?

The price peaked at R115 a year ago, dropped to R84,50 in December then almost regained the top within weeks before drifting.

At the current R94 50, PPC is 25 times historic earnings of 375c a share Net asset value at the yearend was R17 In the light of uncertainty ahead for all the cement players, my view is that there is better value to be had elsewhere.

PGSI lifts attributable earnings 32% to R210m

CT (BR) 8/5/95 (193)

Chairman puts improvement down to strong growth from Belron International and record performance from PG Bison

BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

Plate Glass & Shatterprufe Industries (PGSI), the SAB-controlled glass and timber products manufacturer and distributor, grew attributable earnings by 32 percent to R209,7 million in the year to March 1995 compared with the same period in 1994

Ronnie Lubner, PGSI chairman and chief executive, said the improvement, which is off a high base, was mainly due to continued strong growth from Belron International and a record performance from PG Bison

According to figures released today, turnover was 17 percent better at R3,8 billion, in line with the increase shown at half-year Operating profit grew by 9 percent to R389,3 million, showing operating margins overall down to 10,3 percent from 11,1 percent

Lubner said operating margins had, in practice, improved but development costs had been incurred Net financing costs rose to R31,1 million from R28,5 million although gearing was down to 24 percent from 27 percent The tax rate dropped to 27 percent from 37 percent as assessed losses were used

Lubner said development costs in one country could not be offset against another country As each country's operations returned to profit they were able to use assessed losses Whether a 27 percent tax rate was sustainable depended on how long it took for each country's operations to return to use those losses At present Germany is the only country which has not yet returned to profit and it will turn the corner, as planned, in the current year

Attributable earnings are 845,9c (641,9c) a share, and assuming conversion of the convertible shares, are 644,7c (512,3c) Capitalisation shares, or a final dividend of 160c (145c) are being offered, bringing the cash dividend for the year to 290c (230c)

Lubner said PGSI would continue to develop although it did not intend to move out of the areas it had already established itself in — the United States, United Kingdom, Continental Europe and Australia — because it felt there was still market share to be achieved

PGSI has four operating divisions Belron, the international arm, contributed 38 percent to fully diluted earnings a share Glass SA contributed 35 percent and PG Bison 15 percent, while PG Industries, the central African operations, contributed about 9 percent Corporate activities accounted for 3 percent

Glass SA maintained its contribution at the same level as 1993/94 despite the lengthy strike in the motor industry Sales at PG Bison surged on post-election confidence and there was record production at factories around the country

PGSI is targeting continued growth in earnings in the current year

The directors are positive about prospects for Belron International but overall financial performance will depend on productivity improvements in South Africa and a meaningful start to the housing drive

Plate Glass results are 'commendable'

BD 8/5/95 (193)

MARCIA KLEIN

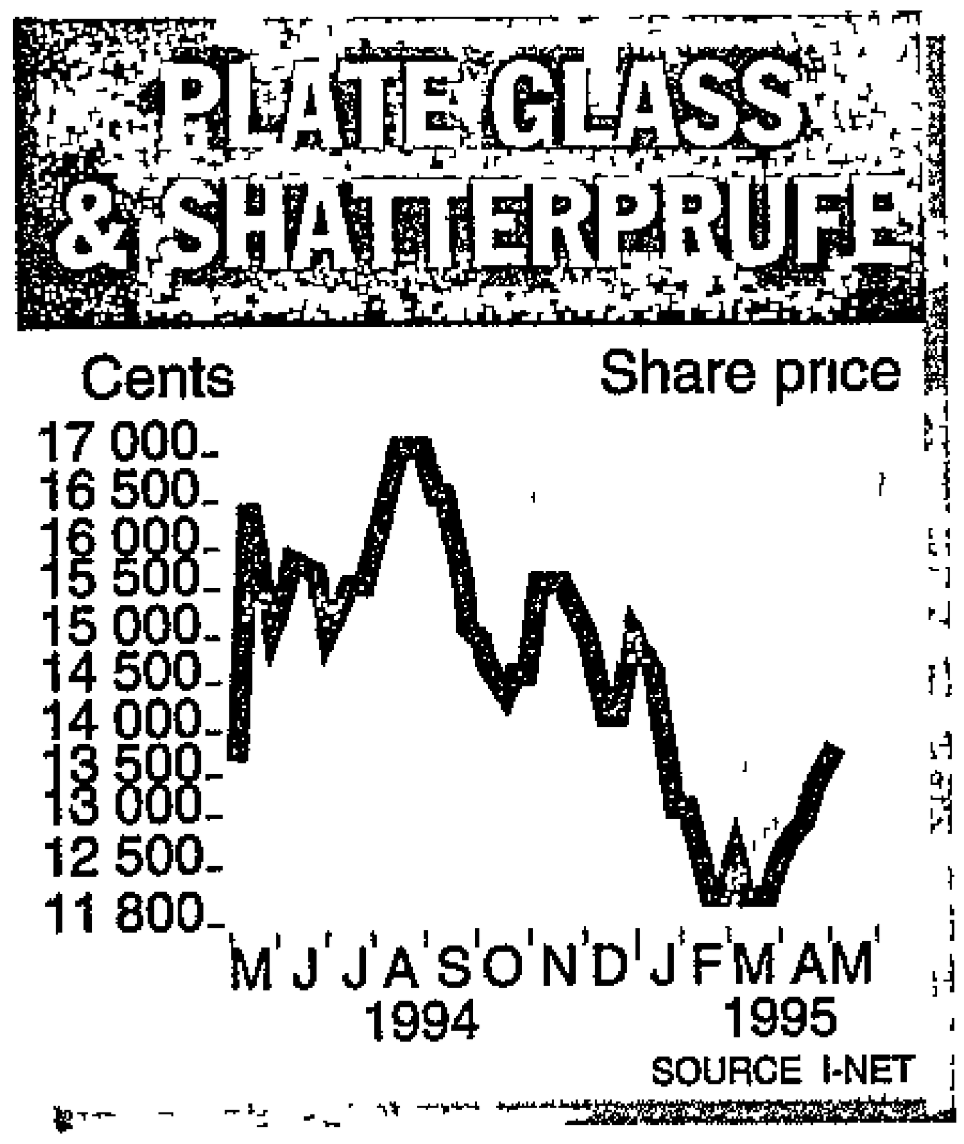
SA BREWERIES subsidiary Plate Glass & Shatterprufe Industries (PGSI) increased earnings 26% to 644,7c (512,3c) a share in the year to March, thanks to strong growth from international arm Belron International, a lower tax bill and a record performance from board division PG Bison

The group, which also has interests in building and automotive glass division Glass SA and central African operation PG Industries, improved its performance in the second half Earnings had risen 20% at the interim stage.

Chairman and CE Ronnie Lubner said the improvement, off a high base, was "commendable". Local operations had been affected by the motor industry strike and pre-election anxiety during the first quarter

A sound performance by all divisions pushed up turnover 17% to R3,8bn Lubner said operating profit, which was 9% up at R389,3m (R358,8m), would have been higher but for strategic costs covering development of Belron's European distribution system, rapid expansion of its branch network and re-engineering local operations

Net financing costs increased 9% to R31,1m, bringing pre-tax income up 8% to R358,2m from R330,3m A sharp drop in taxation to R97m (R122,4m), which largely reflected utilisation of assessed losses in



foreign subsidiaries, saw taxed income climb 26% to R261,2m (R207,9m) A final dividend of 160c a share was declared, taking dividends for the year up 26% to 290c (230c) Shareholders were offered a cash dividend or capitalisation shares

Belron, which Lubner said performed impressively, contributed 246c a share or 38% of group earnings This compared with a loss of 122c a share in financial 1992

Operations in the US, France, Germany

☐ To Page 2

Plate Glass

(193) BD 8/5/95

☐ From Page 1

and Benelux countries continued to show significant growth. Belron reinforced its position in the UK, and its Australian business was "maintaining its success in the face of strong competition". Belron was doing well in the US, where its market share was small but growing. It had more than 800 vehicle glass replacement branches in 11 countries. PGSI had more than 1 000 outlets worldwide.

In SA, PG Bison reported record turnover and earnings despite a slow start to the year. It expected to be able to increase capacity at a substantially lower cost than the R600m originally envisaged.

Glass SA increased turnover and earnings despite the motor industry strike. The world market for glass had started to stabilise and was moving into a position of undersupply, helping reduce imports and firm prices locally Glass SA would begin its R150m repair to the float glass line at PFG Building Glass in the second quarter. Lubner said it had provided for the effect of being out of production for 12 weeks, building up stocks and importing substantial quantities of glass.

Central African operations had a good year, holding a Z$133m rights issue, acquiring for Z$60m Zimbabwe Safety Glass and commissioning of the Zimboard 111 hardboard plant in Mutare.

Directors remained optimistic about Belron's prospects. However, overall results would depend on productivity improvements in SA and a meaningful start to the housing drive.

PGSI's (193) growth

Star 8/5/95

■ BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

Plate Glass & Shatterprufe Industries (PGSI), the SAB-controlled glass and timber products manufacturer and distributor, grew attributable earnings by 32% to R209,7-million in the year to March 1995 compared with the same period in 1994.

PGSI chairman and chief executive Ronnie Lubner said the improvement, which is off a high base, is mainly due to continued strong growth from Belron International and a record performance from PGBison.

According to figures released today, turnover was 17% better at R3,8-billion, in line with the increase shown at half-year. Operating profit grew by 9% to R389,3-million, showing operating margins overall down to 10,3% from 11,1%.

Lubner said operating margins had in practice improved but development costs had been incurred.

Net financing costs rose to R31,1-million from R28,5-million although gearing was down to 24% from 27%

#80(193)
FM 12/5/95

PLATE GLASS

Saved by the Belron

It isn't all wonderful but Plate Glass & Shatterprufe Industries (PGSI) has certainly lived up to broad market expectations

The disappointment is Glass SA, the home-grown business where it all began However, chairman Ronnie Lubner's aggressive venture into world markets, Belron International, is contributing handsomely It now accounts for 50% of total turnover (R2,1bn of R4,3bn) and 38% of fully diluted earnings

Belron did well almost everywhere Continuing difficulties in Germany are countered by inroads in Australia where Belron is "maintaining its success in the face of strong competition" The conclusion is that the opposition is experiencing problems, but it's a funny way of saying it

Glass SA took unavoidable punishment from strike activity (the five-week motor industry strike), was forced to export at low margins and then, when the strike ended, needed expensive overtime to make up

SEE-THROUGH

Year to March 31	1994	1995
[illegible] (Rm)	[illegible]	[illegible]
Operating income (Rm)	359	[illegible]
[illegible] (Rm)	[illegible]	210
Earnings (c)	[illegible]	645
Dividend (c)	230	[illegible]

Another factor is the need to contain costs Lubner admits the SA operation was far from competitive on a global basis detailed examination has resulted in a substantial trimming of the local workforce, perhaps by as much as 20%

Interestingly, PG Bison's turnover was a record despite an unpromising start In line with the furniture sector, it enjoyed an impressive recovery, rather dampened this year by a poor March quarter That follows an earlier pattern and analysts expect strong furniture sales to resume by mid-year

In planning forward strategies the critical issues are, first, whether PGSI can tailor its Glass SA operation to meet the rigid requirements of global competitiveness and, second, the extent to which it can continue to grow its international business

Lubner doesn't hide difficulties with productivity in SA Efforts to demonstrate the effect of these have been helped by an understanding at union level of productivity failures Sending shop stewards abroad to see first-hand the nature of real, Western-style output has left a startled impression It is spoilt a bit, though, by the need to repair the float glass line this year at a cost of R150m This occurs every 10 years or so, the pity is that it's this year

The counter at R136,50 now reflects a p e of 16 In a demanding market that means it is probably fairly priced *David Gleason*

Growth in cement sales has slowed

BD 22/5/95 (193)

Robyn Chalmers

GROWTH in cement sales dropped sharply during March, catching manufacturers off guard as they had increased production significantly in expectation of strong sales

SA Cement Producers' Association figures showed sales for March rose only 4,8% to 725 806 tons from 692 385 tons a year earlier. This followed strong sales in January and February of 15,85% and 11,56% respectively

Manufacturers, some expecting higher demand, boosted production 25% for the month to 806 837 tons from 641 068 tons during the same month last year.

Industry spokesmen and analysts said a contributory factor was that a number of kilns would be closing for maintenance soon so producers had increased stocks of cement to ensure that enough was available to meet demand.

One spokesman said the lower sales figures were largely attributable to strong growth in March last year as contractors had increased their work levels to meet construction targets before the election

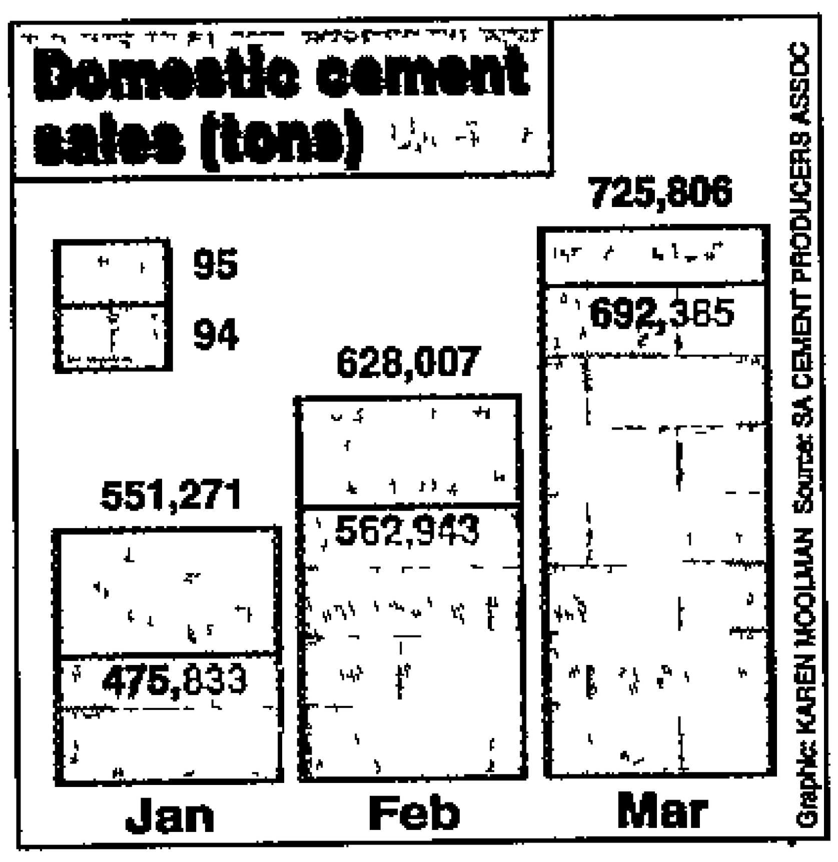
The cement industry was still on target to achieve 10% growth for the full year, he said. The figure could be higher if contracts from the reconstruction and development programme (RDP) filtered through.

Last week's announcement by the Housing Ministry that the housing programme would kick off on June 5, with banks once again lending in the low-cost market, was expected to boost the cement industry

However, one analyst said there were doubts that this would have a significant effect before next year as there were long lead times between the conceptual stage of projects and the start of construction.

In addition, major infrastructural projects such as Columbus Stainless Steel and Alusaf were nearing completion This would lead to a decrease in demand for cement.

Analysts said the RDP might not get going soon enough to take up the slack left by the completion of these projects.



(193) FM 26/5/95

LAND USE

Making the most of it

Brick producer Corobrik wants to start quarrying a 69 ha tract of land north of Durban that would yield important brick-making clay deposits and enable the phased development of a new business park

The site is bordered by Ring Road in Industrial Park to the west, Glen Anil in the north, Glen Hills to the east and North Coast Road to the south

Land owner Tongaat-Hulett has already set a precedent by developing other industrial parks in the area after quarrying These are neighbouring Redhill Industrial Park, which was sold out nine months ago at prices ranging between R150/m²-R170/m² and the first phase of Briardene Industrial Park, also on North Coast Road, which sold out last year at about R200/m² Further phases will come on stream next year

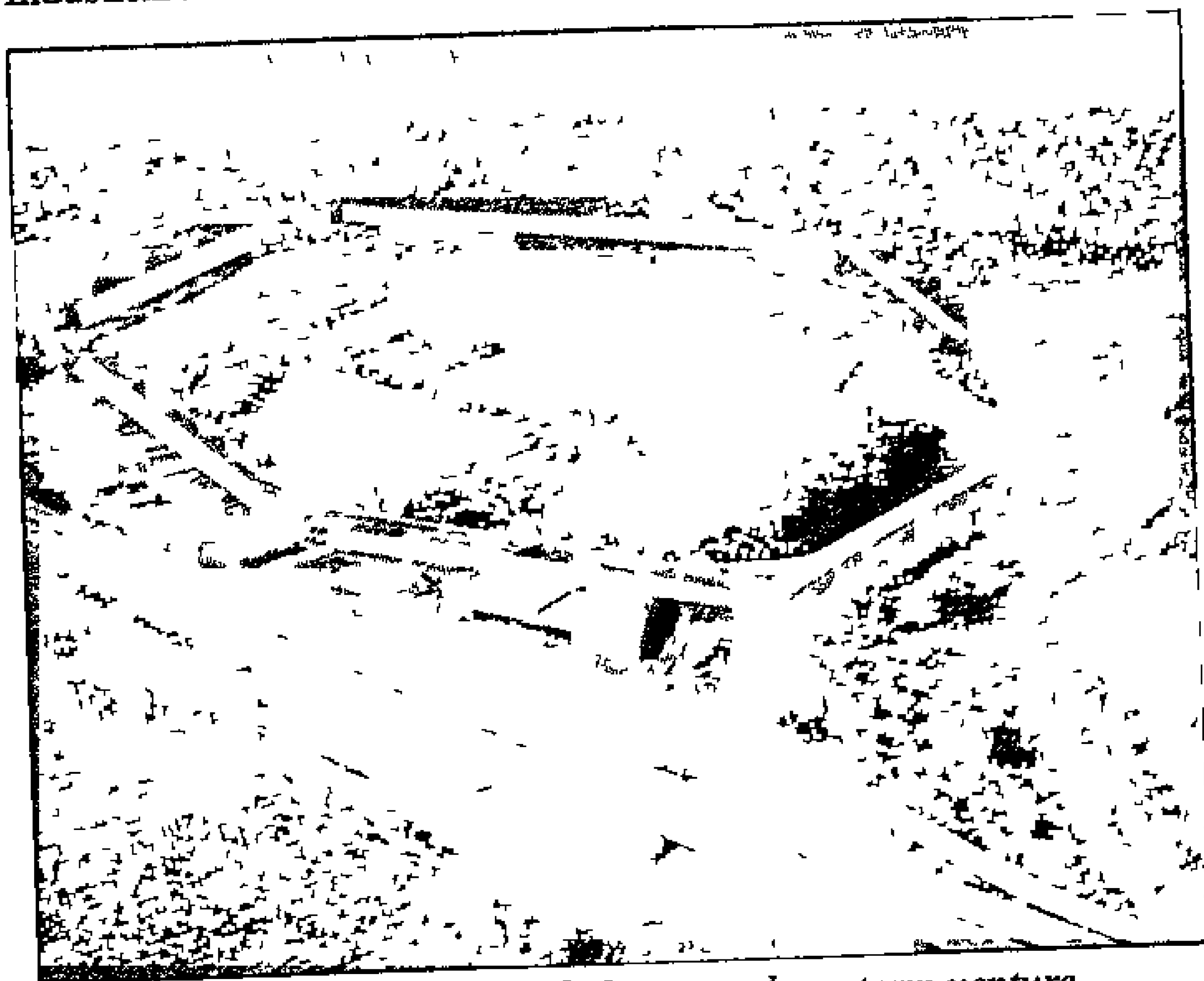
A similar development is planned for nearby Effingham, where quarrying is now under way. A rezoning application from "extractive industry" to "light industrial" has been submitted to Durban municipality

The plans to quarry the North Coast Road site were publicised for the first time a fortnight ago after extensive discussions involving Corobrik, the Mineral & Energy Affairs Department, Durban City Council and affected neighbours The site should yield 750 000 m³ of clay — enough for 360m bricks or more than 20 000 houses

Rehabilitation of the quarry after use is being planned with the help of Tongaat-Hulett's property development arm, Moreland Estates Tongaat-Hulett Properties planning director Neels Brink says the property will comprise an office and light industrial park with a residential component

The development will be undertaken in two stages On completion of quarrying, which is planned to start on the south-west side and proceed in a clockwise direction, light industrial and commercial development will follow

The first land for development should be available in two to three years' time Medium residential development will take place in the second phase in about the year 2005 ■



The North Coast Road site *a long-term venture*

(193)

Brick makers gear up for RDP: Claybrick manufacturers throughout South Africa are gearing up for increased production to meet demand as reconstruction and development programme housing looks set to start-up, Clay Brick Association (CBA) executive director Nick Louw said He said it envisaged increasing production by 40 percent to six billion bricks a year in 1996

CT(BR) 1/6/95

Brick firms set to double output

BD 1/6/95

(193)

Robyn Chalmers

BRICK manufacturers are gearing up to almost double production output by next year when an estimated 6-billion bricks will be required to meet the demands of the reconstruction and development programme.

There have been doubts about the ability of brick manufacturers to increase their production capacity sufficiently to meet the growing demand for building materials.

The brick industry was hard hit by the lengthy recession in the building and construction market Industry statistics showed that between 1986 and 1994 consumption fell 50%, the sector's stockpile of bricks more than doubled to 460-million and the number of manufacturers decreased from 450 in 1980 to about 105

However, the Clay Brick Association's Nic Louw said yesterday that brick manufacturers throughout SA were now gearing up for increased production

"By early 1996 manufacturers could easily have increased capacity by more than 40% to 6-billion bricks a year," he said

A National Housing Forum study estimated that almost 4-billion bricks would be required each year just to build 300 000 low-cost homes This excluded what was needed for infrastructural support such as schools and clinics as well as requirements for commercial, industrial and retail property developments

The study highlighted the need for the industry to significantly boost production output, and found that its performance in terms of labour and capital productivity had been declining over the past decade

It noted that lost capacity was often hard to rehabilitate, but said there were substitutes for clay bricks in the form of concrete blocks and wood which could lessen the effect of an increase in housing demand for bricks.

Louw said industry members were becoming increasingly frustrated at the lack of information and consultation on what would be required in terms of the reconstruction and development programme

Increasing the production capacity of the brick industry could not be done overnight, he said. It took at least two to three months to raise the capacity of a major plant by as little as 10% to 15%

"The brick sector, along with other material suppliers, is crucial to the RDP effort To go ahead without consulting us is bound to lead to problems," he said

Cement sales stage good recovery

(193)

BD 9/6/95

Robyn Chalmers

DOMESTIC cement sales staged a good recovery in April after a sharp drop in March left analysts concerned that growth for the year would not meet predictions.

SA Cement Producers' Association figures showed sales for April increased 11,2% to 580 699 tons from 522 248 in April last year Growth in March sales dipped sharply to 4,8% after strong sales in January (15,85%) and February (11,56%)

The association has predicted total sales for the year should be about 10% up on last year, but the strong sales growth during the first two months sparked predictions from analysts of a record sales year.

One analyst said while the lower sales in March had put a damper on prospects of record growth, the April statistics were heartening "There can be no doubt that cement manufacturers have moved into a high-growth scenario after more than four years of recession left kilns mothballed and profits pared"

The association said the political, economic and social changes last year had set the building industry on a high road which could take its annual turnover from R15bn to R25bn by 2000 This would have positive spinoffs for the cement sector.

Cement manufacturers Pretoria Portland Cement, Anglo Alpha and Blue Circle have been bullish about sales All three reported significantly higher demand this year than last year

Analysts said much of the demand this year had come from major infrastructural projects such as Columbus Stainless Steel and Alusaf, but these were nearing completion However, sales would be boosted by the reconstruction and development programme and government's target of raising the gross domestic fixed investment (GDFI) component of GDP from 15,7% to 20% within five years. One analyst said GDFI needed to grow at a real 10% a year for four years to achieve this.

Plate Glass 'equipped for consistent growth' (193)

Marcia Klein

PLATE Glass & Shatterprufe Industries was equipped to compete effectively in domestic and world markets and to achieve consistent growth in earnings, chairman and CE Ronnie Lubner said in the annual review.

The 26% rise in earnings to R247m on 17% higher turnover of R3,8bn in the year to March represented a sound all-round performance and was achieved off a high base.

The group was optimistic about prospects for international division Belron. But its overall financial performance would be dependent on "the achievement of productivity improvements in the domestic market and a meaningful start being made to the housing drive in SA".

Building and automotive glass division Glass SA increased turnover 12% and earnings 9% despite general strikes, motor industry strikes and "the lack of progress in the mass housing initiative".

Glass prices had firmed recently, but PFG Building Glass would derive limited benefits as it had had to import substantial quantities of glass while it repaired its float glass line.

Glass SA CEO Rod Fehrsen said the division was forecasting improved earnings in financial 1996. Further investment in the automotive business would enable it to pursue export opportunities "more vigorously".

Glass SA was looking at the viability of a second float glass line.

Board division PG Bison had a successful year after a slow start.

All of Belron International's operations increased market share and their customer base, and attributable earnings improved to R94m from R74m previously. The US remained Belron's biggest market. Opportunities for expansion had been identified "to ensure that the rate of growth continues to accelerate".

Businesses in Europe were growing strongly, and the potential for further growth was significant.

PG Industries Zimbabwe performed strongly until the last quarter when consumer confidence was affected by tax increases and the drought. There was strong demand from the construction and furniture industries, and exports grew 58%. The drought would affect trading results this year, but this would be partially offset by good tobacco prices and an accelerating export drive.

NEWS IN BRIEF

Mines pollute water

FARMERS at Fochville in the Northwest province have claimed the Anglo American-owned gold mines Elandsrand and Western Deep Levels have polluted their water sources.

High levels of cyanide and metal salts from two slime dams had leached into their water sources while high radioactivity levels were measured at one farm.

Farmers and representatives from Elandsrand mine management and government met yesterday to discuss the claims.

Clothing costs dispute

THE Post and Telecommunications Workers' Association (Potwa) has threatened to embark on industrial action in response to a claim that the Post Office had changed its policy on subsidising corporate clothing.

Potwa media officer Shakes Gonyane said during negotiations the company had proposed the introduction of a corporate wardrobe without raising the issue of costs. Later, workers were told they would have to pay.

The Post Office was not available for comment.

Rand Refinery protest

NATIONAL Union of Mineworkers members at Rand Refinery in Germiston held a demonstration in support of a demand to force the company to agree to the extension of the current bargaining unit. A spokesman said workers would not respond to management's wage offer until there was agreement on the issue. Negotiations continued last night.

Policing agreement

SA AND Namibia yesterday reached their most comprehensive agreement yet on cross-border policing aimed at combating syndicates smuggling drugs, arms and stolen vehicles. The agreement included joint border patrols and sharing specialised training and technology.

REPORTS Business Day Reporters, Sapa

Diverse sources invest R2bn in SA

John Dludlu BD 13/6/95

THERE was a rising tide of direct foreign investment to SA, with an estimated R2bn worth of new multi-sectoral investments since early last year, trade and industry's chief director for industry and technology, Alan Hirsch, said yesterday.

"This is a very significant inflow (of investment) compared with records in the last 10 years. What is most encouraging about it is the diverse sources of the investment and the diversity of the sectors into which the new investment is going. This bodes well for the future," he told a one-day seminar — jointly organised by the UN Industrial Development Organisation (Unido) and the National Economic, Development and Labour Council.

The first obligation of government was to create a favourable sociopolitical and economic environment to accelerate direct investments.

At present government was pushing for the creation of a more effective national investment bureau, involving both government and business in a greater capacity than the under-resourced industrial development and investment centre — a directorate in the trade and industry department falling under Hirsch.

The role of the proposed bureau would be to process information for prospective investors, identify investment leads and pass them onto the nine provinces. The bureau, which is being discussed within Nedlac, would also advise government on investment policy adjustments.

In a speech delivered on his behalf by technology promotion director Johannes Potgieter, trade and industry director-general Zavareh Rustomjee said the department hoped to achieve a 6% growth rate and create 300 000 to 500 000 non-agricultural jobs a year by 1999. "Technology will play an important role in the above mentioned goals."

The challenge for industry was to create internationally competitive products by applying appropriate technologies, developed locally or through joint ventures or licensing with foreign partners.

New initiatives would include programmes aimed at promoting the use of best practice, inter-firm linkages and technology incubators.

Unido director S Ndam told the conference his organisation's assistance would be more effective if SA joined it. It was up to the country to determine areas in which it would like to be assisted.

Reuter reports that SA Chamber of Business economist Keith Lockwood warned at the seminar that policy-makers should avoid introducing incentives for foreign investors which left SA a "net loser".

"In the competitive international investment environment we keep having to offer bigger and bigger incentives and the chances are we could be a net loser," he said.

Education Minister Sibusiso Be... Education Awards. Education...

RDP recognised for efforts to deliver

BD 13/6/95

Sello Motlhabakwe

MOST black people who were informed about the reconstruction and development programme (RDP) claimed to have benefited from its projects, Market Research Africa said in its last survey.

The survey, which monitored the RDP's progress, said there was a high awareness of the RDP among urban dwellers (73%). Awareness was strongest among blacks at 76% followed by whites at 73%, Indians at 64% and coloureds at 55%.

One in every 10 respondents, the majority of them black, said they had personally benefited from the RDP by way of electrification of their townships, education facilities, access to water, housing a better environment and health facilities.

Govt 'needs groups' help'

BD 13/6/95

Ingrid Salgado

THE land affairs ministry could not meet the challenges of SA's new democracy without the help of non-governmental organisations, Minister Derek Hanekom said last night.

He told the launch of Interfund's 1995 Development Update such organisations were in the strategic position of being able to liaise closely with communities.

If his ministry had achieved any success, it was largely from "good collaboration" with non-governmental organisations on a policy and implementation level, he said.

Donors who invested money in such groups would help government's land reform projects more than by directly supporting land affairs.

Meanwhile, Development Update has warned that loss of non-governmental organisation staff to government and industry, and reduced donor funding threatened the future of the organisations.

This, coupled with bureaucratic restrictions on their activities and shortfalls in organisational and management capacity, placed them under enormous pressure.

Brick prices 'could shoot up within 5 years'

(193) BD 13/6/95

Robyn Chalmers

SA BRICKS will be seriously overpriced within five years if the industry does not address low productivity and rising labour costs, says Clay Brick Association president Harry Voorma.

Addressing the association's AGM in Swaziland he said there were three main challenges facing the clay brick industry as it geared up to meet the demands of the reconstruction and development programme. These were a need to increase productivity, update technology and keep brick prices down.

He said SA's clay brick manufacturers were at the bottom of the ladder in terms of output per man.

"If drastic action is not taken, within five years the labour cost in producing bricks will amount to 50% of the total production cost and SA bricks are likely to be seriously overpriced."

Voorma said the long years of political isolation meant certain brick manufacturers had fallen behind the rest of the world in their application of technology.

The danger now existed that overseas companies would move in and make big inroads into the market.

This had happened in Germany and Holland where the largest Australian producer had, by means of advanced technology, been able to secure a large slice of the market.

Voorma said inefficiencies in the industry should not be recovered through increasing prices but more effort should be put into efficiency.

He said that over the past year, the clay brick industry had seen a growth of between 20% and 30% and sales continued to improve on a month to month basis.

PLATE GLASS & SHATTERPRUFE (193) FM 23/6/95

Meteoric rise in offshore profit

Activities: *Makes, distributes and installs flat and automotive glass, produces, makes, processes and distributes timber, board and aluminium products*
Control: *SA Breweries 50,3%*
Chairman: *R Lubner*
Capital structure: *24,9m ords Market capitalisation R3,3bn*
Share market: *Price 13 400c Yields 2,2% on dividend, 6,3% on earnings, p e ratio, 15,8, cover, 2,9 12-month high, 17 000c, low, 11 500c Trading volume last quarter, 436 000 shares*

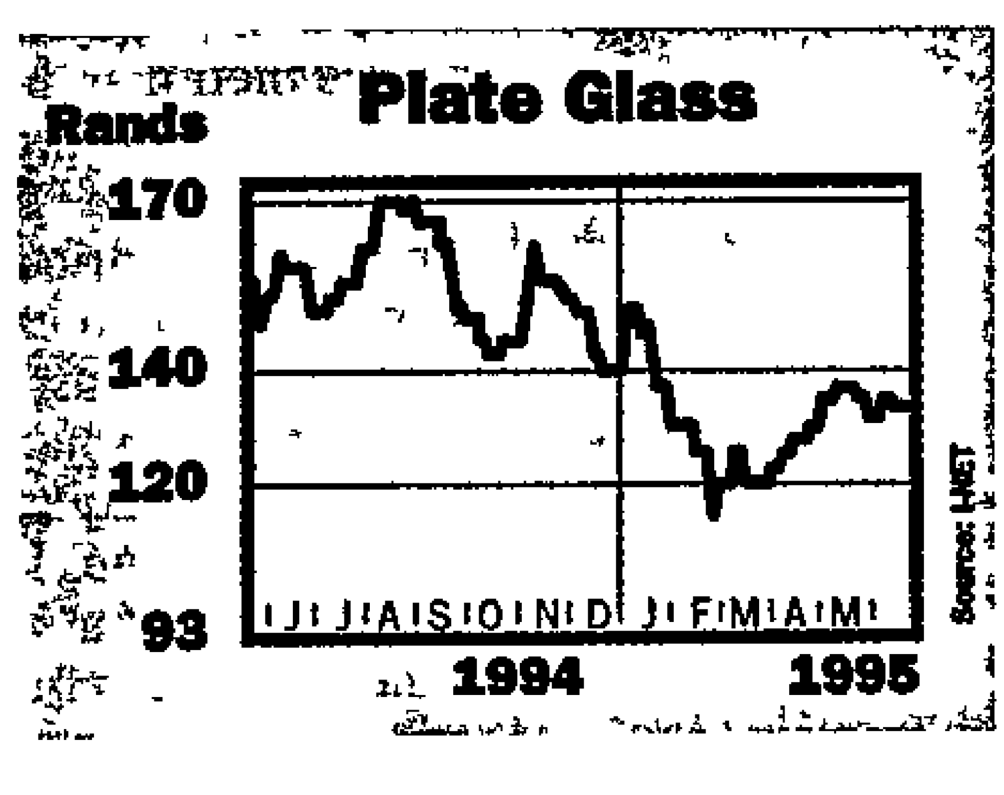
Year to March 31	'92	'93	'94	'95
ST debt (Rm)	49,4	203,6	107,5	210,6
LT debt (Rm)	133,7	64,1	111,0	40,8
Debt equity ratio	0,29	0,52	0,24	0,23
Shareholders' interest	0,34	- 0,26	0,32	0,37
Int & leasing cover	6,9	7,0	10,1	9,1
Return on cap (%)	12,5	15,8	19,6	19,3
Turnover (Rm)	1 815	2 775	3 237	3 772
Pre-int profit (Rm)	212,1	270,1	358,8	389,3
Pre-int margin (%)	11,6	9,6	10,3	8,1
Earnings (c)*	209	320	642	846
Dividends (c)	150	150	230	290
Tangible NAV (c)	2 113	1 273	1 750	2 274

* Attributable

On the face of it, Plate Glass & Shatterprufe Industries (PGSI) returned a sound year of growth; indeed, it is difficult to argue with a 32% increase in bottom-line earnings (26% on a fully diluted basis)

But — and without wanting to sound churlish — this isn't exceptional Many SA companies are returning improvements like this as a matter of form and others are handsomely exceeding it That shouldn't derogate from an essentially robust result which contains some intriguing aspects

The first relates to the information released all those years ago when Plate Glass bought the flat glass float at Springs from Pilkington. What has become evident since then is that PGSI's selling price for its product is naturally capped not by competition in manufacturing (there really isn't any to speak of) but by the landed price of equivalent imports



For some years, this has been a good place for PGSI to be, but that's no longer the case Cheap imports from China have had an impact and Glass SA's profitability record demonstrates what happens when what can be called a natural monopoly advantage is attacked Ironically, what may come to Glass SA's defence this time is that demand for flat glass around the world is rising rapidly That underlines the reasons for the construction of new plants — a new float in France and another in Poland, along with some reopenings

SA's long recession didn't help either With a depressed building industry and much lower demand from the automobile sector, it's not surprising the local operation suffered There is evidence now of a substantial turnaround but it comes as the Springs plant is scheduled to be taken down for 12 weeks for a rebuild which will cost about R150m This is unavoidable maintenance — it just comes at a bad time

Naturally, chairman Ronnie Lubner is adamant it won't impair results and claims downtime costs have been fully provided for But it raises other questions such as whether the company is spending enough to bring the plant up to world-class standards Financial director Mike Reed says that when the repairs are completed, the plant will be "as good as any"

This is PGSI's original business, where the Brodie and Lubner families got their start So it follows that Lubner is sensitive about performance and contribution to profitability by the SA end of what has become a global business He shouldn't be, the SA arm has taken severe strain in recent years, not least from labour problems associated with the transfer of political power

However, it is now inescapable that the group's international arm, Belron, has transformed PGSI from the parochialism associated with operating solely within a set region to a much wider global arena It hasn't been an easy passage and the decision of directors to expand overseas has attracted criticism Nevertheless, it's fair to register Belron's growing success In financial 1995, it accounted for 39% of attributable earnings and 57% of turnover

In the past two years, the rise in Belron's profitability has been meteoric Many of the European operations have matured into solid performers, helped by PGSI's intelligent offerings of standard prices and swift service to the major motor insurers

Belron is finding Germany a harder nut than most to crack, though there is evidence it is gaining ground there The Benelux countries and France provide growing profitability and an increasing market share and the UK operation has long been successful Belron has retreated from the Italian market, which is clearly disorganised and somewhat chaotic, it retains only its distribution arm

But real growth for Belron will come from North America, where the number of outlets continues to expand rapidly (up 30% to 192) and where a determined effort is being made to provide a comprehensive service across all the American time zones

All this was achieved with pain at the time, reflected against the income statement The losses now provide tax shields in many of Belron's operating areas These will gradually diminish and emphasis is bound to swing to expansion I cannot leave this without a comment about Belron's ownership

PGSI's Lubner *confidence in Belron pays off*

PGSI holds 81% of the equity and directors own the balance (presumably mainly the Lubner family), having increased their stake by 2% over the past year. It shows they know where the action is

An area of disappointment is PG Bison, a producer of wood-based boards PGSI owns 75% of the equity Bison's contribution to attributable income is R37m, which implies total net earnings of R50m after-tax or R80m pre-tax On total sales of nearly R1bn, this suggests margins remain thin But, to be fair, results from Penny Pinchers did nothing to enhance the bottom line

The balance sheet remains strong and borrowings are conservative However, the counter is some way below its 12-month high, which may be the market's way of saying it will wait and see *David Gleason*

EDGARS

Strong organic growth

The figures in the 1995 annual report confirm yet again the blue-chip status of this retail group In spite of the difficult year

7

Dissolving bricks turn fairytale to nightmare

ARG 4/7/95 (193)

Consignment 'crumbled'

ROGER FRIEDMAN
Staff Reporter

THE big bad wolf might just as well save his breath and carry a watering-can

Because it seems there is absolutely no huffing and puffing required these days — the rain simply comes down and dissolves bricks like Disprins

Fortunately for 74-year-old Magdalene Hopwood, the brand new bricks melted before too much progress had been made on the fairytale extensions to her Silvertown home

"Imagine if we already had the roof up when the rain came down The whole place would have collapsed," said Mrs Hopwood

She had ordered 2 500 "run-of-kiln" (ROK) bricks from Peninsula Bricks in Parow and they were duly delivered on the last day of May They cost R1 068

Her son Barry packed them inside the half-completed, roofless extensions so they would not be stolen

Nobody suggested they could dissolve

"It started to rain a week later We wanted to build but as soon as you touched the bricks they just dissolved," said Mrs Hopwood

"The funny thing was that not all the bricks dissolved The darker ones fell apart but the lighter ones didn't"

Mrs Hopwood contacted the company to complain She was told the bricks conformed to SABS standards — although they did not carry the SABS stamp of approval — but would be replaced anyway

She waited for several weeks

A spokesman for the company said yesterday ROKs were meant to be plastered immediately

"In winter, you do find these problems with them they are fairly soft bricks"

He said in summer ROKs were baked outside "sometimes when it rains the fire goes dead"

The consignment shipped to Mrs Hopwood must have been baked in autumn before the brick-firing was shifted indoors

As with all fairytales, this one has a happy ending

Brand new ROKs were delivered to Mrs Hopwood after The Argus contacted the company and she was assured they were of the non-dissolving variety

● A spokeswoman for the SABS said no bricks conforming to its standards would dissolve

Picture ROY WIGLEY, The Argus

SLOPPY WORKMANSHIP: Building headaches? Dissolve two bricks in half a glass of water and take before meals three times daily, says Silvertown grandmother Magdalene Hopwood She has been able to retain her sense of humour in spite of watching her pile of bricks suffer meltdown.

Masonite lifts performance

Nicola Jenvey (193) BD 11/7/95

DURBAN — Building and construction company Masonite (Africa) had enjoyed a better first half than last year's and chairman and MD Alan Wilson was confident about prospects for the next six months, he said

Wilson said the reconstruction and development programme, particularly where it applied to housing and construction, was not yet fully under way and the company would be looking for ways to maximise opportunities in the future

Local market sales had been "very strong", but Wilson said several customers, who were in turn suppliers to the building industry, had been stockpiling until planned housing projects could be developed.

"The next six months will be very interesting for business While the SA economy has been stuttering along, we are again waiting on a political event — the local government elections," Wilson said

Caution is the watchword for SA's granite industry

MICHAEL URQUHART (193) BD 12/7/95

WITH the R600m-a-year SA granite industry pulling out of a recession which has left it debt-laden and hammered its share of world markets, local industry players are looking at how to recapitalise their companies and regain their lost market share

It seems caution is the name of the game — a far cry from the heady days of the late 1980s when a granite boom saw rampant optimism

Rob Brown of Keeley Granite was quoted in 1989 as saying his company "simply cannot get stone out of the ground fast enough" From 1982 to 1987, SA granite exports grew 10,5%, while from 1987 to 1990 export volumes nearly doubled to 677 800 tons Brown said at the time the trend showed little sign of abating within the next few years

SA producers borrowed to the hilt to increase production capacity, and were laden with debt when demand suddenly fell dramatically

The mainstay of most of SA's granite producers is Rustenburg grey, a material used for building cladding and monumental work Belfast black — a very high quality, near black granite — was also much sought after for monumental work

But a shift of the market to the Far East — where coloured granite is preferred — saw demand for SA's traditional granites fall The swing in markets was not matched by a change in SA producers' emphasis

This was followed by a period of fierce price cutting among SA producers, all struggling to maintain market share in Rustenburg grey, which saw margins slashed and earnings plummet Keeley Granite MD Henry Laas says one of the effects of the price cutting has been to erode the level of prices to a very low base It will take a long time to build up from this base, he says

Though SA producers blame their problems on a recession in the granite market, this is not strictly true From 1990 to 1993 — supposedly the depths of the recession — total world granite exports rose 15% to 5,4-million tons During this period, SA's share fell from 13,5% to 10,3%, due largely to aggressive expansion of exports from Brazil, India and China China recorded the largest gain, nearly tripling exports to 1,08-million tons

A general recovery in the world construction industry — fuelled by economic growth — has seen the picture for SA producers start to brighten In their latest financial results, SA's granite producers point to a recovery in markets, which has increased volumes But they say that prices and margins remain low

The main reason for the continuation of low dollar prices is the stocks built up over the recession, which SA producers have to move This means the price war has continued, although sources expect it to ease as stock levels wind down

Keeley is, with Kudu Granite, the main producer of Rustenburg grey. Laas says margins on Rustenburg are very narrow, but if the two main players keep discipline on prices then these could be increased

Rice Rinaldi analyst Mike Wuth believes all potential negatives are now out of the way, with demand up, dollar prices likely to start moving up and the rand looking as though it could depreciate But he concedes that the high levels of gearing within the industry are a problem, and that balance sheets would have to be strengthened before expansion could take place This could be done through rights issues

The most important issue for the SA industry is how long the current cycle is going to last Wuth thinks it will last another two years, giving the industry enough time to recapitalise before the next downturn

Marlin marketing director Mario Marcenaro sees debt as the biggest issue holding back the industry During a downturn, a company with heavy gearing had to nurse its cash flow, which meant it would be desperate to sell off its production This had been the situation the SA producers had found themselves in A buyer who had cash could dictate prices to SA producers, and also played off the producers against each other to get the lowest price

It was because of the problems caused by excessive debt that Marlin announced a rights offer recently to raise between R54m and R60m The money will be used to pay short-term debt and fund expansion

Players in the industry consider the path which must be followed by SA producers to be product diversification Most agree that if SA producers had diversfied before the down cycle they would not have taken quite as big a knock

As part of this strategy, a number of the local producers are going offshore and to SA's northern neighbours, to give them a better chance of success in diversifying

Ketter Granite financial director Bruce Bernstein says Ketter has concentrated on coloured granites as it is looking for margins rather than volume Further expansion — made possible by a rights issue in February — would concentrate on growing the colour range

Laas agrees that diversification is the answer Even though 60% of Keeley's production consists of Rustenburg, the majority of the profit comes from the coloured granites Keeley is now happy with its level of Rustenburg production, and any new quarrying equipment will be used on different products with higher margins and better returns A movement into other granites will also make Keeley less vulnerable to price fluctuations on Rustenburg

Marcenaro also sees diversification as a strategy SA producers need to follow to survive He says Rustenburg is needed to provide the volume side of the business, but niche granites are needed to provide profit

The granite industry should be seen as a fashion industry, with world demand for different types of granite difficult to predict and changing from year to year Producers need a wide spread of granites to protect themselves against these fluctuations in demand, and also against substitute products

As an example, he says Belfast black had been in heavy demand in 1988 and 1989, and Marlin had invested a lot of money in the product But then a substitute product, Zimbabwe black — which was a lot cheaper and close in quality — had been introduced to the market Prices for Belfast black had been hammered, which had had serious consequences for Marlin

Another threat which arose during the recession has been the movement of Italian granite producers into the SA market, with granite firm Red Graniti buying into Rustenburg grey quarries

Italy is the largest player on the global granite market, and the firms coming into SA are some of Italy's largest This raises the spectre of a company like Red Graniti, which looks at global sales and in which Rustenburg makes up a small portion of total sales, using Rustenburg as a loss leader to sell other products As a big company it could afford to take losses on Rustenburg if it was gaining on other products

Laas says the involvement of an international company like Red Graniti in SA's mainstay granite is a threat, and will place increasing pressure on local producers to increase productivity

(193)

MARLIN GRANITE FM 14/7/95

Refinancing plan

A substantial recapitalisation of ailing granite producer Marlin Corp is to be put into effect. Italian investors, operating through Luxembourg-based investment company IIE, have mounted a rescue action which includes a cash injection of R54m-R60m. At the same time, control will pass from Peter Gain's USAT Trust

Marlin's track record has been distinctly unimpressive for some years Attributable earnings of R27m in 1989 haven't again been equalled It made R14m in 1990, R10m in 1991 — then lost R16m over 18 months in 1992, followed by another loss of R4m in 1993 and a break-even last year.

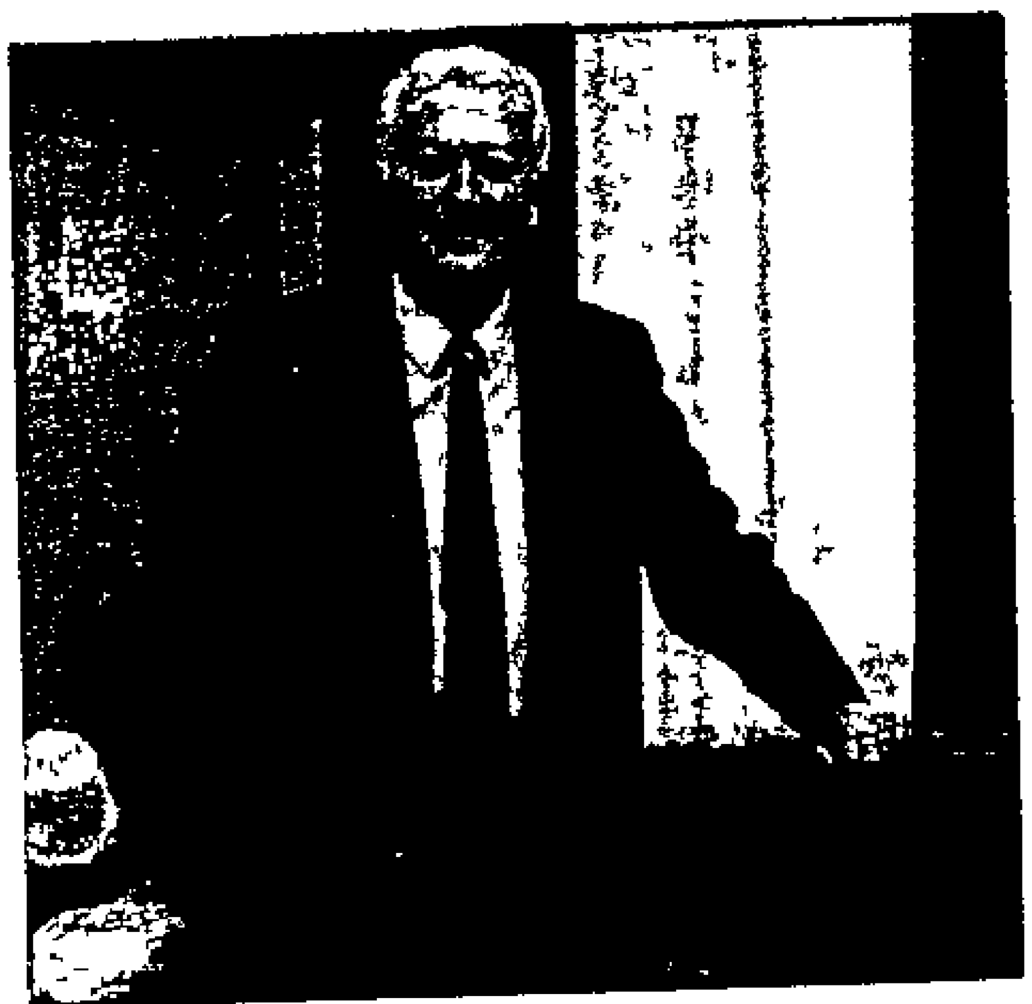
Along with most other granite producers, Marlin's conspicuous weakness has been its stretched balance sheet. Interest charges have consumed almost all spare cash, and financial director Ian Macmillan says R6m was absorbed this way in 1994.

About R42m of the new cash injection will be applied in retiring short-term debt. That will leave Marlin effectively ungeared and with as much as another R28m in cash reserves.

Of the R60m issue, R54m has been underwritten, half by First National and half by IIE. In addition, FNB will take up R10m worth of preferred ords, redeemable between five and seven years out

Marlin is controlled by Marlin Holdings (Marhold), which has 69,7% of the equity. This is expected to fall to about 51%. Gain has undertaken to relinquish stock and rights to ensure IIE takes effective control; when the transaction is completed, it's expected his USAT Trust will hold about 10%. Gain will stand down as chairman.

Though the deal involves a change of control, the JSE isn't insisting on a standby offer to minorities, because it falls into the ambit of a rescue operation. The *FM* understands that if the Italians hadn't come to the party, Marlin's future would have been limited



Marlin's Gain .. *losing control*

Another feature of the deal is the new perspectives it adds to Marlin's operations Over the last year, says executive director Mario Marcenaro, operating costs at all quarries have reduced by around 30% The group has a wide range of product, principally Belfast black but also Rustenburg and greens from the Northern Cape. It also owns two granite quarries in the US (in Georgia and North Carolina), both of whose product is exported to Europe.

Finally, the change of control to Italian investors should give the group access to the centre of the international stone-cutting industry Based on its renowned marble deposits mined since antiquity, Carrara in southern Italy is the acknowledged fulcrum of the global business.

Assuming a forward p:e of only 8 for financial 1995, Marlin now offers a good call option on the granite market, itself gaining from recovering demand. David Gleason

Marlin gears up for firmer granite sales

(193) (IDT)

MARLIN Corporation aims to raise R60-million in a rights offer at 51c a share to recapitalise its balance sheet

Peter Gain, the granite company's current chairman and major shareholder of pyramid Marlin Holdings through the Usat Trust, will relinquish his rights in favour of Luxemburg-based IIE, an international investment company. This will result in a change of control and the elimination of debt

IIE has requested Mr Gain to step down as chairman Ian Macmillan, Marlin's financial director, says the position will become non-executive and an SA businessman will be appointed

Two years ago, Marlin appointed Mario Marcenaro to the board Mr Marcenaro had many years of experience in the granite business in Europe and Africa

Marlin's debt is R42-million, and Mr Marcenaro intends there to be R27-million cash in the bank after the repayment of debt This will be used to pursue opportunities. Marlin's granite processing plant, Marble Pentelic in Germiston, also requires modification to improve productivity

Shareholders in Marlin Corporation will be offered about 250 shares per 100 held at 51c a share, 14c above the current market price of 37c Marhold will raise R27-million at 26c a share — market price 19c — to follow its rights

ST 16/7/95

Mr Marcenaro says the price is fair and it will be in the interests of shareholders to follow their rights, particularly if they are looking for a large parcel of shares His priority is to recapitalise and he has secured IIE and First National Bank as underwriters It would be odd for minorities to clamour to pay 51c when the same share can be picked up for 37c

Marlin has been in financial difficulties for some years, partly because it overproduced during the Gulf War

It currently quarries five types of stone, principally Belfast black granite Mr Marcenaro intends to double production to about 40 000m³ a year in the medium term through new quarries and expansion. Local demand takes about 5% of the volume but provides more of turnover.

Mr Marcenaro observes a firm undertone in the world's granite market and shift in preference for the better quality stones such as South Africa produces

ARG 19/7/95 (193)

Foreign group gets Marhold

Business Editor

CONTROL of granite group Marlin Holdings is to be taken over by a Luxembourg-based company in a rescue operation

The group said today Luxembourg registered IIE would subscribe for R23 million of Marhold's R27 million rights offer and would take up shares not taken up by other shareholders, giving it more than 50 percent of Marhold shares

The Johannesburg Stock Exchange had agreed to consider the deal as a rescue operation, authorising the rights offers in Marhold and subsidiary Marlin Corporation (Marcorp) at prices above market levels

The Marhold rights offer is pitched at 26c a share and the R60 million Marcorp offer at 51c a share

■ **Engen** is to list on the Namibian Stock Exchange from today, with nearly 160 million 50c shares

The petrol group said it had applied for a dual listing to demonstrate its commitment to the development of Namibia and to offer the Namibian public access to its shares

■ **Commercial Union** issued a cautionary announcement to shareholders today, saying negotiations in progress could affect the share price

■ **Anglovaal's** gold mines raised after-tax profit 13 percent in the June quarter to R42,2 million from R37,3 million the previous quarter

Gold production was up only one percent but average revenue rose 4,4 percent to R45 380 a kilo

Loraine sparkled with the first profitable quarter since March last year, showing a profit of R4,1 million from a loss of R2,2 million as yields improved

But lower yields at Village Main Reef turned the previous quarter's R876 000 profit into a loss of R519 000

The mine said operations should be profitable until at least the end of September, when the mine's profitability would be examined on a monthly basis

Village Main Reef declared a dividend of 53c (35c)

Hartebeesfontein's June dividend of 51c a share makes 115c (160c last year) for the year After-tax profits were barely changed at R34,2 million

Eastern Transvaal Consolidated's profits slipped slightly to R4,4 million but working profits from gold mining totalled R8,8 million compared to a loss of R2,2 million the previous quarter

A dividend of 3c makes 8,5c (14c) for the year

■ **Gengold** reported a 10,7 percent drop in attributable income to R29,3 million for the June quarter

But the group said the downward trend of the previous two quarters had slowed

Main moneyspinner Beatrix improved profits 8,3 percent to R19,5 million, as grades were maintained and production slightly increased

Grootvlei, which improved both volumes and grades, showed a loss of R700 000 because of the R3 million capital outlay to finance the purchase of rights from Consolidated Modderfontein

St Helena's quarterly results were disappointing, with profit sliding from R10,7 million to R2,3 million as working costs rose and volumes fell Unisel, Leslie, Buffelsfontein, Kinross and surface dump operations at Stilfontein also showed lower profits

Winkelhaak reported a small increase in profit to R3,9 million from R3,3 million

Red granite factory to be established

(193)

Sello Motlhabakwe

BD 24/7/95

THE Northern Province regional government has finalised agreements with top Taiwanese construction company Sun Sea to establish a granite beneficiation factory in the province MEC for economic affairs, commerce and industry Thaba Mufamadi said

At a press briefing to announce the inaugural sitting of the new Northern Province Development Corporation, Mufamadi said in terms of the agreement with Sun Sea the province would select 20 candidates who would in January next year be sent to Taiwan for six months of technical and management training

On their return, the trainees would help staff the beneficiation factory which was expected to be fully operational by next year Mufamadi said the province's red granite was sought after in international markets because of its rarity

A French company was among several potential investors who had indicated interest in mining the red granite The French had indicated they would include black participants in the deal

He said the twinning of the Northern Province with a district in Taiwan was imminent following discussions between his delegation and the mayor of Shinsu — an agricultural district The twinning would be formalised sometime next year.

A White Paper on economic development policy was expected to be finalised in November

The concrete industry of SA is not a society of blockheads

(193) Star 1/8/95

■ BY NIKKI WHITFIELD

Being labelled a "concrete person" could be seen as unflattering by some In fact, they might get positively stony-faced at the suggestion

"Blockhead", "cast-off", or "set in your ways" are unfortunate phrases an unknowing person might use to describe the "concrete type".

However, there exists a group of people in southern Africa who fight hammer and chisel to be called Concrete Person of the Year

Take Mario Lupini, for example. He became a Concrete Person in 1993, and "it's certainly been good for business", he raves

In the concrete jungle out there, a Concrete Person is a solid block of talent. Architect Lupini became one for his contribution to the concrete industry through the work he did at The Palace of the Lost City

John Laing of the Concrete Masonry Association became one for the service he has rendered to the concrete industry as a whole Other winners have been Peter Lord for his work with pre-stressed, pre-cast concrete flooring and the Department of Water Affairs for "their pioneering work with rollcrete for dams", a press statement enthused

Now the Concrete Society of Southern Africa is looking for its 1995 winner

Just phone Pat Guild for nomination forms on (011) 315-0300, or fax number 315-0054

MARIO MARCENARO (193)

FM 4/8/95

At the cutting edge

"When nobility goes through hard times," declares Mario Marcenaro, "it has to marry into money"

The colourful remark is typical of Marcenaro (35), who played a vital role in the plan to refinance ailing granite producer Marlin Corp (*Fox* July 14)

He downplays his influence, claiming with a twinkle in his eye, for instance, that he is too young to become chairman of a public company But it was clearly the neatly turned out, talkative Marcenaro who brought Luxembourg-based IIE to the negotiating table

In the event, the low-profile Italian investment company is injecting R54m-R60m into Marlin and taking control from Peter Gain's Usat Trust, Gain has stepped down as chairman

"The key to this whole deal," says an observer, "is Mario's impeccable credentials with the Italian cutting industry"

Indeed, not only was Marcenaro born in Carrara in southern Italy — the pivot of the international stone industry since antiquity — but he has had 10 years' experience as a producer and processor in Africa This was mainly in Zimbabwe, where he was sent by Italian investors to set up a granite factory He joined Gain's Marlin in 1993

"I'd known of Marlin since 1988," he says, "and dealt with it during my years in Zimbabwe, and it always had a good name But of late it was like the Ferrari of SA, only it wasn't winning anymore"

Marcenaro points out that granite is a business grounded in costs — and in keeping it simple Though he is a reluctant critic, he reckons local producers, all of whom have been through tough times, were not only hampered because they were isolated but because they put too much time and effort into fighting among themselves

"They should have been assessing what was happening in the rest of the fashion-led granite world and adjusting their costs and prices in order to be more competitive"

SA Granite Association director Alex Hawes says there is no doubt Marcenaro is the right man at the right time for Marlin

"He has a unique global understanding of the business and is focused, energetic and dedicated"

He is also here to stay, though his Milanese wife, Elena, who delivered their first child, a daughter, a month ago, took some persuading

Marcenaro speaks excellent English, a result of having a naval officer father who travelled extensively, and of having spent a few years at an American school in Cairo He, too, went to a naval college — Morisini in Venice — before studying engineering at universities in Trieste and Milan Having completed his military service at a naval academy, he joined his father's engineering business for a spell before Zimbabwe beckoned

Marcenaro

Neither of Marcenaro's hobbies are easily pursued in SA — sailing (he is a former instructor) and skiing But he catches up on them whenever he returns to Carrara, where he and Elena also have a home ■

Slagment considers new factory for Saldanha

(193)

By ROY COKAYNE

CT(MR) 7/8/95

Cement extender producer Slagment is considering building a new factory, which will cost between R60 million and R100 million, alongside Iscor's Saldanha Steel project

Slagment is a cement extender that makes concrete denser and enhances its durability with time

It comes from the materials formed by the blast furnaces at Iscor and which would normally be discarded

A major environmental benefit of Slagment is that it minimises the ugly dumps that could blot the landscape in the proximity of urban environments and puts material that would have had to be dumped to constructive use

Peter Graham, general manager of Slagment, which is owned by the major cement companies — Anglo Alpha, Pretoria Portland Cement and Blue Circle — confirmed they were "talking to Iscor and the Iscor Saldanha Company"

"If Iscor's Saldanha project goes ahead, we will be interested in building a factory there

"There is also a chance to put up a factory inside the Saldanha plant, which will reduce our transport costs, " he said

Graham said the envisaged factory would be similar in size to its Pretoria factory, which produces between 300 000 and 400 000 tons of Slagment annually

He said a factory at the coast would also boost the company's exposure in the export market

Slagment sales manager Ian McKenzie said it was prohibitively expensive to transport Slagment to the coast

"This kills exports We get a lot of export inquiries and a lot of countries, which will take big volumes, have been identified for export

"We could utilise everything that is available out of the Saldanha factory for exports, but the margins are low and the government does not offer incentives for exporting cement

"It is vital for us to get government assistance The General Export Incentive Scheme provides negligible benefits, which means it is not attractive to take risks on the international market for the returns we can get out of it "

McKenzie believed about half of the output of the Saldanha factory would be for the Cape Town market and the balance for exporting He said Slagment was currently being exported to Malawi and Uganda This year about 10 000 tons of the 300 000 to 400 000 tons of Slagment produced by the Pretoria factory will be exported

Slagment has just installed a new bag load-out facility at their Pretoria factory, which will increase the hourly loading capacity of bagged Slagment by more than 85 percent

Loading capacity has increased from 700 bags an hour to 1300 with both the inverter and the shuttle conveyor in operation. As the monthly demand increases, the production output can be increased from 100 000 bags to more than 300 000 bags

"Not only has the facility improvement meant an increase in capacity, but our customers receive better service," Graham said

CEMENT INDUSTRY

(193) FM 18/8/95

Producers dust off spare capacity

Cement producers are taking more than 1 Mt of spare production capacity out of mothballs and putting it to work to meet increasing demand

Pretoria Portland Cement (PPC) is to bring its Dwaalboom manufacturing plant out of mothballs Completed in 1985 at a cost of about R200m, the 600 000 t/year plant has lain idle since then Divisional MD Clive Tasker says if Dwaalboom were undertaken as a greenfields project now, it would cost R1,3bn PPC will spend a further R220m completing the plant "At the time of construction, we didn't go as far as building cement silos and dispatch areas The plant should again produce clinker by June next year"

Tasker says the upturn in the industry has been evident since last year's general election and is looking strong for the remainder of 1995 Though the effect of the RDP "hasn't kicked in yet," the industry expects demand to continue to grow next year

Other producers, who invested in extra manufacturing capacity in the Seventies and Eighties are also bringing idle plant out of the dust covers

CLINKING CASH

Cement production

	1995 tons	1994 tons	Variance tons	%
January	548 350	468 087	80 263	17,15
February	631 006	565 505	65 501	11,58
March	806 837	641 068	165 769	25,86
April	620 399	558 018	62 381	11,18
May	715 758	646 231	69 527	10,76
June	805 748	710 262	95 486	13,44

SOURCE: CEMENT PRODUCERS' ASSOCIATION

Blue Circle's Piet Strauss sees the positive trend continuing to year-end and beyond "We have taken our number four kiln — which has been idle since 1985 — out of mothballs and it is up and running" The kiln has a capacity of 300 000 t/year

It's difficult to pinpoint what caused the upturn but there has been a general increase in all sectors, Strauss says Some major projects, such as the Lesotho Highlands Water Project, are still taking a lot of product but others like Alusaf's Hillside smelter and the Columbus Stainless Steel project have all but finished But there is underlying growth in general "We are seeing the benefits of the RDP trickling through slowly But no massive government projects have been announced yet"

Anglo-Alpha director Marco Germena says spare capacity at the company's Ulco factory in the northern Cape — also mothballed in 1985 — will be brought back on stream early next year, allowing the facility to produce an extra 350 000 t/year "With the increases in volumes, we are using spare capacity and market forces indicate that more will be required" He expects a 9%-10% increase in sales this year over 1994 "This is a volume-sensitive industry and any improvement in sales has a big impact"

Analysts say that the sector has moved into a high-growth phase with most of the business coming from the private sector Further improvements are expected when the RDP mass housing projects start

The two JSE-listed producers have shown much-improved results for the six months to June Anglo-Alpha lifted operating profit by 50% to R150,2m, attributable profit doubled, as did earnings per share, to R74,9m and 249c respectively Barlows-held PPC reported earnings up 44% at R53,1m Analysts say delisted Blue Circle has also contributed significantly to holding firm Murray & Roberts' bottom line

The industry went on a major mothballing exercise in the mid-Eighties as the economy faltered and building activity dropped The sector grossly over-estimated consumption and instigated capex plans to cater for projected growth that failed to materialise Millions of rand in shareholders' funds were tied up in idle plant as the economy bumped along with growth rates of between 1,5% and 2% But the scene is changing rapidly

Total production for the industry is running at over 15% ahead of last year The Cement Producers' Association's year-to-date figures show that 4 128 098 t were produced in the first six months of 1995 compared with 3 589 171 t for the corresponding period in 1994 June production at 805 748 t was 13,44% up on the 710 262 t manufactured in June 1994

Domestic sales for the first six months of 1995 are running at 4 063 050 t compared with last year's 3 632 970 t — an 11,84% increase

The industry's confidence in the market is borne out by figures released this week by Central Statistical Service (CSS) which show approved building plans for flats and townhouses rose 88,8% to 12 210 units in the five months to May The CSS says the value of buildings completed in the period was R3,24bn — 10,8% up on last year

The value of total building plans passed was R7,1bn — R3,5bn for residential buildings, R1,8bn for nonresidential and R1,7bn for additions and alterations ■

MOTOR INDUSTRY

FM 18/8/95

Taking stock

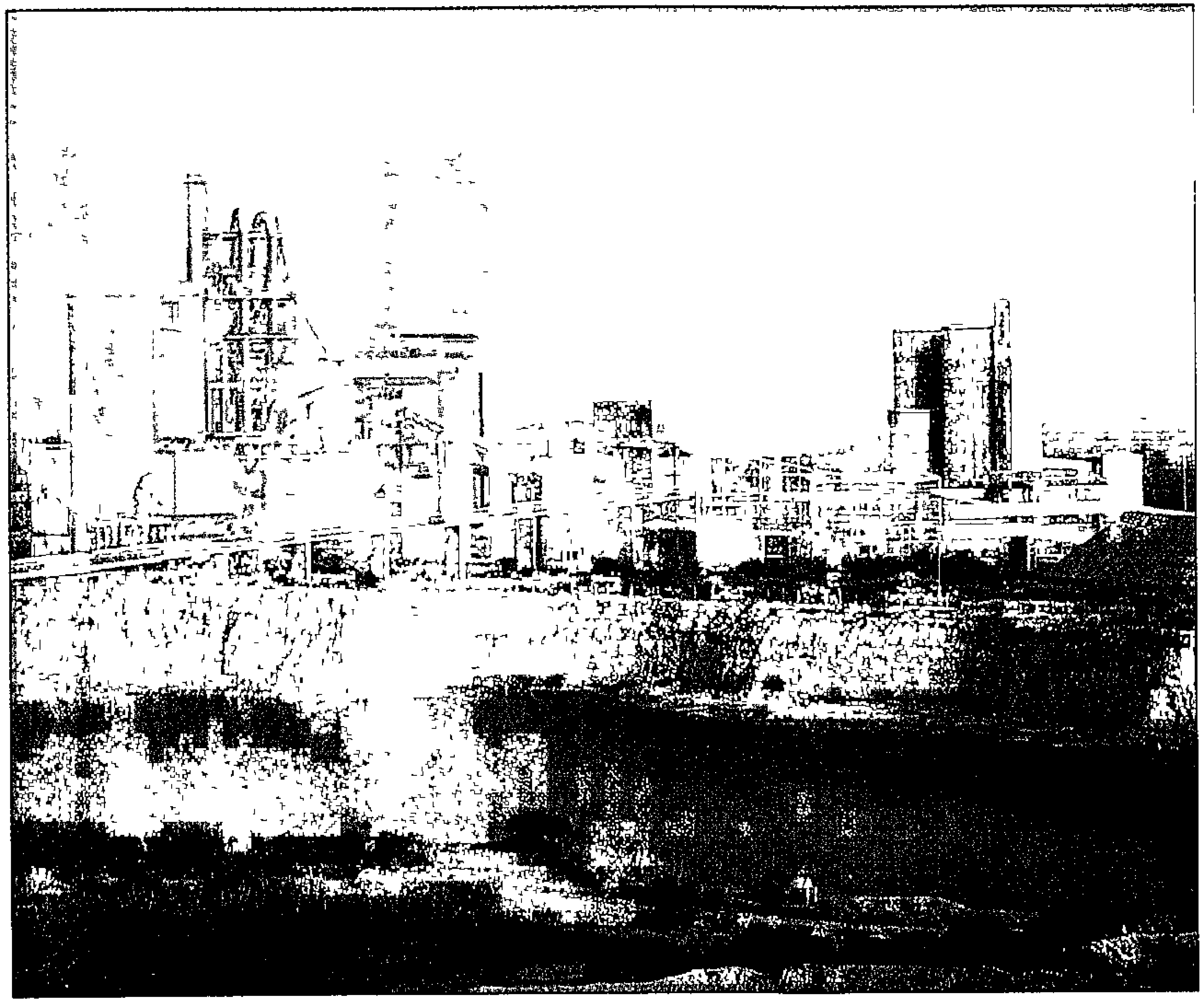
Toyota is back to full production after closing its Prospecton, Durban, assembly plant for a week, says CE Bert Wessels The closure was to allow vehicle stocks to run down after a cooling off in industry sales

Other companies have cut back production, but they have preferred to do so through shorter working weeks rather than total shutdown According to Wessels, the market was "overheated" in the first half of the year, and companies worked flat out to cope Given the market's current fall off, production cutbacks were inevitable to counter growing stockpiles of vehicles For Toyota, the lost week has brought the company back to a comfortable stock situation

The greatest decline in demand, for most companies has been among small vehicles The market for heavy trucks and buses, on the other hand, remains comparatively resilient The decision by Mercedes-Benz to introduce a new range of Freightliner vehicles to the SA market highlights the motor industry's view that there is scope for continued growth in this sector — particularly for niche products

Toyota is building about 20 US-sourced Peterbilt trucks a month now, and expects to eventually push this to 30 The arrival of the Freightliner, also US-sourced, will spice up a market already the battleground for several imports

Further evidence of the heavy vehicle sector's buoyancy Swedish truck manufacturer Scania this week returned to SA after eight years, Iveco has cut prices by between 6% and 9% to meet increased competition, and the Greater Johannesburg Transitional Metropolitan Council has ordered 100 Volvo buses, reputedly the biggest SA bus order for more than 10 years The first buses were delivered last week ■



Cementing the future: Anglo Alpha looks to Namibia and Saldanha Bay as sites for new cement factories

Cement company on expansion drive

(193) WM(PMM) 18-24/8/95

Karen Harverson

ANGLO ALPHA may set up a cement factory in Namibia to protect its stake in the 200 000-ton Namibian cement market from Malaysia, which is also considering investing in a factory there

However, the Namibian factory is just one of three options Anglo Alpha is considering to expand its cement-producing capacity, says managing director Johan Pretorius

The other options are a new multi-million-rand factory at Saldanha Bay and a R500-million new kiln for an existing cement plant in Dudfield in Lichtenburg in North-West province

A final decision on which option or combination of options Anglo Alpha will take will only be made in the first quarter of 1996

The company's interest in a new plant at Saldanha Bay stems from the fact that rival cement-producer PPC has a monopoly in the Western Cape But, says Pretorius "There will also be slag available from the new steel plant which would reduce the cost of cement manufacture"

A factory at the coast would also enable the cement producer to supply export markets up the coast of Africa and the Indian Ocean Islands "At the moment we can't compete in export markets because of the great distance between our production facilities and the ports," says Pretorius

Anglo Alpha is involved in a R120-million lime expansion at Ouplaas, in the Northern Cape, where a new lime kiln is being installed to replace an older kiln and increase capacity This will be completed by the end of 1996

At present, the company has a 35 percent share of the local market, PPC has 45 percent and Blue Circle has 20 percent. These three companies have been part of a long-standing cement cartel which was told to dismantle last year by the Competition Board

Pretorius says the cartel has until October 1996 to dismantle. "The Cement Distributors of South Africa — the marketing body for the three producers — is almost disbanded and each company has taken over its own marketing and invoicing operations"

He says there is little danger of price wars occurring between the three producers to gain market share "Common sense will prevail."

Consol boosts turnover

Star 29/8/95 (193)

■ BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Higher consumer spending and export sales, partly offset by raw material and restructuring costs, resulted in a 19 percent climb in profit from Consol, the glass and packing group, in the year to June compared with last year

Turnover was 22 percent better at R2,9 billion, of which 43 percent was contributed by packaging and related products and the rest from rubber and related products

Operating profit rose 19 percent to R339,5 million, showing operating margins at 11,4 percent from 11,7 percent Net financing costs doubled as a result of higher interest rates and the acquisitions of Interpak and Plastform

Consol benefited from a lower tax rate, at 30 percent, than was expected at the half year The tax rate in the previous financial year was 36 percent

Piet Neethling, the managing director of the Consol group, said yesterday that the tax rate had fallen owing to the absence of the transition levy, some capital expenditure allowances, sale and leaseback agreements and write-offs of trademarks in Plastform.

On attributable earnings of R196,9 million (R165,4 million), earnings were 305,9c (257,0c) a share A dividend of 88,0c (74,0c) was declared

Restructuring

Neethling said two major events had affected the group's bottom line in the past year There had been large increases in commodity prices, not all of which were fully recoverable The second factor was the restructuring of the business

The ultimate effect of the restructuring programme would be to increase the proportion of automation in the business In the glass division this could eventually reduce the size of the workforce, now about 4 000, by about a quarter

Neethling said the best performer in the past year had been the paper division The corrugated division made a good profit, partly on judicious paper buying

However, some large price increases in paper were still in the pipeline

In the glass division, the soft-drinks market had been the most buoyant, with volume sales up 40 percent, followed by wines and spirits where volumes were 20 percent higher, driven mainly by export sales.

Neethling said despite the ongoing capital investment and restructuring programme, Consol's profit next year was expected to increase by about 20 percent

More exports help Consol to 19% profit rise

(193)

By Charlotte Mathews
Investment Editor

CT (BR) 29/8/95

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Consol may reduce staff dramatically

Beatrix Payne (193) BD 29/8/95

PAPER and packaging group Consol, which reported a 19% earnings increase for the year to June, had embarked on a major re-engineering programme which could see staff numbers reduced dramatically, MD Piet Neethling said yesterday.

The group had a staff of 13 000, but Neethling would not say how many would lose their jobs through the restructuring. However, staff numbers at the glass division were expected to be cut by 25%.

The group intended to rely more on automated equipment. It was being assisted in technology development by US-based shareholder Owens Brockway and intended to become more globally competitive.

Neethling was speaking at the release of results which saw attributable earnings rise 19% to R196,8m as higher commodities prices and costs associated with the restructuring programme bit into the bottom line. Turnover rose 22% to R2,9bn after consumer spending and demand increased. The operating profit increased to R339,5m (R285,4m).

Financing costs jumped 102% to R57,2m on interest rates increases, and interest bearing liabilities rose to R230,5m (R107,4m). Liabilities rose after the acquisition of Interpak in November 1993 and Plastform in January this year.

The tax bill fell marginally to R84,9m (R91,8m) as the effective tax rate dropped to 30,1% (35,7%) after the end of the transitional levy. This left income after tax 19% higher at R197,3m.

Continued on Page 2

Consol (193) BD 29/8/95

Continued from Page 1

Earnings a share rose to 305,9c (257c) and a dividend of 88c (74c) a share has been proposed. The directors said that in view of the abolition of non-resident shareholders' tax on dividends declared after September 30, declaration of the dividend was postponed to October 2.

Turnover for the packaging sector increased 24% and operating profit rose 25% as Interpak's results were consolidated for the full financial year.

The plastics division reported an "unsatisfactory" loss which was lower than the previous year's. Its results were improved by the acquisition of Plastform. Volumes at the glass division improved, but were partly offset by "a less than satisfactory production efficiency programme".

Unit sales in the soft drink market rose 40% after Pepsi and various no-name brands entered the market. Sales of wine and spirit bottles rose 20%.

"The market was very lively in August and September last year" but the group had not been prepared for the sudden jump in demand, Neethling said.

The rubber sector posted turnover growth of 21%, but the operating profit increased only 14%, reflecting increases in raw materials prices. But the sector would perform well after the completion of the restructuring programme which would result in reduced warehousing, handling and overhead costs.

Based on additional volumes forecast for the current year and better cost control, earnings should rise more than inflation, he said. The glass division would continue its investment and re-engineering programme but the full benefits would not be felt this year.

In line with recommendations set out in the King report on corporate governance, an audit committee was established, to which external and internal auditors had unrestricted access, the directors said.

Re-engineering programme set to constrain Consol's earnings

(193) BD 31/8/95

Beatrix Payne

CONSOL's 19% earnings growth for the year to June was marginally better than several stockbrokers had been forecasting, but the share price has changed little since the results were announced, indicating that expectations have been fulfilled.

Consol's directors do not agree, however At the recent presentation of the annual results to the Press, group MD Piet Neethling led his colleagues in saying the market was underrating the share and Consol's future earnings performance which would be "above inflation".

Neethling's vague forecast would appear to be lower than that expected by the stockbrokers who follow the share Their forecasts of annual earnings growth over the next few years fall in a remarkably tight band of between 19% and 22%

The main concern would appear to be the effect of Consol's re-engineering programme, and this is expected to be a restraint on the company's earnings until it is completed in 1997/98

By then, the glass division will have upgraded its furnaces which should be operating at full capacity

The continued rise in demand for glass particularly from the export wine market should boost the bottom line

Neethling said the re-engineering programme would be phased in and staff numbers would be reduced largely through natural attrition, but there are expectations it could pose labour problems if there are large-scale redundancies

The R650m capital outlay to upgrade the glass operations could be a major drain on cash resources and was likely to raise borrowings

The group was already struggling under a heavy bill for finance changes and the increase in borrowings could see interest charges increase by as much as 25% a year over the next two years

An expected increase in demand for aluminium cans could trim glass bottles' market share and the group could do worse than hedge its bottling business by moving into the manufacture of cans

The performance of Consol's tyre manufacturing operations seems murky in the face of cuts in import tariffs which have been coddling the local vehicle manufacturing industry Neethling was confident, however, and said the Gatt requirements would not pose a major threat to the group

Consol's share closed unchanged yesterday at R40,25

(193)

CONSOL FM 1/9/95

Hungry for capital

Results from Anglovaal's packaging and rubber maker Consol for 1995 are pedestrian A 19% EPS increase is nothing to write home about in an economy inspiring many companies to produce much higher returns

Turnover rose 22% to nearly R3bn but the operating margin slipped to 11,4% Pre-tax profit was only 10% better The balance of the increase came from a fall in tax

Two features affected the performance The first was that costs of commodities used by Consol in its manufacturing operations rose inexorably — and sometimes precipitously, as in the case of natural rubber and wire used in tyre making While Consol could recover rising input costs of paper and plastics from users, it was much harder to pass on the rubber and wire charges It often takes time for these to filter through and for the offsetting benefits to accrue to the company

The second feature was the company's acceptance of the philosophy that it must become globally competitive It is one thing

STROLLING ALONG

Year to June 30	1994	1995
Turnover (Rm)	2 442,9	2 978,7
Operating income (Rm)	285,5	339,5
Attributable (Rm)	165	197
Earnings (c)	257,0	305,9
Dividends (c)	74,0	88,0

to pay lip service to this kind of underlying principle, another to put it into practice — and then to pay for it In a sense, it can be argued (with justification) that Nampak has pioneered this approach but it would be unfair to suggest Consol is simply playing follow-my-leader.

But Consol's technology partners have made it plain the only acceptable long-term route is to use the most modern technologies and to increase labour productivity This means spending a lot more in capital Down the line, it probably means a significant reduction in employee numbers. Over the next few years, Consol will require capital investment of about R1bn. This will reinforce the impression that the company is a substantial user of shareholder money

Also, borrowings net of cash have risen sharply over the past few years Gearing is 37% — high compared with competitors

Finally, the share has been significantly derated by the market Its relative p e rating, at 1,2 in February 1993, now stands at an ordinary 0,88 If this is a judgment, it is harsh but understandable Most analysts canvassed agree the counter is interesting to watch but not to buy.

David Gleason

PPC opens in southern Cape

(193)

Robyn Chalmers

BD 6/9/95

PRETORIA Portland Cement opened a new cement distribution centre in George yesterday, capable of dispensing about 70 000 tons of cement a year

PPC Cement coastal MD Graham Fabian said the centre had been established to provide a more efficient service to customers who previously obtained their cement from PPC sites in the Western Cape

"Our first objective is to provide an uninterrupted supply of cement to customers in the southern Cape

"Initially, all cement at the centre will be distributed in bags. However, we will assess the viability of supplying bulk once the centre has been operational for a few months," he said

Fabian said the new distribution centres were becoming increasingly important in the post-cartel environment to ensure a high level of customer service

CC

PPC opens George distribution centre

(193) CT(PR) 7/9/95

BY FRANÇOISE BOTHA

STAFF WRITER

PPC opened a new distribution outlet in George yesterday on the back of strong expected cement demand and growth from the southern Cape informal construction industry

According to Craig Waterson, sales and marketing director for the coastal region, sales in the cement market in volume terms over the last 12 months had grown by approximately 10 percent and a further 8 to 10 percent was expected for the coming year

Speaking about the slowing in the formal construction sector in the area, Waterson said "In the past there were a lot of big contracts Some figures show that construction have declined, but cement sales have increased, which indicate there are now more smaller jobs "

The outlet, aimed at servicing this growing demand, is expecting sales of R21 million for the year to October next year

"At present, we are using rented accommodation, but in the first year, we are hoping to reach break-even volumes to recover the establishment costs," he said

The market was previously serviced by the group's distribution centre in Montague Gardens in Cape Town

Cartel

Waterson said that the previous long distance deliveries meant that orders had to be placed well in advance by builders to avoid shortages

"Now they can expect immediate delivery," he said

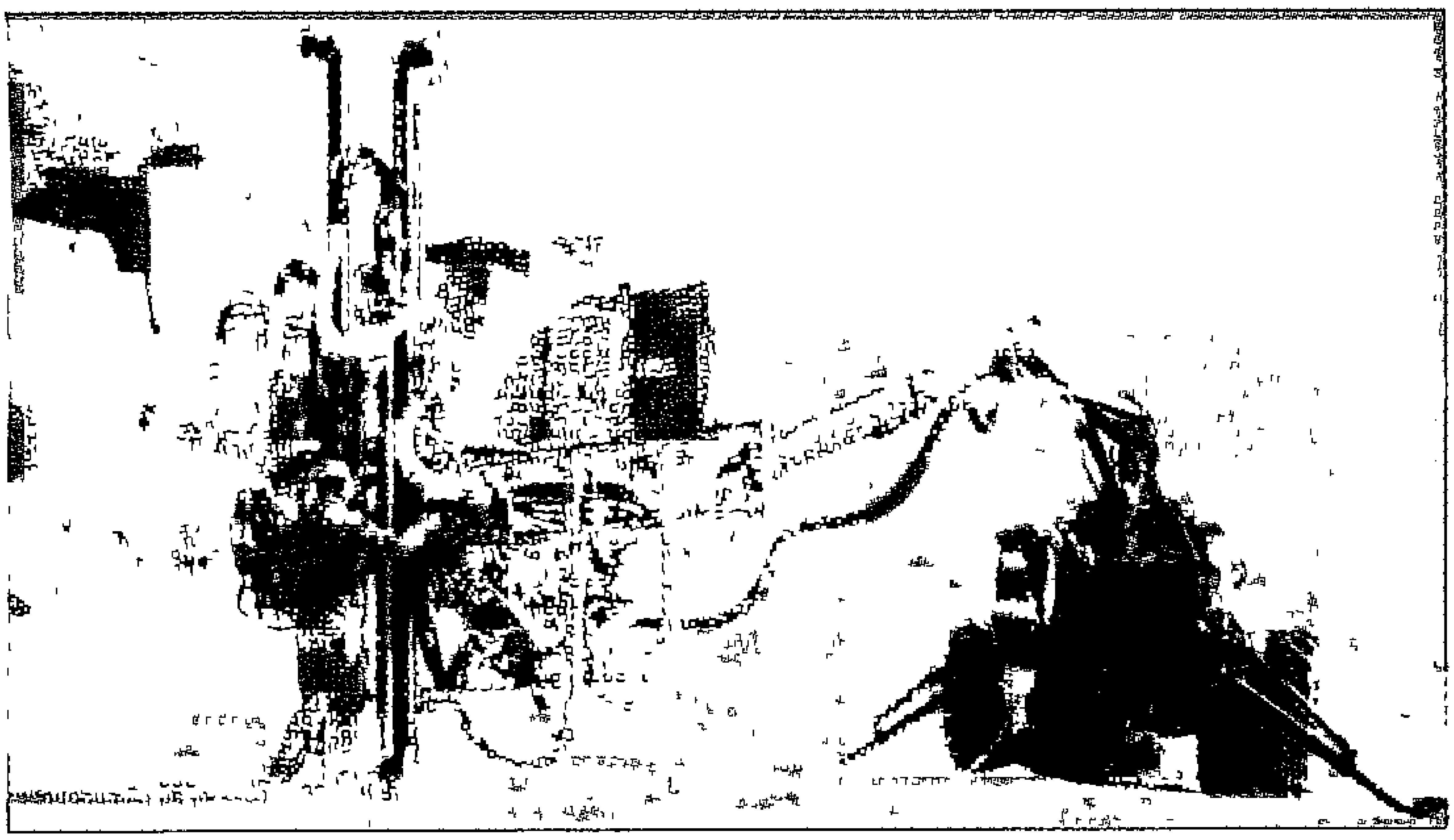
Another reason for the establishment of the centre was the agreement with government to disband the cement cartel that had been in operation for many years

A two-year period, ending in October next year, was allowed for the disbanding

In terms of the cartel operations, Waterson said that PPC had supplied all the cement in the George region for the past 25 years, and continued to do so

"We are not expecting to expand our market share because we already have 100 percent of the market " However, he said, the move was aimed at securing it in terms of the new freedom of competition and bringing the product to the consumer at a reduced cost

Graham Fabian, the managing director for the coastal region, said that initially all cement would be supplied in bags, but that the company would re-assess the viability of bulk supply once the centre had been operational for a few months



STONE SUPPLY *Kudu Granite is struggling to keep up with the demand for South African granite*

Future looks rock-solid for Kudu

CT (BR) 11/9/95 (193)

By John Spira

Gauteng Business Editor

Demand for South African dimensions stone granite continues to show signs of strengthening

Orders exceed Kudu Granite's ability to supply, says Paul Nelles, the group non-executive chairman, in his annual report to shareholders

"The group has also continued to build on its reputation for quality, and its worldwide registered trademarks have become synonymous with this quality and reliability"

In the year to June this year, Kudu's earnings declined from 18c to 13,7c a share and the dividend reduced from 4,9c to 3,9c

Nelles draws attention to Kudu's improved performance in the second half of 1994/95, which he ascribes to innovative technological advancements and Kudu's commitment to develop its mines for long-term sustainability

He acknowledges that gearing at 84 percent is still high, though it is down from 99 percent at the end of June last year

In the past two years Kudu has focused on a transition from traditional boulder quarrying to the professional mining of solid rock formations The long-term objective is to mine these formations exclusively The planning and development of the group's solid formations are now at an advanced stage.

Nelles says exploration for new products has been intensified over the past few months

"Some exciting prospects are under review and detailed feasibility studies are being carried out"

Ceramic Industries staves off competitors

(193)

BD 12/9/95

Sello Motlhabakwe

TILE and sanitary ware manufacturer Ceramic Industries lifted attributable earnings 42% to R14,2m for the year ended July despite increased international competition which minimised price hikes

Earnings a share rose 42% to 79,2c and a final dividend of 9c was declared, giving a payout of 15c for the year.

The company said a continuing cost reduction programme and further improvements in productivity had resulted in operating profit rising a satisfactory 36% to R13m Interest from investments stood at R2m, with interest paid dropping to R25 000, down from the previous period's R1,2m

Pre-tax income increased 46% to R15m

The directors said trading conditions had remained difficult in the past financial year In keeping with company policy of being price competitive internationally, only minimal price increases were introduced. This had contributed to a marginal increase in turnover to R130,4m.

The board said delays in implementing the reconstruction and development programme and competition from imports were expected to result in trading conditions remaining difficult

The capital expenditure programme to increase capacity at the Samca and Betta branches, amounting to more than R30m, had been completed and the plants were commissioned after year end.

The benefits of the plant upgrading and further improvements in efficiency were expected to result in real growth in operating profit This year's tax bill was up 196% to R772 000

Executive chairman Gianni Ravazotti said the results were relatively pleasing in light of the difficult trading conditions in which the company operated this year

"Competition from imports is expected to continue and we will need to work hard at augmenting our market share in the future"

CONSOL

Taking the capex plunge

Can the ambitious spending plan be completed without denting earnings?

FM (193) 15/9/95

A year ago, packaging and tyre company Consol's price was at a record high of R57 The market rated the share highly Its p e ratio of 21 was at a premium to the 19,6 average for the JSE Industrial index

A few weeks ago, Consol announced a 19% advance in EPS and dividends for the year to end-June 1995 — a much faster pace than the 6% for the 1994 year

Yet this week its share price was R39,75 or 30% below its record high on August 10 last year, market capitalisation had shrunk by about R1,1bn to R2,56bn Its p e ratio has fallen to 13 and the share has been significantly derated against the Industrial index, whose p e is now 15,9

There appear to be no major problem areas within the group operations Where there have been laggards, such as the plastic packaging operation, which lost money over the past two years, management is forecasting improvement this year Operating profit rose by almost a fifth last year and there seems to be no reason to expect deterioration

However, with the economy growing, corporate profits are now bounding ahead The market has raised its expectations substantially from a year or so ago While the pace of earnings growth produced by Consol in the past year may be well above inflation, it is below average — now about 28%-30% — for large industrial groups.

What may be more important, though, is investor unease about Consol's hefty capital spending plans, and the effect this may have on the bottom line during the funding phase The group has already accelerated its capex, it spent R163m in 1994 and R192m in 1995, more than double the amounts spent in the previous two financial years Now it wants to spend about R1bn over the next three years

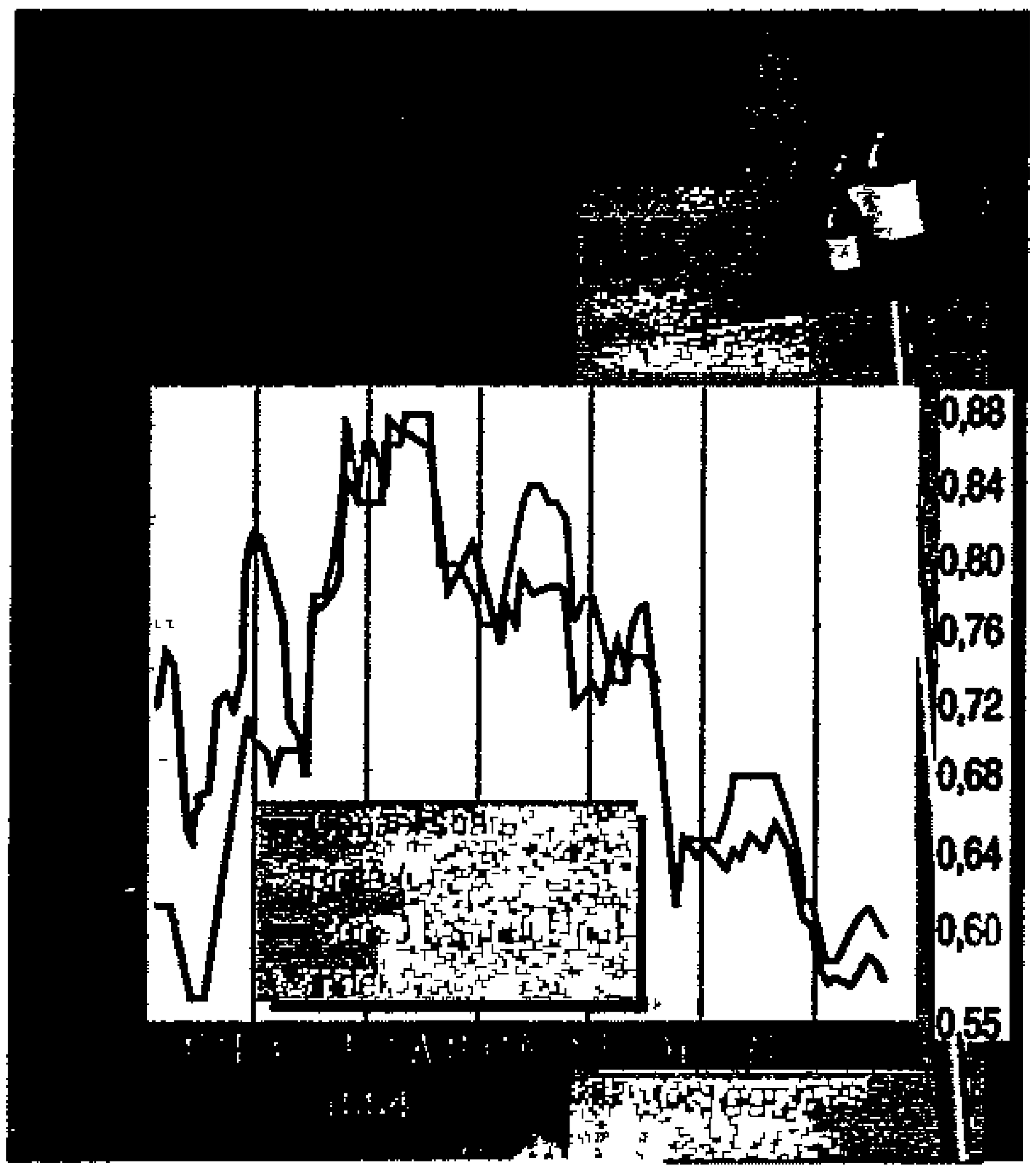
Group spending estimates are R330m in 1996, R360m in 1997 and R310m in 1998 The glass packaging division will get the lion's share of the capex, about R180m-R220m a year About R100m a year will go to the rubber division, about R20m to plastic and about R30m to paper packaging

MD Piet Neethling believes this can be financed with borrowings and internal cash flow, without calling on shareholders for equity funding It could well be possible to do this without straining the balance sheet But investors may need convincing that growth in earnings and dividends will remain attractive

Consol has several factors in its favour many of its operations are highly volume-sensitive, it holds leading positions in its main markets, in particular glass packaging and tyres, some divisions should now be benefiting from earlier capital investment, and the group is a strong cash generator

Its R3bn turnover and R340m operating profit are derived from two main activities packaging and related products last year contributed 43,5% of turnover and 51,2% of operating profit, rubber and related products provided 56,6% of turnover and 48,8% of operating profit

Neethling segments this further Packaging's sales were 50% from glass, 33% from paper and 17% from plastics, its profit came 80% from glass, 25% from paper and a negative 5% from plastics In the rubber division, tyre maker Tycon produced 45% of turnover and 60% of operating profit, retreader and distributor Tredcor contributed 55% of sales and 40% of operating profit.



Abrupt changes in volumes sold to swiftly rising markets were a major influence on the 1995 results — though the effects were not all favourable In the bottling market, where Consol is the dominant supplier with a share of 75%, demand for glass containers grew in all sectors, averaging 8% In some sectors, demand grew at much higher — if unsustainable — levels

Soft drink bottle volumes rose by about 50% over the financial year, boosted partly by the introduction of Pepsi and other new players Demand from the wine and spirits industry grew about 20%, lifted by the surge in wine exports after the elections Expanding fruit exports saw corrugated packaging volumes up 13%

In the rubber division, most sectors showed volume gains Units of new tyres sold grew 12%, with much of this exported to meet a large order from the Far East

Despite these higher volumes, the group operating margin on sales dipped from 11,7% to 11,4% This is an unusual effect, especially considering the large manufacturing (and high fixed cost) component in Consol's operations.

It seems management may have been caught off guard by the suddenness of the recovery In the glass division, three furnaces had to be brought back into production quickly to meet the demand The recommissioning of these furnaces required expenditure and skills had to be spread more thinly Neethling says their return to production carried a high cost, which Consol had to bear almost throughout the year

Surging commodity prices hit the costs of raw materials used in various parts of the group Materials affected include soda ash for glass, paper and plastic polymers in other packaging activities and natural rubber in the rubber division Neethling notes that such cost increases often cannot be fully passed on in the short term

The loss in the plastic packaging operation has been a continuing problem Neethling says this activity has undergone major reconstruction over the past two years The latest loss was smaller than that incurred in 1994 This year, at least breakeven is expected

With its returns either negative or well below the group figure, it has to be asked whether Consol should stay in this business Neethling says "Plastics account for 25% of the total packaging market, so it is a very important market segment"

The Gauteng rigid packaging operation is still a problem area Traditional household product markets have been shrinking under the pressure of imported product options concentrate and refill strategies An early reversal of this trend is not expected, so this operation will be sized down to match demand

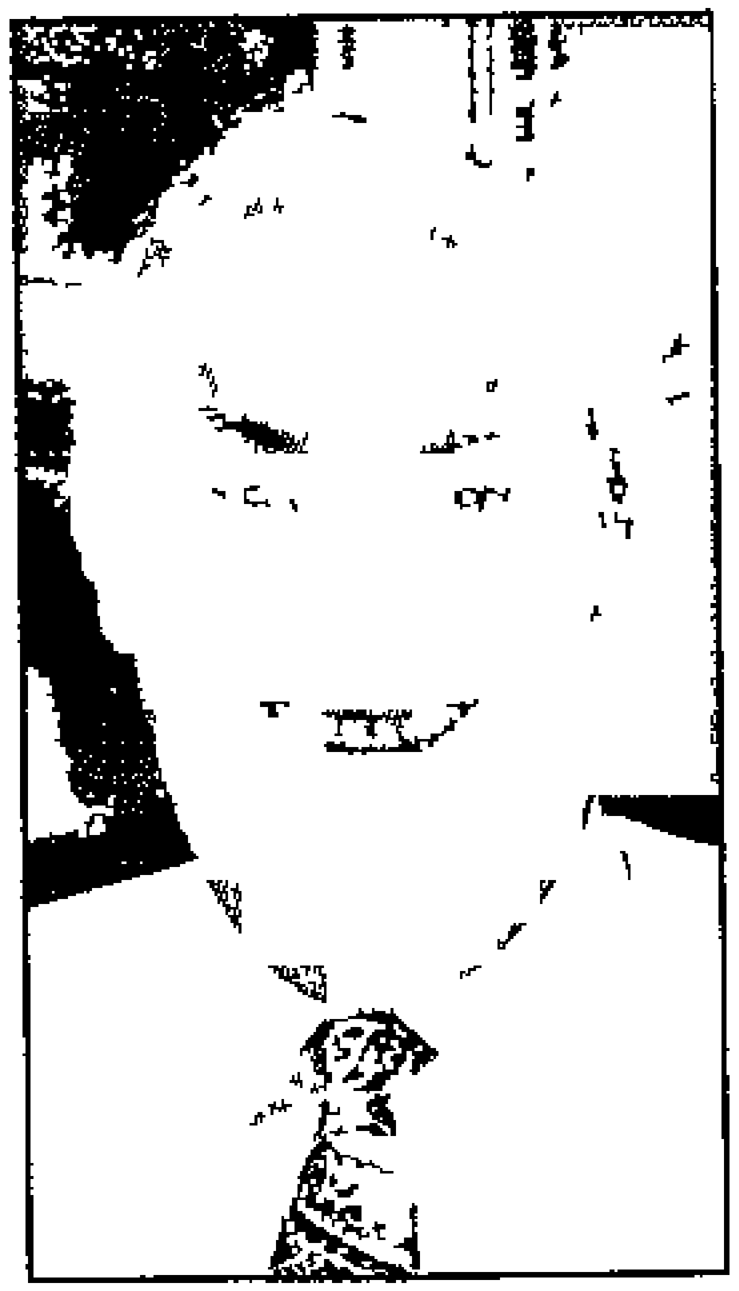
What chairman Clive Menell calls reconstruction of Consol's operations has moved progressively though the group In the plastic division, he says, a programme of product focusing and reduction of overheads is being pursued with vigour

Contred, holding company for the rubber activities, has largely completed this exercise Menell says that, with enhanced systems and processes it will reduce warehousing, handling and overhead costs while improving service

The rubber division has changed greatly since Consol entered this industry with its purchase of Goodyear from the US parent six years ago It was an attractive buy for only R210m, on a p e of less than five times Consol has since ploughed capex of about R350m into this company

Moreover, whereas it initially was primarily in the manufacture of tyres and related products, through acquisitions such as Tredcor (from Trencor and Longmile) and Safe-T-Tyre, it has built up large retreading and distribution activities Tyre maker Tycon claims to produce about 25% of local output but when Tredcor's distribution activities are taken into account, the group contends it controls about 40% of the market with more than 180 outlets

None of the other manufacturers has such large distribution activities, most have none And Neethling says that even if imports — now about 11% of the market — continue to grow, the group could still benefit through larger imports by Tredcor, which is already an importer "We could swing it either way," he says "Our strength really lies in our distribution"



Neethling

Being in distribution as well as making tyres proved helpful recently when the price of natural rubber shot up It more than doubled over less than 12 months, involving a total cost for the group of more than R35m Tycon felt the impact because it can take several months to have a price increase accepted in the industry Neethling says Tredcor did well, which it usually does when prices are rising, as it can sell from existing stocks

Now the upgrading and capital expansion will focus on the glass division, which has seen comparatively little capex recently It has been a "wonderful money spinner" but modernisation and investment are clearly needed The factory in Wadeville, Germiston, for example, is almost 50 years old

Plans include a scheduled rebuilding of furnaces (there are 15 in total) to latest international standards More productive machinery will be commissioned and production capacity will be increased by 25%-30%, though this will depend on how the market develops over the period

This programme will follow major changes in strategic thinking Production will be designed around the latest technology rather than the workers That should mean better efficiencies and quality It will also mean a lot fewer jobs The plan follows recommendations made by US-based technology supplier Owen Illinois

At June 30, borrowings had increased to R501m (1994 R277m) or R396m net of cash Net gearing is 38%, certainly not onerous for this company but the market may not want to see it rise much higher

Cash flow was a negative R170m in 1995 and management is projecting it will remain negative by R100m in 1996 and 1997 before becoming a positive R100m in 1988 Net debt is forecast to peak at R600m in 1997 and fall to R500m in 1988

The success of these predictions — as well as the prospects for a sustained recovery in the share price — will depend heavily on the trading performance This would need continuing sales growth and better margins

Though 1995's operating profit grew 19%, it was flat or down in the previous three years Earnings have been driven largely by the fall in the effective tax rate to 30,1% from 46% in 1991

"The next three years will be crucial for glass," concedes Neethling "But I think we can do it What we are doing is large and expensive but we are used to these projects"

With restocking by customers probably having largely run its course, he is expecting sales growth in the packaging division to fall from last year's 24% to about 15%-20% and in the rubber division from 21% to about 15% This would still mean better volume throughput and, it's hoped, with less pressure on margins

Over the next three years, packaging's operating profit is forecast to grow by 20%-30% and rubber's by 15%-25% For the group, Neethling is calling for annual earnings growth of 20%-25% over this period

If these figures are achieved, the share is on a prospective p e of 10,4 on a 12-month view and is not particularly expensive

The capex programme could greatly enhance long-term prospects, so the current price may offer an investment opportunity But for now the market may want greater assurance that all will go as planned Industrial unrest, commissioning problems with new plant or competitive actions are among the potential risks

Andrew McNulty

Local demand for doors and glass helps boost Masonite

Nicola Jenvey (193) BD 19/9/95

DURBAN — Strong sales of doors and glass products saw building and construction company Masonite (Africa) double its attributable earnings to R7,8m for the six months to June, chairman and MD Alan Wilson said yesterday.

Masonite manufactures hardboard, insulation board, cryogenic mineral wool, prefabricated accommodation units, wood and mineral fibre ceiling panels, decorative wall panelling and forestry products.

Turnover rose 29% to R89,2m as the company experienced stronger demand for local sales than for international sales, particularly in doors and the packaging sector

Operating income increased to R12,6m from R4,1m, which Wilson linked to strong local demand The shift away from international demand also impacted on operating income as costs for shipping were not incurred

A R160 000 surplus on the cash balance was recorded during the review period compared to a R50 000 expense for the six months to June last year

Earnings a share rose to 115c from 55c and a 20c (12c) interim dividend was declared

"Demand in both domestic and international markets was strong. The performance of forestry and manufacturing was excellent and also contributed towards the improved results," Wilson said.

However, international prices were "softening" and although local demand should remain firm until year-end, certain market segments which had traditionally strengthened in the second half-year remained depressed.

"The general economic signs are not as good for the remainder of the year as they were in the last six months of 1994, and shareholders should not expect second half-year ratios for 1995 to be on a par with those achieved last year."

The company had earned "at least half" of its earnings for this year during the period under review, he said

Masonite turns in impressive first half

CT (BR) 19/9/95 (193)

By Shirley Jones

Staff Writer

Durban-based building materials manufacturer, Masonite, has turned in impressive results for the six months to June 30 this year, thanks to strong demand for products on both local and international markets

The company's net earnings a share increased to 115c from 55c and a 20c dividend was declared for the six months to June this year

This was on the back of a 29 percent increase in turnover from R69 million during the first six months of last year to R89 million Earnings before tax climbed to R12,8 million from R4 million Earnings after tax stand at R7,8 million as opposed to R3,7 million over the same period last year

Alan Wilson, the chairman and managing director, put the company's strong performance down to strong local sales, but said that these were not related to the RDP

He cautioned that the company was unlikely to repeat either its impressive performance during the final six months of last year or its pleasing results during the first half of this year because the general economic indicators were not as strong as theywere

(193)

SONDOR

FM 22/9/95

Hard work pays off

Activities: *Makes and converts closed cell expanded rubber and plastics*
Control: *Directors 53%*
Chairman: *D A Buchanan CE B Tilney*
Capital structure: *24m ords Market capitalisation R36m*
Share market: *Price 150c Yields 3,8% on dividend, 10,3% on earnings, p e ratio, 9,7, cover, 2,7 12-month high, 145c, low, 85c Trading volume last quarter, 16 300 shares*

Year to March 31	**'92**	**'93**	**'94**	**'95**
ST debt (Rm)	0,8	0,9	0,6	0,2
LT debt (Rm)	1,3	1,0	0,5	0,3
Debt equity ratio	0,11	0,04	0,19	n/a
Shareholders' interest	0,66	0,68	0,56	0,62
Int & leasing cover	2,0	0,5	0,4	n/a
Return on cap (%)	26	20	23	26
Turnover (Rm)	25,6	30,0	34,3	40,9
Pre-int profit (Rm)	5,1	4,4	4,9	6,0
Pre-int margin (%)	20,1	14,6	14,5	14,8
Earnings (c)	10,7	11,9	11,8	14,3
Dividends (c)	6,0	4,5	5,0	5,5
Tangible NAV (c)	55,4	63,2	50,6	59,5

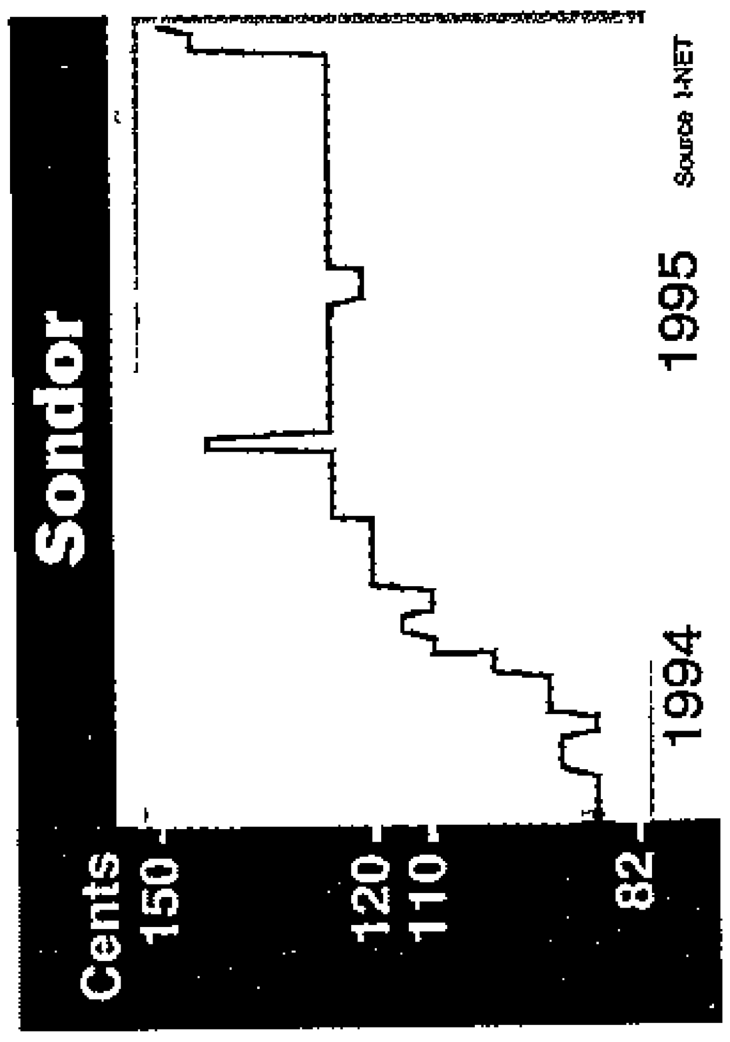
In 1995, new management improved efficiencies and made concerted efforts to curb expenses and increase profits As a result there was a 19% surge in turnover to R41m accompanied by a satisfying elimination of gearing (1994 19%)

Improved economic conditions increased sales and this boosted earnings 27% to

R3,6m The company seems set to do at least as well again this year

The new closed cell expanded polyethylene manufacturing plant, costing R1,5m in equipment and R500 000 in installation fees, came on line in August as planned This raised production capacity by 70%, relieving a difficult bottleneck The original plant was operated without pause six days a week but still couldn't meet demand

Installing a new state-of-the-art plant became inevitable This will enable growing demand to be met, and allows for expansion The project was financed by an Industrial Development Corp loan



Borrowings are expected to resume this year but should remain well below 40% This isn't surprising given the debenture repayment of R720 000 in July, and the use of cash (R4,2m) for the latest acquisition, Executape (Pty) Sondor now controls 75% of Executape, which will be able to capture between 15%-20% of the self-adhesive tapes market The acquisition could lift EPS

Cement manufacturers ensure good distribution

BD 5/10/95 (193)

Robyn Chalmers

IN LINE with the cement industry's bid to strengthen its distribution capacity, following a decision last year to disband the cartel, PPC Cement has incorporated its two leading cement distributors, Cooper & De Beer and M Fihrer & Son, into its business

MD Clive Tasker said the operations of Cooper & De Beer and Fihrer would be merged with PPC to spearhead the company's sales and distribution services

He said the move was in line with PPC's aim of smoothing the transition to a free market environment once the cement cartel was officially disbanded next year

"Once the cartel is disbanded, the cement industry's central transport and distribution optimisation system will fall away

"By merging Cooper & De Beer and Fihrer into our business, we can assure customers of ongoing service and uninterrupted supplies

"The merger allows us to provide a direct service to retailers, concrete product manufacturers and larger building and construction products"

Tasker said Cooper & De Beer had been a subsidiary of PPC for eight years, and was SA's largest cement distributor while Fihrers, SA's third largest distributor, became part of the PPC group in 1993.

The merger was an example of PPC's efforts to become a more market-driven organisation which was aligned more closely with its customers, and this would make it the only company to offer a delivered cement service on a national basis

PPC's main competitors, Anglo-Alpha and Blue Circle Cement, have also consolidated their distribution systems to compensate for when the cartel's distribution arm is disbanded

Anglo-Alpha MD Marko Germana said the group had been active in boosting its distribution systems for a number of years in anticipation of the distributor's disbandment He said that over the past three years, the group's sales outlets had been increased from four to 14 in key regions across its market area This had been achieved by acquiring major distributors and building greenfields distribution terminals

Blue Circle Cement had also focused on boosting its distribution, and cement MD Piet Strauss said it had recently formed Blue Circle Cement Sales as a separate entity to look after distribution systems

Blue Circle Cement Sales had been borne out of the former D&A Cement which was formed a year ago and changed its name in July

"We believed we needed to look after our sales distribution and we acquired 50% shareholding in the privately owned Petermix last year"

(193) Now 5/10/95

PPC Cement expands

PPC Cement said it had incorporated two leading cement distributors, Cooper & De Beer and M Fihrer & Son into its business

The operations of Cooper & De Beer and Fihrer would be merged with those of PPC Cement to spearhead the company's sales and distribution services

Clive Tasker, the managing director of PPC Cement, said the move was in line with PPC Cement's aim of smoothing the transition to a free-market environment

Cooper & De Beer has been a subsidiary of PPC for eight years, Fihrer became part of the PPC group in 1993 — Sapa

Concor Technicrete gears up for the future

(193) CT(BR) 5/10/95

The Technicrete Division of the Concor group notched up excellent growth during its past financial year, providing specialised concrete products for the mining and construction industries as well as supplying product development and contracting expertise for its mining and commercial clients

Behind its solid performance has been organic growth in existing markets together with a committed, focused push into new markets The introduction of new products and services to meet clients' needs, together with an intensive productivity and quality drive at all levels, has assisted in producing some stunning results

The results were achieved without any significant input from the RDP and when that programme finally gets into top gear, Concor Technicrete is superbly poised to meet its needs

The post-election honeymoon period has improved the climate for Concor Technicrete, boosting demand for its range of masonry and paving products, erosion protection and retaining walls, roof tiles, hollow core flooring and pre-cast arch and beam structures

The mining business within the division has also continued to increase its market presence through its backfilling, specialised underground contracting and stope support expertise

Gearing up to meet the demand has meant a major commitment to the future and large-scale investment in new production capacity, including a total upgrade of the block factory at Olifantsfontein, the doubling of capacity of the Nelspruit block plant and a new roof tile plant at Nelspruit

Says Dave Wilson, MD of Technicrete "We have adopted a broad manufacturing strategy to ensure that we meet the needs of our different market segments"

Innovation is an important part of the Technicrete equation and the division internally develops many of its own products as well as seeking overseas lines which have local applicability

For example The Swiftbrick is an innovative local product suitable for both upmarket and RDP projects, where a 150mm single-skin wall can offer considerable cost savings

The division's hollow-core flooring, marketed under the name Confloor, is ideally suited to a wide variety of applications such as multistorey buildings, townhouses, schools, hospitals and offices

Another recent addition is the French Matière arch system which can be used for infrastructural hydraulic applications as well as single and multiarch tunnels in traffic and rail applications

New products in the pipeline are the "Beany Block" from the UK, a combined stormwater/kerb conduit and a new product in the Armorflex range designed for hard lawn paving

Much attention is being given to the development of more cost-effective, safe and technically competent stope support products as well as to the expansion of the already wide range of specialised concretes and grouts for Technicrete's mining clients

In the area of productivity and quality the company has also been making significant progress

In December 1992 the division formulated a strategy to improve its productivity Top management was involved in all facets of the Performance Improvement Programme (PIP) and continues to drive the exercise through a steering committee

Consultations were held with unions, shop stewards, labour and managers to communicate the aims and objectives and to encourage everyone's support of the initiative

The results have been outstanding! Output per manhour calculated on the number of equivalent units manufactured in one manhour rose 45,5% and substantial savings were achieved which enabled investment in expansion and job creation programmes

Training is an integral part of the programme with the total belief in Technicrete that improved levels of literacy, skills and management lead to a more motivated and productive team who can continually see improvements in their own standard of living

The drive by the division to continually improve productivity was recently recognised when Technicrete received the highest productivity award in the country – the National Productivity Institute's Gold Class Award

Against this background, Concor Technicrete is set fair for growth, and, with its range of products which lend themselves to labour intensive construction, will be well positioned to further benefit from the RDP

Some competition will come from "township entrepreneurs", Wilson acknowledges However, as he puts it

"Our main concern is to see that standards remain high The Concrete Manufacturing Association is addressing the issue with educational programmes and Concor Technicrete is happy to assist informal manufacturers

"We have already established strong links with the informal sector For example, half our business in Nelspruit is with emerging contractors and entrepeneurs so we are going through a valuable learning curve

"We will, of course, never lose focus on our traditional markets and in that respect, too, we are well structured to meet the country's needs"

Wilson, who was born in Northern Ireland and came to South Africa in his late teens, is a civil engineering graduate (UCT) with extensive experience in both SA and overseas He joined Concor Technicrete in 1984 and was appointed M D in 1991

Under his guidance and with the help of "my first-class management team", as he puts it, the division has made good progress and is now clearly poised to take advantage of the opportunities offered in South Africa's new golden era

■ CONTACT CONCOR TECHNICRETE AT (011) 495 2200 FOR FURTHER INFORMATION

Building a new nation an excellent example of economic housing using Concor Technicrete products

CONCOR TECHNICRETE

PPC opens service centre in Pietersburg

(193) BD 13/10/95

Robyn Chalmers

PPC Cement yesterday opened a cement service centre in Pietersburg, Northern Province, in a bid to establish a cohesive infrastructure around SA in a post-cartel environment.

PPC Cement MD Clive Tasker said each region had specific requirements and PPC was aiming to meet these by establishing regional representation countrywide.

He stressed, however, that PPC would not be establishing its own retail network in the area, and would be supporting local cement stockists

He said PPC's presence in Northern Province would be further bolstered by the recommissioning of its plant at Dwaalboom, due in the first half of next year

"Recommissioning the plant will signify a welcome boost to the economy of the region," said Tasker.

Drop in cement price unlikely, says producer

CT(BR) 18/10/95 (193)

BY AUDREY D'ANGELO
CAPE BUSINESS EDITOR

There is unlikely to be any big drop in prices following the abolition of the cement cartel next year, Marco Germena, the director of Anglo Alpha cement division, said at a presentation to the Society of Investment Analysts in Cape Town yesterday

He told the society his company would concentrate on retaining its 36 percent market share but had "no deliberate intention to increase it That could be done only by buying market share and we feel that would be fatal to consider"

Trevor Wagner, the company's director of finance and administration, said he did not think there would be pressure on cement prices But he added that if there were a price war, it would affect Anglo Alpha far less than Pretoria Portland Cement because of Anglo's mix of businesses

Anglo Alpha already has a ready mixed concrete operation in the Western Cape, a PPC stronghold, but does not deal in cement powder there

Germena said the RDP would raise demand for cement by only 5 percent Anglo Alpha expected GDP to grow by between 3 percent and 3,5 percent. That translated into growth of between 3 percent and 4 percent in the cement market in the medium term

He said all three cement producers — Anglo Alpha, PPC and Blue Circle — were in a strong position. "No one producer is in a position to dominate the others in spite of what PPC would like people to think."

Increase in demand for clay bricks

CT (BR) 18/10/95 (193)

By Maggie Rowley

Property Editor

Residential demand for clay bricks had soared in the past year, offsetting in part the dramatic drop in public sector building contracts, said Harry Voorma, the managing director of Corobrik

Corobrik, the largest manufacturer and marketer of clay bricks in South Africa, had seen volumes increase in the past year by about 12 to 15 percent and the company's 21 factories countrywide were now running at between 80 and 90 percent capacity, against about 65 percent in the middle of the six-year recession

Corobrik, he said, had gained market share and the clay brick industry as a whole had seen volumes increase by about only 6 percent in the past year

This improvement had fallen far short of expectations as Corobrik had expected volumes to increase by about 25 to 30 percent, boosted by RDP-related public sector building projects

"However, government and municipal building contracts had dropped off dramatically during 1995 and to a large extent the building industry had been carried by the private sector, particularly in the residential area," he said "It is not as if we have lost market share The public building programme ground to a halt and there are no indications that this will pick up "

Voorma said South Africa was tending to follow international trends and was seeing a strong surge in the use of clay brick pavers for commercial applications.

Low rate of work targeted

ARG 21/10/95 (193)

CHARLENE CLAYTON
Property Reporter

LOW productivity on site has been cited by one of the country's largest manufacturer of clay bricks, as one of the major contributing factors towards the high cost of building.

A recent Bureau for Economic Research report indicated that building costs for 1995 rose almost 17 percent and it forcast further increases of 20 percent next year

The director of Corobrik Western and Eastern Cape, Mike Ingram, said that in 1976 the building industry norm was for 1 000 to 1 500 per person per day

"Today, if bricklayers put down 500 bricks a day, it is considered a lot," he said

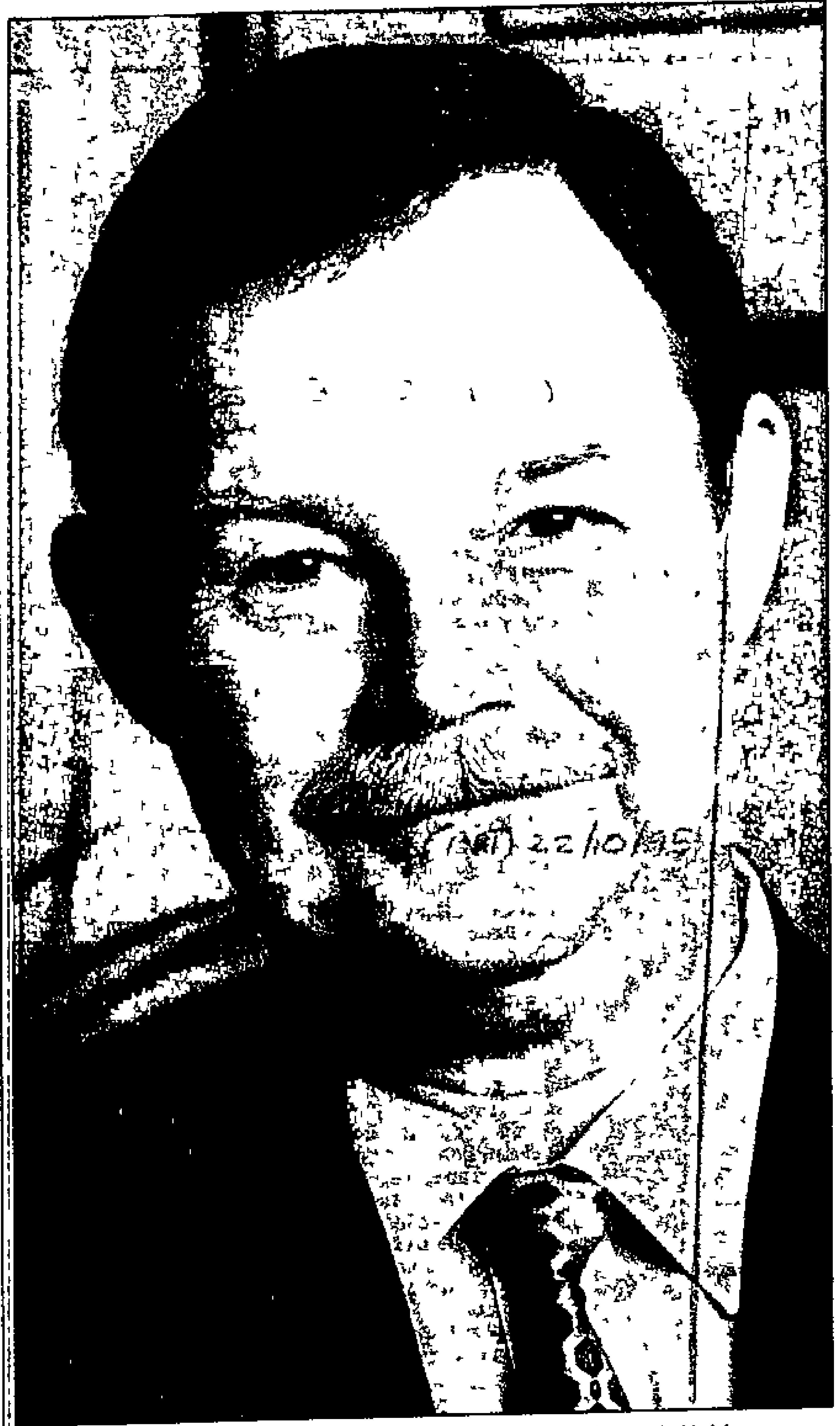
Even six or seven years ago, the building industry was putting down 800 to 900 bricks a day per person

Mr Ingram recalled that when the Pietermaritzburg police station was built, the developer specially flew in a Cockney bricklayer who could lay an impressive 2 500 bricks a day The industry norm at the time was between 1 000 and 1 500 bricks a day, said Mr Ingram

The current low productivity in the building sector was reflected in South African industry as a whole, he said

SAPA reports that according to analysis of the 1995 World Competitiveness Report, South Africa's overall ranking has declined by one place from 35th to 36th out of 41 countries

According to the People factor, which makes up a country's competitiveness, South Africa is still ranked last



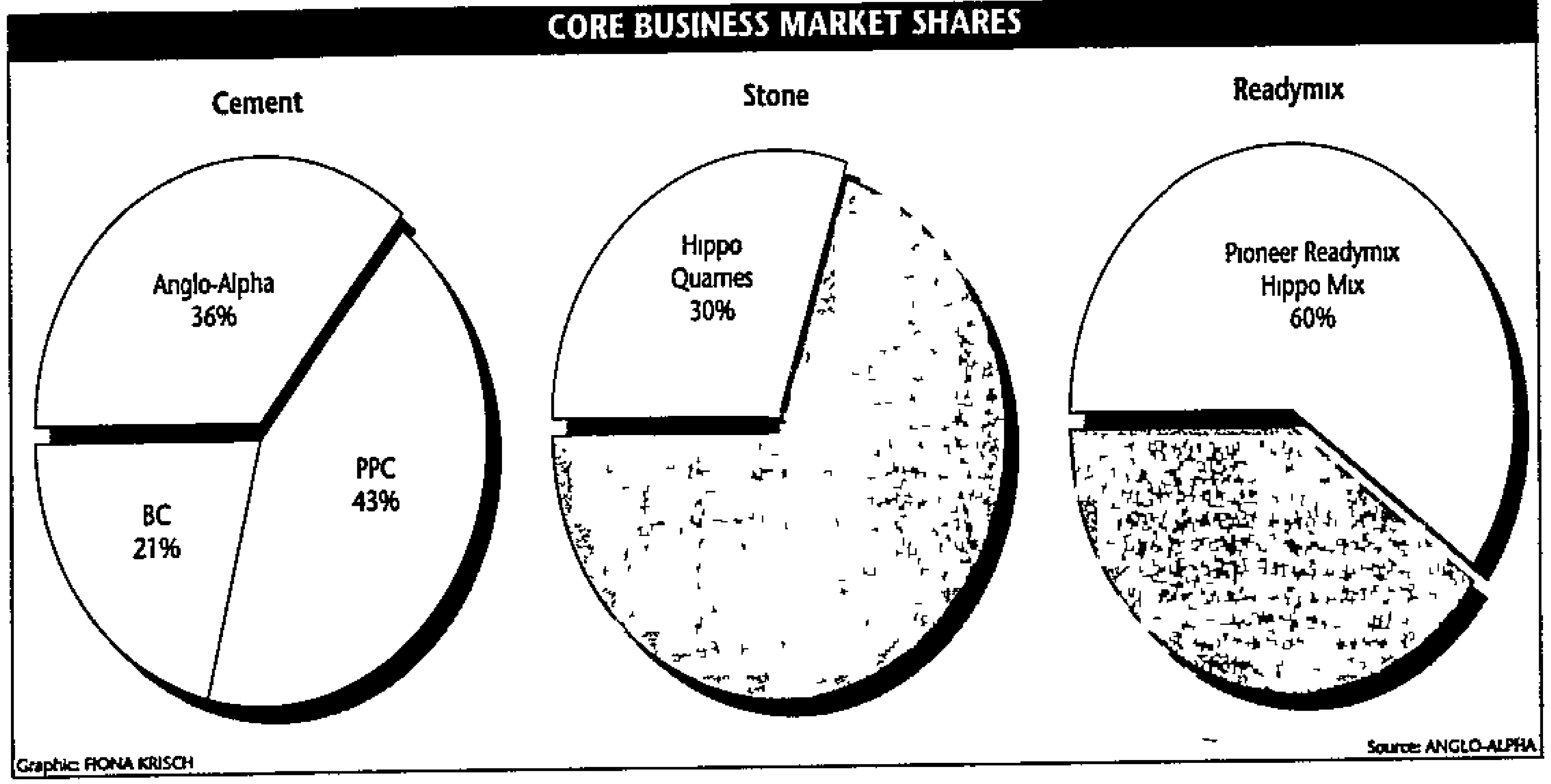
EXPANSIVE Charles Davies, chief executive of Norwich Holdings

(BT) 22/10/95

MARCIA KLEIN
DIAGONAL STREET

Cement industry stands on solid ground despite cartel's demise

(193) ST (BT) 22/10/95



DON'T expect the ground to shift when the cement cartel breaks up next year, for it seems many aspects of the industry are cast in stone.

Marco Germena, Anglo-Alpha's cement division director, told the Investment Analysts' Society this week that Anglo-Alpha would certainly fight to maintain its 36% share of the national 8-million ton a yearcement market "in a post-cartel competitive era"

But it had no plans to step up the competition in order to try and gain some of Pretoria Portland Cement's 43% share or Blue Circle's 21%

"We will not allow our market share to be eroded, but have no plans to increase our share of local demand," he said, explaining that the three producers all had sufficient capacity for the size of the market, and that "you can only buy market share through price discounting", an option which it would not consider

Mr Germena said the breaking up of the cartel put many questions in investors' minds But he believed all three producers were well placed to operate in a future competitive situation and he did not expect one producer to dominate.

Johan Pretorius, Anglo-Alpha's managing director, said that Anglo-Alpha was "not completely ignorant in terms of competitive situations" Many of its other interests, notably stone and ready mix, were involved in competitive markets, so a broken cartel in cement would not be something new

Mr Pretorius said the group had some other specific advantages in a competitive situation, like the know-how agreement with Swiss group Holderbank, which had an effective 30% stake in Anglo-Alpha

The group, in turn, had a 36% holding in fertiliser and explosives group Omnia Holdings, not an obvious fit but in Mr Pretorius' words, "a gem" If the Omnia-Sasol joint cautionary on merging their similar interests materialised, there could be major synergistic benefits

This deal needed the sanction of the Competition Board. Mr Pretorius said "We have made a submission to the Competition Board and are awaiting a reply We believe it can go either way"

The performance of the cement division, which accounted for 43% of Anglo-Alpha s R1,14-billion 1994 sales revenue, was crucial.

But the group was a major player in other areas Its Hippo Quarries had 30% of the stone market and Pioneer Ready Mix Concrete and Hippo Mix 60% of the ready mix concrete market.

Other interests included lime, a stable but unexciting growth market.

The group was erecting a R120-million kiln at its factory in the northern Cape to ensure it maintained market share

In industrial minerals, it had found a niche market in its fine grinding expertise Cappa Sacks, which Mr Pretorius said was a backward integration to ensure security of supply, had turned into a business which now sold 25% to outside companies.

Between them, the various divisions contributed to a more than twofold increase in June interim earnings to R74,9-million on 33% higher sales of R667,2-million.

During those six months the group experienced increased demand for its products, higher capacity utilisation rates and improvements in its cost structure.

Cash flows were strong, translating into gearing of nearly 15% compared with a company-imposed limit of 67% It could still borrow R615-million before reaching this target

The group has forecast higher sales volumes for the year to December, a 46% rise in profit after tax on a current cost basis and a 35% increase on a historical cost basis

Mr Germena said growth in demand for cement was dependent on GDP growth and highly sensitive to it. Estimates that GDP would grow by 3% to 4% in the next few years pointed to moderate growth in future demand for cement.

The group expected demand to reach 9-million tons in 1995 and was in a position to meet demand until 1999

This could be achieved partly through a decision to recommission some kilns which had been mothballed since 1985 These kilns, which would come into production in the first quarter of 1996, should meet expected demand until the end of the decade.

Mr Germena said while Anglo-Alpha had the production capacity to meet demand in the short to medium term, it would have to look at other options in the medium to long-term, including those in Natal and Namibia

Norwich heads for the JSE with growth assured

Building materials price hikes in dispute

(193) BD 26/10/95

Robyn Chalmers

BUILDING materials suppliers have insisted that they are sticking to the compact made last year with government to keep price increases in line with inflation, despite contradictory reports.

Building Materials Suppliers' Consortium chairman George Thomas said yesterday that an informal survey of the larger building materials suppliers showed that their prices had increased between 7% and 10,5% during the year.

These figures contradicted statistics from Stellenbosch University's Bureau for Economic Research and other research institutes which estimated that prices were expected to rise 13% this year and up to 20% next year.

Thomas said he was concerned that a perception was being created in the industry that building materials suppliers were pulling out of the compact agreed to with government to keep price increases in line with inflation

"All the feedback we are getting from larger suppliers at the grassroots level shows that not only are we sticking to the compact, but in most or almost all cases we are keeping increases in the prices of building materials below inflation," he said.

The informal survey showed that prices in the cement industry had risen 6% in January and 4% in July — on average about 8% for the year — and cement companies had indicated that price increases would be held below inflation until 1997.

Federated Blaikie, one of the largest distributors of building materials in SA, had seen a 10% to 10,5% increase in materials used for low-cost homes this year, and expected this to be lower in 1996.

Penny Pinchers and Cashbuild reported increases of between 8% and 10% year-on-year to March.

The Clay Brick Association estimated that industry prices for clay bricks had risen 7% over the past year, but that sales had been below expectations due mainly to the lack of delivery on the low-cost housing front

The survey showed that the price of timber had increased 6,5% between January and October, while the price of steel roofing products rose 9,2% in the first quarter of this year compared with the first quarter of 1994

PPC to supply housing plan

(193) CT (BR) 30/10/95

STAFF WRITER

Johannesburg — PPC Cement has landed a contract to supply cement to the Far East Bank Housing Project, launched in Alexandra by Dan Mofokeng, Gauteng's provincial housing minister

The project will see more than 800 low-cost houses developed for Alexandra residents All contractor work will be undertaken by small local contractors overseen by entrepreneurial project managers from the community

Musa Shangasi, the business development manager for PPC Cement, said "This housing project — a typical RDP approach — proves the viability of community-driven initiatives

"It also underlines PPC Cement's commitment to supplying cement to and supporting the communities in which it operates"

Anglo-Alpha will wrap up cement

(193)

Robyn Chalmers

BD 1/11/95

CEMENT producer Anglo-Alpha has fired another salvo in the increasingly competitive cement industry, with the introduction of stretch-wrap palletising for bagged cement at its factory in Roodepoort and its depot in Brakpan

Roodepoort factory and Brakpan depot GM Ampie Smit said the new system enabled customer vehicles to be speedily loaded with pre-palletised 40-bag units on a returnable wooden pallet

"Apart from reducing the turnaround time for customer vehicles, the new system minimises bag breakages during handling and transport, as the bagged cement is subject to lower levels of stress In addition, the bags are waterproof and may be stored outside for a limited period of time until required," Smit said

Smit said the Brakpan distribution depot, which came on stream in 1985, dispatched 500 000 tons of cement products each year

ABI posts modest earnings

(193) CT (BR) 3/11/95

By Fiona Leney

Johannesburg — ABI, the bottler of Coca-Cola and allied products, posted a modest 7,3 percent rise in attributable earnings to R32,2 million in a quieter first half of the financial year to end-September

Turnover rose by 7 percent to R621 million and excise duty payable was little changed at R34,1 million, from R33,6 million previously, leaving sales revenue of R586,8 million (R546 million)

Trading profit fell to R38,8 million from R42,1 million previously, with dividend income marginally better at R4,1 million (R4 million) However, net interest received doubled to R1,8 million

A lower tax bill at R14,7 million from R18,1 million, as well as a more than doubling in equity-accounted retained earnings of associates to R2,3 million, boosted taxed profits to R32,3 million, from R30,1 million

ABI's Managing Director, Trent Odgers, said tight trading in the first half was offset by strict cash management, strong growth in can sales and a cut in the tax rate The period traditionally contributes about a quarter of annual earnings

Trading in the first half had picked up and the growth reported in the second quarter had continued into the current financial period

He expected earnings and dividend growth to be maintained The interim dividend is 11,5c (10,7c)

On an attributable earnings basis, earnings a share of 30c (28,3c) were declared — 51,4c (48,3c) on a cash equivalent basis — and new fully paid ordinary shares are to be issued as a capitalisation award

PGSI beats its margin squeeze

(193) BD 6/11/95

Yuri Thumbran

PLATE Glass & Shatterprufe Industries (PGSI) lifted attributable earnings 41% to R128,6m for the six months to September, despite declining trading levels

The SA Breweries subsidiary pushed sales 15% higher to R2,1bn, but tougher competition and increased expenditure hurt margins to leave operating income 6% up at R197,7m

Net financing costs rose to R18,9m from R12m, as borrowings jumped to R384,8m from R295,1m

The bottom line was helped by a lower effective tax rate The tax bill dropped to R41,6m from R60,2m.

Diluted share earnings rose 16% to 332,8c, as the share base expanded with the conversion of preference shares and the effect of previous capitalisation awards. The dividend rose to 149c from 130c, and PGSI again of-

Continued on Page 2

PGSI

(193) BD 6/11/95

Continued from Page 1

fered a scrip alternative.

Chairman and CE Ronnie Lubner said at the weekend that the performance was satisfactory, given market conditions. He said such conditions were likely to persist for the rest of the year, leaving earnings growth at similar levels to the first half.

Auto glass repair operation Belron International had continued to lift earnings, despite competitive conditions in the 18 countries it operated in.

Glass SA had suffered manufacturing disruptions, but still maintained supplies to both the motor trade and building industries and improved earnings. The division had also completed a R150m float tank repair.

But PG Bison suffered as expected; reconstruction and development programme benefits failed to materialise, and furniture manufacturing slowed.

PG Industries Zimbabwe's earnings fell amid commissioning difficulties at its new hardboard plant.

Lubner said PGSI had been forced to borrow to fund its R213m investment programme as cash retained from operations was limited to R53,1m. Though long-term loans fell to R44,4m from R107,4m, short-term debt jumped to R340,4m from R187,7m

Gearing had hit 38%, well within the company's 60% ceiling.

Huge coloured swing to ANC

ARG 2/11/95

Political Staff

WESTERN Cape local government election results showed a mass defection of coloured voters from the National Party to the African National Congress

The swing gave the ANC control over scores of NP strongholds, including Beaufort West, Worcester, Riversdale, Saldanha Bay, Swellendam, Vredendal, Wolseley and Ashton

As counting proceeded in larger towns adjoining the Cape Town metro area — including Paarl and Stellenbosch — a close finish was being forecast

In Stellenbosch late today, the ANC had won seven wards to the NP's two with three wards still outstanding

But it was unclear whether or not this would translate into ANC control of the town once proportional representation seats were allocated to the parties on the local council

In Grabouw, the ANC had won three seats, to one each for the NP and the Pan Africanist Congress, with votes in one ward still to be counted and proportional representation seats still to be awarded.

In Beaufort West, the ANC and its allied independent candidates won eight of the 11 seats on the local council

By midday the ANC had won 62 of the 79 "coloured" wards in the province where counting had been completed, and with ANC-allied independent candidates it held 77 percent of the wards in the coloured community

The results are certain to send shock waves through the National Party as it witnesses a significant erosion of the support base which last year brought it control of the provincial parliament.

An ANC landslide in the Western Cape will guarantee an unprecedented electoral battle when Cape metropole elections are held next year

In last year's elections, the ANC won about 20 percent of coloured votes in rural areas Initial results in the local elections show a swing of at least 30 percent to the ANC

"Our estimate is that we are averaging between 55 to 60 percent of the votes in the coloured community," said provincial leader Chris Nissen

He expected the trend would be repeated throughout the province as further results became known

In early results, the NP won the small towns of Yzerfontein, Koringberg, Redelinghuis and Aurora

But at the same stage of counting, the ANC had won 83, about 42 percent, of 198 seats on local councils. Counting in allied candidates, the ANC has won 46 percent of seats

In Worcester, the ANC won all three coloured wards, the five Zwelethemba wards and three from the proportional list to secure 11 seats on the 17-member council The remaining six seats went to the NP

In Riversdale, the ANC won six of the 10 seats on the council. In last year's election, the ANC won only 14 percent of the votes, the remaining 76 percent going to the NP

Mr Nissen said the huge shift away from the NP showed "people's eyes have opened — they are no longer interested in division and racism, they are appreciative of President Nelson Mandela's approach to reconciliation, and see the ANC as the vehicle of effective change"

Commenting on the poor showing of other parties, Mr Nissen said. "It's like the cartoon you had in The Argus, of the tug o'war — the rope is pulling to our side and the people in the middle are falling off"

● Turn to page 2

Hiccups but most local polls go well

The Argus Correspondents

SIXTY percent of proportional representation votes cast in the local government elections have gone to the African National Congress, with 18 percent going to the National Party and 11 percent to independent candidates, according to preliminary information issued by the Local Government Elections Task Group today

However, the group cautioned that "this is a preliminary figure and one should not try to identify any particular trends"

Election task group co-chairman Frederick van Zyl Slabbert said at a media briefing in Pretoria today that his group was grateful for the low level of violence which had taken place in the elections yesterday

ARG 2/11/95

"I could argue that this augurs well for the spirit of democratic tolerance and for inter-party co-operation. We have come through a steep learning curve and had to face many challenges," Dr Slabbert said

Millions of people turned out to vote, but so far only a few results have been released because in some cases counting started during the night or this morning

The elections went smoothly, but teething problems and hiccups were experienced at some polling stations

Provincial Affairs and Local Government Deputy Minister Mohamed Valli Moosa called the elections "a phenomenal success"

Election results for greater Johannesburg were not expected until later today, after a last-minute change in procedures delayed the start of counting in Soweto by up to 12 hours.

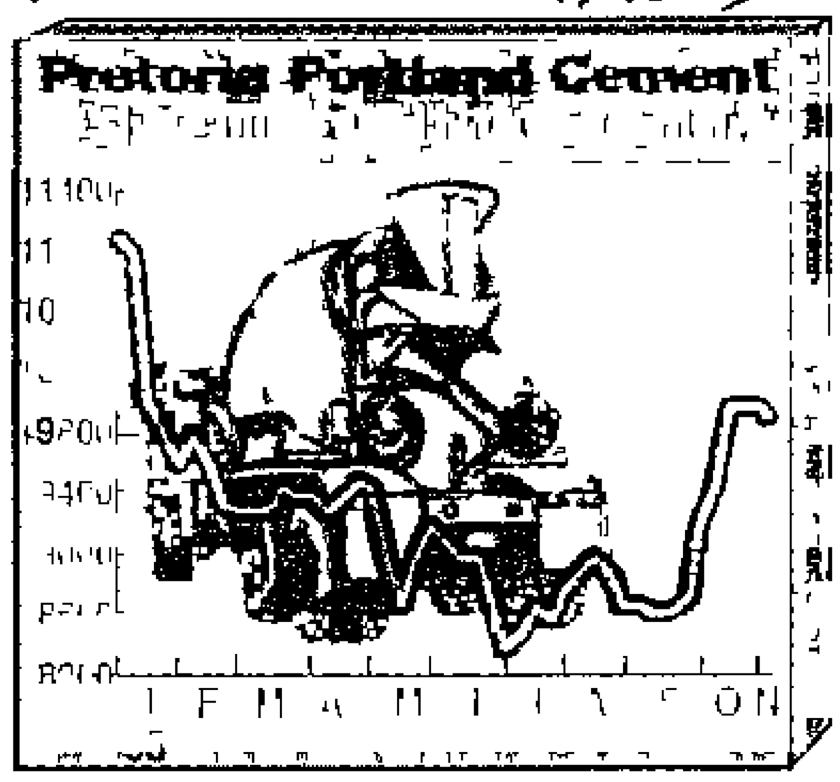
But the turnout was much lower than

To page 2

PPC considering new cement plant

BD 6/11/95 (193)

Robyn Chalmers



PRETORIA Portland Cement's presence in KwaZulu-Natal could extend to a new cement plant at an estimated cost of more than R750m if sufficient raw materials were found

MD Clive Tasker said at the weekend PPC was prospecting in the province for suitable raw materials to allow it to meet long-term demand

If these were found, the feasibility of building a new cement plant would be studied

He said recent industry statistics placed the cost of setting up a new plant at between R750m and R1bn, depending on when the decision to build was taken

PPC announced last year that it was looking into the construction of a new kiln in the Eastern Cape, but the lack of limestone in the region seemed to have placed a dampener on these plans

Opening PPC's regional office in KwaZulu-Natal, Tasker said more than 450 000 tons of cement had to be imported from inland to the province as the group and its former cartel partners Anglo Alpha and Blue Circle could produce only about 860 000 tons a year

With the cement cartel falling away completely on October 1 next year, in terms of a Competition Board ruling, there would be a major impact on the distribution and price of cement in many areas, he said

"PPC has committed itself to keeping its factory prices below the rate of inflation until 1997 as part of its contribution to the reconstruction and development programme," he said

PPC currently had four distribution centres in KwaZulu-Natal — in Durban, Maritzburg, Newcastle and Richards Bay.

Tasker said these depots had been supplied from factories in the north, and most of these operations had been doing business for many years as Cooper & De Beer and Northern Natal Cement Distributors — both of which were wholly-owned PPC subsidiaries.

To cater for any demand for cement in the province which could not be met by local production, PPC intended to use its production and distribution capability to serve this market

The group had a capacity of 4,8-million tons, and the recommissioning of the Dwaalboom factory, announced recently, was expected to add about 700 000 tons.

Plate Glass increases profit to R197,7m

(193) Star 6/11/95

By Llewellyn Jones

Johannesburg — Despite a squeeze on margins, South African Breweries subsidiary Plate Glass and Shatterproof Industries (PGSI) increased fully diluted earnings 16 percent to 332,8c (287,9c) a share for the six months to September

While turnover rose 15 percent to R2,1 billion (R1,9 billion), operating profit moved up 6 percent to R197,7 million (R187,1 million)

Ronnie Lubner, PGSI's chairman, said that Glass SA, its largest operation, had completed a R150 million float tank repair which, while coming in ahead of schedule and well under budget, resulted in inevitable disruptions at the manufacturing level The plant was, however, back on budget and expected to show good returns following its update and repair

Despite strong growth in the motor industry, price increases in the industry were down, Lubner said He said PGSI had fought to become globally competitive in its pricing, which had resulted in tightened margins on car glass sales

Demand

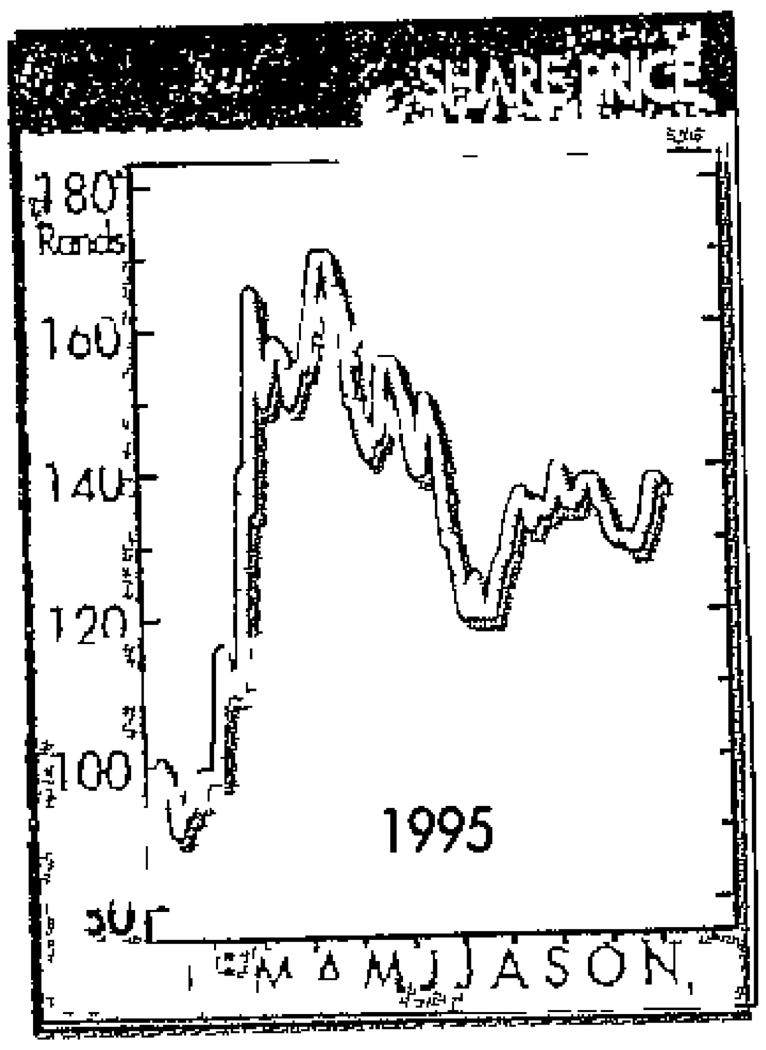
The expected flow of benefits from the RDP had not yet materialised, slowing demand from the furniture sector for products from PG Bison, a PGSI subsidiary that manufactures and distributes board products

While Belron International, the group's offshore glass business, continued to generate increasing revenue, rapid expansion had squeezed margins More than 30 branches had been added to the worldwide network

Financing costs rose 57 percent to R18,9 million (R12 million) as short-term borrowings jumped to R340,4 million (R187,7 million), largely to finance the float tank repair and continued international expansion The group's tax bill declined some 31 percent to R41,6 million mainly as a result of the utilisation of assessed tax losses by foreign subsidiaries

Net attributable income rose 41 percent to R128,6 million, but the increase was largely due to the redemption of preference shares last year

Lubner expected the strained trading conditions to persist for the rest of the financial year, and therefore expected similar earnings growth for the rest of the year



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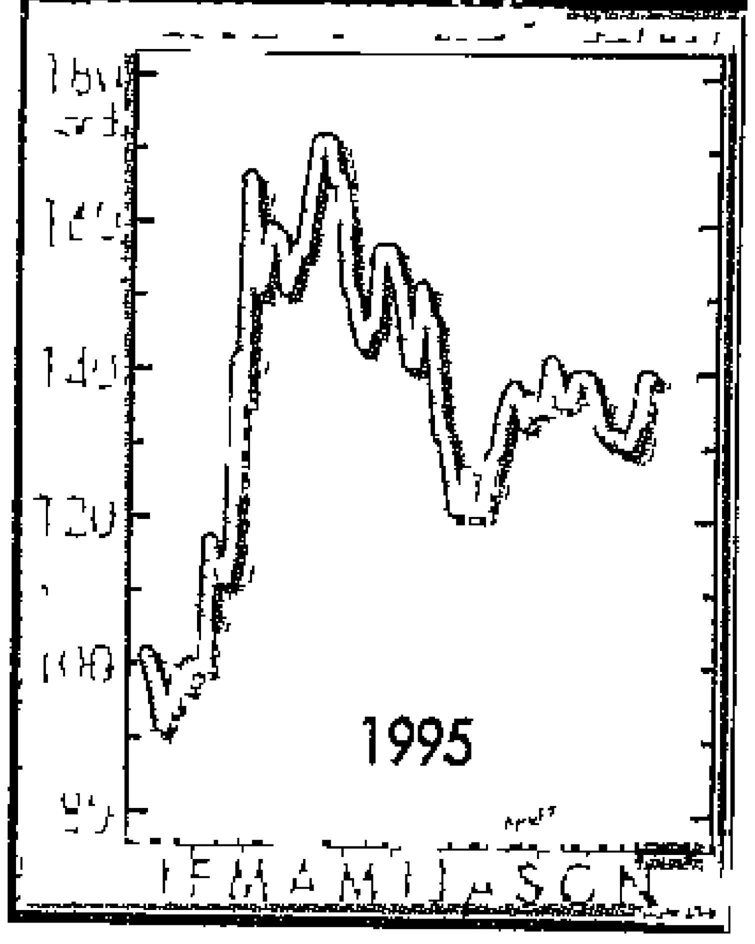


PPC restructured for post-cartel era

(193) BD 8/11/95

Robyn Chalmers

IMPROVED trading conditions helped recently restructured Pretoria Portland Cement increase its earnings a share 24% to 464,4c for the year to the end of September

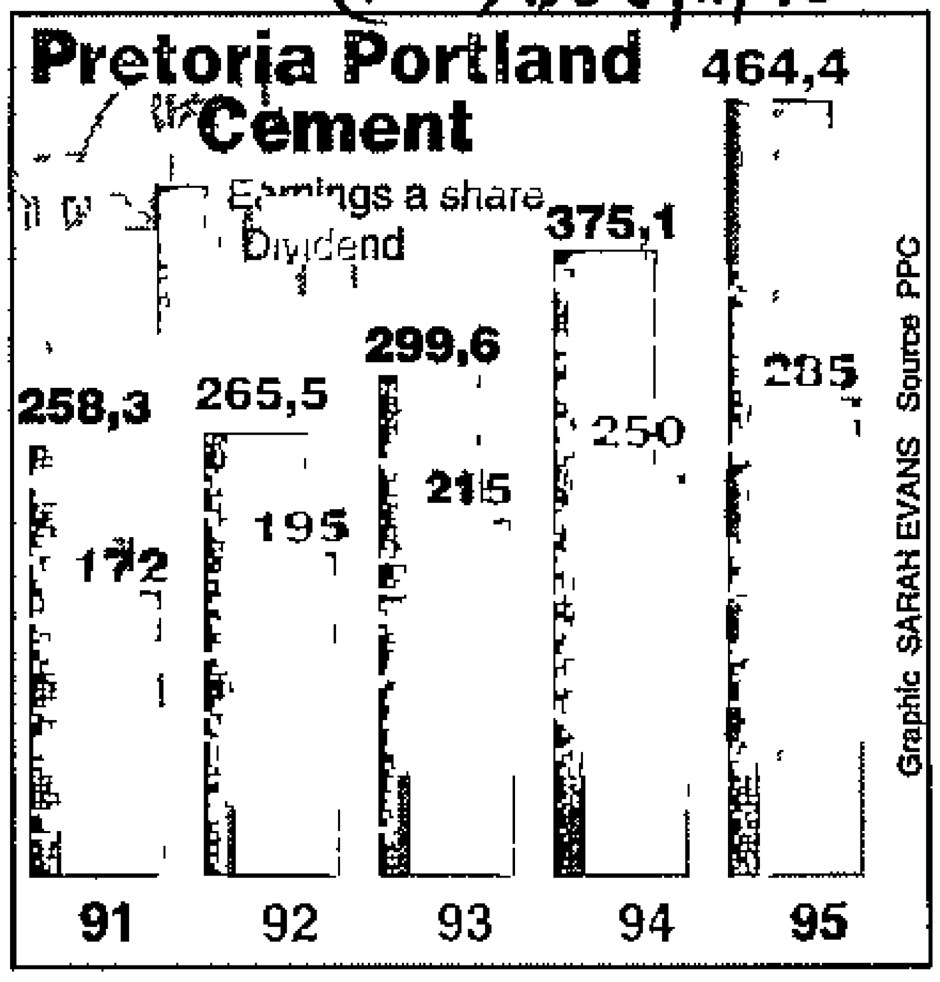
Turnover was 22% up at R1,2bn and operating profit rose to R286,8m from R243,5m previously, while profit after tax grew 27% to R194,7m.

Shareholders had the option of taking new shares or a cash dividend equivalent to 205c a share, increasing the total cash equivalent dividend 14% to 285c

Group MD John Gomersall said substantial changes had been made within the PPC group during the review period to position it for a post-cartel environment

"The cement business was reorganised into two regional business units — coastal and inland — and teams were put in place with responsibility for the performance of these units

"Two cement distributors, Cooper & De Beer and Fihrers, were incorporated into PPC Cement and we believe that our initiatives will stand us in good stead in the new industry environment," he said



PPC had acquired also the remaining 45% shareholding in cement sacks producer Kohler Sacks to promote a greater degree of integration with the cement business

Gomersall said the PPC board had approved the R74m recommissioning of the Dwaalboom quarry and clinker plant in Northern Province

PPC posts profit hike despite slow RDP take-off

(193)

CT(BR) 8/11/95

By Derek Tommey

Johannesburg — In spite of the slow take-off of the building activities of the RDP, the Pretoria Portland Cement group was able to increase its taxed profit by 27 percent in the year ended September to R194,7 million

Earnings a share rose 24 percent from 375,1c to 464,4c

In anticipation of an increase in demand, it is spending R219 million on boosting plant capacity by 720 000 tons

At PP Cement, improved trading conditions led to its turnover increasing by 13 percent and profit rising 23 percent from R154,9 million to R191,1 million

Increased efficiencies enabled PPC Lime to increase earnings by 14 percent from a 2 percent rise in lime sales

Shareholders have the option of taking new shares or a cash dividend of 205c a share bringing the total cash dividend to 285c, which is 14 percent higher than last year.

The directors say they have increased the dividend cover ahead of an expected rise in capital expenditure requirements

Group managing director John Gomersall says substantial changes have been made to prepare the group for a post-cartel environment. The cement business has been reorganised into two regional business units — coast and inland — and teams have been appointed to implement regional sales strategies

Two leading cement distributors, Cooper and De Beer and Fihrers, were incorporated into PP Cement "We are confident that our initiatives, designed to bring PPC closer to its customers, will stand us in good stead," he says

While delivery of the RDP has been slower than expected, the company has continued its drive to develop entrepreneurs in the construction and related industries, and increase small businesses' capacity to deliver quality products and services

Gomersall says that future prospects are likely to be dominated by further growth in gross domestic fixed investment which is forecast to rise by 8 percent next year. But at about 17 percent of GDP, it is still low by international standards

The full implementation of the RDP programme should provide the stimulus to higher gross domestic fixed investment

To meet the expected sustained increase in cement demand in the inland area, it is recommissioning the Dwaalboom quarry and clinker plant in the Northern Province at a cost of R74 million

A second stage costing R145 million has also been approved which will raise Dwaalboom's annual capacity to 720 000 tons and PP Cement's capacity to about 5,5 million tons

Gomersall says the company's Eastern Cape exploration programme has proven exploitable reserves at a number of sites close to the Port Elizabeth cement plant

An environmental impact assessment programme involving all interested and affected parties is taking place and a decision is expected shortly

The modernisation and expansion of the Port Elizabeth operations will give the company the capacity to meet the cement needs of the entire Eastern Cape region.

Surplus capacity in the early years after an expansion programme will be available to boost exports

Cement sales show downward trend

(193) BD 9/11/95

Robyn Chalmers

A DOWNWARD trend has emerged in cement sales during the past two months, due in part to slow progress on the reconstruction and development programme (RDP) and a tailing off of major infrastructural projects

The decline in sales has sparked fears that cement groups might not meet their forecast of a 10% rise in sales for the year, a prediction made at the end of last year when the RDP was expected to move full steam ahead in 1995

The figures, released yesterday by the SA Cement Producers' Association, showed that sales rose only 3,35% in August to 790 088 tons while they dropped in September to 760 084 tons from 779 968 tons recorded the previous September

Association business manager Robin Murray said there was a variety of reasons for the lower sales figures, but the foremost were the slow delivery of the RDP and that projects such as Columbus Stainless Steel and Alusaf were nearing completion

"There also seems to be a cyclical component to the downturn, as the cement industry traditionally does its best business in the run-up to the builders' holidays, so we should see some strong sales coming through in November and December," he said

Murray said a further factor could be the run-up to the local election, as producers had experienced a fall-off in demand during the two months before the national election last year

A round-up of the major cement producers showed they were still optimistic about a growth in sales for the full year, although a number believed they could fall short of the 10% figure

There was strong growth in cement sales during the first few months of the year, with increases of 16% and 12% recorded in January and February respectively, compared with the same months a year earlier May was a good month sales soared 27% to 795 022 tons — a rise of 170 370 tons over year-earlier figures.

Cement producers appeared to be building up a stockpile of cement due to the lower than expected sales, with association figures showing they had produced 6,6-million tons by end September, but sold 6,3-million tons

SALDANHA BAY

Huge industrial plans afoot

(193)

Residents of Saldanha Bay/Vredenburg will know within two weeks whether the area will become SA's "new Ruhr complex" A myriad of downstream industrial projects are on the cards for the area once the controversial steel mill, which was given the green light last week by the Western Cape government, opens

All that is required is a commitment from steel giant Iscor, which MD Hans Smith says will be decided on before the end of the month

Among the proposed projects are

- A cement factory — Anglo Alpha is investigating its possible involvement — utilising the Corex slag as its major raw material;
- The erection of a steel pipe manufacturing plant for exports,
- Stainless steel rolling facilities of undisclosed tonnages, at the minimill, for a third party;
- A separate cold rolling mill plus coating plant, with a capacity of 300 000 t/year;
- A separate, but linked, stainless steel mill is also a possibility, and
- The development of a 3 Mt/year-6 Mt/year iron ore pelletisation plant at Sishen, in co-operation with a Japanese company Most of the product would be exported while Saldanha Steel would use 345 000 t/year.

Also on the cards is the possibility of increasing the steel mill's hot rolled coil capacity to 2,5-3 Mt/year at a much lower capital cost than the capex required for the first 1,25 Mt/year. This extension, which can only be done with the approval of the Western Cape government and which has been allowed for in the layout of the plant, will require the addition of more iron and steel making facilities and one or more casters, says Saldanha Steel

And, once the Kudu gas field off the southern Namibian coast is developed, this will open the possibility of new, gas-based direct reduction iron, steel and related industries developing in the same area.

Since the iron ore reduction plant would represent the largest single investment in such a future expansion, it is considered prudent to place Saldanha Steel at the location with the highest possibility of having natural gas available towards the turn of the century when such an expansion could be realised. And, by sharing a Kudu gas pipeline with the Cape Town metropole, cost effectiveness would be further enhanced.

The Industrial Development Corp, which has a 50% stake in the steel mill, says the competitive advantage of having all the steel-related plants on site at Saldanha Bay — saving on transport and handling costs — would naturally attract both local and foreign investors to the integrated, downstream manufacturing complex

Meanwhile, Western Cape Planning Minister Lampie Fick has joined forces with the Vredenburg/Saldanha municipal authority in asking for a speedy re-assessment of the industrial development structural guide plan for the area — which would provide for major industrial expansion in the area, following implementation of "the largest private-sector development in the history of the Western Cape" Coupled with this initiative would be a "total environmental and tourism development plan for the area," says Fick

Assistant town planner Jaco Goodwin says inquiries have also been received from Austrian business interests regarding the possibility of linking the existing 45m barrel Strategic Fuel Fund crude oil storage facility at Saldanha Bay with a proposed oil refinery "But, obviously, such a proposal would be subject to far more stringent environmental considerations than those imposed on Saldanha Steel," he says. Goodwin says the vacant residential properties on the existing Mossgas property adjoining the steel plant site — which were used during the completion of the Mossgas steel "jacket" — could possibly be used to house the thousands of construction workers that would be employed in completing the steel plant. "But we are also looking at

the possibility of negotiating its use for a possible technical training college," he adds

With the huge Namakwa Sands plant, just north of the proposed steel plant site, already a feature of the area's possible industrial future, and with harbour expansions on the drawing board, Saldanha Bay's industrial role seems ensured

Stephan Conradie, associate of Cape Town-based Van Niekerk, Kleyn & Edwards consultants — which has been briefed to draft a new industrial development plan for the area — says approximately 1 500 ha has already been earmarked for heavy and about 200 ha for light industrial zoning in the future coastal metropole "We are also assessing future transport, residential, commercial and relaxation land use needs for the area" ■

(193) FM 10/11/95

PLATE GLASS

Opposition stiffening

Comparison is one of those unpleasantnesses that chief executives have to learn to live with

In the case of Plate Glass & Shatterprufe (PGSI), chairman Ronnie Lubner's problem is that a 16% improvement in EPS at the halfway stage doesn't stand up all that well — in this issue, for example, the *FM* reports on Nampak's 31% increase over a full year, and many major companies are consistently reporting bottom line improvements better than 25% for the second straight year That makes PGSI a laggard

The real problem lies in a nondescript turnover improvement of only 15%, accompanied by operating profit growth of 7% This trading margin has come under severe pressure a year ago it was at 9,8%, for financial 1995 it was 10%, these interims reveal a slump to 9,2%

This has been an unusually difficult six months, punctuated by the massive planned float tank repair at Springs which cost R138m (against a budget of R150m) Though PGSI laid in what it thought would be adequate stocks against the plant closure, unexpectedly strong car sales left Lubner's team scrambling Imports became inevitable, the demand affected exports

A sharp reduction in the tax bill (down 31%) helped to keep the bottom line respectable This arose from the use of accumulated deficits in developing the group's rapidly growing and now very substantial offshore businesses

HOT COMPETITORS

Six months to	Sep 30 1994	Mar 31 1995	Sep 30 1995
Turnover (Rm)	1 852,6	1 919,8	2 124,7
Operating income (Rm)	182,1	197,2	194,7
Attributable (Rm)	91,5	118,2	128,6
Earnings (c)	287,9	356,8	332,8
Dividends (c)	130	160,0	149,0

Indeed, PGSI's international vehicle Belron is now firmly established as the largest segment of the business In line with its performance last year, Belron accounted for half PGSI's turnover (just over R1bn), though financial director Mike Read says it's dificult at the half way stage to determine its contribution to attributables Lubner doesn't think it will vary much from financial 1995's 38%

Along with almost every other businessman, Lubner confesses to being surprised by the comparative stability of the rand against the dollar over the period This affects Belron's contribution at every accounting level

In addition, Belron is now looking at stiffening opposition almost everywhere it operates Lubner says this is understandable Clearly, previously entrenched businesses watched PGSI's arrival with a benign indifference

As Belron's operating methods in Europe and the US began to attract, first, customer and then insurance company support, so established companies with trailing turnover and lower profits have reacted The competition is limbering up and the action is bound to get hotter

All this is reflected in the balance sheet, which now shows total borrowings at R385m, up R134m in the six months (almost exactly the cost of the float plant rehabilitation) This rise is concentrated almost exclusively in the short end, an indication that management believes interest rates will decline over the short term

By PGSI's calculation, gearing is now 38% — it was 24% six months ago, and though it is substantially below what the company calls its self-imposed restraint of 60%, this is a level which attracts attention Though the cash flow is strong (around R500m a year at trading level), debt of this kind affects the income statement (up nearly R7m in six months) and impairs the balance sheet

Lubner sounds a little brighter about second-half prospects While he won't commit himself, the chances must be good for EPS in the next six months of about 450c That will take the 1996 financial year to EPS of about 780c — an improvement of around 21% over 1995 Since this virtually level pegs the historic and forward p es, it is a view the market clearly shares But it is a bit pricey in my book

David Gleason

Minorco buys out east German building materials company

(193) CT (BR) 21/11/95

By Derek Tommey

Johannesburg — Minorco, the offshore arm of Anglo American, has made another major investment in a construction materials company in the former East Germany — a country regarded these days as a builder's and constructor's paradise

It is buying a 100 percent equity interest in Kies-und-Natursteinbetriebe Leipzig which quarries sand, gravel and hardstone for DM61,5 million (R160 million)

The acquisition will make Minorco the largest sand and gravel producer in eastern Germany

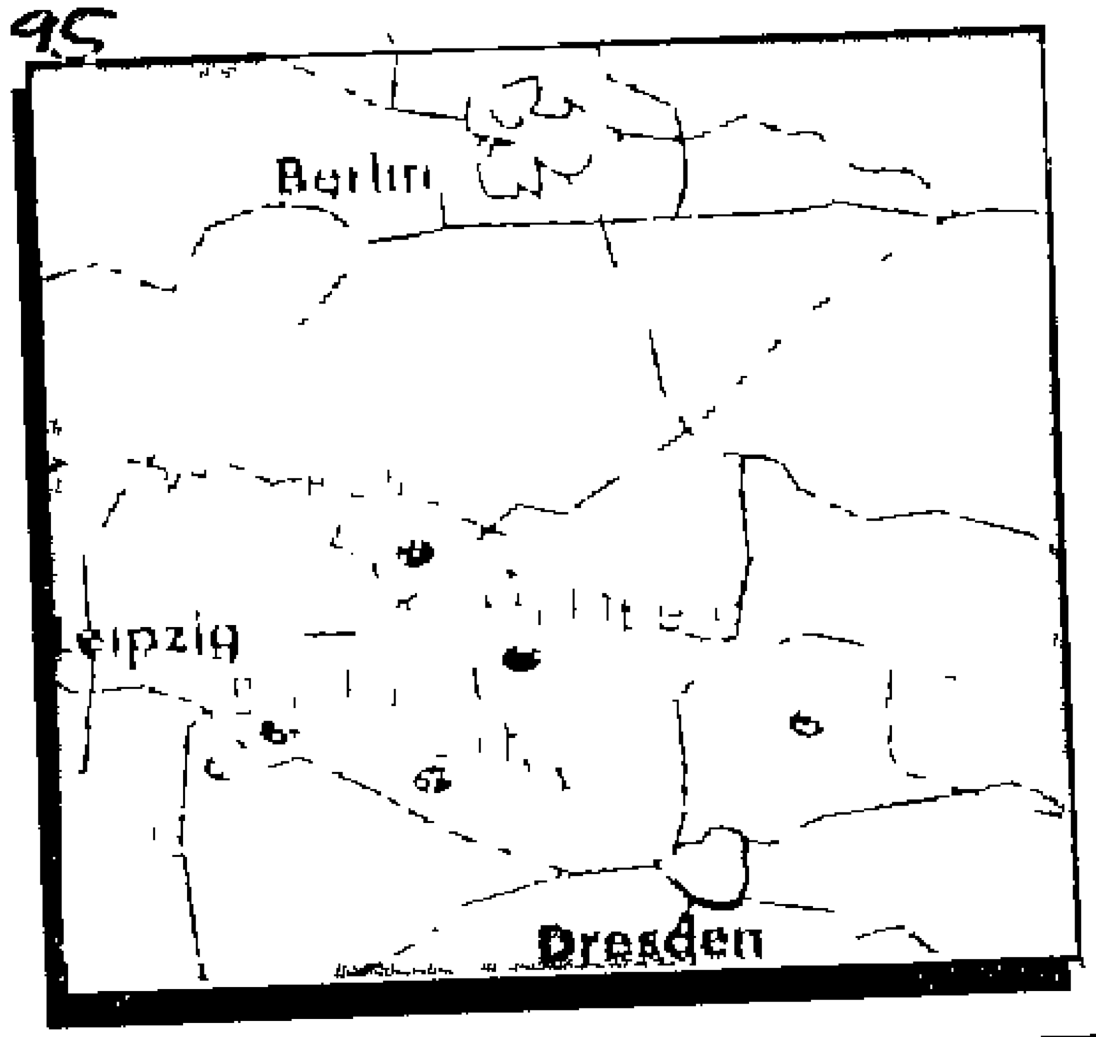
At the moment there is an almost overwhelming backlog of construction work in eastern Germany The German federal government is determined that the reconstruction will go ahead and recently increased taxes to finance it

Minorco, which already has two companies in East Germany producing lime and construction materials, says it will retain the quarrier's existing management The company has quarries at Kleinposna and Luppa near Leipzig

Minorco says its operations have an excellent geographic fit with its existing businesses in the region — Elbekies, which operates at Prettin and Muhlberg, and Lausitzer, which is at Ossling These two businesses now have state-of-the-art equipment and are well managed

Sales prospects are bright Leipzig is the second largest construction site in Europe after Berlin and is undergoing an important redevelopment programme Major projects totalling DM12 billion have been commissioned, including a new trade fairground, significant private housing refurbishment and new home construction

Hank Slack, Minorco's chief executive, says the group is delighted to have succeeded in making a further acquisition in the industrial minerals division, particularly one which is a logical extension to its existing successful German operations



PPC opens plant

(193) Sowetan 23/11/95

By Isaac Moledi

PRETORIA Portland Cement has opened its first blending plant and customer service centre at its largest factory, Slurry, in the North West

The opening of the centre, according to managing director Mr Clive Tasker, is aimed at gearing PPC to becoming more competitive and customer-orientated when the cement cartel is phased out

This will result in the deregulation of the cement industry

PPC and its two rivals, Blue Circle and the Anglo Alpha, have been members of the cement cartel that has been instrumental in regulating the cement industry

Tasker says the opening up of the industry demonstrates PPC's commitment to change by putting the infrastructure in place to meet industry's demands in future in South Africa

The new blending plant will enable the factory to produce a range of blended cements suitable for various applications The opening of the plant is projected to create about 300 jobs in the North West

In his opening address, North West premier Popo Molefe, whose Premier's Education Trust was presented with R5 000, described the project as an encouraging sign

Molefe challenged all role-players in the economy to devise strategies through which economic growth will be accompanied by a reduction of poverty and inequality, while also creating jobs.

(193)
FM 24/11/95

KELGRAN

Struggling over debt

Activities: *Quarrying, beneficiating and exporting granite*
Control: *Gencor*
Chairman: *F J P Roux MD H J Laas*
Capital structure: *71m ords Market capitalisation R192m*
Share market: *Price 270c Yields 4,6% on dividend, 6,6% on earnings, p e ratio, 15,1 cover, 1,4 12-month high, 650c, low, 270c Trading volume last quarter, 1,5m shares*

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	58,7	58,8	86,3	77,4
LT debt (Rm)	4,9	2,9	2,5	29,6
Debt equity ratio	0,81	0,73	0 57	0,76
Turnover (Rm)	191,4	195,7	250,2	383,5
Operating profit (Rm)	16,9	9,8	22,0	27,2
Pre-tax margin (%)	7,7	3,9	5,6	4,6
Earnings (c)	26,2	8,6	19,3	23,8
Dividends (c)	20 0	nil	15,0	16,5

Can the granite business ever be the same again? The short answer is probably not Peopled originally by characters larger than life, the granite industry was typified by rough-hewn men whose companies made fortunes overnight and which fell on hard times just as rapidly

In SA, the business took on one aspect which made it unique shares in these companies were listed on the JSE and it became possible for investors to participate in the vagaries of an industry as much involved in fashion and trends as Calvin Klein What is different, smells aside, is that cutting pieces of stone is usually a family business Try buying into the big operators in Carrara, for example, and watch the doors shutting

In this country the industry has moved from entrepreneur to institutionalised respectability through, first, a graduation to the JSE's lists and then to ownership by the mining houses The trouble with this process — which has been undeniably good for the original operators — is that it takes no account of the essential underlying nature of the business

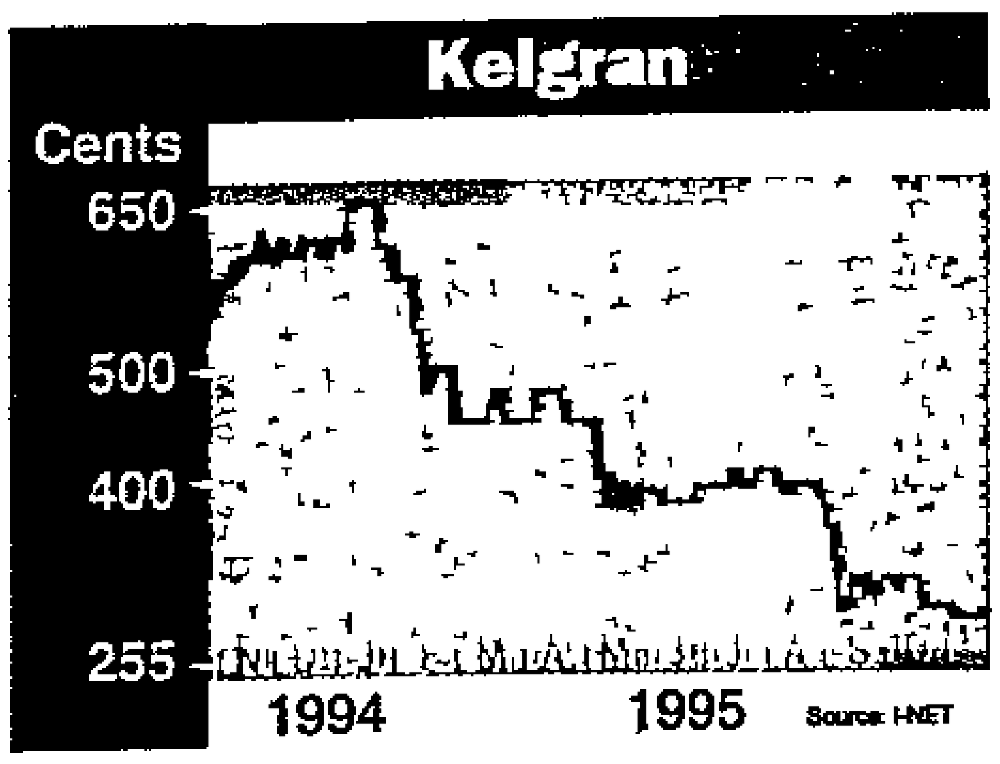
It is probably fair to say the granite industry was in its heyday when it was possible to "boulder hop," to extract good granites from conveniently sited granite tors Most of the good koppies have gone and the quarrying game is on in earnest — comparatively hi-tech with diamond wire line cutters and jumbo drill rigs The old proposition that granite quarrying was an art form has been submerged in mining, rehabilitation and institutionalised correctness

The acknowledged industry leader is Kelgran, over which Gencor now exercises full control I doubt, though, that chairman Fred Roux would consider this to have been an unalloyed pleasure The real struggle has been where it so often missed, in the balance sheet Gencor-appointed executives have had to institute corrective action in four areas change depreciation (now straight line), provide fully for leave pay, establish a sinking fund for rehabilitation and, perhaps most important, bring discounted receivables on to the book as contingent liabilities

The impact of these changes shows principally in the debt, which stands at R107m, after offsetting cash of R46m, this is a net R61m Gearing is 76% and this single statistic underlines the granite industry's real weakness Every company listed in this sector suffers the same handicap — only Marlin has addressed the problem through a rights issue (and change of ownership)

As Roux says "The reduction of debt is an absolute priority for the company" As usual, the choices are to trade through the problem or to recapitalise through a rights issue The silence suggests the method chosen is the tougher alternative of cutting costs, pushing up volumes, collecting outstandings faster But that also means, if it is successful, that cash which might be paid to shareholders will be retained to repair balance sheet damage

No-one doubts the commitment made by MD Henry Laas and a professional team But the issues which have not been resolved



are not confined to the company's financial structure A bigger controversy is whether cutting and selling granites is really the kind of business Gencor (or Anglo American for that matter) should be in at all

I ask the question because it seems an awkward fit for multinational mining companies This is essentially a family business to which the Italians particularly bring generations of entrepreneurial spirit and carefully cultivated skills This is why, after three millennia, Carrara is still the world's stone cutting and trading centre

The counter is at its low for the past 12 months — 275c, a long way off its high of 650c A p e of 15 may be heartening for shareholders but is too rich in the circumstances

David Gleason

Paper group to challenge Sappi, Mondi

(194)

By Ross Herbert

CT(BR) 27/11/95

Johannesburg — A partnership of Swedish and British paper interests will officially open marketing operations in South Africa tomorrow to challenge Sappi and Mondi's dominance of the local paper market

Ekman Liebig, a R3,5 billion Swedish trading firm specialising in forest products, formed a joint venture with Pap-Print of the United Kingdom and Jo Haden-Smith, a Johannesburg-based entrepreneur and paper-industry veteran.

Ekman Liebig operates in more than 100 countries The partners initially committed R1 million to establishing marketing operations

Steve Leo is the managing director of the venture, Ekman Pulp and Paper SA "We're trying to open up the whole market It has been dominated by Sappi and Mondi," he said

Leo said the company would initially avoid high-volume, low-margin business such as newsprint

It will focus on packaging papers, white bond, liner board, fluting, craft, coloured papers and specialty papers such as self-adhesives

Leo said the company would import products from around the world He said Ekman could compete on price despite duties and would be able to offer more varieties and quality

Analysts said they doubted the venture would make a significant dent in the dominance of Sappi and Mondi, but would have significant latitude in specialty paper markets

R40-m for rebuilding of homes (193)

Sowetan 28/11/95

Top brick manufacturer donates a million bricks for rebuilding project

By Joshua Raboroko

LOCAL BUILDERS are leading the R40 million project of rebuilding homes destroyed by political violence in Soweto, Alexandra and Vaal Triangle townships in Gauteng

In addition to the involvement of local contractors the project is expected to create more than 200 jobs for local communities in the areas concerned

Corobrick, a clay brick manufacturer, has helped the communities in the areas by donating one million bricks to the Gauteng s housing initiatives to repair homes which were destroyed in political violence, MD Mr Peter du Trevou said at the weekend

Deputy general secretary of the National Black Contractors and Allied Trade Forum Mr Joe Magagule said that the programme would help local contractors to create jobs for their communities

The move by Corobrick, he said, was part of the ongoing process taken by the private sector in an attempt to engage local contractors in the RDP projects He was optimistic that more companies would take part in similar or other building projects

Du Trevou said that particular attention was paid to involving local communities in the programme Local contractors were used for the project to empower them economically

"This project is part of the Gauteng government's plan to restore life in the communities after the devastating effects of violence We would like to facilitate the process of bringing people together as part of the community and nation-building programme," he said

Gauteng Premier Mr Tokyo Sexwale said the contribution by Corobrick showed the private sector's support for the principles of the RDP to reconcile communities and provide affordable housing with basic amenities to all

He said "We intend to do a survey in these areas to determine the most critical building needs and the reconstruction costs involved As these needs will vary from area to area a phased approach will be used to rebuild homes '

Ketter's earnings rocket 56% as world granite demand grows

ET (BR) 13/12/95 (193)

BY CHARLOTTE MATHEWS

Johannesburg — Raising production efficiency to meet strong world demand for granite contributed towards independent producer Ketter Granite Holdings increasing earnings a share by 56 percent to 7,61c in the year to September, compared with an annualised 4,87c in the same period last year

The group went public in March 1994 through a reverse listing into the Racy Group Holdings' cash shell

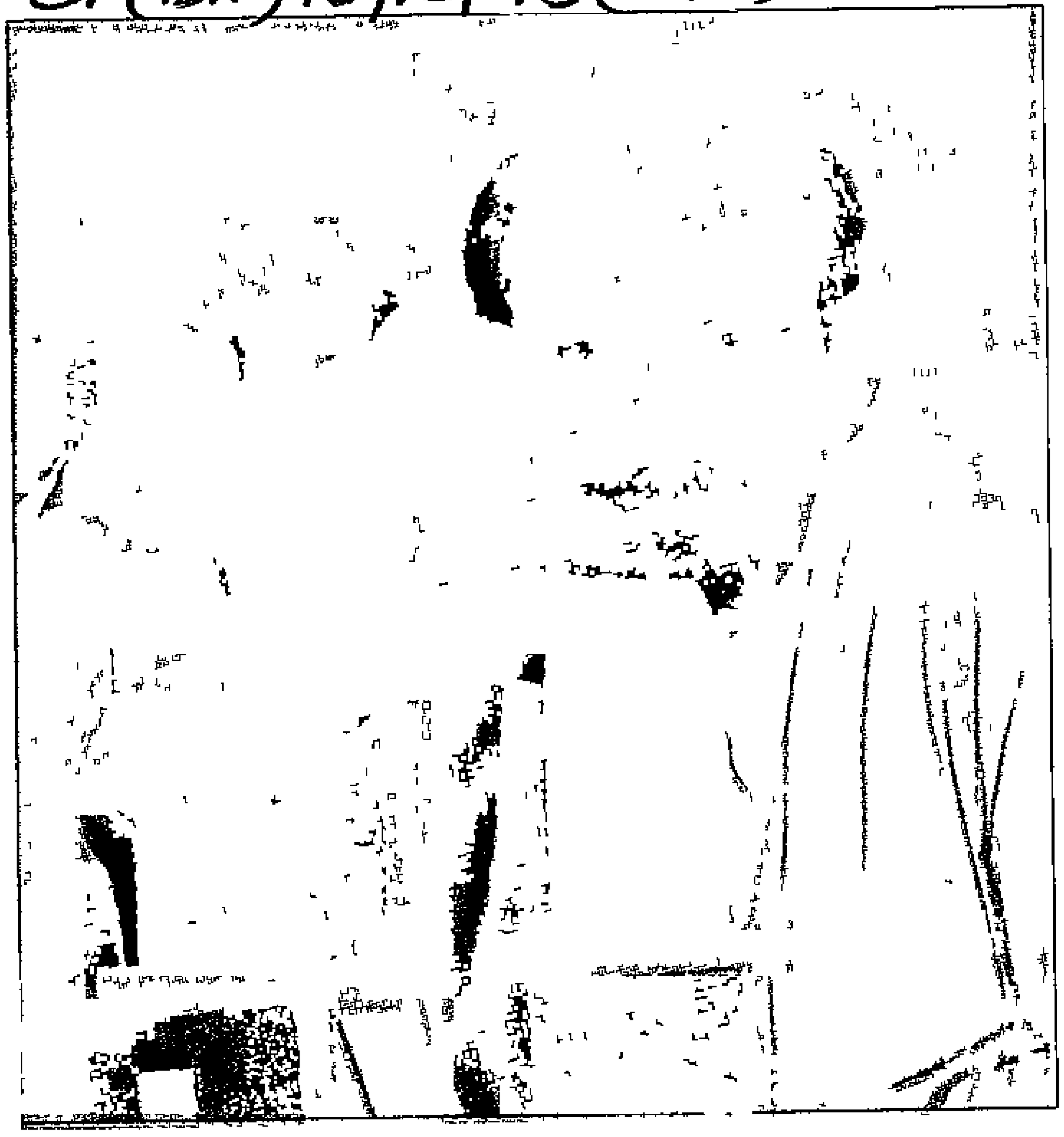
Ketter's results for the twelve months to September 1994 include about three months of Racy, so are not strictly comparable

Ketter's turnover surged by 127 percent to R26,7 million on which operating income grew by a similar percentage to R6,1 million Finance charges trebled to R2,4 million

Managing director Ofer Porat said higher borrowings and finance charges resulted from greater working capital requirements to meet the sharp surge in turnover Working capital requirements for this industry are heavy because of a lag, sometimes of several months, between quarrying and payment from customers

Gearing is now 40 percent and options are being considered to finance what is expected to be continuing growth Another rights issue is an option, but not the "ultimate option," Porat said

Tax was zero because the group had assessed losses and should not be payable for about two years



EFFICIENT *Ketter Granite's managing director, Ofer Porat, announced a 56 percent increase in the group's earnings* PHOTO JOHN WOODROOF

Attributable earnings more than doubled to R3,7 million, but the increase in earnings a share was less because the number of shares in issue grew as a result of a rights issue in March this year

The dividend was passed to conserve resources for the growth expected in the coming year Porat said new equipment had been bought in the past year and was being used successfully in the quarries, where the group was using solid formation quarrying, with higher efficiencies and better yields

The world market for the black and red granite from South Africa, which is the focus of Ketter's business at the moment, is booming, but competition from all over the world is also increasing Porat said it was critical for South African producers to work together to improve their competitiveness

KETTER GRANITE (193)

Promising signs

FM 15/12/95

Ketter is probably the first of the granite companies to reveal the firmer trend developing for the industry Its preliminaries for financial 1995 certainly underline a strengthening market.

The company has undergone a metamorphosis this year, and a successful rights issue of R7,1m has given substance to the balance sheet. Though the cash position isn't revealed, gearing is a comparatively respectable (for the granite business) 40%

Ketter produces black (from Belfast) and red (from Potgietersrus), its red granite is the big money spinner, with large blocks selling into a firm and expanding market, especially in the Far East Black granite, which fell sharply out of favour two years ago, is experiencing a revival

Results for the full year are cheerful turnover has rocketed to R26,7m, the operating margin has lifted to nearly 23% and EPS of 7,6c is acceptable enough, though a little less than some analysts expected What will not escape notice is that the dividend has been passed. some bland language talks of conserving resources, but this merely cloaks management's anxiety to ensure the capital expenditure programme is brought to account without accident.

In summary, this is a small company well positioned to deliver reasonable results over the next two years. At 60c, the p.e on these results is nearly 8 — probably a bit rich but, if you are determined to participate in granite, this is as good a spot as any on which to drop your chips. *David Gleason*

PRETORIA PORTLAND CEMENT

Preparing for the contest

FM 15/12/95

(193)

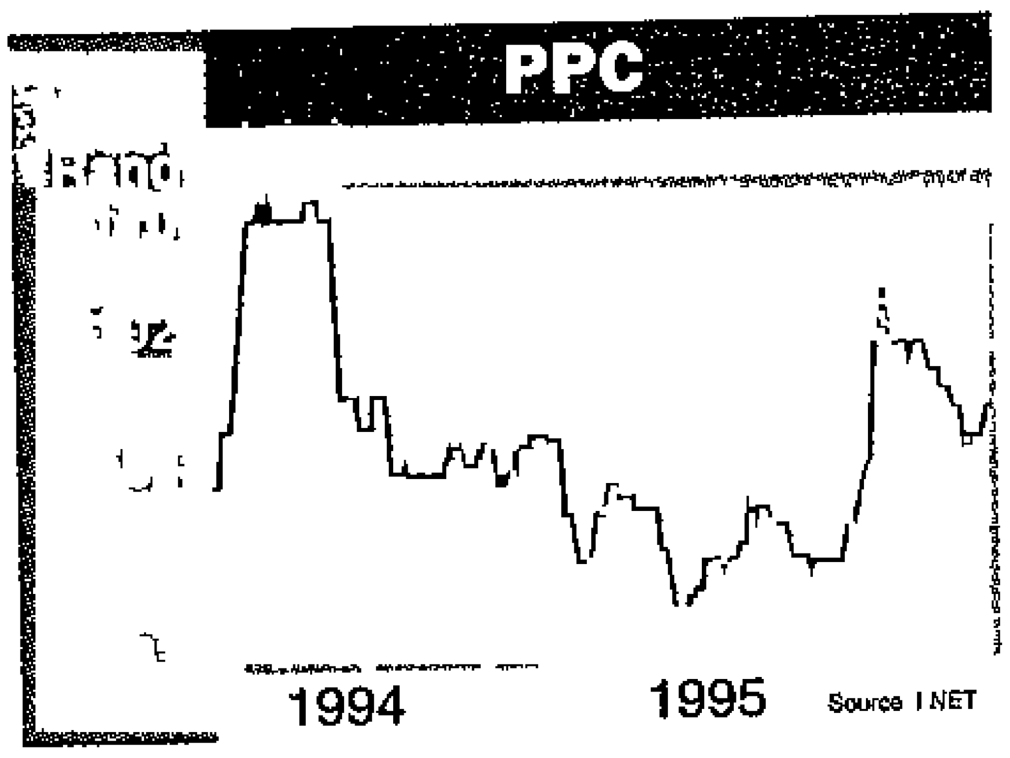
Activities: *Manufactures and distributes cement, lime and limestone products*
Control: *Barlow 60,2%*
Chairman: *W A M Clewlow MD J E Gomersall*
Capital structure: *42,3m ords Market capitalisation R4,19bn*
Share market: *Price 9 900c Yields 2,9% on dividend, 4,7% on earnings, p e ratio, 21,3, cover, 1,6 12-month high, 11 200c, low, 8 400c Trading volume last quarter, 635 122 shares*

Year to Sep 30	**'92**	**'93**	**'94**	**'95**
ST debt (Rm)	0,04	13,4	24,0	31,7
LT debt (Rm)	30,0	56,5	63 1	29,3
Shareholders' interest	0,62	0,60	0,55	0,54
Return on cap (%)	20,6	20,0	20,6	19,5
Turnover (Rm)	667	930	1 026	1 248
Pre-int profit (Rm)	197	220	250	296
Pre-int margin (%)	28,2	22,8	23,9	23,2
Earnings (c)	265	300	375	465
Dividends (c)	195	215	250	285
Net worth (c)	1 459	1 622	1 632	1 925

As the largest cement producer in southern Africa, Pretoria Portland Cement (PPC) is readying itself for the challenges of a free market

Though the cartel will cease operating only in October next year, one analyst expects prices to start reflecting the change from January The annual report details the moves group MD John Gomersall and his management have set in train to handle the situation, including a restructure into coastal and inland business units, acquiring 100% of Kohler Sacks and the reorganisation of transport operations

Turnover rose 22% to R1,2bn on an increase in volume of 13% Comparison of annual performances is rendered more complicated by the restatement of figures as accounting standards change In 1994, joint ventures were consolidated and prior years restated, this year, turnover figures have been restated to exclude cement distribution sales within the group The net effect appears to be to lift the operating margin



EPS rose 24% before exceptional items and 14% after Chairman Warren Clewlow points out that dividend cover is rising to cover capital expenditure and future expansion, though it's still only 1,6 times

Increased capex is also expected to deplete cash holdings — R256m at year-end — and in turn reduce interest income

At the divisional level, cement produced 64% of turnover and 60% of profit before interest and tax (PBIT), lime contributed 17% to turnover and 23% to PBIT and investments 19% and 17% respectively

PPC's adaptation to the break-up of the cement cartel next October has been relatively smooth The group is now operating at about 82% of total capacity and should be good for the next couple of years

It plans to add another production source by recommissioning the Dwaalboom quarry and clinker plant at a cost of R70m This will bring capacity usage to 71% at current market activity Dwaalboom has a capacity of 600 000 t/year and has been idle since its completion in 1985 A further R145m will be spent in 1997 on building a grinding plant, silo and packing facilities at the site

The lime division has had its own challenges, as the agreement with Union Lime ended in May "eliminating lime industry sales quotas and pricing policies," says Gomersall Negotiations with customers over new arrangements are in progress and instability in the market has been minimal Nonetheless, pricing levels are difficult to predict for next year

Sales and distribution services have been refocused by merging subsidiaries Cooper & de Beer and M Fihrer & Son with PPC's own operations This will help contain distribution costs, which are increasing for all cement manufacturers as they prepare their own distribution systems

Prospects look good for the cement division, though Clewlow thinks the lime business will achieve lower growth Competition may heat up in Gauteng — supplied by all three cement companies — but there are effective regional monopolies countrywide which may continue to operate in the short term However, the struggle for market share in a free industry may change that Because cement is a high-volume, low-value commodity, geographic location and transport costs are important

A year ago, the share price had hit R110, it now stands at a more realistic R99 The price has fallen largely on the RDP persistently failing to materialise *Margaret Anne Hulse*

Upswing in cement sales bodes well for producers

BD 20/12/95 (193)

Robyn Chalmers

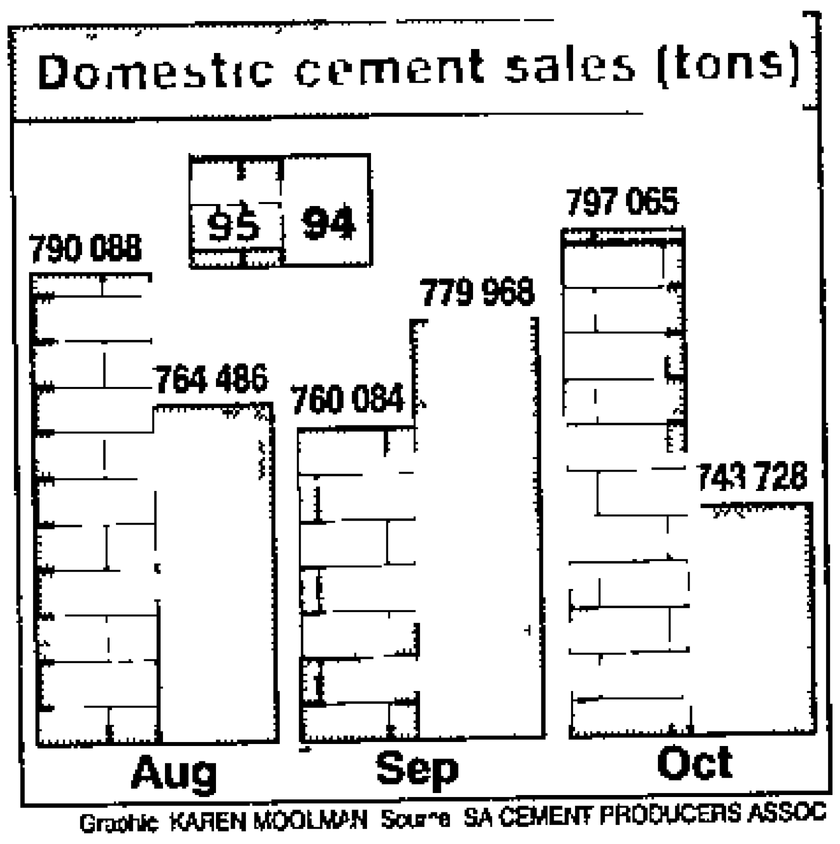
DOMESTIC cement sales staged a good recovery in October after a downward trend over the previous two months left analysts concerned that growth for the year would not meet predictions

However, analysts said the improved sales in October boded well for annual sales as the cement industry traditionally did its best business in the run-up to the builders' holidays

Latest figures from the SA Cement Producers' Association showed cement sales rose 7,17% to 797 065 tons during October from 743 728 tons during the same month in 1994 This brought total sales for the nine months to end October to 7,1-million tons from 6,5-million tons for the nine months last year

Sales for the nine-month period had increased 8,46% over the previous comparable period — still short of the 10% predicted at the beginning of the year by the association when the reconstruction and development programme (RDP) was expected to move ahead in 1995

Association business manager



Graphic KAREN MOOLMAN Source SA CEMENT PRODUCERS ASSOC

Robin Murray said the lower-than-expected sales for the nine months were due to a number of reasons, but the primary factors were the slow delivery of the RDP coupled with the tailing off of major infrastructural projects

There was also a cyclical component to the downturn, he said, as improved business could be expected in November and December when sales traditionally improved for cement producers

Analysts said that while public authorities had failed to live up to development expectations of social infrastructure such as clinics, schools and housing, this was expected to improve next year

In addition, as cement sales were closely linked to the level of gross domestic fixed investment, analysts expected sales to benefit from increased investment in infrastructural development

There were strong expectations from cement producers that the RDP would kick off in 1996 and cement sales would be boosted over the next few years

Blue Circle CE Carl Grim said while RDP spending had started slowly, its acceleration was inevitable particularly in the years leading to the next general election He said this was indicated by Blue Circle's planned profit growth and capital expenditure programme of R875m over the next three years

Pretoria Portland Cement and Anglo Alpha had also recently outlined plans for significant expansion and capital expenditure in the future

However, slower than expected demand during 1995 had led to cement producers building up a stockpile, with association figures showing they had produced 7,5-million tons by end October but sold only 7,1-million tons

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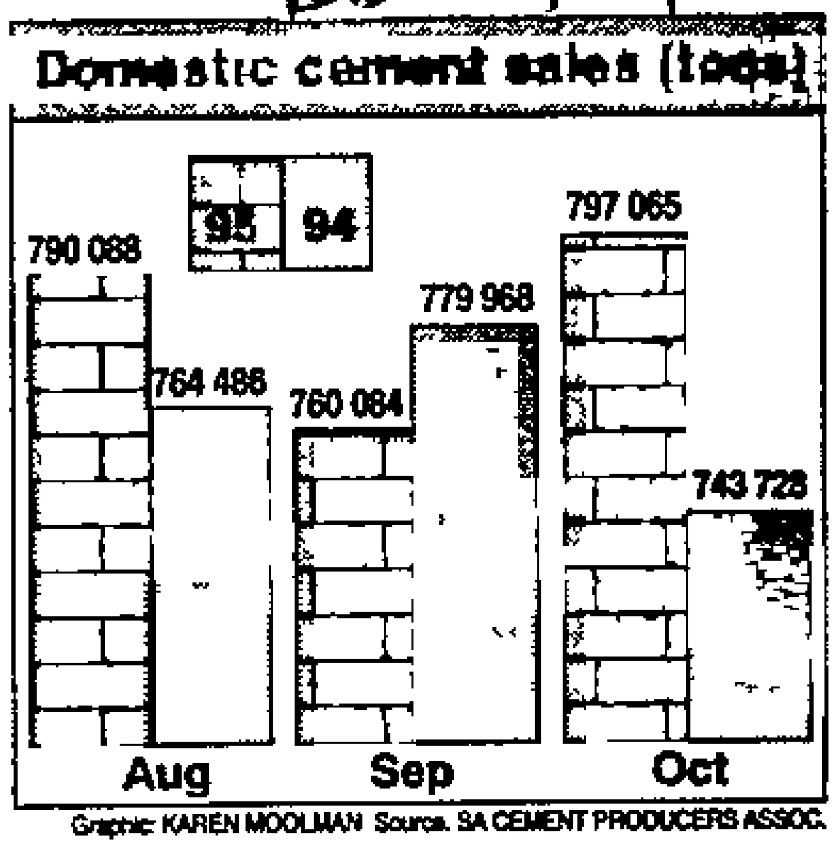
Pretoria Portland Cement and Anglo Alpha had also recently outlined plans for significant expansion and capital expenditure in the future.

However, slower than expected demand during 1995 had led to cement producers building up a stockpile, with association figures showing they had produced 7,5-million tons by end October but sold only 7,1-million tons.



Graphic: KAREN MOOLMAN Source: SA CEMENT PRODUCERS ASSOC.

Anxiety looms as Dura and Wispeco propose 'marriage'

(193) Sowetan 21/12/95

By Isaac Moledi

CONCERN is growing in the building industry over the formation of a joint venture between Metkor Group subsidiary Wispeco and Dura Press to merge both companies' (steel frames) into one company

The Wire Industries, Steel Products and Engineering Company (Wispeco), said to be among the biggest manufacturers of window and door frames in the country, announced last week that it had withdrawn from the steel frames industry manufacturing to form a joint venture company with Dura Press

Dura is also understood to be one of the biggest companies in the steel door and window frames market

Wispeco sales and marketing director Evert Swanepoel said last week that the company's branches around the country would change to aluminium window and door frames, except for steel door frames where the local market was only for steel

Sources close to *Sowetan* said this week that the move has raised serious concern among other stakeholders as both companies are known to be the country's biggest frame manufacturers accounting for about 80 percent of the market between them

They described as ridiculous, Swanepoel's statement that the combined market share of the two companies ' was more like 30 percent"

Iscor, which supplies steel material to Wispeco also refused to comment on the market share of both companies

Iscor's market development technical adviser Bradley Cronje told *Sowetan* that his company would not say what Wispeco's market share was as this was a confidential matter between Wispeco and his company

Empowerment

Market sources said they viewed the move as monopolising the industry which would have serious implications for the reconstruction and development programme, market competitiveness and the empowerment for small business

Other stakeholders and interested parties in the industry have not been told, according to the source.

Master Builders Association, of which Wispeco is its 800th member, together with bodies that buy the companies' products, said they were not informed about the joint venture and only saw it in the Press

The source, who preferred not to be identified, alleged that the industry doubted the establishment of a joint venture company as there had been "behind-the-scenes" negotiations between the two companies with the motive of transferring Wispeco to Dura

Wispeco the industry source said, was afraid to embark on an empowerment programme promised earlier by Rembrandt's Anton Rupert

Rembrandt has a stake in Wispeco.

The source quoted Rupert as saying the empowerment programme for small businesses, particularly black business, would be considered once Wispeco's "many branches throughout the country" were to be sold.

Rembrandt group investment manager Emil Buhramann confirmed last week that although empowerment of small business has been on the company's agenda, it has been difficult to give people assets while lacking proper knowledge

He said Wispeco had created an empowerment window frame company about two months ago manned by 60 to 80 black people

"Once they have proper training and knowledge, they can buy the rest of the company" said Buhramann

Swanepoel refuted claims that it formed a joint venture to run away from selling the company to small businesses

He said Wispeco was running at a loss and choices were either to form a joint venture with another company or close down He confirmed that other bodies closer to Wispeco had not been consulted as it had been difficult to do so

"We have been surprised by this sudden announcement. Our concern is that if Dura manages to buy Wispeco, we might end up having products of lower quality as Dura does not use Iscor steel to manufacture their products,"said the source

The source concluded by saying that there was a belief that Wispeco should allow small businesses to have a stake in the company for competition's sake

Cement firms restructure to prepare for free market

(193) BD 28/12/95

Robyn Chalmers

THE share prices of cement producers Anglo-Alpha and Pretoria Portland Cement (PPC) have risen steadily over the past month after a year of mixed fortunes, with future growth expected to hinge on the reconstruction and development programme

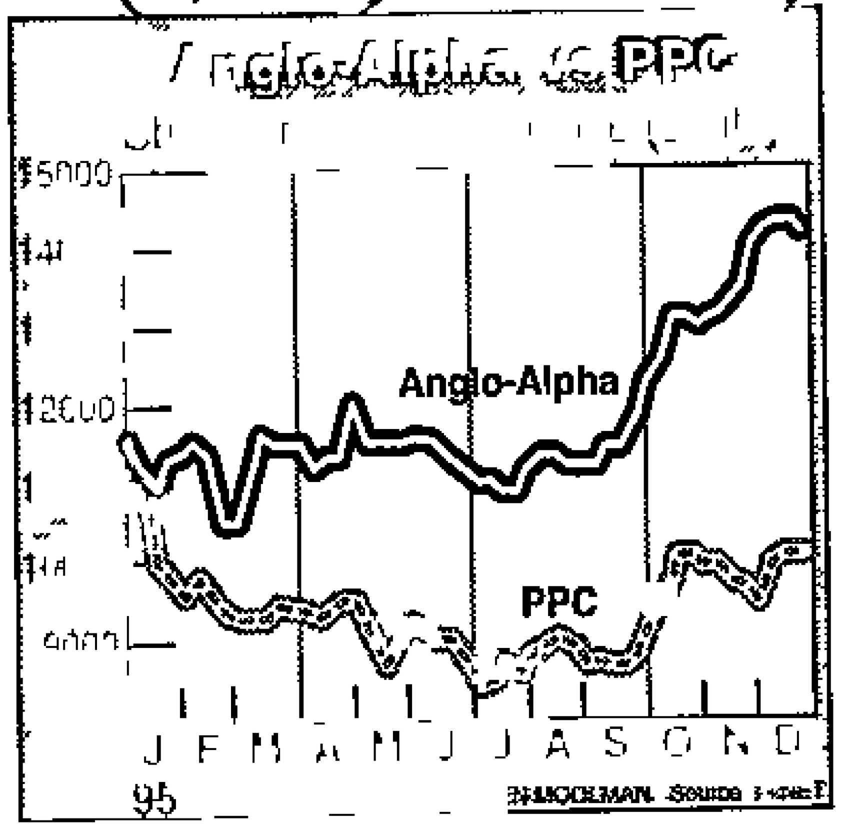
Anglo-Alpha, PPC and unlisted Murray & Roberts subsidiary Blue Circle will be operating in a free market from October when the cement cartel will officially be disbanded

Analysts said that the need for cement producers to gear up for a free market had had an impact on the groups' share prices during the past year, particularly with the announcement of proposed capital expenditure programmes

PPC's share price dropped during the first half of this year, falling from a one-year high of R110 to touch a 12-month low of R84 during the first week of July The counter moved upwards during the second half of the year to close untraded yesterday at R100

During the year ended September, PPC increased its earnings a share 24% to 464,4c on a 22% rise in turnover to R1,2bn and a growth in operating profit to R286,8m from R243,5m

These results reflected significant restructuring to position it



for a post-cartel environment

Group MD John Gomersall said the cement business was reorganised into two regional units, while two cement distributors were incorporated into PPC Cement It also acquired the remaining 45% shareholding in cement sacks producer Kohler Sacks

A significant capital expenditure programme was likely to get under way next year, with the group set to expand its capacity after the discovery of viable, long-term raw material deposits in the Eastern Cape, Gauteng and Northern Province

Anglo-Alpha's share price fared better than that of PPC this year, with the counter recovering from a low of R100 in February to move strongly upwards during the second half, closing untraded yesterday at R143.

Anglo-Alpha produced strong results at the halfway stage, with attributable profit surging 107% to R74,9m on a 33% rise in turnover to R667,2m and earnings of 249,2c (120,4c) for the six months ended June

Cement division director Marco Germena said the group was also gearing up for a free market situation, having invested R75m over the past three years in mergers and alliances with distributors and investing in distribution centres around SA

Germena said the group had embarked on a strategy to increase its cement production capacity through the recommissioning of previously mothballed kilns at the Ulco cement factory in the Northern Cape

Blue Circle had also undertaken a variety of measures to increase capacity, including having spent R40m on improving the efficiency at its number four kiln and budgeting R60m during the current year to increase its number five kiln's output by 230 000 tons a year

CE Carl Grim said feasibility studies on the number seven kiln at Lichtenburg were being completed and an environmental impact study was being initiated for the possible construction of a cement factory near East London

MANUFACTURING - NON METALLIC MINERAL PRODUCTS

1996 ~~1997~~

Building material suppliers gear up

(193)

Robyn Chalmers

BD 3/1/96

BRICK and cement producers are gearing up to increase production output this year, but sales forecasts from building materials suppliers are generally less optimistic than they were last year.

A range of building materials suppliers were hard hit by the lack of demand for their products last year, and enter the new year facing an almost static market with some sitting on large stockpiles.

Suppliers said this was largely because of the slow delivery of low-cost houses and lower than expected investment in the building and construction industry last year, particularly by the public sector

Brick sales were also estimated to be lower than expected last year, with industry volumes rising about 6%. But manufacturers said residential demand for bricks had increased, which had partly offset the decline in the number of building contracts coming from the private sector

Harry Voorma, MD of Corobrik, SA's largest manufacturer of clay bricks, said volumes had increased between 12% and 15% last year

Brick manufacturers had last year begun gearing up to almost double production output by mid-1996 when an estimated 6-billion bricks would be required to meet the demands of the reconstruction and development programme

This followed a lengthy recession, with industry statistics showing that between 1986 and 1994 consumption fell 50% and the industry's stockpile of bricks more than doubled to 460-million.

Clay Brick Association executive director Nic Louw said SA needed labour-intensive systems of constructing homes to provide employment for the unskilled and unemployed as well as to build the millions of houses required in SA

SA Cement Producers' Association business manager Robin Murray said the three big cement producers expected sales to grow between 7% and 8% this year, which was lower than the 10% expected last year

"We have not yet had the official cement sales figures for 1995, but it appears that sales in November were slightly lower than expected

"The real test will be to see how sales fared during the first few weeks of December as the cement industry traditionally does its best business in the run-up to the builders' holidays," he said

Cement sales for the nine-month period ended October had increased 8,46% over the previous comparable period This was still short of the 10% predicted at the beginning of the year by the association when the RDP was expected to take off

All three of the big producers — Pretoria Portland Cement, Anglo-Alpha and Blue Circle — had embarked on strategies to increase their production output and ensure they were well placed when the cement cartel was dissolved later this year

Drop in cement sales surprises producers

(193)

Robyn Chalmers BD 18/1/96

A DROP in domestic cement sales last November caught producers by surprise after the industry's production levels had risen more than 10%, leaving a stockpile in a month when sales normally rocket.

SA Cement Producers' Association figures showed cement sales fell 3,3% to 779 728 tons during November against the comparable month in 1994, with production levels rising 10% to 850 560 tons.

During the 11 months ended November last year, total sales amounted to 7,8-million tons on production of more than 8,3-million tons

Association business manager Robin Murray said the drop in sales had been unexpected, particularly as sales traditionally improved in November and December in the run-up to the builders' holiday.

"There are a few factors which could have caused the downturn, with the local elections on November 1 last year being the most obvious reason In addition, it was a very wet month which meant building activity was lower and this would also have adversely affected sales," said Murray.

The lower sales have caused fears among cement analysts that the industry would not meet its target of a 10% rise in sales for last year, with sales for the first 11 months of the year reflecting a rise of only 7%.

Murray said it was quite possible that the 10% target would not be met, particularly as December, with the builders' holiday falling in the middle of the month, consisted of just two weeks.

Analysts said one factor causing lower than expected sales last year was the slowness of the RDP's low-cost housing programme in getting off the ground One analyst said demand had been adversely affected by the winding down of major infrastructural projects such as Columbus Stainless Steel and Alusaf, which had not been replaced.

The underperformance of cement sales was offset by improved prospects for the building industry, with Central Statistical Service figures showing the value of building plans approved in October and November last year rose 3% and 7,2% respectively

The 7,3% increase in the value of building plans approved in November could mainly be attributed to the 15,7% hike in the value of residential building plans The largest increases were recorded in KwaZulu/Natal, Gauteng and Mpumalanga

PGSI joins US Auto Glass in merger deal

Edward West BD 19/1/96 (193)

PLATE Glass & Shatterprufe Industries' (PGSI's) offshore arm, Belron International, has merged subsidiary Windshields America with US Auto Glass to form the largest automotive replacement glass company in the US with annual sales of R1,5bn.

PGSI executive chairman Ronnie Lubner said yesterday the deal would increase Belron's annual sales to more than R3bn The combined company, 51% owned by Belron, would hold almost 15% of the US automotive glass replacement market

It would operate 375 retail outlets and a network of 6 000 independent subcontractors in 42 states

No cash had been exchanged in the deal, which would become final once it had been approved by regulatory authorities in the US and SA, probably within 90 days.

Lubner said the new company would be capitalised by its joint owners to the tune of about R145m, with the first step being the rationalisation of the merged operations.

Windshields America was one of four competitors US Auto Glass had approached with a view to a merger. "They were more profitable than us, but we had more value in the longer term because we had more stores."

Belron's earnings were expected to be substantially higher than projected in its current five-year plan because of the merger, but 1996/97 financial year earnings were unlikely to be affected because immediate rationalisation benefits would be absorbed by restructuring costs.

US Auto Glass has 105 branches and a network of 5 000 independent subcontractors, while Windshields America has 270 branches and 2 500 subcontractors.

Plate Glass for big US merger

CT(BR) 19/1/96 (193)

By Charlotte Mathews

Johannesburg — Plate Glass & Shatterprufe Industries (PGSI), a company in the SA Breweries group, will merge its subsidiary Windshields America with US Auto Glass

Windshields America is number three in America's automotive glass replacement industry, US Auto Glass is number four

Together the companies will form the largest automotive glass replacement company in the United States, with annual sales of R1,5 billion and about 15 percent of the market Sales could reach R2 billion by the end of the century

This is the largest American deal involving a South African company since Sappi bought SD Warren two years ago

Windshields America is held by PGSI's offshore arm, Belron International Belron will own 51 percent of the combined company and have four of the seven directors on the board

The new company's name is being negotiated It will have 375 retail outlets and 6 000 independent sub-contractors in 42 states

Ronnie Lubner announces the largest US automotive glass replacement firm

PHOTO JOHN WOODROOF

PGSI's executive chairman Ronnie Lubner said enormous benefits would result from rationalisations and the group's buying power Automotive glass replacement was an industry that was heavily affected by scale, he said

The market was mostly the major insurance companies, car hire firms, fleet owners and body shops that wanted nationwide service

US Auto Glass had an extensive network of sub-contractors Merging the two groups would allow profit, rather than commission, to be earned from more branches

There were also opportunities to rationalise overheads and about 20 or 30 branches would have to be closed Lubner confirmed that staff would be retrenched but he could not say how many

He said the deal was subject to the approval of the United States monopolies and mergers commission He did not believe there would be a problem because the combined company would have a small share of the market

No cash has been exchanged for the merger The new company will have capital of about R145 million. Lubner said if more capital was needed, the company could be listed in New York or Belron could be listed in London or New York

The 500 000th ton of klinker cement

ARG 27/1/96

193

IAN SHIFFMAN
Shipping Reporter

THE 500 000th ton of klinker cement was exported from Cape Town's harbour this week, making it the largest bulk commodity currently exported through Cape Town

The half-million tons was loaded in 14 ships over 2½ years, earning the country R60 million in foreign exchange

The scope for export of the product was realised by PPC Cement when they found spare capacity to produce klinker for export

It was not easy to break into the export market, according to Razaak Hassim, PPC's director, logistics A high-quality product was required for export and fierce competition from other foreign suppliers was encountered.

However, the De Hoek factory managed to succeed in securing the contract, which initially faced loading problems in Cape Town harbour

A primitive conveyer-belt system was installed However, loading was painfully slow and quantities were being blown away

Greystones of Durban put together an efficient loading system which boosted loading rates from 3 000 tons a day to 8 000 tons, significant by international standards

Louis Du Toit of Spoornet said it was one of the most innovative projects yet tackled Spoornet was also required to assist as 900 trucks were required for each shipload

Portnet assisted with the provision and installation of certain facilities, and besides the docking and undocking of each ship, each vessel had to be warped up and down the quay, loading each hold individually

In a further boost to get the product on the export market, Safmarine supplied the first two ships at a special price

PPC goes to the Border

(193)

Robyn Chalmers

BD 1/2/96

PPC CEMENT yesterday established a presence in the Border region as part of its ongoing strategy to set up distribution centres around SA in the run-up to the cement cartel being disbanded in September

PPC coastal cement MD Graham Fabian said yesterday it was important to establish a presence in the area, given that it had an estimated cement market of about 80 000 tons a year

PPC Cement's Port Elizabeth factory, which produced 260 000 tons for the Eastern Cape market last year, was the only cement factory in the region and was well-situated to supply this market, he said

Fabian said the recent discovery of limestone deposits in the Port Elizabeth area would enable PPC Cement to ensure availability of cement despite the expected growth in demand this year.

Firmer margins boost Italtile's earnings

(193) CT (BR) 7/2/96

By Llewellyn Jones

Johannesburg — Firmer margins and tight control of overheads helped Italtile, the ceramic tiles specialist retailer, to lift attributable earnings 26,2 percent to R6,6 million for the six months to December

While turnover rose 17,4 percent to R123 million, operating margins were 13 percent, taking operating profit 32,6 percent higher to R10 million

Profit after tax but before outside shareholders' interest rose 25,6 percent to R6,6 million which meant earnings of 36c (29c) a share A dividend of 6c (5c) a share was declared

The balance sheet shows no interest-bearing debt Financial director Peter Swatton said Italtile traded on a cash basis and it made sense to draw down debt and fund expansion with the cash

Swatton said the company had not increased its selling prices since its last financial year and the improved turnover was a result of increased volumes being sold

"While there has been a real increase in the consumption of ceramic tiles over the past two years or so, it would also be fair to say that we have taken some market share from our competitors"

He said that there was good recognition of, and consumer loyalty to, the Italtile brand names — Italtile and CTM

There had also been a noticeable increase in building activity and ceramic tiles had become the cladding of choice for floors and walls

The company also announced that it would be expanding its operations this year with additional outlets coming on line

Swatton said the company had recently opened a new CTM store in Tyger Valley in the Western Cape and had plans for new stores in Pinetown, Tokai, Port Elizabeth and Midrand

Swatton said he believed the future for Italtile lay in the development of more small showrooms which would be supplied by the larger warehouse-type stores

Italtile results pave the way for expansion

(193)

Jacqueline Zaina

BD 7/2/96

CERAMIC tile and sanitaryware retailer Italtile raised attributable earnings 26,2% to R6,6m in the six months to December following higher volume sales and firmer margins based on improved buying at its national CTM and Italtile outlets.

Earnings a share were 24,1% up at 36c, and dividends came to 6c (5c) a share The group pushed turnover up 17,4% to R123,3m, while operating profit surged 32,6% to R10m A tax bill of R3,3m (R2,3m) left taxed profit at just over R6,6m (R5,3m).

CE John Couzis attributed profit growth to better margins and continued tight control of overheads. The group had not increased selling prices from the last financial year and improved turnover was a result of growth in volume sales

Italtile had seen the benefit of improved working capital and had settled all interest-bearing debt — R5,2m at the end of the first half in 1994 — leaving it ungeared, he said.

Couzis said he expected trading conditions to remain positive in the second half, with earnings growth likely to be maintained.

Italtile intends to expand operations this year and additional outlets are expected to become operational toward the end of the year.

The share closed unchanged at R8 on the JSE yesterday, having maintained its January 10 annual high, but there were no sellers.

3.2

Anglo-Alpha builds on stronger product demand

(193) BD 8/2/96

Robyn Chalmers

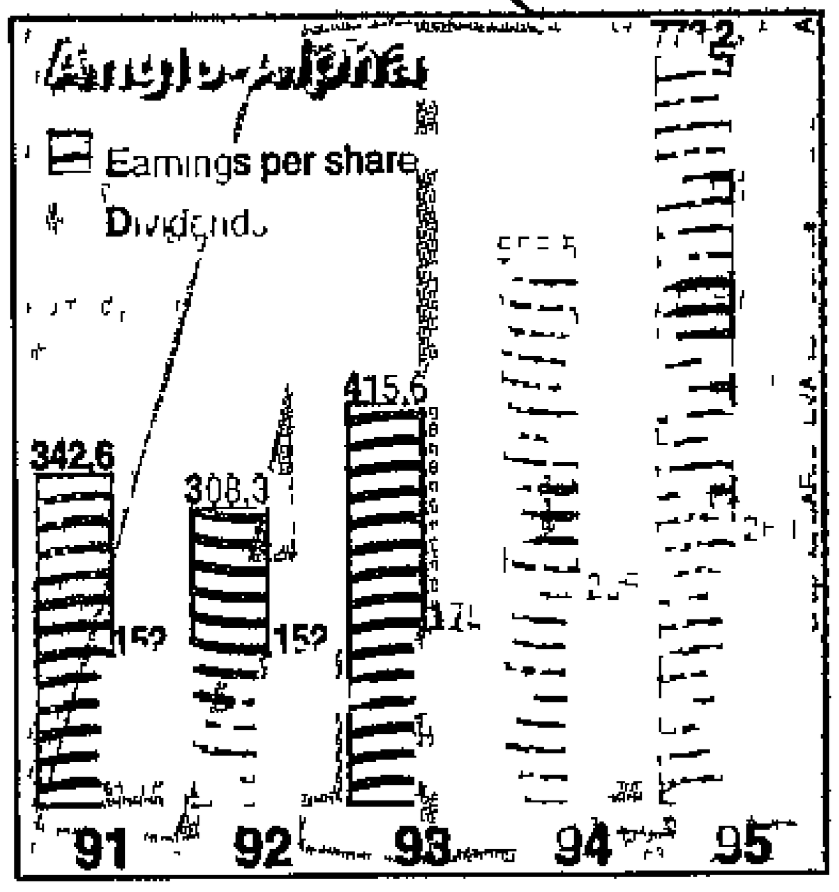
CEMENT group Anglo-Alpha produced a 39,2% hike in attributable income to R233,5m for the year to December, following stronger demand for its products

Sales revenue rose to R1,5bn from R1,2bn for the 1994 financial year while operating profit jumped 22% to R310m from R254m previously

Investment income fell 1,7% to R29m due mainly to lower interest income which was partly offset by increased dividend income from investments

A lower effective tax rate cut the tax charge to R90,8m from R92,6m Share earnings rose 39,2% to 773,2c each on an historical cost basis, and 53,3% to 573,1c a share on a current cost basis A final dividend of 180c was declared, boosting the total dividend for the year to 260c from 205c

MD Johan Pretorius said that due to the uncertainty surrounding the future level of secondary tax on companies, the group had proposed that the final dividend



should be declared before the end of April

Pretorius said the recovery experienced last year should gain momentum this year, and the group expected a further moderate increase in sales volumes

But he added that earnings growth would be slightly above the expected inflation rate Economists expect inflation this year to average 7,5%

The group's operating margin fell to 21,3% (21,7%), hit by higher selling and administration costs, stemming from the implementation of customer service systems in preparation for the close of the cement cartel this September.

Pretorius said there were also additional fixed costs as a result of Anglo-Alpha's entry into the ready-mixed concrete markets in Durban and Cape Town

But he said the group's return on net assets exceeded its target of 18% for the first time since 1982 at 21,7% (17,9%)

"This was achieved as a result of the group's improved profitability arising from the better utilisation of production capacity"

Anglo-Alpha also began an expansion scheme to prepare for the dissolution of the cement cartel A new lime kiln was being built at the Ouplaas factory and additional cement capacity of 350 000 tons a year was being brought on stream at the Ulco plant

He said a decision on a major cement expansion was expected before the end of the year The group was currently considering a number of options

Masonite Africa shows caution

CT(BR) 9/2/96 (193)

By John Sherrocks

Durban. — The strength of the rand, lower demand in western Europe and an oversupply in Asia were listed as negative factors by Masonite Africa, but the Durban-based building materials manufacturer was predicting a satisfactory year

Alan Wilson, the chairman and managing director of the company, was reluctant to factor in the RDP as a positive influence "If the RDP happens that will be fine Last year we were told there would be a take off and it did not happen," he said

"We don't believe we are headed for a bad year but we can't quite get a handle on things at this early stage," said Wilson.

Masonite exports about 25 percent of production volume to 70 countries

Wilson said that weaker international demand was due to a decline in the United States housing market.

This had resulted in traditional exporters to that country, such as Brazil, seeking alternative outlets and had increased competition for Masonite Africa in Europe and Asia

NEW NAME *Alpha's managing director, Johan Pretorius (in the cab), and his staff celebrate the change of name from Anglo Alpha to Alpha, in a move that brings together the group's core business of cement, stone aggregates and ready mix under the new name*

Anglo Alpha combines its core business

(193) CT (BR) 26/2/96

STAFF WRITER

Johannesburg — Anglo Alpha has changed its name to Alpha and brought together its core business of cement, stone aggregates and ready mix under the Alpha name. The group's other industrial interests will also trade under the name. The new image is part of a strategy to retain the group's share of the cement market.

The managing director, Johan Pretorius, said the company's products — under their previous brand names of Anglo Alpha Cement, Hippo Quarries and Pioneer Ready Mix Concrete — all had strong market shares. However, market research had highlighted that there was little perception by the consumer of their association with one another.

The move had been made to position the group as the leading supplier in the building and construction materials industry.

"The end product of cement is concrete. By offering all the basic components together with technical back-up and service, we believe we will be offering customers more added value," he said.

Alpha has assets of more than R2 billion and annual sales of more than R1,5 billion.

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Leader in cement field

(193) BD 26/2/96

Jacqueline Zaina

SPURRED on by the dismantling of the cement distribution cartel, Anglo-Alpha has changed its name to Alpha and brought together its core business of cement, stone aggregates and ready mix under the new name.

Alpha group MD Johan Pretorius said the move positioned the group as the leading supplier in the building and construction materials industry, facilitating the building of a single strong brand,

This was deemed necessary in a more competitive environment.

Bogged-down RDP dampens cement sales

(193) BD 28/2/96

Robyn Chalmers

CEMENT sales failed to live up to industry expectations last year, rising only 6,67% to 8,4-million tons year on year, and projections for the current year are less than optimistic

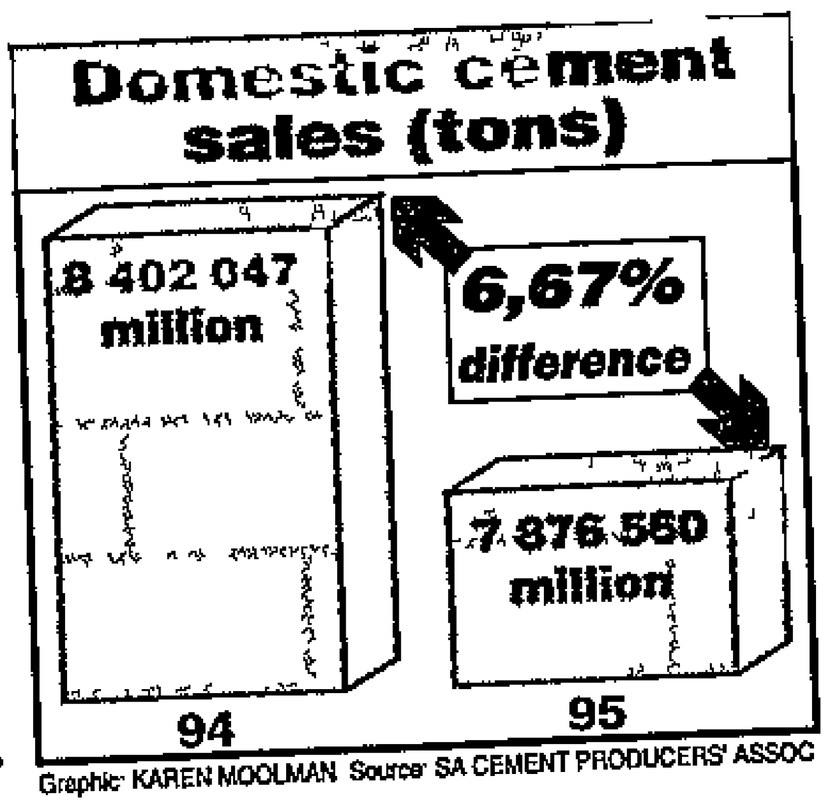
Figures from the SA Cement Producers' Association showed cement sales for December last year fell 0,11% to 510 274 tons

This was despite December traditionally being the best month for sales, with retailers and builders tending to boost stock levels in the run-up to the builders' holidays

Producers, anticipating strong sales as a result of the RDP, were largely caught off-guard by the slow-down and cement production levels rose 14,75% to 9-million tons for last year

The association's sales manager, Robin Murray, said yesterday that the low level of activity in the RDP last year was the main reason for the lower than expected sales. The association and most producers predicted a 10% hike in sales during last year

"There were other factors which affected sales, including the rainy weather conditions in November and December and the fall-off of major contracts such as Alusaf and Columbus Stainless Steel



Graphic: KAREN MOOLMAN Source: SA CEMENT PRODUCERS' ASSOC

"We are not terribly optimistic about this year either, with most predictions on sales coming in at 6% to 7% There are few indications that the major contracts which wound down last year will be replaced, and although the RDP has picked up slightly, we doubt it will take off this year," said Murray.

One analyst said that while public authorities had failed to live up to the development expectations of social infrastructure such as clinics, schools and housing, there could be a slight improvement this year

The analyst said fixed investment — both private and public — could be expected to play a role in boosting economic growth this year as a result of the RDP and also due to increased investment in export orientated businesses

"Cement sales are closely linked to gross domestic fixed investment in SA, and the industry will benefit significantly once the expected investment in infrastructure pans out, but this will probably only happen towards the end of the year," he said

Another analyst said the cement industry was in flux, with the main producers — Alpha, Pretoria Portland Cement and Blue Circle — gearing up for the demise of the cartel in September

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Cement producers cut forecasts

BD 4/3/96 (193)

Robyn Chalmers

SA's cement producers have downgraded their sales forecasts for 1996 after deciding government and private sector infrastructure investment would probably pick up only towards the end of the year

Recent figures showed sales failed to live up to expectations last year, rising 6,67% to 8,4-million tons against the predicted 10% hike which was based largely on the back of the RDP

Pretoria Portland Cement estimated sales would rise between 6% and 8% this year, Alpha believed a 4% increase in sales volumes was on target, while Blue Circle Cement was more optimistic, with demand rising 8% to 10%

Alpha chairman Peter Byland said in the annual report released at the weekend that the economic recovery experienced last year was expected to continue into 1996 with an expected 4% growth in GDP

"We are forecasting a 4% increase on average in sales volumes which, together with the benefits of (Alpha's) productivity improvement plans, should result in further improvement in net profit at a rate slightly in excess of inflation," he said

Byland said the group was considering various expansion alternatives including the establishment of a new cement factory at Saldanha Bay, a new kiln at its Dudfield factory, or a greenfields factory in Mpumalanga

Blue Circle Cement MD Pieter Strauss said he expected cement output to reach 9-million tons this year, and the 8% to 10% rise in the level of demand would depend on progress made on the RDP

"We believe the industry is well placed to support the objectives of the RDP No major bottlenecks in production and the system of distribution are expected during 1996 (when the cartel is to be phased out)," Strauss said

Blue Circle was looking into the feasibility of building a new factory south of East London to boost capacity, which could kick off by the middle of the year "We are also increasing our investment in the Pietersburg and Nelspruit areas, enabling us to provide better support to rural projects in Northern Province and Mpumalanga"

The No 4 kiln at Blue Circle's Lichtenburg plant had been recommissioned, bringing a further 300 000 tons of production capacity on stream, Strauss said The capacity of the number five kiln would be boosted by 180 000 tons this year

Alpha group expects net profit to rise this year (193)

CT(BR) 6/3/96

By Charlotte Mathews

Johannesburg — Alpha, the cement and lime group formerly known as Anglo-Alpha, expects net profit to improve at a rate slightly above inflation in the financial year ending in December, said the chairman, Peter Byland, in the group's annual report.

This profit should stem from an expected 4 percent growth in sales volumes and the group's productivity improvement plans.

Alpha has prepared for the market ahead of the disbanding of the cement cartel. It has strengthened its distribution capability, increased its investment in ready-mixed concrete and sales outlets, and added information systems that will enhance service to its cement customers.

Between this year and 1998 the group expects to spend R1 billion on capital projects. About half is for expansion and diversification, the rest is to replace plant and equipment.

As previously reported, various expansion options are being considered, including the establishment of a new cement factory at Saldanha Bay on the West Coast. If this is viable, the group will evaluate exporting cement to South Africa's neighbours. At present, exports are irregular because transport costs are the largest element in determining the delivered price of cement. A regular export business depends on having a cement production facility near a major harbour

Other expansion options for the group include a new kiln at its Dudfield factory or a greenfields factory in Mpumalanga.

Byland said Alpha was investigating trade and investment opportunities in the rest of Africa, but these opportunities were being hampered by South Africa's "restrictive foreign-exchange control policy".

"I would therefore, once again, appeal to the authorities for a greater degree of flexibility in the application of exchange control regulations."

Rains hammer brick sales 30% in Gauteng

CT (BR) 6/3/96 (193)

Heavy rains since November have knocked clay-brick sales by about 30 percent in Gauteng and the Northern Province and set back many construction programmes, Nic Louw, the executive director of the national Clay Brick Association, said this week

He said that the heavy rains had had a negative effect on the demand from the construction industry, whose operations had been hard-hit. It had also hammered the production of small to medium manufacturers of clay bricks

Many of these small operators had experienced major production setbacks and financial loss because of the rains. It would take at least six to eight weeks to get back on schedule, said Louw

He said that the outlook for the industry was bullish for this year, (while getting off to a slow start countrywide due partly to changes in the builders' holidays over the December period), particularly as the Reconstruction and Development Programme (RDP) was expected finally to get off the ground

The industry countrywide had sufficient stockpiles to meet any immediate increased demand because many of the larger operators had stepped up capacity last year in anticipation of the RDP

Charles Pritchard, the president of the Western Province Masonry Manufacturers' Association, said total demand in the Western Cape in January was down about 7 percent on a year-on-year basis, partly because builders had returned relatively late from annual holidays

Sales had picked up in February Though manufacturers in the Cape Town area had a combined stockpile of about 60 million bricks, some were already struggling to meet demand for certain high-turnover products, and delays of around two weeks were already evident

Mike Ingram of Corobrik in the Western Cape said that its factories countrywide had increased capacity by about 30 percent since April in over-optimistic anticipation of the RDP getting of the ground

"Consequently, we are sitting on record stock levels but we are confident that the promise of the RDP will translate into a tangible improvement this year, particularly in the area of schools, clinics, prisons and other government-driven infrastructure projects, and we will be in a position to respond quickly to the expected increase in demand"

He said more than 20 infrastructure projects were out to tender in the Western Cape, which should provide a welcome boost to the local industry

Crack in Ceramic Industries profit

(193) ARGT 14/3/96

JOHANNESBURG — A sharp rise in imported tiles and a higher tax rate depleted Ceramic Industries' earnings for the six months to January 31, with attributable earnings falling 13,7 percent

The company said the higher level of imports in the "pressed tiles" market had reduced sales at Samcatiles, which ultimately reduced turnover by 6,6 to R61,36 million from R65,72 million during the same period in 1994

While income before tax was 34,8 percent higher at R9,630 million (R7,142 million), tax jumped to R3,75 million from R328 000 in 1994 as the company moved on to the full tax rate

Consequently, attributable earnings were lower at R5,881 million compared to R6,814 million previously, while earnings per share dropped to 32,7c from 37,9c

The board has declared an interim dividend of six cents a share, unchanged from the dividend declared in 1994

Operating income was 29,6 percent higher at R8,24 million compared to R6,357 million in 1994

■ Now that **Lonrho PLC** founder Roland "Tiny" Rowland has sold out his 5,9 percent stake in Lonrho, Dieter Bock, the German executive who ousted Rowland agreed to resell the shares to Anglo American Corp of South Africa

Anglo American, a mining and financial conglomerate, called its purchase "an important long-term investment", according to a statement from chairman Julian Ogilvie Thompson

■ **South African Forestry Company** has announced the launch of a R28 million project to reclaim low grade timber from its Southern Cape plantations

The project provided for the creation of an R18 million Small Timber Project subsidiary, which would reclaim large volumes of stagnant and low grade timber, and a R10 million upgrade of its George mills to process some of the smaller logs

CEO Dr Tienie van Vuuren said more than 12 000ha of Safcol's plantation area in the Southern Cape was presently taken up by low grade timber The timber volume was less than the norm and consisted mainly of crooked trees — Sapa-Reuter

Ceramic hurt by taxes and competition

(193) CT (BR) 14/3/96

By Charlotte Mathews

Johannesburg — Ceramic Industries, the manufacturer of ceramic tiles and sanitaryware, reported a fall in earnings to 32,7c a share in the six months to January compared with 37,9c in the same period a year ago owing to competition from imported tiles and a higher tax rate

Turnover dropped 7 percent to R61,4 million as more imported tiles entered the market and the expected stimulus to the building industry from the reconstruction and development programme was delayed

However, the group boosted operating income by 28 percent to R8,2 million owing to tight cost control and improved productivity, said Battista Errera, the chief executive officer

These gains were lost by a sharp increase in the tax rate to 38 percent from 5 percent previously as the company moved on to a full tax rate, which resulted in attributable earnings dropping 13 percent to R5,9 million An unchanged interim dividend of 6c a share was declared

Errera said the company's performance was expected to improve in the next six months

The integration of the workforce around the new technology installed at Betta Sanitaryware had taken longer than expected, but the benefits would become evident next year, he said

ALPHA

LIFE AFTER THE CARTEL

(193) FM 15/3/96

- **ACTIVITIES** *Production and distribution of concrete and related materials*
- **CONTROL** *Altur Investments 54,8%*
- **CHAIRMAN** *P Byland MD J Pretorius*
- **CAPITAL STRUCTURE** *30,1m ords Market capitalisation R4,12bn*
- **SHARE MARKET** *Price 13 500c Yields 1,9% on dividend, 5,7% on earnings, p e ratio, 17,5, cover, 3,0 12-month high, 15 400c, low, 10 500c Trading volume last quarter, 240 380 shares*

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	38,3	55,6	98,3	44,7
LT debt (Rm)	160,2	125,0	34,5	94,7
Debt equity ratio	0,08	0,06	0,01	0,03
Shareholders' interest	0,85	0,83	0,82	0,80
Int & leasing cover	4,16	6,03	11,46	13,86
Return on cap (%)	6,9	8,5	10,3	12,9
Turnover (Rm)	757	877	1 168	1 454
Pre-int profit (Rm)	157,7	209,3	271,1	328,8
Pre-int margin (%)	19,6	23,0	21,8	21,2
Earnings (c)	331	422	556	773
Dividends (c)	152	175	205	260
Tangible NAV (c)	6 503	6 807	7 182	7 252

Recent TV ads celebrating the birth of an integrated Alpha brand for the cement products of what was Anglo-Alpha convey a distinctly futuristic atmosphere

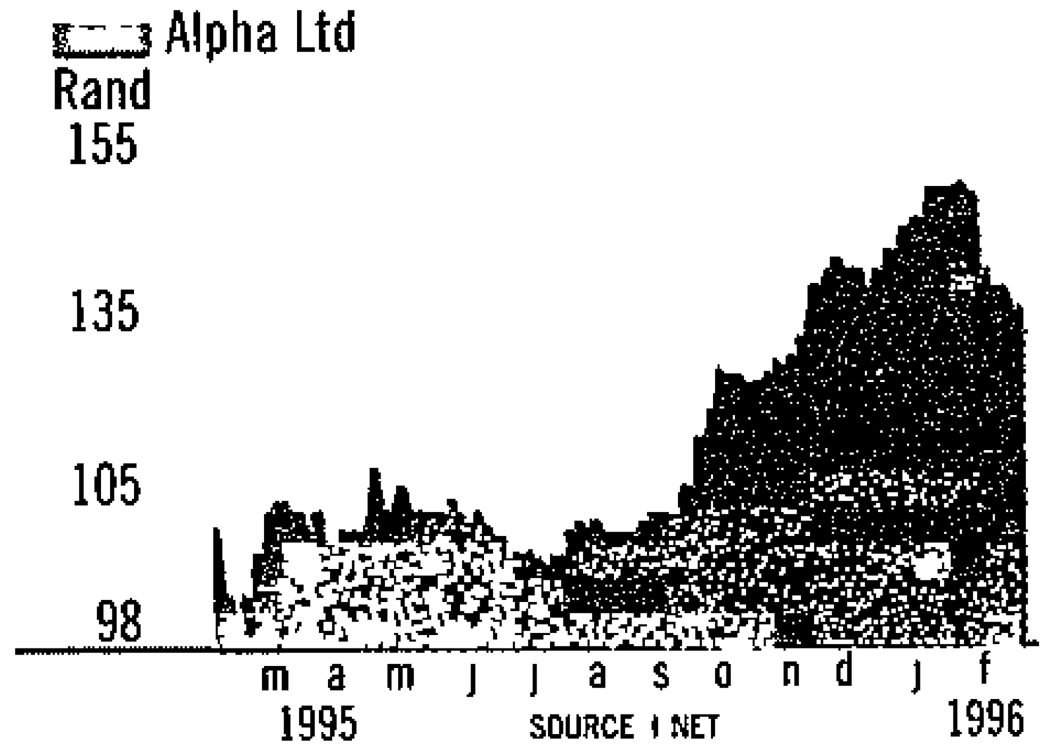
That is not co-incidental Alpha is relying on a new corporate image to boost its competitive edge in the post-cartel era

Old trading names such as Hippo and Pioneer have been subsumed into the new identity, giving a better indication of the variety of products and services offered — an important move in the jockeying for position as rivalry intensifies ahead of deregulation

"It's early days yet to see if the change has been effective," says finance director Trevor Wagner, "but we've had good feedback "

Johan Pretorius *investing in counter-cyclical activities*

The three big cement firms are caught in a pincer which threatens turnover and margins The cartel's demise is driving up costs as each has to establish a separate distribution and customer service network And sales have fallen because of rains and a dearth of large projects



The rains will probably abate before demand picks up The annual report points out the "mild optimism" in the construction industry is "not reflected in an increase in major contract inquiries or tenders "

Analysts are scaling back expectations for the next few years, industry estimates for volume growth ranging from 6%-8%

No large-scale fixed investments are in the offing and demand from Saldanha Steel will not be enough to save the industry The RDP continues to float just out of reach Chairman Peter Byland shows the group's hallmark conservatism in his own forecast of 4% sales growth for 1996

Alpha appears to stand a good chance of weathering more difficult conditions

As the largest SA supplier of cement and concrete, products difficult to differentiate on quality, it plans to compete on service and distribution

It has invested a large chunk of last year's R167m capital spending in setting up an efficient supply chain, including the installation of palletisation and shrinkwrapping facilities

New customer depots and blending plants are also in place, as are cutting-edge IT systems

"You couldn't find a better managed company," says an analyst "They are quite capable of fighting their corner and even increasing market share "

The key to Alpha's current success is exemplary cost management Pre-interest margin was held above 20% last year despite an increase in costs and the acquisition of a majority shareholding in an Eastern Cape cement company

The rock solid balance sheet shows profitability rising and gearing steadily declining Debt, including debentures, totals about R140m, leaving plenty of room for manoeuvre

Capex for 1996-1998 is estimated at R1bn About half is for expansion and replacement projects, including a new cement factory, possibly in the Western Cape The balance is for replacement of plant and equipment and "quality-of-worklife" improvements Recommissioning of two wet-process kilns at Ulco is under way and should increase cement capacity by 350 000 t/year

A single-interest company is vulnerable to product cycles, especially when that product is a commodity

Last year, it pushed its investment in fertiliser and explosives group Omnia Holdings to 36,2% "Omnia is counter-cyclical to the building industry and the proposed merger of its fertiliser assets with Sasol's will improve its growth potential," says Alpha MD Johan Pretorius

The share price has slipped 12% to R135 from its 12-month high of R154 in February as doubts about the near-term future of construction filter through to the market, but it is still 29% up from its low last March Analysts predict it will perform in line with the JSE Industrial index in the next year

On a p e of 17,5, the share looks fairly priced But strong fundamentals indicate a buy *Margaret-Anne Halse*

LTA

STATIC ORDER BOOK

With an uninterrupted eight-year record of earnings growth, LTA has clearly shown its ability to function effectively in a variety of economic conditions The broad spread of activities has obviously helped keep earnings on the boil So has a continuing commitment to cost-cutting and efficiency improvements

But, as future performance will be

- **ACTIVITIES** *Building and construction*
- **CONTROL** *Amic (68,4%)*
- **CHAIRMAN** *H K Davies MD C V Campbell*
- **CAPITAL STRUCTURE** *28,2m ords Market capitalisation R726m*
- **SHARE MARKET** *Price 2 575c Yields 2,2% on dividend, 6,3% on earnings, p e ratio, 15,9, cover, 2,8 12-month high, 2 575c, low, 1 650c Trading volume last quarter, 204 923 shares*

Year to December 31	*'93	†'93	'94	'95
ST debt (Rm)	19,5	59,0	78,9	61,4
LT debt (Rm)	46,0	37,9	19,1	6,6
Debt equity ratio	—	(0,15)	(0,46)	(0,46)
Shareholders' interest	0,27	0,24	0,21	0,22
Return on cap (%)	10,6	7,5	6,9	7,1
Turnover (Rm)	1 614	1 839	2 346	2 511
Pre-int profit (Rm)	51,5	55,4	63,9	75,1
Pre-int margin (%)	3,2	3,0	2,7	3,0
Earnings (c)	118,3	17,5	133,2	161,8
Dividends (c)	35	33	50	57,5
Tangible NAV (c)	673	613	671	772

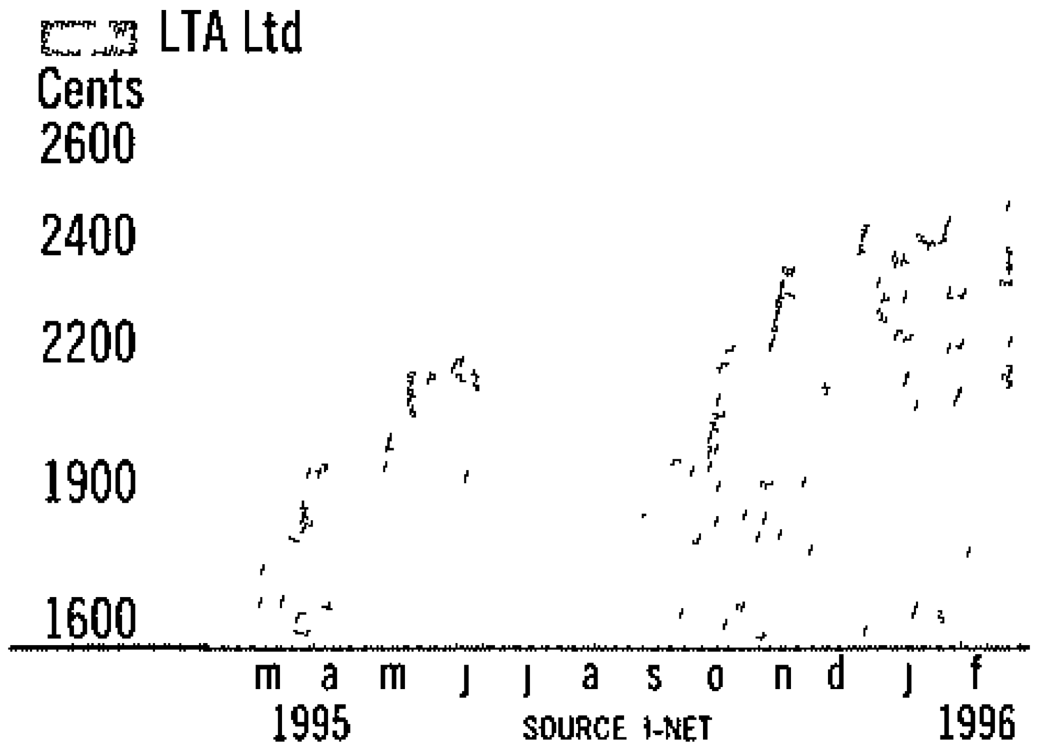
* Year to March 31 † Nine months to Dec 31 (annualised)

measured off what is already a high base, and assuming there must be a limit to how much blood one can squeeze out of a stone, continuation of the earnings uptrend may depend increasingly on a more general improvement in economic activity and its effect on infrastructural and fixed investment spending

Two points stand out First, despite an acceleration in earnings growth (excluding nontrading items) to 14% in 1995 from 1994's 9%, overall performance was less satisfactory in that there were misfires on two of the five cylinders The Building and Process Engineering divisions were both below budget, mainly because of a shortage of work

Second, for the second consecutive year, the order book remains static, even in nominal terms Neither chairman Hilton Davies nor MD Colin Campbell seem unduly bothered, and forecast that there will be sufficient work to extend the growth record for a ninth year

Here again, however, it is obvious orders will have to improve if growth is to continue beyond this year



Adding to concerns here is that during this same period, and aided by SA's new-founded political acceptability, LTA (like many others) has been actively seeking additional business opportunities elsewhere in Africa

Davies notes that non-SA work secured in the past year included the Mohale and Montain access roads in Lesotho, the North/South pipeline in Botswana and the plant construction contract at Mali's Sadiola Hill gold mine With total orders at December 31 static at R2,1bn, indications are that the value of local work has declined

Unfortunately, LTA does not disclose divisional data, nor does it give any information regarding geographical spread, making it impossible to analyse further than broad indicated trends

Structurally, the group remains as strong as a year ago Net cash on hand rose to R108m (1994 R90m) but as this was matched, proportionately, by the increase in total shareholders' funds, the ratio of net cash to equity remained a very liquid 46%

The additional cash came mainly from a further tightening of working capital which, over the past two years alone, has released R78,5m — virtually matching the R81m by which net cash resources have increased This underscores the attention paid to asset management as a means of enhancing performance during sluggish work volumes

There were no significant changes in profitability ratios The trading margin, at 3%, was slightly better than 1994's 2,7% but this merely recovered the ground lost that year compared with 1993 Returns on total assets (gross) and equity (net) were hardly changed

After a sluggish start to 1995, the share has had a good run over the past six months, jumping from R18 last August to the current historical high of R25,75

The 12-month gain of 56% from the R16,50 at the time of the *FM*'s review of the 1994 annual report far outstrips growth rates in earnings and dividends The share is more expensive in relative terms than this time last year, which underlines the extent to which the market is discounting future growth expectations The current p e of 15,9 is not far short of the industrial average of 16,4

While there is no denying the quality of earnings, what is needed to justify the present rating is an indication of accelerated activity in areas that will offer opportunities for the building and construction sector, including getting the RDP out of its rut Otherwise, LTA (among others) could be vulnerable *Brian Thompson*

OTIS

NO LIFTOFF YET

If you spare the subject a moment's thought, imagining the world without elevators (lifts, in English) becomes an imponderable Where would we be (closer to the ground?) and what would be the shape of our great cities (a lot flatter?) It becomes a self-defeating exercise, of course — like contemplating civilisation without the wheel

- **ACTIVITIES** *Manufactures, refurbishes and services elevators and escalators*
- **CONTROL** *United Technologies Holdings Plc 51%*
- **CHAIRMAN** *J C Hall R J Robinson*
- **CAPITAL STRUCTURE** *20,4m ords Market capitalisation R194m*
- **SHARE MARKET** *Price 950c Yields 6,7% on dividend, 9,6% on earnings, p e ratio, 10,4, cover, 1,4 12-month high, 1 05c, low, 700c Trading volume last quarter, 244 000 shares*

Year to November 30	'92	'93	'94	'95
ST debt (Rm)	—	2,2	—	—
LT debt (Rm)	0,4	0,1	—	—
Shareholders' interest	0,31	0,34	0,39	0,44
Return on cap (%)	45,3	50,8	52,3	46,9
Turnover (Rm)	186,3	168,3	192,9	202,4
Pre-int profit (Rm)	21,1	28,6	32,9	32,2
Pre-int margin (%)	11,3	17,0	17,0	16,0
Earnings (c)	50,0	75,6	90,4	91,5
Dividends (c)	25	52	64	64
Tangible NAV (c)	71	94	121	148

Ever since I was marooned for nearly three hours in an Otis travelling container late on a lonely Friday night, my attitude to these unavoidable contraptions has been a trifle jaundiced It has

Some hard work gives Marlin's granite an edge

(193) ST(BT) 17/3/96

MARLIN at 85c and debt-free is one of the few stocks to offer value on the currently troubled JSE Pyramid Marhold is even better value at 40c It should be half the Marlin price

Marlin has just taken control of Minaco, which at 25c is also a buy and shareholders should decline the minority offer of 22c

In the late 1980s granite shares could do no wrong in an environment of strong demand for an exported product assisted by a declining rand

The wheels began to fall off when the 1991 Gulf War depressed demand This caused problems for many producers, not least Marlin, which carried on quarrying ahead of an anticipated restoration of orders that never materialised Stock and debt jumped Granite counters lost their popularity such that only three JSE broking firms even bother to conduct research into them now Opportunity can be missed

IAN MACMILLAN

This month, Marlin redeemed what director Mario Marcenaro describes as a mistake made four years ago Marlin had entered a partnership with Cyril Heever (who was murdered last year), whereby it owned 50% of private company CMH Investments CMH held 47,5% of Afmin, itself the owner of 31,4% of granite producer Minaco The rationale was for some link between Marlin and Minaco, but the structuring was ridiculous The current deal involves Marlin's purchasing Afmin's Minaco holding for R3,6-million (22cps), of which R2-million will be in preference shares issued by subsidiary Granitex Marlin will also buy another 9,5% in Minaco from an Afmin director, and sell its 50% of CMH in return for R260 000 cash and another 4-million Minaco shares, to give it 51% of Minaco The net cost to Marlin will be R4,43-million with a net cash outlay of R2,43-million

MARIO MARCENARO

So far, so good But the management contract of Minaco still rests with Afmin, and Minaco has to buy it The price is R5,15-million — much more than the value of Minaco itself Mr Marcenaro explains that the contract earns more than R2-million a year, so it is effectively being bought on a price of 2,5 times earnings The management contract system was typical of the way in which Mr Heever structured his companies

Since Mr Marcenaro became involved at Marlin, the policy has been to operate free of debt Only last August, a rights issue was held at 51c a share to raise R60-million and wipe out all the debt other than on new equipment

What cash remains is earmarked for other expenditure and to effect this deal, Marlin seeks another R16-million in order to follow its proportion of Minaco's R12-million offer, meet an offer to minorities and to have some change left for expansion Minaco's money will pay for the management contract and allow it to buy the 50% of Prairie Granite currently held by an Afmin director Minaco too will then operate debt-free

The deal brings Marlin a bigger critical mass and the widest African product range, and Minaco gets access to the Marlin markets Turnover of the two could approach R170-million this year

South Africa's share of the growing global granite industry has slipped in recent years, due largely to the advance of China Mr Marcenaro says the country has to compete on price, reliability of supply and quality "Customers look at price first and we compete against countries such as India, China, Zimbabwe and Brazil, all of which have had a declining currency whereas until recently the rand had been stable for two years They have been able to offer discounts whereas we have struggled Also, an Indian quarryman earns $30 a month and a Zimbabwean $60, whereas local rates are about $300 a month

"However, South Africa is a reliable supplier and I believe it could regain some of the market share lost in the past five years Even an incremental gain of 5% or so on South Africa's 9% market share is a huge percentage increase in terms of tons In Italy producers say that they cultivate the quarry by doing things carefully and soundly like handling chinaware, rather than just blasting it away We have to work at improving our productivity and controlling costs We need better engineering and improved quality control, then we can make money in a competitive market"

He does not expect stone prices to increase by more than $2 to $3 a ton on average this year, but believes that marketing opportunities will arise where some fashionable products are in short supply Rain during the last two months has interrupted production, particularly at Rustenburg and Belfast and the market is hungry for stone Cash is tight in the industry but Marlin is the only ungeared granite producer and operating income is no longer consumed by financing costs

Mr Marcenaro, who represents the interests of Marlin's foreign shareholders, says an investment in Marlin is for the long term It could earn around 5c for 1995 and more than double this year, putting it on a low forward price-earnings ratio competitor Kelgran ranks much higher in spite of high borrowings (Kelgran issued a cautionary this week)

The offshore shareholders will follow their rights in Marlin's rights offer and hope to reap returns hereon Join them

COMPANIES

Blue Circle price freeze on RDP projects

(193) BD 19/3/96

Robyn Chalmers

BLUE Circle Cement had decided to freeze cement prices at last year's levels on all delayed RDP housing projects in which it is involved, a move which would affect about 12 500 housing units, marketing director Pieter Fourie said yesterday

Representatives of major competitors Pretoria Portland Cement (PPC) and Alpha said they were still considering their position, although PPC said talks were under way with housing representatives

Fourie said how the decision would affect the group's margins would depend on what percentage of the estimated 12 500 units got under way this year

Blue Circle's decision to freeze prices on delayed housing projects came in the wake of the Budget announcement that the housing allocation would be cut to R1,5bn (R4bn), although this sum would be swollen by rollovers from previous years

Fourie said the group believed it had a duty to help boost the RDP and the freeze had been targeted specifically at one of the areas of greatest need — namely, the lowest end of the housing market

PPC Cement MD Clive Tasker said the group was in negotiations with the various provincial housing boards and local authorities to find ways of boosting the RDP

"We have not ruled out a price freeze on delayed RDP projects and will ensure that our cement is always competitively priced," he said

However, Tasker said the RDP would need more than lower cement prices to really get it off the ground, and PPC had engaged the RDP in a holistic sense by boosting the capacity of emerging builders through a range of training schemes

Alpha MD Johan Pretorius said the group was committed to maintaining the industry-wide agreement forged in October 1994, which was not to raise cement prices above the rate of inflation until the turn of the century

COMPANIES

Blue Circle moves into Namibia

BD 22/3/96

Robyn Chalmers (193)

BLUE Circle Cement has bought a 50% stake in African Portland Cement for an undisclosed amount in a strategic expansion by the company into the Namibian market

Blue Circle Cement MD Pieter Strauss said the company had bought the 50% shareholding from African Portland Industrial Holdings in Namibia, which would continue to hold the remaining shares

Strauss said that Blue Circle and African Portland Industrial Holdings had committed R80m this year to finance the modernisation and expansion of African Portland Cement's plant at Otjiwarongo

The modernisation and expansion of that plant was expected to increase its output to about 200 000 tons a year by early next year

In terms of the deal with African Portland Industrial Holdings, Blue Circle had agreed to provide technical and managerial support for African Portland Cement The management and day-to-day control of the company would remain in local hands

Strauss said that the expansion into Namibia was not only to explore opportunities in the country — with confidence in its market growth potential — but was also part of Blue Circle's commitment to RDP objectives, which encompassed a new era of regional co-operation and development

TUESDAY
MARCH 26 1996 ★

'PIECEMEAL' DEVELOPMENT

Saldanha cement factory revives fears

CT 26/3/96

(193)

ENVIRONMENTALISTS FEAR THAT their predictions about industrial development at Saldanha are beginning to come true, Environment Writer **MELANIE GOSLING** reports.

A MAJOR cement factory is to be built at Saldanha next to the controversial steel mill — the first of the downstream industrial developments which environmentalists opposed to the steel project predicted

The cement plant proposal by Alpha Ltd will include limestone and clay quarries west and north-west of Saldanha with a conveyor linking the quarries to the factory

Professor Bryan Davies of UCT's Freshwater Research Unit fears this could be the start of a "flood" into the region of heavy industry that will not be sustainable in the long term

He also slammed "piecemeal" development in the sensitive environment near Langebaan Lagoon and criticised the lack of an overall strategic plan for the region

"We predicted downstream development would come out of the woodwork soon after the steel mill was established and this is the first satellite industry coming into the open It is of deep concern that this is the start of an industrial development node for which there has been no strategic planning We should be looking at the big picture," Davies said

He said his opposition to heavy industry in the region was based on scientific and ethical grounds

"To place an industrial node next to a declared international Ramsar site and close to the Berg River estuary — a potential Ramsar site — makes a nonsense of South Africa's commitment to the Ramsar Convention It also seriously compromises any future sustainable eco-tourism development in the area, as well as its biological diversity and ecosystem health"

Davies has questioned the ability of the arid West Coast region to support heavy industry and the human population that will inevitably grow around it

He said any further extraction of the water from the Berg River would degrade one of the most important wetland and floodplain eco-systems in South Africa

"I'm not against job creation, but it must be sustainable It's no use increasing jobs if in 10 years time the population will be choking on cement dust and suffering from thirst

"The sustainability of the human population that will be attracted to this development node is highly questionable As an ecologist I'm extremely worried about the impact on the Langebaan Lagoon and the Berg River," Davies said

He said unless future development in South Africa was underpinned by environmental considerations, the country was heading for trouble

● Alpha Ltd has commissioned an environmental impact assessment of the project The environmental consultants would not disclose more information until a media briefing later this week

CEMENT FACTORY 2KM FROM BAY

Saldanha developer to consider impact

CT 29/3/96 (193)

CEMENT FACTORY developers at Saldanha say the "no build" alternative is possible if the environment is adversely affected. Environment Writer **MELANIE GOSLING** reports.

A R745-MILLION cement factory and four quarries are on the cards for Saldanha — but proponents Alpha Ltd say if the negative environmental affects of the development are too serious they will drop the project

The cement plant, next to the controversial Saldanha Steel mill currently under construction, is to be built about two kilometres from Saldanha Bay and will produce 700 000 tons of cement and clinker a year Production is expected to begin in the year 2000

Before the project can proceed, Alpha will need approval for

- Rezoning of the factory site from agriculture to heavy industry
- Rezoning of the quarry areas from agriculture to mining
- Mining licences to operate the quarries

The main limestone quarry will be on Prospect Hill, north-east of Diazville Two smaller limestone quarries are planned for Oranjevlei and Jacobsbay A fourth quarry at Holvlei, north of Jacobsbay Road, will be used for mining clay

The limestone and clay will transported to the cement plant by an 8km overland conveyor 2,5m high, which may be partially sunken in places

The conveyor will be closed to limit dust emissions and all stockpiles will be covered

No liquid effluents will be produced which cannot be disposed of in the municipal sewers

The project will create 87 skilled jobs, 93 semi-skilled, and 66 unskilled During construction there will be about 40 skilled, 120 semi-skilled and 500 unskilled jobs

Alpha's commercial manager Mr Quentin Dollman said they were investigating the feasibility of siting the cement plant close to the northern border of the site to allow the 2km buffer zone between the bay and the steel mill to continue across Alpha's land

Alpha has commissioned a year-long environmental impact assessment (EIA) on the project Managing director Mr Johan Pretorius said "We have committed ourselves to conducting our business in an environmentally sustainable manner A final decision will not be taken until the results of the EIA have been fully assessed"

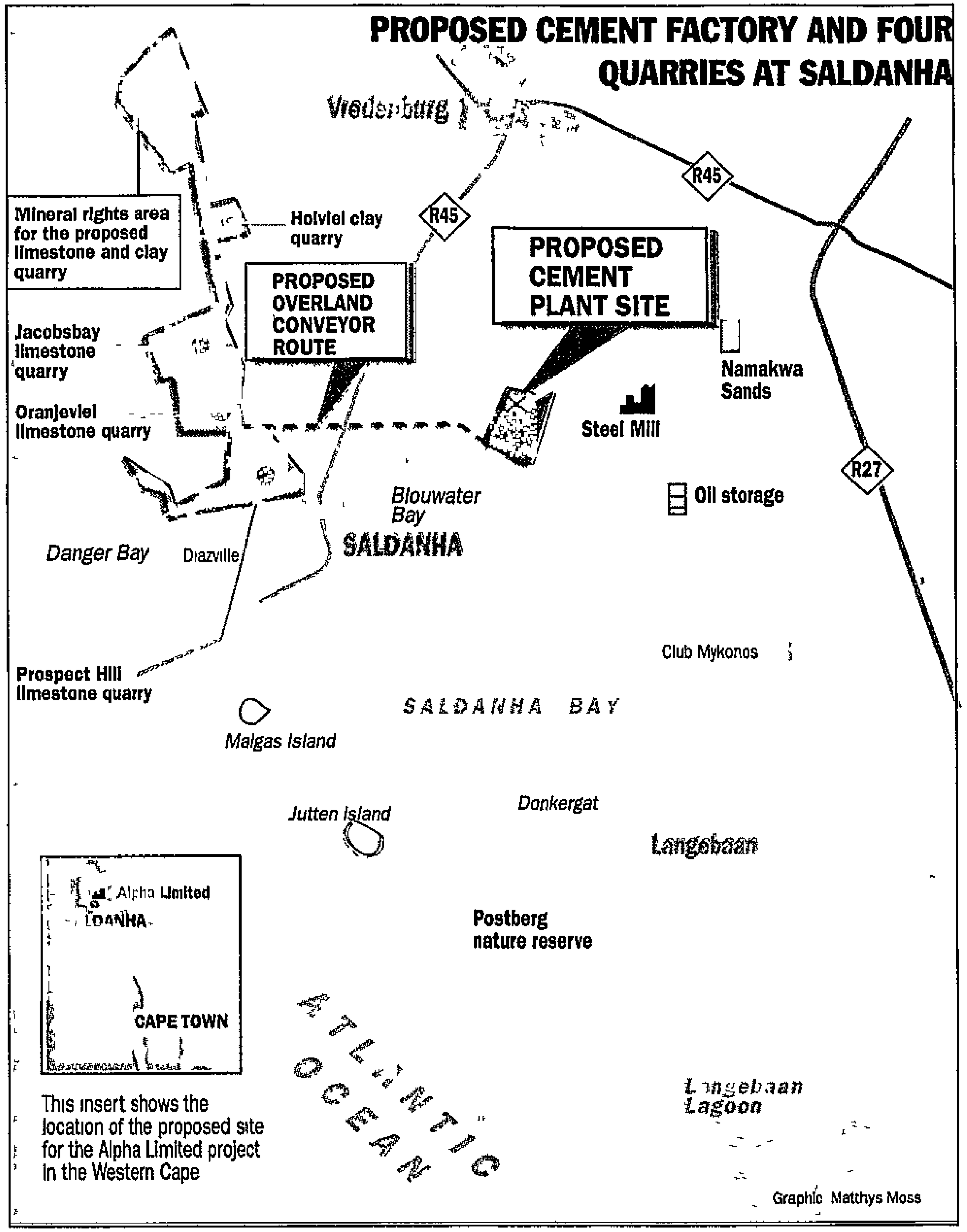
A "no-build" alternative was a possibility

Environmentalists are worried that the cement factory is the start of a flood of heavy industry into the environmentally sensitive region triggered by the Saldanha Steel mill.

They have said the cumulative affects of heavy industry will destroy the "sense of place" of the scenic Langebaan Lagoon and West Coast National Park

- Anyone wanting to comment on the project should telephone the EIA co-ordinator Mark Wood at (011) 958-1920 or fax (011) 958-1858 before May 1

PROPOSED CEMENT FACTORY AND FOUR QUARRIES AT SALDANHA



This insert shows the location of the proposed site for the Alpha Limited project in the Western Cape

Graphic Matthys Moss

KETTER GRANITE (193) 29/3/96

IN FAMILY HANDS

FM 29/3/96

Despite a rights issue, this company continues to exhibit financial difficulties Ketter raised R7,1m in March last year, enough on the face of it to resolve its liquidity problems Unfortunately, it wasn't

- **ACTIVITIES:** *Granite mining and exporting*
- **CONTROL:** *Vandorra International (Netherlands)*
- **CHAIRMAN:** *J Kaszirer MD O G Porat*
- **CAPITAL STRUCTURE:** *53,1m ords Market capitalisation R29,2m*
- **SHARE MARKET:** *Price 55c Yields n/a on dividend, 13,8% on earnings, p e ratio, 7,2 12-month high, 70c, low, 45c Trading volume last quarter, 554 000 shares*

Year to September 30	†'94	'95
ST debt (Rm)	7,9	6,4
LT debt (Rm)	7,1	7,9
Turnover (Rm)	*14,9	26,7
Operating profit (Rm)	4,1	6,1
Earnings (c)	7,3	7,6

*Re-stated without explanation 1994 report claimed R17,6m † Only two years figures given as radical change in business after 1993 nullifies comparisons

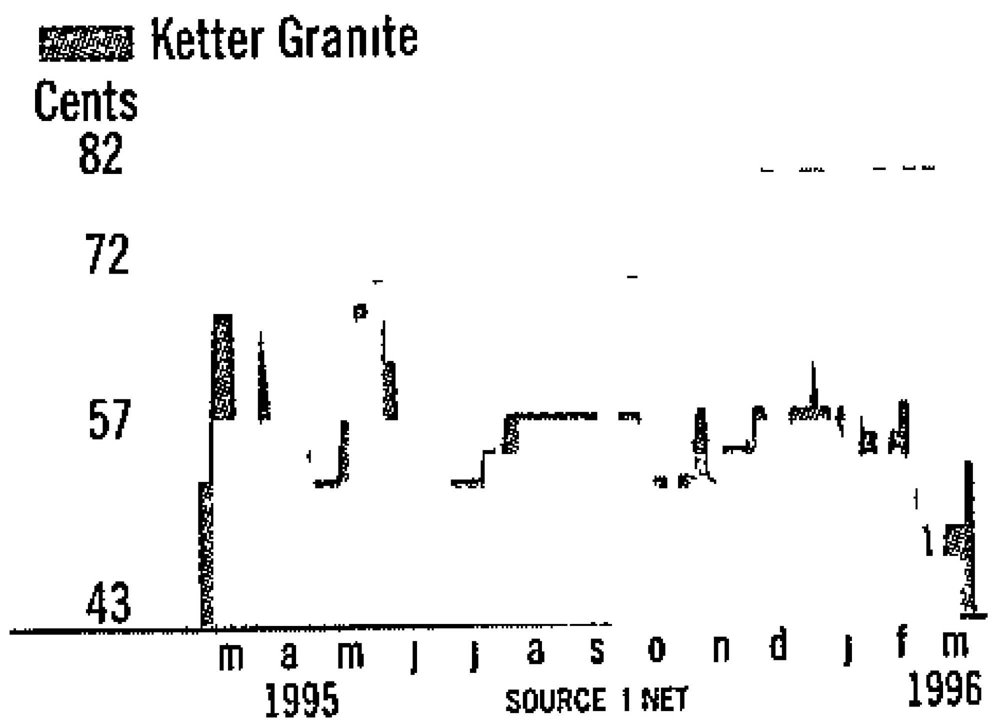
Substantial investments in new equipment drained the inflow, at year-end Ketter is no better founded financially than a year earlier Shareholders' equity has risen R10,5m to R33m, but long-term liabilities are up at R7,9m (1994 R7,1m) though the overdraft has improved R1,2m to R4,7m

That is more than balanced by a generous decline in creditors to R4,5m and a notable increase in debtors to R9,8m, better than double last year's position

On the other hand, the income statement reflects the improvement in demand and prices Turnover nearly doubled to R26,7m and operating income rose to R3,7m despite a doubling in finance charges to R2,4m Attributable, in the absence of tax, was up 54%

Despite this — and as though confirming the underlying difficulties — the dividend was passed

All this serves to underline the problems facing the granite industry A



significant rationalisation is necessary if it is to survive

Marlin has already restructured — rather cleverly, in fact, and in a manner which emphasises the old role of family entrepreneurs rather than corporates which imagine their imprint is an adequate substitution for committed individual skill and flair

The SA granite business is now characterised by companies focused on too narrow a range, accompanied by too much in-fighting and too little co-operation They concentrate too much on Rustenburg Grey — which is why Ketter's African Red gives it a good edge

The world industry is resurgent after a spell in hospital and SA producers are reasonably competitive However, for as long as they find it difficult to exchange information for fear of losing what they perceive as an edge in a special area, for so long will they be at a disadvantage when it comes to dealing with the Europeans, the industry's ultimate arbiters

Despite this apparent gloom, rationalisation is taking place Marlin has recently taken over Minaco (in a deal of extraordinary complexity) and has rights issues down the line to protect the balance sheets Locked in, as it is, to Italian family connections, it may well turn out to be best placed of all to make the most of the industry's cycles

Kelgran, controlled by Gencor and ostensibly the SA industry leader, is known to be in play and the most logical of moves would be to allow its energetic management team an opportunity to turn their commitment to advantage

Ketter is interesting in one other aspect It is controlled by the Kaszirer family, prominent Belgian diamond dealers

This is the same family which, previously in the first rank of holders of CSO sights, was barred by De Beers after alleged evidence of the family's collusion with the Russians to circumvent important aspects of the De Beers/Russian rough diamond sales agreement This means nothing in the context of Ketter, other than to suggest the family will know a thing or two about how to defend its own interests

For some time, the *FM* has suggested that investors should re-examine the nature of the granite industry and the involvement of major mining companies The accumulating evidence is that this is not a business suited to corporate control or stock exchange listings, but one which is better placed — as it has been for centuries in Italy — in the hands of entrepreneurial families *David Gleason*

Hansard

QUESTIONS

†Indicates translated version

For written reply

Liability of directors/managers of companies

28 Prof B TUROK asked the Minister of Trade and Industry

(1) Whether existing legislation relating to the personal liability or direct or indirect involvement or engagement in financial services of directors, officers and managers of companies which have been dishonestly or culpably mismanaged adequately protects investors in such companies, if not, why not, if so, what are the relevant details,

(2) whether he intends introducing legislation aimed at amending present legislation on the listing of preferential creditors of the free residue of a bankrupt company, if not, why not, if so, what are the relevant details?

N73E

The MINISTRY OF TRADE AND INDUSTRY

(1) Section 424 of the Companies Act, 1973 (Act 61 of 1973) stipulates that when it appears, whether it be in a winding-up, judicial management or otherwise, that any business of the company was or is being carried on recklessly or with intent to defraud creditors of the company or creditors of any other person or for any fraudulent purpose, the Court may, on the application of the Master, the liquidator, the judicial manager, any creditor or member or contributory of the company, declare that any person who was knowingly a party to the carrying on of the business in the manner aforesaid, shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the Court may direct

It appears that this section is not in all respects effective as successful applications to Court appear to be few The matter has therefore been referred to the Standing Advisory Committee on Company Law for further consideration

(2) This question appears to relate to a matter dealt with in the Office of the Master of the Supreme Court in connection with the winding-up of companies and should therefore be directed to the Minister of Justice

SUGAR (193)

Sugar/cement/paper pulp cartels

125 Dr K RAJOO asked the Minister of Trade and Industry

(1) Whether any monopolistic cartels exist in respect of the (a) sugar, (b) cement and (c) paper pulp industries, if not, what is the position in this regard, if so, what are the relevant details,

(2) whether he will consider taking any steps aimed at breaking up such cartels so as to enable small South African businesses to trade in these commodities with overseas entrepreneurs, if not, why not, if so, what steps?

N235E

The MINISTER OF TRADE AND INDUSTRY

(1) "Cartel" is a term that is used to describe a collusive agreement, arrangement or understanding among enterprises to fix prices, to share markets, or to supply commodities only on particular conditions or terms Such conduct is illegal in terms of Government Notice 801 of 2 May 1986 Exemptions from that prohibition may be granted by the Minister of Trade and Industry acting on a recommendation by the Competition Board Certain cartels are permitted in terms of specific legislation

It could be said that there is a cartel in the sugar industry This cartel is authorised by the Sugar Act, 1978 (Act No 9 of 1978) The cement cartel which existed for many years is at present being dismantled The process will be completed by September 1996 The duopolistic paper pulp industry sometimes evinces the characteristics of a cartel However, no substantive evidence has yet been uncovered which would warrant prosecuting the parties concerned for operating a cartel

(2) Since cartels, apart from those created or authorised in terms of legislation, are already unlawful, there is no basis or need to take steps to break them up It would be prudent for businesses wishing to trade in sugar, cement or paper pulp with overseas entrepreneurs to liaise with the relevant manufacturers on the availability of such products

SA universities: botanists graduating

132 Mr M F CASSIM asked the Minister of Environmental Affairs and Tourism

Whether a sufficient number of botanists are graduating from South African universities each year, if not, why not, if so, what are the relevant details?

N242E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

During a Manpower Survey by the Central Statistical Service of South Africa it has been determined that 315 posts in the open labour market have been identified for persons with a botanical or related qualification 300 of these posts are filled and 15 are vacant

The National Botanical Institute has recently advertised six posts where a qualification in botany was required 120 applications were received of whom 50 applicants were in possession of a BSc (or higher) qualification

These statistics do not on face value reflect a shortage of qualified people in this field

Criminal Record Centre: persons wanted

141 Mr D H M GIBSON asked the Minister for Safety and Security

How many persons were endorsed as wanted by the Criminal Record Centre in each of the provinces in (a) 1993, (b) 1994 and (c) during the period 1 January 1995 up to the latest specified date for which information is available?

N282E

The MINISTER FOR SAFETY AND SECURITY

Provinces	*(a) 1993*	*(b) 1994*	*(c) 1995*
Western Cape	22 191	29 133	39 055
Western Transvaal	5 204	6 467	16 196
Witwatersrand	54 014	65 965	68 674
Eastern Transvaal	10 470	12 528	16 166
Far Northern Transvaal	3 391	4 194	13 653
Natal	32 437	38 829	46 210
Northern Transvaal	11 667	14 515	14 652
Northern Cape	3 687	4 642	4 963
Free State	16 224	18 486	21 307
Eastern Cape	20 226	25 387	33 476
Former TBVC states	25 107	28 244	*

*Included in above regions

(c) Latest specified date 1 January 1995 to 13 March 1996

Plans for cement plant at Saldanha

(193) ARG 2/4/96

Study under way to assess impact on environment

JOHN YELD
Environment Reporter

A MAJOR cement plant, linked to limestone and clay quarries by an eight-kilometre long overland conveyor belt, is being investigated on a site close to Saldanha Bay adjoining the new steel plant

The proposed plant is on property zoned agricultural, but designated for heavy industry in terms of the area's structure plan At one point the property is 800m from the bay

The cement company Alpha Ltd has commissioned an environmental impact assessment of the proposed plant

The study is being co-ordinated by independent environmental consultant Mark Wood

The proposal comes at a time when the West Coast Peninsula transitional council is still working on a revision of the Saldanha-Vredenburg-Langebaan structure plan – a move urged by the Steyn Board of Inquiry which investigated the Saldanha Steel Project last year

One of its key recommendations was that the structure plan should be reviewed as soon as possible and that the possibility of heavy industry developing close to the Saldanha Bay shoreline or in areas which would be detrimental to tourism and the mariculture industry should be reconsidered

The influential Wildlife Society has said it is not prepared to co-operate with the cement plant assessment until there is clarity from the government on what it intends doing about the Steyn board's recommendations

"The cement factory is inextricably linked to the Saldanha Steel project," said the society's Western Cape conservation ecologist Marlene Laros

The society wanted the conditions of approval for the rezoning of the Saldanha Steel site clarified and it also wanted to know whether the Saldanha Steel project considered itself committed to implementing these conditions "in a meaningful way since its move two kilometres inland

"We again re-state our concern that a strategic environmental assessment of the Saldanha area must be completed, and that recommendations for a review of the structure plan follow such an assessment route," Ms Laros said

The cement company is proposing a cement plant on the site next to the steel plant and close to the ore-loading terminal, limestone and clay quarries parallel to the coast just to the west of the Saldanha Bay town, and a conveyor belt linking the quarries – most from Prospect Hill north-east of Diazville – to the plant

The plant would supply about 700 000 tons a year of cement and clinker to local and international markets, transported by road, rail and sea

The housing for the conveyor belt, which will be enclosed to reduce dust, could be up to 2,5m high, but options include a partially sunken or an elevated structure in places

A recommendation, based on a completed feasibility study and the environmental assessment, will be put to the cement company's board at the end of this year for a decision

"We have committed ourselves to conducting our business in an environmentally-friendly manner and a final decision will not be taken until the results of the assessment have been fully examined," said group managing director Johan Pretorius

In an addendum to its report, released in October, the Steyn board said there was a need to review the structure plan for the Saldanha-Vredenburg area in respect of its designating certain areas as being suitable for heavy industry

For further information about the environmental impact assessment, contact Mark Woods, (011) 958 1920

New cement standards 'will help industry'

(193) CT (BR) 12/4/96

By Audrey d'Angelo

Cape Town — New South African cement standards would help the local market and lift exports, Pieter Fourie, the marketing director of Blue Circle Cement, said yesterday.

He said Blue Circle had bought a 50 percent stake in African Portland Cement Holdings for R18 million and had pledged R80 million to upgrade its plant near Windhoek.

The company intended to use the Namibian operation as a springboard to export markets. Upgrading the Windhoek factory would ensure compliance with the new SA Bureau of Standards requirements, which were modelled on those in Europe.

"These (standards) are acceptable not only in all major export markets but to international consortia working on big development projects in Africa," Fourie said.

MASONITE (193)

BETTER MARKET SIGNALS

FM 12/4/96

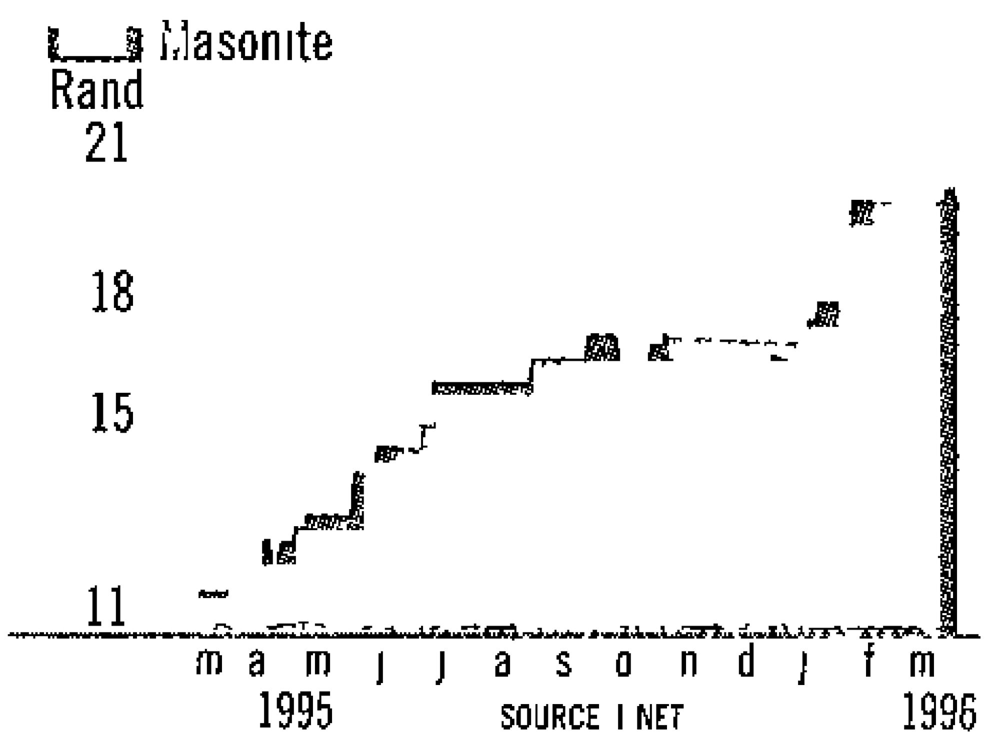
Investors have taken note of Masonite's consistent improvements in

- **ACTIVITIES** *Manufactures and distributes hardboard, insulation and door-panelling, owns and develops plantations*
- **CONTROL** *Masonite Corp (USA) 66,7%*
- **CHAIRMAN & MD** *A Wilson*
- **CAPITAL STRUCTURE** *8,82m ords Market capitalisation R185,2m*
- **SHARE MARKET** *Price 2 100c Yields 2,4% on dividend, 9% on earnings, p e ratio, 11,1, cover, 42 12-month high, 2 150c, low, 1 250c Trading volume last quarter, 33 293 shares*

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	2,7	4,7	3,2	2,0
LT debt (Rm)	11,5	2,3	0,7	0,5
Debt equity ratio	0,21	0,05	—	—
Shareholders' interest	0,63	0,66	0,67	0,66
Int & leasing cover	4,6	15,6	71,7	n/a
Return on cap (%)	6,3	10,8	14,8	16,3
Turnover (Rm)	120,5	137,1	154,6	192,7
Pre-int profit (Rm)	6,8	11,0	14,8	20,7
Pre-int margin (%)	5,7	8,0	9,6	10,8
Earnings (c)	53,0	98,6	142,2	188,6
Dividends (c)	10	35	38	50
Tangible NAV (c)	882	983	1 087	1 226

earnings since it came out of its trough in the late-Eighties

The share price almost doubled to R21,50 during the year to end-December, 1995 And though trading conditions were tough, operating margins widened on a 25% rise in turnover, EPS jumped by 32,6%



Two main factors contributed to difficulties during the year first, the pace of local housing development slowed, and, second, international competition reduced export commodity sales

In the 1996 year, management aims to take advantage of an improving local housing market and to reduce its exposure to cyclical commodity products by cutting operating costs and increasing its range of value-added products

Masonite's profitability continues to be driven by the SA market, but exports now account for 18% of sales in rand terms and the same is forecast for 1996

MD Alan Wilson says new pre-finished products are being developed for export to Europe and the US He hopes higher margins on value-added products will increase profitability of exporting goods "Europe, our strongest overseas market, is in recession but we benefit from the established markets of our parent company, Masonite USA "

Wilson says the operations must be globally competitive Suppliers from South America and southeast Asia are stepping up manufacture of wood-based products Plant upgrades, which in financial 1995 cost about R13m, will continue at a slightly higher rate this year

The company's stock level was high at year-end, off 1995's low base Wilson says it is now running at a month's supply But sales of hardboard were slow in the first quarter He says the pace of sales will result in a disappointing first half, compared to year-ago results

Construction of low-cost housing is speeding up and management is satisfied with sales of mineral fibre products, used in ceilings Wilson hopes growth in financial 1996's turnover will be similar to that seen in 1995 Expansion of Masonite's value-added activities should improve margins

The share is just off its annual high, having climbed steadily through the year The market clearly has faith in Masonite's prospects With no direct competitors in the building and construction sector, comparisons are difficult But even if short-term growth isn't exceptional, there is medium-term value in the counter *Michelle Joubert*

CEMENT INDUSTRY (193)

FIRST MORTAR SALVO

FM 12/4/96

With the 25-year-old cement cartel in its death throes, the industry's big three manufacturers appear to have already placed themselves on a war footing

The cartel, due to be abolished on September 30, consists of Anglo-Alpha, Blue Circle and Pretoria Portland Cement (PPC)

The reconstituted Anglo-Alpha — Alpha Ltd — last month fired the first shot by announcing its re-entry into the Western Cape Alpha, which controls about 36% of the industry, is to build a R745m cement plant — a move seen as a direct challenge to PPC's regional monopoly

National cement sales are projected to grow from 8,4 Mt/year to about 9,6 Mt/year by 1998, and Alpha obviously intends getting into the Western Cape market — projected to reach 1,2 Mt/year by 1998

But with PPC already forced to export about 35% of its Western Cape production, the wisdom of building a new, 600 000 t/year capacity clinker (burnt limestone) plant is being questioned by PPC group MD John Gomersall

PPC's two plants at Riebeeck West and Piketberg — with a total capacity of 1,3 Mt/year — are under-utilised in the 1 Mt/year regional market Gomersall fails to see the rationale for building yet another plant "When the 200 000 t/year slag from the Saldanha Steel plant is added to this figure, the exportable surplus increases even further With projected surplus capacity therefore still available beyond 2000, the Alpha announcement contains a strong speculative element at this stage"

Alpha's investment is still subject to the results of an environmental assessment and to the zoning decision of the Western Cape regional government

Alpha Cape commercial manager Quentin Dollman says his group plans to sell about 430 000 t/year into the Western Cape market within five years

A further 30 000 t/year of cement, as well as 240 000 t/year of clinker product, will be exported via Saldanha Bay into adjacent African markets Alpha's Swiss holding company will help in finding export markets for surplus product Dollman adds that the new plant's location at Saldanha will make its clinker exports competitive

But he doubts if there will be a regional price war, notwithstanding the fact that the Saldanha project will be the group's "only viable possibility to re-enter the Western Cape market" He is bullish about the market outlook, despite the surplus situation

"The region's 5% a year building and construction growth rate will be boosted once Cape Town's Olympic bid is finalised And new hotel and leisure developments should further underpin cement demand," he says

As yet no firm agreement has been reached with Iscor regarding its projected 230 000 t/year Corex slag output, which will become available once Saldanha Steel is in operation But provisional talks have taken place and Alpha is "interested" in taking up about 130 000 t/year of slag for cement manufacture Slag could constitute up to 30% of the blended cement product The 600 000 t/year clinker plant, to be built adjacent to Saldanha Steel on a 190 ha site, will use about 900 000t/year of limestone, which will be quarried from sites close to Saldanha Bay

The only remaining uncertainty seems to be environmental concerns regarding the impact of the proposed plant on the scenic bay and its surroundings ■

SIGNING DEALS: Neeraj Kanwar, president of Global Capital, Robert Plattner, director of Hydraform, Deepak Dawar, vice-president of Global Capital, and Jochen Kofahl, MD of Hydraform Picture: TREVOR SAMSON

Hydraform moves into India

(193) ST (BT) 14/4/96

By THABO KOBOKOANE

BRICK manufacturer Hydraform has signed a R400-million licensing agreement with India's Global Capital Limited — a subsidiary of Apollo Tyres which is listed on India's stock exchange

In terms of the deal, Global Capital will manufacture and sell 10 000 to 20 000 Hydraform machines in India, with technical assistance from Hydraform Global Capital also has an exclusive right to patent the concept throughout south Asia

"This is only the beginning and we hope, together with Global Capital, to go worldwide with Hydraform," says Jochen Kofahl, managing director of the Hydraform Group

Hydraform designs, manufacturers and distributes machines for making cement-stabilised soil building blocks

The hydraform process, which can produce 180 bricks an hour, was developed seven years ago by Hydraform

Unusually, these blocks interlock because of their dimensional accuracy and can be dry-stacked without the need for mortar.

Mr Kofahl says bricks produced by Hydraform undercut the South African market by 20% and the Indian market by 70%

The building blocks are ideal for building low-cost houses, says Mr Kofahl

Committee to probe sales of faulty cement

(193) BD 15/4/96

Robyn Chalmers

THE Business Practices Committee is expected to announce this week an investigation into the sale of defective cement by independent firms, which could pose a threat to the RDP.

This would coincide with a new cement standard by the SA Bureau of Standards (SABS) which would comply with European standards, and cover masonry cement for the first time

Industry sources said at the weekend there were concerns about the mushrooming of small blending operations This followed a number of incidents reported recently in Gauteng and KwaZulu-Natal, where the use of blended portland cement led to cracked houses and threatened bond boycotts.

An industry source said it was important to ascertain the extent of the problem, but early indications were that there were about 10 to 15 small blending operations nationwide which could affect thousands of houses.

It was believed the operations were widespread in Gauteng, and had extended to Mpumalanga, Northern Province and KwaZulu-Natal

It seemed that the operators had placed themselves close to major RDP projects, also tending to target small builders and consumers in townships

SABS civil engineering and packaging director Iain Bennie said there had been little control over the practice of extending cement, and the new cement standard would, he hoped, address this issue.

Portland Cement Institute executive director Graham Greeve said he believed several operations were using incorrect proportions of waste material as extenders.

This had weakened the product and had led to unsound buildings in certain cases, he said

Marlin looks set to raise profitability

CT(BR) 16/4/96 (193)

By John Spira

Johannesburg — The Marlin corporation, the restructured granite producer, expects to achieve "a significant improvement" in profit in this financial year

In the 12 months to December 31 last year, Marlin earned 2,2c (2,6c) a share before exceptional items and 0,2c (0,6c) after exceptional items

At the halfway stage, the company reported earnings of 2,6c a share, indicating that a loss was incurred in the second six months

The principal fly in the ointment was the beneficiation and contract fixing division Marble Pentelic, which suffered a R2,4 million loss

The directors claim to have "identified measures necessary" and are implementing solutions to improve this operation

South African quarry operations produced R5,2 million profit on a divisional turnover of R40 million, nearly half the group's total turnover, while the North American operations suffered a small loss on a divisional turnover of R21,2 million

Marlin's restructuring, which commenced late last year, is progressing well, the directors said Five new quarries had been opened and costs absorbed The benefits would start to become apparent this year

Marlin's North American operations were doing well and "significant profits" were expected to accrue from this source

Rain had affected quarry production severely at the beginning of this year, "but has caused a shortage of material which is expected to keep market conditions strong"

With its increased range of materials, the directors expected Marlin's granite and quarry operations to perform well

The rand's depreciation against the dollar also contributed to the bullish outlook

Grinaker to steer Consol production line

BD 17/4/96 (193)

Nicola Jenvey

DURBAN — Grinaker Projects & Properties has won a R165m contract to project manage the installation of a new production line for glass bottle manufacturer Consol, at its Bellville plant in Cape Town

Project director Stuart Walls said the contract, won against eight competing companies, was "unusual and challenging"

In addition to project-managing the construction of both the facility and a new 10 000m² warehouse, Grinaker would also be co-ordinating the installation of process equipment for the new production line. This included the installation of a furnace and bottle-making equipment in Bellville 4, the plant's new fourth production line

Walls said an additional challenge was the on-site co-ordination required to keep the existing operations at Bellville working smoothly during construction.

Work has already started, with Grinaker's Cape civil engineering branch undertaking the earthworks and concrete structures

'Defective cement' in firing line

Robyn Chalmers (193) BD 19/4/96

THE Business Practices Committee would undertake a general investigation into the producers of portland-type cements and blends, chairman Louise Tager said yesterday

The investigation follows concern that certain independent operations, which were being set up close to RDP projects and other developments, were selling defective cement that could jeopardise the projects.

Industry sources believed the operations were widespread in Gauteng and had extended to Mpumalanga, Northern Province and KwaZulu-Natal. A number of incidents were recently reported in Gauteng and KwaZulu-Natal, where the use of blended portland cement led to cracked houses and threats of boycotts.

Tager said the investigation would be undertaken on cements and cement blends which did not carry the SA Bureau of Standards (SABS) mark.

"The purpose of the investigation is to ensure that in the interests of safety and health, such products are fit for the purpose for which they are being used, including long-term durability."

Tager invited comment on the investigation, saying they could be submitted to the committee within 30 days from today. The investigation will coincide with a new cement standard being considered by the SABS.

SABS civil engineering and packaging director Iain Bennie said the bureau had recently conducted a number of tests on some of the blended cement and had been concerned about the quality. The main problem appeared to be that independent firms were using ordinary portland cement and blending it with incorrect proportions of waste materials as extenders which weakened the product

Domestic growth boosts PGSI income to R289,6m

(193) BD 13/5/96

Amanda Vermeulen

PLATE Glass and Shatterprufe Industries (PGSI) boosted attributable income 38% to R289,6m for the year to March, fuelled by strong local demand

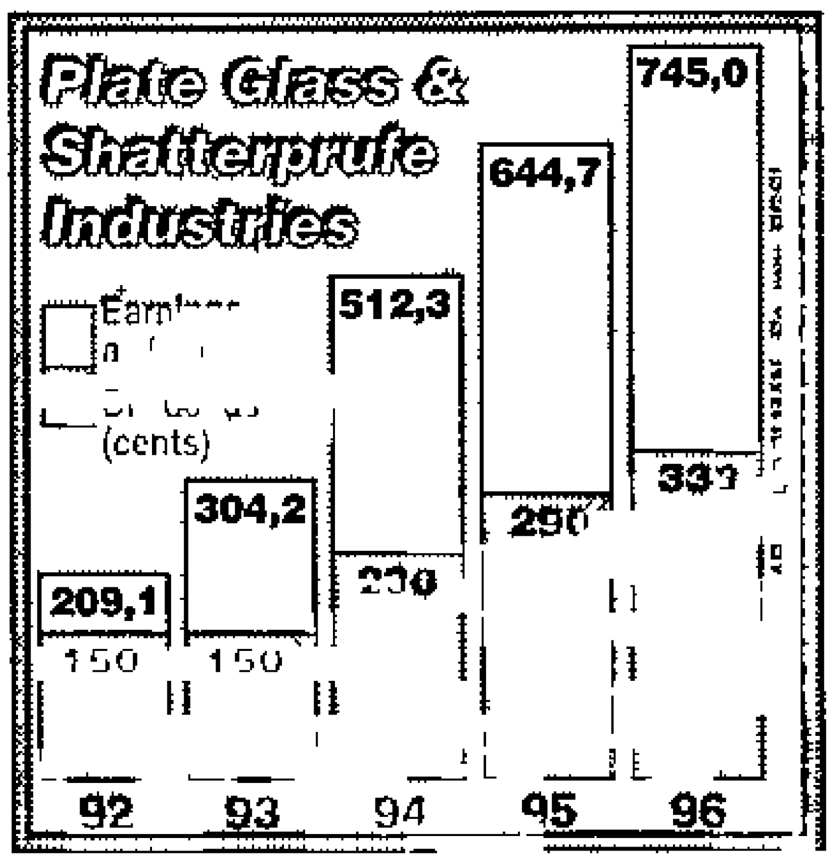
Diluted share earnings increased 16% to 745c and a 333c (290c) dividend was declared PGSI offered a scrip alternative to the final dividend

CEO Ronnie Lubner said the performance had been driven by strong domestic growth, with local demand preventing PGSI fully meeting export market requirements Belron International — which merged its American interests with those owned by Globe Glass last year — was hit in the second half by poor margins

Lubner said the rand's fall would fuel inflation and hurt business confidence, but would help Belron's performance Earnings and dividends in the current year were likely to rise in real terms

Turnover rose 20% to R4,5bn, of which R2,4bn was derived offshore Belron's difficulties, tough domestic automotive glass conditions, and problems facing PG Bison and PG Industries in Zimbabwe, cut into margins, leaving operating profit up 12% to R425,7m

Financing costs jumped to R44,1m (R31,1m), with Bison's US deal lifting borrowings to R607,7m ((R251,4m) Gearing at 52% (24%) was still below its self-imposed ceiling, and would fall this year provided there were no further acquisitions



The tax rate fell to 21% from 27%, partly through the utilisation of offshore assessed tax losses and STC savings following the issue of scrip rather than cash dividends Income after tax was 17% higher at R306,3m Capex rose to R356,3m (R183,2m)

Lubner said Belron's strategy of increasing penetration in targeted markets would continue But the benefits of the US merger would begin to fully flow next year due to rationalisation costs.

The Glass SA division had been helped by firm international glass prices underpinning domestic building glass margins, but automotive glass prices remained under pressure New capacity would meet offshore demand

Production disruptions and a soft furniture market knocked PG Bison, but efforts to lift its competitiveness would pay off shortly

The 45%-owned Zimbabwean operation was hurt by commissioning problems with related costs capitalised

Depressed lime market and reduced demand hits PPC

CT(BR) 14/5/96 (193)

By John Spira
DEPUTY EDITOR

Johannesburg — Pretoria Portland Cement (PPC), the cement and lime group, boosted attributable earnings by 9 percent to R97 million in the six months to March in the face of a depressed lime market and lower cement demand

The interim dividend is 85c a share, 5c up on last year's interim John Gomersall, the managing director, said PPC Cement experienced a 1,5 percent decline in domestic cement volumes during the half year, mainly because of the effect of heavy rainfall on building and construction activity

However, demand in the affected areas had recovered and was now in line with long-term forecasts

Gomersall said a drop in clinker exports combined with a decline in domestic volumes had reduced overall sales volumes by 3,9 percent As a result, stock and debtors rose from R397 million to R532 million

Gomersall expected cement sales volumes in the second half of the financial year to exceed those of the same period last year

He said sales volumes in PPC Lime had declined 7 percent due to a slowdown in demand and operational problems experienced by major customers There had also been no increase in selling prices

PPC had completed the most difficult phases of the break-up of the cement and lime cartels and believed the group's medium-term outlook was positive, Gomersall said He expected attributable earnings for the year to rise at a rate similar to that of the first half

Group operating profit was down 5 percent at R131,1 million but increases in interest and investment income resulted in pre-tax profit declining by only 3 percent to R142 million

The effective tax rate came down from 39,4 to 32 percent, with the result that earnings rose 6 percent a share to R2,26

Turnover was 22 percent higher at R688,4 million, but the directors said the figure was not comparable with the previous year because of the inclusion of delivery charges in invoices

Building suppliers' shares plunge after slow growth

BD 22/5/96 (193) (

Robyn Chalmers

BUILDING material suppliers' shares, including Pepkor's Cashbuild and Imperial's Boumat, have plunged since April in anticipation of lower growth prospects for the building industry

The fall is in line with the general drop in the building and construction index, which has fallen 31% to 6 853 since a year high of 9 964 at the end of January

Other counters, including Pretoria Portland Cement and Anglo Alpha, have also moved sharply downwards over the past few months as expectations of an improvement in sales have failed to materialise

The latest casualty in the building materials sector was Boumat, which last week reported earnings of R11,9m for the year to March against R26,8m for the previous year.

The counter closed yesterday 20c down at R14,70 from a high of R19 last month

Chairman Bill Lynch said a view was taken last year that building material manufacturers would be unable to meet the demand from building projects initiated under the RDP

"However, delivery under the RDP has been extremely slow and demand for building materials slumped and was well below expectations," he said

Other suppliers have also been caught short, with brick sales lower than expected last year with industry volumes rising about 6%

Cement sales of 8,5-million tons last year reflected an 8% increase in sales against the expected 10% rise

The share price of Everite, the building materials supplier owned by Group Five, has levelled off recently to close unchanged at R8,50 yesterday from a year high of R10 in February

It announced reduced share earnings of 8,8c (12,5c) in the six months to December

Group Five executive chairman Theunis Kotzee said Everite's expected sales volumes from the middle of last year had failed to materialise

Building materials retailers had started destocking towards the end of last year, he said

Cashbuild, whose share price has dropped from a 12-month high of R11,25 last May to close yesterday at R3,75, posted a 95% slump in attributable earnings at R552 000 for the year to February, mainly as a result of slow progress on the low-cost housing front

Expectations for the current year are no better

The Building Industries Federation of SA (Bifsa) has halved its growth estimates this year to 5% from 10% in the wake of the rand's collapse and the culture of rising interest rates.

Bifsa executive director Ian Robinson does not, however, expect the low-cost housing sector to be significantly affected by the expected lower growth as the housing framework was now in place and housing delivery was starting to happen

Building material suppliers expect that their main source of income this year is likely to come from low-cost housing projects, as well as government's focus on social infrastructure such as schools and clinics

Homenet cements its ties with foreign firms

Lukanyo Mnyanda (193) BD 29/5/96

REAL estate group Homenet has tied up with British property group Homelink and a Cape Town-based German business consultancy group to take advantage of growing foreign interest in SA's property market

Homenet said Britain and Germany were generating the largest number of foreign-led property sales in the SA market, especially Cape Town holiday homes, and it wanted to provide buyers with first hand knowledge of local conditions

Homelink was one of Britain's largest real estate groups with 650 offices specialising in both domestic and international property referrals

Homelink chairman Peter Pringle would cement the ties between the two groups when he addressed Homenet's annual convention at the Wild Coast Sun next month

Homenet said its penetration of the German market would be spearheaded by a media campaign and exposure at Germany's largest property expo.

The Cape Town consultancy was also promoting commercial and industrial property investment opportunities to German multinational companies

Homenet executive chairman Victor Webster said the group was making inroads into global markets through its journal, National Homefinder, which was distributed in Australasia, Europe, the Far East and North and South America

Meanwhile, Seeff Residential said it was experiencing its strongest period of foreign buying "in many years", with this year's sales totalling about R50m

It had sold two executive homes on the Atlantic seaboard to Germans last week, and Taiwanese buyers snatched up three northern area properties

The Seeff agents who negotiated these deals for the seaboard homes said the buyers intended to settle in SA

Seeff's Hout Bay branch had concluded multi-million rand sales to foreign buyers in Llandudno Manager Clive Hingston said the area was developing "a fairly large German community"

The branch had achieved Llandudno's highest prices, R3,2m and R3,1m

No complaints lodged against cement merger

BD 3/7/96 (193)

Lukanyo Mnyanda

THE Competition Board had so far received no formal complaint about the proposed merger of cement companies Alpha and Blue Circle but would continue its investigation, chairman Pierre Brooks said yesterday

Government — which in 1994 ordered the scrapping of the industry's long-running cartel — had also not made its views on the matter known, Brooks said Interested parties still had about two weeks to make submissions

Brooks said he did not expect the investigation to take long as the board had investigated the industry prior to recommending the cartel be scrapped and was "familiar with the issues" It would hand its findings to Trade and Industry Minister Alec Erwin "within a month or two," he said

The proposed merger — which would give the merged company roughly 55% of the R2bn a year market — has received a favourable response from the industry Several sources said it would cut costs and enhance international competitiveness

Building Industries Federation of SA executive director Ian Robinson — who also expressed initial support — said he would discuss the merger with Alpha and Blue Circle this week before making a submission to the board

"I view the proposed merger as non-threatening and I expect my submission to be positive," Robinson said

The board would also discuss the proposed merger with industry leader Pretoria Portland Cement but its views would not have a decisive influence on the final decision "We'll look at what the pro- and anti-competitive effects of the deal would be, and we want to hear what the different parties have to say on the matter"

COMPANIES

Sections of strike-hit mine may restart soon

CT (BR) 10/7/96

Reuters and Staff Reporter

Johannesburg — Anglo American Platinum (Amplats) said yesterday some sections of Rustenburg Platinum Mines may restart production soon as large groups of sacked workers have asked for their jobs back

"Amplats believe that if the present trend of dismissed workers signing on for employment continues, sections of RPM may commence production again soon," the company said

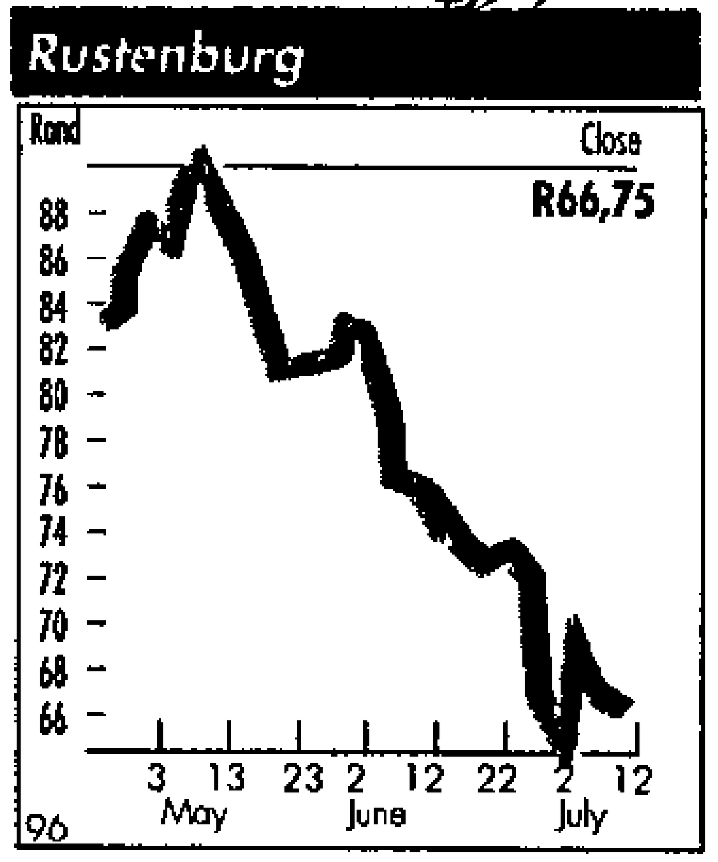
Johan Adler, an Amplats spokesman, could not say how soon production at Rustenburg would start

"It depends on how many people report back (and) when," he said

Fears of heavy production losses at the mine, the world's biggest producer of platinum, have helped push up the price of platinum this week

Amplats said earlier it expected to lose a full month's production as a result of the illegal strike action which resulted in the entire undergound workforce of 28 000 miners being dismissed last week

Amplats said that "thousands of people were queuing up at Rustenburg Platinum Mines' recruitment centres to apply for employment"



The company said on Friday that more than 800 workers had given written commitments to return to work

Amplats sacked the workers last week after they ignored Supreme Court orders to return to work The company said their demands, including the repayment of income tax and death benefits, were "absurd"

Rustenburg's production of refined platinum in the year to June 30 last year was 1,43 million ounces

Analysts said that the lost production due to the strike was unlikely to place the platinum market in a demand surplus

They said they were expecting a surplus of between 200 000 and 250 000 ounces of platinum this year, similar to the 200 000 ounce surplus recorded last year

Builders to support cement merger

(193) CT (BR) 10/7/96

By Jonathan Rosenthal

Johannesburg — The Building Industries Federation of South Africa (Bifsa) would support the proposed merger of cement companies Alpha and Blue Circle in its submission to the Competition Board later this month, Ian Robinson, the Bifsa executive director, said yesterday

The proposed merger will give the new company the benefit of greater economies of scale, an important factor in the cement industry where larger kilns are more energy-efficient than smaller ones The two companies said last month that they were investigating a possible merger, but industry sources said at the time that the board would need serious convincing to let it go ahead

Distribution, marketing and product development could also be rationalised

This would put the merged group in a stronger position to compete against Pretoria Portland Cement (PPC), he said "I believe that the merger is in the interests of the consumer", Robinson said PPC now dominates the market with an estimated market share of about 44 percent compared with Alpha's 35 percent and Murray and Roberts subsidiary Blue Circle's 20 percent

'The board would need serious convincing to let it go ahead'

Although foreign competition was not a factor in the cement market because of the depressed rand, cement prices were constrained by price competition from other building materials such as steel, wood and even plastic, Robinson said

The cement industry has been given until September this year to dismantle the cartel under which it has operated since 1988

Robinson said there were concerns in the building industry that the proposed merger could lead to price collusion and he pointed to discounting and price competition, which had preceded the cartel's demise

Black group finds British partner

By Audrey D'Angelo

Cape Town — Taylor Woodrow Construction, the British-based multinational, has formed a 50-50 joint venture with a black investment holding group, Peu Investment Holdings, to tender for major infrastructural projects in South Africa

The announcement has been timed to coincide with the visit by President Nelson Mandela to Britain

The chairman of Taylor Woodrow (SA) is Peter Malungani, who has been involved in the construction industry for 13 years The general manager is Jim Sample, who worked on Taylor Woodrow projects in other parts of Africa

Malungani said that because of the difficulties facing black construction companies in the past, he had until now been involved mainly in housing projects Peu Holdings needed a major partner to help it get into the mainstream of the industry

"We did not want a South African partner because that would have meant we would be involved in projects in Soweto, while they would go it alone in places like Sandton We wanted to be in it all, so we had to look for a partner outside this country," he said "We are looking at a variety of construction and engineering projects, like airports, harbours and roads

"Our focus will be to help rebuild this country Infrastructural development will be very important That includes water reticulation, sewers and water treatment plants These are all areas in which Taylor Woodrow has experience"

Malungani and Sample would not disclose the size of the investment made so far in the partnership

NE

'Investment aims to penetrate regional monopoly'

Cement industry plans new plants

9 (BL) 15/7/96 (193)

By Jonathan Rosenthal

Johannesburg — The South African cement industry is planning to invest in several additional plants countrywide The move comes despite flat growth in demand and the September dismantling of the cement producers' cartel agreement, which is likely to put margins under pressure

New plants on the cards include a 700 000 ton Alpha plant at Saldanha bay, a 600 000 ton Pretoria Portland Cement plant in Port Elizabeth and a 200 000 ton Blue Circle plant in Port Elizabeth

Estimates put the industry's total capacity at about 12 million tons a year Last year, total cement consumption was about 8,4 million tons, 6,5 percent higher than the previous year

Portland's share of the market is estimated to be 45 percent Blue Circle is believed to have 20 percent and Alpha 35 percent of the market

Much of the proposed investment was strategic and aimed at penetrating Portland's virtual monopoly in the Western and Eastern Cape It was unlikely to yield high returns, one analyst said

Alpha's plans to expand into the Western Cape were a case in point Though the Saldanha plant would create a glut by almost doubling the province's supply, Alpha had no real choice but to challenge Portland head-on By leaving it in control of the Western Cape market, Alpha ran the risk of allowing Portland to use higher margins in the Cape to put pressure on Gauteng prices, said the analyst

Marco Germena, a director of Alpha cement, said he expected the Western Cape market to grow by about 6 percent this year, while demand in the rest of the country remained relatively stable

Alpha also has the option of exporting northwards into Africa and to the Indian Ocean islands to soften the blow of an R800 million investment likely to flood the provincial market Similarly, Blue Circle's proposals for an Eastern Cape plant are probably an attempt to chip away at Portland's dominant position Although kiln size is a significant factor in production costs, the high cost of transporting cement often tilts the balance in favour of smaller, less efficient kilns which are closer to their markets

To break the Portland stronghold, Blue Circle and Alpha have to bear the risk of new plants The two companies are engaged in merger talks, a proposal under scrutiny by the Competition Board They would command about 55 percent of the market

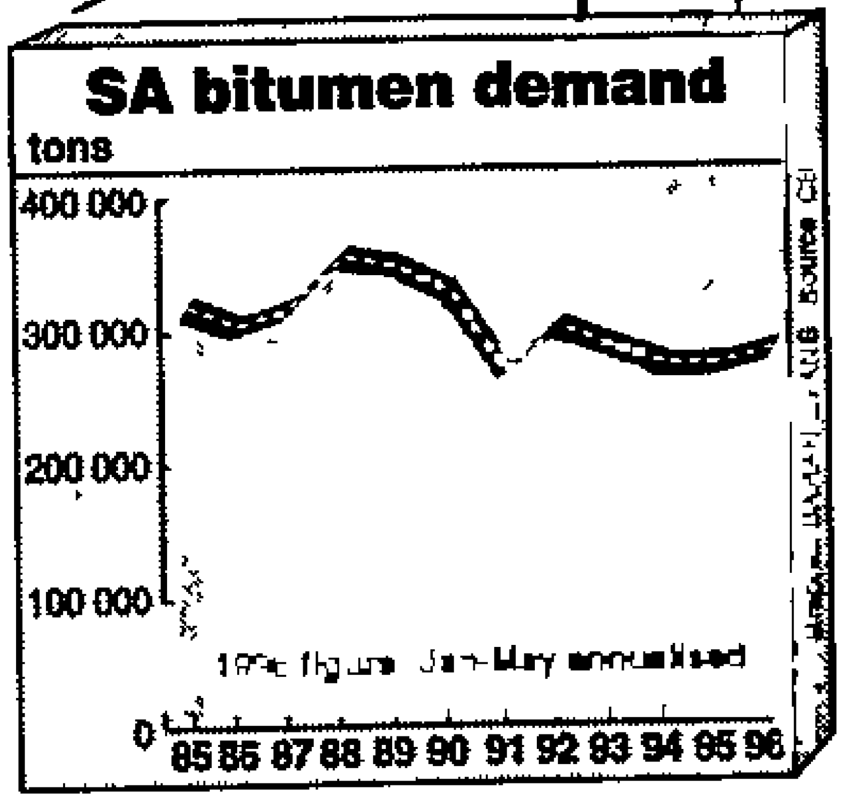
The merger would be unlikely to translate into significant cost savings in the short term in areas other than marketing and distribution

Despite the appearances of an imminent blood-letting, there are few expectations that any of the producers would risk a serious contest for market share The high capital intensity of cement manufacture makes a price war potentially devastating for all parties, something that analysts suggest is unlikely to happen

Bitumen demand boosted by projects for new roads

(193) BD 15/7/96

Reinie Booysen



DEMAND for bitumen — a by-product of crude oil refining used to tar road surfaces — is showing signs of recovery after years of decline, latest figures from Central Statistical Services show

But the latest bitumen demand figure — a strong barometer of road-building and repairs — remained unhealthy, executives involved in the road-building and repair industry said

The latest figures for the year-to-date showed that about 109 000 tons of bitumen were used from January to May, an increase of about 4% against the previous comparable period

Market analysts said most of the growth, however, was due to the newly-built road sector They said demand for bitumen to repair existing roads remained slack, although this could change over the next year or so.

Among the major new-building projects topping up the SA bitumen demand this year are the N2 in Kwazulu-Natal and the Pietersburg toll road in the Northern Province.

Road industry executives said SA's road network had been badly neglected in the early 1990s.

At a recent conference, Transport Minister Mac Maharaj estimated a shortfall of about R1,8bn in road funding.

"In the absence of political will, roads have been on the back-burner for a long time," said Dave Orton, chairman of Colas, a Murray & Roberts' group company specialising in road surfacing work

This meant that if action was not taken soon on SA's increasingly dilapidated road surfaces, the cost of repairs was going to mount exponentially

Orton said the condition of SA's roads might have been even worse now if it had not been for the severe drought of the early 1990s.

Now that the rains were back, the issue was fast becoming critical, and road industry executives said they sensed a change of sentiment in government One good sign was a recent proposal to Parliament by Maharaj to add an extra 6c a litre to the fuel price over the next two years to help pay for road maintenance.

"The public reaction to the minister's proposal has been remarkably muted, reinforcing our belief that there is general acceptance of the need for increased spending on road repairs," said Orton.

He said the need for adequate roads was gaining political recognition as being fundamental to the development of the economy.

One of the major holdups was that the authorities in many provinces had yet to get their delivery structures up and running

The Eastern Cape, Free State and Northern Cape provinces appeared to be among the least organised in this respect.

Orton said that if the politicians moved swiftly, the major bitumen suppliers — bitumen is a by-product of oil refining — could see demand rise by about 10% next year, according to Colas CE Paul Norton

Tongaat plans to cut work force by 1 100

~~SUGAR~~ (193) BD 16/7/96

Nicola Jenvey

DURBAN — Tongaat-Hulett plans to trim its 22 000-strong work force by 5% this year as it enters the final phase of a long-running rationalisation drive.

MD Cedric Savage said yesterday the losses would stem from outsourcing non-core activities, and natural attrition.

Savage believed Tongaat, whose operations include aluminium, sugar and bricks, would optimise its labour requirements with the plans

The group had a work force of 50 000 before the long-running cutbacks The moves were vital to sharpening its competitive edge

"The programme will produce a finely tuned internationally competitive group with a high proportion of youth in its management and skills within its work force," Savage said

Early retirement encouraged four years ago had accelerated the natural attrition programme and the group's affirmative action drive, he said.

The group had also rationalised its building materials division, including Corobrik, to match current sluggish demand

Corobrik MD Harry Voorma said plans were under way to close its Maritzburg factory as outdated technology had rendered the plant inefficient

The division was involved in "sensitive" negotiations with unions and the factory's closure date still had to be decided It would result in about 100 jobs being lost

The group's restructuring helped underpin a 41% rise in attributable income to R403,6m for the year to March, on sales just 6% higher at R4,1bn

Tongaat is now engaged in a heavy expenditure drive It is involved in a R2,5bn expansion at Hulett Aluminium, and is spending R720m on a starch and glucose factory at Klip River

The group closed up 25c at R53 on the JSE yesterday, against a R69 year high in January

MARLIN (193)

NOT CARVED IN STONE

FM 26/7/96

Of all the granite companies, Marlin is probably best placed from a number of perspectives Most important, it has restructured its balance sheet — which now appears respectable

The *FM* has long pointed to the heavy borrowings of companies in this industry as the main weakness The Marlin rights issue, accompanied by a change of control and subsequently by the acquisition of listed Minaco, puts the company into a much healthier league

That said, though, there are obviously still problems The group's results for 1995 do reflect a substantial improvement over 1994 but a profit of 1c a share is not exactly anything to crow about — though admittedly a lot better than 1994's loss of 9,7c

New business director Mario Marcenaro says the heavy rains this year severely affected the company's productive capacity Trucks were unable to get into the pits to load and move blocks That meant disappointing customers who, says Marcenaro, were understanding but embarrassed

So though turnover shot up to R86m, this disguises lost sales and, since the effect of this was a material factor until May this year, the interim results must obviously be expected to reflect this

The Minaco purchase, delayed by the murder of controlling shareholder Cyril Heever, makes for a good fit of product with Marlin's own output In particular, Minaco's Rustenburg grey along with ebony and Paarl (grey) give the group good flexibility The effect of the takeover is to close Marlin's circle of volume output and niche products

Other events — which included the departure of Peter Gain as chairman and major shareholder, the arrival of an Italian investor through a Luxembourg company, IIE, and a rights issue to raise R60m — have certainly had the effect of changing Marlin's profile But it must also be said that the complexity of the deals has not won the company many friends among investors and analysts

The central issue in this business is whether it is suited to being listed. In this case especially, private ownership of the operating companies is preferable

The listings of the last decade were really exit strategies for owner-managers who developed their businesses painstakingly over a long period and then persuaded the market they had a good thing

But this doesn't seem to apply, for example, to the Italian and Spanish industries where family control and operation continue to be strongly entrenched And it is worth noting that the European industries still effectively control or influence the worldwide business

Two points remain to be made The first is that granite is essentially a fashion industry — and it is hard to drive fashion from the balance sheet Marlin is at least now well equipped in this area, with a wide range of material supplemented by two producing American quarries

The second is that, as with so many SA mineral products, much more needs to be done to add value at home Beneficiation is becoming steadily more important for a country which needs to expand employment opportunities and grow its foreign currency earnings Marcenaro says the company's intention is to concentrate heavily in this area over the next few years

This is largely an export-related business, making it attractive to rand-shy investors But Marlin's managers need to demonstrate they can deliver on their promises *David Gleason*

ACTIVITIES *Mines, beneficiates and markets granite and granite products*

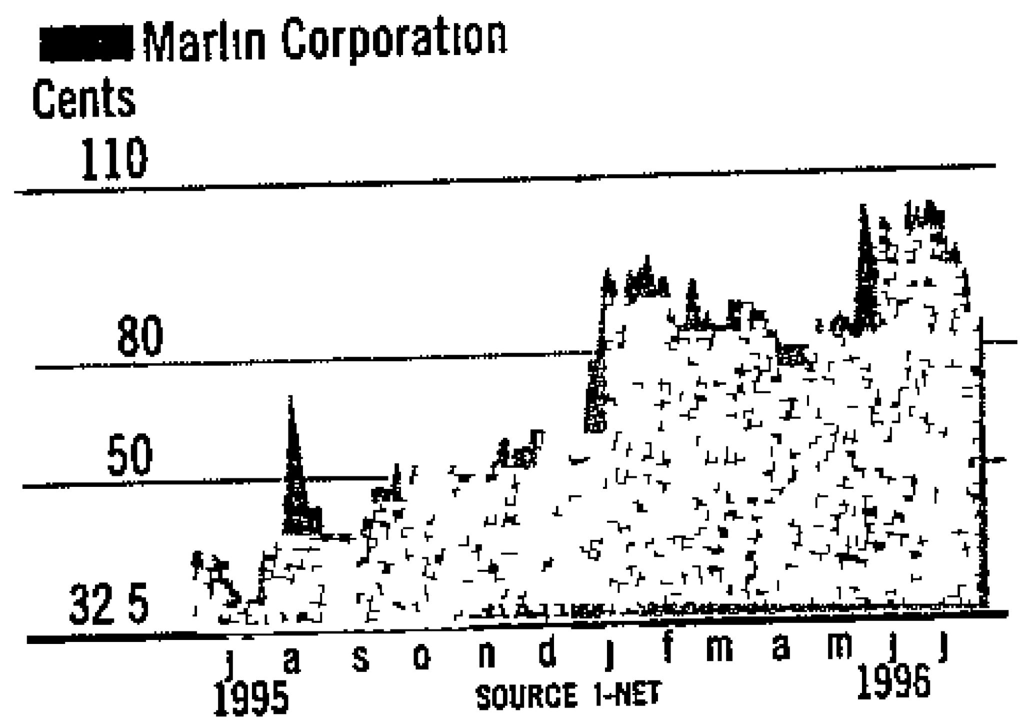
CONTROL *Marlin Holdings and ultimately IIE (Lux)*

CHAIRMAN *J R R Koch MD G R Treagus*

CAPITAL STRUCTURE *164,6m ords Market capitalisation R158m*

SHARE MARKET *Price 96c Yields n/a on dividend, 0,2% on earnings, p e ratio, 96, cover, n/a 12-month high, 125c, low, 46c Trading volume last quarter, 11,4m shares*

Year to December 31	'93	'94	'95
ST debt (Rm)	39,9	42,6	3,0
LT debt (Rm)	3,0	3,0	6,2
Debt equity ratio	0,61	0,57	0,07
Return on equity (%)	n/a	n/a	1,7
Turnover (Rm)	54,4	78,0	86,3
Earnings (c)	(9,9)	(9,7)	1,0
Dividends (c)	—	—	—



Gefco puts its faith in bricks

(193) ST(BT) 28/7/96

By JEREMY WOODS

UNDER its blue asbestos roof, Gefco the once high-flying asbestos producer, is being transformed into a building stock capable of producing over 16-million cement bricks a month

Gefco's move into bricks and cement is part of a plan to reduce its dependence on the declining world asbestos market "We are trying to steer the company away from its dependence on asbestos sales and into potential growth areas like bricks," says Gefco chairman Pat Hart

Gefco bought its Vereeniging brickworks, one of the largest producers in Gauteng, last year and has been modernising the plant and reorganising the business in anticipation of an increase in RDP spending and increased demand for bricks "RDP spending has been slow to come through in the economy, but as volumes at the brickworks increase the brick business has the potential to match asbestos earnings "

Meanwhile, Gefco's asbestos production is benefiting from the depreciation of the rand as sales are priced in dollars "We will stay with asbestos as long as it makes a return But the company is looking to diversify into local growth earnings "

To help it achieve this, Gefco has about R27-million cash in the balance sheet, and a net asset value a share of close to R2, compared to a share price of 60c, with a historic dividend yield of 15% Its market capitalisation is close to R21-million

It also has "medium-sized" coal reserves it has prospected near Ingwe's colliery in Hendrina and these will be sold off rather than be developed by Gefco Several buyers are showing interest, says Hart, but as yet no deal has been struck

Gefco reports its interim results next month, which will benefit from the rand's depreciation, leading some analysts to believe the dividend will at least be maintained

Buildmax is a buy for aggressive investors

(193) CT (BR) 30/7/96

By John Spira

Johannesburg — Buildmax, the building materials company making its JSE debut today, is considered a buy for investors with aggressive risk profiles

Mark Ingham, an analyst at Frankel Pollak, said yesterday that Buildmax's earnings a share would probably rise 22 percent next year and 30 percent the year after

The company's 23,4c a share earnings forecast for next year places the share on a forward multiple of 8,5 "As such the listing price of R2 is fairly pitched," said Ingham

The average multiple for the JSE's building and construction sector is 13,1

Ingham said Buildmax's rating would be far above the average if the management could deliver a high-quality earnings stream over time

Buildmax comprises three 50-year-old family businesses, each with dominant market positions.

In the year to March 31, the group achieved sales of R74 million and an operating profit of R5,5 million

It earned a pro forma attributable profit of R4 million, giving earnings of 19,2c a share

Next year, the company expects sales of R88,2 million, operating profit of R7,3 million, taxed attributable profit of R4,9 million, earnings a share of 23,4c and a dividend of 7,8c a share

Ingham said the cash raised from the listing would enhance growth in the next two years

He also said the company would deliver superior returns if it husbanded its resources properly

"Potential investors should judge Buildmax's prospects on the basis of organic growth rather than on any RDP promise

"Should mass housing materialise, Buildmax will be ideally placed to gain incremental sales growth through demand for its range of products," he said

The listing of 21 million shares at R2 a share values Buildmax at R42 million.

Corobrik in R500m expansion

BD 30/7/96 (193)

Nicola Jenvey

DURBAN — Tongaat-Hulett building materials division Corobrik planned to invest R500m over the next decade to expand capacity 50% to 1,5-billion bricks annually, executive chairman Errol Rutherford said yesterday.

Rutherford, who will retire in April next year after 31 years of service, said Corobrik had used the seven-year building decline to phase out older factories including Maritzburg, Bloemfontein and Briardene, where clay reserves had expired, outdated technology was used or where production was labour intensive

In the current year Corobrik would restructure management to remove partitions between Corobrik, Brick 'n Tile and the Avoca administrative head office

The division aimed to reduce administration to 12% of sales (19%), effectively cutting overheads by R28m.

Corobrik MD inland division Peter du Trevou said capacity would be expanded on existing sites, allowing factories to benefit from economies of scale, modern production techniques and lower unit costs

Corobrik expected product demand to grow consistently as the effects of the reconstruction and development programme were felt by the industry.

The short lead-times involved with expansions minimised project risks and allowed Corobrik to take advantage of any upswings.

Rutherford said sales volumes for the first quarter to June had increased 22% as the division benefited from increased public and private sector building. The division should contribute R548m (R430m) to group profit for the year to March.

Harry Voorma has been appointed MD manufacturing and sales Tongaat director JB Magwaza has been appointed building materials division non-executive chairman Du Trevou would succeed Rutherford as executive chairman next year

Buildmax off to mixed start on JSE

(193) CT (BR) 31/7/96

By John Spira and Reuter

Johannesburg — Building materials supplier Buildmax had a mixed debut on the JSE yesterday, with the shares closing at 204c — a small premium on the 200c a share issue price.

The high for the day was 230c following an opening trade of 220c More than 210 000 shares traded

Gary Israelstam, the portfolio manager at sponsoring broker Frankel Pollak, said "Given that the market overall was a bit weak, I think it was a good first day"

Dealers expressed surprise at the sizeable share volumes that changed hands as there had been no public share offer, only a preferential offer

"One would have thought that people who took up shares in the preferential offer would have held onto them … But there appears to be a lot of small jobbers buying and selling stock"

Traders attributed the active interest in Buildmax, which is the holding company for gutter and tank maker S Burde & Co and two timber firms, East African Timbers and Dave Zick Timbers, to speculative buying

"Construction is a high-risk area, but some people seem keen to take the risk If what was once called the RDP (reconstruction and development programme) kicks in, the sector could do very well, but we are still waiting," said one analyst

Mark Ingham, an analyst at Frankel Pollak, said Buildmax was a "buy for investors with aggressive risk profiles" and cautioned that "potential investors should judge Buildmax's prospects on organic growth rather than on any RDP promise"

In its pre-listing statement, Buildmax forecast earnings a share growing to 23,4c in the year to March 31 next year from 19,3c in the year to March 31 this year

It forecast a dividend of 7,8c from 6,4c before, and turnover of R88,2 million from R75,7 million

Buildmax said the preferential share offer would raise R16,8 million before expenses and would be used to de-gear the group by reducing borrowings and provide working capital

BUILDING A PRESENCE *Executive directors of Buildmax celebrate the listing. from left, Barry Kampel, Martin Smullen, the chief executive officer, Robyn Salkow and Johan Croukamp, the financial director*

BASF weighs investing in SA lysine plant

By Jon Beverley

Durban — The German chemical giant BASF is considering whether to invest in the expansion of the R250 million lysine plant that was opened in Durban yesterday by Alec Erwin, the trade and industry minister

The plant is a joint venture between AECI and the Industrial Development Corporation

Lysine is used as an animal feed additive and promotes the growth of lean meat It also reduces nitrogen-rich excreta, which is fast becoming a serious agricultural problem in Europe

Hanns-Helge Stechl, the executive vice-president of BASF, said the group was participating in a study to discover the size of the world market for lysine The study should be completed this year and the group would then decide whether to invest in an expansion project

The site was planned so the plant could be doubled, which would allow it to secure 10 percent, or 30 000 tons, of the world market by 2000 The expansion would cost less than R250 million because the plant already contains the required equipment

South Africa imports about 3 000 tons a year of lysine

Industry cartel soon to be disbanded

Big cement groups begin merger talks

(193)

BD 7/6/96

Robyn Chalmers

CEMENT groups Alpha and Blue Circle are discussing a merger, just three months before the sector's long-running cartel is to be disbanded

The groups said yesterday the merged operation would command 55% of the R2bn-a-year market, giving it the upper hand over industry leader Pretoria Portland Cement (PPC)

The deal is subject to Competition Board clearance and the board has already launched a formal investigation.

Board chairman Pierre Brooks was unavailable last night, but industry sources said the board was unlikely to let the merger go through unimpeded

The board recommended in September 1994 that the 25-year long cartel between the three cement companies be disbanded, leading the trade and industry department to give the producers two years to split the ring

Alpha group MD Johan Pretorius said the talks had been initiated as a result of synergies that existed between the two organisations, particularly on distribution — the major obstacle for the players after the cartel goes "We believe it is a workable merger, and will lead to a highly competitive situation with two equally strong cement companies," he said

"We have said all along that we do not wish to start a price war and this will remain true should the merger go through However, we will obviously attempt to defend our market share."

Blue Circle, which is owned by Murray & Roberts, said the merger would boost capacity and competition in the market

Group financial director Derrick Theck said only Blue Circle's cement business was involved.

The three groups have been battling for market share since the 1994 announcement and launched individual feasibility studies into new plants — at an estimated cost of R750m each

Alpha — whose sales were R1,5bn in the year to December — is looking at Saldanha Bay, Namibia, Western Cape and Mpumalanga, while PPC — with sales of R1,2bn for the year to September 1995 — is looking at the Eastern Cape, Gauteng and the Northern Province Blue Circle is looking in the Eastern Cape

PPC and Alpha have launched heavy marketing campaigns, while Blue Circle has maintained a lower profile

Most of the companies' factories are in western Gauteng, leading to increased transport costs

Under the cartel, cement was distributed by Cement Distributors of SA, which is jointly owned by the three groups This company will be dissolved in September

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY FRIDAY, JUNE 7 1996

Blue Circle, Alpha in merger negotiations to tackle larger rival PPC

(193) CT(BR) 7/6/96

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Blue Circle, a subsidiary of Murray & Roberts Holdings, and Alpha are negotiating a merger that could secure a commanding 55 percent share in South Africa's estimated R2 billion a year cement market

According to a cautionary announcement published jointly today, the merged company would benefit from the potential synergies of the transaction and ensure a stronger competitive position in the deregulated cement market

Current estimates show Pretoria Portland Cement (PPC) holding the bulk of market share with about 44 percent, Alpha holds about 35 percent and Blue Circle has just more than 20 percent

The proposed merger will be referred to the Competition Board before being subjected to approval from the respective boards and shareholders

However, industry sources said yesterday the Competition Board would need some convincing before giving the deal the go-ahead There would be pricing concerns in the building industry as the deal would result in just two major players dominating the market

The announcement took the market by surprise and two industry analysts were hard pressed to speculate on the rationale of the proposed merger

One noted no obvious geographic synergies for the merger as Blue Circle and Alpha both produced cement at plants in the Western Transvaal

However, he said there were obvious synergies in marketing and distribution in South Africa's post cartel cement industry, while a single administrative structure and the possibility of a single cement brand could realise significant cost savings

Another analyst said it made sense to create a "united front" against the bigger PPC operation

"PPC has been extremely bullish of late and they seemed in the best position to increase market share in the new deregulated cement market"

John Gomersal, the managing director of PPC, would not be drawn on the issue last night, except to point out that the proposed merger was still subject to Competition Board approval

Alpha traded at R105 yesterday, while Murray & Roberts picked up 40c to R17,75 PPC was unchanged at R75,25

Ball is on the roll for cement merger plans

(193)

ST(BT) 9/6/96

By DON ROBERTSON

THE proposed merger between cement producers Alpha and Blue Circle could get Competition Board approval within eight weeks, only a month before the 25-year old distribution cartel disbands

Johan Pretorius, managing director of Alpha, says the Competition Board will publish details of the planned merger in Friday's Government Gazette

A month will be allowed for submissions by interested parties to the Competition Board, and after further consideration recommendations will be made to the Minister of Trade and Industry

The merger will also have to be agreed to by the board's of the two groups

If the merger is approved, the combined Alpha/Blue Circle operation will have a 55% share of the R2-billion a year cement market and will presumably benefit from joint distribution facilities

Under the existing cartel, cement was distributed through Cement Distributors of SA, which is owned by the three producers — Alpha, Blue Circle and PPC This company stopped operating in December last year

Pricing was then done independently, although a delivery quota system will remain in place until September

John Gomersall, managing director of PPC, says approval of the merger has many hurdles to overcome, but we are, "not overly concerned" at the prospect of a joint company of this size becoming our competitors

Mr Pretorius says talks were initiated after the synergies of the two powerful companies were assessed

Mr Pretorius says approval of the merger is unlikely to result in a price war, although the necessary actions will be taken to protect market share

Mr Gomersall confirmed PPC's commitment in September 1994, that it would keep cement price increases below inflation for three years to assist the RDP

Proposed cement merger given positive response

BD 10/6/96 (193)

Lukanyo Mnyanda

INVESTORS in Alpha and Blue Circle responded favourably on Friday to the companies' proposed merger of their cement operations

Alpha shares jumped 250c in busy JSE trade, closing at R107,50 and breaking off its R105 year low, while Murray and Roberts — owner of Blue Circle — gained 20c to close at R17,95

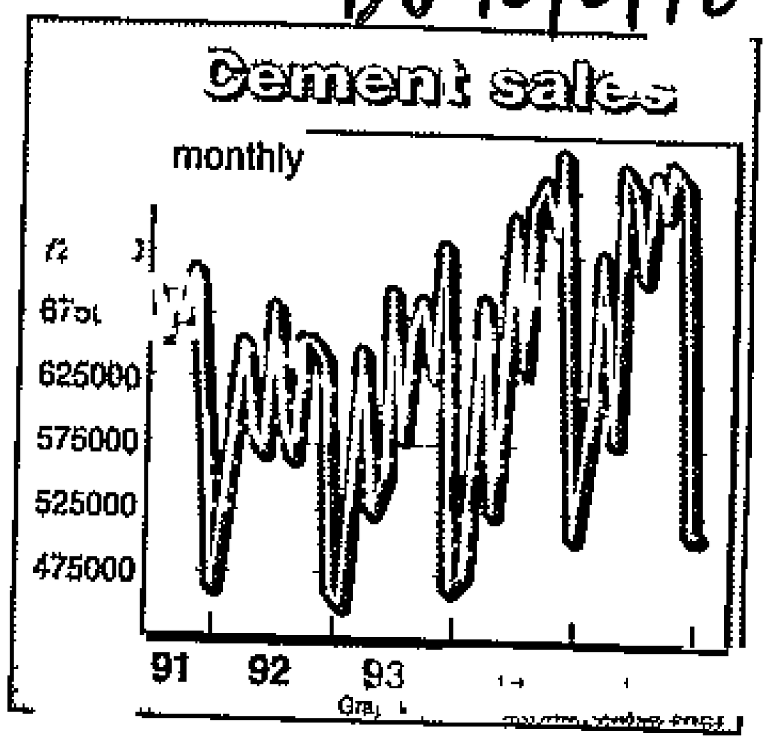
Industry leader Pretoria Portland Cement (PPC) shares were unchanged at R75,25

Alpha group MD Johan Pretorius said the proposed merger would not derail the companies' individual feasibility studies into new plants

Pretorius said the two companies had not discussed the possibility of bringing in new shareholders for the merged company, should it get the go-ahead from the Competition Board

Industry sources said the merger, which would give the venture 55% of the market, would be good for the industry as it would cut costs and enhance international competitiveness.

They said PPC's presence in the market, with 45% of sales, would ensure local competition was not cramped



Competition Board chairman Pierre Brooks confirmed the board had launched an investigation into the deal He declined further comment

The trade and industry department, which in 1994 ordered the industry to scrap its cartel, also refused to comment

Building Industries Federation of SA executive director Ian Robinson said the proposal would virtually restore the industry's cartel

However, Robinson said he had never opposed the cartel and hoped the Competition Board would approve the merger "There is a lot to be gained from rationalisation and there will still be competition. I hope the board will view it in a positive light."

One analyst said that although the merger would be good for the two companies, the board was likely to block it because it would "negate breaking up the cartel"

But Frankel Pollak analyst Mark Ingham said customers would benefit from country-wide coverage and lower distribution costs He said the board might attach "one or two strings" to the merger, but was unlikely to block it "Having two big companies competing will benefit customers. This is not necessarily a revamped cartel through the back door"

Brooks ponders cement merger

ET (BR) 12/6/96 (193)

By Roy Cokayne

Pretoria — Pierre Brooks, the chairman of the Competition Board, said yesterday that the crucial factor the board would have to consider in its formal investigation into the proposed merger between cement producers Blue Circle and Alpha, was the extent it would diminish or enhance competition

Blue Circle is a subsidiary of Murray & Roberts Holdings

If concluded, the merger will take place virtually on the eve of the withdrawal of the exemption granted to the cement industry in 1988, which allowed price collusion, collusive market sharing and collusion on the conditions of supply

The parties concerned were given until September this year to dismantle the cartel

In its 1994 annual report, the board, on withdrawing the exemption, said the agreements creating the cartel made it a monopoly throughout South Africa

"This situation could no longer be condoned in the absence of clear, substantial overriding public interest benefits The re-assessment showed that the principle beneficiaries of the cement cartel were the three members thereof," it said

Brooks confirmed yesterday that formal notification of the investigation into the proposed merger would be published in the Government Gazette on Friday

He said interested parties would have a month to respond or submit comments to the board on the proposed merger

Brooks said it was premature for him to comment on the proposed merger The board would have to wait and see what came out during the month-long period interested parties had in which to make submissions to the board

He said the board would particularly "like to hear from the building industry"

The proposed merger, which was announced in a joint cautionary notice by the two companies last week, could secure a 55 percent share in South Africa's estimated R2 billion-a-year cement market

Estimates show that Pretoria Portland Cement hold the bulk of market with about 44 percent Alpha holds about 35 percent and Blue Circle more than 20 percent

Blue Circle and Alpha said the merged company would benefit from the potential synergies of the transaction and a stronger competitive position in the deregulated cement markets would result

PPC not threatened by Alpha, Blue Circle proposed merger

BD 13/8/96

Nicola Jenvey (193)

DURBAN — Cement company Pretoria Portland Cement (PPC) was not threatened by the proposed merger between competitors Alpha and Blue Circle and was unlikely to lodge an official complaint with the Competition Board, KwaZulu-Natal GM Dave Liddell said yesterday.

He said the industry's long-running cartel — which was to be disbanded in September — dictated that PPC supplied 45% of market requirements with another 35% from Alpha and 20% from Blue Circle. PPC was "confident" of realising an increased market share once cartel restrictions were removed.

Liddell believed the only advantages to the Alpha-Blue Circle proposal were increased capacity and a rationalisation of the distribution and marketing functions for the two groups.

PPC already had spare capacity available for growing its market share, while speculations that the merger would build a new plant would take another six years to fruition.

Alpha's sales in the year to December stood at R1,5bn compared to PPC's R1,2bn for the year to September 1995.

The three groups had been battling for market share since 1994 and had launched individual feasibility studies into new plants.

Alpha was looking at Saldanha Bay, Namibia, Western Cape and Mpumalanga and Blue Circle at the Eastern Cape, while PPC was considering the Eastern Cape, Gauteng and the Northern Province.

Under the cartel, cement producers had not been allowed to brand individual products.

Anticipating the new trading environment, PPC had launched a general purpose retail cement brand which removed the need for retailers and consumers to distinguish between products for differing applications.

Cement institute changes its name

BD20/6/96 (193)

Robyn Chalmers

THE Portland Cement Institute, the cement industry's technical and education arm for the past 58 years, has changed its name and some of its functions to slot into a post-cartel environment

This comes as latest figures from the SA Cement Producers' Association showed total cement sales for the five months to end May were slightly lower at 3,75-million tons than last year's comparable figure of 3,78-million tons

Analysts said yesterday the marginal fall in cement sales could be attributed largely to heavy rains in the first few months of the year which had depressed building activity

Portland Cement Institute executive director Graham Grieve said the organisation would change its name to the Cement and Concrete Institute

The institute would continue to provide technical, advisory and educational services but would in future concentrate more on marketing — particularly the promotion of concrete

"Our marketing role will promote the use of concrete as a competitive, viable generic building material This is largely the result of the break-up of the cement cartel, which will take place officially in September," he said

Grieve said the introduction of new manufacturing specifications for the cement industry would bring long-awaited protection benefits for the consumer

The new specifications, scheduled for implementation this month, would lead to greater international acceptance for cement produced locally

SA's cement specifications were based previously on the British standard, but Grieve said producers and consumers had become aware of weaknesses in the specification and testing methods

The major producers had voluntarily switched to manufacturing to the European standard about two years ago, while continuing to meet existing SA Bureau of Standards specifications

"The European standard, which will apply soon to all local producers and blenders, will impose more stringent quality criteria on producers

"The new standards might pose a threat to some low capital intensive blenders," some of whom had been producing inferior cement blends due to inappropriate proportions of blending materials

PLATE GLASS & SHATTERPRUFE 193

RISING RAND HEDGE VALUE

FM 21/6/96

The first of the industrial companies in the SA Breweries stable to report, Plate Glass (PGSI) has returned a year of moderately good results bolstered by a strong indication of better to come

Financial 1996's 16% improvement in fully diluted EPS (to 745c) was faintly disappointing because the market had hoped for 20% — in the face of an earlier warning (at the interim stage) from the company

- **ACTIVITIES:** *Makes, distributes and installs flat and automotive glass, makes, processes and distributes timber, board and aluminium products*
- **CONTROL** *SA Breweries 50,3%*
- **CHAIRMAN** *R Lubner*
- **CAPITAL STRUCTURE** *39,3m ords Market capitalisation R5,8bn*
- **SHARE MARKET** *Price 14 700c Yields 2,3% on dividend, 5,1% on earnings, p e ratio, 19,7, cover, 2,2 12-month high, 17 000c, low, 12 900c Trading volume last quarter, 741 000 shares*

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	204	108	211	85
LT debt (Rm)	64	111	41	523
Debt equity ratio	0,52	0,24	0,23	0,52
Shareholders' interest	0,26	0,32	0,37	0,38
Int & leasing cover	7,0	10,1	9,1	8,7
Return on cap (%)	15,8	19,6	19,3	17,5
Turnover (Rm)	2 775	3 237	3 772	4 529
Pre-int profit (Rm)	270	359	389	432
Pre-int margin (%)	9,6	10,3	10,3	9,4
Earnings (c)	320	642	846	*745
Dividends (c)	150	230	290	333
Tangible NAV (c)	1 273	1 750	2 274	2 192

* Substantially increased number of shares in issue

But it highlights another aspect of the business turnover growth of 20% was achieved only by reducing margin At operating level (before interest and tax), the trading margin in 1995 was 10,3% In 1996 it was 9,5% On turnover of R4,5bn, these apparently small swings can be deceptive but extremely important

Ronnie Lubner

The question is why has this happened? As ever, the answer is complex At home and after years in the doldrums, PGSI enjoyed the benefits of a rapidly expanding new car market Chairman Ronnie Lubner complains, however, that though more cars means more windscreens, the car makers were inflexible in their insistence on shaving prices

More important, the overseas market, which accounted for 53% of group sales in 1996, a number expected to leap to 70% this year, revealed what the company calls "a harsher competitive environment" PGSI's flag carrier abroad is Belron International, which increased sales by R493m and saw its contribution to group attributable earnings slide to R86m from 1995's R94m The 23% turnover increase and 8,5% decline in earnings is a salutary warning about the dangers which accompany competition in overtraded markets

The significant event of the year was the merger of Belron's Windshields America with Chicago-based Globe Glass to form the largest US supplier

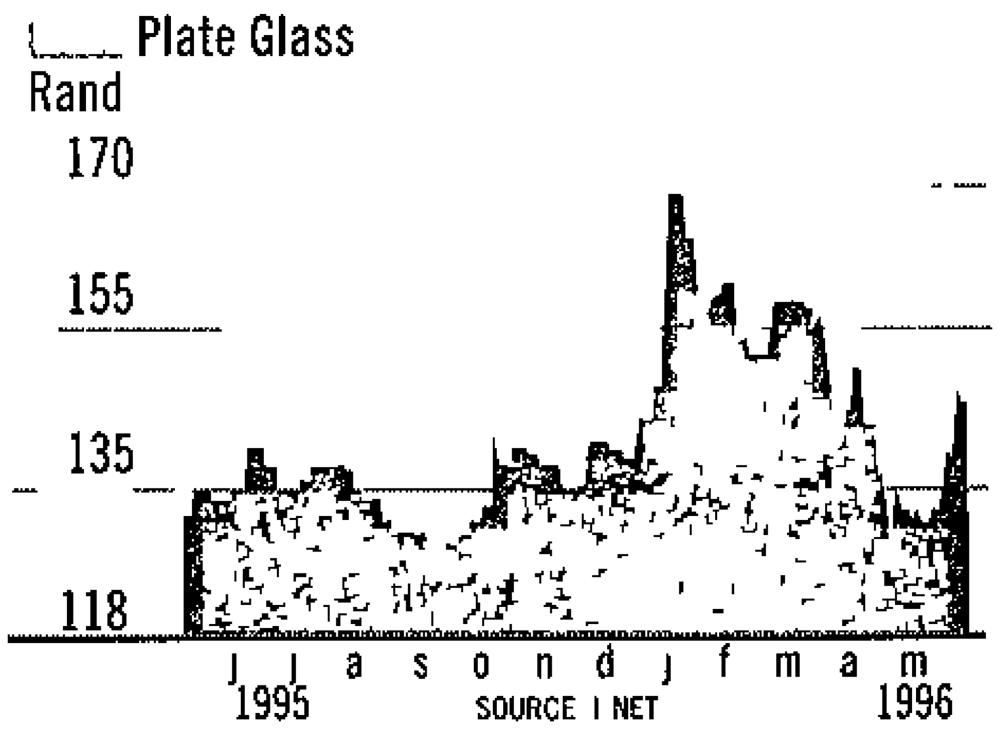
Belron emerged from the deal with a 51% stake — apparently not because it was bigger (it wasn't) but because the effort to establish new outlets across the country was considered an expansion horizon that was not available to Globe's US Autoglass

The effect of this on PGSI will be considerable Lubner expects group turnover of about R6,5bn this financial year — up about 44% The merged Windshields/US Autoglass operation (still to be named) will be in a strong position, but shareholders shouldn't expect any magic this year

Lubner and financial director Mike Read say that retrenchments, reorganisation and restructuring will absorb much of the benefits in financial 1997 We will have to wait for financial 1998 for the real fireworks

An element of PGSI's portfolio which didn't do well over financial 1996 is PG Bison It had a difficult year, with turnover rising 10% (to just over R1bn) and trading profit hit hard

Operations are being squeezed at every level, it seems domestic furniture demand slumped as consumer durable spending switched to electrical appliances and electronics, prices came under severe pressure from imports, margin on timber fell and average chemical costs increased sharply



PGSI's balance sheet now reflects net borrowings of R483m (gross R608m) — a gearing on total shareholders' funds of 52% The comparison is harsh in financial 1995, net debt was R172m, gearing only 24% Lubner says this "remains within the self-imposed limit of 60%"

This almost implies that PGSI's directors believe debt funding of as much as 60% of shareholders' funds is acceptable — however, many investors will prefer a more conservative approach and Lubner recognises this by conceding that "a meaningful reduction in gearing is anticipated in the current year unless major acquisitions are made"

It is also fair to note that PGSI's foray into international markets was well timed The cost of attempting to reproduce the company's foreign development from a standing start today — and from the unsteady base of a currency in difficulty — would be prohibitive The foreign expansion gives PGSI a decidedly rand hedge flavour

With so much now dependent on external trading, a favourable factor is that the decline in the rand will produce immediate benefits for the bottom line

Barring any vast increases in issued capital, the *FM* estimates the company should produce EPS of about 930c — up about 25% That will put it on a forward p e of 15,8 times, good value in these uncertain economic times *David Gleason*

Restructuring could cost PGSI up to $30m

BD 21/6/96 (193)

Edward West

THE merger of Plate Glass and Shatterprufe Industries (PGSI's) US operations with that of Chicago-based Globe Glass could result in restructuring costs of $20m-$30m in the year to March 1997, PGSI financial director Mike Read said yesterday

The merger, announced in January, created the largest automotive replacement glass group in the US, with a "highly fragmented" 15% market share spread across 42 states

The deal was done through Windshields America, a subsidiary of PGSI's offshore arm Belron

Belron contributed R86m in attributable profit to PGSI's earnings of R289,6m in the year to March

PGSI operated 1 267 outlets and factories in 18 countries

Read said once the restructuring was completed — a process involving the closure of some branches and the retrenchment of some personnel and management — the merged operation was expected show a real increase in profitability only in the 1998 financial year

Globe Glass, through its trading company US Autoglass, had 105 branches and a network of 5 000 independent subcontractors

Windshields America had 270 branches and a network of 2 500 subcontractors

Read believed the contribution to group profits from the merger would be substantial

Principally, Belron's aim this year was to "settle down" the US merger and get its other operations, notably the French and German operations, into profitability

PGSI was expected to increase profits in real terms this year

In the year to March PGSI lifted fully diluted earnings 17% to R289,6m, fuelled by strong local demand.

In the company's annual report, chairman and CEO Ronnie Lubner said that PGSI intended to reduce its gearing — which was 52% at the last year-end —unless major acquisitions were made

Sanlam buys Boland estate, trust arm

Better yields boost Kudu

David McKay (193)

80 1/8/96

KUDU Granite lifted attributable earnings to R8,3m (1995: R5,5m) in the year to June after benefiting from higher yields from more scientific mining techniques.

The group said yesterday turnover increased to R116m (R106,4m) as the divisions in the group continued to make positive contributions. It was confident this trend would continue, improving profitability.

Earnings a share was 19,9c (13,7c) A final dividend of 3,5c a share would be paid in a capitalisation share award to improve gearing Total dividend for the year increased to 6,5c (3,9c)

OK delays decision to retrench pending talks with Saccawu

BD 1/8/96

Jacqueline Zaina

OK STORES would delay the decision on retrenching 198 employees, pending negotiations with the SA Clothing, Catering and Allied Workers' Union (Saccawu), national chairman of the shop stewards' council Alfred Makena said yesterday

The union which had declared a dispute with the retailer earlier this week, claiming the company had negotiated in bad faith, had been notified in writing that the proposed retrenchments would be delayed until September 6, to allow the groups time to reconvene to discuss alternatives.

Makena said the union would discuss possible industrial action in relation to the dispute as it still believed the company had violated a recently signed job security agreement This had stipulated no job cuts should result from the OK's restructuring He said a national strike remained an option.

However, the union planned to set up a meeting with management next week. It intended to ensure that tenets agreed upon in the job security agreement were implemented Among the initiatives likely to lead to a solution were worker flexibility and retraining.

The union had agreed that employees would work according to the retailer's operational requirements rather than adhering strictly to job descriptions, to provide a solution to previous store closures and downsizing drives

A decision by the retailer to extend trading hours to include Saturdays until 5pm and Sundays until 1pm would also alleviate the pressure on staff numbers, said Makena

The union would be holding a national shop stewards' council in Cape Town from August 9 to 12.

OK representatives were unavailable for comment yesterday afternoon

PPC ready for challenges of free market

(193) BD 1/8/96

SA's Pretoria Portland Cement (PPC) was well-positioned to compete in a deregulated cement market after 25 years of operating in a cartel, it said on Tuesday

Addressing an investment analysts' presentation, PPC said that since 1992 it had been preparing itself for the eventual scrapping of the cartel

"With our spread of operations, sales depots, sales and distributions systems our spare capacity and ability to compete, we have the advantage to take on the challenges of a free market," said Clive Tasker, cement division MD

Under the cartel all distribution was done by Cement Distributors of SA (CDSA) — a business jointly owned by the country's three major players, PPC, Alpha Ltd and Blue Circle, a unit of Murray & Roberts Holdings (M&R).

PPC had now taken charge of its own distribution, no longer having to subsidise loss-making distribution operations through CDSA, said Graham Fabian, coastal cement operations MD

PPC was focused also on establishing relationships with customers through building brands which had not existed under the cartel system

"Two years ago, as producers of cement, we did not have a relationship with customers It was all dealt with through the CDSA. This has changed fundamentally," Tasker said.

PPC's management said it was not concerned about the proposed merger of the cement operations of its competitors Alpha and Blue Circle It doubted whether the Competition Board would allow a consolidation of interests so soon after the break-up of the cartel A merged group would have an estimated 55% share of the R2bn-a-year SA cement market, leapfrogging present market leader PPC

Tasker forecast SA cement demand growing between 3% and 6% next year, with accelerated growth expected prior to the 1999 elections as government tried to deliver on election promises — Reuter

Kelgran's income doubles to R20,4m

(193) BD 7/8/96

David McKay

GRANITE producer Kelgran doubled attributable income to R20,4m from the 1995 annualised figure of R9,8m for the year to June, benefiting from the refocusing of core business and shedding of its unprofitable operations

As the previous reporting period was a 16-month period, financial and other results had been annualised in order to allow meaningful comparisons with the current reporting period, the company said

Results in the review period excluded contributions from the company's stevedoring activities which had been sold for R14,25m in July The contributions had been incorporated into the previous financial year's results.

MD Henry Laas said yesterday demand for granite remained strong, pushing turnover up to R289,5m (R288m)

Interest paid dropped to R4,9m (R7,2m), and combined with a marginal R80 000 increase in tax to R664 000, resulted in earnings a share after exceptional items increasing to 28,1c (13,9c). A final dividend of 9c (7,5c) was declared with total payout coming in at 16,5c (12,4c) a share.

Laas said Kelgran had decided in 1994 to focus on its core mining activities while adding value to its granite business

This included the sale of its stevedoring business, the relocation of its Ciskei tile factory to Newcastle and doubling production at its African Red quarries

The company bolstered its granite business by buying Ketter Granite last month

This made it less reliant on its Rustenburg operation, Laas said

The 64,5% stake in Kelgran taken by Malaysian company Mycom Berhad from previous owners Gencor would allow it to have access to the construction market in the Far East

A weak rand-dollar exchange rate would help the bottom line. The outlook was also helped by growth in granite demand over the next two to three years, Laas said.

Capex was R1,6m (R17,5m), while a further R18,9m would be spent in the current year

PPC to build a R100m plant at Saldanha Steel

CT (BR) 7/8/96 (~~187~~) (193)

Staff Writer

Pretoria — Pretoria Portland Cement is to build a R100 million plant at Saldanha Steel over two years after the award of a 15-year contract for materials handling and supply to Saldanha Steel

In terms of the contract, PPC would finance and build the sidings, railway tipplers and incoming materials-handling facilities that Saldanha Steel had intended for the site

The first phase of the facility would come on stream towards the end of next year and the second phase by mid-1998

PPC would supply lime and burnt dolomite; buy slag, coal fines and furnace-dust granules, and construct and manage a materials-handling facility, which would handle 1,5 million tons of materials a year

The facility, which would employ about 40 people, would effectively handle all Saldanha Steel's raw materials with the exception of iron ore The metallurgical lime and burnt dolomite would be supplied from PPC's Lime Acres factory in the Northern Cape

PPC would in turn buy the 237 000 tons of granulated Corex slag generated by iron-making, which would be ground and then supplied from Saldanha at a competitive price to customers in the pre-mixed concrete, construction and concrete product manufacturing industries

The slag would also be used to produce blended cements for the Western Cape market while coal fines and granules produced from the furnace dust at Saldanha Steel would be used by PPC in its Western Cape cement factories.

Tom Ferreira, the Saldanha Steel communications manager, said the value of PPC's supplies to his company and the slag that was sold to PPC by Saldanha Steel would be about R50 million "both ways"

John Gomersall, the group managing director of PPC, said the plan was an extension of his company's role as the main lime supplier to the South African steel industry

He declined to put a value on the deal because of the variable tonnage in the long term

Gomersall said that members of PPC's management team had previously worked in the steel industry and "were able to understand the customer's needs"

The operation would be established and managed by PPC Lime

He said the investment would generate a good return but the benefits would not feature on the bottom line until 1999

Cement and concrete producer's operating costs rise

Cartel's demise hurts Alpha

(193) CT(PR) 8/8/96

By Jonathan Rosenthal

Johannesburg — The imminent disbanding of the cement cartel in September has drawn first blood in the reduced margins and increased operating costs reported by cement and concrete producer Alpha for the six months to June 30

"Increased costs associated with the termination of the cement cartel resulted in the operating margin declining from 21,1 percent last year to 14,8 percent," Johan Pretorius, the group managing director, said

The three major cement manufacturers — PPC, Alpha and Blue Circle — have for the past few years sold cement jointly through a central facility according to market sharing agreements

In September, the companies will have to market and distribute cement in an open market

Alpha managed to post a 9,9 percent rise in profit attributable to ordinary shareholders to R82 million, an increase from R74 million for the comparable period last year, despite heavy rains, reduced activity in the construction sector and the absence of significant RDP spending

The rise in attributable profit is largely due to a reduced effective tax rate of 8 percent as a result of accelerated depreciation on capital expenditure on mines, which cushioned the blow of a 20 percent decline in profit before taxation to R123 million from last year's R156 million

Taking a bite out of attributable profit was a R7,3 million loss in Omnia Holdings, a fertiliser company, which left earnings a share at 273c, an increase from last year's 249c

Pretorius said Omnia's results were not unusual due to the cyclical nature of its business and he predicted record profit for the full year

The dividend remained unchanged at 80c

Sales increased by 10 percent to R789 million but the cost of sales showed an increase of 18 percent to R553 million, cutting gross profit margins to 29,9 percent from 34 percent in 1995

Pretorius attributed the increased operating costs to abnormal plant downtime an significant increase in the delivered price of coal and transport costs previously borne by the cement industry's central marketing facility, which ceased operations at the end of last year

The stone and pre-mixed concrete division reported a 10 percent decline in sales and increased operating costs arising from the division entering the Natal and Cape pre-mixed markets, which dropped operating profit by 31 percent to R13,8 million

"This position will improve as target sales volumes are achieved along the coast," Pretorius said

Pretorius said that "the profit forecast contained in the 1995 chairman's statement of achieving an increase for the year as whole slightly above inflation will now be difficult to achieve"

PACKAGING INDUSTRY

CONSOL ON AN INVESTMENT SPREE

(193) ST (BT) 11/8/96

CONSOL Glass is well into a five-year R1,1-billion capital spending programme to introduce world-class technology and production standards to its 10 operations in South Africa

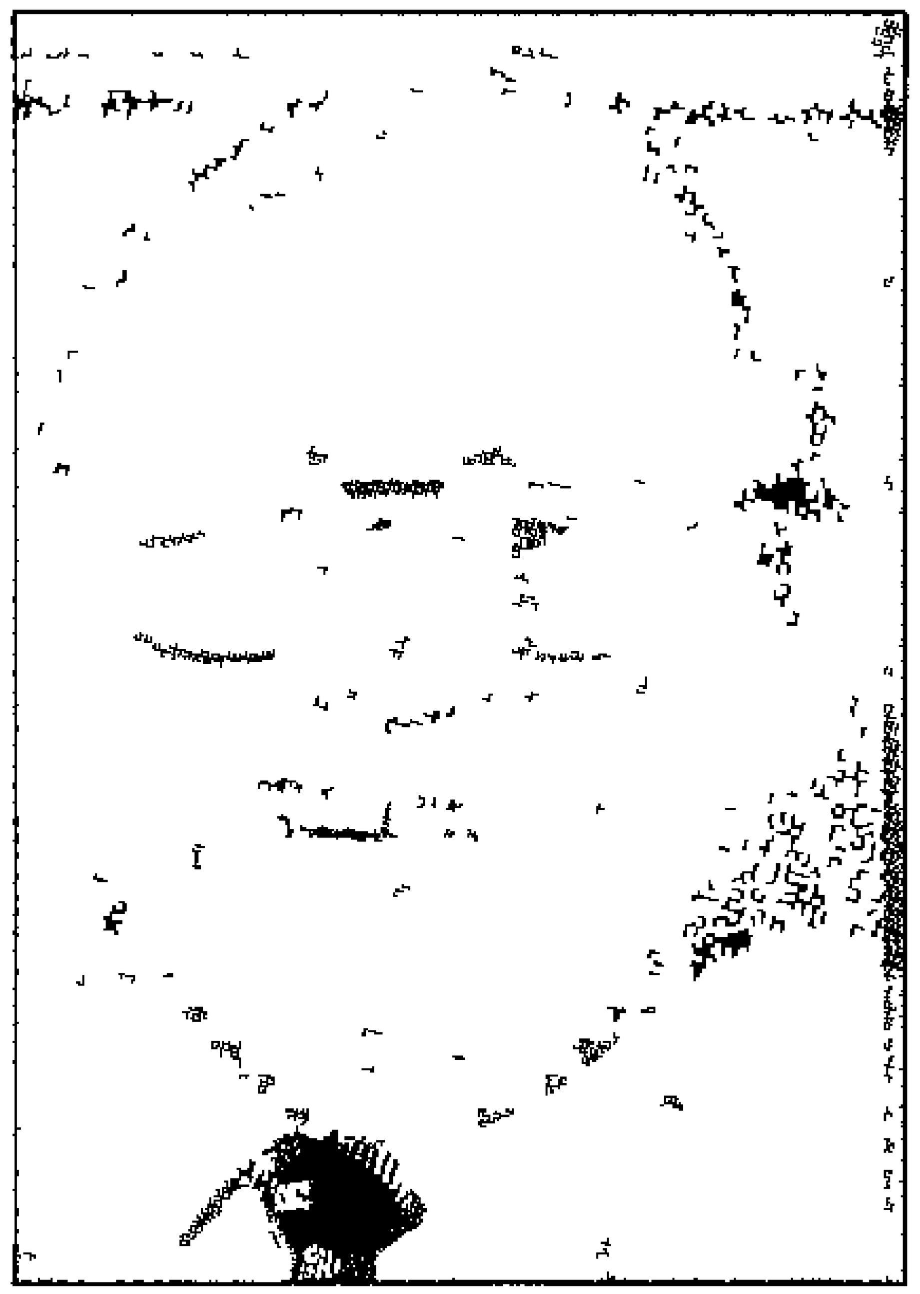
"We are replacing processes from start to finish where needed," says managing director Dave Spindler

"This improves our efficiency and our responsiveness to changing market conditions and makes us more customer-friendly Our objective is to become a truly world-class producer of glass products"

Consol's glass division recently completed an organisational restructuring, shedding seven management levels and selling off surplus buildings At the end of this five-year investment programme, Consol Glass will compete with the most advanced glass businesses in the world, says Spindler

A substantial investment in employee training — from linguistic to arithmetic and technical training — has started to yield productivity benefits More than 90 competency-based training modules ensure workers meet basic competency standards in a range of skills, while a ground-breaking partnership between labour and management is designed to promote industrial harmony

While plastics may be making serious inroads into the packaging market, glass is holding its own Consol Glass launched 92 new products over



DAVE SPINDLER

the last year and won 10 Gold Pack Awards in 1995 for glass packaging design But importers are beginning to make their presence felt in the local market, placing margins under pressure Tariff protection on glass packaging is set at an average level of about 15%, due to be phased down in line with the GATT agreement

"South Africa has rejoined the world and as a result, we operate in a less protected environment," says Spindler

"Cost increases have to be fought off all the time Our customers are under competitive pressure from local and overseas players and demands on quality and value for money are on the increase So we have to respond appropriately"

Growth in the glass packaging industry will depend on the rate of urbanisation and economic growth

"I would expect the glass packaging industry to show growth in excess of gross domestic product The situation will be optimised if infrastructural growth proceeds as planned and the macro-economic environment encourages job creation and growth in earnings"

Consol has 75% of the 500 000 ton-a-year glass market in South Africa, producing most of the bottles used by SA Breweries and soft drinks producers such as Coca-Cola, ABI, Suncrush, Sabco and Appletiser

Other customers include wineries SFW, KWV, Distillers and Gilbeys and food companies such as Robertsons, Nestlé, Colman's and Langeberg, a major producer and exporter of fruit and juices Consol's glass packaging market is divided into five segments beer, soft drinks, wine, spirits and juices, foods, and pharmaceuticals and cosmetics It is the only South African producer of glass tableware

Consol Glass engineering division operates a mould and machine building business, with a licence to build and distribute Piepenbrock conveying and palletising equipment in southern Africa

Originally launched to service the group's internal needs, it now builds and distributes a range of machinery focused on the glass packaging markets and has made considerable progress in the export markets

"There is insufficient business within the group to support a mould and machinery division, so we were forced to look outside the group for customers," says Spindler

"This took us into export markets, where we have been quite successful"

The division manufactures and sells its own range of moulds, neckrings and palletisers, builds and rebuilds glass making machinery under licence from Owens Brockway of Ohio, and manufactures and installs plant to order

Orders have been secured from Britain, Hong Kong and Australia, among others It has appointed trade agents in Egypt, Spain, Brazil and Portugal and exhibits regularly at trade fairs around the world

Another leg of the business is the industrial minerals division, mining, refining and marketing products such as silica and feldspar for sale to manufacturers of fertilisers, to sand blasters, foundries and for water filtration

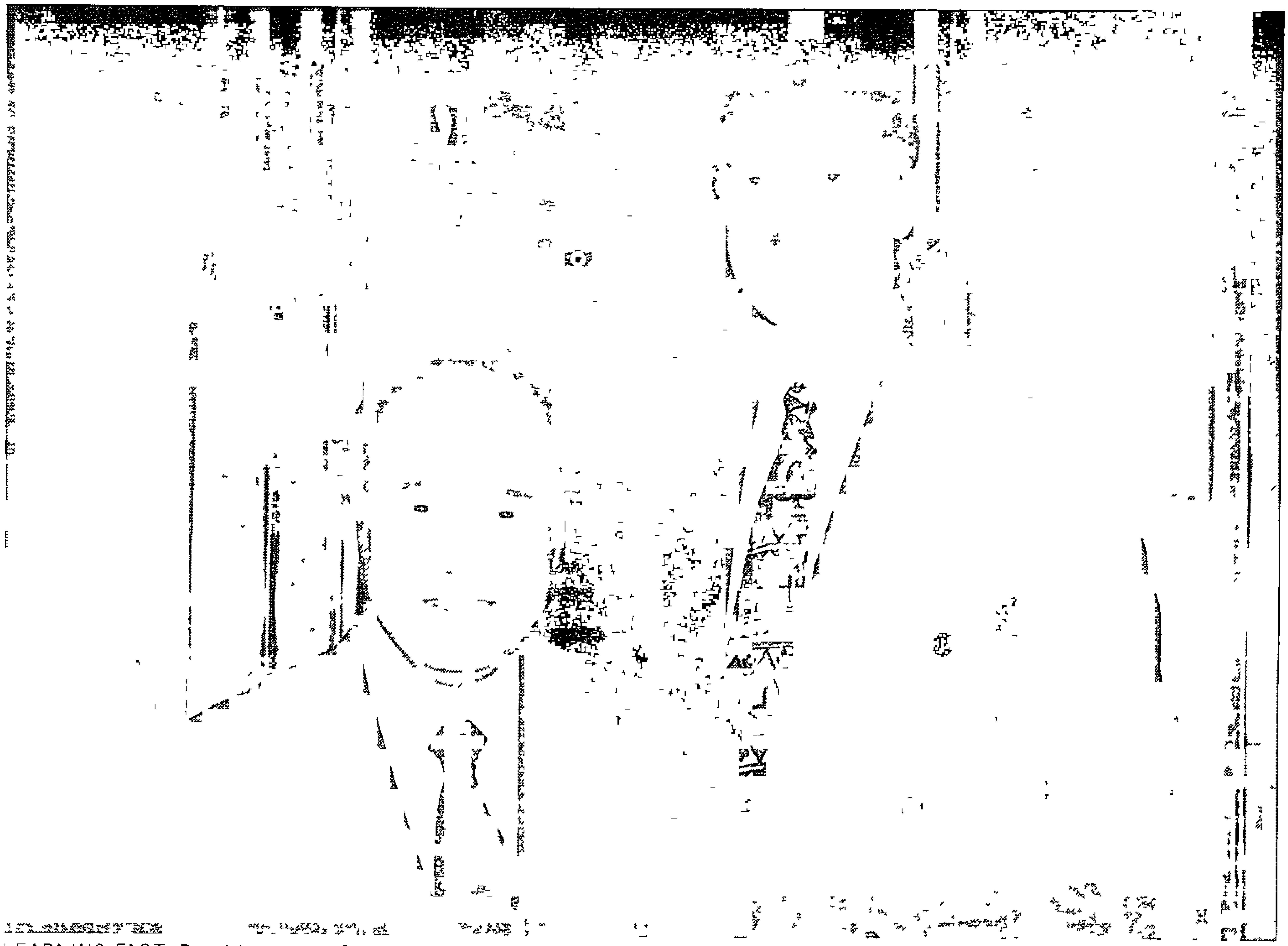
Reflecting trends elsewhere in the packaging industry, Spindler says a worse than expected Christmas season in 1995 resulted in a stock overhang in January, followed by a weakening in growth seen throughout 1995 With the crash in the rand in February 1996, many customers delayed ordering or reduced order sizes, while others destocked

By June this year there were signs of a potential firming in demand, but forecasts are not overly bullish The rainy December and January hit sales of beer and soft drinks, while the food industry is less buoyant than many predicted

"We are a seasonal business We follow every mood swing of every one of our customers"

Plastics may be one of the fastest growing packaging materials in the market, but it cannot compete with glass in several markets Glass preserves perishables better than plastic, is transparent, able to endure wide variances in temperature, is impermeable to oxygen and can be manufactured to virtually any shape

Competition comes in the form of stainless steel and aluminium cans, plastic packaging and both local and imported glass Price increases are kept in check by the availability of so many substitute products and suppliers



LEARNING FAST Dato' Yap Yong Seong of Mycom Berhad and Kelgran's Henry Laas Picture CAROLINE SUZMAN

room Two other new quarries are being looked at

Production in 1996 reached 300 000 tons (1995 254 000) Laas does not use the weather as an excuse but it undoubtedly led to a 50% loss of quarrying time in the first three months of the year

Monumental slab production of 29 800m² was little changed on last year and tile production lower because the Ciskei tile factory was closed and production transferred to the Barracuda tile factory in Newcastle Waste is being processed into paving material

Sales volumes climbed 11,5% to 346 000 tons in the year to June, a showroom was opened at Midrand, and an architect has been engaged to promote the use of granite in construction South Africa itself is the largest single market for Kelgran's granite with 50 000 tons although Kelgran exports to more than 30 countries

Since 1993, a 50 000-ton market has been established in Eastern Europe, and the East excluding Japan has grown by two thirds Laas says Kelgran opted to enter Eastern Europe and supplied it in preference to some traditional destinations, whose markets will now be rebuilt

Kelgran has two-man marketing offices in Beijing Shanghai, Tokyo, Singapore and Monaco As long as the cost of the offices is below the 5% of sales a commission agent would charge, they are cost effective Laas says they operate on less than 3% There is no office in the US, which took 9 000 tons direct this year, for several reasons the US is a big producer and beneficiator itself, and much of Kelgran s sales into Europe reaches the US after further processing

Kelgran has established a foothold in China through a 32% share in two small factories in China to which it exports finished slabs for further processing

On prospects, Laas expects another two to three years of growth in granite demand, currently 15% year on year Thereafter, the cycle will turn down, but not as severely as the last recession primarily because of new markets in Eastern Europe

Kelgran's biggest problem is in meeting demand it has totally sold all production until December Expansion through acquisition looks certain, Yap says Mycom is looking elsewhere in Africa and beyond

Prices of granite have generally firmed in dollar terms, more so in rands Kelgran adjusts local prices to match those achieved from export

The Kelgran share price is 450c, having climbed since the Mycom offer of 393c to the minority expired last month

Other than reservations about its having overpaid for Ketter, the analysts I spoke to believe Kelgran a good prospect at the current price Buy it

A granite will to cut a profit profile marks Kelgran out

JULIE WALKER

DIAGONAL STREET

ST(BT) 11/8/96 (193)

KELGRAN, the world's leading exporter of granite blocks, is coming in from the cold under current management In the year to June 1996 Kelgran lifted attributable income to R20,4-million, earnings a share by 57% to 28,1c and paid 16,5c in dividend

Kelgran started life many years ago under entrepreneur Fred Keeley, who listed the company in 1987 Initially, it met much success, but a few years later, during harder times, Keeley sold out to Gencor, which installed new and probably inexperienced management under Henry Laas Kelgran became very much an unwanted sibling amid the huge international strides made by Gencor and it sold control of Kelgran to Malaysian international group Mycom Berhad with effect from 31 May 1996 Two years later, Laas is happy to report not only good results but that the management now has two years' experience

Kelgran's previous reporting period was for the 16 months to June 1995 so comparative figures have been annualised Turnover of R290-million for the year to June 1996 looks almost unchanged, but Laas says almost R60-million of low-margin turnover went with the sale of Kelgran s stevedoring operation on 1 July 1995 The interest cost of stevedoring was about equal to its profit contribution

The sale helped to reduce gearing at Kelgran from 76% last year to 35% by June 1996 The acquisition of small granite producer Ketter will cost R35-million and bring borrowings of R20-million aboard This will lift gearing to 55%, but Kelgran hopes to be back below 30% at yearend "I too could have zero gearing in my balance sheet if I held a rights issue,' says Laas "but you have to look at returns on equity and assets " His table shows Kelgran's returns to be well above the sector's other participants, considering Kelgran's conservative accounting principles

Ketter, for instance, capitalises development costs It showed profit of 7c a share in its last nine-month reporting period, but when Kelgran applies its accounting standards to the same results, it becomes a loss of 34,5c a share

Was the equivalent of R55-million too much for this loss-maker? Laas says it bought an additional 800m^3 of African Red production which is not new supply but an existing market share, plus some assets and earthmoving equipment, which has become costly to import with the rand's tumble It also brought reserves "And if we had not bought it, somebody else would have," notes Laas defiantly

He says growth in demand for African Red is the highest in the world for any type of granite We have developed the market for it and have consolidated our position as the biggest supplier It also commands the highest profit margin of our range and we have none in stock "

The closest competitor is Indian stone Imperial Red, but supply has been interrupted by an Indian government decree that granite must be beneficiated before export Imperial is perhaps 25% more expensive and guarantee of supply and quality is dubious For construction, African Red must be specified for any volume "

Mycom has 64,5% of Kelgran, which is chaired by Dato' Yap Yong Seong Mycom has invested R193-million in Kelgran and is prepared to put more in Its importance in construction throughout the Far East is good for granite s prospects

Laas says management intends to achieve long-term growth for shareholders by returning to the core business Initiatives are to enhance Kelgran's position as a world leader in granite exports, and to expand into value-added products such as granite tiles

It is easy to spout these managerial buzzwords but Laas points out that already Kelgran has withdrawn from stevedoring closed its marginal operations and consolidated production, doubled its production of African Red acquired Ketter, and is pursuing a gangsaw factory project to process thin slabs

It has also adjusted the terms of sales so that freight costs are no longer funded by the group's debtors book Customers who buy CIF must pay freight costs upfront

Granite demand is subject to changes in fashion right now African Red is in, African Lilac coming back

The bread-and-butter Rustenburg Grey is now about 60% of total production Kelgran aims to introduce a new white-grey stone, Edelweiss, which it would like to see used in the revamp of Johannesburg's international airport — a working show-

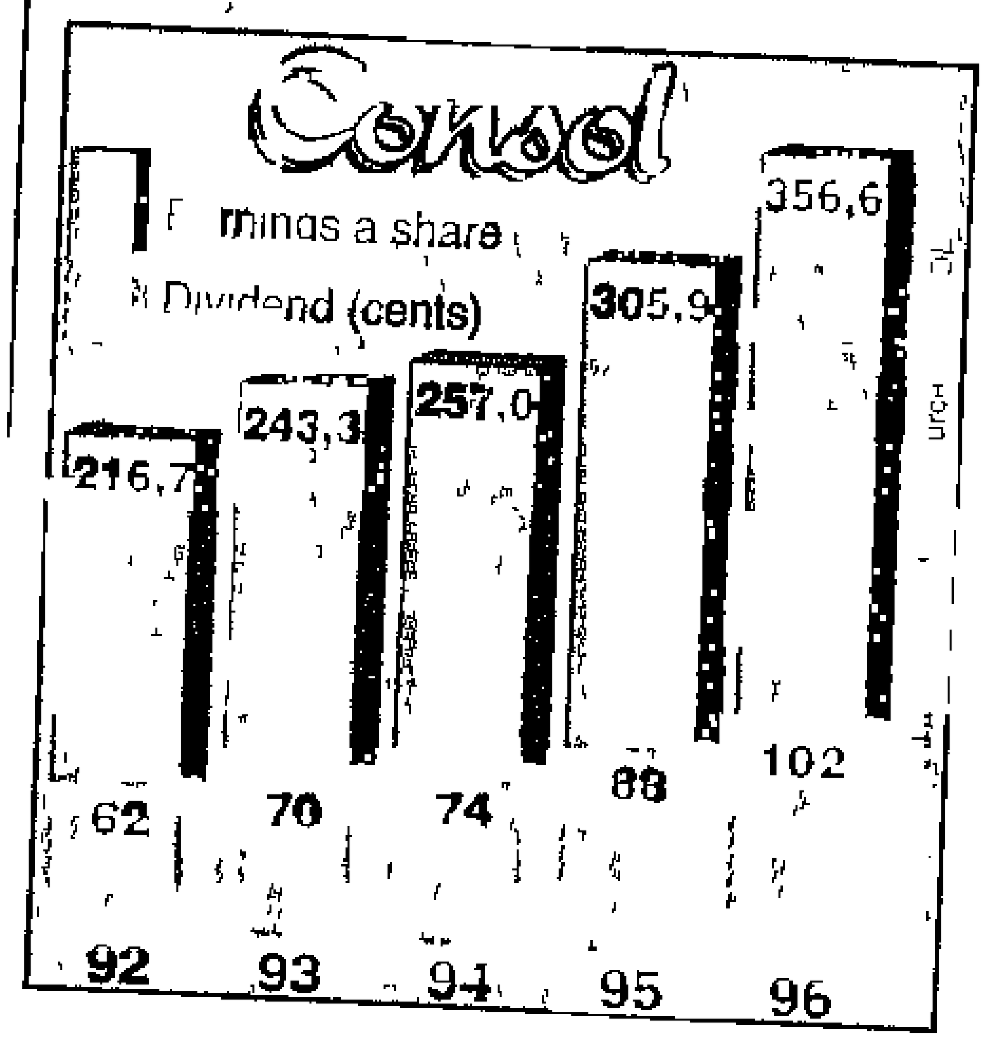
Anglovaal's Consol beats decline in the economy

BD 21/8/96

(193)

Edward West

PACKAGING and rubber manufacturer Consol increased earnings 17% to R229,5m in the year to June, overcoming a substantially weaker performance induced by the decline in the economy in the second half.



The Anglovaal subsidiary's earnings a share rose 17% to 357c. Dividends a share rose to 102c (88c), with dividend cover kept at 3,5 times.

Group MD Piet Neethling said yesterday he did not expect the economy to improve at a meaningfully higher level than in the last six months of the year under review. However, the group could realise earnings growth from cost and efficiency improvements.

Group turnover rose 11% to R3,32bn, with packaging sales up 16% to R1,5bn and sales from the group's rubber interests up 8% to R1,82bn. Operating profit rose 15% to R389,3m.

Reflecting the slump in activity in the second half, paper packaging turnover grew only 6% compared with 25% growth in the first half. Similarly, glass packaging sales grew 3% com-

Continued on Page 2

Consol

(193)

Continued from Page 1

pared with 18% in the first half.

Net financing costs increased 52% to R87,2m. Debt to equity climbed to 43% from 37%. Net borrowings stood at R529m at year-end, a figure which was expected to increase by about R150m by the end of this financial year.

The glass division's capital expenditure would continue at a relatively high rate, resulting in a further increase in financing costs.

The plastics division started making operating profits from November, but a loss was reported for the full year due to high restructuring and retrenchment costs.

Tyre manufacturer Tycon reported a decline in virtually all sectors, except sales into the new vehicle market.

The paper packaging division reported a meaningful improvement in profit. However, the paper and board packaging industry experienced its largest increases recorded in the cost of its principle raw materials.

BD 21/8/96

Low investment in infrastructure affects cement industry's sales

(193) BD 23/8/96

Robyn Chalmers

CEMENT sales rose marginally to 5,45-million tons in the first seven months of the year, against 5,4-million tons for the same period last year, SA Cement Producers Association (Sacpa) figures show

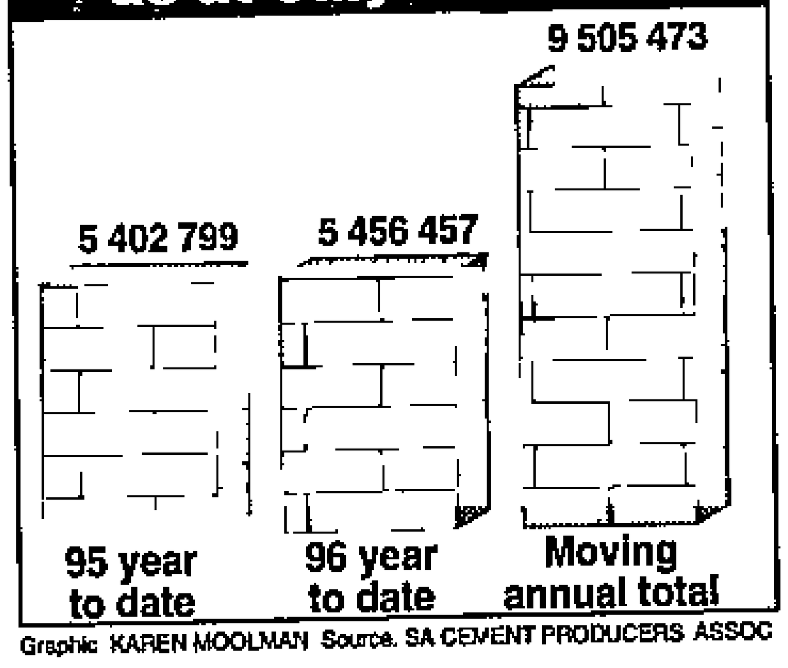
Analysts said yesterday the seven-month statistics indicated that even the more modest annual growth figures of between 4% and 8% expected by local cement companies appeared overstated

One analyst said there were a number of reasons behind the lower-than-expected sales, notably the low level of public and private sector investment in infrastructure, but this should pick up over the next year

"We are starting to see increased delivery on the low-cost housing front, but it is coming off a low base and has not yet gained enough momentum to boost the sale of cement or other building materials"

Other factors which may have affected cement sales included the winding down of major contracts such as Alusaf and Columbus Stainless Steel, which had yet to be replaced, and rainy weather conditions earlier in the year.

Cement sales statistics as at July 31 1996



Graphic KAREN MOOLMAN Source SA CEMENT PRODUCERS ASSOC

The Sacpa figures show cement sales started comparatively well, with sales rising to more than 678 800 tons in January from 583 400 tons in the same month last year, and to 1,4-million tons (1,3-million tons) in February Sales were virtually static in March at 2,1-million tons and grew only marginally over the same month the previous year during April, May and June

Another analyst said the slowdown in the building and construction industry also affected cement sales, pointing out that the Building Industries Federation of SA recently halved its 1996 growth estimate to 5% in the wake of the rand's collapse and, the high interest rate environment

The total value of building plans passed during the first four months of this year rose only 1% to R5,7bn, supporting industry predictions that no real growth would take place this year Despite the lower than expected growth in cement sales to date, SA's three cement companies, Alpha, Pretoria Portland Cement and Blue Circle, are planning to expand their capacity over the next few years

Analysts said this was not only to position each group for a deregulated market following the dissolution of the cement cartel, but also planning for future growth since new plants took time to come on stream

Specialists to study impact of cement factory

ARG 28/8/96 ~~183~~ (193)

ANDREA WEISS
Staff Reporter

THIRTEEN specialist studies are to be commissioned before a decision is made on the development of a R745-million cement factory and four quarries close to the controversial Saldanha Steel mill

The developers Alpha Ltd, have not yet applied to the province for rezoning approval but are awaiting the outcome of an environmental impact assessment which will include the specialist studies

Environmentalists have expressed concern that the cement factory will open the floodgates to heavy industrial development in the Saldanha area which lies close to the internationally significant wetland system of the Langebaan lagoon

Alpha Ltd proposes to manufacture cement at a plant west of the Saldanha-Sishen railway line near the ore loading terminal at Saldanha It also wants to mine limestone and clay at quarries parallel to the coast between Saldanha and Vredenburg, using a conveyor belt linking them to the proposed plant

The specialist studies are the result of a scoping exercise, one of the first steps in the IEM procedure which has been commissioned by the company

Areas of study will include looking at alternatives to the project, flora fauna, mariculture and nearshore coastal ecosystems, water quality and supply, air quality, aesthetics, noise, archaeology, palaeontology, economics, tourism and resort development, town planning and social infrastructure

The study of project alternatives will review the financial viability of the project Coastal strandveld, in particular its flora and fauna, will also be looked at in detail as well as the effect of a linear barrier to animal movement which would be created by the conveyor belt

On the mariculture front, a specialist will be asked to assess the potential effects of product spillage and dust fallout caused by loading cement and bulk clinker at the ore terminal

The risk of the pollution of groundwater at the factory site will also be assessed, as will the cement plant's water demand on the Berg River system The company will also investigate the feasibility of using saline groundwater as an alternative to the municipal supply

A palaeontologist will be called on to assess the importance of fossil remains in the limestone and possible ways of recovering palaeontological information as mining proceeds

An economic costs and benefits study will investigate the direct and indirect economic effects of the project including salaries, contracts, foreign exchange earnings, as well as effects on local prices

The study will also look at the potential positive and negative effects of increased competition in the Western Cape cement market

A town planning study will identify direct housing and schooling requirements, and future road and rail traffic generation and movement patterns

Other areas that will be looked at are the effect of the project on electricity supply, the possible influx of job seekers, inhibitions to future growth of the town of Saldanha to the north and west, and the effect of the project on telecommunications, civil aviation and public health and safety

Squatters in Simondium get facilities, hope for a home...

ARG 28/8/96

ESANN DE KOCK
Staff Reporter

SQUATTERS in Simondium are to receive water and toilets – thanks to farmers in the area who agreed, during a meeting of the Simondium Task Group, to provide the facilities

The task group was formed to find housing for the area's homeless

African National Congress MP Ben Turok said it was decided to provide the two squatter communities in the area with water and toilets

This decision was taken thanks to agreement from the Winelands District Council, one of the groups represented on the task group

Professor Turok said other decisions taken included calling a meeting of all national, provincial, local and community authorities to sort out border problems in an effort to find suitable, permanent housing.

The group also decided to write to three different ministers calling for their co-operation in terms of the allocation of land to develop housing for the farm workers and the homeless of Simondium.

The only objection to moves so far have come from some of the farmers, said Professor Turok, who felt the process was moving ahead too quickly

They wanted a professionally conducted survey on housing needs and possibilities, and envisaged an "agri-village" for the retired people instead of a development for the use of all homeless people in the area

"We can't agree with them. Our object is to provide housing for all the workers and homeless people who live in the area," said Professor Turok He said the group registered their objection as well as the objections by landowners who felt a housing development would spoil the area

"The meeting decided to carry on with the programme and we've asked minister Derek Hanekom – Minister of Land Affairs – to give us the Meerlust land for the development or to provide an alternative The main thing here is the will of the government If the government is determined, we'll find a way to provide for the housing needs in this area "

NPC to decide this week on new R21m cement silo

CT (BR) 2/9/96 (193)

By Stuart Rutherford

Durban — Natal Portland Cement (NPC), KwaZulu Natal's only producer of cement, will decide this week on whether to go ahead with a 14 000-ton storage silo in Durban at a cost of R21 million

Raimund Weber, the managing director of NPC, said the project has been approved by the Durban metro council and it would go before the board on Wednesday

Weber said the silo would take about 14 months to construct, and would enable them to mill continually and store any excesses

The company is already investing R50 million in two 50-ton crushing rollers and associated equipment such as cement transport systems and a state-of-the-art separator

The additional roller press will increase output by about 20 percent to more than 1 million tons a year when it starts in January, and will provide a significant boost to the company, which presently has 12 percent of South African market

"The roller press will help meet the growing demand for cement in KwaZulu Natal as well as offset periodic shortages "

An additional R1,4 million has been budgeted this year for the acquisition of 40 35-ton silos which will be hired out to customers working at construction sites and will be continually refilled by NPC

COMPAN

Move will create the largest independent construction company in Africa

Group Five to swallow Everite

CT(BR) 2/9/96 (193)

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Group Five, the R2,5 billion a year construction company, will absorb Everite, its building products manufacturing subsidiary, in a restructuring aimed at supporting a growth programme for the next five years

The move, which will create the largest independent construction company in Africa, was not entirely unexpected A construction industry analyst said "Recently the views of certain analysts were canvassed about a simpler corporate structure at Group Five, so we knew something was happening"

Group Five owns 50,1 percent of Everite Holdings, which in turn holds 57,4 percent of the Everite Group The new arrangement will result in a share swap of one Group Five share for two Everite shares

Both Everite companies will be delisted, while Group Five's issued shares will increase from 41,8 million to 73,6 million Group Five's largest minority shareholders, Old Mutual and Fedlife, have approved the restructuring proposals

The additional 31,8 million shares will be classified as N shares, which rank equally with ordinary shares but carry fewer voting rights

Group Five's management will thus retain the voting control of the group in a consortium with Group Five Holdings and SM Goldstein, a 45 percent-owned subsidiary that is also listed on the JSE

The combined company will have six main operating divisions — building, civils, engineering, roads and earthworks, and properties and manufacturing Infrastructural concessions is expected to become a seventh division shortly

Theunis Kotzee, the chief executive officer of Group Five, said Everite had substantial assets but made a low return on them, while Group Five had a small capital base on which it made good returns

One analyst expected Group Five's earnings to rise 25 percent in the year to June 30, with Everite's earnings falling to 10c a share from 35c a share last year

Kotzee said the group's combined capital took the company to another level of operation He said Group Five's total resources at the 1990 year-end were R66 million, but that strong growth took them to R122 million by last year

"If we had restructured last year our resources would have leapt near to R400 million This ratchets us up to a different plane by giving us far greater firepower for such activities as acquisitions and capital development," he said

Kotzee said Group Five had taken a long-term view with the restructuring "There will be many intangible benefits

"We have consistently had the top price-to-earnings ratio of the listed construction companies this year We hope the restructuring is seen as another step in cementing this perception of the company"

He said the restructuring created more shares and potentially more tradeability

Masonite suffers as demand falls

By Stuart Rutherford

Durban — Depressed local demand for hardwood products saw Masonite's earnings after tax drop 39 percent to R4,8 million for the six months to June 30, from R7,8 million in the same period last year

The Durban-based building materials company's earnings a share fell from 115c to 70c and a dividend of 12c was declared (20c)

The slump in results came despite a slight increase in turnover to R94,4 million from R89,3 million last year, and an earnings boost of R2,2 million, the result of decentralisation incentives.

Alan Wilson, the chairman of Masonite, said the company's domestic sales were 8 percent lower than last year, owing to an inventory reduction by stockists and a slowdown in sales to the furniture manufacturing sector

"I think a lot of credit cards that were issued have soaked up the system's available credit capacity, and furniture relies on people's ability to buy on hire purchase"

He said the export market, which accounted for about 35 percent of Masonite's business, had also suffered from lower levels of activity, a 20 percent drop in world prices and oversupply

"The overvalued rand during the early part of the year made it difficult to sell the Estcourt plant's capacity, resulting in forced production cutbacks totalling 15 days"

Wilson said he was confident, however, that with the depreciation of the rand and the recovery of the cyclical local furniture markets, Masonite would significantly improve its performance in the second half of the year

"We are not going to exceed last year's increase in earnings (of 33 percent), but we won't be far off it," he said

☐ See Business Watch

(193) CT (BR) 6/9/96

Masonite earnings fall as demand lags

(193) BD 6/9/96

Nicola Jenvey

DURBAN — Construction group Masonite Africa saw post-tax earnings slashed 40% to R4,8m in the six months ended June due to depressed local demand for hardboard products and reduced sales to furniture manufacturers

Net earnings dropped to 70c from 115c previously and a 12c (20c) interim dividend was declared Turnover rose to R94,4m from R89,3m despite an 8% drop in sales volumes over the corresponding period.

Chairman and MD Alan Wilson said this was due to the agreement with PG Zimbabwe whereby Masonite marketed its product in SA. The arrangement had come on stream during the first quarter

Operating income also dropped (49% to R6,5m) and a R290 000 net interest expense (R160 000 income), was incurred by the group, leaving the pre-taxation earnings at R6,2m (R12,9m) However, this was boosted by a R2,2m decentralisation allowance which Masonite received for locating the plant at Estcourt The tax bill fell to R1,4m compared to R5m for the corresponding period.

Wilson said export markets had suffered from lower activity and oversupply, leading to a downward pressure on prices. The overvalued rand in the early part of the year had also made it difficult to sell the Estcourt plant's capacity, effectively forcing a 15-day production cutback.

The group had not recovered fixed costs at the plant during this time.

Looking to the full year, Wilson believed most of the local markets were recovering and — boosted by the lower rand value to assist exports — sales were expected to be stronger.

Disappointing results hold back Group Five's performance

Dumping pounds Everite's profit

CT(BR) 9/9/96 (193)

By Jonathan Rosenthal

Johannesburg — Illegal imports and the dumping of low-quality sanitaryware lay behind Everite's disappointing performance, the company said on Friday

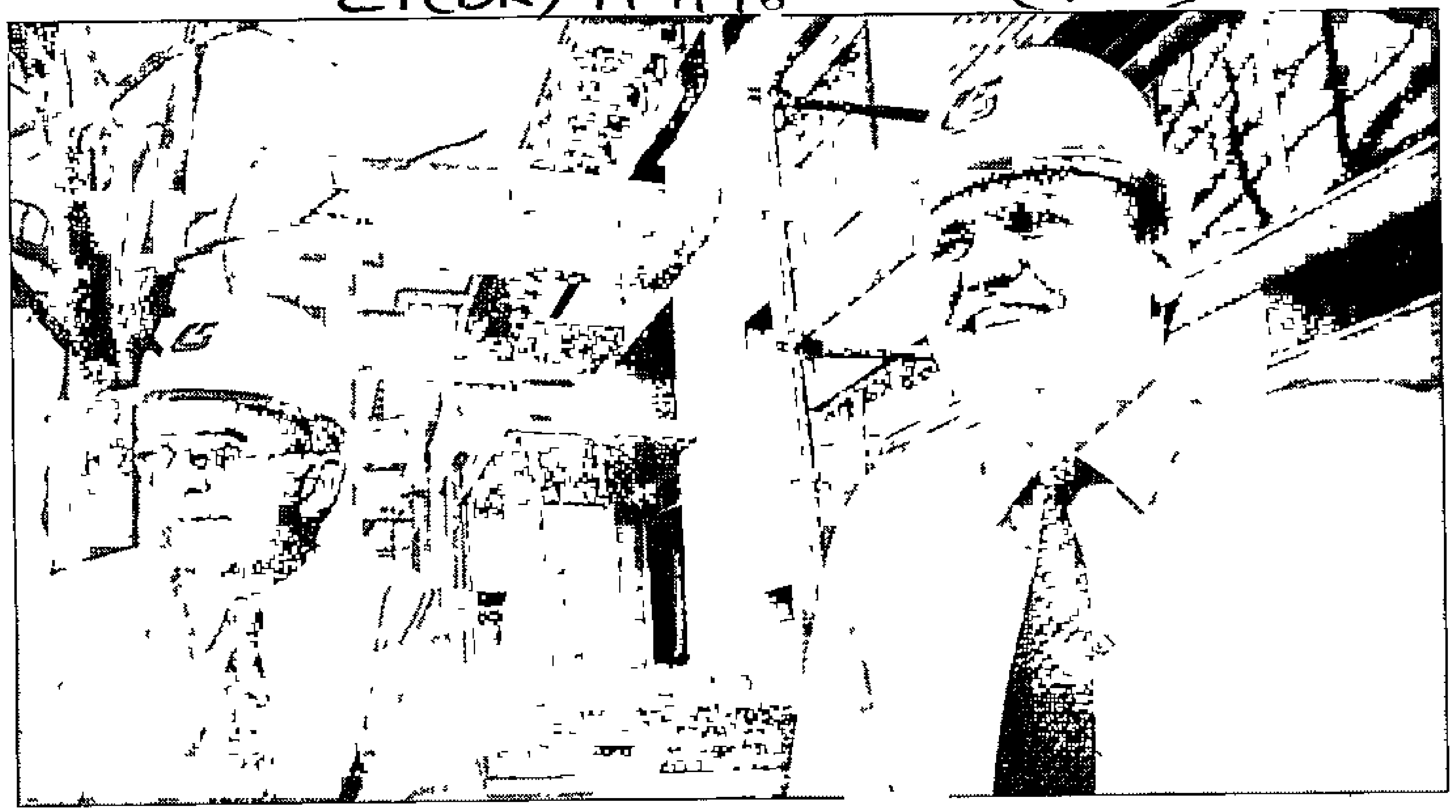
The building supplies manufacturer's attributable earnings fell to R1,6 million in the year to June 30 from R31,2 million, restraining the performance of Group Five, its parent company

Theunis Kotzee, the executive chairman of Everite and the chief executive of Group Five, said the sudden fall caught management unawares

Everite reported earnings a share of 1,8c a share from last year's 35,1c and paid no final dividend, leaving the total year dividend at 3c a share from 8c

Despite Everite's woes, Group Five lifted turnover by R200 million to R2,4 billion and reported an increase in attributable profit to R35 million from last year's R26 million

The group's finance charges rose to R26,6 million from last year's R14,9 million because of the company's exposure to the sectional title market The group would reduce its participation in projects requiring significant finance, Kotzee said



CONSTRUCTIVE FORCE *Theunis Kotzee, the chief executive of Group Five, and Howard Turner, the group financial director, believe the group's restructuring will pay off handsomely* PHOTO JOHN WOODROOF

Group Five's earnings a share rose 35 percent to 83,8c and a final dividend of 13c brought the total distribution for the year to 20c from 14c

Kotzee said that restructuring in progress at Everite was rewarded with a large profit rise last year, but despite this year's efforts profit was disappointing

Robert Stohr, the managing director of Everite's Vaal Potteries, said imports had peaked at 25 percent of the domestic market but that share was being eroded to about 12 percent

Everite holds about half of the domestic ceramic sanitaryware market Tariffs and duties had fallen from about 80 percent to 20 percent, "but even this was bypassed as manufacturers dumped cheap products through the free Port of Durban"

"We have to meet South African Bureau of Standards specifications but some of the toilets coming in were ones we would have scrapped," Stohr said

India, one of the main exporters of ceramic sanitaryware to South Africa, had not opened its domestic markets to Everite

"We have written to (finance minister Trevor) Manuel and are still waiting for a reply," he said

But Kotzee was confident that lower unit costs and the group's restructuring would pay off handsomely "All remaining activities are profitable and we are confident that Everite will resume its growth path," he said

Material cost hikes concern for industry

(193)

Robyn Chalmers

BD 11/7/96

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CEMENTING RELATIONS

FM 13/9/96

The latest project to rouse the ire of the environmental lobby in the Western Cape is Anglo Alpha's proposed R745m cement factory at Saldanha Bay

Actions by the lobby have beleaguered industrial development in billion-rand projects — including Iscor's Saldanha Steel In the case of Saldanha Steel, the environmentalists' actions forced Iscor to resite the plant nearly 2 km from the original plan — which resulted in costly delays Also affected is the proposed Iran-SA oil storage facility for 15m barrels of crude oil

In the latest campaign against the cement plant, the "greens" have called for an environmental survey looking at 13 specialist studies

But a new delevopment in the saga may yet save the day

Though initially opposed to the greens lobby, the village of Vredenburg now says the matter can be negotiated Town clerk John de Klerk says "Until recently, we had no time for them — they were stopping desperately needed development and job creation in this area " But, he says, the town has now realised the need to come to terms with the environmentalists for the sake of progress in the community

This has led to the establishment of a committee of experts to evaluate all developments in what is accepted as an environmentally sensitive area De Klerk now finds that this committee is working so well that he is prepared to advocate the model for the rest of the country

"I think that every province should have an eco-evaluation committee In this way, important industrial development need not be hampered by ecological considerations Nor will progress be impeded "

Vredenburg may just be the catalyst Anglo Alpha needs ■

though, the magic of the ~~past year~~ cannot be reproduced in 1997 These are not stocks for itinerant speculators but they do promise ample reward for those with patience. *David Gleason*

CONSOL

(193)

SPENDING MOUNTS UP

FM 13/9/96

Faced with soft markets and another three years of substantial capital expenditure, Consol is braced for the load The annual report depicts a group holding its own so far.

- **ACTIVITIES:** *Manufactures and markets glass, plastics and paper packaging and tableware, manufactures, markets and distributes new and retreaded tyres and industrial rubber stock.*
- **CONTROL:** *Anglovaal Industries 63,1%*
- **CHAIRMAN:** *J C Robbertze MD P J Neethling.*
- **CAPITAL STRUCTURE:** *64,4m ords Market capitalisation. R2,8bn*
- **SHARE MARKET:** *Price 4 360c Yields 2,3% on dividend, 8,3% on earnings; p e ratio, 12,0, cover, 3,6 12-month high, 5 350c, low, 3 700c Trading volume last quarter, 570 465 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	43,9	107,5	230,5	313,9
LT debt (Rm)	63,3	169,4	270,4	236,5
Debt:equity ratio	n/a	0,34	0,37	0,43
Shareholders' interest	0,40	0,37	0,41	0,44
Int & leasing cover	33,3	10,1	5,9	4,5
Return on cap (%)	17,3	16,2	13,3	14,1
Turnover (Rm)	2 166	2 443	2 979	3 320
Pre-int profit (Rm)	280,5	285,5	339,5	389,3
Pre-int margin (%)	12,9	11,7	11,4	11,7
Earnings (c)	243	257	224	363
Dividends (c)	70	74	88	102

A good first half in 1996 outweighed the slowdown in the second half to deliver full-year growth in turnover of 11%, with operating profit up 15% and margins returned to 1994's 11,7% (11,4%)

The biggest short-term drain on resources has been the capex programme — though the long-term benefits of moving to world-class manufacturing equipment and standards should more than justify the expense

Capex for 1996 totalled R286m In 1997, it is budgeted at R480m — R180m for a new furnace and production lines at the Bellville plant For the following two years, cash spend will drop to R300m, to be funded from cash flow and debt

Group MD Piet Neethling says much of the 1996 capex also went to the glass division As the SA glass packaging industry cannot get the economies of scale available to the many times larger European industry, its competitive edge must be derived from modern technology

The installation of an SAP R3 information technology system, which will replace a number of older systems, was also begun in the first half of this year

A drawback of such major capital expenditure is the disruptive effect on normal operations, where productivity has fallen But where refurbishment is complete, benefits should start flowing

Negative cash flow improved to R133m from last year's R170m, though it was below the forecast R100m Neethling says capex costs rose because of the weaker rand

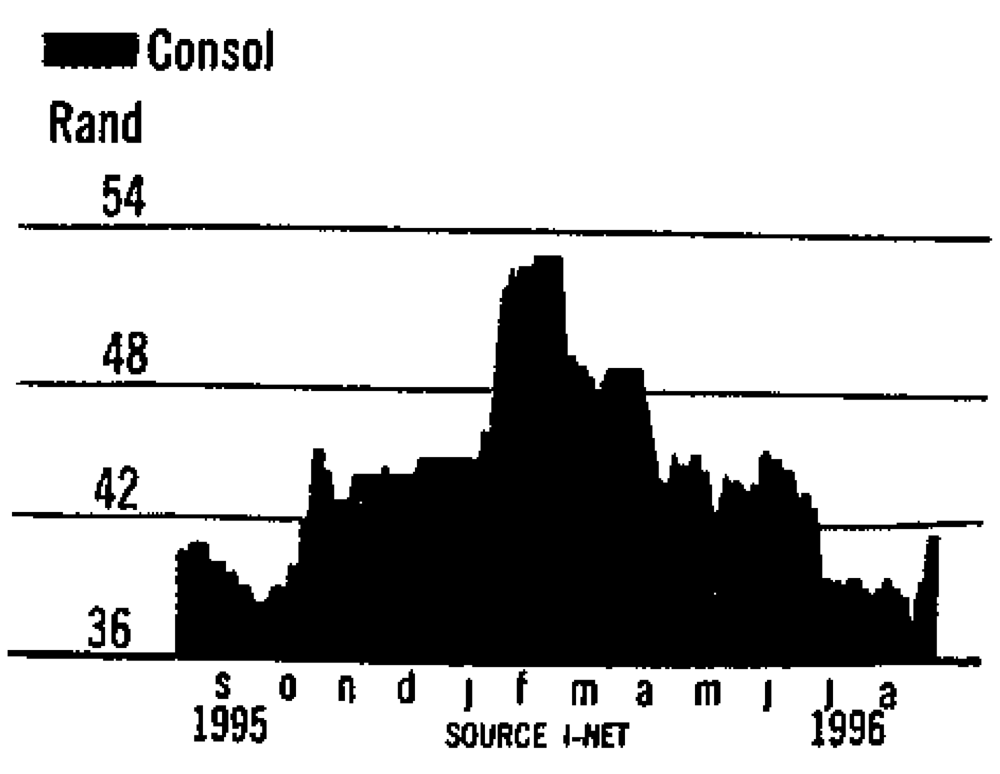
However, the capex programme is expected to peak in the current financial year Cash flow will be about R140m negative and net borrowing will reach about R670m, but in 1998 cash flow should turn positive (about R40m-R50m) and debt will decrease

The increase in net borrowings pushed gearing to 43%, which is high but not unmanageable Neethling stresses that the development programme was carefully planned and is on time and within cost limits Provided the markets hold up, the group should be back to producing strong positive cash flows by 2000

Another imponderable in the equation is the reappearance of Goodyear on the scene It is considering a move back into the local company, though Neethling says the options are still wide open.

One possibility is the US company's acquisition of a controlling shareholding and the separate listing of the glass and tyre divisions "The likelihood is more than zero," says Neethling It would also inject a hefty chunk of cash into the balance sheet

A key issue for the Americans is the rationalisation of product lines from about 300 to 100 and a restructure of the import-export balance Neethling says that management wants to do this, anyway, to "take the costs down in the plant "



The rand's weakening by about 25% is also starting to stem the uncontrolled inflow of imported tyres The market appears to favour the negotiations with Goodyear The share price has risen steadily since the talks were announced — its appreciation helped by the 17% increase in headline EPS

Analysts believe the glass/rubber combination hurts the share's rating "The p e is a mix of both sectors, which makes it fuzzy," says one "If the two businesses were split, it would be possible to value both more accurately " Consol's p e of 12 has lagged that of packaging companies Nampak (19,8) and Kohler (14,2)

Consol is seen as undervalued One analyst says headline EPS of 357c could easily be repeated next year and unbundling — should it occur — could unlock more value *Margaret-Anne Halse*

GENBEL/GENSEC

Competition Board ruling blocks cement industry merger

(193)

The board's decision hints at tougher competition policy approach by the government, writes MARCIA KLEIN

ST(BT) 15/9/96

THE proposed merger between Alpha and Murray & Roberts Holdings' Blue Circle had a major setback on Friday when the deal was blocked by the Competition Board.

The board said it would recommend to Trade and Industry Minister Alec Erwin that he not allow the merger to go ahead. The board's action is the first in some time that has blocked a deal in its entirety. Previously, it preferred to attach conditions to a deal rather than throw it out completely.

Analysts see the move as a precursor to a tougher competition policy stance by the government, which is currently drafting new competition legislation. If Erwin decides to follow the board's recommendation it will be a second major blow to the cement industry.

The 25-year-old cement cartel, which includes Blue Circle, Anglo Alpha and their major rival Pretoria Portland Cement, disbands on September 30 following a Competition Board recommendation in September 1994.

The two companies were hoping their merger would be ratified by the board beforehand. They announced in June that they wanted to merge their cement businesses into a new group which would have 55% of the R2-billion-a-year market.

The board said on Friday that "after careful consideration of all the relevant facts and arguments it was decided to recommend to the minister that the merger should not be allowed".

"The board concluded that with little prospect of new rivals entering the market as well as the negligible threat of imports, there were insufficient market pressures after the merger to ensure that these efficiencies would filter through to benefit end users of cement."

Alpha managing director Johan Pretorius said on Friday he was surprised and disappointed by the board's recommendation. "We do not agree with it, but it is not the end of the world. For years we have been preparing for the cartel to break up and without the deal we will carry on as we had prepared to do."

However, he said Alpha still intended to fight the decision. The full recommendation would reach the minister only towards the end of next week, after which the companies would be allowed to give a final presentation on the matter.

Blue Circle chief executive Carl Grim said it was at this stage only a recommendation and the minister would have to make the final decision. "We are still firmly of the view that two equally sized cement companies will provide a more efficient industry and a competitive environment which will be better for the consumer."

'We do not agree with it, but it is not the end of the world. For years we have been preparing for the cartel to break up'

According to the board, it was not convinced that the merger would be in the interests of the public. The two companies had not satisfied it that on balance the potential public interest benefits outweighed the anti-competitive effects of the merger.

Under the cartel agreement, cement was distributed through Cement Distributors of SA, owned by the three producers. After the company stopped operating in December last year, pricing was done independently but a delivery quota system remained in place.

Merger talks between Alpha and Blue Circle centered largely around distribution synergies as distribution was expected to be a major problem when the cartel disbanded. The companies said the merger would increase competition by allowing them to increase efficiencies.

At a press conference on Friday, Erwin said new competition policy would be tabled at the National Economic, Development and Labour Council in mid-October.

His said his department would attempt at the meeting to achieve consensus on policy, so that Nedlac negotiations could be completed by the end of January and legislation tabled in Parliament during the first part of the 1997 session.

Erwin said the government was under a "tremendous amount of pressure" to get competition policy legislation passed as soon as possible.

Little information has to date emerged on whether Erwin will include tougher anti-trust measures as part of the package.

Appeal to minister to overturn board's ruling on cement merger

BD 16/9/96 (193)

Robyn Chalmers

CEMENT companies Alpha and Blue Circle will call on government to overrule the Competition Board's recommendation to block their merger.

Alpha MD Johan Pretorius said at the weekend he was "surprised and disappointed" by the board's decision and hoped for a more sympathetic hearing from Trade and Industry Minister Alec Erwin this week.

The board said it had rejected the merger as there was little prospect of new market entrants and a negligible threat of imports. There would have been insufficient market pressures after the merger to ensure the consumer benefited, it said.

The merger, announced in June, would have given the company about 55% of the R2bn-a-year market. Barlow's Pretoria Portland Cement (PPC) has about 45% of the market.

Pretorius said the board's argument was not convincing, as the merger would have created two companies of almost equal strength competing in the marketplace. Any threat of collusion was unlikely because of close scrutiny and heavy fines.

Blue Circle said the board could be accurate in the short term, but it was not in the longer-term interests of the industry to block the merger.

"SA needs to have an internationally competitive cement industry in the long term if it wishes to compete on an equal footing with global cement companies. To do that needs companies with muscle," a spokesman said.

The companies had said the merger offered synergies between the two organisations, particularly on the issue of distribution.

The Building Industries' Federation of SA, which made a submission to the board, also backed the proposed merger, and PPC had said it did not see the merger as a threat.

The recommendation represents the second time the board has taken major action within the cement industry. It recommended in 1994 that the sector's 25-year-old cartel be disbanded — a finding government backed.

The pricing ring is to be scrapped formally this month.

The companies said they would continue with plans laid out before the proposed merger should Erwin agree with the board's findings.

The plans are partially driven by the cartel's scrapping. Alpha is looking to expand to Saldanha Bay, Namibia, Western Cape and Mpumalanga, while Blue Circle is considering Lichtenberg and the Eastern Cape.

Comment: Page 9

Erwin foresees dispute on competition policy

BD 16/9/96

(193)

Greta Steyn

TRADE and Industry Minister Alec Erwin signalled on Friday that he expected major disagreements with business on competition policy.

Erwin was speaking at a briefing arranged by the National Economic, Development and Labour Council (Nedlac). The briefing was held after a session between government, labour and business on industrial policy.

Erwin said government would attempt to reach consensus in Nedlac on competition policy principles. "We may not be able to reach full consensus but we will try."

He also spelled out a timetable for changing competition legislation and acknowledged that government had been dragging its heels on the issue.

In mid-October a policy discussion document would be put on the table for negotiations in Nedlac. Legal experts would also be drafting legislative changes, to be completed by January,

Continued on Page 2

Competition (193)

Continued from Page 1

BD 16/9/96

and new legislation would be tabled in Parliament early next year. Public hearings would be held by the trade and industry portfolio committee.

Trade and industry business convener Stef Naudé said that once discussions began to focus on detail rather than process and broad direction, disagreements would emerge. Not only competition policy, but other aspects of trade and industry strategy — such as the social plan to cushion workers from restructuring — would be resisted.

The business sector also had problems with aspects of the trade and industry department's plans for industrial clusters.

Labour signalled that it had shifted its stance on productivity. Convener Herbert Mkhize said: "We have always associated productivity with ugly things, with the result that the debate has been polarised, but labour is beginning to shift its mindset."

Workshops were being planned for next month to sensitise workers to what productivity was, how it could be improved and how it could help enhance SA's competitive advantage.

Problems with capacity in Nedlac, especially on the labour side, were also addressed. Erwin said it was not a case of "government lecturing to labour", but unions had to improve capacity to make a contribution to policy making.

Erwin awaits merger submissions

(193) BD 17/9/96

Robyn Chalmers

TRADE and Industry Minister Alec Erwin would make a decision on the proposed merger between Alpha and Blue Circle only after receiving written submissions from the companies, a spokesman said yesterday

The spokesman said Erwin had not adopted any position on the proposed merger and would look closely at the proposal before doing so The Competition Board has recommended the merger be blocked, saying end users are unlikely to benefit, but Alpha and Blue Circle said they would ask government to overrule the board.

The share price of Pretoria Portland Cement (PPC) — Alpha's main rival — rose strongly yesterday on news of the blocked merger, gaining R1 to close at R70 The share prices of Alpha and Murray & Roberts — Blue Circle's holding company — also rose yesterday to close 50c higher at R92,50 and 35c higher at R16,85 respectively

However, analysts said the higher share prices of Alpha and M&R were unlikely to be a direct result of the board's recommendation as the benefits of a merger would be long term

PPC and Alpha have both weathered a steady drop in their share prices since January, largely as a result of the high costs associated with phasing out the 25-year old cement cartel

Alpha's share price fell from an eight-year high of R154 in February to a 12-month low of R89,75 last month PPC's share price followed a similar trend, falling from a 12-month high of R108 in January this year to a one-year low of R66,25 towards the end of August

Analysts said yesterday that lower-than-expected demand for cement had dampened the outlook for the three cement companies this year

The cartel was officially dissolved at the beginning of this month, forcing cement companies to market and distribute cement in an open market Alpha was the first to show the effects of the cement cartel breaking up, reporting a decline in the operating margin to 14,8% from 21,1% for the six months ended June due to higher operating costs

Group MD Johan Pretorius said Alpha had to pay hefty transport costs previously borne by the cement industry's central marketing distribution facility, Cement Distributors SA, which stopped operating in December last year

Analysts said other factors which could have affected confidence in the sector was the absence of any significant RDP spending, which led to a dip in demand for cement products

Saldanha cement project faces the axe

Alpha warns it may kill R800m plant

(193) (~~[illegible]~~)

By Jonathan Rosenthal

CT (BR) 18/9/96

Johannesburg — Alpha, the cement and building supplies group, has significantly raised the stakes in its bid to rescue its planned merger with Blue Circle from a Competition Board veto by threatening to drop its plans to build a R800 million cement plant in Saldanha

Rowan Dent, Alpha's director of corporate communications, said the board's finding that the merger should be blocked "had cast the Saldanha plans in a different light"

"In a merged situation, the Saldanha plant was almost definitely going to go ahead, but now we may have to change the configuration of our entry into that market," he said

Alpha and Blue Circle will make a joint submission in support of the merger to Alec Erwin, the trade and industry minister, in the next two weeks

Dent said the companies would argue that a merger would increase competition in the market and would be in the interests of the consumer, despite the Competition Board's findings to the contrary

"Competition between two strong companies would be better than the fragmented competition of two smaller companies against PPC, the other major player, which currently has 45 percent of the market.

"We also believe that it would be in the interests of the consumer to break PPC's monopoly in the Western Cape"

The proposed plant, which would have a capacity of 700 000 tons of cement a year, would challenge the dominant position held by PPC in the Western Cape, Dent said

PPC is the biggest cement producer in the country

The merged group would have a market share of 55 percent and would probably gain control of Natal Portland Cement, a joint venture between all three producers

If Alpha and Blue Circle merge, the new company would have the financial muscle to fund the project and the region would be opened to greater competition

Dent said there were potential synergies between Alpha and Blue Circle in the areas of distribution and limestone reserves The merged group would also be in a position to challenge PPC in the Eastern Cape through the construction of a plant in East London.

He said a merged company would be in a strong position because economies of scale dictated the building of larger, more efficient kilns, which would lower production costs

Studies conducted by Alpha have found that it could achieve capital savings of R200 million by building a single 1,8 million ton-a-year kiln, rather than two kilns of half the size, which will probably happen if the merger does not go ahead

"We don't understand the Competition Board's reluctance to have only two producers when Coke and Pepsi have demonstrated what competition you can get from two major players," Dent said

He said Alpha was continuing with an environmental impact assessment on the Saldanha plant and it would take a final decision towards the end of the year or early next year

COMPA

Merger will cement top position

(193) BD 18/9/96

David McKay

THE expected merger of granite producers Kelgran and Kudu would create an operation with a turnover of more than R500m, more than three times that of nearest rival Marlin Granite.

This is based on figures presented in the 1995 annual reports of Kelgran, Kudu and Ketter Granite, which was acquired by Kelgran for about R40m earlier this year

Industry analysts said yesterday the granite industry was undergoing a "classic period of consolidation" In keeping pace with an international market uptick, granite producers were merging to extend their market penetration and product ranges One analyst said profit margins were low in the granite industry, so stone tonnages had to be high, which encouraged producers to maximise output

The move to consolidation was reflected in the recent spate of strategic buys, he said

These included Kelgran's Ketter Granite acquisition and Malaysian company Mycom Berhad's purchase of a 57,4% stake in Kelgran from Gencor for R160m

Marlin Granite financial director Ian Macmillan said yesterday the company had bought the quarrying and beneficiation arms of Everite Holdings, in which Group Five is a major shareholder, for about R14m payable over five years

Marlin had no intention of appealing to the Competition Board about the intended merger of Kudu and Kelgran

"We believe the merger would not be considered by the Competition Board as 90% of the market for granite is located overseas," he said

Another analyst said the merger was a necessity for Pretoria-based Kudu It had a heavy debt-burden and would not survive with its current small product range

"It mainly produces grey-stone, which has a limited market appeal. Kelgran has a larger product output," he said

Kelgran and Kudu issued a cautionary announcement yesterday warning investors that their controlling shareholders were in negotiations which could affect their share prices.

Kudu is 56% owned by Germany's Deutsche Steinindustrie and Kelgran is controlled by Mycom Berhad

The equities market signalled its approval of the intended merger yesterday, pushing up the prices of both counters Kelgran ended 5c higher at 445c and Kudu gained 8c to 154c

Tensions on township building centres

(193) CT (BR) 20/9/96

By Jonathan Rosenthal

Johannesburg — Dan Mofokeng, the Gauteng MEC for housing, met with building materials merchants yesterday to head off tensions over government plans to establish township building material distribution centres

Mofokeng unveiled the plan that would combine advice services with initiatives to ensure the cheap supply of building materials

The national government had already allocated R150 million to support the establishment of these centres The Gauteng government would provide additional funds for 14 centres in the next year

Mofokeng said building materials cost more in townships than in traditionally white areas

This had put a brake on government's plans to encourage people to build their own homes

Mofokeng said the government wanted to shorten the supply chain and ensure that materials were delivered in bulk to township hardware stores This move could result in white merchants and retailers being bypassed

He said government planned to set up these centres in existing retailers in the townships

Building supplies merchants contested the plan, arguing that the existing supply chain was adequate but that lack of credit and high risks pushed up the costs of supplying to emerging contractors and township hardware stores

Instead of an overhaul of the existing chain, they argued that government resources would be better spent on providing credit guarantees and support to black builders and retailers

Establishing new supply centres would only duplicate existing infrastructure and threaten the existence of small, black hardware stores in the townships

The marketing manager of a retail chain argued that the government should rather allow market forces to govern the supply of materials and prices, which would fall in the townships as demand increased

He says the positive impact of the IDC report includes the formation of a Naacam raw materials subcommittee and the fact that cluster participants are now listening to one another's problems

Adds Panzer "We are all being brought into the real world, especially as we have to face up to the fact that local vehicle manufacturers are importing increasing volumes of completed components The challenge is to prove we can compete not only on quality and delivery but also on price" ■

NOT SET IN STONE

(193) FM 20/9/96

The Competition Board's decision to reject a merger between cement producers Alpha and Blue Circle has been met with disappointment among major users, who believe it would have fostered competition and kept prices on a leash

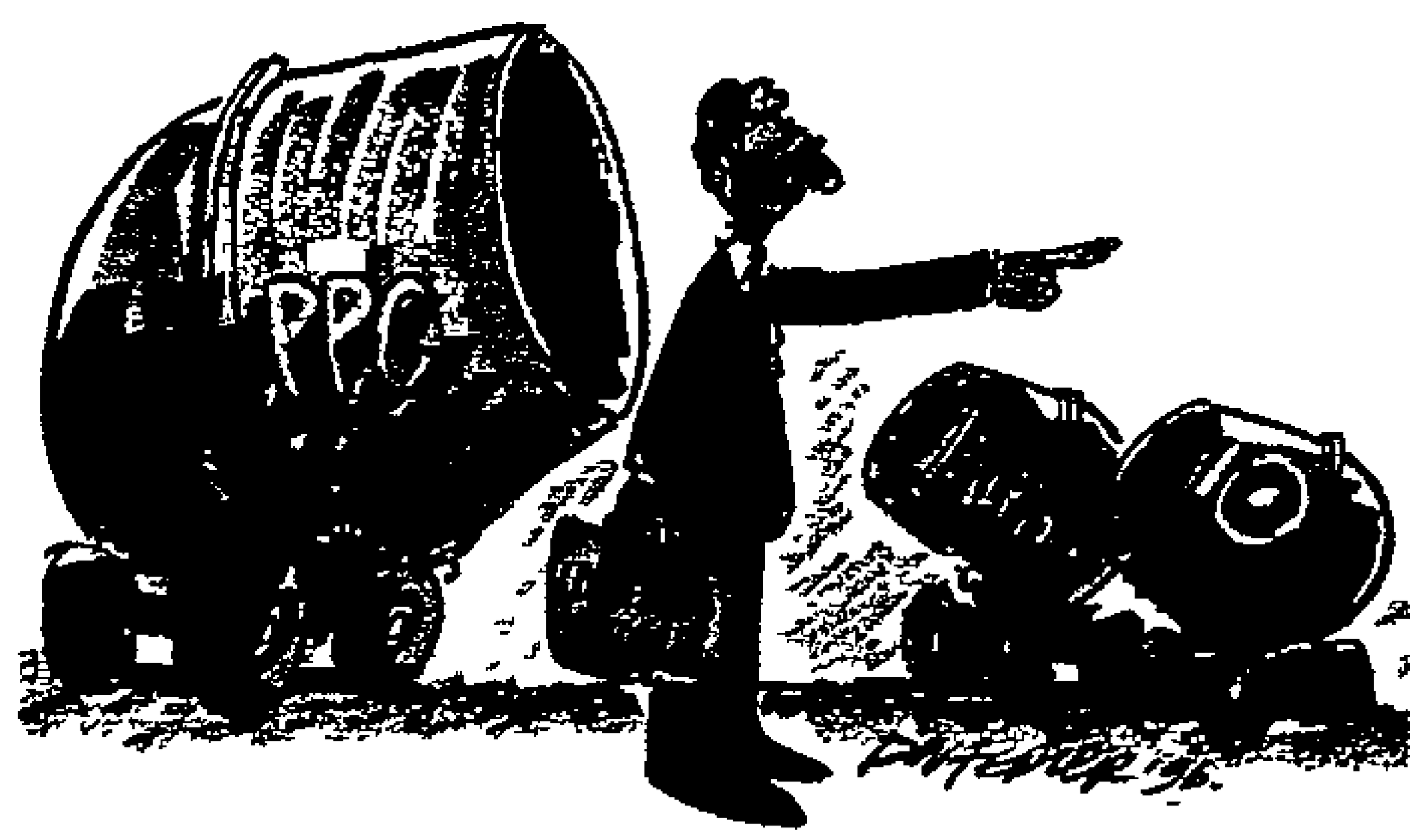
But market leader PPC (Pretoria Portland Cement) MD John Gomersall says the decision was to be expected "I would have been surprised had the board agreed to the merger, considering the way it deregulated the industry and abolished the cement cartel" This will disband at the end of this month

The board felt the government-sponsored protection enjoyed by the cartel was the main reason for the industry's healthy margins and solid returns on shareholders' funds

Though a merger would have created a rival potentially bigger than PPC — which now has 43% of the SA market — Gomersall adds "It would have been business as usual had the Competition Board allowed the merger, and it's still business as usual now that it hasn't"

Building Industries Federation of SA (Bifsa) president Stephen Jones says more than half its 5 000 members favoured the merger Jones — who does business in the Western Cape, where PPC is the only supplier — says "The merger would have been a better option Competition from another supplier would possibly have forced prices down"

SA Federation of Civil Engineering Contractors executive director Ricki Valente also says there were benefits in a merger "Large isn't necessarily ugly If there are good business reasons, and the product has to be competitive internationally, I'd say yes If it makes the industry more viable because of economies of scale, it's in everyone's favour I would have been against the merger only if it meant creating another cartel"



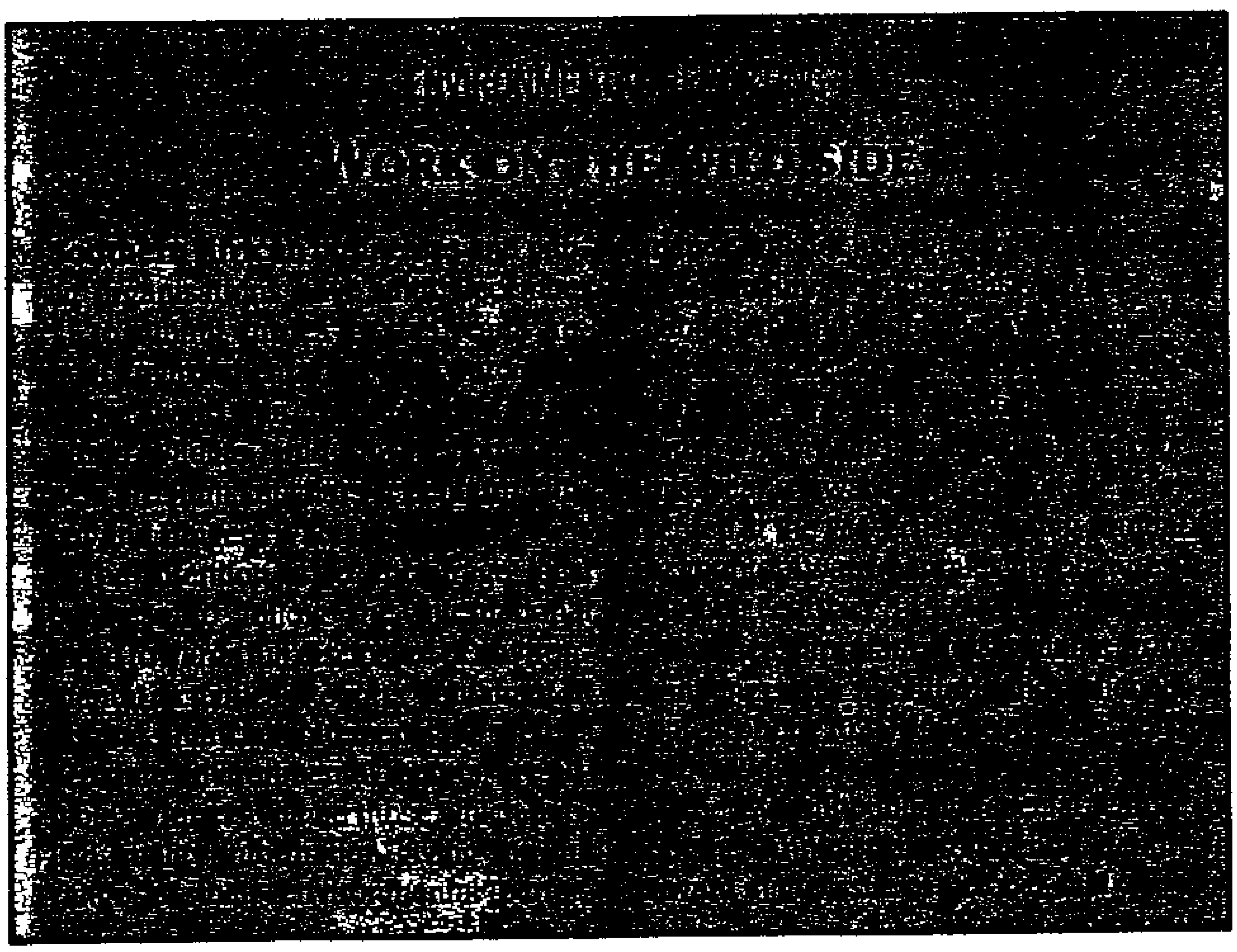
Alpha finance and administration director Trevor Wagner says rejection of the merger, if it stands, will add substantially to costs — both for the suitors and their customers

"Before talk of a merger we were planning to increase production by 1,2m t/year and Blue Circle was considering increasing its production by 600 000 t/year Had we merged we could have built one plant to produce 1,8m t/year at either our Dudfield factory or at Blue Circle's Lichtenberg factory, which is 20 km away We could have saved more than R200m — or 30% — had we built one big unit instead of two A bigger kiln is more efficient in terms of energy and fixed costs"

Blue Circle chairman Carl Grim adds that all is not lost, and Trade & Industry Minister Alec Irwin may see matters differently Grim says "The Competition Board made a recommendation to the Minister, who will allow us to state our case From the executive summary, it seems the board may have misinterpreted some of the points we made and we'll correct that with the Minister"

The board, in rejecting the merger, says that it's "not satisfied that, on balance, the potential public interest benefits outweigh the anticompetitive effects of the merger" It's also concerned that, had the merger been allowed, the new company would have dominated the inland market (68%, according to PPC) and its position in KwaZulu-Natal would have been entrenched This despite the fact that there are already de facto monopolies elsewhere in SA

The only producer in the province — Natal Portland Cement, owned by Alpha, PPC and Blue Circle — would have been controlled by the new entity "But," says Grim, "we told the board we were flexible about dealing with Natal Portland Cement It never gave us an opportunity to demonstrate our flexibility, which concerns us" ■



PPC accuses Alpha of misrepresentation

(193) BD 20/9/96

Robyn Chalmers

A ROW has broken out between cement industry rivals Pretoria Portland Cement (PPC) and Alpha in the build-up to government's decision on Alpha's proposed merger with Blue Circle

PPC yesterday accused Alpha of misrepresenting PPC's position in the market "in its efforts to persuade government to overturn the Competition Board's ruling and allow it to merge with Blue Circle".

PPC group MD John Gomersall said it would be business as usual whether or not the merger went ahead. However, it was misleading of Alpha to portray PPC as a "giant" and to suggest Alpha would not build a cement plant in Saldanha because the Competition Board had vetoed the merger

"They allege that we have a 45% market share, but the cement industry's official sales statistics for 1995 show that PPC had a 36% market share compared with Alpha's share of 30% and Blue Circle's 18%

"The combined share of Alpha and Blue Circle was therefore 48%, with the balance of the market held by Natal Portland Cement (14%) and Slagment (2%)," he said

Alpha had claimed that PPC had a monopoly in the Western Cape, but while PPC was the sole manufacturer in the region there was no reason why Alpha could not import cement from other regions in SA or from offshore, Gomersall said

Alpha corporate communications director Rowan Dent said PPC's figures excluded their share of Natal Portland Cement sales For years the market shares of Alpha, Blue Circle and PPC had been quoted as 35%, 20% and 45% respectively, which PPC had never disputed

Dent said "To say that Alpha on its own is of similar size to PPC is factually incorrect"

He said Alpha had never stated it would drop its plans to build a cement plant in Saldanha

IN BRIEF

Ceramic Industries shines as operating profit jumps

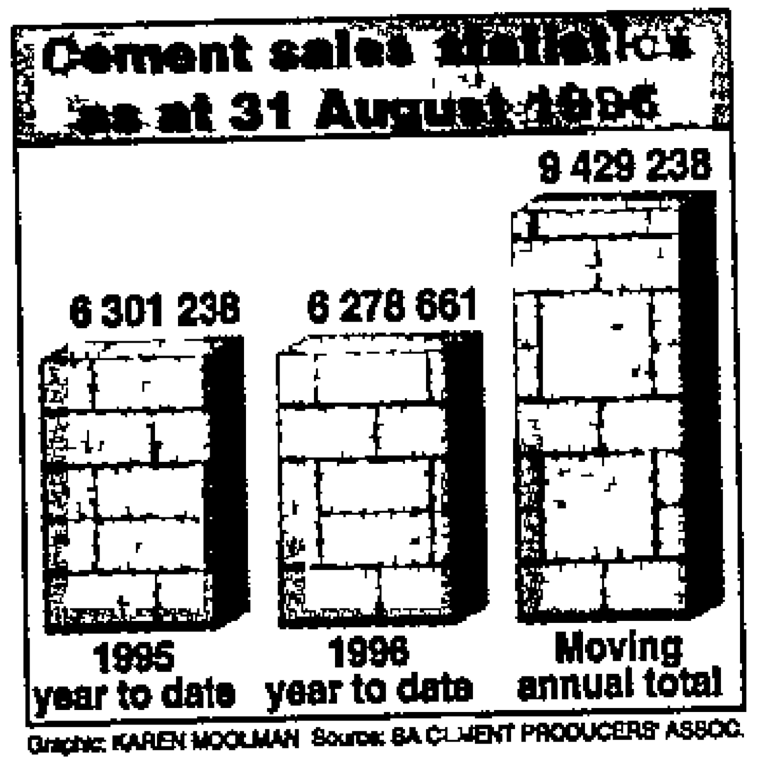
(193)

CERAMIC Industries held down costs to produce an operating profit of R18,3m for the year ended July, 1996 — 30,5% up on the previous year, the group reported yesterday.

Turnover was marginally higher at R134,46m (R130,464m) and attributable income likewise at R14,492m (R14,229m). A final dividend of 9c a share was declared, bringing the total dividend for the [illegible]. Headline earnings decreased [illegible] 10% due to taxation which the company is now paying at the full rate. BD 20/9/96

Cement industry 'unlikely' to meet growth forecast

(193) BD 23/9/96



Robyn Chalmers and Lukanyo Mnyanda

CEMENT sales fell to 6,28-million tons in the first eight months of this year against 6,3-million tons for the same period last year

Figures from the SA Cement Producers Association indicated it was increasingly unlikely producers would meet their modest forecast sales growth of 4% to 8% for this year

Analysts said sales followed a similar trend last August which followed through to September, and they generally picked up in the run-up to the builders' holidays One analyst said the general slowness in the economy coupled with heavy rains in certain areas were contributory factors to the slowdown in sales.

Other factors were the low level of public sector investment in infrastructure and the lack of new major projects on the horizon to replace Alusaf and Columbus Stainless Steel, among others

"Cement companies are already starting to see reduced sales affecting their margins as the product is volume sensitive," one analyst said

"They are also having to contend with higher overheads with the cartel being disbanded "

The cement industry's two main rivals — Alpha and Pretoria Portland Cement — have recently clashed following the Competition Board's recommendation to veto the proposed merger between Alpha and Blue Circle, which cited the need to compete globally as one of the reasons why they would appeal to Trade and Industry Minister Alec Erwin to overrule the Board's recommendation

Commentators were sceptical of the argument, saying the industry was primarily a local one and that the measure would have only enhanced competition with market leader PPC, especially in the Western Cape

"International competition has got nothing to do with it It's a domestic industry and, in any case, cement is not a particularly exportable product," an analyst said

Alpha's foreign sales in the current financial year accounted for about R100m out of turnover of about R1,5bn

Reports that Alpha might review its plans to develop an R800m plant in Saldanha if the board's recommendation was not overturned were ironic as this would entrench PPC's dominance in that region

Building Industries Federation of SA president Stephen Jones said the merger would not have affected the companies' ability to compete internationally, but would have had an effect on the industry where the two companies "can't even compete with PPC"

Group Five looks offshore to make good the lack of SA work

(193) BD 25/9/96

Robyn Chalmers

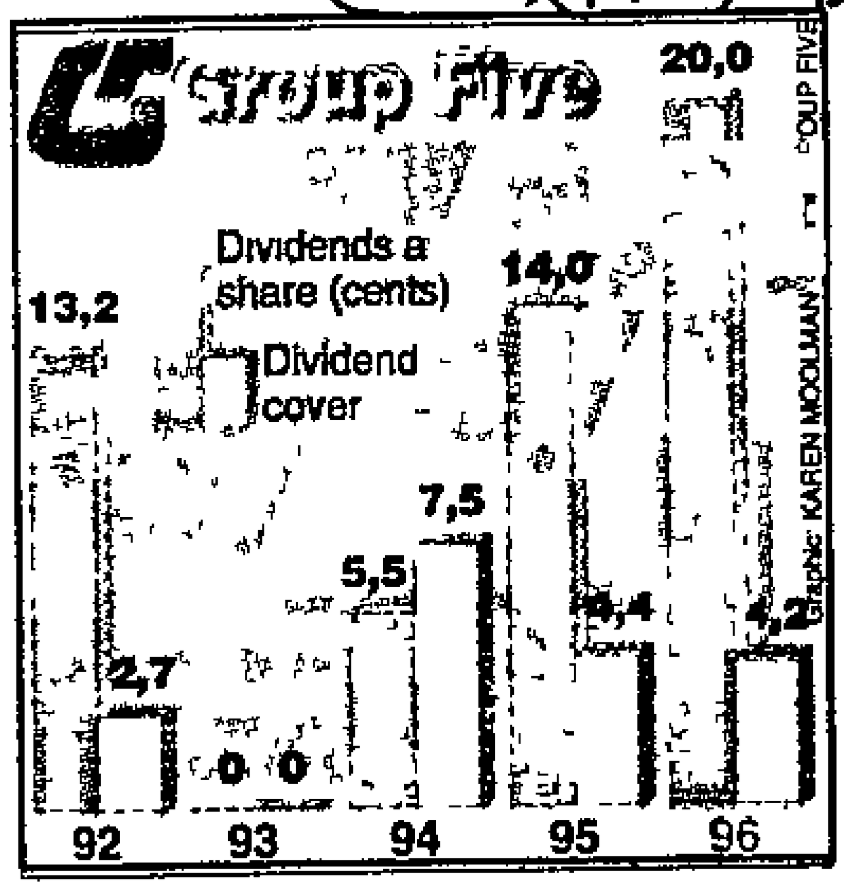
CONSTRUCTION and building materials business Group Five had been forced to look offshore to counter declining private sector work in SA

Chairman Stanley Goldstein said in the group's 1996 annual report that the organisation operated in an environment where the level of private fixed investment was an index of growth

"This had been disappointing and is set to decline because of investors' perceptions," he said "Because of this we are devoting energy to identify opportunities, local and offshore, in order to ensure our continuing growth, which we code name 'Growth 2000' "

CEO Theunis Kotzee said at the recent release of the group's results for the year to June that an international partner was being sought in a region where fixed investment spending was growing fast He hoped the group would find such a partner in the next year or two

Kotzee said in the annual report that profits grew above the



trend in the construction industry during the review period, partly as a result of the group's focus on the goals set out in the Growth 2000 strategy.

"I said last year that we were realising a third of our potential and despite more difficult conditions than expected, we have made material advances," he said.

Group Five's attributable income rose to R35,03m (R26m) on higher turnover of R1,7bn from R1,4bn for the previous year This was despite a sharp drop in Everite's profits to R1,6m from R31,3m A total dividend of 20c was declared against 14c for the previous year, while dividend cover dipped to 4,2 from 4,4 in 1995 which in turn fell from 7,5 in 1994

The share was trading at 980c on the JSE on Monday, against a R12,75c year high in March and a 326,5c net asset value at the June year end.

Kotzee said a key part of the strategy was the autonomous management of its divisions — building, civils, engineering, manufacturing, roads, property and the proposed infrastructural concessions. As a result of this strategy, the building division had broadened its services and extended alliances with smaller, emerging builders, while the civils division was developing special skills in labour intensive rural projects.

Everite's poor performance was mainly due to SA's lower trade barriers coupled with the dumping of goods. In addition, a programme of closing and selling businesses had led to considerable losses, but it should be finalised in the current financial year.

SA cement cartel finally cracks up (193)

CT(BR) 1/10/96

JONATHAN ROSENTHAL

Johannesburg — The cement cartel, under which South Africa's three cement manufacturers, PPC, Alpha and Blue Circle, jointly marketed and distributed cement, drew to an end at midnight last night This comes after 20 years of officially sanctioned protection

The Competition Board revoked the cement industry's exemption, which allowed producers to operate under a market-sharing agreement, about two years ago Since then, the three protagonists have already lined up or acquired trucking companies for distribution, launched new branded products and dusted off their marketing manuals

In the past year, the three have been jostling for market share in a highly competitive environment.

The only difference between today and yesterday is that the three will no longer be able to sit down and discuss the market with each other, Marco Germina, the director of Alpha Cement, said yesterday

Piet Strauss, the managing director of Blue Circle Cement, said the demise of the cartel could usher in a period of increased competition, innovation and attention to the needs of customers

☐ See Opinion & Analysis,

CEMENT COMPETITION

This merger is not set in stone

(193) CT(BR) 1/10/96

Jonathan Rosenthal

Alec Erwin, the trade and industry minister, has no easy task ahead of him when he is asked in the next week or two to rule on the proposed merger between cement producers Alpha and Blue Circle

A Competition Board ruling last month found that the merger would not necessarily be in the interests of the consumer and recommended that the merger be vetoed

Alpha and Blue Circle will make a joint submission to Erwin, calling on him to allow the merger to proceed

Rowan Dent, the director of corporate communications for Alpha, said the companies would argue that the advantages of a merger — lower production prices because of economies of scale and moves to break PPC's natural monopoly in the Western Cape — outweigh any risk of reduced competition from only two market players

Upping the stakes, Alpha has said it would reconsider its planned R800 million Saldanha cement plant because this would require the financial muscle of the merged group

But the question facing Erwin is more than a simple issue of whether three competitors are better than two

During the years in which the three producers operated as a cosy cartel, marketing jointly under a market-sharing agreement and trading production and cheques, the three operated as joint shareholders in Natal Portland Cement (NPC) and Slagment

Although relatively small producers on their own, with Slagment accounting for only about 2 percent of national cement sales, NPC is an important regional player in KwaZulu Natal Its estimated share of the national market is about 14 percent, some of which was derived from selling on cement produced by its shareholders

The future of Slagment and NPC remains uncertain in a post cartel environment with no clear indications of how the two companies will compete against their shareholders PPC is concerned that if a merger goes ahead, its position as a minority shareholder in the two companies would be untenable

In a merged scenario, with both Slagment and NPC in the hands of the new group, PPC would overnight find itself facing competition in the inland market with a 67 percent share of that market Discounting its sales to Slagment and NPC, PPC's national market share last year was about 36 percent, and not the 45 percent attributed to it by its competitors

While not explicitly opposed to the merger, PPC last week hit out at arguments that it is "the industry Goliath" which would dominate the post-cartel market unless a merger was allowed It has also contested the argument that greater economies of scale would lower producer prices

Alpha claimed that building a single 1,6 million ton-a-year kiln would cost R200 million less than building two smaller kilns if the merger was blocked PPC has claimed that in a market as small as South Africa's, economies of scale effect marginal differences on producer prices

Clearly high in the mind of Erwin is the fact that cement is not an easily transported commodity, reducing the possibility of imports providing a competitive safety net if domestic prices beat an upward path out of proportion to world prices

Despite this, domestic producers insist that South Africa's cement prices are among the world's lowest Imports could theoretically challenge coastal markets were it not for competitive pricing, the industry says

But high barriers to entry and the difficulty of distributing cement without an existing network militates against any short-term market entrants Cement lore is filled with stories of importers who brought in shiploads, only to get caught out by the vagaries of a fluctuating rand or difficulties of running a bagging operation from the dockside

More importantly, steel, plastic and other building materials pose an alternative to cement that forces producers to maintain competitive pricing, the industry contends

Notably absent has been any public criticism of the merger by the consumers in whose interests the Competition Board has ruled Only the Building Industries Federation of South Africa has made its opinion known, and that was to endorse the merger

Ian Robinson, the executive director of the federation, told the Competition Board that he believed the merger would benefit consumers But within his own organisation were murmurings of discontent and unease at the merger, sources have said

While interested parties had the opportunity to make representation to the Competition Board, its rather terse public statements have not hinted at the content of these submissions

Many within the industry believe that Erwin's decision is likely to be as motivated by the political considerations of an ANC industrial policy that favours greater competition as the ultimate effects on the industry

Many also believe that despite the posturing and rhetoric, the significance of the merger has been overplayed With or without the merger, none of the producers is likely to enter into a price war The high volume and low value of cement makes proximity to markets the primary competitive factor It seems safe to assume that, merger or not, consumers should expect no great upheavals

Concrete makers are all set but still wait for RDP funds

CT(BR) 2/10/96 (193)

James Lamont

Johannesburg — A dramatic leap in demand for concrete building materials after the 1994 elections has trailed off this year, Anton Matthews, the president of the Concrete Manufacturers' Association, said yesterday

He said new investment and business confidence had lifted demand after the elections, but growth had since stagnated because expected funds for the RDP had not come through

He said the industry, which produces masonry, paving, roof tiles, precast slabs and retaining blocks, was well positioned for the needs of the RDP and was adapting production to the low-cost housing market "It's not the industry or pricing that is the problem, it is how the government moves its money into the sector," Matthews said "If the money is released there is a good future for the industry"

Patrick Kelly, the association's director, said that despite the surge in demand the industry was still producing at only 55 percent capacity

The association represents about 25 producers Industry turnover last year was R1,6 billion of which the association's members accounted for R700 million

Matthews said to maintain the quality of concrete products in the industry, which was attracting many new entrants because the entry cost was low, the association would have to broaden its membership and offer technical assistance

New monitor for building costs

(193) BD 3/10/96

Robyn Chalmers

A SURVEY of building materials used in the low-cost housing market shows that prices have risen 5,18% on an annualised basis this year, well below the inflation rate of about 6,9%.

Building Materials Suppliers of SA (BMSSA) chairman George Thomas said yesterday the exercise had been undertaken to counter perceptions that building material prices were soaring. The monitor would now be published on a regular basis.

The Building Industries Federation of SA (Bifsa) has said building material prices rose 11,8% on average in 1995, against an overall inflation rate of 8,7%. These figures have been refuted by the BMSSA

Bifsa executive director Ian Robinson said with materials representing between 50% and 55% of contractors' input prices, BMSSA members should stick to their commitment of price discipline made in the housing accord.

Thomas said the monitor's findings had already been informally discussed with government, and would be submitted to Housing Minister Sankie Mthembi-Mahanyele, who has warned against any profiteering on the part of suppliers.

The monitor showed that the average building material cost of a $42,25m^2$ house in the low-cost housing market varied from R17 206 to a high of R20 516.

The variations were mainly due to price differences between regions and were based on a survey of blocks and bricks, prefab or site trusses and premix or site mix concrete.

Alpha assessment is still on target

BD 7/10/96 (193)

Robyn Chalmers

THE environmental impact assessment for the proposed Alpha Cement factory and lime quarry in Saldanha Bay remains on target for completion by the end of the year, the organisation said at the weekend

There had been objections to the project, largely from environmentalists Alpha has also said it could view its investment in a different light following the Competition Board's recommendation against its proposed merger with Blue Circle

Mark Wood, an independent environmental specialist co-ordinating the assessment, said a number of workshops and open days on the proposed development had been held to discuss issues with concerned stakeholders

Alpha group MD Johan Pretorius said a final decision on whether to go ahead with the factory and lime quarry would not be taken until the results of the impact assessment had been fully assessed.

"We have committed ourselves to conducting our business in an environmentally sustainable manner," he said

Major factors contributing to Alpha's investigation of the viability of the project included the existence of significant limestone reserves at Saldanha They are the only remaining viable reserves for a 600 000 ton a year capacity plant in the Western Cape.

The coastal location would also enable Alpha to export to international markets via an international port of export

Although 70% of SA cement is produced at four large inland factories, none has been exported by ocean from these factories for the past 15 years

Cement producers tone down growth forecast for this year

(193) BD 8/10/96

Robyn Chalmers

THE SA Cement Producers' Association has downgraded its growth forecast in total cement sales for this year to 2%-3%, against 6% growth last year

The reduced forecast comes as Trade and Industry Minister Alec Erwin is expected to make a final decision this week on the proposed merger between Alpha and Blue Circle cement producers Both companies say the merger is vital if a powerful competitor is to be created for SA's current major producer Pretoria Portland Cement

The association's 1995 annual review, released yesterday, said a significant increase in the growth rate of the building and construction industry was expected early this year

Since then, a number of factors had reduced the level of optimism, including devaluation in the rand's value, an increase in interest rates and a dramatic increase in fuel prices However, it was still believed that the industry was in a growth phase

With the possibility of the Olympic Games being held in Cape Town in 2004 and the tourism industry growing, accelerated facility development could begin to have an impact on the cement industry towards the end of this year or the beginning of next

The building and construction industry was expected to benefit from government's economic growth strategy along with the uptick in low-cost housing delivery. However, real growth in the industry was unlikely to be above the 3% level

The review showed domestic demand for cement last year reached a total of 8,39-million tons, a 6,6% increase on the previous year, exported cement dropped 32,5% to 76 620 tons, and total cement sales rose 6% to 8,47-million tons

COMPANIES

Blue Circle to decide on new East Cape kiln

(193)

Robyn Chalmers BD 10/10/96

BLUE Circle Cement is to decide in May whether to invest between R750m and R1,2bn in a new kiln in the Eastern Cape to boost its capacity

CE Carl Grim said an environmental impact assessment was under way to assess the feasibility of building a new kiln near East London — where some opposition was being met from environmental groups The alternative was to add capacity at its Lichtenberg location

"We are running out of capacity. but the decision will largely depend on demand If the market is flat we may well decide to postpone the decision," he said

Government's final decision on whether to allow the proposed Alpha and Blue Circle merger would also affect the nature of Blue Circle's investment

Grim said a combined group could invest in a bigger kiln of up to R1,2bn in East London due to capital and operating efficiencies, which a single entity would be hard-pressed to do

The Competition Board recently recommended the merger should not be allowed, but the companies said they would appeal to Trade and Industry Minister Alec Erwin They have yet to have a hearing

Grim said Blue Circle had implemented a range of steps to position the company for a competitive market environment, including a number of acquisitions. The company had been transformed into a market-orientated and administratively independent business, he said in this year's annual report of Murray & Roberts — Blue Circle Cement's holding company.

Blue Circle had secured its position in Northern Province and Mpumalanga by acquiring the remaining 50% of Petermix. It had also bought 49,9% of African Portland Cement in Namibia and embarked on a programme to upgrade its cement manufacturing capability

Grim said a further 185 000 tons had been added to Blue Circle's cement capacity following completion of the uprating of the Lichtenburg No 5 kiln

The need to refocus the company as a market-orientated organisation followed the disbanding of the cement cartel at the end of September

Cement supplies had been distributed through Cement Distributors SA, a company owned jointly by Alpha, Pretoria Portland Cement (PPC) and Blue Circle which served the bulk of SA's inland regions

Grim said M&R's materials operating group, under which Blue Circle falls, had a difficult year to end-June, with general activity levels reflecting the negative gross domestic fixed investment and building and construction growth statistics.

Division turnover climbed to R2,24bn (R1,69bn), with operating earnings before interest and tax rising to R244m (R233m).

The group had, he said, planned capital programmes of R640m for the next three years

Campaigner Mazery retires early from Sappi

CT(BR) 17/10/96 (193)

James Lamont
Industrial Editor

Johannesburg — Roland Mazery, the managing director of Sappi Saicor, the dissolving-pulp manufacturer, has left his office two weeks ahead of his official retirement date

This suggests that the company has bowed to union and political pressure to distance itself from Mazery's international publicity campaign to draw attention to escalating crime in South Africa

The office of Thabo Mbeki, the deputy president, and Business Against Crime last week criticised Mazery's campaign to circulate internationally press cuttings from local newspapers to 39 prominent friends of the government in a bid to stop South Africa "falling into anarchy"

They said it would deter foreign investment, but the campaign struck a favourable chord with many local businessmen

Bengeza Mthombeni, the general secretary of the Paper, Printing, Wood and Allied Workers' Union (Ppwawu), said yesterday that Sappi had apologised to President Nelson Mandela and that Eugene van As, its executive chairman, had applied for a meeting with Mbeki

He also said Ian Forbes, the managing director of Sappi Kraft, had sent Ppwawu a letter expressing Sappi's embarrassment over the issue Mthombeni said Sappi had advised Mazery to leave ahead of his retirement at the end of the month

"Sappi head office asked him to leave," he said But a Sappi spokesman said that Mazery had accumulated leave owing to him and that he had agreed to take early retirement

Mazery said from his Durban home yesterday that he had not been asked to leave, but declined to comment further

Mthombeni said Sappi management had been "very co-operative" in a meeting in Johannesburg on Tuesday and that the company had distanced itself from Mazery's actions

The company insisted it was not aware of his actions and that they were undertaken in a personal capacity

The union, which protested against what it considered Mazery's unpatriotic actions, had threatened to strike if Mazery was not disciplined. Sappi responded that it would not take disciplinary measures against Mazery

The union has vowed to seek out and expose the business-people in the Durban Chamber of Commerce who are believed to have helped Mazery

"We are calling on the Chamber of Commerce in Durban to expose those people who have been working with him," Mthombeni said

MURRAY & ROBERTS (183)

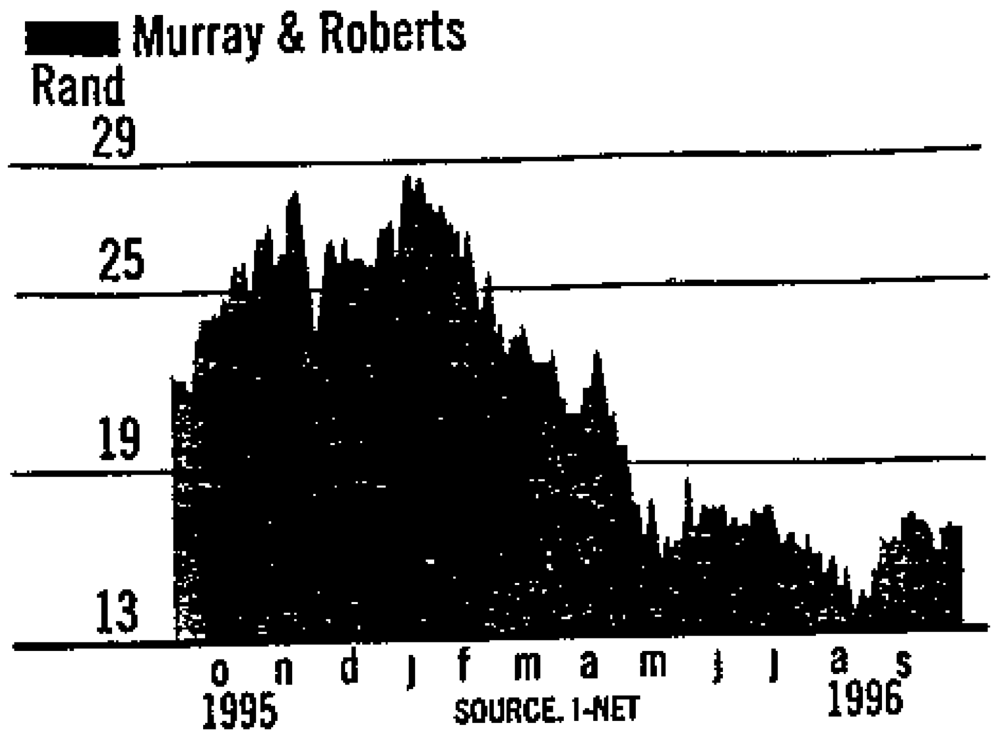
FACING MARKET WEAKNESS

FM 18/10/96

After the events of 1996, no-one would blame CEO Graham Hardy for keeping his fingers crossed that his first year in office would not prove typical of his tenure at the helm of M&R.

- **ACTIVITIES:** *Contracting, building materials, transport and engineering*
- **CONTROL:** *Sankorp 32,9%*
- **CHAIRMAN:** *D C Brink. CEO G D Hardy*
- **CAPITAL STRUCTURE:** *346m ords Market capitalisation R5 846,9m*
- **SHARE MARKET:** *Price 1 690c Yields 2,9% on dividend, 6,4% on earnings, p e ratio, 15,5, cover, 2,2 12-month high, 2 850c, low, 1 375c Trading volume last quarter, 15m shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	252	219	231	293
LT debt (Rm)	671	729	690	1 051
Debt equity ratio	0,37	0,26	0,18	0,32
Shareholders' interest	0,38	0,40	0,42	0,39
Int & leasing cover	6,8	5,5	6,1	3,9
Return on cap (%)	11,5	11,5	12,1	9,8
Turnover (Rbn)	6,78	7,77	9,28	10,75
Pre-int profit (Rm)	530	594	731	703
Pre-int margin (%)	7,8	7,6	7,9	6,5
Earnings (c)	106,2	108,1	126,4	108,7
Dividends (c)	40,0	42,0	47,0	48,5
Tangible NAV (c)	493	575	686	759



The annual report leaves the impression that profits were under siege on most fronts. The event that received the most publicity — though, arguably, not the most important in terms of the disappointing group results — was the dispute that erupted between Siemens AG and M&R's 71% subsidiary, Union Carriage & Wagon (UCW) over the supply of rapid transit train sets to Taiwan

It resulted in the cancellation of the contract between these two companies, and the R160m provision that M&R raised in its 1996 financial statements to cover potential losses

Though this was a severe blow, the financial effects were largely offset by a non-operating surplus of R127,4m earned on the disposal of noncore activities After the R7,7m deficit in 1995, the turn here exceeded R135m, leaving the combined effect of these two extraordinary items as a R25m drain on pre-tax profit (4% of the 1995 figure) Damage to EPS should have been limited to less than 5c or about a quarter of the actual decline of 17c

These effects were less damaging than the R42m (18%) increase in the net depreciation charge arising from a much larger fixed asset base and the R62m (52%) leap in finance costs as net borrowings doubled to R905m

Both these, in turn, were less important than the amount "missing" from profit because of thinner trading margins Calculated before the UCW situation and non-operating capital profits, the 1996 margin shrank from 7,9% to 6,8% On a turnover base of R10,7bn, that represented a profit shortfall of R118m

From this it is apparent that the overriding factor behind M&R's failure to achieve its forecast real improvement in earnings was the continued decline in the building and construction component of gross domestic fixed investment

This, in turn, meant the group was unable to benefit from additional capacity installed in anticipation of an RDP-based bonanza Instead it has had to contend with a business environment that has remained intensely competitive

It also adds perspective to the latest (and continuing) restructuring and refocusing programmes

Clearly, what management hopes to achieve by telescoping the group into fewer, more broadly based divisions is enhanced profitability through more effective overhead recoveries and, possibly, improved cross-pollination of expertise within these larger business units, but without diminishing its capacity to respond when the building and construction cycle turns positive — as it must do at some stage

However, the report suggests it would be unwise to view this restructuring progress as a quick fix

Chairman Dave Brink sees the group in 1997 "producing earnings and dividends which will be more enthusiastically received by shareholders."

But Hardy cautions that despite the significant increase expected in pre-interest profit, bottom-line earnings will depend on the extent and timing of disposals of noncore activities This is an obvious reference to the fact that almost a quarter of last year's pre-tax profit was non-operating income

Still, management's continuing optimism despite last year's setbacks has probably helped support the investment rating of the share

Though the price halved between January and August before settling at around R17, the market has merely downrated M&R to parity with the Industrial Holding sector (on earnings multiples) Last year it achieved a premium rating when an 18% EPS advance was taken as a sign that the group was breaking out of a three-year earnings plateau

That assumption proved premature but, clearly, there is still a wide body of investor opinion that shares management's view that the group will perform once more normal conditions return to the building and construction sector. *Brian Thompson*

Alpha gets big Northwest contract

(193)
BD 22/10/96

Robyn Chalmers

CEMENT group Alpha has taken on a R417m contract to supply cement and ready-mixed concrete to the Northwest Builders Federation which is building the province's new schools project

The project aims to establish more than 140 schools in the province during a period of five years with Alpha the sole supplier of cement and ready-mix concrete to federation members

Federation president Dan Elliot said after a presentation to the federation, it was decided to form a partnership with Alpha as the major cement distributor in Northwest

"The role Alpha has been playing, and especially its focus on empowering historically disadvantaged contractors, was an important deciding factor," he said

Alpha group MD Johan Pretorius said the contract was fiercely bid for He believed the firm's partnership approach to local communities and authorities maybe affected the decision

Pretorius said the RDP building programme was likely to gain momentum next year and beyond Alpha first set up a presence in the province with its Dudfield factory in 1966, later developing a wide distribution network of cement and ready-mix concrete depots

Alpha wins R24m contract for RDP project

(193) CT (BR) 22/10/96

MAGGIE ROWLEY

Cape Town — Alpha has won a R24 million contract to supply cement and pre-mixed concrete to the North West Builders Federation for the construction of 140 schools and clinics in North West Province

The R417 million, five year project is one of the largest reconstruction and development projects to get under way to date and should start rolling by early January, according to John Pretorius, the group managing director of Alpha

He said yesterday that the contract made Alpha the sole supplier of cement and pre-mixed concrete to the project

Alpha would supply material for the project from its cement plant in the Lichtenburg area and from concrete depots in the province, which would have the advantage of reducing on site pilferage, Pretorius said

He said North West Province was leading the way with its RDP building programme but Alpha expected other provinces to follow suit and the RDP to gather momentum next year

Danny Elliott, the head of the North West Builders' Federation, which comprise 32 local organisations and represent more than 1 200 emerging and established contractors, said the programme represented phase four of the building project

Construction tenders would go out next month with adjudication likely to be completed by early next year Phase three, consisting of 74 projects, was nearing completion, Elliott said and the Western Cape – Sapa

Star 26/10/96 (193)

'Tiles being dumped in SA'

A probe had been launched into the alleged dumping of ceramic wall and floor tiles from Italy on the South African market, the Board on Tariffs and Trade said In a notice in the Government Gazette, the board said a petition to this end had been lodged by the SA Ceramic Tile Manufacturers' Association (Sactma), which said its members were unable to compete with the low prices of imported products The board said Sactma had submitted sufficient evidence to justify an investigation It called on interested parties to submit written information before November 25. – Sapa

NY NEWS

Grand jury could dent Plate Glass

(193)

ANN CROTTY
CONSUMER INDUSTRIES EDITOR

CT (BR) 30/10/96

Johannesburg — Plate Glass & Shatterprufe Industries' (PGSI) international division Belron is the subject of a grand jury investigation in the US, which could dent the company's financial position if the court rules against the South African company's US operation, South African Breweries (SAB), its ultimate controlling shareholder, said.

If any charges were filed against Belron's US operation and were "adversely determined, a material adverse effect on PGSI's results of operations or financial condition could ultimately result", according to a document published recently by SAB.

In the circular, which was sent to potential international investors ahead of SAB's recent $410 million share placement, SAB said that, from time to time, Belron had been "and continues to be subject to antitrust complaints and disputes, many originating with competitors and other private parties, but PGSI believes such matters have not been, and are not expected to be, material to PGSI's results of operations"

There is one qualification, however

Windshields America, the Belron subsidiary that recently merged with Globe Glass to form one of the four largest automotive glass replacement and repair companies in the US, is one of the subjects of a federal grand jury investigation in the US

Globe Glass is also the subject of the investigation

"The matters being investigated have not been formally set forth, but appear to involve allegations of anti-competitive conduct" on the part of the four big players in the market, SAB said.

Cartel break-up 'will hit PPC's bottom line'

(193) BD 4/11/96

Robyn Chalmers

PRETORIA Portland Cement (PPC) is expected to produce either static share earnings or a marginal increase to 500c (464,4c) for the year ended September as the break-up of the cartel hits the group's bottom line.

Analysts' expectations of static to slower earnings growth when the results are released on Thursday are reflected in PPC's share price which has lost R5,50 over the past month and closed 25c lower on Friday at R69.

Higher costs associated with the termination of the cartel include the acquisition of distribution businesses, increased distribution costs and marketing costs.

One analyst said PPC was likely to be less affected than rivals Alpha and Blue Circle as the organisation had between 36% and 40% of the market, allowing it to benefit from economies of scale.

"PPC has a virtual monopoly in the Western Cape which should help it weather the breakup. However, we expect that next year will be difficult for all cement groups."

Another analyst said poor RDP progress and a slowdown in construction had affected cement sales and volumes were static.

The SA Cement Producers' Association recently downgraded its growth forecast in total cement sales for this year to 2%-3% against 6% growth last year

PPC restructured during the year to September last year to position it for a post-cartel environment. The cement businesses were reorganised into regional business units and teams were put in place with responsibility for the performance of these units.

During that year, PPC increased share earnings 24% to 464,4c on a 22% rise in turnover to R1,2bn, while the dividend was raised 14% to 285c Analysts said it was expected to produce a dividend of around 300c this year

They said they expected further information to be released on PPC's plans to build new cement plants. These could include an update on the R100m plant at Saldanha Steel, a possible R700m plant at Grassridge in the Eastern Cape and feasibility studies on new plants in Gauteng and the Northern Province.

PPC clinches 3% profit after difficult year

Robyn Chalmers (193) BD 8/11/96

PRETORIA Portland Cement produced a 3% rise in after-tax profit to R200,1m for the year to September, following a difficult year of transition from cartel to free markets for the cement and lime businesses

Net attributable profit increased 20% to R193,8m after a sharp drop in exceptional items a lower tax rate Share earnings after exceptional items climbed 17% to 450,2c

An unchanged final dividend of 205c was declared, bringing the total divided to 290c (285c), with share earnings before exceptional items remaining static at 464,8c

Group MD John Gomersall said the results represented a solid performance despite the difficult transition

"An improvement in the contribution of the lime division together with marginal growth in cement demand should lead to higher group earnings (in the current year)," he said

Turnover increased 25% to R1,55bn but this was not directly comparable with the previous year due to inclusion of delivery charges in cement sales, the consolidation of a further 45% of Afripack, and the start of the transport division's operations

Operating profit before interest paid and tax declined 4% to R304,3m owing to a lower contribution from PPC Lime

Exceptional items of R9,4m consisted mainly of closure costs of operations association with the termination of the cement cartel This provision was 82% lower than the R51,7m provided last year for post retirement medical aid benefits

The effective tax rate declined to 32,2% from 37,2% last year after the reduction of STC to 12,5%, which reduced the tax bill to R92m (1995 R95,4m)

Gomersall said the cement division maintained profits in a flat domestic market despite higher costs linked to establishment of sales and distribution infrastructure needed for the new business environment created by dissolution of the cartel

Domestic cement sales volumes for cement increased 0,4% from the previous year while a reduction in exports to 243 000 tons from 323 000 tons was "mostly timing-related"

The lime division had a tough year in which sales volumes declined 13% and margins had been hit by the absence of a price increase at the end of the previous year, he said

Gomersall said investments and other businesses had performed well, posting a 29% increase at the operating level

BUILDING MATERIALS *Company's operating profit drops*

Weak cement market weighs down on PPC's bottom line

CT(BR) 8/11/96 (193)

JONATHAN ROSENTHAL

Johannesburg — Weak cement and lime markets and new costs associated with the break-up of the single-channel cement cartel hit Pretoria Portland Cement (PPC)'s bottom line as the company posted a 3 percent drop in operating profit to R276 million for the year to September 30

Headline earnings a share (before exceptional items) were unchanged from last year's 464,8c, but attributable earnings a share were considerably stronger than last year The exceptional provision of R9,4 million for the closure of operations associated with the termination of the cement cartel was 82 percent lower than the exceptional R51,7 million provided for post-retirement medical aid benefits, which allowed attributable earnings to rise 17 percent to 450,2c a share

A final dividend of 205c was declared, bring the total dividend for the year to 290c, 2 percent higher than the previous year

The group was hit by poor cement sales, which only increased by 0,4 percent in volume, as well as the new costs of marketing and distributing cement in a more competitive environment

Turnover on ex-factory cement rose 13 percent to R909 million, despite the slow growth in sales, but the group had to absorb new delivery costs which increased selling costs by R92 million Cement exports fell to 243 000 tons from 323 000 tons

The flat cement market was matched by poor demand for lime because of a general downturn in the steel industry, John Gomersall, the group managing director, said yesterday

Volume reductions coupled with lower selling prices resulted in turnover in PPC Lime falling 13 percent to R178 million

Increased competition in the lime market, which caused prices to remain static for the past year, also contributed to a 41 percent fall in profit to R43,4 million

"This business has now stabilised and inflation-related increases have been concluded with all major customers for the current year," Gomersall said

During the year the company won a contract to perform materials handling at the Saldanha Steel Project An increase in capital expenditure and the purchase of two transport companies reduced liquid funds by R111 million to R145 million

"An improvement in the contribution of lime together with marginal growth in cement demand should lead to higher group earnings next year," Gomersall said

☐ Business Watch, Page 2

STILL SUNNY *John Gomersall, the group managing director of Pretoria Portland Cement, looks for an improvement in lime's contribution and marginal growth leading to higher group earnings next year* PHOTO JOHN WOODROOF

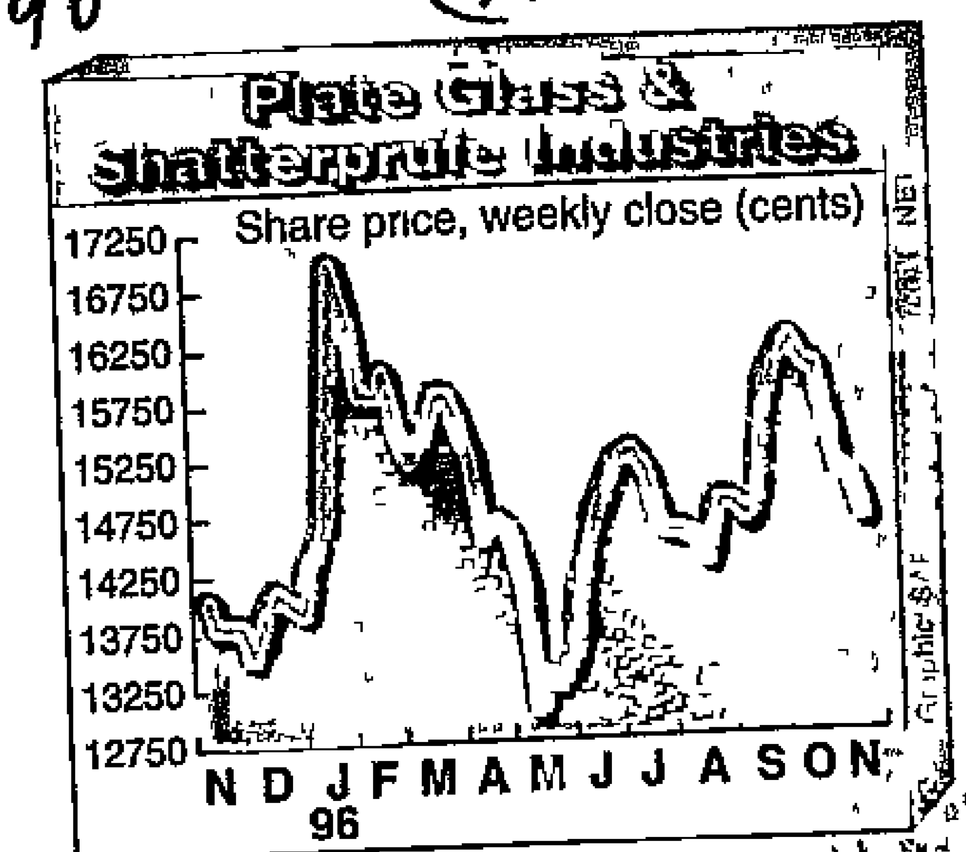
Plate Glass drops short of expectations

BD 11/11/96 (193)

Edward West

PLATE Glass and Shatterprufe Industries (PGSI) fell short of forecasts for the six months to September, reporting a 3% fall in attributable profit to R124,8m despite a 57% rise in turnover to R3,3bn.

The group said the disappointing interim result was largely due to depressed conditions in the local board and glass market. Share earnings for the SA Breweries-owned group fell 5% to 316,4c. The interim dividend was held at 149c and an optional capitalisation share award was made.



Chairman Ronnie Lubner said earnings failed to meet expectations and PGSI would have difficulty matching the results of last year's second half. At the end of the past financial year the group forecast a real increase in earnings.

Lubner said offshore interests had

Continued on Page 2

Plate Glass (193)

Continued from Page 1

BD 11/11/96

flourished during the first half. The merger of PGSI's Windshields America and US Auto to form Vistar — the largest automotive glass replacement network in America — was progressing smoothly and trading results were exceeding expectations. The US results contributed to the 57% increase in group sales to R3,3bn and a 43% increase in operating income to R279m during the period under review.

However, PGSI had received only 40% of the US attributable income, with the balance accruing to minorities in both Vistar and Belron.

Assisted by the rand's fall, local sales and attributable income now represented 68% and 50% of group totals respectively.

Lubner said the housing industry remained in decline, while the furniture industry, an important customer, was having to "wait in the wings" until consumers took advantage of Eskom's electrification programme and spent their money on electrical appliances.

The glass division was also feeling the effect of the motor industry development programme, and the shift towards local manufacture of smaller vehicles, with luxury vehicles increasingly being imported. This affected the volume and value of glass sold.

He said the southern African operations had faced production problems. He saw no reason to be optimistic about local market conditions but remained confident that the offshore operations would flourish.

Y News

PGSI shares dip after disappointing interims

CT (BR) 11/11/96

Ann Crotty (193)

Johannesburg — The share price of Plate Glass & Shatterprufe Industries (PGSI) shed 400c to close at R146 on Friday afternoon following the release of disappointing interim results which showed that earnings a share for the six months to September 30 fell 5 percent to 316,4c, from 332,8c in last year's first half

Management referred to a litany of woes on the local front for the decline, the effect of which more than made up for a strong showing from the group's international operations, assisted by the weak rand

Group turnover rose 57 percent to R3,3 billion, from R2,1 billion The increase reflected the consolidation of the merger between US Auto and Windshields America PGSI holds 51 percent of the new entity, the largest vehicle glass replacement network in the US

But Ronnie Lubner, the group chairman, said PGSI received only 40 percent of the attributable income of the US operation, the balance accruing to the minorities in Vistar and Belron Therefore, he said, comparisons with the group's performance in last year's first half were only meaningful at the level of attributable income, which fell 3 percent to R124,8 million, from R128,6 million

PGSI's operating profit rose 43 percent to R278,9 million, from R194,7 million

Net financing costs almost doubled to R35,1 million from R18,9 million, in line with a 72 percent increase in borrowings Gearing consequently rose from 38 percent to 48 percent

The interim dividend was unchanged at 146c a share

Marlin set to buy big stake in Kudu

(193) BD 12/11/96

David McKay

MARLIN Granite is poised to buy a 58% stake in rival Kudu Granite in a deal which will create a combined entity with a market capitalisation of about R300m producing 40% of the sales of the 900 000-tons-a-year local market

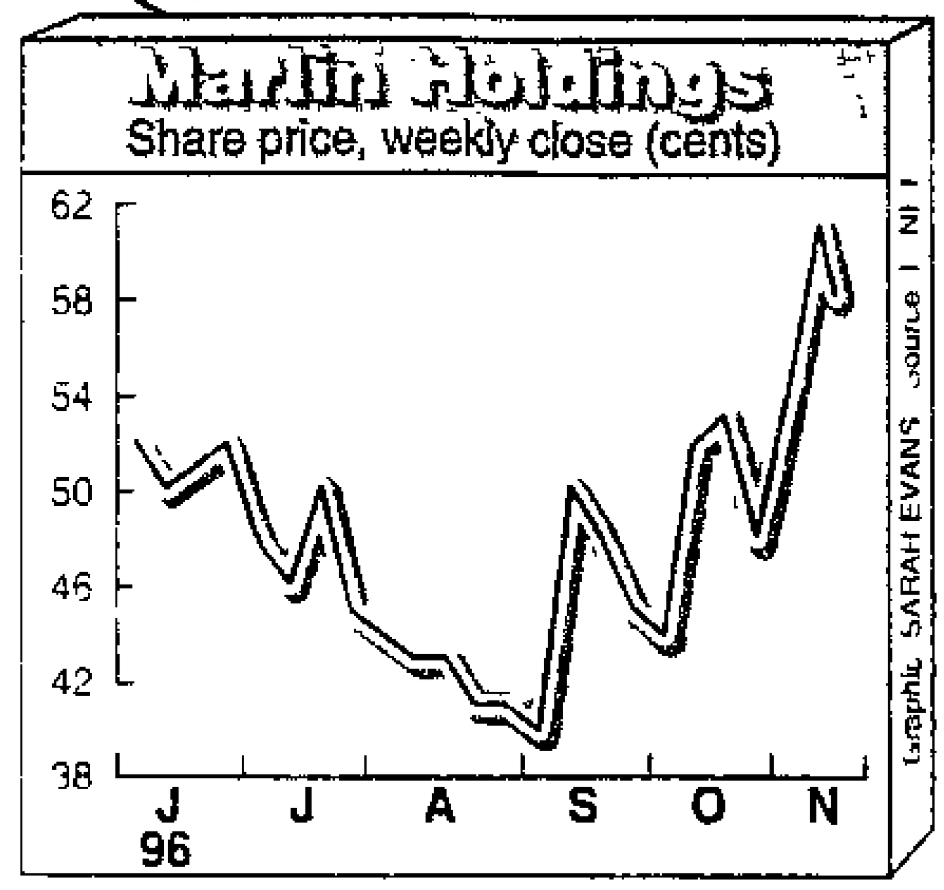
Industry sources said yesterday the Marlin group of companies would probably call a rights issue to fund the deal and reduce Kudu's debt of about R51m

The tie-up subject to a month-long due diligence test will not replace Kelgran which produces 42% of total sales production as SA's largest granite producer But a combined Marlin-Kudu operation will control certain products, a development which has triggered speculation that competitive pricing in the grey granite market is imminent

Marlin Holdings Ltd and Marlin Corporation said yesterday that they had brokered a deal with Kudu owned by Deutsche Steinindustrie (Destag) subject to a number of conditions

An important aspect of the deal is that Marlin Holdings will control a number of Kudu Holdings' strategic assets, such as its offshore distribution centres, analysts say However, Kudu has hefty borrowings, including off balance sheet debts, which would have to be removed as part of the deal

One source said Kudu would call a rights issue to reduce borrowings



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Marlin

(193) BD 12/11/96

Continued from Page 1

Marlin has often stated its policy to minimise debt levels and has reduced debt in its portfolio from R53m in 1994 to a virtually debt-free situation

For several weeks Kudu was linked with Kelgran, owned by Malaysian company Mycom SA, in a possible buy-out deal However, talks were terminated last week

Marlin financial director Ian Macmillan said further details on the acquisition of Kudu's stake by Marlin, including the price, would be made public later this week He could not comment on Kudu's offshore assets

The stake in Kudu would position Marlin to become SA's largest granite producer in terms of sales tonnage, Macmillan said The deal paved the way for further expansion which would make Marlin dominant in the world granite industry

Stockbroker Ivor Jones analyst John Loewen said the deal fulfilled several dictates in the granite industry the combined entity would have low gearing, established offshore distribution networks, product diversity and beneficiation capability

PLATE GLASS & SHATTERPRUFE (193)

THE MARKET IS UNIMPRESSED

FM 15/11/96

The interim report is as enlightening as it is disappointing By and large, the market didn't like the offering

I'm not sure this is fair Over the past year, this company's vast acquisition in the US has changed its profile so much that comparisons are almost meaningless Another year must pass before new yardsticks can have real meaning

Since foreign operations are now so important (50% at attributable level off much higher turnovers), it is worth noting that Belron International, the offshore subsidiary, now controls the largest motor car glass replacement network in the US This came about after its Windshields America merged with US Auto to form Vistar in which Belron holds a 51% equity stake

If you listen to Plate Glass chairman Ronnie Lubner, the merger is going about as well as he expected — which means it is costly and fairly bloody

Perhaps more important, though, in another sense is that Plate Glass's southern African markets haven't done well

More than one analyst points to the huge expenditure in upgrading the Springs float tank only to be disappointed irremediably by the RDP and — worse — by the shift in consumer patterns to significantly smaller cars While car numbers may be good, the quantum of glass they consume has fallen

Another factor causing disquiet is the revelation that Plate Glass's US companies are implicated in grand jury investigations "You are quite wrong," says Lubner firmly, "to imply that we are in any kind of trouble This (grand jury) investigation has been going on for years and embraces the whole industry It is not confined by any manner to Belron or Vistar or its predecessors "

The probability is that the threat is indeed minimal but the shock was that news of it was revealed through a prospectus issued by SA Breweries, Plate Glass's parent, for consumption abroad only When SA analysts and investors found out about it, uproar resulted As the *FM* commented last week (*Torque*), the issue of local secrecy but international revelation requires explaining

The balance sheet reflects gearing of 48% This is too high for comfort

For the record, the income statement shows attributable income virtually unchanged from last year but severely hit by the arrival of large minorities in Belron and Vistar post-merger

Now on a p e of nearly 19 in a sector whose average is closer to 14, Plate Glass is being seen as a likely prospect I am inclined to think that it may be better to await firm evidence that the US merger is secured and local conditions are being better read before taking the plunge *David Gleason*

193

Alpha Cement plans to close down kilns

CT (BR) 20/11/96

JONATHAN ROSENTHAL

Johannesburg — Alpha Cement, South Africa's second-largest cement producer, would shed excess capacity on its less efficient kilns near the end of this year as long-term contracts with the Lesotho Highlands Water Project came to a close, the company said yesterday

Trevor Wagner, the group financial director, said Alpha would close down two wet-process kilns at its Ulco plant in the Northern Cape on December 18

About 100 jobs would be shed, but most were workers contracted for a specific period Some employees would be redeployed in the operation's dry-process plant

The group had recommissioned its older wet-process kilns at Ulco early this year to guarantee the supply of about 120 000 tons of cement a year to the Katse Dam project

Wagner said that although the kilns were more energy- and labour-intensive than Ulco's larger dry-process kiln, the group had brought them into production as a back-up in case the dry-process kiln broke down

"It has now been decided to mothball the plant but we will still be keeping it as insurance against a sudden surge in demand," he said

The group's margins have also come under pressure, showing a drop to 14,8 percent for the six months to June 30 from 21,1 percent the previous year

The group expected operating margins to increase once non-recurrent costs were stripped out Exceptional costs related to abnormal plant downtime and the establishment of marketing and transport infrastructure

CERAMIC INDUSTRIES (193)

BEATING THE BUILDING DIP

FM 22/11/96

Hived off as a manufacturing firm from Italtile in 1991, but still sharing the same controlling shareholder, the company has been significantly less successful relatively than its retail sibling In absolute terms, though, it has handled the downturn of the building industry well

A higher tax charge hit earnings in financial 1996, but most operating and financial ratios continued to improve The tax charge soared from R772 000 to R7,3m, after being unusually low for a few years thanks to allowances on the R30m capex programme, completed last

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	34,2	54,9	57,7	57,20
LT debt (Rm)	2,4	1,7	1,7	1,4
Debt equity ratio	n/a	(0,62)	(0,64)	(1,22)
Shareholders' interest	0,29	0,28	0,31	0,23
Int & leasing cover	5,4	5,3	5,8	1,9
Return on cap (%)	n/a	7,9	6,1	3,0
Turnover (Rm)	668	1 127	1 469	1 697
Pre-int profit (Rm)	20,8	42,5	43,4	29,0
Pre-int margin (%)	3,1	3,7	2,9	1,6
Earnings (c)	92,0	92,1	82,7	24,5
Dividends (c)	32,0	38,0	38,0	38,0
Tangible NAV (c)	396	452	663	703

departure is recorded in the annual report under the rather coy heading "Resignations/terminations," while his reaction thereto is described by group

Last year, the company eliminated the last of its borrowings and held year-end cash of R4,4m This is largely thanks to the switch in emphasis from credit to cash & carry, which minimises the impact of debtors, and concomitant need to finance them, on the balance sheet

In terms of productivity, sales per employee rose last year from R673 000 to R784 000 and are more than double the R350 000 of 1993, operating profit per

increasingly difficult in competitive markets now also feeling the pinch of a slowing economy, it is little wonder that the Kagiso deal has, as Buitendag puts it, "particularly excited the board"

From the leap in the share price, it has also excited the market What remains to be seen now is whether the revised terms, when announced, still justify expectations *Brian Thompson*

expected to gain momentum

He expects real growth in group turnover and operating profits With tax now at normal levels, EPS should follow suit

The share has come off sharply from the March high of 750c and is now at a bare premium to NAV Given the quality of the assets, with much of the plant being modern, and cash and near-cash holdings of R27,4m, this seems a harsh verdict *Michael Coulson*

employee has risen even more dramatically, from R16 000 in 1993 to 1995's R48 000 and R66 000 last year Since 1993, the number of employees has dropped from 418 to 289

The report does not break down sales or profits between the Italtile and CTM operations but both are "very profitable," says chairman Gianni Ravazzotti It seems CTM is now the bigger earner

The number of outlets showed little change for some years A corporate profile refers to eight Italtile centres, 15 CTM (cash & carry) operations and 11 franchised outlets — 34 in all, much the same as in 1994 But both chains plan further expansion and financial director Peter Swatton is especially optimistic for franchised CTM outlets in the smaller towns, saying these are more profitable than owned stores

This year has already seen the opening

E L BATEMAN/BATEPRO/BATEMAN INDUSTRIAL

LOOKING FOR RECOVERY

Reviewing the performance of Bateman Industrial Corp (Batecor) in relation to Bateman Project Holdings (Batepro), it is difficult to accept that the two companies are siblings under the Edward L Bateman corporate umbrella

Whereas Batepro achieved results comfortably ahead of its prelisting forecast for its 10-month accounting period to June 30 1996, Batecor has had a torrid time — it lost an attributable R22,3m, a R38,8m turnaround from 1995's R16,5m profit

In addition, there was the acrimonious axing of former CEO Peter Brereton (his

Edward L Bateman

- **ACTIVITIES** *Holding company of Batecor and Batepro*
- **CONTROL** *Directors 42%*
- **CHAIRMAN** *W G L Bateman MD J P Herselman*
- **CAPITAL STRUCTURE**· *27,5m ords Market capitalisation R354m*
- **SHARE MARKET** *Price 1 290c Yields 2,9% on dividend, 1,9% on earnings, p e ratio, 52,6, cover, 0,6 12-month high, 1 800c, low, 900c Trading volume last quarter 677 963 shares*

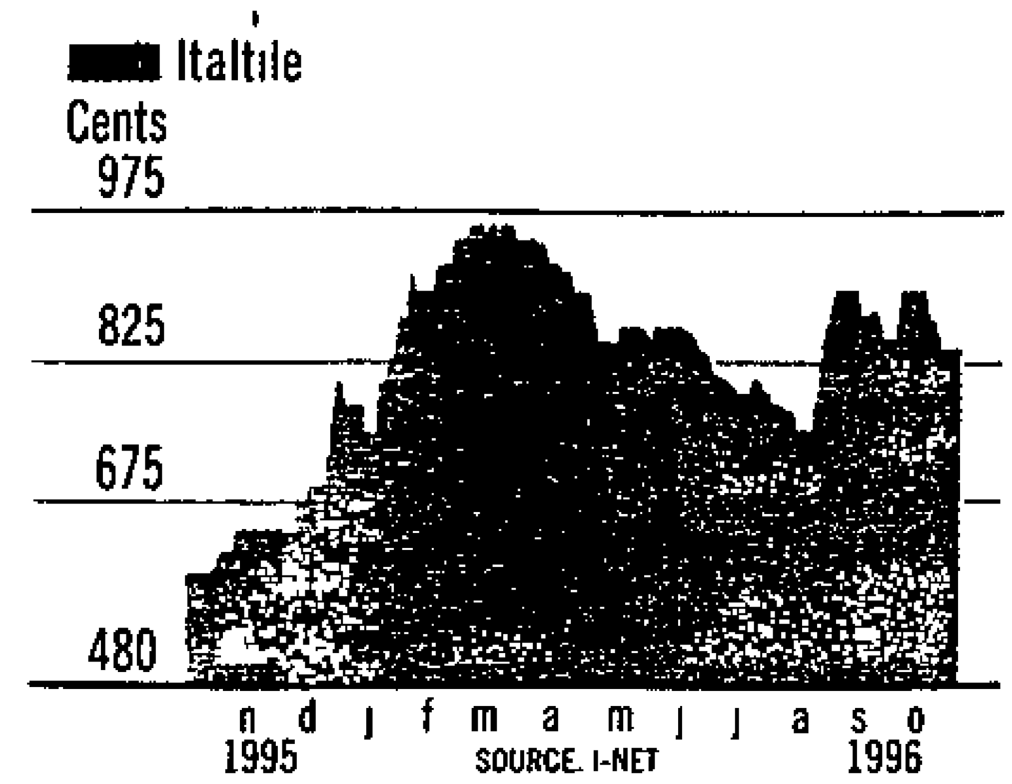
ITALTILE

MARGINS STILL GROWING

Since the divestment of manufacturing activities into Ceramic Industries five years ago, Italtile's retail side has done extremely well — all the more so given the vicissitudes of the building industry, its basic market Steadily widening margins and improved financial ratios attest to management's effectiveness

- **ACTIVITIES:** *Retails ceramic tiles, sanitaryware, bathroom accessories and related products through 23 owned and 11 franchised outlets*
- **CONTROL:** *Directors and associates 61,8%*
- **CHAIRMAN:** *G A M Ravozzotti CEO J Couzis*
- **CAPITAL STRUCTURE** *18,3m ords Market capitalisation R159m*
- **SHARE MARKET.** *Price 870c Yields 1,6% on dividend, 8,8% on earnings, p e ratio, 11,3, cover, 5,5 12-month high, 965c, low, 600c Trading volume last quarter, 32 000 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	23,2	5,2	5,2	—
Shareholders' interest	0,41	0,57	0,54	0,61
Int & leasing cover	5,6	8,0	42,4	n/a
Return on cap (%)	6,3	9,7	11,5	14,7
Turnover (Rm)	146	160	209	226
Pre-int profit (Rm)	8,6	10,6	15,0	19,9
Pre-int margin (%)	4,7	6,3	7,2	8,8
Earnings (c)	33,3	40,1	52,3	76,8
Dividends (c)	6	8	11	14
Tangible NAV (c)	312	345	386	448



of four more CTM stores (that in Tokai being a tandem CTM/Italtile)

Ravazzotti says the future holds "great promise," with franchise opportunities being of particular interest He expects growth this year to at least match that of the past three years

This implies EPS of at least 100c and, given the conservative dividend policy, distribution of maybe 19c or 20c That would take the forward dividend yield to just over 2%, still not particularly attractive, but the forward p e ratio would dip into single digits Moreover, the group seems to be setting out on a new expansionary phase

The share seldom trades in large volumes, but any parcels on offer could be worth picking up on a long-term view *Michael Coulson*

US law disrupts SA's road resurfacing

(193) BD 26/11/96

Reinie Booysen

ROAD resurfacing works throughout the Western Cape and Namibia could be seriously disrupted this summer — and several completed projects may have to be redone — as a result of bitumen quality problems being experienced by the region's major crude oil refinery in Milnerton.

The 90 000 barrels-a-day refinery, owned by US multinational Caltex, has been unable to manufacture bitumen which meets the SA Bureau of Standards' (SABS) quality specifications, largely due to a US law banning US companies throughout the world from purchasing Iranian crude oil

Iranian crude has long formed the largest portion of SA's total crude oil throughput, and the SABS's bitumen specifications reflect the typical qualities which result from this type of crude "diet".

Iranian crude is also considered a good variety for bitumen purposes and Caltex, like the other SA refineries in Durban and Gauteng, has traditionally used a substantial amount

However, last year the anti-Iranian US law forced the company to start using other non-Iranian grades, and foraged more widely on the world oil markets, purchasing oil from the North Sea, Argentina, Angola and alternative Middle East suppliers

A Caltex spokesman said the most problematic specification was "ductility" — the bitumen's cohesive strength or binding performance. "Our technicians are working on the problem, and trying to establish how we can modify our processes to manufacture a better specification," the spokesman said.

The company had recently procured a cargo of Saudi Arabian crude oil which appeared to produce a quality of bitumen product similar to that of Iranian oil, but it was unlikely that Caltex would be able to get regular supplies of this grade at a competitive price Other crudes were also being investigated

Meanwhile, road construction sources said several major resurfacing jobs in the region may have to be redone to replace inferior bitumen

"Some of the bitumen was marked as meeting the SABS specs, when it clearly did not," the source said "Some companies are considering compensation claims totalling millions of dollars "

COMPANIES

Tariff change good news for lamp makers

(193)

Edward West

BD 4/12/96

THE prospects of SA's only incandescent light manufacturer, Consolidated Lamp Manufacturers (CLM), have brightened considerably with the restoration of the import tariff to previously agreed levels

This follows an error by the trade and industry department, which unexpectedly reduced the import tariff for incandescent lamps in January last year — to the level intended for 1999

The import tariff, which was to be reduced to an average 20% ad valorem duty over five years in terms of SA's General Agreement on Tariffs and Trade obligations, was restored to the previously agreed level in the third year of the programme by the publication of a notice in the government gazette on Friday.

CLM MD Rudi van Eck said the R100m-a-year turnover company, a subsidiary of a GEC Alsthom and Reunert joint venture company GEC Alsthom SA, had made "substantial losses" in the year to end-September, and an investigation had been launched to assess its future

"We lost the benefit of the phased tariff reduction over the past two years and have lost market share due to this," Van Eck said One of the main features of the investigation into CLM's future had been the tariff reduction, he said

CLM embarked on a major capital expenditure programme in 1994 to upgrade and expand its lamp and glass manufacturing facilities at its factories in Port Elizabeth.

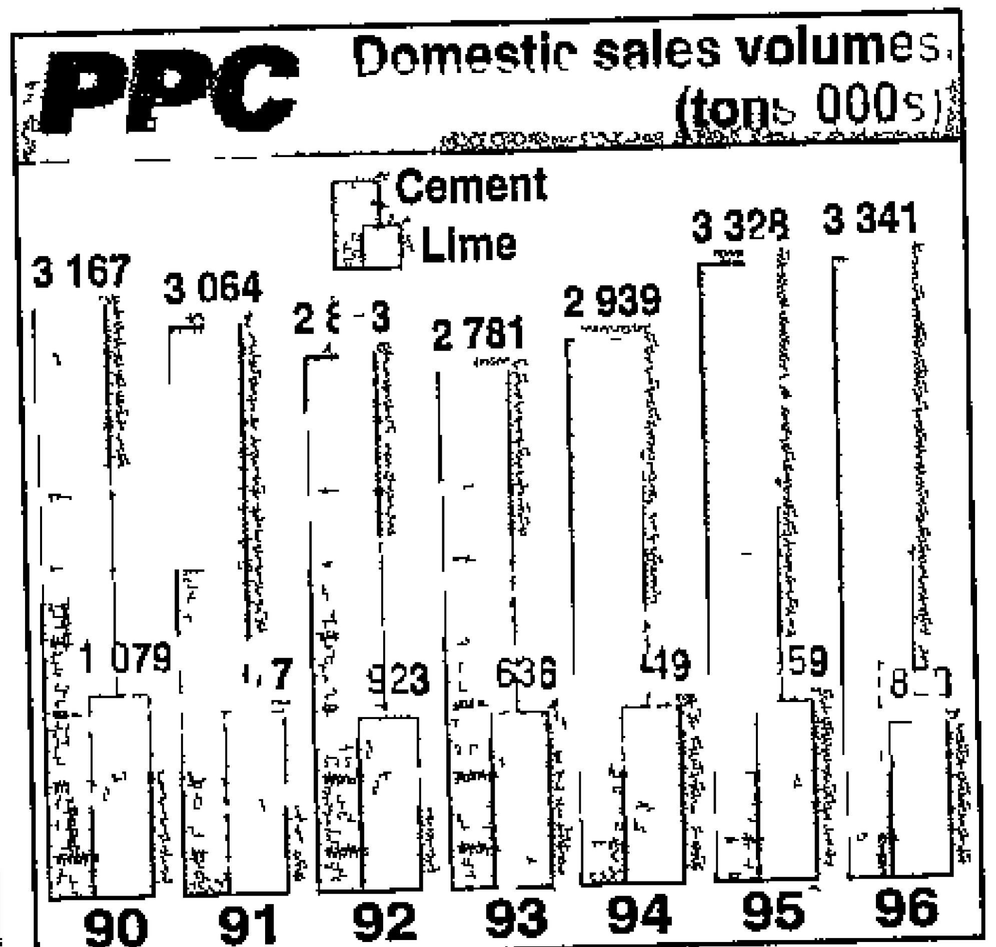
Installation of new plant equipment worth more than R30m was under way, expenditure which would boost production to 5 000 units an hour from 2 400 an hour previously

"The company has been profitable in the past, and we hope it will be so in future," Van Eck said

Reunert lifted attributable income after abnormal items 7% to R203m in the year to September and the dividend for the year was held at 36c The share has recently been trading just above its 12-month low of R14,79, reached on September 3, well down on January's R26,50 annual high

PPC planning for expansion drive

(193) BD 5/12/96



Graphic KAREN MOOLMAN Source PPC

Robyn Chalmers

PRETORIA Portland Cement planned to secure long-term borrowings for the first time to fund part of its expansion drive, budgeted at R370m (R217m) for the year ended September

PPC chairman Warren Clewlow said in this year's annual report expansion of the group's operations was being undertaken on a broad front involving high levels of expenditure.

PPC was developing its transport division to support the group's distribution activities in the wake of the cement cartel breaking up on September 30 this year

The second phase of construction in the recommissioning of the Dwaalboom plant to produce clinker should be completed by 1998.

The group had also obtained mining permits for limestone deposits at Grassridge near Port Elizabeth, and the Saldanha Steel contract — to dispose of slag generated by Saldanha Steel and supply lime — would provide long-term growth potential

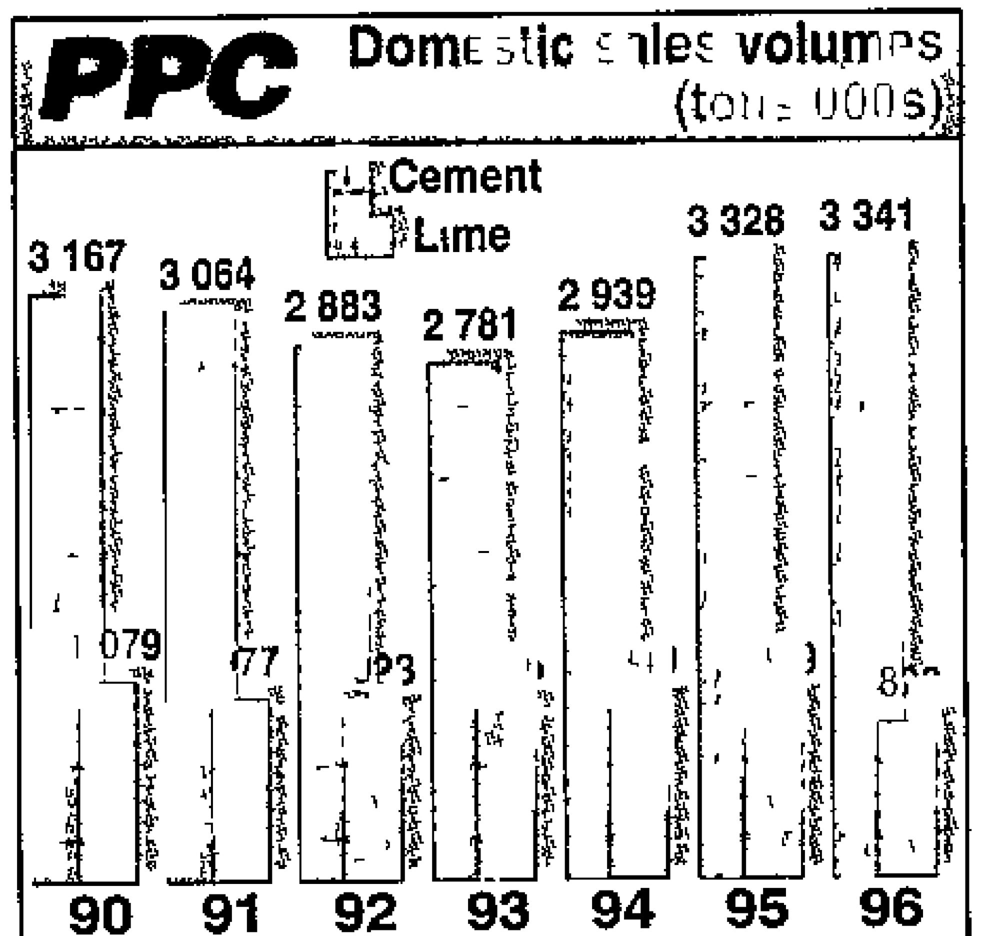
PPC posted unchanged earnings before exceptional items of 464,8c a share on a 25% rise in turnover to R1,55bn Turnover was boosted by delivery charges for cement sales, the commencement of a transport division and the effect of Afripack being a wholly owned subsidiary Cement sales volumes in SA increased marginally, with growth in the Western Cape offset by lower demand in other regions.

Lime sales volumes were lower owing to a general slowdown in demand and a reduction in profit margins following the abolition of the lime cartel These factors reduced the contribution of PPC Lime, whose operating profit fell 41% to R43,3m. Clewlow said operating costs would stabilise once the cement and lime businesses had adapted to the free market environment

"While only modest growth in cement sales volume is expected at this stage (cost reductions, a strong performance from the transport division) together with a good improvement in the contribution from the lime division should result in a satisfactory growth in group earnings next year," he said

PPC planning for expansion drive

(193) BD 5/12/96



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Marlin rocks industry in Kudu buyout

CT (BR) 9/12/96 (193)

Andi Spicer
Mining and Resources Editor

Johannesburg — Marlin, the granite producer is poised to conclude its deal to buy debt-ridden rival producer Kudu with help from mining group Anglo American after the due diligence inquiry ends tomorrow, sources close to the negotiations said on Friday

This will significantly increase Marlin's presence both in the local and international granite industry Marlin already has 19 percent of the local market, but with the acquisition of Kudu this will be boosted to 40 percent This, combined with Marlin's international network of distributors in Europe, will put the company in a commanding position

Kudu's parent company, Deutsche Steinindustrie's (Destag) of Germany, owns 58 per cent of Kudu, and it is this slice which Marlin is buying There has been some discontent among minority shareholders in Kudu, resulting in the necessity for Marlin to secure a block of ordinary shares held by management This impediment to the deal seems to have been overcome, said analysts

"To finance the buyout, Marlin could offer shares in Marlin and Kudu to Anglo American, but also in its international holding company IIE in Luxembourg Anglo would then gain offshore interests," a Johannesburg analyst said on Friday

Marlin's rise from financial problems a few years ago has been rapid, and it now has granite companies Minaco and Natural Stone in the fold The aquisition of Kudu will consolidate its dominant position particularly in the grey granite business, in which South Africa is a major world player

"This deal makes Marlin very powerful in the local South African granite business, and there are worries that the price war in the Rustenburg grey granite market will follow the takeover, which will not benefit the smaller producers," the analyst commented

The other significant player in the local granite industry, Kelgran, has about 43 percent of the market and was a previous bidder for Kudu earlier this year

Industry 'must grow 5%' to justify factory

Future of cement plant in balance

(193)

CT(BR) 11/12/96

Stuart Rutherford

Durban — Natal Portland Cement's (NPC) new R780 million cement factory hangs in the balance because of the slow growth of the cement market, the company said yesterday

Raimund Weber, NPC's managing director, said the national cement market had grown between 1,5 and 2 percent this year, but a growth rate of at least 5 percent was necessary next year to justify the new factory NPC is KwaZulu Natal's only cement producer

He said the board had postponed making a decision on the cement factory until March

A feasibility study for the project is under way, following tests earlier this year which showed that the company's mine in Simuma on KwaZulu Natal's south coast contained sufficient limestone and raw materials to support an 850 000-ton-a-year plant.

The addition of a new factory would double the company's capacity, which already had an estimated 12 percent of the national market, producing 900 000 tons of cement a year

The new cement factory would employ between 150 and 200 people

Weber said the project would probably be 50 percent funded by the company and 50 percent funded by PPC, Blue Circle and Alpha, its three equal shareholders

These three companies have been jostling for positions in the industry since the breakup of the cement cartel in October The cartel enjoyed 20 years of officially sanctioned protection

Natal Portland Cement said in August that it had completed a two-month diamond-drilling programme which had established limestone reserves of 200 million tons within the boundaries of Simuma It said previously that a minimum of 156 million tons was needed to justify putting up a second factory

Weber said he also expected the board to make a decision on whether to go ahead with the 14 000-ton storage silo at its Durban plant within four weeks. "I have no doubt that it will be approved, though," he said

The silo will cost about R21 million and take 14 months to construct It will enable the cmpany to mill continuously and store any excesses

The company is already investing R50 million in two 50-ton crushing rollers and associated equipment such as cement transport systems and a state-of-the-art separator in Durban

The additional roller press will increase output by about 20 percent to more than 1 million tons a year. It is due to come on stream next month.

Anglo helps Marlin buy into Kudu

Jabulani Sikhakhane
Business Editor

Johannesburg — Marlin, the granite producer, said yesterday that it would buy 56,2 percent of Kudu Granite from Germany's Deutsche Steinindustrie (Destag) for R24 million, or 100c a share, with the help of Anglo American.

The purchase price is 65c a share or 39 percent lower than the price initially mooted for the deal.

The reduced price follows a due-diligence inquiry which revealed Kudu was unable to generate sufficient cashflow to fund its continuing business and was saddled with debt of R71 million.

The price was also reduced by stock adjustments and the write-down of Kudu's mineral rights, Mario Marcenaro, a director of Marlin, said yesterday.

Marlin would also acquire Destag's other assets, including 33,3 percent of Natural Stone Processors, a granite beneficiation plant in North West Province, and Destag's granite marketing and distribution operations in France and Italy

Marlin will hold a rights issue to fund the acquisition and reduce Kudu's debt. The means it chooses to reduce Kudu's debt will depend on its other shareholders, particularly the MycomKeeley group, which owns between 20 and 30 percent of Kudu.

The first leg of the deal will be effected through IIE S a RL, the Luxemburg-based controlling shareholder of the Marlin group, which will acquire the Destag assets and then sell these on to Marlin at the same price

As a result of the complicated series of transactions, including a reduction of Destag's share capital, Anglo American, which owns 28 percent of Destag's equity, will become a 30 percent shareholder in IIE

The Kudu acquisition will raise Marlin's share of the South African Rustenburg granite output to 41 percent, putting it almost on par with Keeley Granite, its main local competitor

(193) 13/12/96 CT (BR)

MARLIN/KUDU/KELGRAN

CLEARING THE DECKS

FM 13/12/96 (193)

It looks very much as if Marlin's bid to acquire control of Kudu Granite will succeed, but this further concentration of power could set the stage for another bout of marketing warfare

Following last week's announcement that agreement had been reached in principle for Anglo American to take a 30% stake in Marlin's controlling shareholder IIE, a presentation and briefing has been called for Thursday Marlin financial director Ian MacMillan declines to make any comments ahead of this

If the deal goes through it has to be a favourable development for Marlin, assuming management has carried out the due diligence exercise properly and negotiated a realistic price

That price is likely to be well below the bid figure bandied around on the market of 165c Some analysts consider Kudu overpriced even at its current 146c

It should also be favourable for the overall industry, because it is a continuation of the consolidation trend of the past year Rice Rinaldi Turner analysts Michael Wuth and Philip Murphy point out this has transformed the industry into a more streamlined entity with fewer players having a larger market share and more diverse product ranges

They say "We believe the SA granite industry will move from strength to strength over the next few years Output and exports will continue to grow in line with expanding global demand, particularly in the Far East"

Despite this, some analysts are still seriously concerned over possible power plays and personality clashes between key executives at Kelgran and Marlin

Kelgran is now controlled by Malaysian company Mycom, which bought out Gencor, while Marlin is controlled by Italian business interests whose representative on the board is new business director Mario Marcenaro

If this leads to another bout of price cutting the companies could lose out on much of the benefits of current strength in the international granite market

Says an analyst "Executives can deny it all they like but given the nature of the business and the personalities of the players, there is a chance of corporate warfare erupting between the Malaysian Triads at Kelgran and the Italian 'Mafiosi' at Marlin

"It's no secret Kelgran is furious about being stymied by Marlin over the Kudu acquisition I would have been much happier with Kudu going to Kelgran because it would have stabilised the grey granite business"

Mario Marcenaro

Grey granite is the industry's bread and butter A Marlin/Kudu merger will oust Kelgran as leading producer

According to statistics published by Rice Rinaldi Turner, grey granite makes up 74% of total SA output Kelgran this year accounted for 36% of grey production with Marlin at 13,7% and Kudu at 27,3%, meaning Marlin and Kudu combined would amount to 41%

In terms of total market share for all types of granite, Kelgran has 42,1% while a combined Marlin/Kudu would have 36,6%

The Kudu acquisition could be swiftly followed by a rights issue from Marlin to pay for it as well as get rid of much of the debt inside Kudu Marlin's new controlling shareholders have shown previously that they are debt-averse

There could also be a restructuring of the group, as it would comprise four, interlinked, listings, Marlin, Marhold, Minaco and Kudu The market does not like messy, complicated holding structures that are difficult to understand

Among many ifs and buts still hanging over the deal is what stake Kelgran/Mycom could end up with in Kudu They have an option on Kudu MD Peet du Toit's 18% and market speculation is they may also have bought enough additional stock to take their stake to 25%

If Kelgran got sufficiently bloody-minded, that size stake means it could interfere in major decisions such as rights issues *Brendan Ryan*

CSO SALES

HEADING FOR A RECORD

The Central Selling Organisation (CSO) is due to report 1996 diamond sales figures next week Analysts expect another record year, most looking for total 1996 sales between US$4,7bn-$4,8bn, with at least two forecasting the final figure might even be as high as $4,9bn

Rough diamond sales totalled $4,53bn last year so the range of estimates works out to a gain of between 4,4% on sales of $4,7bn and 8% should they hit $4,9bn

The market, it seems, is surprisingly bullish on the prospects for both the diamond market and De Beers, after all the worries over the Russians and the Australians and other factors that have dominated forecasts for the past 18 months

Estimates of De Beers' results for the year to December are for increases ranging from 25%-40% on 1995 equity-accounted earnings of 938c (SA) per share The I-Net analyst consensus is for equity earnings of 1 285c, a 37% rise, and total dividends of 435,5c a share, which would be 28% up on 1995's 339,1c

BOE NatWest analyst Barry Sergeant is looking for CSO sales of $4,75bn, equity accounted earnings of 1 218c a share and a total dividend of 378c a share

He comments "In the SA context De Beers is a buy and offers good value on a forward p e ratio for 1997 of 9,8"

Standard Equities' James Picton has worked out his earnings forecast on CSO sales of $4,8bn but feels the final figure could be between $4,8bn-$4,9bn

He forecasts equity earnings of 1 250c and says "De Beers rates a buy at current

Cement sales rise sharply

(193)

Robyn Chalmers

BD 20/12/96

CEMENT sales, domestic and exports, grew strongly in November to boost total sales for the first 11 months of this year to 9,09-million tons, compared with 8,89-million tons for the same period last year

Analysts said yesterday sales were unlikely to grow more than 2% to 3% this year.

This remained significantly lower than the 6% growth initially forecast by the Cement & Concrete Institute However, analysts were confident next year would see a larger increase in total sales.

Institute figures showed domestic cement sales rose to 8,64-million tons in the year to November 30 from 8,59-million tons for the previous comparable period. Exports rose to 441 706 tons from 297 397 tons

Institute marketing manager John Sheath said the data base had been changed to reflect actual sales to end users Previously it included inter-producer sales

An analyst said cement demand could increase next year as the low-cost housing programme finally began to deliver mass housing. Public spending on infrastructure was also likely to rise

GRANITE COMPANIES (193) FM 20/12/96

TOTTING UP THE SCORE

As expected, Marlin last week acquired control of Kudu Granite but the dust is nowhere near starting to settle on this deal judging by the comments and actions from competitor Kelgran

Marlin's due diligence was largely expected to result in a lower price for Kudu than the nominal bid of 165c and prevailing JSE price of 146c but the 100c finally struck is surprisingly low

Some analysts were looking for between 110c-120c a share

By contrast, Mycom, the Malaysian company which controls Kelgran, has bought Kudu MD Peet du Toit's 18% for at least 165c

Kelgran financial director Heinie Werth says that Mycom had a call option on Du Toit's shares which it exercised a month ago at 165c He denies market speculation that Mycom actually paid 200c or more a share and exercised the option just last week

Du Toit is one of the winners in this deal After cashing in his chips for at least R12m — the value of his stake at 165c — he left Kudu on Friday and won't be returning to the business he founded

Says Werth "Mycom is positive on the future of the granite industry worldwide and, even though a minority stake is second prize, it feels there is still value to be had through investing in Kudu "

But Kelgran and Mycom are not happy about the price of 100c a Kudu share

Marlin new business director Mario Marcenaro indicated at last week's presentation the main reasons for this low price were Kudu's sky-high debt and poor short-term cash flow

According to Marcenaro, Kudu has R60m debt on the books and another R11m off-balance sheet

That's far worse than was expected by the market because Kudu's last financial statement for the year to June 1995 showed debt of R23m and pref share capital of R12,5m

Says Werth "We were not able to do a due diligence but our estimate of Kudu's total debt was about R55m Even allowing for this extra debt, the price of 100c is still too low and not fair to minorities After a due diligence exercise, our bid would still have been higher than 100c assuming there were no hidden problems other than the extra debt "

The price was accepted by Anglo American, which seems to have played a key role in getting Kudu's controlling shareholder Destag to accept it

Says Anglo financial manager David Fish "We decided that it was a fair price given Kudu's debt and the perceptions of the fair value of certain assets such as mineral rights "

Anglo is one of the losers in this deal Fish says Anglo has lost about DM60m (about R180m) since it bought its 28% stake in Destag in 1989 He points out these amounts have already been written off and hopes a successful Kudu/Marlin merger will start paying back profits to Anglo through its 30% stake in Marlin's holding company, IIE

What happens next seems to depend on Mycom/Kelgran Werth confirms Mycom has been buying Kudu shares in the market It holds 23% and intends to take its share to 25%, at which level it will be able to affect major business decisions such as the creation of new shares and rights issues

That could affect Marlin's plans to hold rights issues to pay for the Kudu acquisition, get rid of the debt in Kudu and restructure the group, which now consists of four listed companies Marlin, Marhold, Kudu and Minaco

Says Werth "We will have to see what happens next Any offer to Kudu minorities should be at a fair price and we do not think 100c is fair Mycom would like to hold discussions with Marlin on future developments at Kudu

"Whatever happens, we will act in such a way that nobody will be able to point a finger at us later and say we did not act in the best interests of Kudu "

At last week's presentation, Marcenaro said he hoped Kelgran would act in a responsible way towards the restructuring of Kudu

Asked what would happen if Kelgran, armed with a 25% stake, tried to block any restructuring, he said "The money is available to restructure Kudu We will first offer the deal to the shareholders and if it's not possible to do it this way because of negative reactions, then we'll do it another way

"We are happy to have Mycom/Kelgran as shareholders in Kudu at whatever stake they have because it shows what a good investment the company is " *Brendan Ryan*

Good volume growth likely in cement industry

BD 30/12/96 (193)

Robyn Chalmers

THE cement industry is likely to experience good volume growth over the next three years as the construction sector picks up, but prices could come under pressure following the dismantling of the cement cartel

A review by UBS Securities of the cement industry estimates that cement volumes should rise about 3% this year after showing no growth in the year to August

Cement volumes were expected to increase 6% next year and in 1998, largely as a result of an expected growth in gross domestic fixed investment of about 7% in real terms over the two years

The review said that the main driver behind the positive outlook for gross domestic fixed investment were expectations of strong growth in residential buildings, non-residential buildings and also civil engineering works relating to infrastructure development

Although the review said it did not expect a price war on a national basis, cement price increases were likely to remain below the level of inflation over a two- to three-year period This was largely due to regional shifts in market share and government pressure to keep prices below inflation in order to help boost the reconstruction and development programme

"All three producers (Pretoria Portland Cement, Alpha and Blue Circle) are adamant that they will not reduce prices to gain market share as this will lead to retaliation by competitors, resulting in the overall price level declining

"At the same time, they are equally adamant that they will defend market share almost at any cost," it said

The relatively high cost of transporting cement meant that certain producers could supply cement more cheaply than others without reducing ex-factory prices, which would lead to regional shifts in market share, it said

The review said forecasts of higher volume growth could see capacity utilisation rising to 75% on average next year and peak capacity utilisation could increase to as much as 86%

It said both Alpha and PPC were trading on premium ratings based on expected earnings next year, which were high as earnings growth was likely to be below the market average over the next three years

MANUF. — NON-MET.
MIN. PRODUCTS

1997

Erwin will examine cement firms' argument on merger

(193)

Lukanyo Mnyanda

BD 8/1/97

TRADE and Industry Minister Alec Erwin has asked cement companies Alpha and Blue Circle to present him with submissions on their proposed merger — more than three months after the Competition Board blocked the move

The two companies said yesterday they had received a letter from Erwin's office asking them to present their arguments for the merger in writing by next Wednesday. Erwin would then take a final decision on whether or not to overrule the recommendation of the board

Trade and industry ministry spokesmen did not confirm the deadline, saying Erwin would look into the matter after returning from holiday on Monday.

The companies had asked to meet Erwin to try to convince him to overturn the board's decision to block their proposed merger on the grounds it would not have promoted competition in the industry

This was the second time that the board had taken a decision against the cement industry. Government backed the board's 1994 ruling that the sector's 25-year-old cartel should be scrapped. The cartel formally came to an end last October.

Alpha and Blue Circle said yesterday they were relieved that the matter seemed likely to be settled soon, after having dragged on since June, as the uncertainty was affecting business prospects.

Both companies said they were still debating the nature of their submissions to Erwin, but that they would include points not covered in their original submission to the board

Analysts had warned Erwin was unlikely to overrule the board, citing his ministry's lack of urgency as evidence. One said recent board appointments indicated a tougher government stance on competition

Coastal pulls the threads together in textile deals

197 CT (PR) 10/11/97

Shirley Jones
KwaZulu Natal Editor

Durban — The realignment of the textile sector gathered momentum yesterday with Coastal Group's announcement that it had acquired a 100 percent shareholding in German entrepreneur Claus Daun's profitable de Nim Textiles in KwaZulu Natal

The company also pumped up its shareholding in Botswana-based Algo Spinning and Weaving to 77 percent for R151 million

The deal, which will be financed in cash by Coastal's parent company, Polysindo Eka Perkarsa, the Indonesian textile company, gives Coastal access not only to Algo's denim fabric production for R18 million, but to de Nim's denim fabric and garment plant and Potchefstroom cotton farms for R133 million This makes Coastal South Africa's most prominent cotton fibre producer and one of the textile industry's largest operators

Rajen Pillay, Coastal's managing director, said the joint transactions would increase the group's assets by R151 million Coastal comprises a non-operational R360 million greenfields spinning and weaving plant in Botswana in conjunction with the Botswana Development Corporation and a dormant polyester finishing plant in Hammarsdale

Thanks to the acquisitions, Coastal will deliver both profit and earnings for the first time since its rescue by Polysindo in early 1995

Pillay said financing delays which had held up the Botswana project, and hence the finishing plant in KwaZulu Natal, had been sorted out and he expected turnover from these facilities by year-end

He also said the announced acquisitions were just the beginning of an overall initial investment strategy which would see Polysindo invest $200 million in southern Africa within 18 months This makes Coastal the single largest investor in the region's textile sector to date

Pillay said a further acquisition of a big company was on the cards, although negotiations were far from being completed Industry sources speculated that Coastal's next acquisition could be Unispin, of which Daun holds 67 percent

Analysts who welcomed Coastal's buys also put forward Da Gama as an option, saying it was an open secret that price was the only issue holding back South African Breweries, another holding company disillusioned by the problems of the textile sector

However, Pillay said Coastal's acquisitions were a vote of confidence in the textile sector at a time when others were bailing out He said Polysindo would not inject massive amounts of capital on a whim

Coastal was thus looking not only to further upstream investment in its core polyester fabric business but also at expansion and integration of the newly acquired facilities

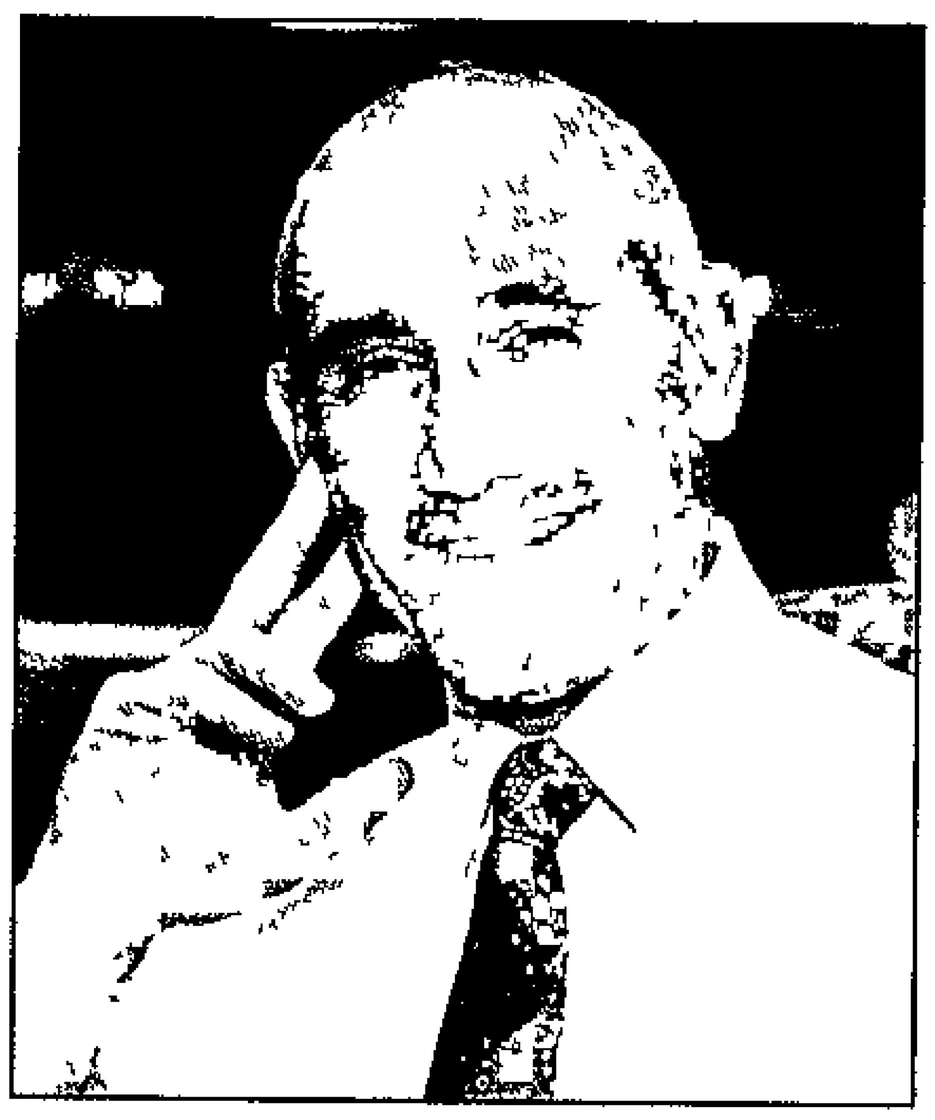
ALPHA LTD (793)

PLANS REINFORCED

FM 17/1/97

Broad hints that Alpha Ltd should abandon its plan for an R800m cement plant at Saldanha Bay have apparently fallen on deaf ears Even the loss of the Saldanha Steel slag contract to arch rival Pretoria Portland Cement (PPC) is not enough to deter Alpha

Alpha cement division director Marco Germena defends the company's stand on the new project, which is the subject of an Environmental Impact Assessment (EIA) He says there is misunderstanding surrounding the issue, to the extent that some people believe there will be a duplication of cement producing facilities at Saldanha if both Alpha and PPC go ahead with their respective projects "We would like to clarify this issue, especially in respect of the parties associated with the EIA "



Marco Germena *misunderstanding surrounding the issue*

Germena says the slag from Saldanha Steel can be used to replace a proportion of the limestone in the manufacture of cement When ground and added to clinker together with gypsum it produces a blended cement which is suitable for many applications Because it is a waste product of the steel manufacturing process, it can usually be obtained more cheaply than the equivalent quantity of limestone and is therefore favoured by cement manufacturers and customers

Its use has the additional benefit of disposing of a large quantity of industrial waste that would otherwise have to be disposed of in landfills

Having concluded the slag contract with Saldanha Steel, PPC intends to build a slag-grinding mill which will be situated on that property From there, it will be disposed of as PPC sees fit This may include, among other options

- Transporting it to existing PPC factories at Piketberg and Riebeeck in order to manufacture cement, and
- Sale of an (unknown) proportion on the open market to the building industry

Had Alpha concluded this contract, similar slag-grinding facilities would have been constructed in order to supply the cement plant at Saldanha

"Since more slag will be produced by Saldanha Steel than could be used at the cement plant, Alpha would have sold the balance on the open market, in the same way that PPC is intending to do There will therefore be no duplication of cement-producing facilities at Saldanha if both PPC and Alpha are located there

"It has also been suggested that the loss of the slag contract means that one of the main motivating factors for Alpha's location at Saldanha has been lost This is not correct We would like to refer interested and affected parties to the summary background information document published at the beginning of the EIA for the project in which our rationale for locating at Saldanha was stated The three principle reasons are

- Lack of market penetration in the Western Cape,
- The location of suitable limestone reserves at Saldanha, and
- The proximity to an export port "

Alpha purchased the cement factory site, the surface and mining rights for the limestone quarries and the servitudes for the conveyor between 1970 and 1985 for the above reasons, says Germena

"The company sees the use of slag from Saldanha Steel as a useful synergy, but not as a primary motivating factor for the project Furthermore, it must be remembered that an investment in a new cement factory is a long-term investment (30 years plus) and it cannot be assumed that over this period slag from Saldanha Steel will not be available to Alpha It may be available through another channel such as the possibility of Alpha purchasing surplus slag on the open market "

With growth rates of 6% being bandied about, Alpha will not be deterred from getting into the Western Cape — traditionally a PPC market

And the prospect of African exports is a further inducement not to allow the opportunity to slip ■

KUDU GRANITE (193)

DEBT SQUEEZE

FM 17/1/97

The delayed publication of the annual report for the year to June provides some of the statistical meat behind the recent takeover battle for the company, with Marlin beating Kelgran (*Fox* November 22, December 13 and 20)

Despite the upbeat comments from former Kudu MD Peet du Toit — he departed immediately Marlin got control — about improved yields and profitability, at end-June Kudu was up to its ears in debt and haemorrhaging cash

Du Toit believed that the improved profitability would generate better cash

- **ACTIVITIES** *Mines and markets granite*
- **CONTROL** *Marlin Holdings 56%*
- **CHAIRMAN** *P L Nelles MD P J du Toit*
- **CAPITAL STRUCTURE** *41,8m ords Market capitalisation R46m*
- **SHARE MARKET** *Price 110c Yields 5,9% on dividend, 18,1% on earnings, p e ratio, 5,5, cover, 3,1 12-month high, 195c, low, 110c Trading volume last quarter, 2,9m shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	17,2	21,7	21,2	27,9
LT debt (Rm)	1,9	1,5	2,0	3,3
Debt equity ratio	1,0	0,99	0,84	0,82
Turnover (Rm)	101	105	107	116
Operating profit (Rm)	13,8	*12,7	11,8	14,2
Taxed profit (Rm)	5,1	*8,5	5,4	8,3
Earnings (c)	11,8	*18,0	13,7	19,9
Dividends (c)	4,0	4,9	3,9	6,5

* Restated

flows, which would contribute to a reduction in borrowings However, the notes to the accounts show that the group last year was forced to go off-balance sheet to fund its capital expenditure

That was one of the points made by Marlin new business director Mario Marcenaro to justify the rock-bottom price of R1 at which his group acquired Kudu after making a nominal bid of 165c/share, subject to the outcome of a due diligence exercise

Marcenaro told financial analysts and media in December last year that Kudu had R60m of debt on its books and another R11m off balance sheet

The report shows debt of R51,7m on the balance sheet at end-June The notes to the accounts reveal a commitment to pay R11,3m over five years to cover the cost of an agreement entered into during the financial year for the lease of plant and equipment Presumably, the extra R8m debt was run up in the first half of the current financial year to end-December

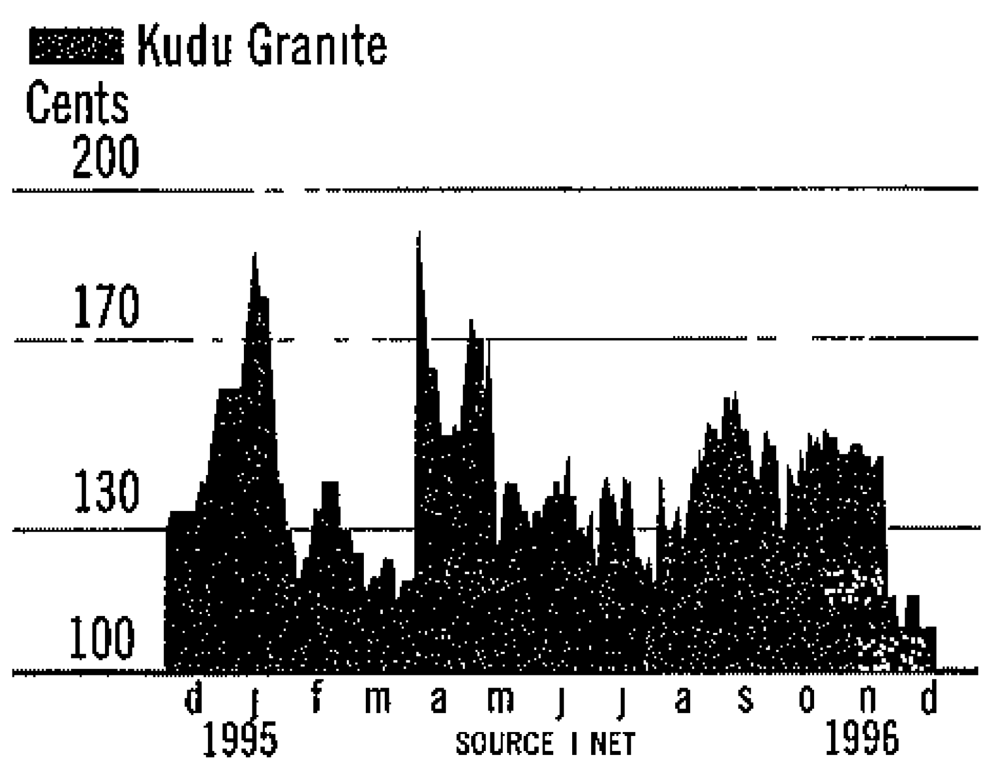
Borrowings rose to R31,2m (1995 R23,1m), while shareholders' loans nearly doubled to R14,1m because Kudu had to borrow to meet the scheduled repayment of R6m on its preference share capital, which dropped to R6,5m from R12,5m While attributable income rose 54% to R8,3m (year-ago R5,4m), the most telling number is the outflow of R7,2m, in the cash flow statement

The best news in the report is the yield improvement at Kudu's Rustenburg grey granite quarries, where the heavy capital investments made in new plant and mining technology seem to be paying off

What happens next to Kudu depends on how quickly Marlin brings its restructuring plan into action And that depends partly on what happens between the group and competitor Kelgran

Kelgran MD Henry Laas doesn't consider the R1 acquisition price fair to minorities, particularly since Kelgran's controller Mycom bought Du Toit's 17% stake for at least 165c/share

Mycom also bought more shares in the market to increase its stake to 25% At that level, Mycom/Kelgran can interfere with Marlin's plans for Kudu but, according to Marcenaro, cannot block them, because there are alternative ways to achieve what Marlin wants to do The two sides were scheduled to meet for discussions early this week



Marlin plans to hold rights issues to eliminate debt in Kudu and then to restructure its operations The current structure is complex, involving four listed companies — Marlin Holdings, Marlin Granite, Minaco and Kudu Marlin also has to take over management at Kudu with minimal disruption

The big worry for investors is a possible renewed marketing war between Kelgran and Marlin This would have disastrous effects on profits of both groups Both say they don't want this to happen, as it makes little sense, and that they're easily selling all their current output But judging by the granite sector's history, it could go either way *Brendan Ryan*

Housing delays hobble cement sales

Robyn Chalmers (193) BD 22/1/97

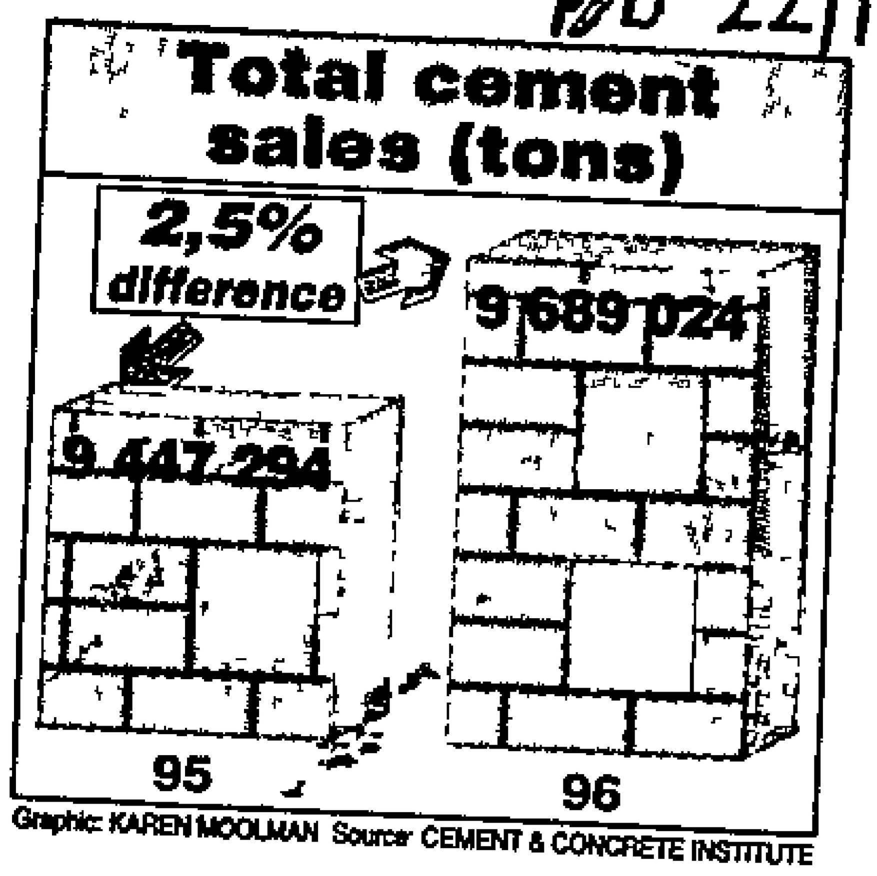
CEMENT sales failed to live up to expectations last year, rising only 2,5% to 9,68-million tons over 1995 which analysts attributed largely to slow growth in building and construction gross domestic fixed investment (GDFI)

Figures from the Cement and Concrete Institute showed domestic cement sales rose to 9,19-million tons from 9,14-million tons in 1995 while exports increased to 490 395 tons (1995. 297 563 tons)

At the beginning of the year, Pretoria Portland Cement estimated sales would rise between 6% and 8% this year, Alpha believed a 4% increase was on target and Blue Circle Cement predicted 8% to 10%.

However, the institute — formerly called the SA Cement Producers Association — estimated that demand for cement would rise between 2% and 3%

Analysts said the weak domestic cement volumes were largely the result of the slow start to government's low-cost housing programme as well as limited investment in social infrastructure



Graphic: KAREN MOOLMAN Source: CEMENT & CONCRETE INSTITUTE

They believed that last year was the slowest year for SA's three producers PPC, Alpha and Blue Circle in terms of volumes growth and this would pick up this year.

Volumes were likely to be driven by growth in public sector investment, specifically the reconstruction and development programme (RDP), an analyst said

"There are encouraging signs that the RDP is finally starting to take off and the progress on the low-cost housing front should provide a boost for volumes," he said

GDFI growth over the next three years was likely to be driven similarly The analyst forecast a real increase in overall GDFI of 6,8% this year and 7% next year, driven largely by the building and construction component of GDFI which was expected to rise 13% this year and next

"The building and construction section of GDFI consists mainly of civil engineering works relating to infrastructure development Government has made it clear that this is where the major push will be in the coming years"

Another analyst expected 4% growth in volumes this year, assisted by the fact that it was coming off a low base last year.

"Most contractors seem satisfied that there is sufficient work until mid-year," he said

Alpha wins R470m contract

MPHO MANTJIU (193) CT(BR) 27/1/97

Johannesburg — Alpha, the cement and concrete manufacturer, has won a R470 million contract to supply cement and pre-mixed concrete to the North West Builders' Federation in a project financed by the public works department, the two groups said on Friday

The contract involves the building of the province's Phase IV schools project, which is aimed at establishing more than 140 schools over a period of five years

The partnership was formed after presentations made by different companies at Sun City last year at the invitation of the federation

Danny Elliot, the president of the federation, said it was Alpha's display of commitment and involvement in the training and empowerment of emerging builders that influenced their decision on the partnership Alpha will be the sole supplier of the products to the members of the federation which represents 1 300 emerging contractors across the province

The four-year-old federation recently completed a R17 million contract for the construction of the Mabopane Central shopping complex in a joint venture with LTA, the listed building and construction group North West is mainly involved in the cement industry and has the largest concentration of national capacity, located on extensive limestone reserves

Emergent road builder may have to close

Caltex denies supplies to Cape asphalt maker

CT (BR) 11/2/97 (193)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — A shortage of bitumen in the Western Cape is threatening the survival of an emerging business, which has secured 25 percent of the premix asphalt market for regional road surfacing over the past two years

Processing problems at Caltex, the region's sole refinery, have left the oil company unable to meet local demand for bitumen

Robin Fyfe, the general manager of More Asphalt, which has a 40 percent black shareholding, said Caltex had cut off supplies at short notice in the past week

"We are now having to truck in bitumen from Gauteng, which is pushing up the cost to us by about 25 percent "

This, he said, put his firm at a major competitive disadvantage to sole competitor Colas Southern Africa, a Murray & Roberts subsidiary, which as a customer of Caltex was still being supplied by the Cape Town refinery

Caltex spokesman Niaal Kramer confirmed bitumen was in short supply because Caltex was using a non-Iranian crude unsuitable for producing bitumen

"We have a week's supply in hand and must obviously service our own customers first We are talking to our existing customers about alternative plans "

He said bitumen comprised only 2 percent of total production at the Cape Town refinery, and all other products were unaffected Kramer could not say how long the shortage was expected to last

"We are working on the technology side, but it is complicated," he said

Fyfe said More Asphalt was contracted to Engen but had approached Caltex to take a contract out with them in the hope of benefiting from preferential treatment "But we were told even if we did so they had already committed available supplies to their customers

"They cannot even tell us for how long this situation will go on During the last shortage Engen absorbed some of the costs of trucking supplies in for us, but they can't do that indefinitely"

Fyfe said prior to More Asphalt's formation, Colas was the sole private sector premix asphalt player in the region "If this competitive disadvantage goes on for much longer they will again be the only player," he said

COMPAN

Higher manufacturing costs knock improved turnover

(193)
CT (BR) 12/2/97

Alpha hurt by demise of cartel

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — Building material supplier Alpha has been hard hit by the break-up of the cement cartel, reporting a 1,7 percent decline in attributable earnings for the year to December 31

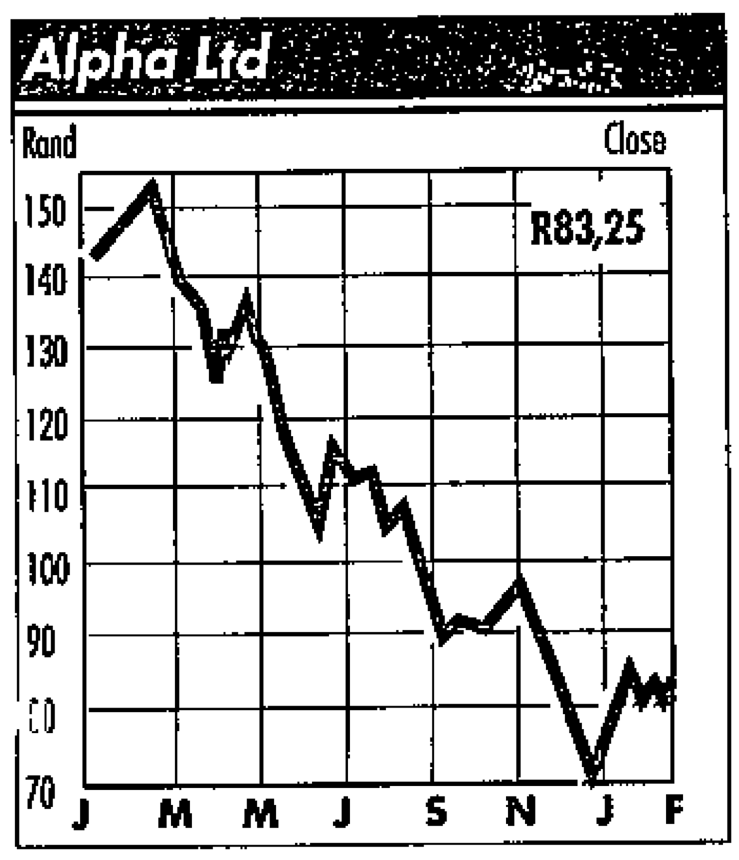
While turnover was up 18,8 percent at R1,7 billion, operating profit fell 18,2 percent to R254 million because of higher maintenance expenditures on manufacturing plants and additional marketing costs following the termination of the cartel

This was partly offset by a substantially lower tax rate of 8 percent (28 percent)

Borrowings increased to finance the lime kiln and additional working capital, resulting in finance charges rising sharply to R24,2 million (R7,9 million)

Anticipating rosier prospects for this year, a final dividend of 200c a share will be paid, bringing the total dividend for the year to 280c, up 7,7 percent on the previous year

Trevor Wagner, the financial director, said that while turnover had increased, this was mainly through the inclusion of new subsidiaries and transport revenue in the cement division for the first time following the termination of the cartel Demand for the company's products, he said,



had been lower than expected and remained at similar levels to the previous year This was largely attributable to the excessive rains in the first quarter of the year, the low level of economic activity and the absence of any significant investment in infrastructure Cement sales, which account for 48 percent of group turnover, had increased by a disappointing 3 percent

Wagner said stronger demand for cement and ready-mix concrete was forecast during 1997 in line with higher forecasts for civil construction work There were also signs that low-cost housing delivery would gain momentum this year

The group was forecasting an improvement in profit before tax and cash flow this year, but as the tax rate was expected to rise, earnings would show only a slight improvement, he said

Competition Board snuffs out cement merger again

ST(BT) 23/2/97 (193)

CARTEL RULING

By MARCIA KLEIN

THE Competition Board has recommended that Trade and Industry Minister Alec Erwin once again reject the proposed merger between two of the three large cement producers in the country, Anglo Alpha and Murray & Roberts' Blue Circle

Competition Board chairman Pierre Brooks said on Friday that the two parties had made further submissions, but that these did not allay its concerns "The latest concessions submitted by the two groups were not enough to offset the disadvantages of the merger," he said

The board's ruling has been handed to Erwin Trade and Industry says the matter is being considered, but Erwin is unlikely to overrule the board

Blue Circle chief executive Carl Grim says he has heard nothing "The minister wrote to us in December asking for a final comment, which we submitted At this stage we are waiting to hear" Alpha also says it has not yet been informed

The proposed deal, which was announced in June prior to the September 30 disbanding of the 25-year cement cartel of Alpha, Blue Circle and Pretoria Portland Cement, was blocked in September after a board investigation

The merger would have given the two companies 55% of the R2-billion-a-year market The board said in September that "with little prospect of new rivals entering the market as well as the negligible threat of imports, there were insufficient market pressures after the merger to ensure that these efficiencies would filter through to benefit the end users of cement" The two companies then appealed to government to overrule the board's recommendations and made a joint submission to the minister

Building materials competition depresses Masonite

(193) CT (BR) 25/2/97

STUART RUTHERFORD

Durban — Continuing competition in the building materials market, locally and internationally, pushed Masonite's attributable earnings 13 percent lower to R11,2 million (R12,9 million) for the year to December 31, said Alan Wilson, the managing director, yesterday

Operating income fell 10 percent to R24,3 million from R27 million despite a rise in turnover of 14 percent to R220,5 million (R192,7 million)

A final dividend of 30c a ordinary share has been declared, bringing the total dividend to 42c compared with 50c for last year

Wilson said the growth in turnover resulted from larger volumes becoming available from the Plate Glass-controlled hardboard plant in Zimbabwe and earnings being enhanced by R3 million from decentralisation incentives

He said the competitive nature of the market had resulted in poor price realisation and decreased margins

"Economic sectors such as furniture remain weak The high interest rates and the unlikelihood of any reductions during the first half of this year contribute towards a poor outlook for the economy as a whole," Wilson said

He said any improvement would depend on a variety of factors including an improvement in the global economy and the fall-out of competitors

"Our strategy is to add more value to the products, and we will be launching several new products designed specifically for the export market

"We are not expecting anything fantastic this year, but in the long term things will definitely be better," Wilson said

Blue Circle may bring in foreign partner

(193) BD 3/3/97

Lukanyo Mnyanda

BLUE Circle Cement was considering bringing in a foreign partner to boost capacity following Trade and Industry Minister Alec Erwin's decision to back the Competition Board's ruling against Blue Circle's proposed merger with Alpha

Blue Circle chairman Carl Grim said at the weekend that the company was "not unduly perturbed" and was now looking at other opportunities. "We will look at possible international partners," he said.

Erwin told the companies earlier in the week that he would uphold the Competition Board's recommendations, against the merger

The company had considered the possibility of Erwin overruling the board to be unlikely and was "fairly well covered", Grim said "We have increased our capacity 10% during the past year and the lower market growth will take off some of the pressure"

The company was exploring ways to enhance the technical capabilities of its cement clinker

The merger was rejected by the Competition Board last year

It said there was little prospect for new entrants and a negligible threat of imports There would have been insufficient pressure to ensure the merger benefited the consumer

Alpha MD Johan Pretorius said the decision was "bad news", but not unexpected The companies would look at expansion plans individually

Slow year expected for cement industry

Lukanyo Mnyanda BD 6/3/97 (193)

THE cement industry's margins are likely to be depressed by negligible volume growth this year, but should start picking up from 1998 when RDP-related housing and infrastructural development takes off

Analysts said yesterday that cement sales growth would be modest this year at between 3% and 6%, and would not be able to offset higher coal and labour costs Cement companies, especially Alpha whose proposed merger with Blue Circle was turned down by Trade and Industry Minister Alec Erwin last week, were also likely to begin expansion programmes which could add to their interest bills

One analyst said Blue Circle was unlikely to start expansion immediately, as it had recently increased its capacity.

Chairman Carl Grim said last week the company had increased capacity 10% in the past year and was looking at enhancing its cement clinker

Another analyst said central and local government — with general elections due in about two years — were under increasing pressure and should start spending more on housing and infrastructure developments. "They need to have something to show their constituencies " He said the fundamentals were in place and the sector should start taking off towards the end of this year

"We are not expecting a great performance from any of the cement companies this year and sales volumes should only grow about 3% to 4%," another analyst said

The demise of the cement cartel had led to aggressive pricing competition and this should put more pressure on margins.

"There is nothing great on a one year view. Earnings growth should be lacklustre at under 10%," another analyst said

However, increased fixed investment from 1998 should provide some relief for the sector which was still feeling the effects of the cartel's break-up

Tile maker fires up earnings

CT(BR) 11/3/97 (193)

Jonathan Rosenthal

Johannesburg — Ceramic Industries, which over the past few years laboured to grow earnings in the face of increasing imports and a slow building industry, reported a 31 percent increase in earnings to 43c a share for the six months ending on January 31

The largest manufacturer of ceramic tiles in South Africa, Ceramic Industries increased market share at the expense of imports and boosted turnover 51 percent to R10,5 million for the half-year But the company failed to repeat its performance of last year, in which operating income rose faster than turnover, and showed a weakening in margins, with attributable income climbing 31 percent.

Johan Bouwer, the financial manager, said margins had come under pressure from labour conflicts at the Betta Sanitaryware division in Krugersdorp. The division had been subject to a major restructuring in which the introduction of new plant and technology had led to retrenchments and strikes The division made "significant" losses during the six months, Bouwer said, and the company aimed to bring Betta Sanitaryware back to breakeven by year-end

He said the more significant market growth was in the domestic markets for pressed wall and floor tiles A new clay milling plant under construction at Babelegi at a cost of R20 million would increase production capacity of pressed floor tiles by about 30 percent.

The company declared an interim dividend of 8c a share compared with 6c during the comparable period last year

Battista Errera, the chief executive, said the company expected to maintain its current sales for the second half. But sales of industrial split tiles, dependent on the local building industry, would not increase dramatically given a weaker rand. He said the present earnings growth would be maintained in the second half.

Ceramic's share price was unchanged yesterday at 750c.

Automakers to invest R1bn

CT (BR) 11/3/97

Roy Cokayne

Pretoria — Automakers, the holding company of Nissan South Africa, is to invest about R1 billion in new models and expansion of facilities at its Rosslyn plant between now and 2000, Johan Kleynhans, the group affairs and communication director of Nissan, said yesterday.

That follows the announcement by Nissan Motor Company last week that it is to acquire a 50 percent stake in Automakers for R3,90 a share, or R360,75 million, effective from July 1 this year The acquisition is conditional on minority shareholders accepting an offer by Sankorp, the investment corporation of Sanlam and Automakers's largest shareholder, on January 20 this year, to buy their shares at 411c before the delisting of the company

Kleynhans said R200 million of the R990 million to be invested by Automakers between now and 2000 was earmarked for the Fiat Palio range, comprising six derivatives, which would be launched in South Africa in 1999

He said the first new Nissan models to be launched in South Africa after the equity stake acquired by Nissan Motor Company of Japan would be in August this year Kleynhans said the Fiat Palio would not replace the Uno but would be manufactured alongside it.

He said Automakers' product plan had been approved on the basis of Nissan Motor's investment But, he said, additional models might be introduced apart from those in the product plan.

He said South Africa was the first country to be assigned the Palio for right-hand-drive manufacture Only South Africa and India would be assigned to manufacture the right-hand-drive model. From a development viewpoint, this could result in export benefits for Automakers, Kleynhans said

Cement merger blocked for second time

Robyn Chalmers BD 13/3/97 (193)

THE proposed merger between cement companies Alpha and Blue Circle Cement has been officially blocked for the second time

Trade and Industry Minister Alec Erwin said yesterday he had decided to accept the Competition Board's recommendation that the proposed merger between the two cement companies should not be allowed

Erwin said the decision had been made after careful consideration of all the relevant points raised in the board's report and consultation with the parties involved Alpha and Blue Circle, a subsidiary of Murray & Roberts, agreed with Erwin that his decision brought the matter to a close

The proposed deal was announced last June, just three months before the 25-year cement cartel was disbanded The board recommended in September that the merger should not be allowed, saying there was little prospect of new market entrants and a negligible threat of imports There would be insufficient market pressures after the merger to ensure benefit for the consumer, it said

Alpha and Blue Circle then turned to Erwin to overrule the board's recommendation, a last resort which was effectively blocked yesterday

Alpha's share price closed untraded yesterday at R86 The share price has recovered well from the 12-month low of R71,25 hit in mid-December last year after a one-year high of R137 was reached in March last year The counter of Pretoria Portland Cement, the main rival to Alpha and Blue Circle, was unaffected yesterday, closing untraded at R77

Analysts said the Alpha counter did not trade yesterday as the market had expected the merger to be stopped and had already discounted it

Alpha and Murray & Roberts announced earlier this month that they were withdrawing a cautionary announcement relating to the proposed merger after Erwin indicated he was likely to block it

Alpha MD Johan Pretorius said the reasoning behind the proposed merger was to create two companies of almost equal strength competing in the marketplace

A Blue Circle spokesman said it was not in the longer-term interests of the industry to block the merger as SA needed an internationally competitive cement industry in the long term

ALPHA

INVESTING IN CAPACITY

(193) FM 14/3/97

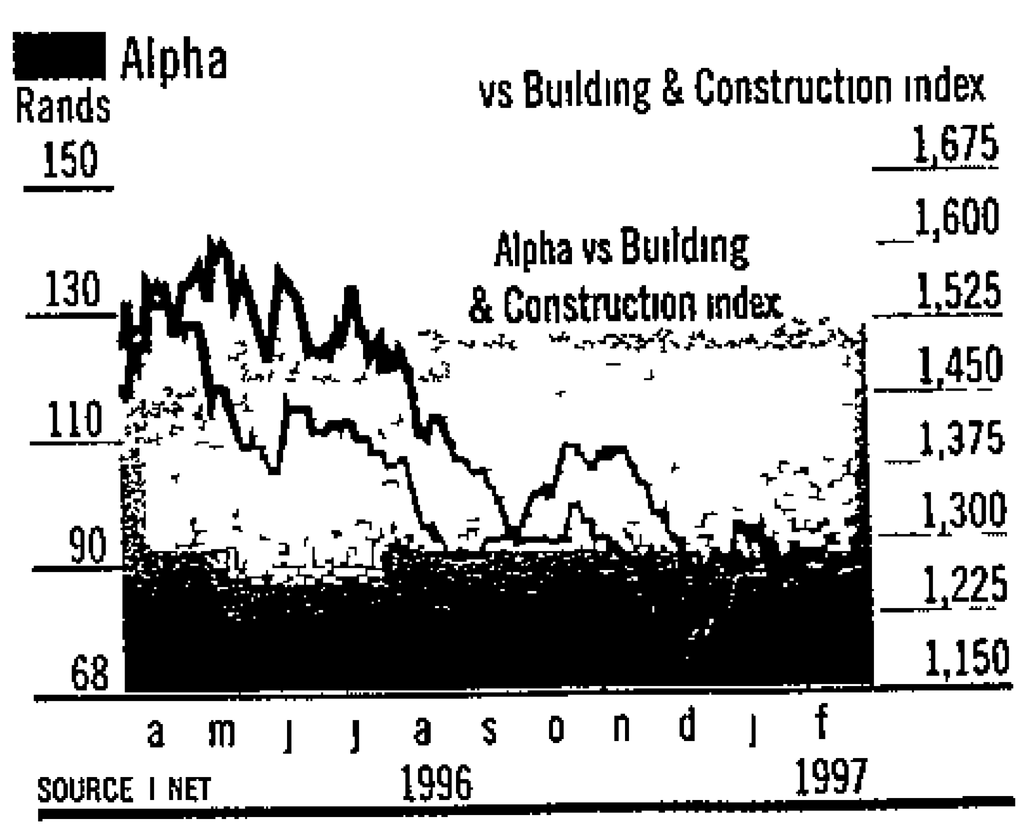
1996 was a torrid time for companies dependent on the fixed investment spending cycle The euphoria of the previous two years gave way to pessimism (or realism) about government's ability to deliver on its various social upliftment programmes

- **ACTIVITIES.** *Production and distribution of cement and related products*
- **CONTROL.** *Altur Investments (54,8%)*
- **CHAIRMAN·** *P Byland MD J G Pretorius*
- **CAPITAL STRUCTURE** *30,1m ords Market capitalisation R2,62bn*
- **SHARE MARKET** *Price 8 725c Yields 3,2% on dividend, 7,0% on earnings, p e ratio, 14,2, cover, 2,2 12-month high, 15 400c, low, 7 150c Trading volume last quarter, 803 083 shares*

Year to December 31	'93	'94	'95	'96
ST debt (Rm)	55,6	98,3	44,7	75,0
LT debt (Rm)	125,0	34,5	94,7	159,4
Debt equity ratio	0 06	0,05	0,03	0,09
Shareholders' interest	0,83	0,78	0,78	0,80
Int & leasing cover	7,8	24,3	62,8	12,6
Return on cap (%)	12,3	18,9	19,9	15,1
Turnover (Rm)	919	1 168	1 454	1 728
Pre-int profit (Rm)*	209,3	271,1	328,9	271,8
Pre-int margin (%)*	23,0	23,2	22,6	15,7
Earnings (c)†	377,9	385,2	583,0	613,3
Dividends (c)	175,0	205,0	260,0	280,0
Tangible NAV (c)	5 423	5 500	6 296	6 847

* Historic cost † Current cost

In Alpha's case these problems were compounded by internal factors, some industry-related, others not They included larger charges against profits for depreciation and interest following commissioning of a new kiln at Alpha Lime's Danielskuil facility, abnormal plant breakdowns (mainly at Ulco) and much higher energy costs



Like other cement companies, Alpha was affected by the costs of establishing its own distribution network following termination of the cement cartel, and the effects on turnover of an unusually wet 1995-1996 summer

This wiped out 1995's 21% operating profit gain and, after taking into account net interest charges, pre-tax profit (historic cost) fell 23% on 1995 and 4% below the corresponding 1994 figure

This was balanced by a virtual elimination of the tax charge (7,7% of pre-tax profit versus 28,1% the previous year) The bottom line, after current cost depreciation and including retained earnings of associates, was up fractionally

Robert Tshabalala

***Johan Pretorius** forecasts a resurgence of operating profit*

Chairman Peter Byland and MD Johan Pretorius both expect this profit pattern to reverse this year they are forecasting a resurgence of operating profit as some of the nonrecurrent events of 1996 work their way out of the system However, as the tax charge normalises, this is not expected to filter through to EPS which, like last year, will probably show only a marginal improvement

Unusually, if one excludes one-off profit drains, it seems Alpha's bottom line, smoothed by tax, is giving a more accurate picture of general industry conditions than are operating results This picture is not particularly encouraging, being dominated by sluggish spending on infrastructure and delays in getting RDP spending off the ground

Alpha's view is that the hiatus is temporary and that the expectations on which the 1994-1995 euphoria were based will still become reality Pretorius says the group is planning to spend roughly R1,1bn at current costs over the three years to 1999, of which more than 40% will be to expand capacity (a decision on a new cement plant is expected to be taken by mid-1997) The rest will be absorbed by routine plant replacement and refurbishment

This compares with net capex and investment of about R600m for the three years to 1996 and the group's present (current cost) fixed asset base of R1,6bn

With gearing of only 9% and gross cash flow exceeding R300m a year, these spending plans should not upset the balance sheet

To the extent that borrowings are used to supplement cash flow, the same may not be true of the income statement Initial returns on new capacity in the cement industry tend to be wafer thin

Alpha's gross return on net capital employed for 1996, at current cost, was only 9,1% — probably a fair reflection of what can be expected from new investment. It was also 3,5 percentage points below the group average cost of borrowings (total interest charges on year-end debt)

Even if the comparison is based on 1995, when operating profit peaked, it merely results in break-even on interest charges, the gross return just matching the 13,6% average borrowings cost

There's nothing new in this, nor is it

confined to Alpha But it underlines why earnings growth in capital-intensive, GDFI-based companies is likely to be slow and steady rather than spectacular

It would also support the premise that the euphoria that drove Alpha's share price to a high of R154 early in 1996 and a 26 times p e ratio was excessive The question now, with the share price 43% off its peak, is whether the pendulum has not swung too far the other way

Alpha has significantly underperformed both the JSE industrial market and, more importantly, the Building & Construction sector, with respective total returns over the past year (capital plus income) of -33% for the share and -21% for the sector index

This can be ascribed partly to disappointment over government's veto of the merger of Alpha with Blue Circle But against this is the company's view that its relative competitive position in a non-cartel environment is at least as strong as that of the other cement majors — implying it expects to grow under the new dispensation in line with the overall market, much the same as it would have had the cartel not been disbanded

The question of investment merit now boils down to whether we are, at last, going to see the boom in social infrastructural spending expected since the 1994 elections If Alpha's positive view prevails, the price "adjustment" to the share over the past year should ensure sound returns over the medium to long term *Brian Thompson*

LTA

CASH MOUNTING UP

LTA's unbroken 10-year record of growth in headline earnings and expectations that this will continue in 1997 have resulted in a significant rerating of the share in the building & construction sector

Over the past year, the price has gained 10%, which, with dividends declared, gave shareholders a total return of 12,5% Though this failed to match the 17% growth in earnings, it was achieved in depressed market conditions

These did not favour companies dependent on gross domestic fixed investment and contributed to a decline of around 23% in the building sector index LTA's rating in the sector moved to a 15% premium based on earnings multiples, a year ago, it was at a 10% discount

ACTIVITIES *Building and construction, civil engineering, and so on*
CONTROL *Amic 68,1%*
CHAIRMAN *H K Davies MD C V Campbell*
CAPITAL STRUCTURE *28,3m ords Market capitalisation R792m*
SHARE MARKET *Price R28 Yields 2,4% on dividend, 6,8% on earnings, p e ratio, 14,7, cover, 2,8 12-month high, R29, low, R17 Trading volume last quarter, 513 209 shares*

Year to December 31	*'93	'94	'95	'96
ST debt (Rm)	59,0	78,7	61,4	36,8
LT debt (Rm)	37,9	19,1	6,6	54,1
Debt equity ratio	(0,15)	(0,46)	(0,46)	(0,95)
Shareholders' interest	0,70	0,21	0,22	0,18
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	n/a	6,7	7,1	6,5
Turnover (Rm)	1 839	2 346	2 511	3 016
Pre-int profit (Rm)	26,4	61,8	75,3	96,5
Pre-int margin (%)	1,4	2,6	3,0	3,2
Earnings (c)	23,4	133,2	161,8	189,9
Dividends (c)	33,0	50,0	57,5	68,0
Tangible NAV (c)	613	671	772	873

* Nine-month accounting period, annualised

Few would consider the upward rating undeserved The earnings advance was broadly based, with four of the group's five operating divisions achieving or beating start-of-year budgets The only one that didn't was Process Engineering, which, outgoing chairman Hilton Davies says, suffered from a lack of work

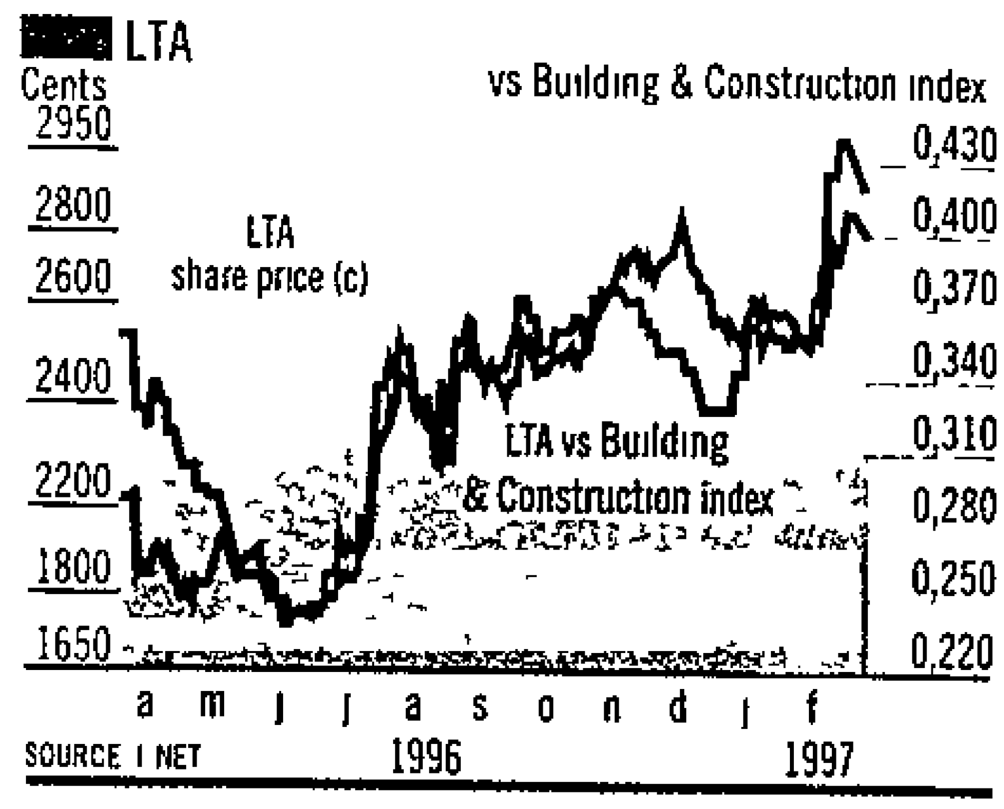
The earnings advance was accompanied by a spectacular strengthening of the balance sheet Net cash resources surged R142m (131%) to almost R250m — exceeding tangible net worth (R247m) and just R13m short of total shareholders' funds, including minority interests

Hilton Davies *spectacular strengthening of the balance sheet*

MD Colin Campbell attributes this to "good cash management " A more fundamental reason seems to have been an unusually favourable year-end working capital situation

At December 31, the group had a negative working capital requirement of R397m, equivalent to 13% of turnover The corresponding figure for the previous two years averaged about 5% This arose because of sharp upticks in contract and trade creditors, which far exceeded increases in the group's inventories and contract debtors

The year-end cash lake may be temporary It was not representative of LTA's overall financial position throughout the



period Annual interest receipts were just enough to cover borrowing costs

Both amounts were significantly below respective 1995 comparatives despite increases in total debt and cash at bank and on deposit at December 31

Whatever the reason, the group continues to succeed in financing an increasing proportion of its business with cost-free funds

The ratio of such funds to total assets in 1996 was 72%, up from 64% in 1994 This benefited equity returns and partly explains why return on equity was a commendable 21,8% (1995 20,9%)

Davies notes that work on hand exceeds R2,5bn or 83% of last year's R3bn turnover

With the potential for work from Cape Town's Olympic bid, government's privatisation programme, long-term contracts that have already been secured and other opportunities identified, Davies and Campbell believe there will be enough impetus to ensure further earnings growth

Campbell's divisional reviews indicate that, like 1996, the advance should be broadly based across the main divisions, though in Process Engineering (last year's weak spot) this outlook depends on additional work being secured

MARCH 15/16 1997

Cement strike threatens Cape building sector

(193) (SB)

Wage talks in deadlock

ARG 15/3/97

THABO MABASO
Staff Reporter

Cape Town's busy construction industry could face shortages of building material following a strike at two major stone, cement and concrete supply companies.

The industrial action by Construction and Allied Workers Union (Cawu) members at three Ready Mix Materials plants started two weeks ago over wages. Cawu represents the majority of the workforce at the plants.

On Wednesday, about 45 percent Alpha's stone and readymix division workers went on strike throughout the country.

Cawu is pushing for a 13 percent wage increase and Ready Mix Materials is offering nine percent.

The two have now approached the Commission for Conciliation, Mediation and Arbitration.

Ready Mix Materials managing director John Horsefield said the strike had also affected production at the company's Eastern Cape, KwaZulu-Natal and Bloemfontein plants.

"The majority of workers in these provinces are not at work. We have skeleton crews and are just managing to limp along."

Alpha's stone and readymix division director Karl Meissner-Roloff said production had been affected but the company was doing its best to meet customer demands.

An executive at a major construction company who preferred not to be named said the strike had had no serious effects as yet.

"There are often shortages of cement. We don't know if this time it's because of the strike."

But the National Black Contractors and Allied Trades Forum (Nabcat), which represents small black contractors, said the effects of the strike were already being felt and if nothing was done by Monday a "crisis" could occur.

"The material that these companies supply is supposed to be used immediately. If the strike does go on, it will have an impact on fast-track projects such as the Malmesbury and Wingfield prison projects and one or two road projects," Nabcat chairman Darawees Gasant said.

"The two companies involved are major players in the industry and there is a very small number of others who can provide the service they offer."

Wynand Stapelberg, secretary general of the Building Bargaining Council, a Gauteng-based construction industry employer-employee negotiating forum, said the strike in Gauteng had had minimal effect so far.

But he warned that if it went on for too long it could have disastrous effects on the building industry.

Cawu secretary general Matthew Oliphant held out little hope of the strike ending soon.

"The indication is that workers want the strike to continue until a reasonable resolution is reached.

"For now there is no end to the strike," he said.

GRANITE INDUSTRY (193)

PREPARING FOR GROWTH

FM 21/3/97

So far, so good It seems the two main players in the granite industry — Kelgran and Marlin — have settled their differences after the fight for control of Kudu

That's a conclusion of the latest authoritative review of the sector by Rice Rinaldi Turner analysts Mike Wuth and Philip Murphy, who predict the granite companies are looking at strong earnings growth over the next two years

"Moves in the Marlin and Kelgran camps suggest plans for expansion Overall, the outlook for the industry appears positive," they say

Announcements from both companies on further restructuring are imminent

Kelgran needs to raise funds to reduce its debt, which totalled R60m at December 31, and pay for a R45m gangsaw plant — but it does not want to hold a rights issue

When Kelgran's interims were released last month, MD Henry Laas said management considered the share undervalued and a rights issue would make it worse

In contrast, Marlin has held rights issues in Marlin and holding company Marhold to fund the Kudu acquisition, and a rights issue in Kudu itself is next to retire its debt

As a result of these issues Wuth and Murphy have attributed a lower rating to Marlin's valuation than to Kelgran's, as Marlin has to establish a track record on this expanded capital base

Kelgran's share price stands at 390c and the analysts rate the stock as showing value to R5 Marlin is at 85c, the analysts' valuation is 116c

Marlin MD Graham Treagus says the rights issues to fund the Kudu acquisition have gone smoothly and Marlin is finalising a group restructuring which should be announced within a month After that the rights issue in Kudu will be tackled

Wuth and Murphy say the plan is to group all the Rustenburg operations under Kudu, all the beneficiation interests under Minaco and everything else under Marlin

Turning to production, the analysts estimate SA granite production rose 17% to a record 881 000 t last year from 754 546 t in 1995 and they forecast this volume will exceed 1 Mt for the first time during 1997 because of the expansion plans under way

Despite rising local output, SA has lost export market share, dropping from 13% in 1991 to 11% in 1995 because of expanding exports from countries like Brazil, India and China China has moved from third to first place, with 19% of the market in 1995

The analysts expect significant expansion of local beneficiation Only 11% of SA's annual granite production is beneficiated locally and the country has fewer than 10 processing lines for the conversion of raw blocks into slabs and tiles

"When one considers that India — until recently on a par with SA in terms of raw granite exports — has established more than 100 processing lines in the last five years, one can understand the scope that exists in the medium to long term for the granite beneficiation industry in SA " *Brendan Ryan*

Job boost for Saldanha

Go-ahead for slag mill construction

(193) ARG 22/3/97

THABO MABASO
BUSINESS REPORTER

The sleepy West Coast fishing town of Saldanha Bay is poised for a boost in job creation and housing after an environmental impact study gave the green light for the construction of a slag mill by a major cement manufacturing company.

Pretoria Portland Cement (PPC) said that construction of the mill would start in April this year

The environmental impact study was commissioned in January after PPC was awarded a 15-year contract for the handling and supply of materials to the Saldanha Steel project.

It was commissioned because the slag mill was not accounted for in the environmental study on Saldanha Steel

PPC group managing director John Gomersall said the company would abide by the recommendations of the environmental report

"The slag mill is a relatively small part of the overall Saldanha Steel project, but it will be built and managed by PPC with the same rigorous attention to protecting the environment that we apply at all our operations," he said

The mill will grind approximately 230 000 tons of slag by-product generated annually by Saldanha Steel

Some of this material will then be sold to the building and construction industry and the remainder blended with ordinary portland cement

PPC has also committed itself and subcontractors on the mill to employ local people wherever possible

The company's general manager for corporate affairs, Mark Drewell, told the Cape Argus that while the mill was being constructed 600 people would be employed on the project.

"The objective is to try as much as possible to fill two-thirds of the jobs created with local people during the construction phase."

Construction will continue until mid-1998, when the mill is expected to come fully into operation

After the slag mill has been completed, PPC will employ a core-group of 32 workers who will be trained by the group as skilled operators of material handling depots

Mr Drewell also said that they would liaise with Saldanha Steel Community Forum about the provision of houses for its permanent employees

"We haven't got definite ideas on that plan," he said

The environmental impact report also recommended that the mill be fitted with bag filters to reduce dust emissions and that the buildings be designed in such a way that noise levels were considerably reduced

Report sees good export potential for granite

(193) CT(BR) 25/3/97

ANDI SPICER

Johannesburg — The South African granite industry is due for strong earnings growth in the next two years, driven by increased exports and higher output, but care should be taken to prevent transfer pricing, a new report by JSE brokers Rice Rinaldi Turner said

"We retain our positive outlook for the industry as a whole and continue to see granite as a growth sector on the JSE . but an issue that will need to be guarded against is that of transfer pricing," analysts Mike Wuth and Philip Murphy said

Transfer pricing is when a company produces materials and sells them at a loss or at cost to another company, which adds value and makes all the profit

In the case of granite, analysts are worried that most of the profit and added value would be earned in Italy or elsewhere, rather than in South Africa

The Marlin Group, RED Graniti and Kelgran dominate the South African granite industry Marlin and RED Graniti have strong ties with Italy, and Kelgran is controlled by Mycom, a Malaysian conglomerate

Marlin bought rival Kudu Granite late last year with the help of mining house Anglo American Analysts were concerned that Marlin, with its large distribution and beneficiation network in Europe, would be able to make most of its profit overseas

The report says, however, that increased transparency in the granite industry will make transfer pricing "unlikely"

The brokers argue that overall the outlook for the industry looks positive But it also says there are some who see a potential conflict between Marlin and Kelgran over Mycom/Kelgran's 25 percent shareholding in Kudu, "citing Kelgran's ability to interfere with the planned rights issue in Kudu"

Cement industry predicts slow short-term growth

Lukanyo Mnyanda (193) BD 4/4/97

CEMENT sales rose marginally to 1,45-million tons in January and February compared to 1,39-million tons in the same period last year, confirming the industry would have to wait for a boost from increased investment

Analysts said yesterday the modest growth could be attributed to the continuing low level of public and private sector investment, though the longer-term outlook was more favourable

They said although heavy rains could be a contributing factor, the figure was in line with expectations and confirmed that the industry would experience sluggish growth this year

Volume growth would remain modest at between 3% and 5% for the rest of the year, but major projects in the pipeline such as the Maputo corridor development — expected to attract up to R23bn in joint venture and greenfield investment — should provide welcome relief in the next two years

One analyst noted that government had budgeted for a decline in capital expenditure this year, which was disappointing news for the industry But capex should increase from next year, peaking in 1999

Analysts also noted that the African National Congress government would have to contest a general election in 1999, by which time it should have evidence of delivery to satisfy its constituency

Government subsidies for low-cost housing were on the increase but this had not yet translated into volume growth for cement companies Low-cost housing was expected to provide a boost when actual construction took off But high interest rates were likely to restrict growth in the bondable market

"Interest rates are a key (to a contribution from housing) and it is hard to see how people can afford mortgages at these rates," one analyst said

Warning on cement producers' sales tactic

Lukanyo Mnyanda BD 7/4/97 (193)

SA's main cement producers have encroached on merchants' business by selling straight to the end user in the wake of the demise of the cement cartel, says the Cement Merchants' Association (CMA)

Chairman Charles Matthews said the body — formed to secure favourable trading conditions for merchants in dealings with SA's main producers — had been dealt a heavy blow by the cartel's demise

It had also seen its membership dwindle as more merchants opted to negotiate independently with producers, believing this would secure them better trading conditions

"This is a result of the aggressive drive for market share by manufacturers, who have begun negotiating directly with merchants The opening of the markets has left many merchants feeling they no longer need the CMA as a mouthpiece," Matthews said

He warned that although merchants were able to secure better deals individually under the new system, SA's main producers were encroaching on merchants' business by selling directly to the end user.

The producers were not accountable to merchants and there were no clear rules regarding policy or pricing Minimum standards should be set on quantities producers were allowed to sell directly to users. There needed to be broad agreement on pricing to ensure producers did not underwrite merchants by selling directly at lower prices. "On the matter of policy and pricing, the CMA intends to meet the manufacturers individually to ensure rebates are based on volume and are a benefit to the merchant alone "

Kudu loses R23,4m over six months

(193)

David McKay

20/11/4/97

KUDU Granite Holdings reported an attributable loss of R23,4m in the six months to December, compared with full year earnings of R8,3m in the year to June last year, which reflected accounting adjustments arising from the takeover of Kudu Granite by Marlin Corporation

The company, which said the results were not comparable with the previous period due to a change in the year end, reported a share loss of 54,4c from earnings of 19,9c in last year's financial year. No interim dividend was declared.

Marlin Corporation acquired a 56,2% controlling interest in Kudu Granite in January this year, which created SA's second largest granite producer in terms of market share

A spokesman for Marlin Corporation said Kudu's profits for the year to December this year were expected to exceed those for the year to June last year

Marlin bought Kudu Granite through the acquisition of assets owned by Destag AG, a deal which was announced in December last year after several months of speculation that SA's other major granite producer, Kelgran, was trying to buy Kudu

Analysts take cautious line over Boumat's prospects

(193)

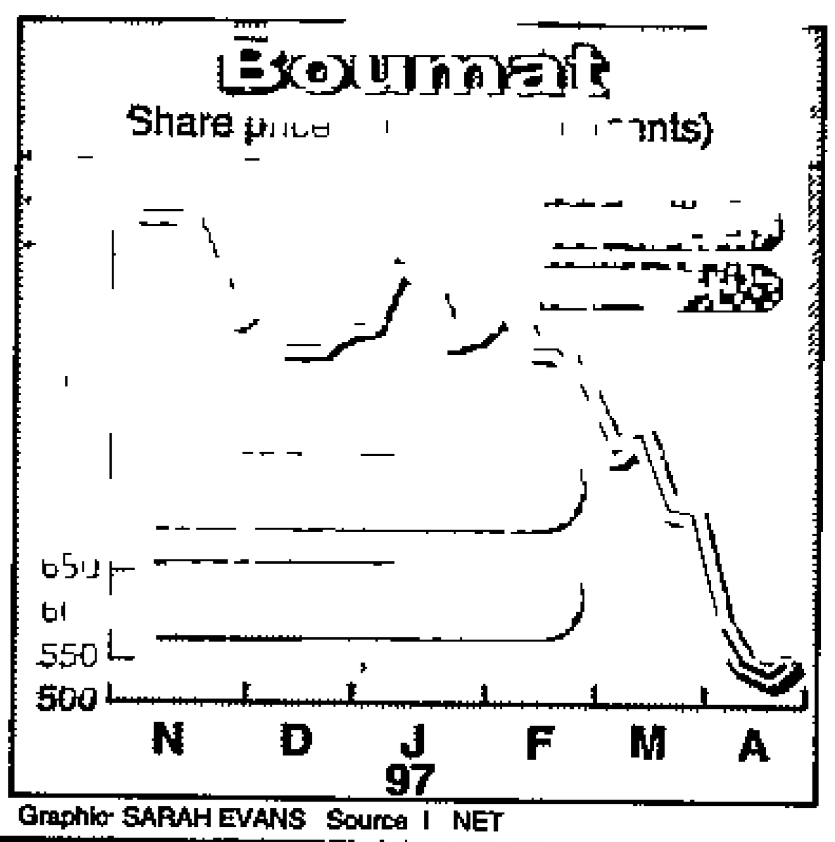
Lukanyo Mnyanda BD 18/4/97

BUILDING materials company Boumat's share price tumbled about 24% this month, as analysts revised growth forecasts downward for the year to June in expectation of tough trading and high restructuring costs.

The share staged a minor recovery yesterday and gained 10c to close at R5,50 on the Johannesburg Stock Exchange It moved off the R5 annual low it reached earlier in the month but was a far cry from the R17,90 12-month high it hit last April

Analysts said the latest fall in the share price could be attributed to market expectations of lower than expected earnings growth as restructuring costs cut into the bottom line They originally expected the company to show share earnings of about 100c at the year end, but these had been downscaled to between 50c and 71c

Loss-maker Home Warehouse was being affected by intense competition and should take between a year and 18 months before breaking even, which should provide a boost to share and earnings growth



Graphic: SARAH EVANS Source: I NET

"It (Boumat) is in the right industry but is suffering from intense competition and volumes are quite low," an analyst said

One analyst said Boumat was undervalued and should stage a recovery once all its divisions had been fully restructured Another said it was "volatile" with prospects closely linked to economic movements.

Analysts were also concerned about Boumat's merchant division, which saw operating profit fall by 32% in the interim period

Boumat CEO Peter Glendinning said he was confident of improved earnings this year though the company would be affected by "fairly tight" trading conditions and heavy rains during March

He said the low cost housing market had started to pick up.

Marlin to build on rock-solid foundation

(193)

20/4/97 ST (BT)

After a year of acquisitions, production is set to expand and dividend payments should resume, reports JULIE WALKER

MARLIN Corporation produced good earnings growth in the year to December 1996 and expects to do better following a year of acquisitions

During 1996, Marlin bought 71 4% of the listed Minaco for R18-million, 100% of Natural Stone Quarries and Natural Stone Exporters for R16 4-million, followed by the purchase of German group Destag AG's South African assets which included 56 2% of listed Kudu Granite and a third of the equity of Natural Stone Processors for R48 8-million

After the year-end, a rights issue raised cash to cover the acquisitions and leave Marlin with R70-million net cash Managing director Graham Treagus says the group's structure will be rationalised as four quoted vehicles, Marcorp and Marhold, Minaco and Kudu are unnecessary

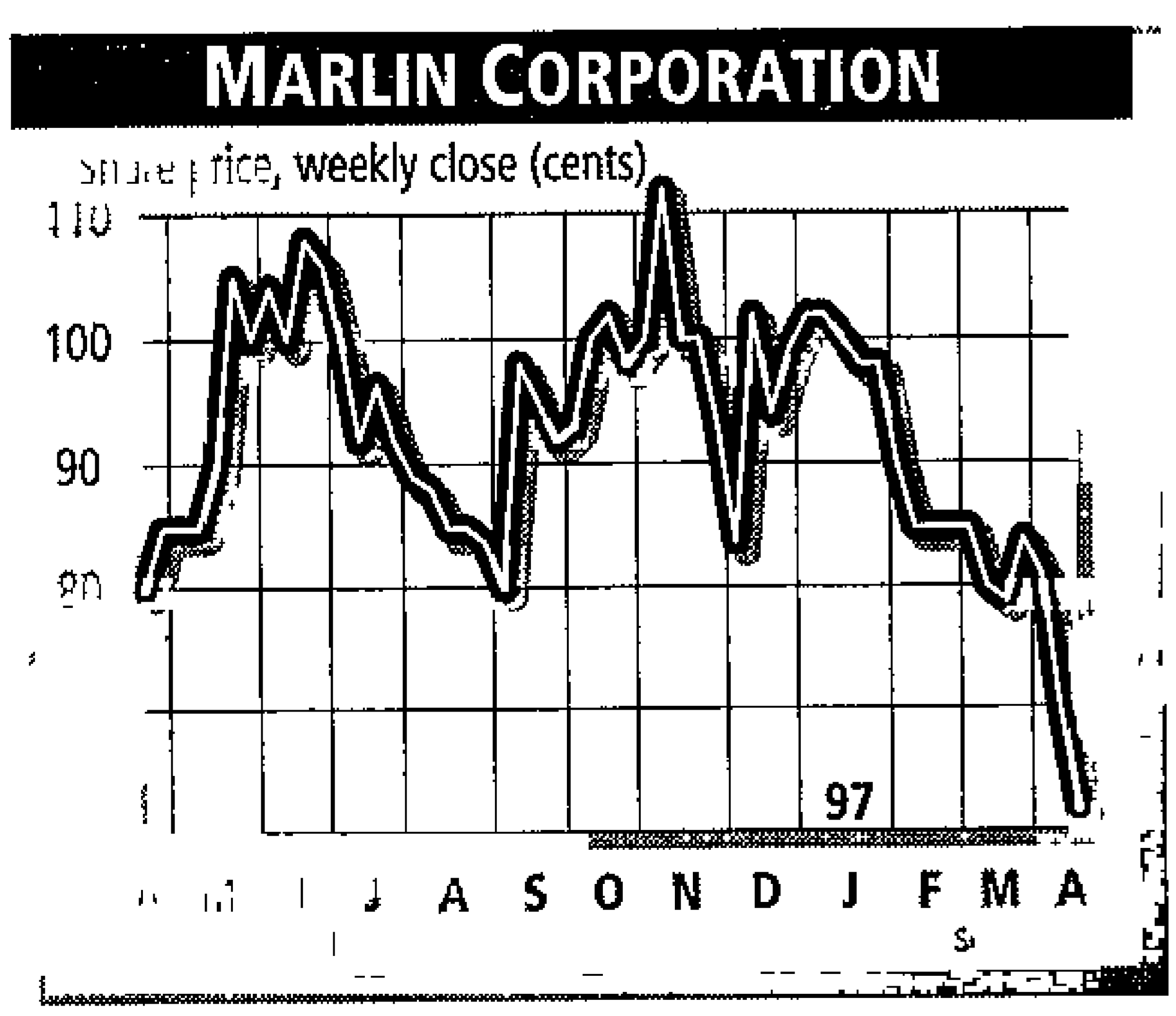
Enlarged operations lifted Marlin's turnover by 81% to R156-million and operating profit was improved by 174% to R14 8-million Earnings a share climbed by 127% to 5c No dividend was declared

Marlin's SA quarries contributed R8 1-million to the divisional operating profit — 50% more than in 1995 Minaco's quarries also contributed R4 3-million and its stake in foreign marketing company Mondial R2 2-million

Marlin's North American quarries — a success story by any yardstick — made R4 1-million, which contribution was unfortunately wiped out by a matching loss (before R2-million of finance charges) in Marble Pentelic, the group's beneficiation operations

Treagus says Marble Pentelic underwent a major equipment overhaul, took some write-offs and is being restructured so that the primary beneficiation of blocks into slabs takes place closer to the quarries and entirely separate from the manufacture of products for consumers

Mario Marcenaro says demand is strong for Marlin's three key products Rustenburg Grey, Belfast Black and African Red, and the green stone produced at its north-west Cape quarries is gaining acceptance He is especially pleased that stone from the quarry Virginia Mist, in which Marlin recently acquired an interest as part of its North American operations, is to be used for the new head office of Dutch bank Amro "It is a high profile start for a new material," says Marcenaro, who adds that when South Africa starts to grant casino licences, domestic demand for high-quality material should pick up



Marlin is also investigating in Zimbabwe (two quarries), Mozambique and in Madagascar

Looking ahead, Marlin expects production growth to continue Last year was the year of big acquisitions and this year, beneficiation will receive attention The recommencement of dividend payments can be expected this year

Nevertheless, Marlin Corporation's share price slipped 7c to a year's low of 62c after the results

MASONITE (193)

FM 25/4/97

Poor first half stymies results

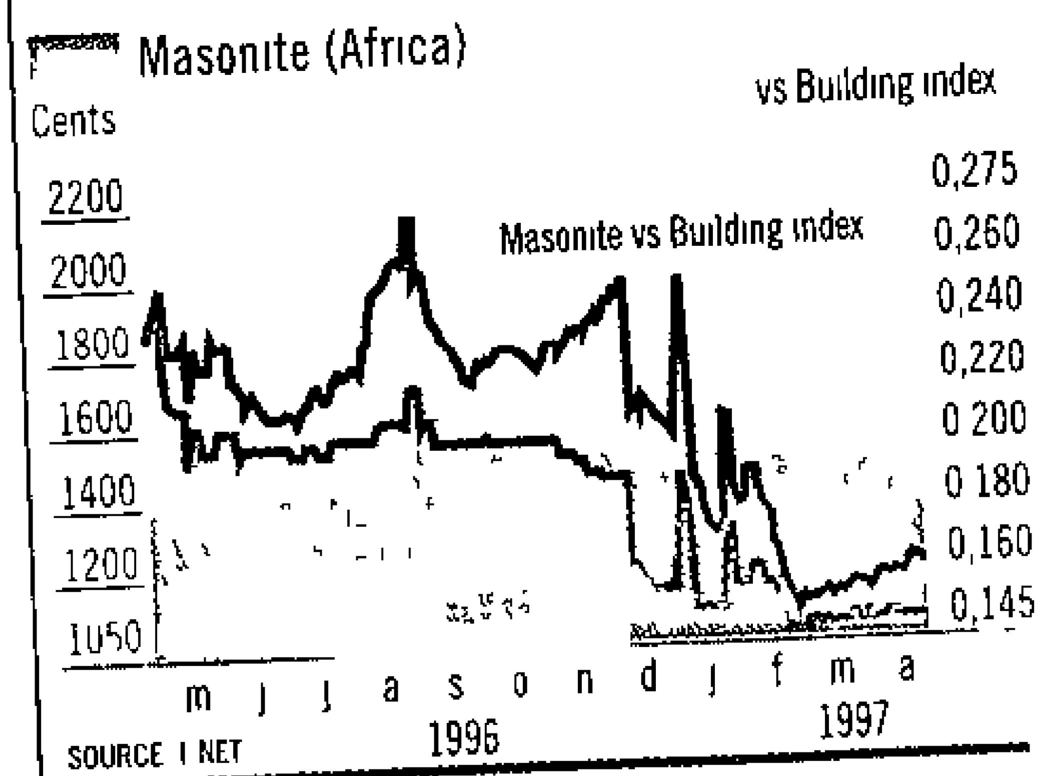
And the share price halves in sympathy

A year ago, while warning of a tough first half, chairman/MD Alan Wilson hoped that 1996 would extend Masonite's recovery from its early-Nineties setbacks But though the second half of last year was indeed better than the previous year, it was not good enough to overcome the steep slump in first-half earnings

Implicit second-half EPS are in fact 29% up on 1995, at 94,5c (73,5c), but coming after

- **ACTIVITIES** *Makes and distributes wood products, owns and develops plantations*
- **CONTROL** *Masonite (US) 66,7%*
- **CHAIRMAN & MD** *A Wilson*
- **CAPITAL STRUCTURE** *8,82m ords Market capitalisation R97,9m*
- **SHARE MARKET** *Price R11,10 Yields 3,8% on dividend, 14,8% on earnings, p e ratio, 6,7, cover, 3,9 12-month high, R21, low, R10,90 Trading volume last quarter, 30 000 shares*

Year to December 31	'93	'94	'95	'96
ST debt (Rm)	4,7	3,2	2,0	6,8
LT debt (Rm)	2,3	0,7	0,5	0,8
Debt equity ratio	0,5	—	—	—
Shareholders' interest	0,66	0,67	0,66	0,65
Int & leasing cover	15,6	71,7	n/a	23,1
Return on cap (%)	10,8	14,8	16,3	12,0
Turnover (Rm)	137	155	193	221
Pre-int profit (Rm)	11,0	14,8	20,7	16,1
Pre-int margin (%)	8,0	9,6	10,8	7,6
Earnings (c)	98,6	142,2	188,6	164,5
Dividends (c)	35	38	50	47
Tangible NAV (c)	983	1 087	1 226	13[illegible]



the first-half dip from 115c to 70c, annual EPS are still 13% lower

Wilson says the year started badly in both domestic and export markets For the full year, local hardboard sales volumes were only 2% down, and mineral fibre board sales were the highest ever, rising 28% But prices remained under pressure, squeezing margins (though they got better as the year wore on), and the improvement in local markets is proving difficult to sustain

Hardboard export volumes rose 45%, thanks to new markets Prices fell in real terms, but continued depreciation of the rand helped offset this

Performance of the Estcourt mill was excellent, despite a number of "unusual" disruptions Industrial relations were good, with no labour stoppages The forestry division had a mixed year, a freak snowfall causing severe damage to the Greytown plantation

The balance sheet remains strong While borrowings increased over the year, year-end net cash rose from R2,4m to R3,3m However, 1995's net interest income of R173 000 was converted into a R703 000 net charge

This apparent anomaly reflects a midyear hump in long-term liabilities These were R406 000 at end-1995, R725 000 at end-1996, but a whacking R13m at half-time Financial director Dave Cooper explains this is partly a seasonal factor, as stocks are normally large at midyear and financed by bank facilities which are run down by year-end, compounded last year by an abnormal build-up in stocks because of slack first-half demand

The abbreviated balance sheet published at half time does not break down current assets, but the fall in total current liabilities from R74,7m at June 30 to R71,2m at year-end largely reflects a restoration of the stock position to normal levels

Wilson expects 1997 to be a tough year for the economy, but hopes for increased domestic sales volumes as the housing backlog at last starts to be run down He hopes Masonite's strength in the door industry will more than counterbalance possible downturns in other segments

EPS peaked as far back as 1991, at 228c, when dividends were 60c, having been even higher in the mid-Eighties About 10 years ago, the share price was R17 This has hardly been a rewarding investment for long-term holders, though wide fluctuations in the share price have offered jobbing opportunities

The latest slide, almost halving in the past year, has taken the share price below published NAV — which, taking plantations and other properties in at cost (less depreciation), is almost certainly understated So, for those prepared to treat Masonite as a trading stock, this could be an entry opportunity with little downside risk

Michael Coulson

PPC chief says signals point in right direction for his firm

BD 2/5/97 (193)

Lukanyo Mnyanda

SLOW volume growth and a higher tax bill were expected to cut into cement producer PPC's bottom line, resulting in flat or slightly lower earnings growth in the six months to March, analysts said

They said predictions for PPC were in line with market expectations as SA's three producers continued to grapple with the transition from cartel to free markets for the cement and lime businesses But the medium-term outlook for PPC was better, the analysts said Cement sales for the six months to March were likely to be distorted by March's public holidays and heavy rains which depressed industry volumes

Forecast earnings growth for PPC's year-end were more up-beat at between 9% and 11%, although one analyst said earnings growth could be as low as 6% "The tax bill should cut into the bottom line and we should see about 5% for the half year," an analyst said He expected higher growth for the full year at 520c or 11%

Another analyst said PPC was well placed to lift market share next year, when it would benefit from an expected surge in infrastructure developments as the Maputo Corridor and other major projects came on stream

PPC Cement managing director Clive Tasker said growth depended largely on interest rates and an acceleration in government's housing programme

The signals currently were pointing in the right direction

Tasker said the first three months of the financial year had been characterised by flat volume growth as high interest rates discouraged private sector investment

Government infrastructure development had not come through yet, while increasing building plans still had to translate into higher cement sales, Tasker said

COMPAN

Excellence overseas cannot counter damage

Plate Glass hit by market woes

CT (BR) 9/5/97 (193)

ANN CROTTY
CONSUMER INDUSTRIES EDITOR

Johannesburg — An excellent performance from its international operations was not sufficient to counter the effects of local production problems and a dismal domestic market for Plate Glass & Shatterprufe Industries (PGSI)

It reported a 6 percent fall in earnings to 702,2c a share for the 12 months to March 31 from 745c in the previous year A final dividend of 184c a share has been declared, making an unchanged total for the year of 333c. Shareholders may elect to receive capitalisation shares instead of a cash dividend

The income statement was helped by the consolidation of the group's newly merged US operation, Vistar, in which PGSI has a 40 percent stake The stake is held through PGSI's overseas arm, Belron, which also includes operations in the UK, continental Europe and Australia

The first-time inclusion of all of Vistar was behind the 45 percent increase in turnover to R6,6 billion from R4,5 billion It also accounted for the 33 percent rise in operating profit to R567,9 million from R425,7 million The lower operating margins — down from 9,4 percent to 8,6 percent — reflect the difficult operating conditions at home.

Dividends received were down and net financing costs up, leaving pre-tax income showing a 31 percent advance to R508,3 million. Outside shareholders' interests were up substantially to R157,2 million from R26,7 million, reflecting the effects of accommodating the Vistar minorities

Attributable income was down 4 percent to R279,4 million from R289,6 million. About 56 percent, or R156 million, of this year's income is attributable to Belron's earnings. This is a dramatic 80 percent increase in Belron's financial 1996 contribution of about R85 million, or 30 percent of group earnings

Ronnie Lubner, the chief executive, said the group's long-term objective was for Belron to contribute about 50 percent of total earnings

Lubner said Glass SA had a most disappointing year, with attributable profit down 50 percent This was because of manufacturing problems, lower margins in the automotive industry and continued weakness in the construction industry. At PG Bison attributable earnings were down 47 percent because of production problems and weak demand in the furniture industry

CEMENT *Project would increase capacity by 850 000 tons a year*

Natal Portland Cement researches a second kiln

(193) CT (BR) 9/5/97

***CEMENTING CHANGE** Raimund Weber, the managing director of Natal Portland Cement*

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Natal Portland Cement is exploring the possibility of installing a second clinker kiln at Simuma, its south coast factory, at a cost of R900 million, Raimund Weber, its managing director, said yesterday

Speaking at the launch of its new-branded Eagle products, Weber said this would be a massive project which would increase Natal Portland Cement's cement capacity by 850 000 tons a year This would increase production to almost 2 million tons of cement annually

As soon as the economy picked up, signalling increased demand for cement products, a decision would follow, he said

The new Eagle products, in their pro, plus and super variants, would be produced in line with international specifications recently adopted by the South African cement industry

Weber said the launch of Natal Portland Cement's Eagle products should be seen as the culmination of a two-year capital expansion project worth more than R70 million

The main component of this expansion was a massive roller-press plant which was commissioned late last year

This doubled milling capacity at the Durban plant

It also included a R500 000 expansion of customer service infrastructure and the provision of twenty 35-ton portable silos designed for customers using large quantities of cement

Weber said Natal Portland Cement was considering investing an additional R1,5 million in portable silos to a total of 80 by the end of next year

PLATE GLASS & SHATTERPRUFE

Time to split the business

(193)

FM 16/5/97

A strong international showing could not offset poor local performance

The two parts of the group are looking like strange bedfellows Local operations, which include SA's only float glass manufacturer Glass SA, particleboard maker PG Bison and Zimbabwean glass and wood business PG Industries, are mature businesses with limited growth opportunities

Unbundled, they might command a rating similar to Afcol, about the closest company on the JSE, which has a p e of 9,3 Then Belron, the successful international windscreen repair business, would be on a p e of more than 20 Even this would be modest in view of its rapid growth and huge potential A separate listing for Belron could unlock considerable shareholder value

Executive chairman Ronnie Lubner says there are no plans to split, but it has not gone unnoticed that controlling shareholder SAB is enthusiastic about Belron and far less so about its local nonbeverage manufacturing interests such as Afcol, Da Gama, Lion Match and PGSI

Local operations have some scope for recovery as they get over some manufacturing problems and markets recover

Glass SA was congratulating itself in the 1996 financial year for the trouble-free R150m repair of its float glass plant But technical gremlins led to downtime, which is significant when you are operating on a 24-hour continuous basis, and, to service local customers, it had to limit exports

An overcapacity of glass in Asia depressed world glass prices and imports accounted for up to 15% of local sales

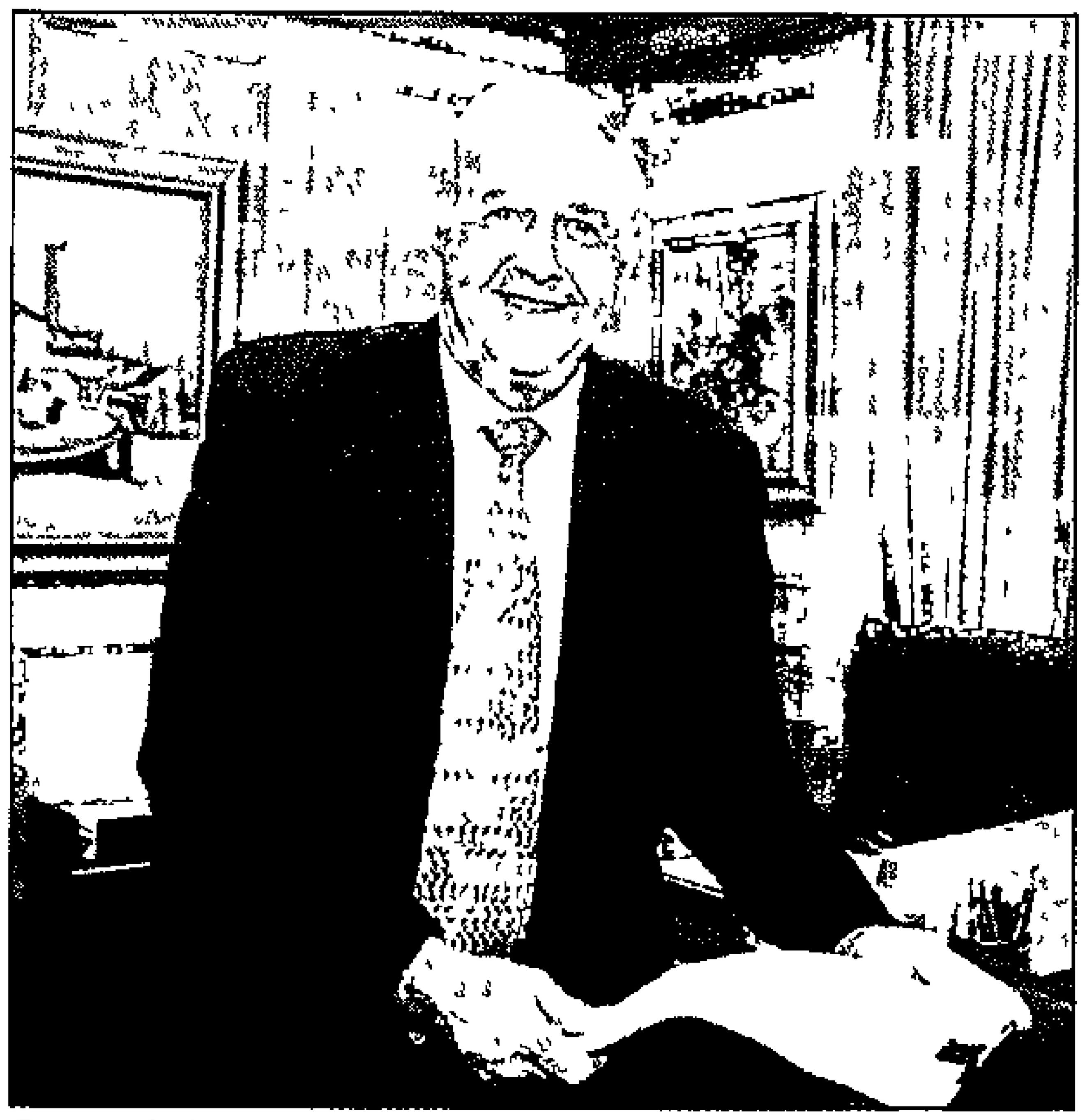
Lubner says the investment to service the motor industry was made at a time of sanctions and tariff protection when Glass SA could call the entire original equipment market its own and imported cars were almost unheard of Now most luxury cars are imported

To be fully profitable, the plants must work at full capacity In a depressed market, its attributable earnings fell by 50%

PG Bison had an equally difficult year, on top of a weak 1996, and its attributable earnings fell 47% Though its key furniture market is likely to stay depressed until at least the second half of the financial year, it has improved productivity and quality under new manufacturing boss Jorge Weeber Bison should increase profits even if the market does not improve

Lubner says the group is looking for international strategic alliances to use excess capacity in its SA businesses

But even if there is a strong recovery in the SA and Zimbabwean economies, the local operations cannot provide the same long-term growth as Belron Its sales topped US$1bn and now account for 68% of the group's R6,56bn turnover It has further growth potential from new markets such as Brazil, where it has a joint venture, and India, where negotiations are still in progress It was profitable in all territories and had the benefit of assessed losses in Continental Europe and the US, which kept the tax rate low



Ronnie Lubner local earnings should stabilise this year

PGSI's effective tax rate fell from 21% to 15% but financial director Mike Read sees it climbing to 25% in a few years

Lubner expects local operations to maintain earnings and Belron to get better PGSI was overpriced seven months ago at R165 but at R109, on a 15,5 p e, offers good recovery potential

Stephen Cranston

Cement sales bounce back during April

Lukanyo Mnyanda

BD 19/5/97 (193)

CEMENT sales bounced back in April, lifting total sales for the year so far by 2,3% to 2,93-million tons, compared with 2,86-million tons for the corresponding period last year, figures released by the Cement & Concrete Institute on Friday showed

Analysts said volume growth last month had boosted chances of an increase above 5% for the year and represented an encouraging turnaround after March's sales were depressed by heavy rains and holidays.

"This confirms the view that there is still strength in the domestic market and means that 6% growth is still achievable," an analyst said

Analysts had expected moderate growth this year with earlier estimates ranging from 3% to 5%

However, they were concerned that flat volume growth in the first quarter could have made even their moderate expectations seem optimistic

Encouraging

An analyst said that building plans completed in the year so far were higher than last year's despite SA's high interest rates — an encouraging sign that activity had not slowed.

Reconstruction and development programme projects should start "picking up steam" soon, and the low cost housing programme should accelerate further for the remainder of the year, he said

Another analyst said "Volumes have picked up nicely It is very encouraging and we are now looking for 5% for the year We are above 2% already for the year so far."

Analysts have said that the sector is unlikely to provide "fireworks" this year, but should improve in the next couple of years

With the end of the industry cartel, the big producers are relaunching to keep ahead

Alpha rebrands to cement its future

(193) CT(PR) 2/6/97

JOHN SPIRA

The scrapping of the cement cartel has forced the industry's leaders to sell their R2,5 billion worth of products more ac tively than at any time in the past.

Accordingly, cement producers have been busy re-launching and branding their products with the aim of making them more attractive to the end users

Alpha has been in the forefront of such initiatives, having not only rebrand ed its products but also itself in an ag gressive, high profile media campaign

Rowan Dent, Alpha's director of cor porate communications, is at the centre of this burst of promotional activity He says the relaunch and the new branding strategy will not have short term results.

"The new corporate identity will take a year or two to pay back The new pack aging should have shorter term results We should begin to see the effect late this year or early next year"

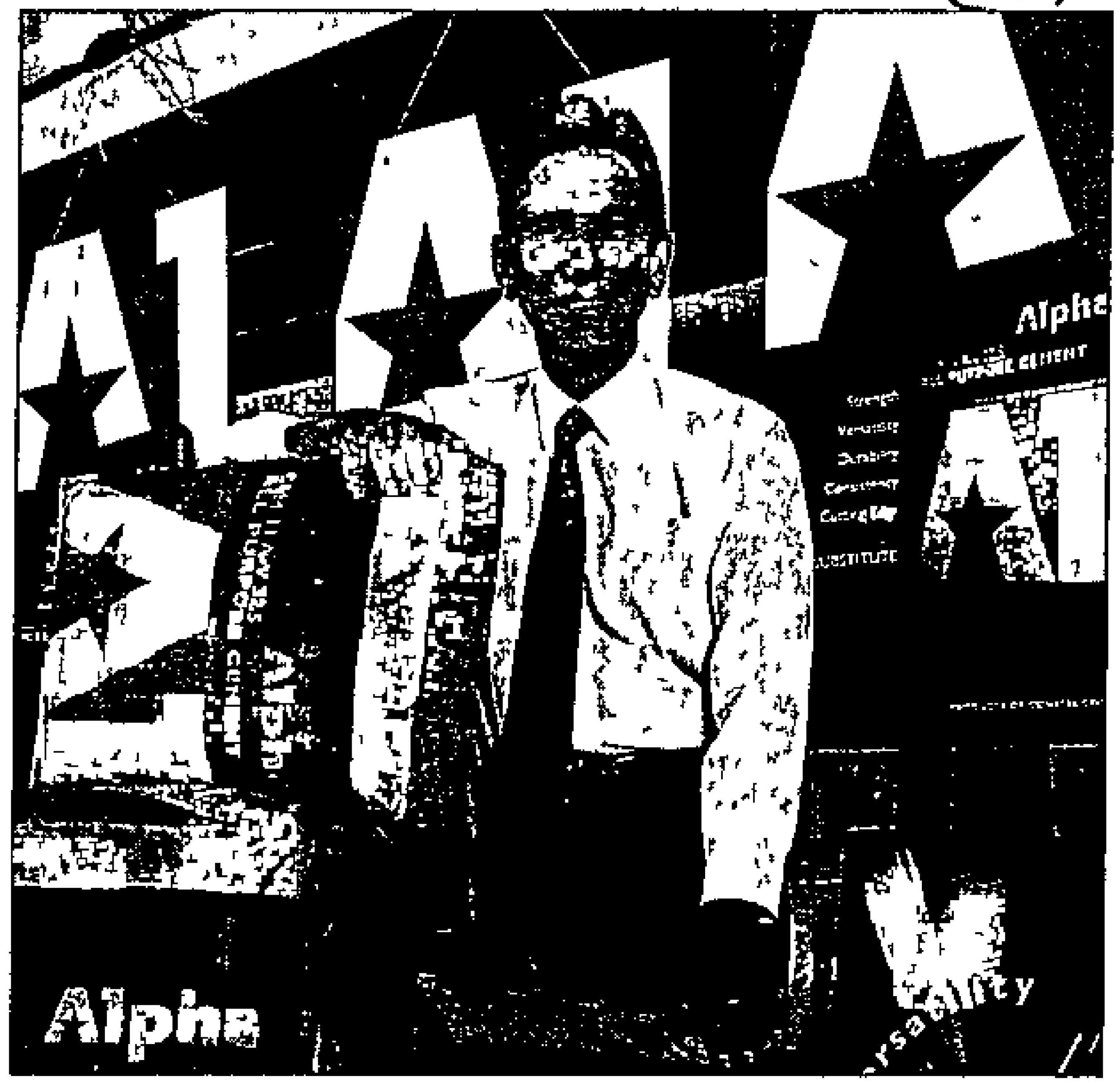
He says the new packaging, an integral part of the branding campaign, is retail-driven.

The Alpha relaunch has been timed to coincide with the revision by the SABS of cement specifications, calling for a more consistent quality to conform to European norms and standards

"We've tried to position Alpha in terms of a new corporate identity to elevate it to more than just an entity," ex plains Johan Pretorius, Alpha's group managing director.

"Many years ago we defined our mar ket as concrete, so we supply all the materials going into concrete, and further added value in the form of ready mixed concrete and mortar So our product range is far wider than just cement. Our major cement competitor is now follow ing that positioning."

Pretorius claims Alpha is South Africa's leading producer in terms of



CONCRETE RESULTS *Johan Pretorius, Alpha's group managing director, with the repackaged and reformulated A1 cement product range*

cement and concrete building materials

Alpha also has other interests — in lime and industrial minerals — which have tended to cushion the building in dustry cycle in the past. But its core busi ness is the building materials industry

What is the outlook for an upturn in the building industry?

"We're seeing slightly more delivery from the RDP this year, though the gener al prognosis is for more marked activity in 1998 The prospects for this year are for no more than modest growth RDP deliv ery is still slow," says Dent, who says the pace of delivery has been slow mainly be-cause the government has required more capacity at local authority level.

"The government has made it quite clear the projects are going to be delivered at the coalface, in the community by local authorities It's starting to be sorted out and deliveries are beginning to be seen."

He draws attention to joint ventures between big and small contractors for some fairly big building projects

"Emerging builders have often been used as subcontractors in the past There's no doubt that they have inherent building skills but training has been a problem They've had a lack of access to training and materials"

Dent says Alpha is adapting to those needs, with its RDP effort spearheaded by a training drive. It has established a build ing skills training centre at its Roodepoort factory, and runs training courses around the country for emerging builders. It has also developed training videos as part of its new product launch

Dent sees the key benefits as material ising in the long term, though Alpha is already involved in a number of projects, the biggest of which is in the North West Province, where the Northwest Builders' Federation entered into an accord with the provincial government in terms of which the federation will build schools and supporting infrastructure.

"It isn't a lot of work for us, but at least it's a start,' says Dent "We are involved and we want to expand that in volvement. The training initiatives have been very beneficial and well received in the market place"

Technology is part of Alpha s brand ing. Alpha is a member of Holderbank, the world's largest cement group, and technology is what makes the materials react together. "Part of their philosophy is for the worldwide organisation to share their technology."

With the cement cartel now a thing of the past, cement producers are striving mightily to increase their market share.

Alpha's aggressive marketing cam paign has not yet translated into in creased market share, mainly because the Lesotho Highland Water project, a big user of Alpha cement, has come to an end

But Pretorius is confident Alpha will make up the ground lost by the end of the year. Much of his optimism stems from the group's heavy marketing expendi ture. Surely such spending will negatively affect Alpha's bottom line?

"We're not going overboard. We have determined that all our promotion and advertising expenditure must be below 1 percent of turnover. Which means we are spending far less than some of the retail brands and the many other industrial companies against which we've benchmarked ourselves."

There was a lower cost and distribution structure under the cartel, but the Competition Board decided it should be disband ed. Post-cartel pricing, Pretorius says, has been competitive. "There are obvious ben efits to the consumer but few for Alpha"

Kelgran in granite deal with Bafokeng

BD 11/6/97 (193)

David McKay

KELGRAN, one of SA's largest granite producers, has signed an agreement with the Bafokeng community to quarry a vast 45-year granite reserve in a deal which resolves a long-standing dispute between the two parties, the company said yesterday

The reserve is adjacent to Kelgran's existing Beestekraal reserve in the North West Province where Rustenburg Grey granite is found — a product which comprises about 70% of the total SA granite production.

A joint venture company, Bafokeng Granite (25% Bafokeng community; 75% Kelgran), and a subsidiary of Kelgran, was formed several years ago to mine this reserve However, following the reintegration of Bophuthatswana into SA, the joint venture was not recognised by the Bafokeng.

Kelgran MD Henry Laas said that the agreement, signed on Monday, ended two-year-long talks between the parties. Talks had also been interrupted by changes in the leadership of the Bafokeng community, Laas said.

Bafokeng Granite, which had been dormant for the last two years, would be dissolved and mining of the reserve, under the new conditions, would start within the next six to eight months.

Laas said the reserve had high quality sections and would give Kelgran operational flexibility

The extension would consolidate Kelgran's total Rustenburg Grey reserves and allow more profitable mining than other areas under Kelgran's control Kelgran produces about 230 000 tons a year

In terms of the agreement, the Bafokeng would receive royalties equivalent to 30% of pre-tax profits made by Kelgran, Laas said.

The community would also receive a minimum royalty of R400 000 a year escalating annually in terms of the Consumer Price Index, he said.

The agreement was concluded for a minimum period of 15 years with the Bafokeng having the option to renew the agreement for two further periods of 15 years each.

The agreement also contained a provision which offers the Bafokeng more environmental protection than under existing environmental legislation.

Under the agreement, the community would have to be consulted regarding the opening of new quarries and the closure of old quarries

Kelgran controls about 40% of the SA market which produces about 880 000 tons of granite a year

The main products are Rustenburg Grey, and African Red The other main producer of Rustenburg Grey is Marlin, which produces 300 000 tons of the material a year

Analysts were puzzled as to why Kelgran wanted to boost its Rustenburg Grey output as it was a relatively low margin product

Higher margins were to be gained from quarrying the African Red material which was also growing in terms of market demand, they said

Company focuses on improving worker skills

(193)

Business Day Reporter

BD 11/6/97

IN ITS bid to improve the skills of employees, Inca Concrete has opted for a competency-based training programme geared to produce workplace improvements Inca Concrete is a subsidiary of Blue Circle group member Readymix Material

A pilot programme is focusing on bolstering productivity and heightening quality awareness, which human resources manager Thato Potsane intends supplementing with team building

Charter Training Group's "progress plan" concept has been introduced to Inca at director level, and then filtered down to middle management, supervisory and junior level The entire workforce at Inca factories in Meyerton and Sasolburg has been told of the project and its goals — mainly the increase in skills levels, and thus productivity

The company is pleased with the results so far "The people we have trained have become more independent as well as more assertive in executing their decisions," says Potsane

In an early productivity assignment, trainees identified problems and holdups and traced their causes to operators, machinery or materials.

Potsane said. "They are able also to calculate mathematically their input and output, putting a rands and cents value to what they produce These results tell me the project is working."

PLATE GLASS & SHATTERPRUFE

Cracking it abroad

(193)

FM 20/6/97

While Belron keeps flying, the local operations should at least consolidate

PGSI chairman Ronnie Lubner has seen his share price fall from R166 to R99 over the past 12 months before recovering to R119 now — a slide which reflects problems in the domestic activities

Lubner says he is trying to manage the business in the long-term interests of the company and its stakeholders and not to be too concerned about the short term This approach has served shareholders well in the building up of Belron which holds the extensive international interests

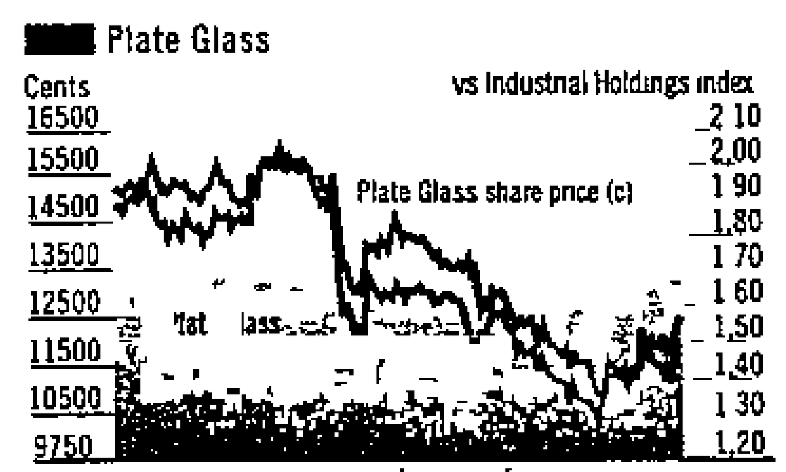
It made losses — often large for several years — while it was building its international autoglass network This year Belron was profitable in all 13 countries in which it operates

But while start-up losses are a well understood cost of doing business the low returns from its mature southern African glass and building products businesses are harder to justify All three regional operations — Glass SA PG Bison and PG Industries — saw attributable earnings halved during the year

Ronnie Lubner long-term view worked for Belron

Lubner says the opening up of the SA economy with the removal of tariff barriers, has led to a rationalisation of production units and retrenchments

PGSI is looking for alliances with major international partners who would have a financial interest in introducing SA goods into appropriate niches on world markets



The group has substantial spare capacity Sales volumes in the building glass market fell by 6% as the promise of a building boom centred on the Reconstruction & Development Programme faded though PFG Building Glass increased sales into sub-Saharan Africa

Volumes in the automotive glass market were less affected but float glass prices in Asia fell heavily so that despite the decline of the rand prices received fell — and just as glass prices rose at the end of the year in Asia the rand firmed to offset this Quality problems at the float glass tank which was repaired in the previous year compounded the problems of the soft market

Glass SA CEO Rod Fehrsen says the production problems meant little progress could be made with exports But as these problems are mostly (perhaps not entirely) over and glass prices are firming, "Glass SA is well placed to take advantage of any improvement in markets' — though he does not forecast an improvement

PG Bison chairman Leon Cohen says there are early signs of a more positive mood in the market for board The market grew by a fair 4% last year but Bison had a significant loss of market share of raw board because of poor production at the Piet Retief factory though it returned to required production levels in the fourth quarter after absorbing most of Bison s R83m capex

Laminate Industries at Alrode proved particularly sensitive to imports and turnover fell by 13% — this company is definitely a candidate for a joint venture with an international partner

Belron came to the party with an 80% increase in contribution With the merger of its Windshields America with US Autoglass, the enlarged company has almost nationwide reach in the US and increased profits sharply After year-end Belron acquired 135 Standard Auto Glass outlets in Canada

Continental Europe turned from break-even to "meaningful profits ' France and Holland were the star performers But in the key German market margins were well down and sales still below the critical mass needed for attractive returns Belron will nonetheless make further investments in Germany, in line with the philosophy of a long-term approach to profits

In Australia, margins were also under pressure in both the Windscreens O'Brien and O'Brien (building) Glass operations Operating profits could not be maintained

PG Industries in Zimbabwe — a blue chip with a p e of 19 on the Harare Exchange — strengthened its position in the building materials industry with the acquisition of the listed Johnson & Fletcher building supplies retailer, it now has 50 outlets

PG Industries suffered from the rapid economic liberalisation in Zimbabwe — which has arguably been harsher than in SA Domestic and foreign competition has increased and like Glass SA and PG Bison it suffered from production problems in its case at Zimboard III in Mutare

The share was oversold at R99 and at R119 it is more realistically priced Belron looks set to do well again and if the SA economy picks up this year PGSI is a buy up to R130 at least

Stephen Cranston

- **ACTIVITIES** *Manufactures glass and board products in SA and Zimbabwe, repairs and replaces automotive glass in North America Europe and Australasia*
- **CONTROL** *SA Breweries 68 0%*
- **CHAIRMAN & CEO** *R Lubner*
- **CAPITAL STRUCTURE** *40 24m ords Market capitalisation R4 79bn*
- **SHARE MARKET** *Price R119 Yields 2 8% on dividend 5 9% on earnings, p e ratio 16 9 cover 2,1 12-month high, R166, low, R99 Trading volume last quarter 670 000 shares*

Year to March 31	'94	'95	'96	'97
ST debt (Rm)	108	211	85	241
LT debt (Rm)	111	41	523	375
Debt equity ratio	0 24	0,23	0 52	0 44
Shareholders interest	0 32	0 37	0 38	0 38
Int & leasing cover	12 6	12 5	9 8	9 2
Return on cap (%)	19 6	19 3	17 5	17 4
Turnover (Rm)	3 24	3,77	4 53	6 56
Pre-int profit (Rm)	330	358	432	570
Pre-int margin (%)	11 1	10 3	9 5	8 7
Earnings (c)	512 3	644 7	745 0	702 2
Dividends (c)	230	290	333	333
Tangible NAV (c)	1 149	1 607	2 145	2 573

AMCOAL

Becoming more adventurous?

The move abroad may signal a more aggressive management style

- **ACTIVITIES** *Mines coal for sale to domestic and export markets Also produces tiles and refractory products through subsidiary Vereeniging Refractories*
- **CONTROL** *Anglo American Corp 51 6%*
- **CHAIRMAN** *J W Campbell MD A E Redman*
- **CAPITAL STRUCTURE** *25 5m ords Market capitalisation R7,5bn*
- **SHARE MARKET** *Price R2 90 Yields 4 5% on dividend, 11 7% on earnings, p e ratio 8 5 cover 2 6 12-month high, R35 70 low R28 Trading volume last quarter 500 000 shares*

Year to March 31	94	95	'96	'97
ST debt (Rm)	138	149	156	147
LT debt (Rm)	—	—	—	—
Coal sales (Mt)	45 5	45 7	46 1	48 3
Turnover (Rm)	1 927	2 246	2 748	3 285
Pre-tax profit (Rm)	441	659	1 030	1 367
Earnings (c)	1 015	1 547	2 662	3 460
Dividends (c)	500	660	1 000	1 320

This year may go down as a watershed in Amcoal's history following the appointment of a new chairman along with the group s first offshore investment in Colombia

The new chairman James Campbell was previously Amcoal s marketing director before being promoted to run De Beers Industrial Diamonds He returned to Amcoal last year as deputy chairman and heir apparent to former chairman David Rankin, who has retired

Campbell plays down suggestions that his management style will differ much from that of Rankin and that Amcoal's way of doing business will change dramatically

He says the carefully planned handover

(193)

BLUE CIRCLE

FM 27/6/97

Shaping up for competition

It's hoped a divisional merger and cost-cutting will buttress margins

On July 1, unlisted Blue Circle Cement and the Ready Mix Materials division of Murray & Roberts (M&R) will merge to form what management claims will be SA's first operational one-stop shop for concrete and cement in SA

M&R materials CE Carl Grim says Blue Circle is following this route to achieve competitive advantage in the industry, which has been marked by price cutting among the three producers — Alpha, Pretoria Portland Cement (PPC) and Blue Circle — since the break-up of the cartel by the Competition Board late last year

He contends effects of the price cutting will be evident when Alpha reports for the year to June PPC reported an 8% fall in attributable profits for the six months to March 31

In the year to June 1996, the two operations contributed 71% of the earnings before interest and tax (Ebit) of M&R's materials division This division was responsible for 42% of M&R's total Ebit

In the six months to end-December 1996, the operating profit of the materials operating group (including the piping systems division) fell from R102m to R95m Lower margins were blamed

Grim says the executive committees of the two divisions have unanimously supported the proposal, despite reductions in staff "The first six months are going to be traumatic, but we should still achieve the profits that we would have achieved if we didn't do anything After that we will reap significant benefits"

COMMENT

FOX

Key gains will relate to cost containment and the improvement of customer service, with the single division able to offer a complete range of concretes, cements and other concrete components such as sand and crushed stone

Stuart Rutherford

Hard times for cement as local demand levels off

(193) BD 30/6/97

Lukanyo Mnyanda

HEAVY rains in the second quarter and a building industry slowdown combined to restrict cement sales to a marginal 1% increase in the five months to May.

Analysts said the industry was now unlikely to achieve initial growth forecasts of 5%-6% this year

Instead, figures released by the Cement and Concrete Institute last week showed domestic sales had grown just 1% to 3,59-million tons, compared with the same period last year, and had dropped 0,4% compared with the previous three months

Analysts said the building industry was unlikely to show much recovery until interest rates had come down and this, combined with unseasonable rains, had seen growth forecasts for cement reduced to just more than 2%.

The oversupply of residential townhouse stock in Gauteng and other areas meant the sector would remain quiet for some time Developments had received a boost from crime fears, but speculative development had come to a halt in the face of an oversupply

"These figures are very poor and we will not get near the 5%-6% growth figure We will be lucky if we get more than 2%," one analyst said.

The Building Industries Federation of SA (Bifsa) said in its latest statistical year book, released last week, that the sector had grown 3% last year, a trend it did not expect to be maintained this year. "All signs are pointing to a reversal this year," it said.

One analyst said the building industry would need at least two interest rate cuts before staging a recovery. As the impact of a recovery would not be felt immediately, it was unlikely to contribute to short-term cement sales "The building industry always takes at least six months before responding to interest rate movements," he said.

To achieve a growth rate close to 6% for the year, cement volumes would have to grow about 10%, and this was unlikely considering the lack of reconstruction and development programme (RDP) infrastructure projects.

Another analyst said: "There is no RDP. It is a figment of people's imagination." Lack of capacity and the brain drain from local authorities would also inhibit the delivery of major infrastructure projects

"We are looking at maintained earnings for PPC, while Alpha's earnings should grow about 2%. This is not a good time for cement," he said

Clay brick makers are still gloomy on housing

(193)

ROY COKAYNE

CT (BR) 17/7/97

Pretoria — It will be an "impossible task" for the building industry to achieve the government's target of building 1 million houses between 1994 and 1999, Nic Louw, the executive director of the SA Clay Brick Association, said yesterday

Louw said South Africa's 134 major clay brick manufacturers around the country were now operating at 28 percent below capacity despite the government's home-building initiative

Figures compiled by the Central Statistical Service indicated that less than 150 000 of these houses had been built by the end of March this year.

Louw said that this figure could probably be boosted to 200 000 homes because of unrecorded homes that had been completed

However, the next general election is only two years away, and another 800 000 houses would have to be built within this period to achieve the government target

"Pressure will be on building supplies and undoubtedly on skilled labour if the target is pursued It will be an impossible task Somewhere along the line the planning has gone wrong," he said

Alpha reports dip in income

Lukanyo Mnyanda BD 6/8/97 (193)

CEMENT producer Alpha reported a 4,2% decline in attributable income to R80m in the six months to June, following decreased building activity and a decline in demand for stone and lime products which affected profitability.

Earnings a share showed a corresponding increase to 266c, but headline earnings a share increased 2,8% to 273,6c

The group declared an interim dividend of 82,5c compared to 80c last year

Sales revenue was 19,8% up at R946,2m owing to the consolidation of new investments and was helped by a marginal increases in demand for cement, ready mixed concrete and other industrial materials

Operating profit improved by 3,2% to R120,3m, but competitive pricing in the wake of the break-up of the cement industry cartel saw Alpha's operating margin drop to 12,7% from 14,8%

The interest bill jumped to R12,1m (R11,6m) as a result of higher capital expenditure which included the commissioning of a R105m lime kiln at the group's Ouplaas factory

Investment income declined by 8,8% to R12,5m from R13,7m.

Pretax profit dropped by 5,5% to R117,1m with an 11,7% increase in the tax bill to R36,7m (R32,8m) leading to a 11,7% drop in profit after taxation to R80,4m

The balance sheet showed that long-term borrowings had increased to R166m from R137,9m for the same period last year Investment in property, plant and equipment had increased to R1,2bn from R964m last year.

Group MD Johan Pretorius said that increasing subsidies in the low cost housing market were beginning to filter through, and this had helped to offset a sluggish performance from the residential property sector

The industrial market remained buoyant, but civil construction had shown signs of renewed confidence during the review period

Pretorius said the group was expecting stronger growth from its products but was forecasting a slight increase in earnings for the year "in the light of current trading conditions"

Production capacity has fallen by 20% over the year

Ceramic sector slides on slumping demand

CT (BE) 19/8/97 (193)

NCABA HLOPHE

Johannesburg — A slump in demand for ceramic products and an influx of cheap imports mainly from the Pacific Rim had dealt a crushing blow to the local ceramics industry, with production capacity falling by 20 percent over the year, industry sources said yesterday

The Institute of Race Relations' latest newsletter corroborates the picture by noting that insufficient demand had led to a decline in production capacity from 90,5 percent last year to 71,3 percent this year The industry now accounted for just 1,7 percent of the employment cake in the manufacturing sector

Fred Boerner, the managing director of Armitage Shanks, said his company had suffered a 40 percent decline and had to lay off 25 employees over the year in face of tough marketing conditions

Alec Gray, the director of Gray Ceramics, said he hoped the upsurge of new hotels might just be the lifeline for the industry after a spell of lean years

The crisis in ceramics had prompted the government to commission a cluster study to develop new strategies and a vision to realign the industry to improve its customer focus and develop unique African designs

On the recommendation of study, the Pottery Manufacturers' Association was formed in May this year to represent its interests Marketing and training had been identified as the pressing issues that needed to be addressed by the association

"The new ceramic cluster has not yet determined a vision or strategies for the industry as a whole Issues that need to be addressed are why our products are not selling locally or internationally, why we are not cost-competitive and which market segments are most profitable," Gerhad Nicolaus, the director of metals and allied industries in the department of trade and industry, said yesterday

He said the circumstances might prompt the government to intervene in the industry More co-operation would be needed with other state departments to address, among other problems, the influx of illegally cleared goods from China at customs and excise

Consol reports 27% decline in earnings

Janet Parker (193) BD 20/8/97

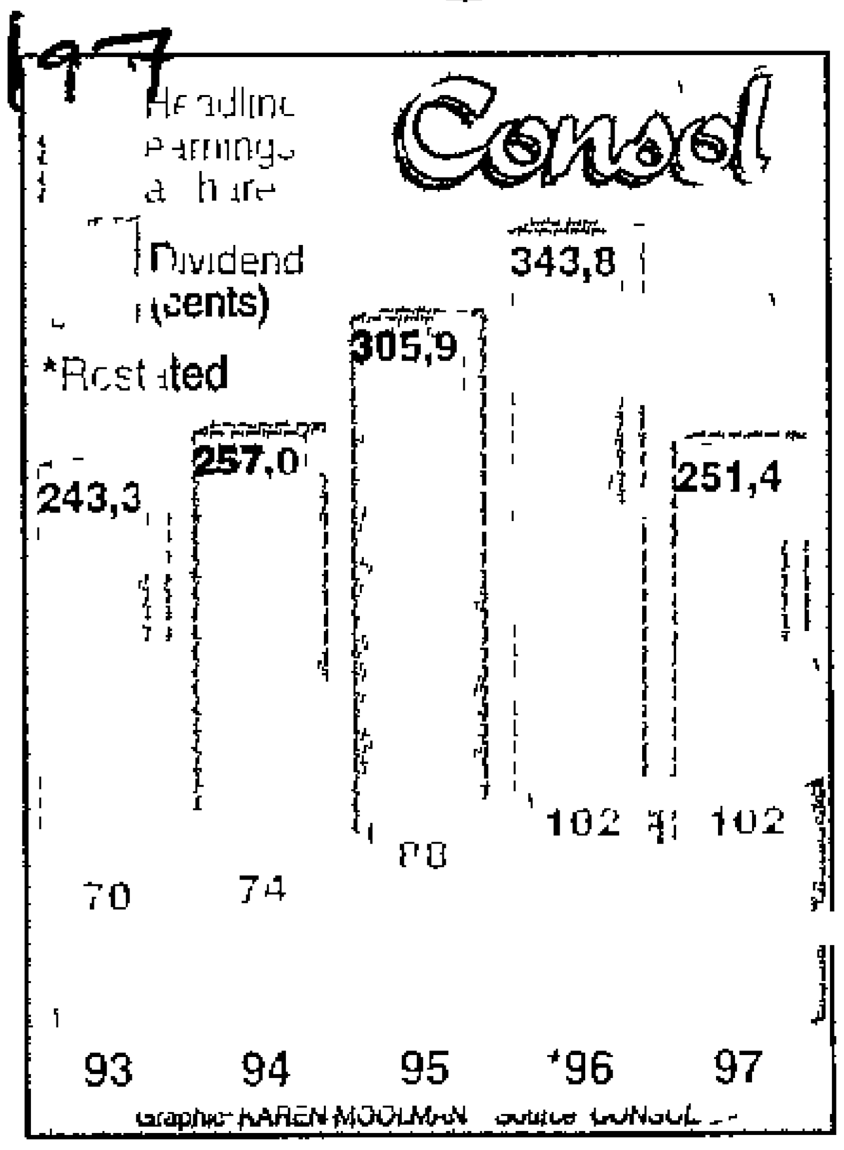
PACKAGING group Consol reported a 27% drop in headline earnings to 251,4c in the year to June which analysts said was below market expectations

Consol group MD Piet Neethling said the restructuring and re-engineering that Consol was undergoing had proved more "disruptive, severe and painful than we expected", depressing manufacturing efficiencies and output.

Headline earnings would have dropped only 17% had the group retained its partial deferred tax basis for the full year, he said.

During the year under review Consol refocused as a packaging company, disposing of its rubber division from January 1 The cash effect of the deal was R1,1bn.

For the year under review the group maintained a final dividend of 102c. Group operating profit fell 34% to R267,7m on a 24% drop in turnover to R2,5bn The total glass packaging market had declined 3% and Consol had lost an additional 3% market share, resulting in a 6% decline in sales volume from the division Neethling said the glass division had contributed 50% to group turnover and about 70% to earnings



Net financing costs decreased 46% to R47,5m owing to the R1,1bn cash generated by the disposal of the rubber division, the capital profit of which is reflected as the R190,5m exceptional item The tax bill plummeted 71% to R26,9m largely due to overprovision in previous years

Saldanha cement mine 'threat to rare plants'

JOHN YELD (193) (86)
ENVIRONMENT REPORTER ARG 22/8/97

Plant life on the site of the proposed Alpha cement mine near Saldanha Bay is rated "of very high conservation importance" on a national scale, according to a comprehensive environmental impact assessment report.

This vegetation – technically "calcrete shrublands" – occurs only in the West Coast region and contains several rare and endangered plant species, as well as at least three species not yet formally described by botanists

The R750-million cement proposal includes a production plant near the existing ore-loading terminal at Saldanha and next to the new Saldanha Steel plant, limestone and clay quarries north-west of Saldanha town, and an 8km conveyor system linking quarries with the production plant

According to the draft EIA report, only about 10 percent of the known extent of the site's calcrete shrubland vegetation is formally protected – at Postberg in West Coast National Park and on the Saldanha Steel property

The EIA recommends that the total area for mining should be reduced

In response Alpha has accepted a restriction on mining to an effective "80-year scenario", although total reserves exceed 200 years; that no mining should occur south of the Jacobs Bay road, and managing the rest of the proposed mining area for conservation

This would result in conserving some 75 percent of rare and threatened vegetation in the mining area

Saldanha cement mine 'threat to rare plants'

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(193)(88)

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BUILDING BLOCKS

Year to June 28	1996	1997
Turnover (Rm)	690	766
Pre-tax profit (Rm)	5,3	12,8
Attributable profit (Rm)	3 2	6 9
Earnings (c)	13,7	29,7

lection of products to the small builder and the retail market in selected stores

It has made a "substantial" investment in information technology to allow it to operate more efficiently, particularly from a mass buying point of view MD Pat Goldrick says this allows huge bargaining power

The turnaround hasn't come without some pain, mostly in borrowings which have almost trebled to R44,5m Much of this been used to pay for computerisation, some has gone towards upgrading 27 of the 35 stores earmarked for refurbishing Goldrick doesn't expect debt to rise further

One reason for the 116% increase in attributable earnings to R6,9m (which remained static at the interim) was good performance from subsidiaries in Namibia, Swaziland, Botswana and Lesotho

A turnaround company, Cashbuild's share price hit a year's low of 300c in June However, even at 450c on a p e of 15 it is still relatively inexpensive, and is sure to benefit if the building of low-cost housing eventually gets off the ground Building of rural clinics and schools is already having an effect **Heather Formby**

CONSOL (193)

Losing market share

FM 22/8/97

Capex on the glassworks should enable better quality and service

MD Piet Neethling says the group had expected some disruption as it undertook a R1,1bn capex programme over five years to modernise its glassworks, but it turned out to be more painful than he had imagined

During the process, service and quality suffered and the glass division, which accounts for about 70% of Consol's bottom line, saw a 6% decline in volumes, and its total market share fall from 75% to 72%

Neethling says modernisation will take a further 12-18 months to complete In the year to June a new R200m bottlemaking facility was commissioned at Bellville in the Western Cape primarily to serve the fastest growing section of Consol's customer base, the wine and fruit juice industries

Consol's first 80-year-old Talana plant at Dundee, Natal was closed, leaving four plants much closer to its main customer base in Gauteng and the Western Cape

Consol Paper suffered from the market slowdown on the paper and board packaging industry and was unable to recover fully raw material cost increases

Consol Plastics, which had been the black sheep, returned to profit after two years It has moved out of commodity markets, such as fabric softener bottles, and concentrates on niches such as the new 5*l* plastic paint cans and motor oil cans

Packaging turnover increased just 3% to R1,55bn and packaging margins sank from 15,3% to 12,7%

The published 27% fall in headline earnings to R161,8m, however, rather overstates the decline Consol has switched from the partial to the comprehensive method of providing for deferred tax Without this the decline would have been 17%, in line with the interim slide of 16%

TOUGHER TRADING

Year to June 30	1996	1997
Turnover (Rm)	3 320	2 510
Operating profit (Rm)	406	268
Attributable (Rm)	230	*384
Headline earnings (c)	343,8	251,4
Dividends (c)	102	102

* Includes R190m of exceptional profit

Consol sold its Contred rubber operations at half-time and is now a focused packaging operation It received R728m cash and R300m debt was assumed by purchasers Goodyear and Anglovaal Industries There was a net cash increase of R627m and net cash stands at R335m Neethling says Consol should continue to generate cash in spite of over R300m of capex this year

Though he expects consumer spending to perform tentatively he hopes new products such as the long-necked nonreturnable beer bottle and 250 ml soft drink bottle will stimulate sales He expects better earnings this year from all businesses

At R30, Consol is 33% down on its October high of R45 With a p e of 11,9 it is rated below rivals Kohler (12,9) and Nampak (17,5), which is more than justified by recent performance Consol is best avoided until the modernisation programme has shown tangible results **Stephen Cranston**

MIDAS

Moving to make sales King

Improved margins pushed growth in 1997, with little help from sales

Performance for the year to June 30 appears uninspiring, at best turnover up 1% and headline EPS up 3% However, the bottom and top lines mask some radical movements in operating margins, interest payments and tax charges

For the fifth straight year Midas managed to improve pre-interest margins They are now 5,7% thanks to productivity improvements Tighter control over working capital also enabled it to slice gearing from 37,9% to 13% and cut interest payments by 44%

But this was all but wiped out by tax, which soared 893%, to an effective 22,4% tax rate This is set to approach 31% as the last remaining tax losses are offset

Financial director Derek Hill says Midas was unable to produce meaningful turnover growth because of the slow market and the fact that the buyers of competitor Federal Mogul picked up its stock at a discount and released it at cut-throat prices

Hill says the focus this financial year will be firmly on increasing market share "The area we want to grow is greater Gauteng If we get the same share of the market here as we have in the Cape and KwaZulu-Natal we will greatly increase turnover

"We can do some further work on efficiencies and expenses and we'll have greater purchasing power with higher volumes, but the market will largely dictate margins "

Midas isn't offering forecasts, but much will depend on how much it can progress in an insipid market It should benefit from the three acquisitions, which will add about 9% to turnover, and from possible further acquisitions in the engine parts business But gains will be dampened by tax Better investments are available **Stuart Rutherford**

SLOW MARKET

Year to June 30	1996	1997
Turnover (Rm)	406	410
Operating profit (Rm)	21,1	23,2
Operating margin (%)	5,1	5,7
Earnings (c)	86,5	89,7
Dividends (c)	21,0	26,0

research shows ... is personal

PGSA surges on news of Belron plan

(193) BD 26/8/97

Business Day Reporter

SHARES in Plate Glass & Shatterproof Industries surged yesterday on news that its global arm Belron International was extending a C$86m takeover bid for Canada's Autostock.

Plate Glass shares closed at R125,50 yesterday after rising 325c or 2,59% to R128,75 on 52 600 shares traded at midday.

Reuter reports that one Johannesburg-based equities dealer said: "It's certainly heading up on the announcement. This thing has been hugely volatile this year It's not as if we are in uncharted territory here."

Plate Glass announced yesterday its 78,26%-owned unit, Belron International, which is the world's largest automotive repair and replacement glass company, had entered into an agreement to extend an offer to buy the entire issue share capital of Canadian-based Autostock.

It said that the cash offer was for C$5,50 a share.

The two principle shareholders of Autostock, which together hold 74% of the company, had agreed to the offer.

The offer follows the recent announcement by Belron that it intended to buy Canadian-based Standard Auto Glass for C$37m. Standard has 135 branches throughout Canada.

Plate Glass & Shatterproof chairman Ronnie Lubner said he was confident both transactions would be finalised in the near future and that they would add "real value" for Plate Glass shareholders.

"The deals are another step in achieving Belron's goal of consolidating its leadership position in the world's major automotive glass replacement markets," he said.

Once the transactions had been concluded, Belron would have more than 1 250 branches in 16 countries with annual sales of almost R5bn.

Lubner said having Standard Auto Glass and Autostock in the Belron stable would put the organisation in a strong position to make rapid gains in the Canadian market and secure a meaningful share of the automotive glass market.

Polish acquisition is part

PGSI raises a glass to 100 years of business and growth

(193) ST(BT)31/8/97

Plate Glass, a household name in South Africa, is still expanding in its centenary year, writes JULIE WALKER

PLATE Glass & Shatterprufe Industries celebrates a century of business and 50 years as a listed company in a year in which two offshore acquisitions have been announced and at least one more is expected

But the year will be remembered for the parties and banquets that marked the rise of a remarkable business both locally and internationally

Ronnie Lubner the chairman and CEO of the R7-billion a year group joined his father Morris (Morrie) in the business of Plate Glass Bevelling & Silvering Company in 1953 Morris ran the Johannesburg leg of a three-cornered business started by the Brodie family

Replacement

"Jackie Brodie came to Johannesburg to open a branch of the family furniture business One brother, Emmanuel Brodie, ran the Cape Town branch and Harry the Port Elizabeth one" says Lubner "But Jackie s heart was never in it and the brothers came to Johannesburg to find a replacement"

They chose David Knep a timber merchant but by the time his letter of appointment arrived, Knep had already accepted another job and suggested they engage Morris Lubner, who was helping in his father Isaac's furniture repair shop in Jeppe.

"The Brodies weren't too pleased with Knep, and my father had to charm them into taking him on." The miners' strike and Rand Revolt in 1922 spurred the Lubners to move Jeppe for Jubbert Park, but Morris drummed up an impressive amount of business in his first year and the Brodies upgraded his agency Morris became a full-time representative

"To take a step back, the Brodies' father Adolph, had left problem-ridden Lithuania for England during the 1880s, and England for the same reason in 1903 when he arrived in Cape Town and made furniture Neither was South Africa without its drawbacks and he would have left again but for a friend who backed him in a glass bevelling and silvering manufacturing operation for the furniture industry established in 1909

The City Glass works did better than its competitor The Plate Glass Bevelling & Silvering Company founded in 1897 Its owner, Ernest Beardmore, sold Plate Glass to the Brodies in 1917 and the Plate Glass name was embraced Success led to the wish to set up in Johannesburg and hence the introduction of Lubner to the scene

The group's history is one of growth and expansion Ford and General Motors began assembling cars in Port Elizabeth, Emmanuel Brodie persuaded them to buy his glass for the windows Harry Brodie motivated the production of safety glass

"It was an early example of built-in obsolescence" recalls Lubner, "because the original design was a film of celluloid between two thin plates of glass which soon yellowed Harry Brodie visited Britain obtained manufacturing rights and a Shatterprufe factory was built in Port Elizabeth to serve the motor industry"

Control

In 1934 Adolph Brodie died and control of Plate Glass passed to sons Emmanuel and Harry and Morrie Lubner

"It was tightly controlled by the Renaissance Men of their time They got together four times a year and spent a week together They only took a decision when all three agreed on it," says Lubner

They also personally checked every invoice, checked the creditworthiness of every client and achieved preferred creditor status at every point. "My father had an unbelievable corporate intelligence of his own He made notes of everyone he met, everything he heard and he never forgot anything"

Lubner recalls how the three went to St Helen s in England to visit their main supplier, Pilkington Glass "They held Pilkingtons in such awe"

Merger

Lubner regrets his father died in 1983 just two months short of PG s merger with Pilkingtons to form Glass South Africa.

Morrie Lubner ran a wood business augmenting the furniture supplies Emmanuel Brodie also liked wood and in 1940 they bought into Plywoods of Parow, which has developed into PG Bison At the time it supplied among other things, a laminated board used to construct the wings and fuselage of Mosquito bombers flown by the South African Air Force in World War II.

Early in 1947 Plate Glass & Shatterprufe Industries held five independent companies Plate Glass Bevelling & Silvering in Cape Town, Shatterprufe Safety Glass in Port Elizabeth, and three Transvaal businesses, Plate Glass Bevelling & Silvering Co and M Lubner Ltd BLH Holdings a new timber yard built at Driehoek, Germiston, and new subsidiary PG Timbers It secured a Johannesburg Stock Exchange listing, boasting authorised capital of £800 000

A year later Morrie Lubner was alarmed when the National Party won the general election and he sought to spread the risk by establishing operations in central Africa. The Salisbury operation required more help and Lubner's second son, Bertie, was sent to join the eldest Gerald for three months He stayed 13 years which culminated in the purchase of arch-competitor Anglo African Glass.

Moulding process

In the late 1940s, the Port Elizabeth Shatterprufe business began to look dubious because of the shift towards heat-toughened armourplate rather than laminated glass Only in the nick of time was a new moulding process developed by Shatterprufe s engineers helped by Triplex Safety Glass of England Over the years, the group got into fibre glass particle chipboard, shelving lighting and allied products, and sold out when lemons were discovered

Emmanuel Brodie died in 1961 and Harry became chairman Morrie s eldest son, Bernard and rising stars Harry Cohen and Lucien Levy joined the board and the next two Lubner sons, Bertie and Ronnie, were becoming prominent players

"Although Bertie and I joined officially in the early 1950s we had been part of the family business since 1937 — as early as I can remember Discussion around the dinner table was always the business or the shop, as my mother Bella, called it On Sunday our dad used to take us kids out for a treat and we always hopped into the car and went to the timber yard" Lubner says his first job was as a filing clerk, for which he was paid £7 for a month s work, with which he was disgusted "I wrote a letter to the directors of the PG Embezzling Co Ltd and returned the 'tip I never got it back and it taught me a lesson" Lubner says he was the youngest ever advisor to a director "My father said that when he wanted my advice, he'd ask for it."

Ronnie s advice proved sound when in 1962, he and the "Young Turks" persuaded the group to buy rival Express Glass

"Express Glass was a huge threat to PGSI because it had a national distribution chain of 67 outlets It should have become the principal glass business in South Africa but the Charney family disagreed among themselves on the management and eventually accepted our offer" Lubner adds that his father found it frustrating to adapt "Suddenly he could no longer check every invoice and control everything himself"

Picture JON HRUSA

DYNASTY . . Ronnie Lubner will take the family business into the next century

Dominant

This week's announcement of a R290-million bid by 78%-owned offshore arm Belron International for Canadian group Autostock brings to 14 the number of foreign countries in which Belron has invested It started in Australia as long ago as 1972 which, in spite of many pitfalls along the way, has matured into the dominant autoglass manufacturing and repairing business in the region

Belron is also invested in America, Belgium, France, Germany, Holland, Luxembourg, Portugal the United Kingdom and Ireland

Lubner recalls Shatterprufe getting started in America by exporting windshields for Japanese and foreign cars at a time when nobody thought Japan could make a mark on the US car market "We were able to serve a growing segment of the market which led to us opening our own distribution operation under a cousin Paul Markiles who was raised in the Lubner household"

There have been downs too Some of the offshore glass businesses made big losses before turning the corner And in 1990 PG Wood Industries became a victim of protective legislation on hardwood and the board elected to sell all but PG Bison and its Zimbabwe business

Ownership of 67% of the group now rests with South African Breweries, which bought pyramid controlling company Placor from the Brodies, Lubners and Liberty Life in 1992 the same year that Pilkington facing international cash calls sold its share of Glass South Africa to PGSI

Today s PGSI has a market capitalisation of R5 3-billion and runs four divisions; Glass SA, PG Bison Belron International and PG Industries International business is 60% of the total It operates in 18 countries through 1 500 outlets, employing more than 20 000 people

Ronnie's son Gary runs the group s Autoglass UK operations Lubner says a family trait has always been to recognise excellence in others, and various people who have joined the business have become "family" Harry Cohen, Lucien Levy, Mike Scott Mike Read and Louis Shakinovsky"

Family parties

Lubner takes it further "We fancied a touring train to celebrate this centenary, hosting parties at stations around the country But nothing is taken absolutely for granted these days as it was in the old South Africa and when we consulted the different employees, they said it was not a good idea at all so we listened to them and organised family parties at their suggestion" These will be hosted throughout the country where PGSI has operations, and banquets will be held locally and in London later this year

The board s six executive and eight non-executive directors are still all white men the next century will undoubtedly witness as much change as has the first

Granite industry fortunes set to change

BD 3/9/97 (193)

David McKay

MARLIN Corporation's (Marcorp's) interim results and growth in earnings reported by rival Kelgran recently could signal a sea change in long-term fortunes of the SA granite industry, analysts said yesterday

The past year-and-a-half have seen a fundamental restructuring of the granite industry with Marcorp and Kelgran streamlining operations

However, the market has not responded well to the changes, which Rice Rinald analyst Philip Murphy believes relates to a historical distrust of the granite industry by investors.

This point was conceded by Kelgran's Henry Laas recently who said the failure of producers in the past to make good on earnings forecasts had destroyed investors' faith

Significantly, both Kelgran and Marcorp have failed to inspire on the Johannesburg Stock Exchange this year.

"However, moves are afoot to alleviate investor's distrust through greater transparency," Murphy says

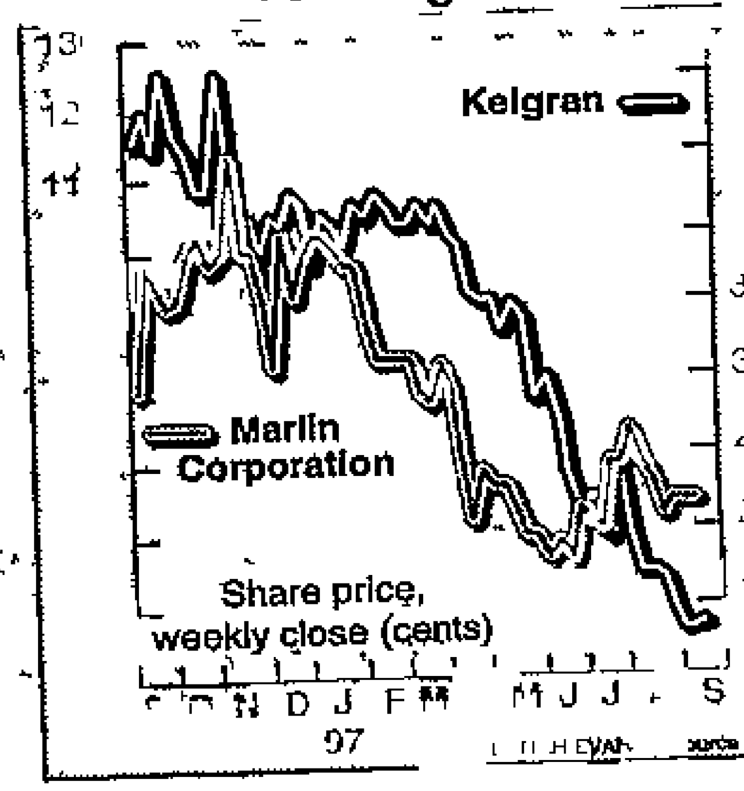
The short- to medium-term future for Marcorp mainly depends on the success of its management restructuring, and analysts are waiting until its year-end in December to see what effect this has had.

Marcorp's strategy of lifting beneficiation capacity was highlighted again in its acquisition of a further Natural Stone Processors (NSP) stake via subsidiary Minaco for about R6m. Minaco now owns 100% of NSP.

Murphy said Marcorp now controlled about 60% of SA's beneficiation capacity, equal to an output of about 90 000 tons of granite a year. SA beneficiates about 175 000 tons of granite each year, excluding a bevy of small monument producers.

In the past, SA granite producers have quarried and exported granite to offshore factories which then cut the granite down to specific sizes. However, in recent years Marcorp and Kelgran have tried to do more processing themselves. It was hoped that the value-added route would this time enable producers to make good on their forecasts, an analyst said

Marlin Corporation vs Kelgran



Marcorp set to meet forecast

BD 3/9/97

David McKay (193)

MARLIN Corporation (Marcorp) was set to realise forecast headline earnings of 10c a share for the year after reporting strong interim results yesterday, analysts said

The group, which also houses new acquisitions Kudu Granite and Minaco Granite & Marble, posted a 1,2c jump in headline earnings a share to 4c It expected a better second half as output rose and costs were reduced Marcorp said it would resume the payment of a dividend at the end of the financial year

Turnover more than doubled to R150m in the six months to June But higher volumes were reflected in operating costs which rose to R122m from R53m in the corresponding period last year. Attributable profit increased to R13,2m from R5m last year Marcorp said R9m of profit was derived from local subsidiaries and the R4,2m balance was the contribution from its international operations

Net borrowings, which analysts said had dampened confidence in Marcorp previously, had now been removed

The group said it had received Reserve Bank approval to buy a 50% stake in a quarrying operation in Madagascar This involved an investment of about R5m and added two popular materials to the range offered by the group

It had bought new sites for the development of new African Red-type quarries Output had started at one site and development of the other was planned for this month onwards, the group said

CONSOL

(193) FM 12/9/97

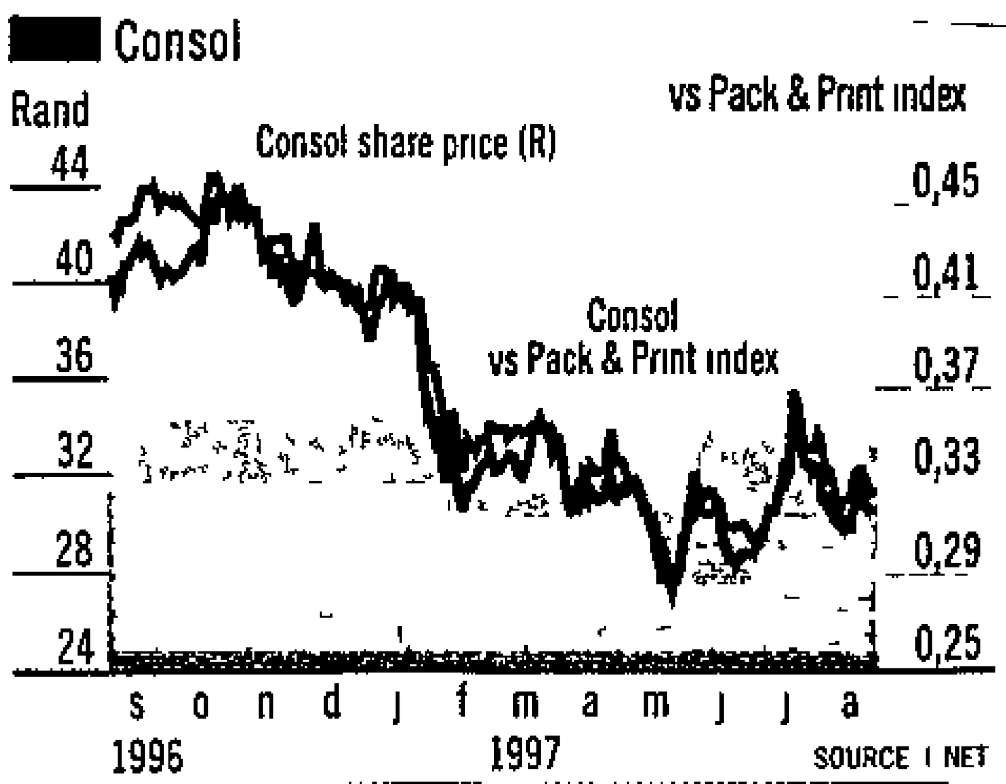
More pain than gain so far

Market share was lost as the huge capex programme ran into trouble

Consol's bleak 1997 year was as much a result of self-inflicted problems as of poor economic conditions

The packaging industry is generally considered a barometer of the economy, so one could argue the group couldn't do much about falling demand from customers, who mostly sell products to the consumer market

But avoidable manufacturing disruptions



and furnace failures caused the group to lose market share in the painful process of restructuring its business to become globally competitive

When Consol realised it had to improve efficiencies to succeed in its new environment, it embarked on a huge capital investment programme of about R1bn to upgrade production facilities, particularly in the glass division, which contributes 54% of turnover and 71% of operating profit

However, disruptions and an inability to meet customers' demands contributed to a 6% downturn in volumes in this division The wine industry was particularly peeved when the group couldn't produce the dark green colour demanded It didn't count on the Western Cape sand having a different chemical make-up to that further north Customers moved elsewhere, particularly to competitor Nampak

"The impact of restructuring has been worse than expected," says group MD Piet Neethling "We've taken lots of pain and quality has been affected"

To be fair, poor economic conditions also played a role Customers such as SA Breweries face a slowing economy For example, says Neethling, beer consumption growth grew only 1%, while soft drinks grew 10% and wine consumption 1,3% And because the economic outlook is poor with no signs of interest rate cuts, customers have been running down inventories

Glass was not the only division that performed poorly The paper and board division also saw subdued demand while plastics made an operating profit of R6m after a R9m loss a year ago

Overall, turnover fell by 24%, affected by the sale of the rubber business, for which about R1,1bn was realised

On top of declining market share and poor turnover came the move from a partial deferred tax basis to comprehensive tax, in line with parent Anglovaal On the partial method, headline earnings fell 17%, on comprehensive deferred tax, they fell 27%

Consol has much pain still to bear "We need time to turn the ship around," Neethling says "We're being pressurised by customers who are benchmarking international packaging groups and asking why we can't produce the same here"

With the economic outlook dim and the restructuring slow, Neethling is expecting efforts to kick in only in 1999-2000 However, Consol wants to regain lost market share sooner by improving service

Consol's debt has shrunk significantly and it has cash to make acquisitions should it find something tempting Much hope is being placed on new glass division MD Simon Crutchley

However, the packaging group has a long way to go before it will produce the returns expected by shareholders Its p e is about average at 11,5, but it's not yet a turnaround stock

Heather Formby

Year to June 30	'94	'95	'96	'97
ST debt (Rm)	107,5	230,5	313,9	139,3
LT debt (Rm)	169,4	270,4	236,5	32,9
Debt equity ratio	0,34	0,37	0,41	—
Shareholders' interest	0,37	0,41	0,52	0,74
Int & leasing cover	10,1	5,9	4,71	9,7
Return on cap (%)	17,6	13,6	14,5	21,6
Turnover (Rm)	2 443	2 979	3 320	2 509
Pre-int profit (Rm)	285,5	339,5	410,2	458,3
Pre-int margin (%)	12,2	11,5	11,8	12,3
Earnings (c)	257	224	343,8	251,4
Dividends (c)	74	88	102	102
Tangible NAV (c)	538	1 173	1 434	2 038

- **ACTIVITIES:** *Manufactures and markets glass, paper and plastic packaging*
- **CONTROL.** *Anglovaal Industries (64,1%)*
- **CHAIRMAN:** *D C Robbertze Group MD P Neethling*
- **CAPITAL STRUCTURE.** *64,4m ords Market capitalisation R1,87bn*
- **SHARE MARKET.** *Price R29 Yields 3,5% on dividend, 8,7% on earnings, p e ratio, 11,5, cover, 2,5 12-month high, R45, low, R23,80 Trading volume last quarter, 842 085 shares*

'Alpha's Saldanha plant to aid economy'

~~(182)~~ (193)

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

CT (BR) 8/9/97

Johannesburg — Alpha's proposed 700 000-ton-a-year cement plant at Saldanha would, in one fell swoop, boost national economic growth by 1 percent and would contribute about R214,3 million a year (at 1996 prices) to GDP, reports an environment impact assessment commissioned by Alpha

The most immediate contribution would be the provision of 246 direct jobs and an estimated 1 400 indirect jobs Building the R719 million plant would also create a peak of 790 jobs during three years of construction in an area where unemployment is estimated to be 35 percent.

The ratio of jobs to capital invested would be slightly lower than the national average, while 23,2 percent of the project's income would flow to people in the low-income group as defined by the National Housing Commission This is because of the high capital intensity of the project and the fact that it would require a high proportion of skilled personnel

But the report raises the possibility that job creation at Saldanha could be counterbalanced by job losses at PPC, a competing cement producer that dominates the Western Cape market and would be likely to lose some market share if the Alpha plant went ahead

The study also found that the plant would have several detrimental environmental and social effects Key among the concerns are the effect of mining and the visual intrusiveness of the plant

Another concern was the effect of a large cement plant on the mariculture industry that employs about 334 workers and has been proposed by environmentalists as a low-impact alternative to heavy industry in the area

Ceramic's big turnaround

(193)

MATT GETZ

CT(BR) 18/9/97

Johannesburg — After flat turnover for four years, Ceramic Industries, the tile and sanitaryware manufacturer, boosted revenue in the year to July 31 while at the same time recording a 31 percent increase in attributable profit

Johan Bouwer, the financial manager of the group, said yesterday. "We concentrated on growing our business this year. The pressed tile business was really flying this year We increased our investment substantially, and we are starting to see the benefits"

Attributable profit rose to R19 million from R14,4 million as turnover grew 34,7 percent to R180 million Earnings a share rose to 106,2c from 80,7c, and the company maintained its dividend cover at five times, lifting the payout from 15c to 21c.

Most operations performed well except Betta Sanitaryware, which was sent into a loss by an illegal strike

PACKAGING *R1bn upgrade will match product quality of stakeholder Owens-Illinois*

Consol Glass on way to world class

ET (PR) 30/9/97 (193)

Jabulani Sikhakhane
BUSINESS EDITOR

Johannesburg — Consol Glass, a subsidiary of the listed Consol Group, is halfway through a R1 billion programme to turn the country's biggest maker of glass packaging into a world-class competitor by 2000

Towards this objective, Consol Glass is also tapping into the technical expertise of Owens-Illinois, the US-based glassmaker, which owns 19 percent of the Consol Group

Recently, Consol Glass appointed Gary Halford, the former director of international technical support services at Owens Illinois, as its technical and manufacturing director

Simon Crutchley, who became the Consol Glass managing director in July, said the money was being spent on upgrading Consol Glass's manufacturing base to the best of Owens-Illinois's

During the past financial year, Consol Glass completed the building of a R200 million furnace at Bellville, which will service the Western Cape's wine industry Beginning in April next year, it will upgrade the furnaces at its Wadeville factory, near Germiston

Crutchley said part of the need to be internationally competitive was driven by Consol Glass's customers having to compete locally against international brands

"They also export wine The price of our wine bottles has to be same as that of competition that our customers face"

GLASS APART *Gary Halford, recently appointed technical and manufacturing director of Consol Glass, left, and Simon Crutchley, the managing director, say part of the need to be internationally competitive was driven by frustrated customers* PHOTO JOHN WOODROOF

Consol Glass's battle was also made tougher by the loss of market share in recent years to competitors like Nampak, the other listed packaging group

Crutchley explained the loss of market share was partly because of the three major rebuilds of Consol Glass's furnaces, which resulted in the disruption of production schedules

"Our customers were frustrated with our service," said Crutchley

In its bid for a world-class player status, Consol Glass's task will also be made difficult by the big variety of products made from its 12 furnaces Consol Glass produces some 600 products of different colours and moulds which require shorter production runs

"We would prefer to have long runs of one product, which will give us the operational efficiencies we need With each job change we lose 8-10 hours," said Crutchley, adding that colour changes were also fairly disruptive and expensive

Part of the solution to the large number of products made could lie in Consol Glass sourcing some of the products from Owens-Illinois's factories around the world However, importing glass is expensive because the fragile nature of glass requires that it be shipped in containers

In terms of the worldwide Owens-Illinois family, Consol Glass was responsible for the African continent

Consol Glass is already exporting beer and soft drink bottles to Malawi, Zambia, Namibia, Mozambique, all the Indian Ocean islands, Zambia and Tanzania

Cement plant may burn tyres instead of coal

ET (BR) 9/10/97 (193)

Roy Cokayne

Pretoria — PPC, the cement and lime producer, was moving ahead with a project to replace 15 percent of its coal requirements at its Hercules cement factory in Pretoria by burning scrap tyres, Francois Germishuizen, the general manager of PPC's Hercules plant, said yesterday

Germishuizen said PPC Hercules was in the process of applying for capital to install hardware, such as a feeding system for the tyres into the kilns This was done manually during the pilot project which involved 20 000 tyres

The tyres would replace coal as a fuel in the cement kiln, thereby saving precious fossil fuels and solving a major environmental problem by recycling energy from waste material

The feeder system would be installed in phases The first phase, to be completed by the end of September next year, would cost about R5 million but would only make the feeder system semi-automatic, Germishuizen said

It would cost about R7 million to make the tyre feeder system completely automated but further phases were dependent on "getting the tyre manufacturers on board", he said

A system for collection and transportation of infrastructure also had to be developed for the tyres, he said

"Unless we get full co-operation from the tyre manufacturers, the project will never work A lot of work still has to be done, and we still need to do a full impact study"

Estimates were that the factory would require 1,2 million scrap tyres a year to replace a percentage of its coal requirements

When PPC launched the pilot project in 1994, it was reported that some 85 percent of used tyres were unsuitable for retreading, which generated about 6 million scrap tyres a year

Bifsa wrong over prices, says Corobrik

CT (BR) 10/10/97 (193)

SHIRLEY JONES

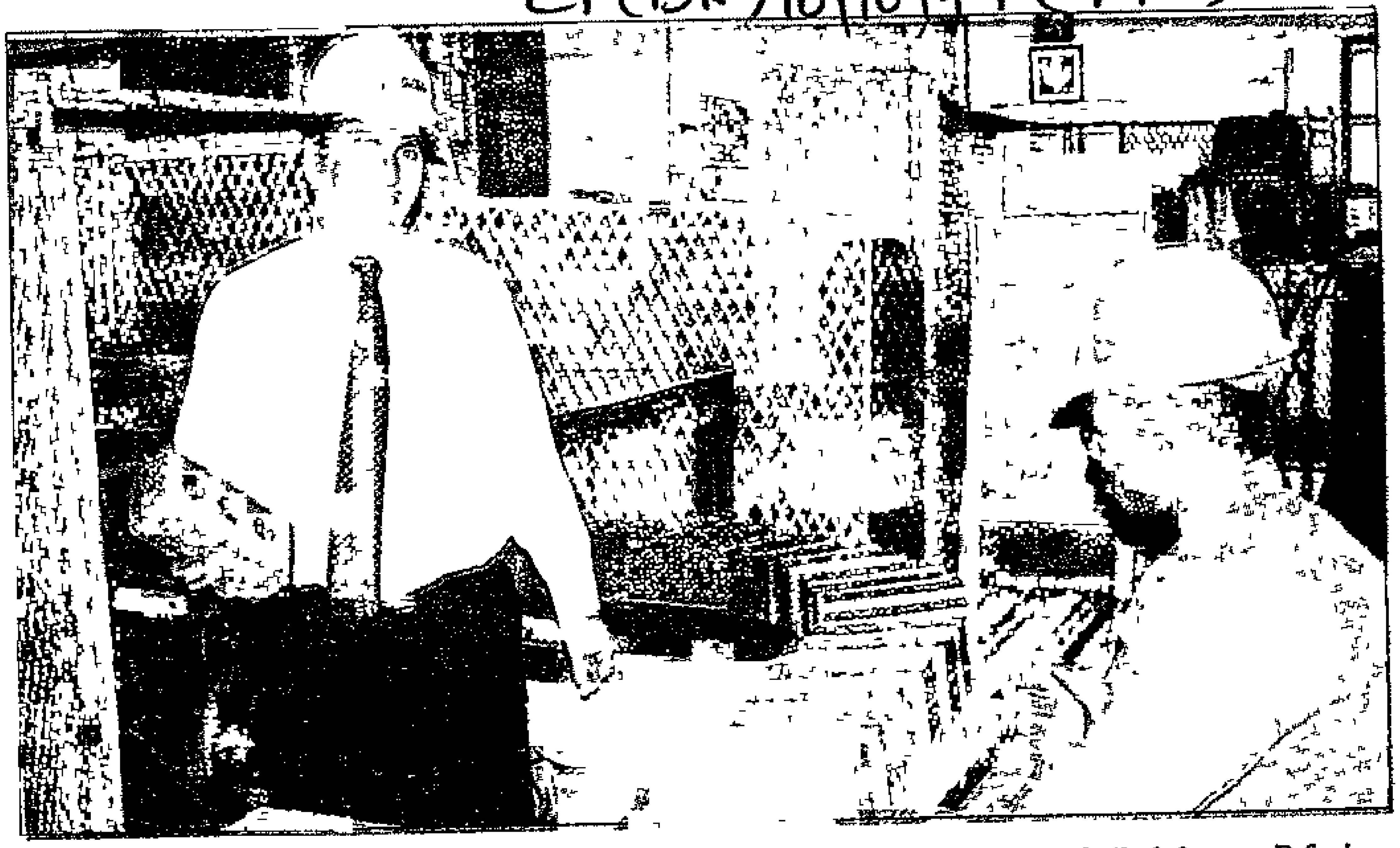
Durban — Corobrik refuted charges yesterday that the claybrick industry was responsible for the skyrocketing price of building materials

The Building Industry Federation of South Africa (Bifsa) said recently the price of face bricks had escalated by 22,5 percent while the increase in building materials prices had been only 10,2 percent

Peter du Trevou, the managing director of Corobrik and the president of the Clay Brick Association, said Bifsa's estimate for the facebrick price rise was incorrect The average increase in prices of building materials was about 9 percent

Speaking on behalf of Corobrik, Du Trevou said price increases had been kept below the producer price index at between 9 and 10 percent.

The catalyst for pulling in its belt, cost-wise, was the fact that the building industry was facing tough times and great concern that low-cost housing — one of the bigger markets for clay bricks — would resort to using cheap, poor quality materials with disastrous consequences



REBUILDING THE RECORD *Peter du Trevou, the managing director of Corobrik, left, says Bifsa's estimate of the price increase of face bricks is wrong* PHOTO BARRY TUCK

ALPHA

FM 10/10/97

Rolling out the grey carpet

(1997)

SA companies are all looking north, but seeing totally different things

Alpha announced its first acquisition outside SA last week, in the form of a 60% stake in Tanzania's largest cement producer, Tanga Cement

The purchase is one of only a handful of deals struck in Africa by SA cement makers, the most recent of which was Blue Circle's purchase last year of 49,9% of African Portland Cement, Namibia

For Alpha, the stake, bought from its controlling shareholder and the world's largest cement producer, Holderbank, is particularly significant

Alpha financial director Trevor Wagner says it gives the company access to an infant cement market and makes it less dependent on the SA market, where margins have been squeezed since the break-up of the cartel Cement consumption per capita in Tanzania is 26 kg/year, which compares to 200 kg in SA

Alpha says it is investigating opportunities in other African countries south of the equator as part of its geographical expansion plans, which accord with those of Holderbank "We know where we want to be, but the speed with which we move depends on when governments privatise, as in many cases cement is owned by government"

But Wagner's bullishness is not echoed by either Carl Grim, CE of Murray & Roberts Materials (housing Blue Circle Cement), or PPC group MD John Gomersall Grim cautions that many of the cement companies in Africa already have international equity partners with pre-emptive rights to increase their stakes

"There are not a lot of gaps in southern Africa," says Grim "You really have to get to the Central African Republic before you start finding opportunities" Gomersall says he doesn't know if there are any opportunities left on the continent

Grim says starting up operations within these countries is also difficult, since current capacity is more than capable of coping with demand He suggests it may be better to fix what is already there

Alpha, meanwhile, says the Tanga acquisition should have an immediate, but small impact on EPS in the year to December 1997, and that greater contributions should come in the medium to long term

The Tanzanian company stands to benefit from improved efficiencies, a possible fuel price drop and increased throughput Production stands at 350 000 t/year, and is expected to reach full capacity of 500 000 t in two to three years

Wagner says the group will decide by early next year whether to expand into the Western Cape, where PPC has a monopoly, or to expand its other domestic facilities The planned R720m plant in the Western Cape would push Alpha close to its self-imposed gearing limit of 67%, but this is expected to fall quickly

With no financial information available on the acquisition, it is impossible to evaluate the impact on the company But it is encouraging to see Alpha finding new growth opportunities and benefiting from its link to Holderbank

Stuart Rutherford

FRASER ALEXANDER

Going down to the core

Growth may seem limited, but management doesn't think so

Latest results from Fraser Alexander signal a watershed for this group which has now completed the restructuring started last January, when new CE Dennis McIntosh took over

The group has been cut back to its core businesses with the sale of the coal mining interests and resolution of the bitter fight in the waste disposal market with Enviroserv Frasers merged its Waste-Tech division with Enviroserv, in a deal funded with equity It is now unbundling this business, enabling its shareholders to hold shares in Enviroserv directly

Frasers financial director Les Maxwell says the reasons are the group policy not to hold minority stakes in operations it does not manage, and a desire to provide a bonus to shareholders

He hopes the cleaner structure and clearer future for the group will result in a rerating of the share

Frasers comes out with a rock-solid balance sheet It is ungeared and has cash in the bank, a year ago it had R67,6m debt

The group is now focused on three core divisions bulk materials handling, concrete products and mining services, including the tailings dam management operations

If there's a worry it concerns the apparently limited growth potential Frasers has acquired almost all the available tailings disposal business in the SA mining industry and the concrete products operation business depends on RDP business

One reason for the decision to unbundle the Enviroserv shares rather than sell them and retain the cash was that management could see no obvious use for the cash

Marketing director Kevin Eborall sees growth in all three of the divisions On the bulk handling side, Frasers wants to acquire the materials handling contract for the proposed second coal terminal at Richards Bay, KwaZulu-Natal

The project is being run by Group Five and Anker Kolen, which bought the Elandsfontein coal mine from Frasers Frasers has also secured a contract to provide materials handling services to Samancor's Meyerton, Vereeniging, plant which Eborall views as a new, strategic development

Frasers has moved into materials handling in Zimbabwe by buying Field Engineering, management has been surprised by new business it is generating Mining services business is booming in Zimbabwe

On the concrete products side, Eborall says the long-awaited RDP delivery process may be gaining momentum He is optimistic about major projects such as the Maputo corridor development and work on new toll roads

Frasers has also formed a joint venture in Zambia with a company that produces concrete railway sleepers, and wants to expand there and in neighbouring countries

Headline EPS for the year to end-June rose only 5% (*Fox* October 3) But Maxwell says Frasers' results for the past five years show a compound annual growth rate of 20% in both before and after tax earnings He expects more this year

Brendan Ryan

TA BANK

Invading the market and JSE

TA Bank wants a listing to launch an assault into southern Africa

TA Bank, which opened its doors in SA just four months ago, is on the prowl for a listed vehicle to enable it to speed up its pen-

Merger news bodes well for Plate Glass

CT(BR) 13/10/97 (193)

ANN CROTTY

Johannesburg — The Plate Glass share price eased back 25c to close at R135 on Friday following the release of details concerning the proposed multimillion-dollar merger which will result in Vistar, its US-based automotive glass replacement (AGR) operation, becoming part of one of the largest companies in that market in the US

The merger was expected to provide a boost to Plate Glass earnings in financial 1999 once rationalisation costs had been absorbed Analysts said on Friday that the share price had moved up after speculation relating to the deal and that there was reasonably strong demand from institutions

This, they said, was based on medium to long-term prospects for the group rather than the 12-month outlook, which was unexciting because of the continued weak performance of the South African operations

In the 12 months to June 30, an excellent performance from Plate Glass's international activities was not sufficient to counter the impact of the poor performance on the home front, and the group reported a 6 percent fall in earnings

For the present year, financial 1998, the potential benefits of the US merger were expected to be matched or exceeded by the likely costs associated with the rationalisation that appears to be on the cards

Vistar, an AGR operation with 356 branches, is 51 percent owned by Belron, the international arm of Plate Glass This business will be merged with Safelite Glass Corporation which has more than 500 AGR retail outlets

The rationalisation exercise is expected to see the combined number of outlets trimmed back to about 750, which will have an estimated annual turnover of $800 million in a market valued at between $3 billion and $4 billion

Belron will exchange its 51 percent Vistar holding for a 45 percent holding in the merged entity, which will operate under the Safelite name At present, Safelite is 100 percent owned by Thomas Lee, a Boston-based private equity investment company

The deal is subject to the approval, in terms of the Hart-Scott-Rodino Antitrust Act, of the US Federal Trade Commission

A Plate Glass spokesman said such approval was expected to be granted because the total number of AGR shops in the US was 20 000 compared with the merged group's 856 before rationalisation

Y NEWS

RAND HEDGES *Encouraging to shareholders weary of recent earnings performance*

Offshore divisions rescue Plate Glass

ET(BR) 7/11/97 (193)

ANN CROTTY

Johannesburg — The financial results released yesterday highlight the extent to which Plate Glass & Shatterprufe Industries is becoming a rand hedge investment Disappointing results from the domestic operations and news that the regulatory authorities in the US have approved the recently announced merger involving PGSI's US business underscore the group's growing appeal as a rand hedge investment

PGSI yesterday reported a 6 percent decline in headline earnings to 273,3c a share in the six months to September 30 from 314,6c in the previous interim period An unchanged dividend of 149c a share was declared

The group's rapidly growing offshore division, Belron International, accounted for 60 percent of the earnings while SA operations — Glass SA and PG Bison — contributed just 26 percent of earnings

This trend will encourage shareholders, who may have become weary of the uncertain earnings performance of recent years, most of which can be attributed to the sharp drop in contribution from the group's South African assets

As recently as financial 1996 the local glass and wood operations accounted for a combined 61 percent of group earnings Group chief executive Ronnie Lubner yesterday acknowledged that South Africa was inevitably assuming a relatively lower profile, but added that it still represented PGSI's core business

WINDOW OF HOPE *PGSI's Ronnie Lubner contemplates slightly better results by financial 1999* PHOTO JOHN WOODROOF

"We've sorted out our production problems in South Africa, but it is still difficult to get a handle on when the market will recover, certainly things don't look encouraging for this financial year but they may be much better by financial 1999," he said

The uncertainty on the domestic front had made the decision on whether to mothball excess capacity extremely difficult, he added

Approval for the merger of Belron's US Vistar operation with Safelite was secured within two weeks The merger will form an automotive replacement glass network with an annual turnover of more than $800 million

As PGSI holds 45 percent of the merged operation, its results will be equity-accounted for the last three months of the current financial year, which is when the deal became effective

Belron's recent debt-funded acquisition of two automotive glass replacement chains in Canada will lift total North American turnover to more than $1 billion a year Lubner is confident that "in due course revenue from this region will more than fulfil our expectations"

Results from PGSI's other international operations were described as generally pleasing, "with the European businesses continuing to show improvement in terms of sales and market position"

Zimbabwean operations performed in line with expectations

Lubner is not expecting trading to improve in the second half and states that the expected 60 percent increase in net debt, because of the Canadian acquisition and costs relating to the US merger, point to a similar earnings decline in the full year to March next year

The share shed R11,20 to R114 yesterday as more than 240 000 shares changed hands

Plate Glass's income slides on disappointing results from SA outlets

(193)

Janet Parker

PLATE Glass & Shatterprufe Industries reported a 3% drop in attributable income to R121,3m for the interim six months to September, after its operations in SA continued to post disappointing results

Depressed trading conditions in SA and Australia as well as additional shares in issue resulted in share earnings dropping 6% to 299,1c, while headline-share earnings also fell 6% to 273,3c An unchanged interim dividend of 149c was declared in the form of a capitalisation award, but shareholders could choose a cash dividend

Plate Glass chairman and CE Ronnie Lubner said it "would be difficult to restrict the decline in earnings for the year as a whole", due to the depressed trading environment, an anticipated 60% increase in net debt due to an acquisitions and a merger. However, the benefits of the acquisitions made prospects for the next two financial years more encouraging.

The group had received approval to merge its US automotive glass operation, Vistar, with the Safelite Glass Corporation, to form an automotive glass network throughout the US with an annual turnover of $800m, of which Plate Glass has 45% equity. Lubner said the deal to acquire two automotive glass-replacement chains in Canada was also near completion

Turnover for the first half improved 7% to R3,6bn, with the main contribution from the group's 78%-held international arm Belron Operating profit fell 4% to R266,8m Financing costs increased to R42,5m (R35,1m) and the tax bill dropped to R55,5m (R58,2m)

BD 7/11/97

Ceramic aims for 50% more efficiency

Matt Getz (193) ET (BR) 18/11/97

Johannesburg — Ceramic Industries, the country's largest tile maker, hopes to become almost 50 percent more efficient in the next three years, Johan Bouwer, the financial director, said yesterday

Bouwer was commenting on the company's annual report, released last week The report showed a steady rise in operating margin, with the exception of last year From 1993 to 1996, margins grew from 6 percent to 13,6 percent Last year, the margin fell back to 13,3 percent because of an illegal strike at Betta Sanitaryware

"If you look at the company over the last five years, turnover was stagnant, but last year it started to fly (rising 34 percent) Profit showed an upward trend, which could be attributed to cutting out excess and inefficiency That is the whole management philosophy It hasn't been easy, but now it's starting to pay dividends"

Bouwer said the company expected the margin to rise to 16 percent next year and 20 percent in three years' time This year, the company hopes to lift turnover over 20 percent to R220 million

The expected improvements should come from expanded production and a turnaround at Betta Workers at Betta went on strike in April The high court later ruled it illegal, but the damage had been done as Betta lost R4,9 million

Ceramic did not blame the workers alone Bouwer said the strike had been precipitated by poor management control, so the management was replaced The new team had taken a much tougher stance with the union Bouwer said the division was above breakeven and should earn R2 million in the year to next July 31

Growth in pressed tiles production should raise revenues and cut costs Samca, the pressed wall and floor tile division, has installed a new continuous-milling clay plant which should lift floor tile production by 35 percent and wall tile production by 25 percent Samca was the largest contributor to profit last year, and Bouwer expected this to continue

Ceramic has been a star JSE performer it was the fourth-most successful stock in the 12 months to September 30 Since the beginning of the year, it has more than tripled Yesterday, it gained 50c to R19,50 It has also attracted much more notice trade in its stock rose from R3 million worth in the 1996 financial year to R29 million worth last year

Alpha straining under PPC's weight

BD 20/11/97 (193)

Lukanyo Mnyanda

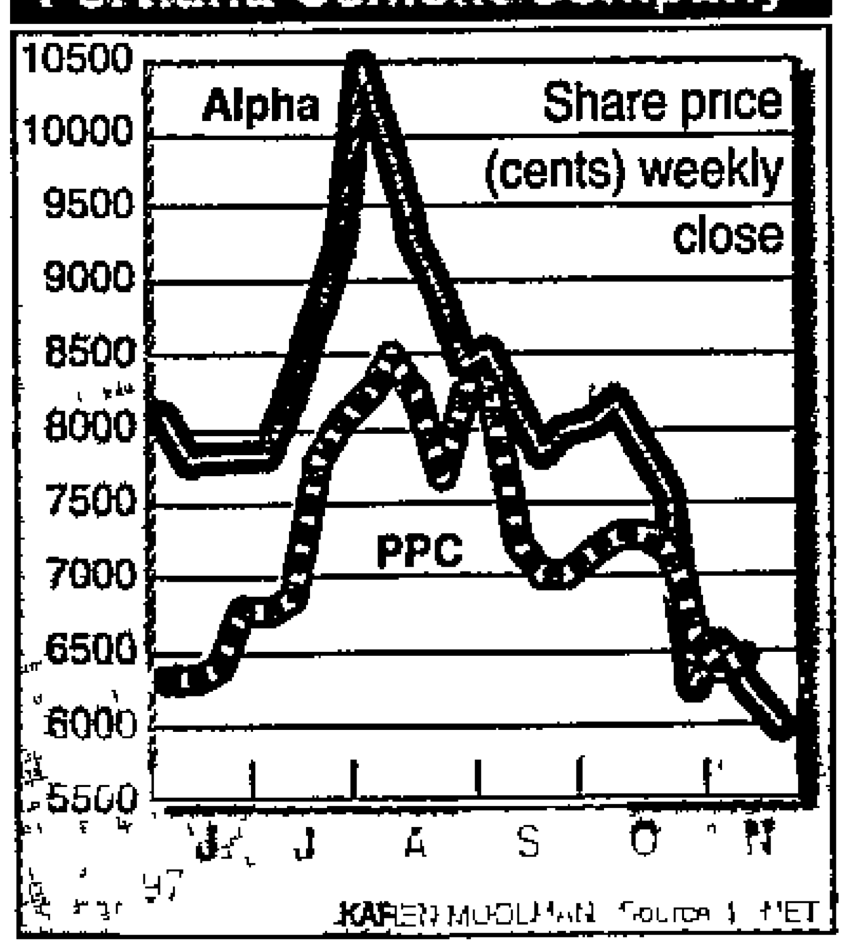
CEMENT producer Alpha had been hit hard by slowing demand and a dearth of gross domestic fixed investment, and would be "hard pressed" to match last year's earnings, outgoing MD Johan Pretorius said yesterday

Analysts said they were expecting lower earnings from Alpha, which was not well placed in SA, lacking exposure to growing markets and losing market share to competitor PPC in some areas

Latest Cement and Concrete Institute figures show that the Western Cape — where PPC has a virtual monopoly — was the only province to show significant growth this year, raising sales by 13,5% to 1-million tons in the 10 months to October

SA's largest market, Gauteng, where both had a presence, experienced a 6% decline to 2,4-million tons North West, Northern Cape and Mpumalanga where Alpha's other operations were located have had a disappointing year, with Northern Cape posting a decline to 147 350 tons compared to 161 000 in the comparable period.

Alpha vs Pretoria Portland Cement Company



The companies' contrasting fortunes have been reflected in their respective share prices. Alpha lost another 100c yesterday to R60 while PPC was steady at R65. Alpha reached a 12-month high of R107 last August and PPC stood at just R85 during the same time.

Overall cement sales grew just 1,2% during the first 10 months of the year, a far cry from the industry's "modest" expectations of between 3% and 5% at the beginning of the year.

Analysts said Alpha's challenge to PPC had been dealt a heavy blow by the Competition Board's decision to block its merger with Murray & Roberts' Blue Circle, which would have given it the economies of scale required to enter new markets

Pretorius, who goes into retirement at the end of February, said the current year would be "tough" due to slower demand in SA and the company was looking to countries outside SA to drive growth

Alpha recently took a 60% stake in Tanzania's largest cement company, Tanga Cement It would look for opportunities in other African markets but Pretorius could not provide details

Pretorius denied the company had embarked on a major restructuring of its Gauteng operations to deal with the tough trading conditions and said it was combining some operations in its stone and ready mix division as part of a continuing process.

Pretorius said he would be replaced by deputy MD Mike Doyle after a years transition period.

CONSOL

(~~1937~~) (193)

~~B:~~ FM 21/11/99

Buy-in bid is a surprise

But minorities will be better off in shares with greater growth prospects

Anglovaal's plan to delist Consol, in which it has a 64% stake, is "a bit of a surprise" to analysts But the offer to minorities is considered reasonable considering the short to medium-term prospects

At R28, the offer is at a 40% premium to Friday's R20 price, and on a p e of 11 The share has since risen but as one analyst says "When one looks at a forward p e of 12, the price is very realistic"

However, investors who bought shares in 1994 at about R57 on a p e of 23 may understandably feel a bit peeved

Consol's demise — headline earnings fell 27% in the past financial year — is a good example of how the world caught up with a company which failed to act before inevitable changes took place The packaging company, which derives most of its earnings from glass packaging, became complacent with its huge stake of the glass packaging market — it still has 73% — and failed to upgrade plants to world standards

It couldn't meet customers' needs and treated them cavalierly One analyst says management underestimated customers who found global manufacturers against which to benchmark prices and quality

When management decided to upgrade plants at R1bn, the market was misjudged An analyst says capex was misspent at the new Bellville, Cape Town glass plant, which was set up for single shape production and four colours, when the market wanted multiple bottle shapes and six colours

"Though Bellville is the best glass plant in SA, they should have set up two furnaces instead of one large one," he says "Maybe they should now stick with long runs and import short run orders to improve margins" Also, when that capex was planned, Pepsi orders were still coming through and the economy was expected to improve

Another failure was the lack of management succession planning Now that ex-group MD Piet Neethling has retired, Consol has a part-time MD, Anglovaal's Richard Savage Though the market rates new glass division MD Simon Crutchley, and punts him as the new group MD, he has yet to prove himself "They've needed new eyes to look at old problems for a while now," an analyst says More management changes and staff rationalisation are expected

US glass packaging company Owens-Illinois, which already holds 19% of Consol, will probably play a greater management and technical advisory role At one time, it was discussing taking a larger stake but talks fell through For now, its stake will be increased "marginally"

Minorities will be better off in shares with greater growth prospects **Heather Formby**

Cement producer eyes exports

BD 18/12/97 (193)

Fernando Lima

MAPUTO — Cimentos de Mocambique, a cement producer that was privatised three years ago, is now able to meet all Mozambique's domestic requirements and is looking to export into the region

The company, which has a monopoly on cement production with three factories near Maputo, Beira and Nacala, is expecting to make 215 000 tons of cement this year, its highest figure since independence. Production will be increased to 252 500 tons next year, considerably more than can be absorbed by the domestic market

The company's local manager, Helder Rodrigues, said in an interview he would begin targeting markets beyond Mozambique -SA's Mpumalanga province, Swaziland and Malawi

Portuguese multinational Cimpor, largely involved in cement production, bought 51% of Cimentos de Mocambique in October 1994, in one of the biggest privatisation operations since the privatisation programme began nearly a decade ago The rest of the company is owned by the Mozambican insurance parastatal Emose and railway parastatal CFM According to the state authority in charge of privatisation, Utre, the total investment in the company amounts to about $97m

The company's factories have begun producing "klinker", the raw material used for cement which used to be imported from SA, and Rodrigues says the quality of cement is now on a par with that produced in SA

Before ey were privatised, the three facto s were producing 60 000 tons a year and most of the cement used in Mozambique was being imported from SA

Robyn Chalmers reports that the disbandment of SA's 25-year-old cement cartel — recommended by the Competition Board in 1994 and implemented last year — has forced SA's three cement groups to market and distribute cement in an open market

This has opened up the SA market to foreign and domestic competition The demise of the cartel has made the three cement groups — Pretoria Portland Cement, Alpha and Blue Circle — more vulnerable to such competition because of higher operating costs and smaller margins

□ Meanwhile, the Mozambican economy continues to perform well Figures released by Prime Minister Pascoal Mocumbi this week indicate that the average inflation rate dropped from 17% in 1996 to 4,3% in 1997 Gross domestic product growth is expected to reach 6% Exports, however, show modest growth from $210m last year to about $230m this year

According to government, the delay in the export of electricity from the Cahora Bassa Dam to SA had a significant effect on the targeted GDP figures

Sales of cement fail to live up to expectations

Lukanyo Mnyanda (193) BD 31/12/97

DOMESTIC cement sales failed to live up to the industry's "modest" expectations for the 11 months to November, rising just 0,9% over the same period last year to 8,7-million tons as growth in construction gross domestic fixed investment (GDFI) remained sluggish

Figures released by the Cement & Concrete Institute show that cement sales in the three months to November were 0,6% down on the previous three months, while the six month period was just 0,3% ahead of the previous comparable period.

Analysts were disappointed that the figure was significantly lower than the industry's initial projections of a growth rate of 3-6% this year, and were not convinced that the situation would improve much next year

Slow demand was mainly due to low levels of private and public sector investment in infrastructure, they said, while unseasonal heavy rains, especially during the second quarter, had also depressed the market

High real interest rates and an oversupply of townhouse stock in areas such as Gauteng had also helped fuel a slowdown in the construction sector. Though it became clear that the industry would not live up to original expectations, analysts only downgraded their forecasts to about 2% in June and have been disappointed with the latest showing.

One analyst said it was still not clear if GDFI growth would pick up in time to boost the industry's performance next year He would probably downscale his growth estimate for next year from the current 2,5%-3% range.

The analyst said government's infrastructure plans were of a long term nature and the industry might start benefiting towards the end of next year, which would hurt major producers' profits.

Growth in demand for cement would also depend on how soon planned projects such as the construction of casinos and reconstruction and development projects got off the ground.

MANUFACTURING - NON MET. MIN-PROD.

1998

COMPANIES

‘No quick recovery for cement firms’

BD 22/1/98 (193)

Lukanyo Mnyanda

SA’s cement producers would continue to face hard times in the face of slow building and gross domestic fixed investment activity which had been borne out by cement sales growing by a disappointing 1,6% last year, analysts said yesterday

Cement and Concrete Institute figures show that cement sales to only 9,3-million tons last year compared to 9,2-million in 1996

SA Cement Producers’ Association figures showed that the Western Cape was the only region to post significant growth with 13% to 1,2-million tons while Gauteng recorded a slight decline to 2,7-million from 2,9-million in the previous year

Analysts were not optimistic of a quick recovery with the major producers set for a more aggressive fight for market share in slow conditions. They said the tough trading conditions would be reflected in Alpha and PPC’s financial results which should continue to be uninspiring

Tee companies would continue to bear some of the costs related to the termination of the cement cartel which has forced them to invest millions of rands to improve capacity. Alpha was expected to report a slight decline in earnings for the year to December as slowing activity took its toll

But they were more bullish on PPC which they expected to produce earnings per share growth at between 11% and 12% on growth at its Western Cape stranglehold, growing market share at the expense of its competitors and higher investment income

“PPC will do better than the national average and earnings per share should rise by about 11,9% to 543. But it has been broadly static for the past three years,” Société Générale Frankel Pollak analyst Mark Ingham said

Barnard Jacobs Mellet investment analyst Nolan Menachemson said PPC was likely to have increased its share of the cement market by up to 20 000 tons since the beginning of its financial year in October. He expected PPC to raise earnings per share by 12% to about 548c in the current year.

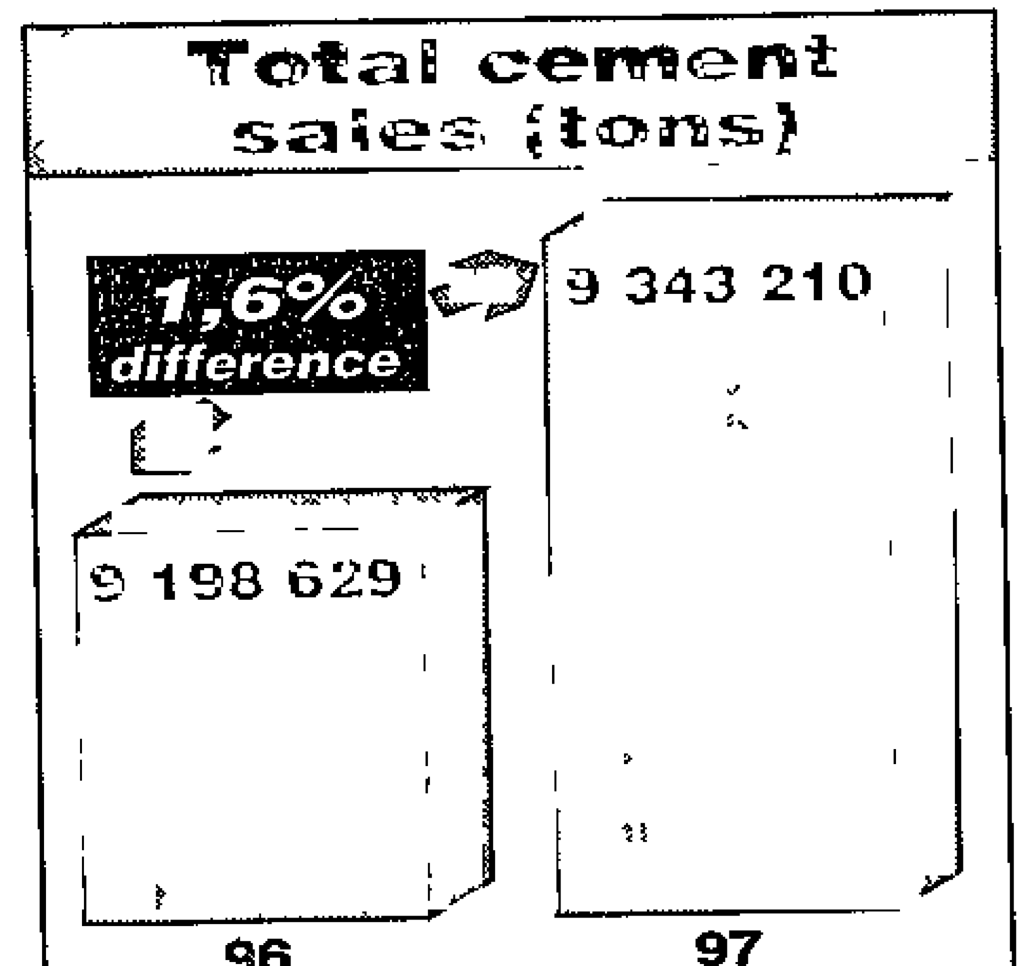
“PPC has been hit hard but it is still the preferred stock,” he said

PPC and Alpha’s executives did not want to speculate on their respective companies’ prospects for the coming year PPC MD John Gomersall said the company had not changed growth estimates contained in its annual report

The company said in the annual report that it did not expect volume growth to exceed 5% this year

Alpha financial director Trevor Wagner said it would be inappropriate to comment with its annual results due in about two-and-a-half weeks

Alpha lost 25c to R49 at the Johannesburg Stock Exchange yesterday while PPC managed a 10c gain to R57



Graphic KAREN MOOLMAN
Source CEMENT & CONCRETE INSTITUTE

Alpha feels effect of sluggish industry

BD 11/2/98 (193)

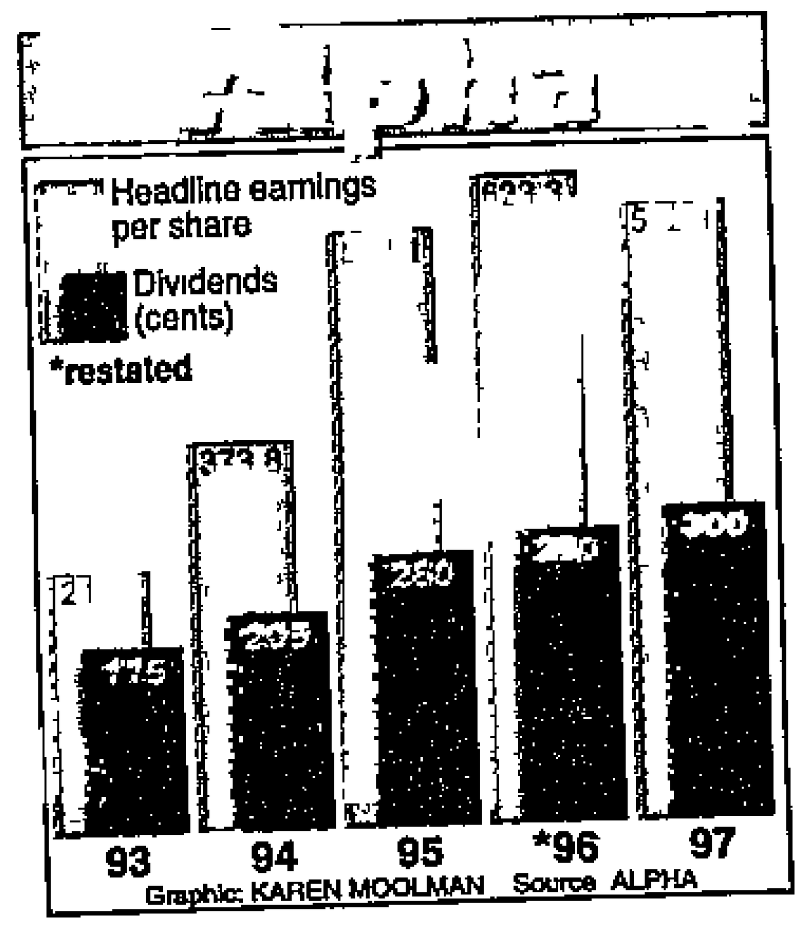
Lukanyo Mnyanda

CEMENT producer Alpha recorded a 12% drop in attributable profit to R174,6m in the financial year to December as it continued to feel the effects of a sluggish building and construction industry and higher post-cement-cartel marketing costs

Earnings a share recorded a similar decrease to 580,4c, with headline earnings 5% lower at 592,3c a share

Lower operating margins and higher borrowing costs slashed attributable earnings, marking a poor year for the sector which is struggling with the failure of public infrastructure projects to get off the ground.

The group said yesterday it would boost local capacity to 3,5-million tons a year by 1999 and would not take a decision on new capacity in the northern market until 2000, but could make an investment to improve geographic spread in the south.



Analysts said the company might be shifting its expansion focus towards Saldanha as opposed to Gauteng and North West, where three cement producers were vying for a shrinking market

Barnard Jacobs Mellet analyst Nolan Menachemson said he would be surprised if Alpha was still looking for expansion into Saldanha as capacity there would come on stream only in about four to five years

"Depreciation costs would impact at the same time as the plant becoming operational .. This requires a long-term view on significantly higher volumes to support this expansion," he said

Alpha has been lagging competitor PPC, which has a virtual monopoly in the Western Cape — the only region to show significant growth in sales last year.

It raised sales 13% to 1,2-million tons last year compared with the national average of 1,6%. While Alpha had a footing in Gauteng, it performed poorly in the North West, Northern Cape and Mpumalanga.

Group MD Johan Pretorius said the company had made an application to environmental authorities for a new greenfields cement factory in Saldanha as part of capacity expansion plans under consideration in the southern market

Alpha lifted turnover 14% to R1,97bn from R1,73bn last year, mainly as a result of the inclusion of newly acquired Tanzanian company Tanga Cement as well as inflation-related price increases. Operating profit was 4,3% down at R243,1m (R254,1m)

The group was hard hit by high operating costs due to higher fuel costs, promotional and advertising costs owing to the cement division's product launch, and bad-debt write offs. Capital expenditure funding, investment in Tanzania and the acquisition of the remaining 33% of Swaziland and Eastern Cape cement distribution operations lifted borrowing costs by a massive 67% to R40,4m Investment income recorded a 12,8% decline to R25,39m (R29,13m)

Pretax profit declined 11,2% to R222,19m (R250,24m) with a marginally lower tax bill of R62,54m (R66,25m) leaving profit after tax at R159,65m compared with R184m in the corresponding period last year

The group declared a final dividend of 217,5c a share, bringing the total to 300c compared to 280c last year.

Pretorius attributed the group's performance to tough trading conditions in the building industry.

"The residential sector continued its downward spiral, while some growth was experienced in the non-residential and civil engineering sectors. The company participated in a number of reconstruction and development projects but the full potential of this sector has still to flow through."

Masonite suffers in tight trading

(193) BD 13/2/98

Nicola Jenvey

DURBAN — Tight trading conditions and a general lack of confidence in the economy pulled industrial building and construction group Masonite (Africa's) attributable income down 6% to R10,9m for the year to December

Chairman and MD Alan Wilson qualified any comparisons with previous results with the explanation that R3m in government decentralisation allowances was reflected in the 1996 figures and only R1m in last year's results Excluding these allowances, the trading margin grew 13%

Headline earnings a share fell to 161c (171c) and a 33c (30c) final dividend was declared, lowering the total to 41c (42c)

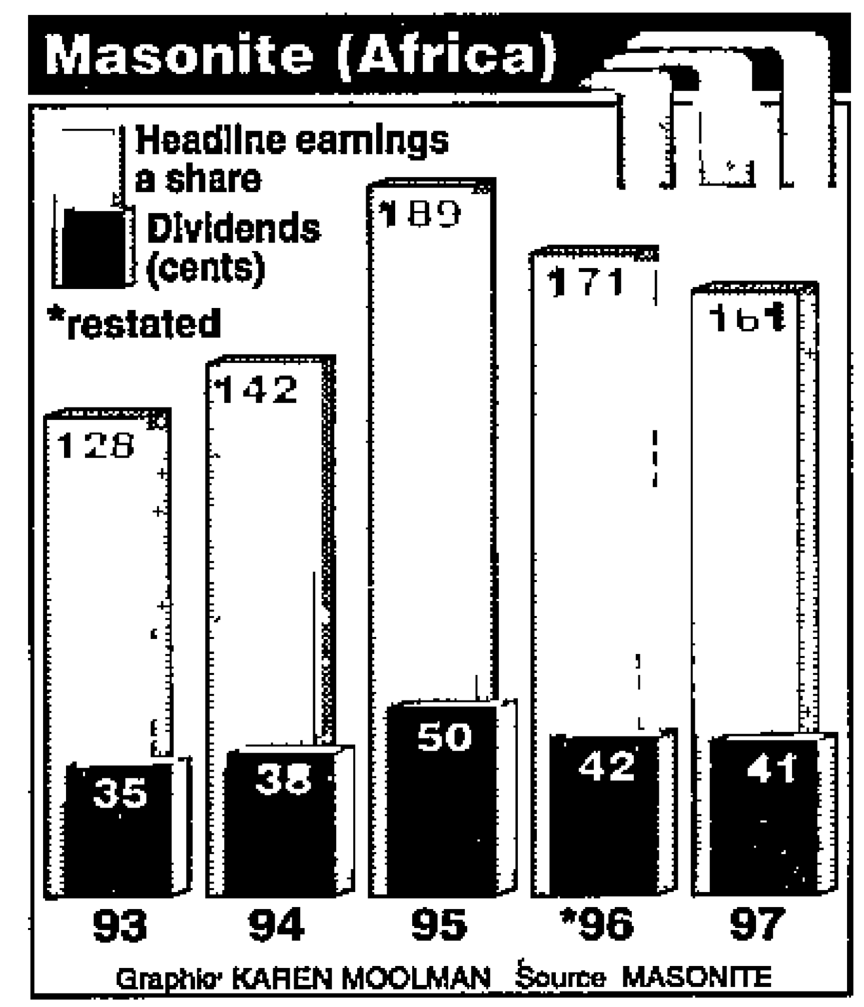
Wilson said trading conditions remained difficult during the second half, but the group's financial performance was "significantly higher" than expected

Exports boosted sales 9% to R239,6m on a marginally improved operating income of R25,7m (R24,7m). However, the poor first-half performance compared to the second six months was attributed to a lack of confidence in the economy, particularly in many of Masonite's markets.

During the period under review, Masonite changed its accounting policy to bring sugarcane plantation establishment costs in line with the policy on timber plantations. Wilson said this change lifted income before taxation and net income by R500 000 in 1996 and by another R500 000 by prior adjustment in 1995

Masonite invested R21,3m in capital expenditure last year, including a R6,4m advance for a modern computerised saw, which would only be commissioned in the first quarter of this year

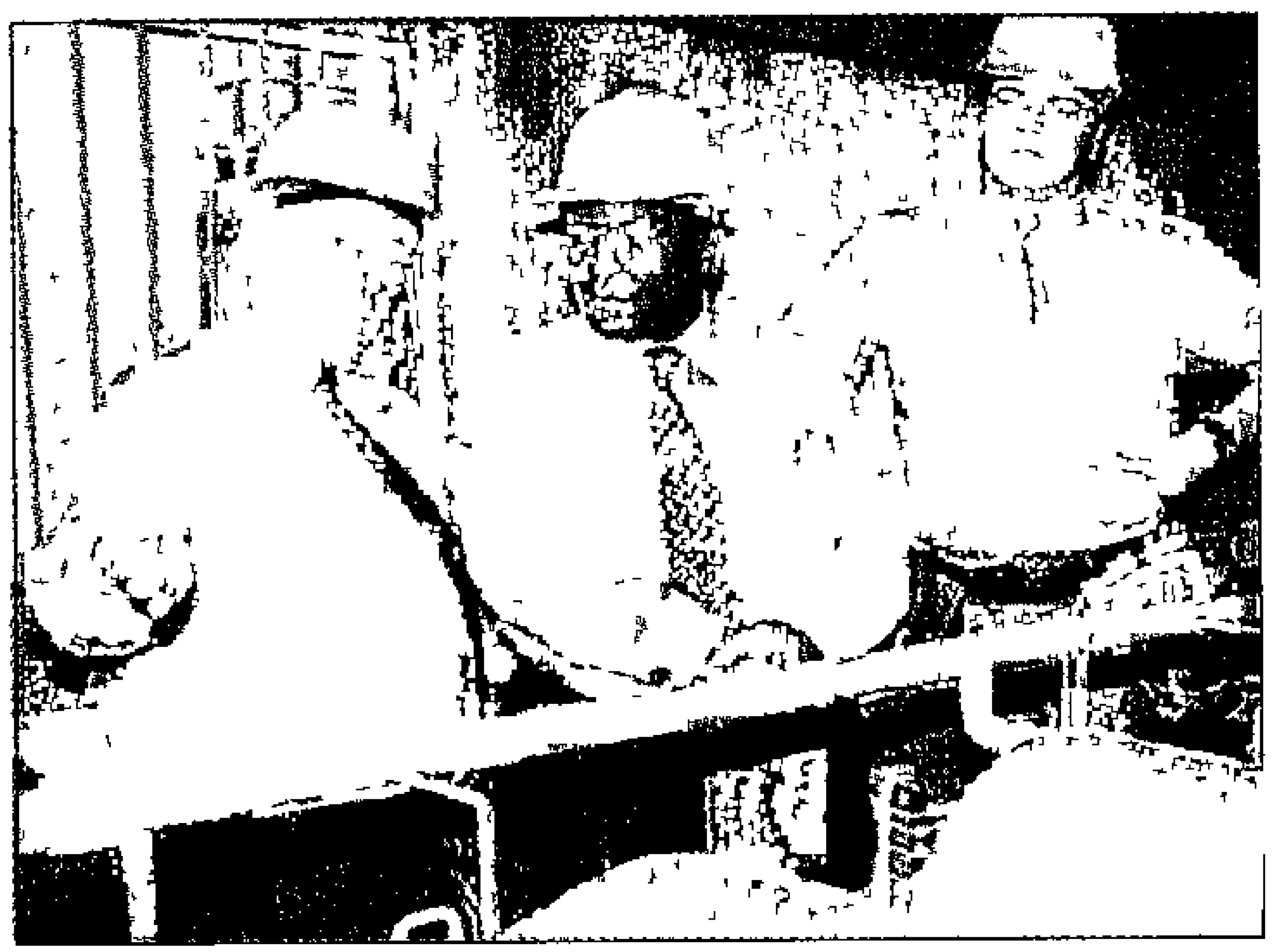
Wilson believes the trading pattern over the past two years will be repeated this year, but with the added constraint of lower gross domestic product growth



INVESTMENT *The plant 'would initially produce 55 000 tons of lignosulphate'*

Ligno Tech SA forecasts earnings rise

CT (MR) 2/3/98 (193)



CHEMISTRY MAGIC *(from left) Sinclair Stone, the works director at Sappi Saiccor, Ben Ngubane, the KwaZulu Natal premier, and Lars Sponheim, the Norwegian trade and industry minister* PHOTO BARRY TUCK

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Ligno Tech SA, a R100 million joint venture lignosulphate plant along the KwaZulu Natal coast, would increase its earnings far beyond the initial $19 million a year expected from next year, Sappi Saiccor and Borregaard, said last week

Gunnar Vikstrom, Borregaard's vice-president, said that while the plant was being built, research and development was already gaining momentum

The lignosulphate from the plant, which is a binder and dispersant used in the concrete, mining, brick-making and animal feeds industries, would soon be used in innovative new products such as a spreadable butter containing unsaturated fats, he said

According to Vikstrom and Noel Roussouw, the marketing manager for Ligno Tech SA, the world market was 2 million tons a year

He said the plant, for which earthworks started in January and which would be operational by December, would initially produce 55 000 tons of lignosulphate, but this would be increased to 200 000 tons as the market developed

The lignosulphate produced by the plant is destined for the international market and will be exported through Borregaard's marketing division

Vikstrom said South Africa was perfectly positioned to service markets in the Middle East and South America and would extend Borregaard's reach into new and developing markets

The two companies signed the original 50/50 agreement in December last year The project will be financed by a combination of joint borrowings and Norwegian government support It will create 40 permanent jobs and another 200 jobs during construction

Half of the plant installed will be South African with the balance imported

The plant will remove lignosulphate from the effluent stream produced by Saiccor which produces dissolving pulp for export to the textile industry

It is expected to result in a 10 percent reduction in discolouration of the sea off Umkomaas into which the effluent is pumped, which remains the centre of an on-going conflict with conservationists

Alpha confident about Saldanha factory

BD 2/3/98 (193)

Lukanyo Mnyanda

CEMENT producer Alpha should be able to make a final decision on the proposal to build an R800m plant in Saldanha Bay in about 18 months and was confident of obtaining regulatory approval by midyear, Alpha MD Mike Doyle said at the weekend

He said the firm was keen to return to the Western Cape market from which it retreated in the 1980s but would ensure it had a significant market share before committing to a move

Its application for a greenfields factory at Saldanha was at an advanced stage and the firm hoped environmental authorities would make a decision by year end, after which it would seek permission for mining silk stones

Alpha's competitor, PPC, has a monopoly in the Western Cape, the only region to show sales growth over last year with 13% compared with the national average of 1,6%

However, Doyle said that although the Western Cape should continue to outperform the rest of the country this year, market growth trends should reverse during the next few years Gauteng, which recorded a slight drop last year, should stabilise and show some growth towards the end of the year

Group chairman Basil Hersov said in the latest annual report that the firm would not decide on an extension of capacity in the northern until after 2000 because of slow trading conditions.

Marlin reports rock-solid rise in turnover

CT (BR) 6/3/98 (193)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Marlin, the Anglo American-controlled granite producer, yesterday reported a 120 percent rise in turnover to R334 million and a 77 percent rise in headline earnings to 8,5c a share

Graham Treagus, the managing director, said a major feature of the year was the successful consolidation of the group's Rustenburg quarries into a single operation This more than doubled production to 75 627m³ of stone

"This rationalisation and coordinated planning has significantly improved production efficiencies and will contribute to sustained growth "

He said the group had strengthened its position in the market through broadening its product range and introducing new fashion colours as well as increasing its quarrying activities in North America He said Marlin would expand into Mozambique and develop joint venture operations in Madagascar during the current financial year

Increased sawing capacity at its slabbing factory, through the installation of new-technology equipment, would impact on results from the next financial year

During the past year Marlin shut down its consumer products division, citing losses at its Germiston factory

Treagus said demand for its products in both dimensional blocks and value added form remained strong

"The identifiable growth in the utilisation of natural stone products for interior and exterior applications, which has been in the region of 6 percent a year, is expected to continue," he said

ALPHA

When friends turn enemies

fm 13/3/98 (193)

Alpha is finding out how vicious its old cartel chums really are

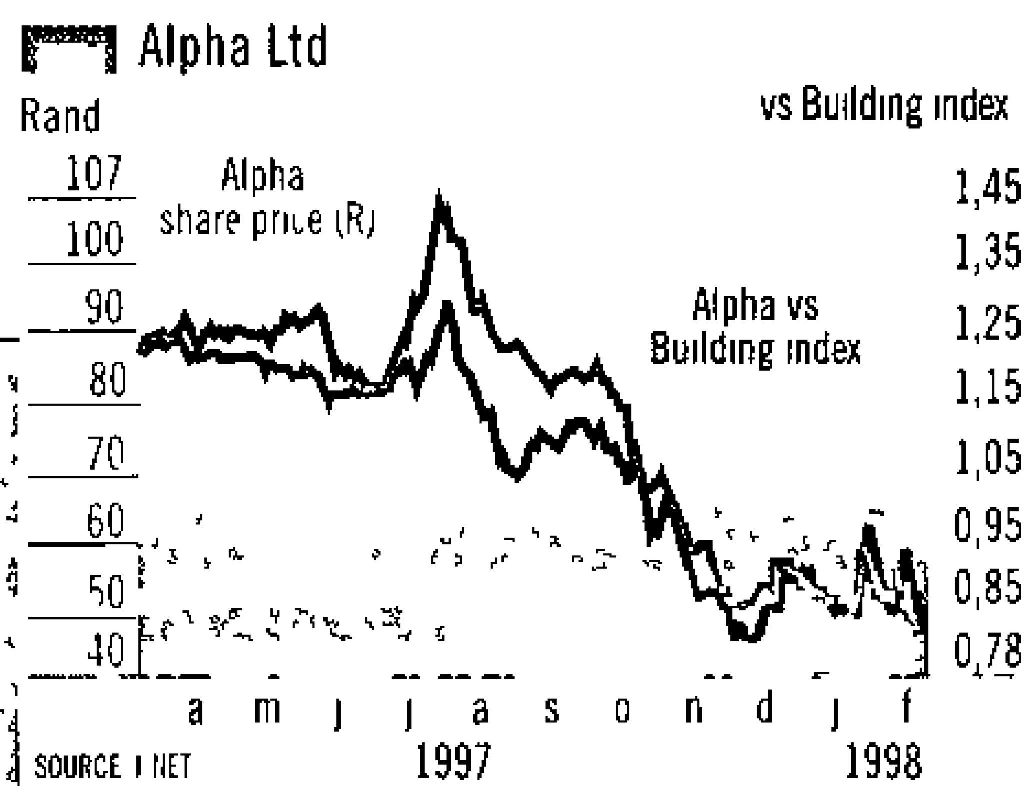
The recent slowdown in the SA cement market, if anything, has served to intensify the bloody battle between the three estranged players — Blue Circle (part of the M&R group) — Alpha — Pretoria Portland Cement (PPC)

Alpha is in the thick of the action because of its location in areas showing low growth and tough competition (*Fox* February 20), and has had to contend with real price declines and market incursions The net result is the two key profitability ratios are down on previous years Return on capital was 11,4%, compared with 13,9% in 1996 and return on equity was down to 15,5%, from 19,2% in 1996

Headline EPS for the 12 months to December fell to 592,3c, and higher interest payments pushed bottom-line profits down to even lower levels Gearing rose to 21% through capital expenditure for the acquisition of Tanga Cement and the purchase of the remaining 33% in the Eastern Cape and Swaziland cement distribution operations That was despite stronger cash flows of 885,7c per share following a significant reduction in working capital Management used the positive cash flow to justify lifting dividends by 20c to 300c

Alpha's new chairman Basil Hersov says sales revenue increased by 13,9% mainly by inclusion of the trading results of Tanzanian-cement producer Tanga, which were consolidated for the full 12 months This gain was, however, lost for a number of reasons, including higher fuel prices, promotional and advertising costs, a more expensive mix of inputs in concrete and some inefficiencies at Tanga

Operating margins were down to 12,4% This compares with PPC's 17,1% for the year to September M&R does not break down specific figures for its Blue Circle operation The divisions that showed the worst operating performances were Alpha Stone & Readymix and Alpha Cement Cement showed a gain of just 3,1% on turnover growth of 20,5% due to the inclusion of Tanga While Stone and Readymix slid 45,6% on sales growth of 2,6%



Hersov sales revenue boosted by Tanzanian cement

Hersov has replaced long-standing chairman of the board Peter Byland, who died in Switzerland late last year Group MD Johan Pretorius has also retired and has been replaced by Mike Doyle, who has been with the group since 1971

Doyle says he expects some recovery from the recent lows during 1998, principally through the improvement in realised prices and real reductions in variable costs The company should also benefit from its decision to defer capacity expansion until the market picks up This should prevent depreciation hikes and help the group tackle gearing through its stronger cash flow Hersov says according to the group's five-year operating plan the company will move into a surplus cash position by 2000 and continue to be in this position

That obviously excludes any acquisitions which the group may make outside SA borders Management has said it intends to make other strategic investments in sub-Saharan Africa and expects to announce something in this regard shortly Some strengthening in sales is expected before the 1999 elections In the shorter term the outlook is for cement growth of 2% in 1998 with perhaps a more equitable spread among the provinces as casinos go ahead For now there is little reason to rush into Alpha

Stuart Rutherford

- **ACTIVITIES** *Production and distribution of concrete and related materials*
- **CONTROL** *Altur Investments 54,8% (Holderbank & Anglovaal)*
- **CHAIRMAN** *B Hersov MD M Doyle*
- **CAPITAL STRUCTURE** *30 1m ords Market capitalisation R1,3bn*
- **SHARE MARKET** *Price 4 200c Yields 7,1% on dividend, 14,1% on earnings, p e ratio, 7,1, cover, 1,9 12-month high, 10 700c, low, 4 600c Trading volume last quarter, 646 000 shares*

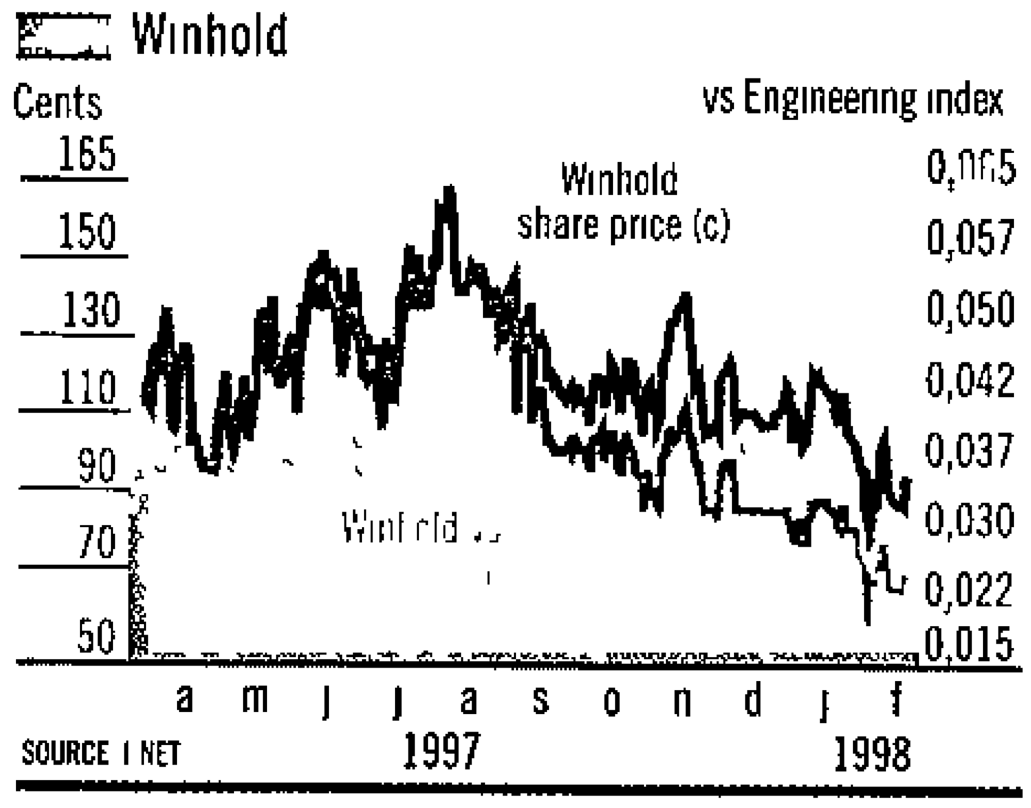
Year to December 31	'94	'95	'96	'97
ST debt (Rm)	98,3	44,7	36,8	80,5
LT debt (Rm)	34,5	94,7	159,4	192,1
Debt equity ratio	0,01	0,03	0,14	0,21
Shareholders' interest	0,82	0 80	0,57	0,55
Return on cap (%)	10,3	12,9	13,9	11,4
Turnover (Rm)	1 168	1 454	1 728	1 967
Pre-int profit (Rm)	254	311	254	243
Pre-int margin (%)	21,8	21,2	14,7	12,4
Earnings (c)	655,8	723 5	659 3	580,4
Dividends (c)	205	260	280	300
Tangible NAV (c)	2 610	3 056	3 438	3 733

WINHOLD

Discount still too high

Unbundling may be the only option

After a year of substantially improved results, and one in which a number of longstanding financial problems were resolved, it is unlikely Winhold's management ex-



pected the market to respond by slashing the share price 60% measured from the August high to the present

Nor is it clear what the market's problem is On the face of it, 1997 results were good Operating profit growth accelerated to 29% in the second half from 17,4% in the first six months Coupled with a more favourable and stable financial structure, the same pattern was even more marked in the case of headline EPS, where a 42% first-half gain more than doubled to 107% to give an overall improvement of 75% for the year The declaration of a 3,5c dividend — in effect a maiden distribution for Winhold in its present form — underlines management's confidence that a structure capable of generating further growth has been established

The improvements carry through to the balance sheet where, after May's R25m rights issue at Gundle and August's deal with a consortium of banks to refinance Inmins SA, the group is now shown to be cash-positive with net cash on hand at September 30 1997 of R9,9m (equivalent to 12% of the permanent capital base) in place of net borrowings of R11,3m and a 27,2% debt equity ratio in 1996

What is clear is the group is being dragged down by investor perceptions of flexible plastics manufacturer Gundle, historically the major profit source, whose share price has plummeted from a 12-month high of 950c to 295c

In this instance, disappointment may be justified by the fact that second-half EPS moved into reverse with a 2% decline after a strong 33% first-half showing This was mainly attributable to a 1% point drop in operating margin during the latter period

But whether the results justify the full extent of the drop in the share price over the past 12 months is another matter What can be said is, at 730c in March last year, the share was overpriced on a p e of 25 at a time when the ratio for the packaging sector was 14,4 Valued in line with the index, Gundle's price should have been about 425c, which also suggests the rights offer, pitched at 500c, may have been a bit rich in relative value terms — as those who took up the offer have discovered to their cost

The question now, though, is whether the pendulum has swung too far the other way The share is valued at a 35% discount to the sector against the 74% premium 12 months ago, and the answer will probably be determined by offtake from, and results of, the company's new hi-tech Gauteng manufacturing facility, due to make its first contribution to earnings in the current year

For Winhold (and, ultimately, pyramid Winbel), the diminution of the value of its holdings in Gundle has been partly offset by a 40% gain in Inmins' share price So despite what has happened to Gundle, the discount at which Winhold is trading relative to the combined underlying value of its listed investments has narrowed from 36% to 25%

This is still too large a gap and, unless some means can be found to reduce it, unbundling may be the only option if Winhold shareholders are to receive full benefit from the group

Brian Thompson

- **ACTIVITIES·** *Holding company of Gundles and Inmins*
- **CONTROL** *Winbel 60%*
- **CEO** *W A R Wenteler*
- **CAPITAL STRUCTURE** *65,4m ords Market capitalisation R45,8m*
- **SHARE MARKET** *Price 70c Yields 5,0% on dividend, 20,8% on earnings, p e ratio, 4,8, cover, 4,2 12-month high, 176c, low, 62c Trading volume last quarter, 1,1m shares*

Year to September 30	'94	'95	'96	'97
ST debt (Rm)	6,3	5,7	3,2	8,8
LT debt (Rm)	21,1	19,4	22,0	10,3
Debt equity ratio	0,54	0,37	0,27	(0,12)
Shareholders' interest	0,31	0,33	0,32	0,49
Int & leasing cover	3,5	4,3	5,7	16,9
Return on cap (%)	6,6	8,5	9,1	8,6
Turnover (Rm)	218,9	253,4	279,4	332,2
Pre-int profit (Rm)	6,5	9,1	11,7	14,5
Pre-int margin (%)	3,0	3,6	4,2	4,4
Earnings (c)	2,8	6,0	8,3	14,5
Dividends (c)	0,0	0,0	0,0	3,5
Tangible NAV (c)	5	12	20	62

YORKCOR

Not watching the trees grow

Hopes for solid results — touch wood

For years, the York Timber Organisation (Yorkcor) has prided itself on the quality of its financial disclosure, but not the quality of its financial performance Its 10 years' performance figures sport more red and black than a Sociéte Generale Frankel Pollak banquet

Financial 1997 results were on the right side of the profit line, and were heralded by the erudite company chairman Solly Tucker as a landmark "We said we would be back in the black before the jacarandas were out The rains were prompt We beat our advertised target ahead of time And we are going to encores," he trumpets in the annual report

The group posted headline earnings per share of 28,2c for the 12 months to December, compared with a loss of 47,2c in 1996 Gearing came down from 76% to 40% and net asset value rose from 218c to 333c, following the revaluation of the group's realty and the transferral of the net surplus to nondistributable reserves

Tucker says the turnaround was the result of some stern belt tightening in financial 1996, good price increases and an increased value-added component of the business The group also managed finally to figure out how to work new equipment it had bought in the previous year

The year was noted for Yorkcor's legal successes in securing its rights to sawlogs from both government plantations and from Safcol, a public corporation which controls about 18% of SA's plantation holdings

The group hopes to capitalise on the imminent privatisation of Safcol, to improve its position in the market Tucker says the group intends to bid for part or all of Safcol in a consortium He says they

- **ACTIVITIES** *Has interests in timber milling, marketing and realty*
- **CONTROL** *Directors 88%*
- **CHAIRMAN** *S Tucker COO I Tucker*
- **CAPITAL STRUCTURE** *10 6m ords Market capitalisation R28m*
- **SHARE MARKET** *Price 260c Yields 5 8% on dividend, 10,8% on earnings p e ratio, 9,2, cover, 2,9 12-month high 300c, low, 130c Trading volume last quarter, 36 000 shares*

Year to December 31	'94	'95	'96	'97
ST debt (Rm)	0,9	0,3	1,7	1,9
LT debt (Rm)	7,0	10 4	18,6	16,9
Debt equity ratio	—	0,20	0,76	0,40
Shareholders' interest	0,53	0,59	0,43	0 51
Int & leasing cover	4,54	11,00	—	2,96
Return on cap (%)	6	12	—	10,3
Turnover (Rm)	45,2	46 8	44 1	57,3
Pre-int profit (Rm)	2,9	6,1	(4,7)	7,1
Pre-int margin (%)	6	13	—	12,4
Earnings (c)	21	47,1	(68,0)	43,8
Dividends (c)	10	15	—	15
Tangible NAV (c)	266,2	292 5	218	333,4

Clay milling plant boosts Ceramic Industries' figures

(193) BD 17/3/98

Stanley Mapholoegela

TILE and sanitary ware manufacturer Ceramic Industries lifted attributable earnings 84% to R14,2m for the six months to January despite difficult conditions in the building industry

The company was granted a four-year tax holiday granted by the Board for Regional Industrial Development to the company's pressed floor-tile project in Babelegi This resulted in a reduction in the taxation charge and an 84,3% increase in earnings a share to 79,2c

The company increased operating income R13,8m (1997 R10,5m) on turnover of R100m (R93m) Headline earnings a share rose 85,4% to 77,7c. A dividend of 10c (8c) a share was declared

CE Battista Errera said the good results could be attributed to the successful commissioning of the clay milling plant at the pressed tile division This further reduced production costs, through the application of the latest technology, and the turnaround of Betta Sanitaryware from making losses to breaking even

The board of directors approved a capital expenditure programme of R51,1m, to be effected over two years Errera said cash resources were sufficient to fund spending.

"This expansion would increase capacity, improve quality and reduce cost at the pressed tile and sanitary ware plants," Errera said The firm's financial position was strong, with an ungeared balance sheet.

Errera said he expected good trading conditions and a real growth in terms of market share for the rest of the financial period The Ceramic Industries group consists of Samca Tiles, Betta Sanitaryware and Tilecor

FM 20/3/98 (197)

NPC/PPC/BLUE CIRCLE/ALPHA

Open season in KwaZulu-Natal

Battle for Blue Circle and Alpha

No-one can accuse SA's big three cement producers — PPC, Alpha and Blue Circle of competing half-heartedly for the SA market following the forced break-up of the cartel They all have the killer instinct and have waged battle throughout the country

Perhaps the most vicious, and the most interesting, of these turf battles is taking place in the KwaZulu-Natal market, with Natal Portland Cement (NPC), jointly owned by the big three, at the centre of the action

During the cartel days the major players kept out of the KwaZulu-Natal market Any shortfall in demand would be made-up by NPC purchasing cement from one of the three and selling it under its own name

With the collapse of the cartel this arrangement fell away and all three started supplying directly to this market Initially, this involved supplying any shortfall directly But recently NPC has been operating 100 000 t (about 10%) below capacity, as outside penetration increased According to Cement & Concrete Institute statistics, cement sales into the KwaZulu-Natal market last year 1997 amounted to 1 434 233 t

Recently, Alpha said that one of the factors in its disappointing 12% decline in EPS for the year to December was a lower contribution from NPC following competitive action by its shareholders Blue Circle also confirms that lower NPC contributions have hurt it, but not substantially

The one identified as being most guilty for the KwaZulu-Natal incursion is named both by Alpha and Blue Circle as being PPC Both admit supplying some cement into this market but nothing like the volumes that of PPC Alpha MD Mike Doyle and M&R Material's (which houses Blue Circle) CE Carl Grim say they are not happy with what is happening in the region

Doyle is annoyed by PPC's activities He says the invasion of this market and the price cutting that is taking place reduces the total industry value — the amount of profit that can be made from this market And that the only party it will benefit is PPC which gets a bigger slice of a smaller pie

Grim says "We feel unhappy about the situation but there is nothing that we can do about it I would love to be able to tell them to back off, but that would be to act in an uncompetitive way" However, he adds that if it was financially worthwhile for Blue Circle to move into KwaZulu-Natal, they wouldn't hesitate to do so

PPC MD John Gomersall is unrepentant about PPC's sales into KwaZulu-Natal, details of which he is not prepared to disclose He says PPC is out to maximise total profit, whether that means through NPC or through direct sales into KwaZulu-Natal "NPC should be the lowest cost producer in the area and if it is then they shouldn't have difficulties"

Doyle says NPC has one of the best transportation infrastructures in the industry and is capable of regaining market from PPC but at the cost of reduced margins "It is also improving customer relations which have slipped in the recent past" Alpha holds the management contract for NPC, though it is answerable to a board consisting of the shareholders

All three producers do not believe the infighting in this market indicates the unsustainability of the shareholding structure at NPC, and are fiercely protective of their stakes in the company Grim says they are still happy with the investment returns from NPC, despite the recent slowdown

But these latest developments will put strain on the relationship between the big three There is an obvious conflict of interests when there are representatives from the competition sitting on your board

One analyst has suggested that NPC is an ideal candidate for sale, specifically as an empowerment deal (*Fox* December 19)

Stuart Rutherford

IMPOTEK

A tidy day's work

The market's ciazy about IT

One morning, a company valued by the directors at R55m listed among the JSE's information technology stocks By that afternoon, the market had decided the same company was worth about 10 times the directors' valuation Theoretically — neither party is cashing in — Impotek management and sponsoring broker Investec made about R371m

What justifies the difference?

Certainly, earnings potential is one reason for investor optimism The directors' R55m valuation is based on their assessment of the company's future earnings and a conservative growth estimate Based on impressive historic growth, the market is prepared to be bolder

Another reason for enthusiasm is Impotek's strong reputation The group offers a comprehensive design, installation, cabling, maintenance and training service for PC, midrange and large systems Through a national network it provides fast response to cut customer down-time Service levels are good It's well-known that this industry is growing fast

The group targets mid-size companies Management says that means Impotek doesn't compete with large IT groups But it probably doesn't escape competition

Another significant reason for the high rating — it's trading on an alarmingly high p e of 92 — is the market's belief in Impotek's management and Investec's expertise For prospective shareholders, this level of confidence, however good management may be, could be daunting

But many investors haven't been put off On the company's first day of trade, small volumes traded by individual brokers indicate that any stagging was probably done for private clients Investec nominees were net sellers of 450 000 shares Irish Menell sold 600 000 The biggest buyer was Simpson McKie, which acquired about 400 000 counters

The market obviously expects strong growth Management says acquisitions should be announced soon With no information about these additions, it's impossible to predict to what extent they will boost earnings

An interesting feature is the agreement between management and Investec — 20% shareholder and merchant banker Together they own about three-quarters of the equity Unanimous consent is required from the voting pool Surely that poses potential difficulties?

No, says Investec corporate finance consultant Leonard Bruhns He says the voting pool agreement merely formalises an agreement entered into when Investec bought 22% of the private company about a year ago "Impotek directors aren't Investec's kiddies," says Bruhns "We won't hamstring the group"

The conclusion has to be that Impotek's valuation is also proof of the market's current enthusiasm for IT stocks The rating could fall as the market evaluates the stock Still, with the company's solid reputation and Investec's corporate finance backing, Impotek seems worth watching **Michelle Joubert**

LIBERTY LIFE

Fighting a war on two fronts

Earnings suggest better rating

Liberty Life's chairman Donny Gordon would be a happier man if the JSE increased the company's rating But results to some degree vindicate Liberty's relatively low p e It is the first time for years the group has reported EPS growth of less than 25%

GOING UP?

The chart reflects the [illegible] of Liberty [illegible] the insurance sector — underperformance over several years. The reversal this year could see a break of the trend.

A frustrated Gordon believes the share is hopelessly underpriced compared to some of its competitors

He could be right, but it will never be clear that he is until uniform disclosure and reporting is mandatory for all (life) insurance companies Only then will analysts really be able to compare apples with apples

Gordon scoffs at the high ratings given to some of the smaller, highly successful, locally listed life companies It really seems not to matter to him that the likes of Fedsure, Aflife and Metlife have had higher EPS growth rates over the past few years He believes the strength of the substantial earnings contribution generated by Liberty's offshore investments and the sheer size of the overall group is of more importance

Gordon has a point There is security in the group's diversity and its geographical spread Though Liberty Life's EPS growth may no longer be that impressive, its earnings base is

Discretionary funds and property interests under management by local and international pension fund clients and other institutional investors stand now at R41bn Overall, the group manages about R142bn of assets And if the wider Liberty Life/Standard Bank relationship is consolidated, it is the largest financial services group in SA with global investment and financial assets of around R300bn

Gordon markets unnecessarily exposed

That's why Gordon is a proud man All this has been achieved in 40 years

Yet, the financial service industry is undergoing rapid change, aided particularly by the speed of developing technology

Rightly or wrongly, stock exchange investors are paying less attention to hard asset backing Instead, investors are following and placing high ratings on companies whose intoxicating EPS growth is driven by intellectual capital rather than a sound asset base It's a trend that's taking stock markets of the western world by storm And who is to say they're wrong? Gordon does He believes those sort of growth rates will not be sustained

And he goes further Markets in SA are "greatly disadvantaged by the lack of proper disclosure and regulatory controls which are vital to facilitate the operations of and orderly financial market In essence, our markets are dangerously and unnecessarily exposed" He talks about a two-tier market in which share liquidity can be "massaged" to cause volatility of prices for speculation purposes, and the inability of small capital stocks to support such activity

This and the "questionable stock-lending and derivative focus has attracted to the SA market bankers and speculators schooled in these practices resulting in the prices of most of the leading SA shares declining to significantly lower valuations in comparison with less liquid stocks whose values can be easily maintained by vested interests"

Liberty Life's 1997 results are reported on a changed basis All investment surpluses attributable to policy holders and shareholders arising during the year are now

Tax holiday helps Ceramic interims

(193)

CT (BR) 17/3/98

ADELE SHEVEL

Johannesburg — Ceramic Industries, a tile and sanitaryware manufacturer, yesterday reported an increase of 31 percent in operating income to R13,8 million for the six months to January 31

Turnover increased 8 percent Battista Errera, the chief executive, said business had been affected by difficult trading conditions and a slowdown in the building sector.

Headline earnings a share shot up 85 percent to 77,7c This was largely owing to the company's qualifying project in Babelegi, which had been granted a four-year tax holiday by the Board for Regional Industrial Development

This represented an 84 percent increase in attributable income to R14,2 million and significantly increased the net asset value a share.

Ceramic's share price closed 60c higher yesterday at R22,10 on thin volume

Freeing cement from the shackles of cartels

ST (BT) 22/3/98 (193)

MIKE Doyle, new managing director of Alpha Ltd, has never really had to contend directly with the cement and stone cartels which, for a long time, virtually dictated the activities of the industry's three main players, even though he's been in the business since 1971

With a wry smile, he says he became a director of the Alpha stone and readymix division in January 1990, one day after the stone cartel was disbanded And he was appointed managing director of parent group Alpha Ltd at the beginning of this month, about a year after the cement cartel was outlawed

However, he has been compelled to "oversee and experience the instability that ensued" As a result, he's had to contend with the latest set of financial results which show a 12% decline in attributable profits to R174 5-million for the year to December, blamed partly on promotional and advertising costs relating to the re-launch of the cement division's products in a "free" market

Replacing Johan Pretorius, who retired after 39 years with the company, Doyle is committed to upholding a proud record for the company by producing the annual report only weeks after preliminary results were published

The company's first managing director set the standard and subsequent appointees have tried to better his example However, Doyle says that in September 1994 an award, made of copper, for the excellence of the annual report was struck by lightning which bolted through an open window, reducing it to a molten heap

"Pride comes before the fall," he notes

Doyle joined Alpha, then Anglo-Alpha, in 1971 as assistant to the company secretary, but "it was a year before I was allowed to sign my first letter"

He held a number of financial positions in the group and was appointed general manager of Alpha stone in Gauteng and Mpumalanga in 1979, then general manager of Natal Portland Cement in 1984

In 1996 he became director of management services, a position he relinquished last year to prepare for his new job

While Doyle has been at the helm for only two weeks, he is totally au fait with the operations of the group and how he wants to shape them

MICHAEL DOYLE

▲ TITLE Managing director of Alpha

▲ AGE 52

▲ EDUCATION Vaal High School, Vanderbijlpark, B Com, Wits University, Higher Teachers Diploma, Johannesburg College of Education, Executive Development Programme, Wits University, Executive Development Programme IMD, Lausanne, Switzerland

▲ QUALITY TIME Fishing, nature, family

He concedes the break-up of the cartel resulted in rising costs, but he believes that as new systems become more sophisticated, costs will fall

Effective capacity will be increased from 3-million tons of clinker to 3 5-million tons, largely by using improved technology, new kiln systems, improved plant utilisation and increased storage facilities

Total domestic consumption is expected to increase by about 2% this year, he says, but will be spread more evenly throughout the country Most of the increase will be in the second half of the year, spilling over into 1999

The group is still considering the construction of a greenfields factory at Saldanha in the Western Cape, but this will depend on the granting of two permits — the environmental impact assessment, due for completion during the middle of the year, and a mining permit for the limestone deposits

A final decision is not expected for about 18 months

Alpha is also looking at opportunities outside South Africa following the successful acquisition of Tanga Cement in Tanzania

"We currently operate, directly or indirectly in 11 of the 14 SADC countries and the ability to link and network these operations has been very rewarding We hope to make further strategic investments in sub-Saharan Africa later this year," says Doyle

Doyle is married to Shale and they have two daughters

Don Robertson

STONE KING . . . Alpha managing director Mike Doyle says pride comes before

NE

PPC on track for first phase of Saldanha

CT (BR) 17/4/98 (193)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — PPC, South Africa's largest cement producer, yesterday said it had commissioned the first phase of its R253 million materials-handling and supply project at Saldanha Steel, on time and within budget

When complete the project will handle all of Saldanha Steel's incoming raw materials — with the exception of iron ore — and will handle slag, coal fines and flue dust generated by the plant Much of the waste coming from the Saldanha Steel mill will be used as raw material at PPC's two Western Cape factories

John Gomersall, PPC's group managing director, said it had managed to achieve its commissioning deadline despite industrial action on the site By contrast, a week-long strike at the site has set the steel project back by several weeks and increased its peak funding requirements to R7,1 billion

"Although the scope of the overall project has increased, it is to be completed in time for Saldanha Steel's Corex plant commissioning, which should start in October this year," said Gomersall.

He said the project — which forms part of a three-year, R1,3 billion capital expenditure programme — would provide initial returns by 1999, with substantial returns becoming evident by 2000

Investment analysts said one of the key aspects of the materials-handling contract was that it maintained PPC's dominant position in the Western Cape Alpha, the country's second largest cement producer, had for some time been planning a cement plant adjacent to the Saldanha Steel project

But since slag and other waste materials from steel plants were cheap additives to cement, PPC's control of these materials reduced the economic viability of Alpha's planned plant

Institute out to revitalise cement industry growth

BD 17/4/98 (193)

Mzwandile Jacks

EXPANSION in the concrete market was necessary to stimulate growth in demand for cement, Cement and Concrete Institute's marketing manager, John Sheath, said yesterday.

Demand for cement was 9,3-million tons a year following a lacklustre growth rate in the past two years, he said

He attributed this to the generally low growth in fixed public and private investment in the industry.

"Our new role, agreed with the cement industry, is to promote the use and awareness of concrete, thereby increasing the demand for the cementitious materials.

"In addition to this, we play an advisory and testing role in order to ensure that the industry produces what is required in the market place," Sheath said

Cement producers were now operating in a truly competitive market and it was proving more cost-effective for producers to provide many of the support services the institute provided in the past.

"This change in our objectives and the need to provide our members with value for money has meant the closure of our coastal regional offices, but we will ensure continuity of the commercial services that (the institute) has traditionally supplied," Sheath said.

The institute was restructured after intensive talks with its members regarding its role in what has become a very competitive market situation.

The organisation, Sheath said, would continue to offer services like a reference and lending library, publications department and training at the Midrand-based School of Concrete Technology.

"The concrete laboratory testing, however, will focus on specialised testing — undertaking durability testing, chemical testing and research projects for clients," Sheath said.

Afripak gets state-of-the-art plant

By Wilson Ramothata

PRETORIA Portland Cement (PPC) subsidiary Afripak will soon be an internationally competitive supplier of paper sacks and related products following a R34 million award from PPC to refurbish its KwaZulu-Natal plant

The ambitious project will entail the installation of a new state of the art fully automated cement sack production line, which will include a high speed tuber, bottomer and palletiser

PPC managing director John Gomersall said the production line was the first of its kind to be installed in South Africa

~~198~~ (193)

"We expect the project to be completed in June this year, ahead of a scheduled 10 percent under budget on capital expenditure We expect to see returns on this exciting investment by the first quarter of the next financial year," Gomersall said

Foreign supplier

German-based Windmoeller and Holscher, the world s leading producer of paper sack machines, supplied the equipment and are currently commissioning them in conjunction with technicians from Dipeco, another large paper sack producer

The project, said Gomersall, also includes the automation of the existing universal sack line, the refurbishment of the existing cement tuber and bottomer and the automation and modernisation of the pallet wrapping, stereo mounting and slitting areas

Gomersall said the completion of the first phase of the project would result in Afripak having the most up to date and efficient infrastructure in the local industry

The benefits in both cost and quality, which will arise from this world class plant, are expected to significantly strengthen Afripak's position in both the export and local markets

Local demand for cement continues to grow – PPC

Sowetan 30/4/98

(193)

By Sowetan Business Reporter

THE demand for local cement is expected to grow at the rate of between two and five percent in the next five years, Pretoria Portland Cement (PPC) managing director John Gomersall said yesterday

Gomersall said housing construction as well as infrastructure development projects were expected to boost cement demand locally

Because of the expected growth in the economy, cement would continue to play a vital role in development projects such as the Maputo Development Corridor and water projects that are undertaken by the Water Affairs and Forestry Ministry

He said despite critics talking about non-delivery of housing, the sector still had potential to grow

Over the the past two and a half years, PPC invested R242 million in re-commissioning its Dwaalboom Cement Factory in Northern Province

Second phase

"While we cannot quantify the margins, we expect returns on this investment to show during the 1999 and 2000 financial years," Gomersall said

He said the second phase of re-commissioning the cement milling, packing, blending and despatch facilities was almost complete, with progress running two months ahead of schedule and within budget

Once completed, the second phase of Dwaalboom factory would have the capacity to produce 720 000 tons of cement a year

Gomersall said the Dwaalboom factory would be the most technologically advanced and cost effective cement producer in South Africa

The factory will be supplying cement to Gauteng, North West, Botswana and Zimbabwe

The company has seven factories which are located in Johannesburg, Pretoria, Elandsrus, Mafikeng, Port Elizabeth and two in the Western Cape

PGSI feels strain of industry downturn

(193) PD 8/5/98

Stan Mapholoegela

PLATE Glass & Shatterprufe Industries' (PGSI's) attributable earnings dropped 23,4% to R213,9m (1997 R279m) in the year to end-March, hit hard by the downturn in the SA automotive, furniture, building and construction sectors

Headline earnings were 11% down at 624c a share (699c), based on an increased number of shares in issue following a capitalisation share award at the half-year Pretax income dropped 36,6% to R324,2m (R508,3m) on a marginal rise in turnover to R6,9bn (R6,6bn)

Financing costs surged 34% on borrowings of R1,74bn — three times higher than last year — which pushed gearing up 185%

Executive chairman Ronnie Lubner said the results were not comparable with those of previous years due to subsidiary Belron International's substantial US holdings being consolidated for nine months and equity accounting for the final quarter "This followed last year's December merger between automotive glass repair and replacement giants Vistar (a Belron subsidiary) and Thomas H Le's Safelite Belron has an effective 44,6% equity interest in the merged entity"

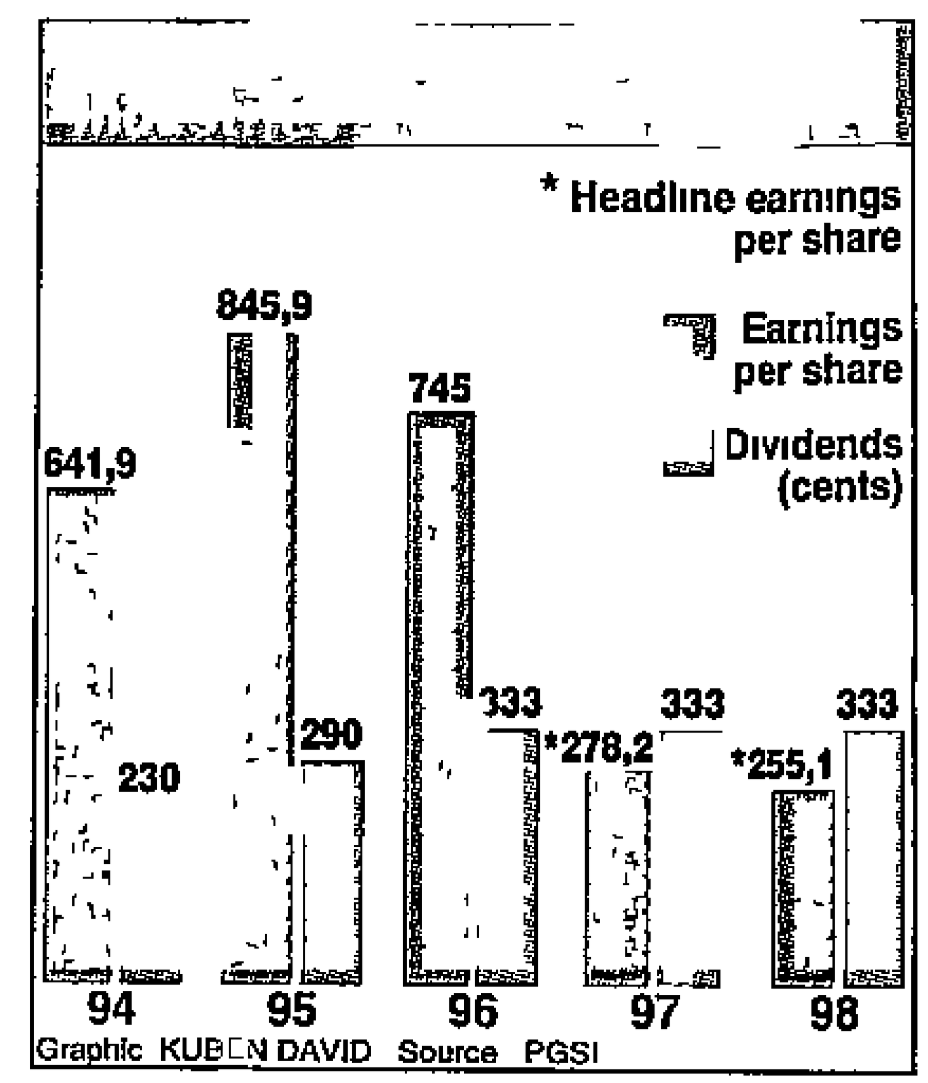
Foreign-based Belron International continued to offset poor local performance, contributing almost 70% of the total group revenue Lubner attributed the increase in debt primarily to the acquisition of two automotive glass repair operations in Canada for R471m and a R380m promissory note to acquire the income and voting rights of the minority shareholder in Vistar. Lubner said Belron's debt was at R1,4bn ($280m) and more than enough cash had been generated to service it

PGSI declared a final dividend of 184c a share, which brought the total to an unchanged 333c

Lubner said poor local demand had a severe impact on domestic glass and board operations Glass SA and PG Bison, a situation which was exacerbated by increased competition from imports Glass SA's attributable earnings declined 31% to R51,5m, while the group's share of the attributable loss at PG Bison was R8m after a positive contribution of R16m last year

The SA operations had taken "decisive action", but remained largely dependent on market conditions, he said Glass SA's Shatterprufe automotive glass manufacturing operation remained the supplier of choice for the motor manufacturing industry but had also geared up for exports, which increased almost 30% this year

"PG Bison closed three ageing particleboard production lines at the Piet Retief plant at a total cost of R44m and future market growth will be met from the Maritzburg plant, which is being modernised at a cost of R80m," Lubner said



Headline earnings drop 8% to R255m

PGSI results crack under 'sluggishness'

ET (PM) 8/5/98 (193)

Thabo Leshilo

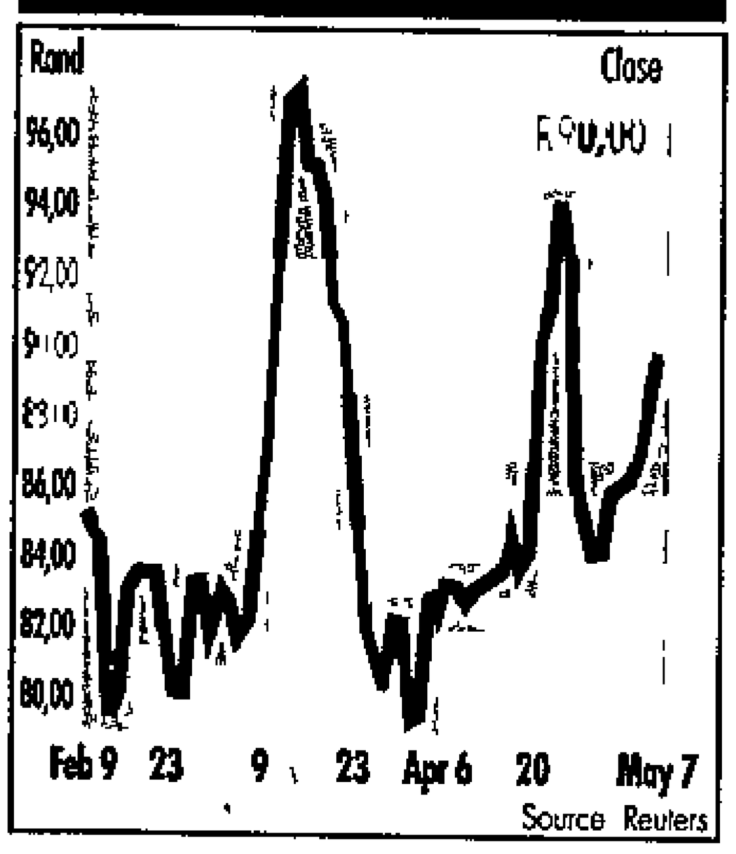
BUSINESS EDITOR

Johannesburg — Sluggish furniture, building and motor industries had badly hit Plate Glass & Shatterprufe Industries (PGSI) with an 8 percent drop in headline earnings to R255 million for the year to March 31, Ronnie Lubner, the company's chief executive, said yesterday.

Lubner said increased competition from imports had made the situation worse. The results were not fully comparable with last year's because of the changes in the group's US holdings, he said.

"In 1997, the 51 percent interest in Vistar was consolidated," he said. "Belron subsequently acquired the minorities' rights to income, effective April 1 1997, and 100 percent of Vistar's income was consolidated for the past nine months. "Following the merger, 44 percent of Safelites' results were equity accounted for the period December 19 1997 to the end of its financial year."

Plate Glass



Headline earnings a share slumped to 624c (699c). A final dividend of 184c a share was declared, making the total the same as last year at R3,33.

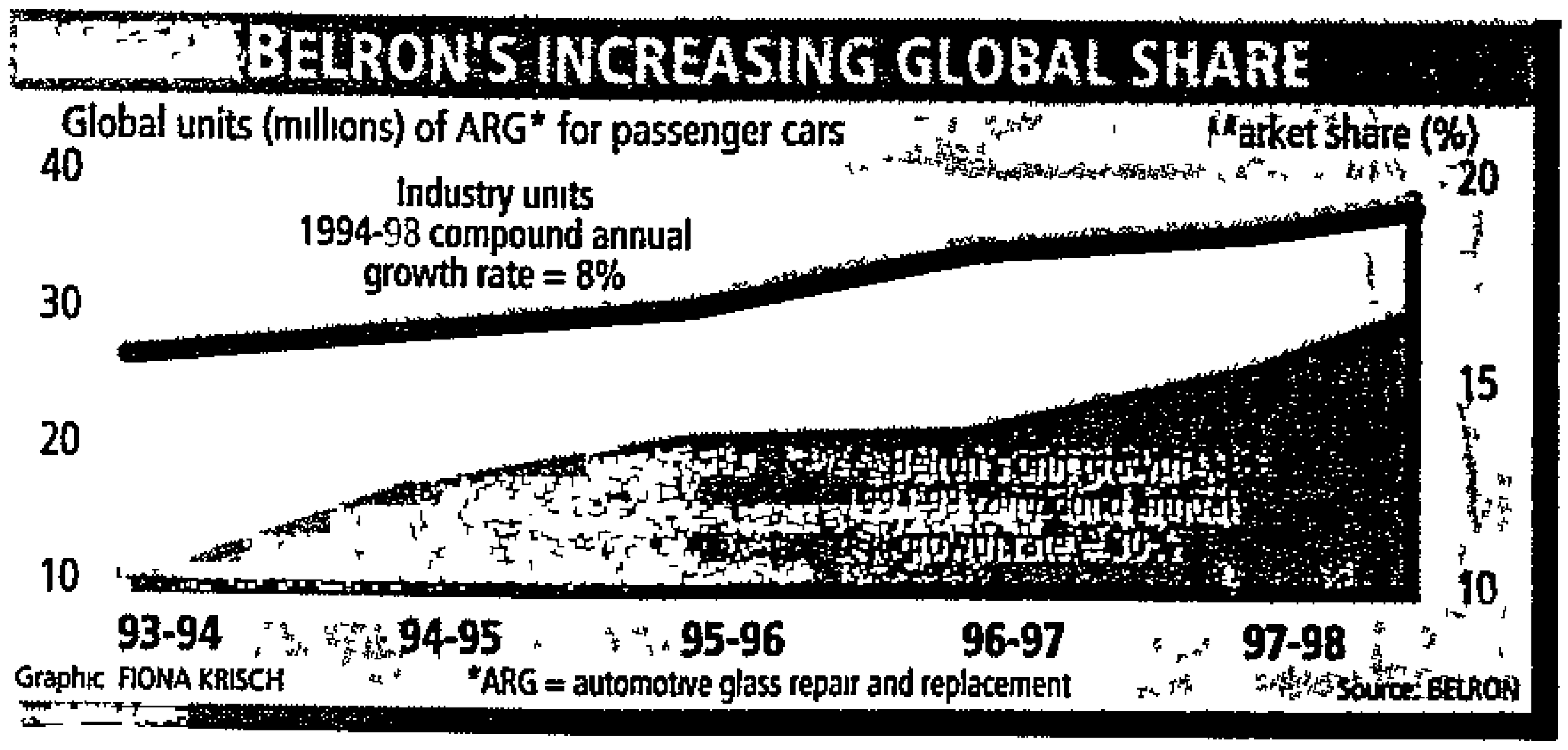
Finance costs were up 34 percent on borrowings of R1,7 billion — triple the amount for last year. Gearing rose to 185 percent from 44 percent the year before.

Lubner said the high increase in debt was mainly because of the acquisition of two operations in Canada for R471 million, and a R380 million promissory note to acquire the income and voting rights of the minority shareholding in Vistar in the US. Belron, the offshore parent company, owes R1,4 billion.

During the year three ageing production lines were closed in Piet Retief at a cost of R44 million. The Pietermaritzburg plant was being modernised at a cost of R80 million.

Lubner was confident that domestic conditions would improve, but similar earnings were expected for next year. Net income attributable to shareholders fell to R213,9 million (R279,4 million).

The share price closed at R90 yesterday, up R1,70 on the day.



PG's got 18% of the world's cars covered

(193)

AUTOMOTIVE GLASS

By JULIE WALKER

ST (BT) 10/5/98

PLATE Glass & Shatterprufe Industries, which celebrated its centenary last year, has built up an estimated 18% share of the world's automotive glass repair and replacement market through its 78%-held subsidiary, Belron.

Belron operates 1 700 branches in 16 countries, housing 68% of the world's vehicles. PGSI chair Ronnie Lubner says Belron made up two thirds of PGSI's R6.9-billion turnover and R255-million profit in the year to March 1998

While headline earnings retreated by 11% on 1997 at 624c a share and are expected only to be maintained in the current financial year, Lubner is confident that planned consistent earnings are barely a year away He refers to the balanced nature of the Belron portfolio. mature investments complemented by recently entered growth markets and the potential offered by Eastern Europe, Asia and South America.

Expansion in America has been the most important development during the past year. In 1990, Belron had no market share and opened Windshields America as a greenfields company with 25 branches During 1996, it merged with Vistar Inc, which lifted combined market share to 12% with 285 branches. Belron owns 51% of Vistar

This year, Belron chased hard to secure a partnership with Safelite. "The two businesses were of more or less equal size, the biggest difference between the two companies was that Safelite had more debt than did Vistar. Vistar got 62 5% of the equity of the merged company, and Belron increased its effective stake to 44 6%, which is equity-accounted in PGSI." Belron's partner in Vistar, Kellman, bought 17 9% and Belron has a two-year option to acquire it for $84-million.

The deal looks attractive: a p:e ratio of 8.7 was applied based on earnings before tax, interest, depreciation and amortisation (ebitda) in valuing Safelite. Safelite now commands a 25% share of the American market — twice as much as the closest competitor. Sales approach $1-billion a year.

"If the merger had been effective for the full year, ebitda would have been $81-million, not taking into account the estimated merger synergies of some $35-million. We have done this with no shareholder investment. The growth has been debt-funded and stands at $480-million," says Lubner. "However, when we refinanced the debt, it was 100% oversubscribed by the banks."

Belron also bought two leading Canadian automotive glass repair and replacement companies for US$98-million, and acquisitions in Spain and New Zealand cost another $71-million. Lubner says he is unconcerned by PGSI's debt of R1.4-billion — gearing of 185%. "More than enough cash is generated to service it. For the time being, PGSI has all the carrying cost of these acquisitions and for the next six months there will be expenses associated with rationalising the businesses. It's a case of long-term offshore opportunities being pursued at the expense of short-term earnings."

C

PPC defies market in raising profit

CT(BR) 11/5/98 (193)

NCABA HLOPHE

Johannesburg — PPC, the cement and lime producer, defied the depressed local cement and lime market to chalk up a 19 percent increase in net profit to R105 million for the half-year to March 31, John Gomersall, the group managing director, said at the weekend

Gomersall said increased turnover, improved profit margins and lower tax charges contributed to the increase in earnings He said the group was on track for a real increase in headline earnings for the full year

"We are pleased with the results, which are extremely positive in industry terms Although we anticipate real growth for the full year, the second half is not likely to match the first," he said

Earnings a share rose by 14 percent to 229,9c, and a dividend of 95c a share was declared Turnover rose by 11 percent to R920,6 million on increased cement and lime sales volumes, improved selling prices and the inclusion of Crete Cats, Readymix and Freeways Transport

Operating profit increased by 18 percent to R157 million as a result of the higher turnover, improved operating margins and the improved results from PPC Transport

Finance charges also increased as a result of the capital expenditure programme whose benefits would flow through to earnings from next year Spending on the group's major capital programme continued with R209 million cash outflow during the half-year It is expected to remain at the same level for the rest of the year

Gomersall said the group's Dwaalboom factory, which had been recommissioned within budget, would allow the group to supply cement to the Northern Province directly He said phase one of the Saldanha Steel project was also coming on stream and would be followed by phase two in October

Cement turnover had increased by 14 percent to R632 million

CEMENT *Margins 'were much higher in the cartel'*

Service improves, 'despite problems of a free market'

CT(BR) 12/5/98 (193)

Matt Getz

Johannesburg — Until September 1996, Alpha, Blue Circle and PPC, the cement groups, formed a cartel which set cement prices and sold to only one customer, Cement Distributors of South Africa (CDSA) When the cartel broke up on the recommendation of the Competition Board, the companies found themselves in unexpected competition

John Gomersall, PPC's managing director, said "Almost two years after the demise of the cement cartel, the three former members have realised that margins will never be what they were — but they are now providing better service, which could boost the entire cement market Cement margins were much higher back then

"We won't get back to that (Since the cartel) when you talk about profit increases in real terms, we haven't performed as well as we should have "

The big three distribute up to 80 percent of all cement sold in the country

Cross-haulage has also increased since the cartel broke up "(But) as the sophistication of the industry and its systems develop, we should revert to a more rational distribution pattern," Gomersall said

The new free market was hard on them all "Alpha lost some market share in the first year," said Mike Doyle, the managing director "To that end, the company has moved into Botswana and may move into the Western Cape later "

The Competition Board's ruling effectively left monopolies in certain geographic areas Alpha was dominant in the Transkei, Lesotho and Namibia PPC had almost the whole market in Cape Town, Port Elizabeth and Botswana

"It would be madness for Alpha to just go in and get a few tons at much lower returns," said Doyle The company's strategy would be to move into Botswana first and leave the Western Cape for later, he said

The end of the cartel has also meant more competition for the needs of Kwazulu Natal that are not supplied by Natal Portland Cement, a profitable joint venture of the three companies

Transport is the biggest margin depresser "Transport used to be done by the CDSA," Doyle said "It's a very low margin business, if any, so it has depressed everybody's margins Nevertheless, no one openly longs for a return to the cartel "

Gomersall said a cartel was right in a younger country, when capital-intensive projects were vital to ensure the allocation of scarce resources Now the free market made more sense

"Those customers who used to deal with the CDSA are getting better service," he said "Competition is not just about price, it's also about reliable delivery, about assisting with technical and design issues "

But Paul Oosthuizen, a development director at Mica Group, which buys about 120 000 tons of cement a year, said price wars in Botswana and KwaZulu Natal sometimes bit into margins

"The industry can't bank on deliveries like we used to," he said "We have to rely on independent transporters One advantage is that cement is now branded

"Companies are prepared to run product knowledge courses for retailers Service, despite transport problems, is improving "

Alpha in R447m deal

(193) BD 13/5/98

BUILDING and construction materials producer Alpha said in a circular to shareholders yesterday that it had entered into an agreement with a consortium for the sale of its noncore lime and industrial mineral businesses for R447m.

The transaction is effective from January 1.

The consortium consists of private equity provider FirstCorp Capital Investors and the management of the businesses headed by industrial division director Piet Ferreira and finance and administration director Trevor Wagner

The amount paid by the consortium for the businesses will result in a book profit to Alpha of R144m, subject to adjustments.

Alpha MD Mike Doyle said funds from the transaction would be used primarily to strengthen Alpha's business within and outside SA

FirstCorp Capital's Eugene Stals said the businesses being acquired had all the fundamentals required for a successful private equity transaction, including a highly experienced and dynamic management team — Sapa

nual Report Review

PLATE GLASS & SHATTERPRUFE

'LOOK BEHIND THE NUMBERS' (197)

- **ACTIVITIES** *Manufactures glass and board products in SA and Zimbabwe, repairs and replaces automotive glass in 15 countries and makes windscreens in the US and Australia*
- **CONTROL·** *SA Breweries 68%*

FM 19|6|98

Year to March 31	'95	'96	'97	'98
Debt equity ratio	0,23	0,52	0,44	184,5
Int & leasing cover	10,3	8,6	8,4	5
Return on cap (%)	19,3	17,5	17,4	10,3
Turnover (Rbn)	3,77	4,53	6,56	6,89
Pre-int margin (%)	10,3	9,5	8,7	5,9
Earnings (c)	644,7	745	702,2	624,1
Dividends (c)	290	333	333	333
Tangible NAV (c)	1607	2145	2573	1893

In PGSI's 1998 annual report, chairman and CEO Ronnie Lubner once again asks shareholders to look "behind the numbers", and bear in mind that the group is focusing on internal growth and external opportunities as they arise, even at the expense of short-term earnings "I strongly hold the view that this approach is in the long-term interests of all concerned," he says

Lubner also points out that results for the year cannot be compared with those of the previous year, other than at the net income attributable to ordinary shareholder, headline earnings and headline EPS levels This is because of considerable changes to the group's US holdings during the year

This is just as well, because the year-end results compared to 1997 are about as disappointing and different as is possible Gearing has leapt from 44% to 185%, pre-interest operating margins have crumpled from 8,7% to 5,9% and goodwill of R520m has been set off against shareholders' funds

To its credit, the group does try to give a detailed picture of what exactly is going on in its various operations Lubner's eight-page chairman's statement is complemented by a review of operations and details of their various contributions to the group

This, together with an inflation-adjusted income statement and a current value balance sheet, does show the method behind the madness

A booklet showing highlights of the centenary celebrations is also a nice touch

Stuart Rutherford

PGSI (193)

BOARDROOM MANNERS FM 19/6/98

Want to make sure directors attend your board meeting and keep their minds on the serious issues at hand while raising money for charity at the same time? Multinational group, Plate Glass Shatterprufe Industries (PGSI), prevents its board members from dozing off by fining them

At their meetings a director can get fined for any number of things arriving late, talking out of turn, wearing another company's tie, not telling everybody it's your birthday or even supporting the wrong soccer team

PGSI financial director Mike Read says the system is the brainchild of offbeat chairman Ronnie Lubner and is mostly for fun — but it does serve as an incentive to be punctual Fines range from R10-R50 and can be levied at all meetings to anyone present, regardless of position

"The breweries (SAB) guys, including Meyer Khan (now police CE), get fined just as much as anyone," says Read "But they don't mind, it's all for a good cause" Not even outsiders are safe At a recent Investment Analyst Society presentation, Lubner threatened to fine one analyst that wandered in late

All the money raised goes to Streetwise, which assists needy streetchildren Read says between R10 000 and R15 000 can be raised during a two- or three-day company conference **Stuart Rutherford**

PGSI appoints advisers on a Belron listing in New York

(193)

Roy Cokayne

CT (BR) 29/6/98

Pretoria — Belron International, the global motor glass repair and replacement division of Plate Glass and Shatterprufe Industries (PGSI), had appointed advisers to recommend whether it might be appropriate to list Belron in its entirety on the US stock market, Ronnie Lubner, the chairman and chief executive officer of PGSI, said at the weekend.

Lubner said the advisers had been appointed in the context of the stated intention of Belron and Thomas H Lee (THL), a Boston-based private equity investment company, to list Safelite, a leading player in the American motor glass repair and replacement market.

He said if the advisers recommended the listing of Belron in its entirety, they also had to give an indication of the possible timing of such a listing. Vistar, 51 percent held by Belron and formed from the merger last year of US Autoglass and Windshields America, was merged in December 1997 into Safelite, which had been recapitalised by THL.

Lubner said Belron had an equity interest of 44,6 percent of the merged company as well as the option, within two years, to exercise two calls at a fixed price. He said if these were not exercised, a put right at a fixed price would arise on the third anniversary of the merger.

"These rights, if exercised, will result in increasing Beltron's equity share in Safelite to 62,5 percent."

A merger consideration of R310 was paid to Vistar shareholders and a similar amount to THL in respect of preference dividend.

The fee and dividends are taken into account in the total Safelite debt of about R2,4 billion.

A total of 62 136 motorists in the Western Cape have applied for new licences.

This included more than 32 000 new public phones, which was substantially

SABS to crack down on cement suppliers

(193)

ARG 1/7/98

ARGUS CORRESPONDENT

Johannesburg – In a bid to prevent poor-quality housing construction, the Government has declared it illegal for suppliers to distribute cement without the South African Bureau of Standards stamp of approval.

As from today, the bureau can visit factories unannounced to ensure their cement complies with SABS standards.

If the cement is not up to scratch, the factory could face closure – after being reported to the Department of Trade and Industry's business practices committee, according to SABS divisional head of materials technology Mario Rocha.

The law, part of the Harmful Businesses Practices Act, targets mainly small companies which blend the main cement ingredients with high proportions of other materials such as fly ash or slagment, making the product cheaper, but also less effective, says the Department of Trade and Industry.

South Africa's major cement producers, Blue Circle, Alpha and PPC already adhere to SABS standards.

Colin Jones, sales and marketing director of major producer PPC, said the cheaper, defective product was used a lot for low-cost housing where "unsophisticated builders" were none the wiser.

Mr Rocha, ruled out collusion between cement suppliers and builders in duping unsuspecting consumers.

"Some suppliers take advantage of consumers who are trying to cut costs," said Mr Rocha.

He said some of the cement blends tested by the SABS didn't harden and disintegrated in water.

The consequences of the blending are obvious – rickety buildings and the possible loss of human lives.

Triangle Glass bids to halt imported glass inquiry

(193), CT(BR) 1/7/98

RAVIN MAHARAJ

Durban — Triangle Glass had called upon the Board on Tariffs and Trade to immediately suspend its investigation into the imposition of dumping duties on imported glass, Cyril Gebhardt, the managing director of Triangle, said yesterday

Triangle is the independent glass distributor backed by smaller distributors of glass to the building industry

Gebhardt said PFG, the sole manufacturer of float glass in South Africa, was petitioning for dumping duties, as its market share had dropped from virtually 100 percent to 63 percent because of imports

The building glass market in South Africa is worth about R350 million a year There is a huge oversupply of glass, mainly from imports from India, China and Israel

The Board on Tariffs and Trade was unavailable for comment

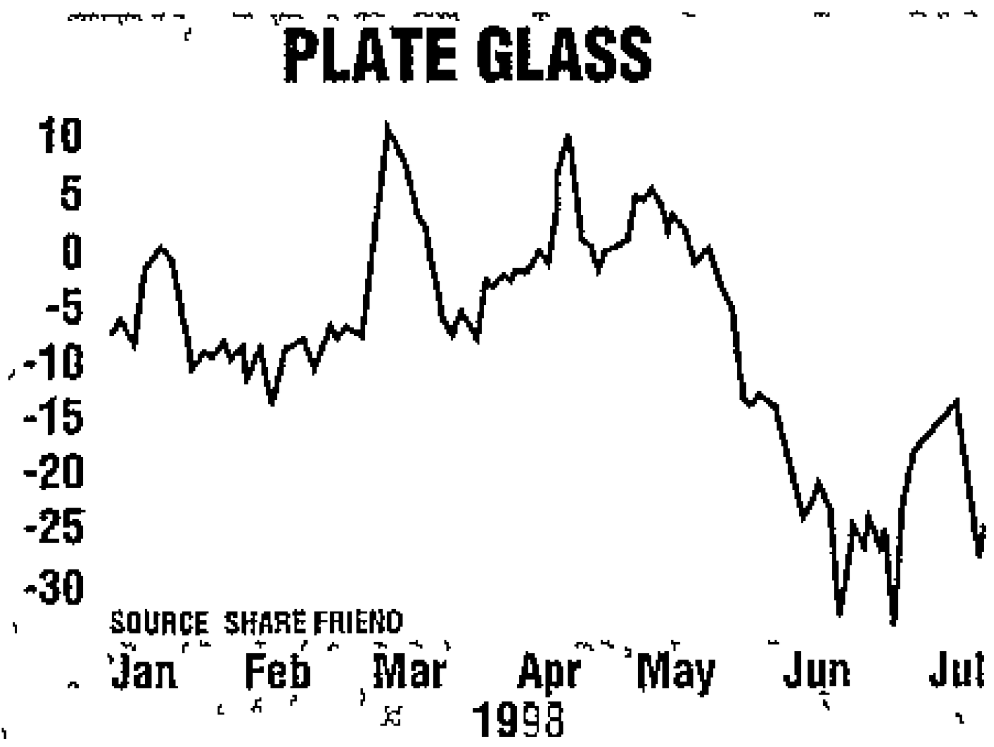
Keith Luyt, the managing director of PFG, said "We are applying for anti-dumping against dumped imports, which are products basically sold below the domestic price in the country of origin"

Luyt said the company's market share had been eroded, but it was not afraid of competition Instead, he said PFG wanted to compete on levelled playing fields, though there were not many local glass manufacturers

PLATE GLASS (193) FM 31/7/98

LOOK FURTHER AHEAD AND GIVE IT A BREAK

Local problems are only part of the picture



Well into oversold territory on its overbought/oversold chart, the daily price plotting of Plate Glass is attempting to rise for the third time It is too early to tell whether this time it will be successful

PG is one of SA's first and most successful global companies — today a major force in the automotive glass markets of 16 countries that have 68% of the world's 650m vehicles About two-thirds of sales and profits in financial 1998 were generated outside SA It should be a winner, and yet the share stands 65% off its October high

Foreign operations, held through 78%-owned Belron, date back to the Seventies Australia came first, followed by the US at the wholesale level, the UK and Europe US retail marketing got going in 1990 Vistar started with 25 branches and no market share Seven years later sales were US$425m, with 356 branches in 44 states

During financial 1998, PG began aggressive expansion of its foreign interests Most significant was the merger of Vistar with Safelite Glass Belron now holds 45% of Safelite and Thomas H Lee the balance PG has calls that could increase its holding to 62% within three years Combined sales exceed $800m through 856 outlets in 50 states Significant economies of scale will result from the closure of about 15% of duplicated outlets alone

Two big Canadian acquisitions were made and smaller ones in New Zealand and Spain A Brazilian pilot venture was initiated The buying spree gives PG 20% of the world's automotive glass market

Unfortunately it also leaves the company with a mountain of debt Safelite's borrowings total $480m and a further $98m was incurred in the Canadian acquisitions This probably caused most of the damage to PG's rating because SA investors have become accustomed to relatively ungeared, cash-rich local groups It has become uneconomic to gear in SA In the US, by contrast, PG is paying about 8,5% for its money Financial director Mike Read says Belron was offered up to $1,1bn by US banks

Belron is a strong cash generator The bulk of the borrowings could be repaid within five years

There is a strong probability that either Belron or Safelite, or both, will be listed separately This would not only reduce gearing but also unlock much of the value that is being undermined by the poor performance of the SA operations

PG SA has been hit from all sides Weak new car sales have been hit further by higher imports The PG Bison Board operation is suffering from poor furniture manufacturing levels and a weak housing industry The latest interest rate increases will make things worse and add about R40m to PG's SA interest bill

Read expects the problems facing local operations to drag total group earnings down again in financial 1999 Foreign contribution to earnings will be about 80% of the total, but with cash flows committed to loan redemptions, PG's dividend is vulnerable

The group strategy, says chairman and CEO Ronnie Lubner, has been to sacrifice short-term earnings growth in favour of future globalisation rewards Synergies are materialising, at a price It will probably be only in financial 1999 that their impact will become significant

The market has penalised PG recently for appearing to be over-ambitious in the short term But it seems to be ignoring the company's medium- to longer-term potential as a global player with 100 years' experience in its field

The share price has gone a long way to discount what will probably be poor results in financial 1999 But down the line, recovery and organic growth is likely The probability of foreign listings could make this happen much sooner **Stafford Thomas**

NEW SHARE ISSUES

COMPANY AND TERMS*	Issue price cents	Opening date	Closing date	Share cert posted	Refunds posted	Listing date	Sector
ABSEC — Listing of 5 75m ord shares of 1c each as result of a distribution by Popcor						17 8 98	Dev Capital
GOOD CAPE — Listing of 23m ord shares of 1c each as result of a distribution by Propcor						17 8 98	Property
IDION TECHNOLOGY HOLDINGS — Listing of 60,3m ord shares of 1c each Details to be advised							
VALUECOM HOLDINGS — Listing of 190m ord shares of 0 001c each by way of private placing						24 7 98	Venture Cap

ISSUES

		NIL PAID LETTERS					FULLY PAID LETTERS OF ALLOTMENT						PRICES OF LETTERS		
COMPANY AND TERMS	Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Take up price (cents)	Price Jul 20 (cents)	Price Jul 27 (cents)
LITHOSAVER (Lithotech) — Proposed rights offer Details to be advised	31 7 98														
M-CELL — Rights offer 13 new shares for every 100 held at 925c per share	24 7 98	27 7 98	31 7 98	19 8 98	20 8 98	21 8 98					20 8 98	28 8 98	925	—	—

RESULTS AND DIVIDENDS

		Pre-tax profit Rm 1997	Pre-tax profit Rm 1998	% change	Earned cents per share 1997	Earned cents per share 1998	Paid cents per share 1997	Paid cents per share 1998	Sector	Dividends Amount cents	Dividends Register by	Dividends Payable about
Afribrand Hold	P	■9,4	▼25,4	+170	■●▼7	●▼14	—	2 7	Food	‡▲2 70	7 8 98	9 9 98
Allan Gray Prop	I	37,0	36,9	0 2	❑13	❑13	❑12,65	♠❑6,21	Property Trust	⅃ 6 21	17 7 98	31 7 98
Anglogold	I	993,9	1217,1	+22	526	747	§	750	Klerksdorp	750 00	7 8 98	18 9 98
Cadswep	I	59,6	68,2	+15	●▼18	●▼22	3,5	4,4	Food	4 40	11 9 98	2 10 98
Homechoice	I	11 6	20,3	+75	●▼7	●▼12	2	3	Stores	▲*3 00	28 8 98	—
Log Tek	I	♣▼4 5	♣▼12,0	+168	♣●▼17	♣●▼31	♣9	♣10	Electronics	6 00	7 8 98	—
Premier Group	P	§	▼502,0	—	§	●▼37	16 5	6	Food	—	—	—
Primedia	D	—	—	—	—	—	♦10	♦17,32	Media	♦‡17 32	31 7 98	14 8 98
Theta	I	♣■96,9	♣250,8	+*59	♣■12	♣32 3	—	—	Banks	—	—	—

P = Preliminary ● = Weighted earnings per share ♥ = Headline earnings per share I = Interim * = Interim dividend † = Final ▼ = After exceptional items ▲ = Capitalisation award option
D = Dividend ‡ = Annual § = Not comparable ♦ = Per combined unit ■ = Pro forma ♣ = 12 months ❑ = Per unit ♠ = For 3 months ** = Second interim dividend

Corobrik moves to short-time work

(193)(~~187~~) CT(~~MR~~) 4/8/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — High interest rates and the inability of provincial and local bureaucracies to initiate housing projects had slowed demand for building materials to the point where Corobrik, Tongaat-Hulett's building materials arm, would be forced to close between four and eight factories temporarily before the year-end

JB Magwaza, the chairman, said yesterday this was a stock reduction strategy that would go hand in hand with overall cash and cost management Rather than close down a brick plant, Corobrik had decided on a kind of short time. Should the market pick up, Corobrik remained perfectly positioned for growth

Peter du Trevou, the managing director, said the Springs plant had been shut and negotiations for other closures were under way

"Our order books are dropping quickly and we need to take proactive measures " Corobrik was trying to turn large stocks into cash at plants where order books were weak

He said the process would be long and slow, but he hoped closures would be complete before December Should the market begin to strengthen, plants would be up and running by February

Du Trevou said the nature of brick plants meant they could not go on half-time Once kilns were fired up, it was more cost-effective to run them at full capacity

It was uncertain how long the closures would last Most were likely to be between two and four months, although longer closures would be preferable at some plants The closures would only occur where stock for the closed period was available, he said

The full effect of the closures was unknown, but turnover was likely to remain at last year's R492,5 million, Du Trevou said

COMPANY NEWS

Minority shareholders may be offered R65 a share

Alpha shares surge 47%

(193) CT 6/8/98 (BR)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Shares in Alpha, the country's second largest cement producer, soared 47 percent to R58 yesterday on word of a possible buyout of minority shareholders at R65 a share by the group's two controlling shareholders

In a busy day, Alpha issued a cautionary announcement in the morning advising shareholders that negotiations were in progress that could result in shareholders being offered R65 a share

Later yesterday, the company reported flat headline earnings for the half-year and told shareholders that Anglovaal and Swiss cement company Holderbank, its two main shareholders, planned to increase their stake in Alpha

Nolan Menachemson, an analyst at Barnard Jacobs Mallet, said the earnings were in line with expectations

"The big news is the talks to take out minorities and delist. I think it's going to go through and that the premium looks fair," Menachemson said

Headline earnings for the six months to June 30 fell 7,6 percent to 252,9c

Mike Doyle, the group managing director, said margins had come under pressure from higher levels of discounting, implemented to keep up volumes against greater competition

"Pressure on selling prices and only a slight improvement in volumes were the main contributions to the decreased operating margin," Doyle said

Although there was a decline in headline earnings, the group's attributable earnings increased 150 percent to R199,8 million, or 664,2c a share, because of the R140 million sale of its lime and industrial minerals businesses

"Funds from the transaction have been used to repay certain debt obligations and will be used to strengthen Alpha's business within and outside South Africa," Doyle said

The group also said it had written off the money it spent on a detailed feasibility study into a new cement plant at Saldanha.

Doyle said market conditions were not expected to improve in the second half, but higher interest income from the sale would allow the group to increase its headline earnings in line with inflation

Menachemson said the high premium paid for Blue Circle and the premium expected to be offered to Alpha minorities indicated that earnings in the industry were expected to rise in the medium term

Graphic: KAREN MOOLMAN Source: I-NET BRIDGE

Alpha Cement's earnings slip in face of tough conditions

(193) BD 6/8/98

Mzwandile Jacks

ALPHA Cement's headline earnings decreased 7,6% to R76,1m (1997 R82,3) in the six months to June as difficult trading conditions in the industry took their toll on margins

Headline share earnings were also down 7,6% to 252,9c (273,6c) and an interim dividend of 82,5c a share was maintained

The group said shareholders should refer to the cautionary notice published this week which said negotiations were in progress which could see shareholders offered 6 500c a share.

On continuing operations, sales were up 4,2% to R797,9m The group said sales volumes of cement were up slightly on last year's while the stone and readymix volumes showed strong improvements Costs were contained due to staff restructuring and the "nonrecurrence of abnormal maintenance expenditure"

However, the operating margin dropped to 9,1% from 11,4% The group said that due to competitive pressure on selling prices, the gross profit margin decreased to 26,2% from 28,1%

Cash generated by operations improved sharply, increasing 72,2% to R133,3m in continuing operations, due mainly to a decrease in tax paid The cash generated by businesses disposed of — lime and industrial minerals — in the previous period was replaced by interest earned on the proceeds from the sale of these businesses, which netted after tax profit of R140m

The proceeds would be used primarily to strengthen the company's businesses Part had been used to repay debts Borrowing costs increased mainly as a result of the investments undertaken last year

The group said the difficult business environment was not expected to ease in the second half but headline earnings for the full year were forecast to increase in line with inflation, thanks to increased interest income.

The board said it had undertaken a year 2000 compliance exercise and "the risk of Alpha facing direct and indirect liability arising from a failure to address the 2000 problem is low"

CEMENT INDUSTRY

NEW RULES — PPC'S NO LONGER THE BIG BRUTE

(193) FM 14/8/98

The market's all mixed up, but not set for price wars

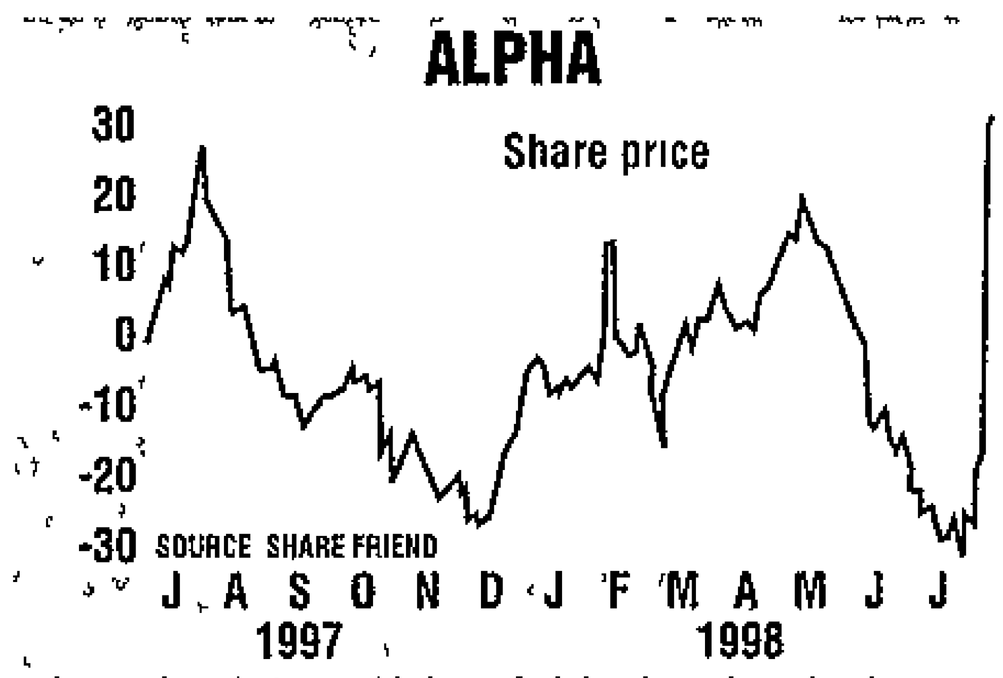
Remember the post-cartel days when PPC was the dominant male of the SA cement market, and Alpha and Blue Circle were leaning on the Competition Board to let them merge so there could be "two equally strong cement companies"? Well, those days are gone, with the entry of world number two in cement, Lafarge, and the consolidation of number one, Holderbank, in SA

As Merrill Lynch's Gordon Taylor neatly puts it "With Lafarge and Holderbank (here) it turns the industry structure on its head, PPC is no longer the big guy on the block, it is the small guy" Yup, once again the market will run according to a completely new set of dynamics

The purchase by Lafarge of Blue Circle from M&R for R1,5bn has been concluded and its impact on M&R was discussed in last week's *FM* (*Companies & Markets* August 7) The takeout of minorities by Holderbank/AVI has been proposed and indications are that major shareholders, management and minorities will support the offer of R65 — a 65% premium to the price at August 4

AVI MD Richard Savage says they deliberately paid a hell of a premium to avoid an IBM-type rebellion from minorities One up for the working class!

What, then, will be the impact on the cement market? First up, there will be fundamental changes in the rules of the cement game in SA As unlisted companies, Alpha and Blue Circle will not have the burden of disclosure and can start making moves based on long- rather than short-term considerations



The overbought/oversold chart of Alpha shows how the share moved from well oversold to well overbought in 10 days The price is now expected to mark time or fall back slightly

The Alpha announcement indicates Holderbank is taking out minorities around the world in order to become more flexible in market response — meaning, I assume, that if the opposition hits them, they will rip the opposition's heart out

What exactly we are likely to see as a consequence is difficult to say What about price wars and market invasion?

Taylor says research done by Merrill Lynch worldwide suggests this is unlikely Barnard Jacobs Mellett analyst Nolan Menachemson says PPC can hold its own "PPC is by far the best positioned cement producer in SA in terms of geographics and resilience to price-cutting"

PPC MD John Gomersall says "As far as we are concerned, it is business as usual PPC has been working on its global competitiveness for a number of years and we have made great progress"

Savage says much of the competition will be on service rather than prices "There will be keen competition, but I don't see it exploding into a price war"

Why, you may ask, with all this uncertainty and the premiums paid for Alpha and Blue Circle, doesn't Barlows sell PPC?

The market doesn't believe this is a consideration, judging by PPC's share price, which was still trading at around R37 when the *FM* went to press Which makes sense for several reasons PPC appears to be a core asset for Barlows, Barlows is not one to run from a fight, and finding a buyer may prove difficult now

With regard to Natal Portland Cement, a company still owned jointly by PPC, Alpha and Blue Circle, Savage insists that there is no change as a result of the deals

For Anglovaal, another issue will be what happens to Omnia Holdings, which is held through Alpha Savage won't comment on Anglovaal's plan, but one well-positioned source says the group is regarded as noncore in the greater Anglovaal group

But any decision on Omnia is likely to be delayed until after a ruling by the Competition Board on Sasol's proposed takeover of AECI

So, for now, the informed view is that it is too early for AVI and PPC shareholders to panic If anything, it's worth reconsidering the SA cement industry and taking a longer-term stake in PPC **Stuart Rutherford**

KROONDAL PLATINUM

SHE WILL BE BONZER

Aussies finally reach the JSE

Tough market conditions have taken their toll on Australian company Aquarius' plans for Kroondal but the platinum counter finally listed on the JSE last week

Aquarius had initially planned to raise R225m through a private placing of shares at about R10 each The end result was a placing of 19,5m shares at 750c each to raise only R146,5m

The capital expenditure required to bring the mine into operation by November next year totals R285m with R184m to be spent in the first year meaning Kroondal faces a hefty financial shortfall — to be met through a facility of US$35m (R220m) being arranged by Aquarius, which retains a 45% stake in Kroondal — with two international banks

As part of its private placing Kroondal offered one free option for every two shares subscribed for A total of 17,7m options were issued at a strike price of 900c which would bring in another R16m if all are taken up That, of course, will depend on stock market conditions and the company's performance during the period in which the options can be exercised That is up to end-August 2000

Having gone through the pre-listing statement the *FM* commends Kroondal on the choice of two of its non-executive directors — Bruce Sutherland and Richard Shead

If anyone could claim to be the technical "Mr Platinum" in SA it is Sutherland who retired from the top technical post at Amplats in 1994

Shead has extensive experience in junior mining ventures through many years running exploration outfit Southern Prospecting and then East Daggafontein while he was also recently appointed CEO of Benguela Concessions **Brendan Ryan**

Byproduct to be used for road building

(193) 78

Mzwandile Jacks

20/8/98

PREMAMIX, a mixture of mineral ash components said to be less expensive than other construction materials, will be used for the construction of Gauteng roads from the middle of next year

Transportek research engineer Jeremy Lea said yesterday Premamix was produced as a byproduct at Sasol's coal-gasification processes in Sasolburg

Lea said the product allowed for "faster and easier application" and that labour-intensive production rates using Premamix were about five times higher than some technologies being used at present.

In addition to meeting the standard material specifications, the product had also drawn attention of "many" consulting engineers, Lea said.

"Our target is to replace the use of natural granular materials in townships and regional roads

"Despite interest from around SA, it is currently only viable to transport this material within the Gauteng region," he said.

Testing has been carried out in 10 trial sections near Cullinan, Pretoria, after two years of intensive research.

Plate Glass warning shatters shares

CT (AR) 25/8/98 (193)

Jonathan Rosenthal
Industrial Editor

Johannesburg — Plate Glass and Shatterprufe, the glass manufacturing and installation group, lost 27 percent of its market capitalisation by midday yesterday. The group warned shareholders that interim and full-year earnings would be "substantially lower" than the year before.

The shares plunged R10,50 to R28, before recovering about half the losses to close at R33,90.

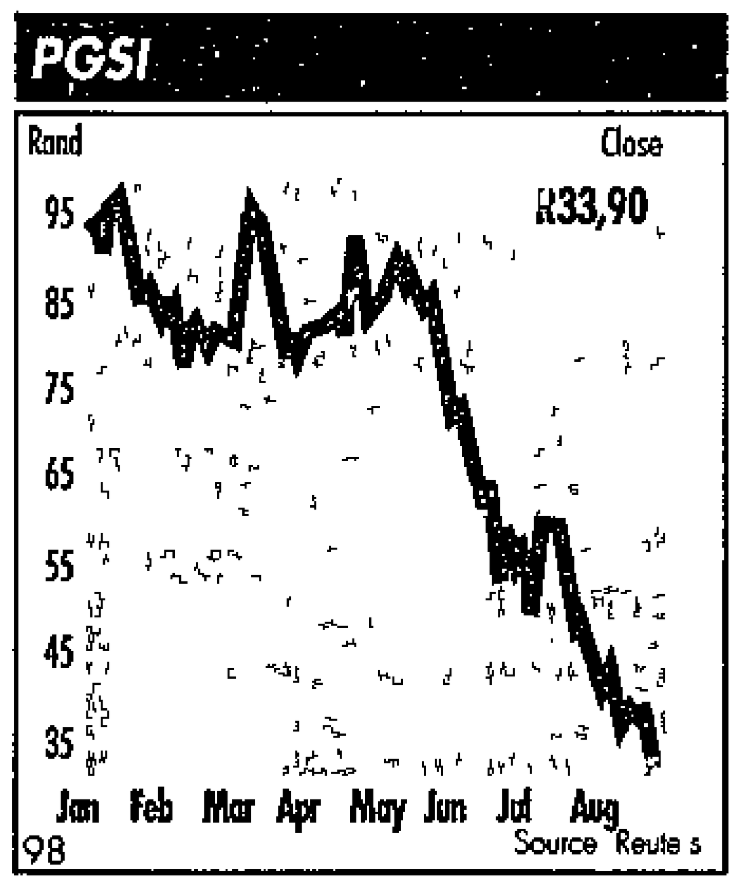
A Johannesburg analyst, who declined to be named, said the market had panicked and oversold the share. "It was very disappointing — the South African operations slipped badly," he said.

"They made R60 million last year, and it looks like they are R20 million to R30 million in the red.

"It sounds like the offshore operations are still holding up."

Michael Read, the financial director, confirmed that South African losses were in that range but said the group's offshore performance was better than expected. "As far as we are concerned the business has never been in better shape (but) this market is tough," he said.

Analysts said the group was also affected by a strike in the motor industry, which is a large consumer of glass products.



Read said glass sales to the motor industry were also hampered by the fall in tariff protection on imported components and the rise in imports of fully built-up vehicles.

In a cautionary released yesterday, the group said results would be hit by a significant deterioration in trading conditions, interest rates and the industrial relations climate.

"While it is our view that the market sectors in which the group operates will recover over time, any positive impact is unlikely to be felt during the current financial year," it said.

Read said the group would be helped by the fall in the value of the rand, which would provide some protection against imports and assist exports. In the past financial year the group reported an 8 percent fall in headline earnings to R255 million.

□ **Business Watch, Page 2**

Alpha makes offer to buy out its minorities

CT (BR) 1/9/98 (193)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Alpha, the cement producer, said yesterday that increased competition from the break-up of the cement cartel, the globalisation of the domestic cement market and weak spending on fixed investment could put new pressure on industry volumes and margins

In a notice to shareholders with a formal offer to buy out minority shareholders at R65 a share, Alpha said it would be in a better position to meet the challenges of the changed business environment if it was not accountable to minorities.

Alpha is 54,8 percent owned by Altur, a joint venture between Anglovaal Industries and Holderbank, the Swiss-based cement cartel. McGregor's, the directory of company ownership, indicates minorities include Old Mutual, with close to 5 percent, and Liberty Life, which holds 3,5 percent

Acquiring the remaining shareholding would cost Altur just under R900 million at a 64,6 percent premium to the share price before the offer was first made public

It also said the offer was at a 48,8 percent premium to the company's net asset value a share of R43,60 at the half-year at June 30

But the offer is a little lower than what the net asset value would have been had Alpha not changed some accounting policies At the time, when it changed the way it reported deferred taxation, its net asset value was listed as R64,59 a share Restated in the last interim report, in June 1997 it was reduced to R35,86 a share

Analysts said they were recommending that shareholders accept the offer on the basis of its premium to the current share price, but warned cement stocks were presently pitifully undervalued

"The premium Lafarge paid for Blue Circle and the premium Holderbank is offering tells me they see great potential in this market two or three years down the track," said one analyst

Measured against the cost of new cement kiln capacity, Alpha's controlling shareholders were gaining half a cement company at less than the cost of a single new cement plant Alpha closed 50c up yesterday at R60,50

Masonite feels the pinch

(193) ET (BR) 3/9/98

RAVIN MAHARAJ

Durban — Blunted consumer demand, made worse by market turmoil, resulted in disappointing earnings from Masonite, the timber products company, for the half-year to June 30

Earnings a share fell to 6c, from 32c in the previous half-year The company passed its interim dividend

Operating income came in at R2,3 million, from R3,8 million in the previous period

Alan Wilson, the chairman and managing director, said poor business conditions during the first half had resulted in a reduction in turnover to 97 percent of that achieved during first-half 1997

Echoing statements in the 1997 annual report, Wilson said volumes had been lower and prices had been under pressure mainly because of the Asian currency turmoil, where the cutback in the demand for commodity board had resulted in world market oversupply

Wilson said the weakening of the rand in June had come too late to influence these results, and the full benefit would only be felt from October onwards Masonite has traditionally had a better second half, he said

Masonite exports a third of its products to Asia, Europe and the UK, but has not as yet felt the benefits of hard currency earnings from these markets

In addition, Wilson said borrowings had increased by R18 million, with capital expenditure the major item Borrowings were expected to be reduced by the end of the year, he said.

On the credit side, Wilson said manufacturing and forestry operations had performed at a high level of efficiency, and the installation of the new large-capacity computerised saw at Estcourt, KwaZulu Natal, had been completed on time and within budget

Shares finished unchanged at R6,50

Dip in demand hits Masonite earnings

Nicola Jenvey (193) BD 3/9/98

DURBAN — Lower volumes and pricing pressures in the wake of the Asian crisis, coupled with less demand for commodity board, saw building and construction group Masonite (Africa's) aftertax earnings fall to R438 000 from R1,2m in the six months to June

Net earnings a share crumbled to 6c (1997 32c) and the interim dividend was waived (8c)

Turnover dropped 3% to R107,7m, hampered by the poor business conditions and the oversupply of commodity board on the world markets

Chairman and MD Alan Wilson said yesterday the fall of the rand in June came too late to influence the half year results and the benefits arising from exports would filter through only from October

Borrowings rose R18m to R23,3m as Masonite invested R6,8m into capital expenditure projects. These borrowings were expected to have reduced significantly by December

However, Wilson said the manufacturing and forestry operations had performed at a high levels of efficiency and installation of the new large capacity computerised saw at the Estcourt mill was done on time and within budget.

Wilson said since the six month period, trading had improved with July being "encouraging". This boded well for the remainder of the year and was expected to continue.

On Year 2000 compliance, he said the Masonite parent firm in the US had set up a high-level task force to spearhead the millennium project and was providing aid to the SA subsidiary.

The group was also trying to ensure that its critical suppliers were geared for the new millennium

Ceramic Industries eyes exports

ET (AR) 11/9/98 (193)

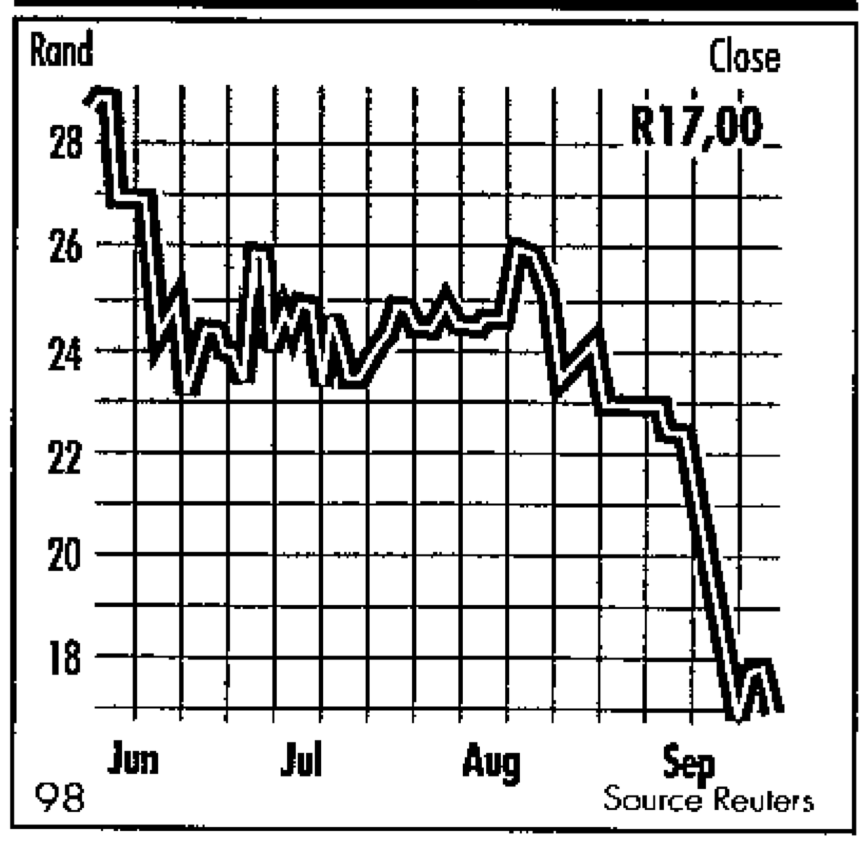
ADELE SHEVEL

Johannesburg — Ceramic Industries, the country's largest manufacturer of ceramic tiles and a manufacturer of sanitaryware, was seeking to expand its market penetration overseas It would be producing half of South Africa's 22 million square metres of tiles by March next year, Battista Errera, the chief executive, said yesterday

Operating in parts of Africa, Mauritius, Seychelles, Dubai and Australia, the company was looking for distribution mechanisms in the US, predominantly in the southern states It expected future opportunities in the US, which it said was 10 years behind South Africa in terms of tile usage Errera said the UK also held potential

Ceramic was seeking to export sanitaryware as its facilities were geared to produce 800 000 units a year of South Africa's total consumption of 1,1 million of that product At the beginning of this year, Ceramic's exports accounted for only 1 percent of the company's turnover It now stood at 7,5 percent

Ceramic Industries



Errera said Ceramic's financial results were due out next week Thursday and were expected to be satisfactory Johan Bouwer, the company's financial manager, said profits had been growing at about 30 percent a year over the past six years since listing

The company was forecasting earnings of R24,1 million in the current financial year from R19,08 million in the previous year, which ended on July 31 1997

Operating profit was expected to exceed projections as market share improved, because Highlands Ceramics and Pilkington Tiles had closed down during the period and because of the high cost of imported products

Ceramic had been granted a tax holiday on one of its factories This reduced group corporate tax from 33 percent to between 12 and 15 percent

Ceramic Industries finished 100c weaker yesterday on the JSE at R17

Ceramics maker upbeat over export prospects

(193) BD 17/9/98

Nicola Jenvey

DURBAN — Ceramic tile and sanitaryware manufacturer Ceramic Industries expected export turnover to touch 20% of total sales within the next two years, financial manager Johan Bouwer said yesterday

He said further significant opportunities in the local market were expected following the closure of several SA manufacturing companies in the past year.

Ceramic Industries consists of Samca Tile, Betta Sanitaryware, NCI split tiles and Tilecor

Releasing the results for the year to July, Bouwer said exports had grown R13m in the past year and now made up 7,5% (1997: 2%) of group turnover Aided by the weakening rand exchange rate which made the product internationally price competitive, strong overseas orders were being received, particularly from Australia

CEO Battista Errera said the new plant manufacturing 40x40cm pressed floor tiles already had been commissioned in Babelegi During the next 18 months, the remaining R32m of the R51m capital allocated for the expansion programme approved in March, would be invested in a new plant at the pressed wall division and in further capacity at Betta Sanitaryware

"This capital expenditure programme will increase capacity, improve quality and reduce costs at the pressed tile and sanitaryware plants The programme will be fully funded from internal resources "

Bouwer said new technology installed at the sanitaryware division would double the current annual output of 350 000 pieces and reduce the time required for moulding.

In the year to July, attributable income grew 59,6% to R30,5m, aided by the four-year tax holiday granted to the pressed floor-tile project in Babelegi

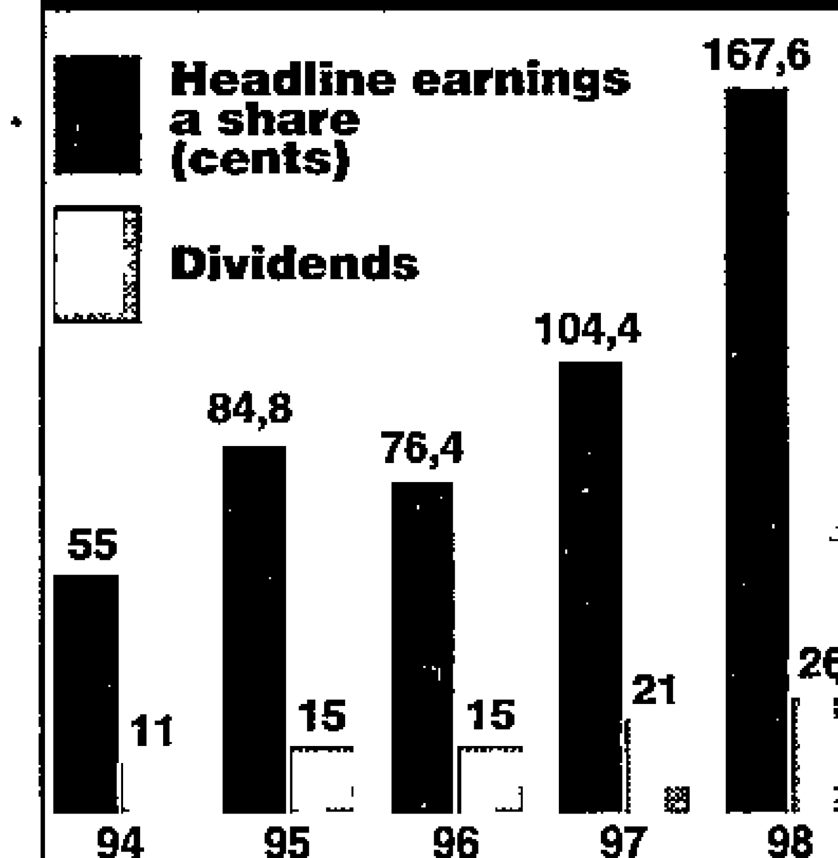
Headline earnings rose to 169,6c (104,4c) and a 16c final dividend brought the total to 26c (21c). The dividend cover remained high to keep funds for financing capital commitments. Turnover increased 18,5% to R214,6m and the weaker rand boded well for export sales and import replacements

Errera said the prospects for the group remained sound Betta Sanitaryware was expected to make "a meaningful contribution" in the current year, given that the division had already turned the corner and achieved break even results for the year under review.

This was despite a six-week strike in the second half-year.

"The group as a whole is well positioned to further increase market share and a real growth in earnings is forecast," Errera said

Ceramic Industries



Graphic KUBEN DAVID Source CERAMIC INDUSTRIES

SA's largest tile maker reports better days after six-week strike

Tax holiday boosts Ceramic Industries

(193) CT(MR) 17/9/98

ADELE SHEVEL

Johannesburg — A four-year tax holiday to its factory in Babelegi had spurred a 59 percent increase in attributable income to R30,5 million for Ceramic Industries, the country's largest tile maker, the company said yesterday in its results for the year to July 31 this year

Battista Errera, Ceramic's chief executive, said Betta Sanitaryware had turned the corner, achieving break-even results for the year despite a six-week strike during the second half

Workers went on strike in April last year The high court later ruled the action illegal, but Betta lost R4,9 million The company also lost about 45 000 to 50 000 saleable pieces

Johan Bouwer, the company's group financial manager, said the pressed tile division had contributed about 70 percent of the group's total profit through two plants The intention was to improve the other divisions' contributions

Management intended for Betta Sanitaryware to improve profit to the group If successful, it was expected that operating margins would reach 16 to 17 percent from its existing 14 percent The company's aim was to achieve operating margins of 20 to 22 percent

Headline earnings shot up 60,5 percent from 104,4c a share to 167,6c Turnover of R215 million was up 18,5 percent The company met forecasts with a 30 percent increase in operating income to R31,2 million

Export sales comprised 7,5 percent of group turnover, more than triple the 2 percent of the previous financial year

Errera said the weaker rand augured well for export sales and import replacements

A final dividend of 16c a share was declared, bringing the total dividend for the year to 26c from 21c in 1997

The company said dividend cover remained high in order to retain funds to finance capital commitments

A new plant manufacturing pressed floor tiles has been commissioned in Babelegi

In the next 18 months the remaining R32 million of the R51 million expansion programme approved by directors in March this year will be invested in a new plant at the pressed wall division and in further capacity at Betta Sanitaryware All projects will be funded from internal resources

Shares closed unchanged yesterday at R17

FOR THE YEAR TO END 31 JULY 1998

	latest	previous	% change
Turnover (R)	214m	181m	+18
Operating income (R)	50,1m	36,9m	+35
Taxation (R)	5m	8,5m	- 41
Attributable income(R)	30,4m	19m	+59
Headline eps	167,6c	104,4c	+60
Dividend per share	26	21	23

□ Business Watch, Page 2

Clay brick industry hit hard by high interest rates

(193)
BD 26/10/98

Sibonelo Radebe
and ECN Business

SA's clay bricks manufacturing industry has suffered major setbacks because of high interest rates this year.

"It is as if the industry has come to a standstill," said MD of Building Research Unit Llewellyn Lewis

The industry, which last year saw a 5% or 140-million increase in brick sales, has so far registered a more than 30% decline in manufacturing volume.

Director of Clay Bricks Association of SA Vincent Woods said that with more than two months to go, the figure could reach "scary levels". He said the industry was faced with the worst situation ever and could recover only after 2000.

Woods, whose organisation represents about 70% of the clay brick manufacturers in SA, said several factories had suspended operations, and more suspensions would follow in the future

Corobrick, one of the major bricks manufacturers in SA, temporarily suspended operations at its two Eastern Cape factories for two to three months.

The group will also be reducing the number of shifts worked a week and the number of working hours a day.

It said its actions were aimed at reducing inventories to levels in line with lower demand from the building sector.

Lewis said the brick industry was a labour-intensive sector and the current crisis would lead to higher levels of unemployment in SA.

To cope with rising costs and shrinking profit margins, brick manufactures had no choice but to resort to retrenchments, said Woods.

Lewis, whose organisation recently conducted a survey in the brick industry, said the confidence index had reached the lowest level in 10 years.

He said almost everyone in the industry felt helpless and had no plans to invest in the near future.

Woods said recovery now rested firmly in the hands of government He said government had to give serious consideration to solid economic policies that would attract both local and foreign investment

The situation was a result of an international economic depression. However, government was not free from blame, Woods said. It ought to change policies which were not investor friendly, such as its labour policies

St

Buy-out of Blue Circle to benefit consumers

(197)

Sibonelo Radebe

THE acquisition of SA's largest cement producer, Blue Circle, by French multinational Lafarge will bring greater competition to the domestic market and ultimately benefit consumers, analysts said.

However, absorbing Blue Circle would not have an immediate effect on market share — "Lafarge has probably taken a long term view and would definitely be rewarded in the long run," one analyst said.

BD 10/11/98

Lafarge bought Blue Circle from industrial holdings group Murray & Roberts for R1,5bn in July. Lafarge SA GM Naude Klopper said the official renaming of Blue Circle, which took place last week, was intended to bring Blue Circle in line with Lafarge's international corporate identity

This was part of a bigger plan to reinvent Blue Circle as an international competitor.

The loss of the Blue Circle name — the second most prominent SA cement brand — was balanced by the advantages to be gained from operating under the brand name of the third largest building materials manufacturer in the world, he said

Brand names such as Build Crete and Wall Crete would be maintained to retain the local customer base established over the past 84 years.

Klopper said the group might also bring in new cement and concrete brand names soon

The top managerial structure of the group would remain the same, with the addition of only three French directors, including new chairman Jean Claude Hillenmeyer

Klopper said the international expertise available from Lafarge would turn the SA operation into the most efficient and supportive company servicing local customers An aggressive campaign had been launched to market the new name both locally and internationally

SOLID *PPC's managing director John Gomersall* PHOTO JOHN WOODROOF

PPC chalks up a 7% earnings rise

CT(BR) 11/11/98 (193)

ADELE SHEVEL

Johannesburg — Pretoria Portland Cement (PPC), South Africa's largest cement producer, withstood depressed trading conditions to chalk up a 7 percent increase in diluted earnings a share for the year to September 30, the company said yesterday

John Gomersall, PPC's managing director said modest price increases and improved operating efficiencies combined with improved margins contributed to the rise in earnings

Analysts had forecast an average of 540,7c earnings a share They came in at 519,4c a share on an 11 percent increase in pretax profit to R242,8 million for the year under review

Nolan Menachemson, an analyst at Barnard Jacobs Mellet, said there were no surprises in the results He expected that the forthcoming year could potentially be difficult given that growth forecasts were down and interest rates were still punitive

Gomersall said the results were pleasing in the difficult trading conditions Demand for cement and lime remained virtually unchanged while PPC Transport achieved a turnaround in profitability after incurring a loss the previous year. This was because of increased utilisation of the existing fleet and lower operating costs achieved through operations rationalisation and the replacement of older and less cost-efficient units

The company lifted turnover 6 percent to R1,9 billion and operating profit 8 percent to R333 million in the face of virtually static national demand for cement and lime The operating margin of 17,3 percent was in essence unchanged from the previous year's 17 percent

Gomersall said the company's key strategy over the past two years had been o become and remain globally competitive PPC's capital expenditure on upgrading the Dwaalboom factory and several other plants, together with expenditure on the Saldanha project, increased long-term liabilities to R281 million and cash, net of short-term debt, declined to R11 million As a result, interest paid increased to R23,6 million (R11,2 million) leaving pretax profit up 1 percent at R334,1 million

The company declared a dividend of 325c, a 7 percent increase from the previous year PPC said increased earnings from its investment programme would only be realised with resumed economic growth Cash flow is expected to be fairly strong because of a lower level of capital spending

The share closed 175c down today at R44,25

PPC looks good despite static demand environment

BD 11/11/98 (193)

Stan Maphologela

PRETORIA Portland Cement (PPC) rode out difficult industry conditions in the year to September, lifting its after-tax profit before exceptional items 11%

Despite virtually static national cement and lime demand in the period, the company lifted operating profit by 8% to R333m on turnover up 6% to R1,9bn

PPC MD John Gomersall said the company's strategy for the past two years had been the drive to become and remain globally competitive

This strategy was driven by the recognition that SA was now truly integrated into the global economy

"This thrust extends to every part of our business," he said "Good progress has been made this year and tough targets have been set for the year ahead "By involving all of our people in this process, it has generated a positive attitude that has created a culture of continuous improvement," he said

PPC's capital expenditure programme on the upgrade of the PPC Cement Dwaalboom factory and several plants with expenditure on the Saldanha project, increased long term liabilities to R281m and cash, net of short-term debt, declined to R11m As a result, interest paid increased to R23,6m (R11,2m), leaving pretax profit up 1% at R334,1m

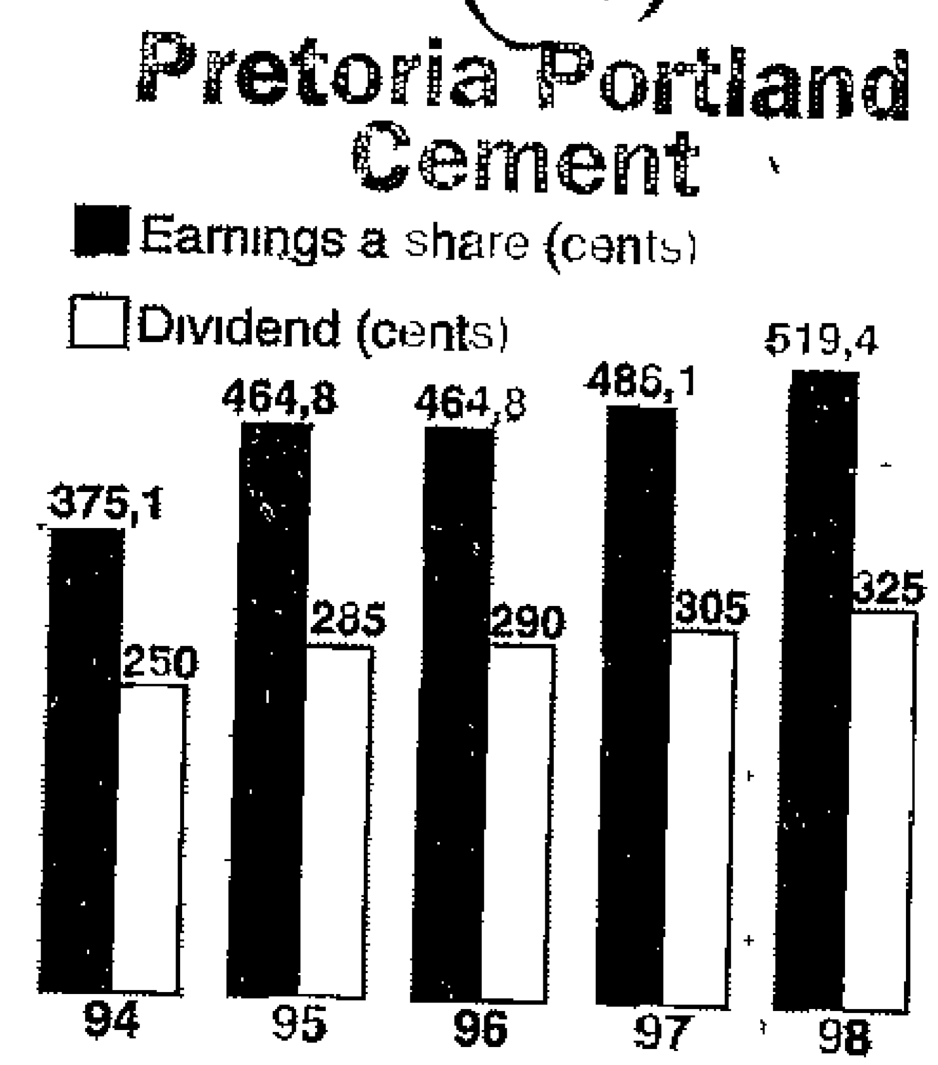
Due largely to new capital investments, the tax rate declined to 27,3% from 33,2% previously

PPC domestic sales volumes declined slightly but the division nevertheless increased operating profit 9% to R249m — this was mainly due to lower costs and improved efficiencies

PPC Lime's success in introducing burnt dolomite as a new product was the main reason volumes and market share increased slightly

As a result, despite low price increases and temporarily higher costs, operating profit rose 1% to R52m

PPC's Packaging , Transport and Joint Venture business (especially Afripack, PPC Transport and Natal Portland) increased their operating contribution 10% to R32,1m due mainly to a pleasing profit turnaround in PPC Transport



KUBEN DAVID/BUSINESS DAY SOURCE PPC

"The fundamentals strengths of the company, which have enabled us to flourish since we moved into an unregulated , free market environment two years ago, have been further developed and there is every reason to assume that we will continue to thrive in the years to come "

The dividend for the year was increased 7% to 325c and the board had resolved to offer shareholders the opportunity of taking up a new issue of ordinary shares in lieu of the final cash dividend of 230c The company said future earnings growth was dependent on lower interest rates and an improvement in fixed investment expenditure

The benefits of increased earnings from the current investment programme would be realised only with a resumption of economic growth

"Improvements in operating efficiencies will continue in the year ahead Cash flow is expected to be reasonably strong, due to a lower level of capital expenditure, as the current investment programme is nearing completion "

PLATE GLASS

AND SO IT'S NOT QUITE SHATTERPRUFE

FM 13/11/98 (193)

But share price resilience suggests change may be in offing

When CEO Ronnie Lubner said short-term performance would be sacrificed in favour of future globalisation rewards, he wasn't joking Interim results to September show earnings down 55% and the dividend passed

Changes to the basis of accounting render historical comparison difficult US automotive glass company Vistar was merged with Safelite in December 1997, the combined 44,6% holding now being equity accounted But two things are clear Losses in SA and a high level of gearing have taken their toll

Bison, which is dependent on the building and furniture sectors, lost R11,5m in financial 1998 Glass SA was already under pressure in 1998 with taxed profit down 19% at R61m Bison's interim loss has increased to R16m with Glass SA falling precipitously into a R12m loss Both divisions face worsening conditions as the negative impact of higher interest rates gains momentum

No wonder management warns they "will be hard pressed even to maintain current trading results"

Then there's the gearing Over the past three years R1,25bn was expended on new investments and R1,0bn on operational expansion In the process gearing jumped from 37% in 1995 to 212% at present

Aggressive foreign expansion is the main reason for the increased gearing The results, in terms of market share at least, are impressive PG now covers 15 countries with a combined 68% of the world's car population Total repair work is estimated at 38m units/year, of which PG's share is about 18%

"Significant market share growth" is expected It is of interest to note that full consolidation of Safelite would have boosted interim turnover to R6,1bn

>>The company will be hard pressed even to maintain current trading results<<

For now, no dramatic improvement on the international front should be expected International operating company Belron is reported to be facing more complex merger and acquisition problems than expected These stem primarily from the closure of 150 of Safelite's 850 branches Financial director Mike Read says it has absorbed much of management's time as well as undermining staff morale

Belron's cash flow is being channelled into debt reduction But it will take time Group cash flow at an annualised R375m before capital expenditure remains dwarfed by the R1,9bn debt mountain Fortunately the average interest rate is only about 9%

The resilience of the share price to the interim figures suggests other stirrings at PG SA Breweries, which holds 68% of PG, is involved in discussions Belron on its own appears to be a company more suited to SAB's globalising profile

A foreign listing of Belron has been on the cards for some time This would unlock value and speed up an otherwise painful debt reduction process

Could part of the R1bn SAB set aside for investment write-offs be earmarked for the disposal of PG SA?

Stafford Thomas

Shape up to SABS tests or get out, cement blenders told

(193)

Sibonelo Radebe

CEMENT blenders that failed to meet SA Bureau of Standards (SABS) requirements should quit the industry, says Frans Stapelberg, the owner of cement blending company Megan Super Cement

Stapelberg's comments followed a complaint by small and emerging cement blenders about the bureau's stringent new requirements

Legislation introduced in July requires all blenders to carry the SABS mark on their products, which have to undergo tests before qualifying for the stamp

Sources within the sector complained that the tests were too complicated and expensive

Although the small blenders were experiencing financial pressure as a result of the depressed conditions in the market, they were still expected to put their products through complicated and expensive tests

"This will drive us out of business and reinforce the current monopolies," the blenders said

They said the SABS should consider introducing two sets of specifications — one for small-scale building projects like housing and another for larger projects

The current tests were appropriate for major blenders whose cement was used for large construction projects like skyscrapers and bridges

Joe Motsi, the production certification senior manager for the SABS, agreed the tests were expensive and required advanced technology But he said that they were necessary in order to protect consumers against being "ripped off by unscrupulous blenders"

He said demands for two specifications could prejudice the small consumer's chances of getting good product

Motsi said the technical difficulties posed by the tests to small blenders was discussed in several meetings of the industry players, the Cement and Concrete Institute and the SABS

He said although the issue of standards featured in many agendas, there was no other option with regard to the tests

Other major cement blenders said they were comfortable with the SABS standards as they ensured safety and security

BD 23/11/98

PFG, Triangle dispute over glass imports not over yet

BD 15/12/98 (193)

Stan Maphologela

A DISPUTE between Triangle Glass and PFG Building over antidumping duties for imports of glass from India, Israel, China and Hong Kong is far from over, following the imposition of a 200% provisional dumping duty on Indian glass

The Tariffs and Trade Board duty came after PFG, sole manufacturer of float glass in SA, submitted a complaint to the board to impose levies on imports of glass to combat unfair competition.

Triangle Glass MD Cyril Gebhardt, said the dumping duty was laughable and an indicative of manipulation of the board by PFG Building Glass Triangle is an importer of glass

Gebhardt said float glass was the most commonly used glass in SA, and almost 80% of all building glass sold The building glass market in SA is estimated to be worth R350m a year

"It costs PFG approximately R8/m² to manufacture 3mm glass locally This is then sold to wholesalers who in turn sell the glass to the end user To import glass from India cost R12/m² but with the new duty of R23,18/m² this pushes the cost up," he said

PFG petitioned the board for dumping duties earlier this year, claiming its market share dropped from virtually 100% right down to 67% because of imports

The board investigated allegations about dumping of clear float and sheet glass originating from India, Israel, China and Hong Kong

Industry sources said the board decided to impose 200% on glass from India because two Indian manufacturers — SFG and Guardian — refused to co-operate with the SA investigators.

Responding to Triangle's allegations, PFG MD Keith Luyt said government carried the investigation on its own and PFG did not influence the decision by the trade and industry department

"We can only say the levelling of the playing field has been done as we enter into the global economy," he said

Gebhardt said the timing of the board's ruling was perfect for SA Breweries as it would enhance the share price of PSGI — which owned the only float glass factory in SA

"This effectively stops any Indian glass from entering SA," he said

Government officials could not be reached for comment

MANUFACTURING - NON - MET. MIN. PRODUCTS

1999

Brick industry calls for government aid

(193) CT(BR) 9/2/99

ADELE SHEVEL

Johannesburg — Tough economic times have taken their toll on brick companies, a number of which have been liquidated and more are expected to follow, according to industry participants

The clay brick industry "is bleeding", said Vincent Wood, the executive director of the Clay Brick Association

He said the industry was suffering from a lack of government spending and a high interest rate environment

The association represents companies that produce 70 percent of clay bricks in South Africa Representative companies include Corobrik, Crammix and Ocon Sales of clay bricks have dropped 30 to 40 percent from the previous year, said Wood

But others felt it was not so severe According to a recent study, the industry has not raised its prices for the past two years

The industry is aggrieved that nothing much is being done to change its plight and the association has applied to the government through the department of trade and industry to put up R1 million in a project that would improve the industry

Wood said there would be no demand for bricks until the government accelerated its RDP programme "Government spending will be the biggest stimulus for the industry"

Corobrik, the largest producer of bricks in the country, has closed down about five of its 30 factories over the past few years A number of other companies have also closed down outlets in the past year, with more expected to follow

Wood said that every factory closure meant the loss of about 150 jobs In the bigger companies, about 300 to 400 people lost jobs

Wood said "The institutions used to spend money in the country before they were allowed to take money offshore Now that they are able to invest elsewhere the building industry has been badly hit The institutions were among the biggest spenders in non-residential building"

Nico Blake, the chairman of the Claybrick Association in the Eastern Cape, one of the regions most severely knocked, said high interest rates and uncertainty around the election contributed to the tough environment

A number of factories in the region are only producing bricks two or three days a week

Peter du Trevou, the managing director of Corobrik, said the industry as a whole had the capacity to produce some 5 billion units a year but was operating at about 70 percent capacity

19/3/99 BD (193)

All cement will have to pass the SABS test

Sibonelo Radebe

ALL local cement blenders will be required to have an SA Bureau of Standards (SABS) mark on their products after the period of exemption from SABS standards runs out next month.

As a result of concerns about the quality of locally made cement, the business practice committee of the trade and industry department drew up legislation to standardise SA cement, and Parliament passed this last July.

Use of the SABS product certification mark was voluntary until the legislation came into force.

Industry sources said the absence of legislation let unscrupulous blenders operate undetected.

An investigation uncovered "an appalling state of affairs, a distinct threat to the wellbeing of disadvantaged communities who were the prime victims of low-quality cement," said sources.

After the legislation was passed there was an exemption period to enable companies to prepare for the rigorous testing process required for the SABS mark.

Major blenders such as PPC, Lafarge SA and Slagment welcomed the new law, while small blenders said the testing process was too expensive and complicated. They said it would block entry for new blenders, drive small-scale blenders out of the market and reinforce monopolies.

Malcolm Vowles, a manager in the SABS's product certification division, said the tests were designed primarily to protect the consumer.

He said the tests would put SA cement on a par with cement made in Europe. This would help local blenders to compete on export markets. Vowles agreed the tests were expensive and said his department was looking at ways of reducing costs.

Paul Donoghue, Slagment development manager, said that most consulting engineers operating outside SA, including those in some African countries, preferred cement conforming with SABS standards.

Cement and Concrete Institute marketing manager John Sheath said the institute welcomed the use of the SAB mark as it would ensure better a product and benefit the country.

Ceramic Industries earnings up 26,7%

BD 10/3/99 (193)

Moses Mlangeni

CERAMIC Industries, the tile and sanitaryware manufacturer, exceeded its budgeted profits for the six months to January thanks to a new production line at the pressed floor tile plant

Headline earnings rose 26,7% to 98,5c a share, while income attributable to ordinary shareholders was 27,2% higher at R18,1m on a 26,3% higher turnover of R126m The interim dividend was 30% up at 13c a share

The Ceramic Industries group consists of Samca Tiles, Betta Sanitaryware, National Ceramic Industries and Tilecor

Last year the group set aside R51m for the installation of seven casting plants at its four companies over two years CEO Battista Errera says retailers have been discouraged from importing ceramic tiles because of the weak rand, which has boosted Ceramic's market share

The benefits of new casting plants at Betta Sanitaryware would only become evident in the next financial year

Company News

High import costs boost tilemaking profits for Ceramic Industries

~~18~~ (193) CT (BR) 10/3/99

Adele Shevel

Johannesburg — A weakening rand had benefited Ceramic Industries, the tile-maker and distributor, by discouraging the importation of ceramic tiles over the past six months and boosting local sales, the company said yesterday

Ceramic reported a rise in headline earnings of 26,7 percent to 98,5c a share for the six months to January 31 this year

Battista Errera, Ceramic's chief executive, said results had exceeded forecast profit and increased capacity in the pressed-floor-tile plant had contributed to meeting targets The company also benefited from a four-year tax holiday for the implementation of a new continuous milling and filling operation

The company said trading conditions in the building industry were not likely to improve for some time, but Errera expected the company to maintain real earnings growth for the next six months

Turnover rose 26,3 percent to R126,3 million from strong sales of new tile ranges and operating income jumped 32,5 percent to R18,2 million The board declared an interim dividend of 13c a share, up 30 percent

Betta Sanitaryware, a company division, continued to break even for the six months under review The commissioning and installation of a high-pressure casting plant at Betta was under way, and benefits would be felt in the next financial year Ceramic Industries remained ungeared and further expansion would be funded from the group's own resources The company had taken up market share from two tile manufacturers, Pilkington Tiles and Highlands Ceramics, that had closed down

Ceramics closed unchanged yesterday at R19,30

Govt urged to cut duty on Indian glass

BD 30/3/99 (93)

John Dludlu

TRIANGLE Glass has called on government to suspend immediately a 200% provisional antidumping duty on Indian glass imports, alleging that the ruling was based on "invalid and unverified" documentation.

The firm claims that to "use a handwritten, unverified quotation" as evidence of dumping is "totally irresponsible".

It also alleges that the investigating officers from the Board on Tariffs and Trade, government's antidumping authority, misled the board's members.

Triangle says the investigators said in their official report that the dumping duty was based on an invoice from an Indian company.

Leora Blumberg, the deputy chairman of the board, confirmed the board had received the complaint from Triangle.

"A final decision on the substance of this investigation has not yet been taken. The board will take all parties' formal representations into consideration before making a final determination," she said.

She said the board would never initiate an investigation without "acceptable documentary evidence".

To determine dumping, the allegation that the exporter is selling his goods at prices far lower than those charged in domestic markets, the board would use information submitted by the exporter, rather than rely on information submitted by the petitioner.

"If the parties do not respond or do not co-operate fully with the board in the investigation, the board has no option but to use the 'facts available' in accordance with the WTO (World Trade Organisation) rules."

She stressed, however, that the board prefers to operate with the support and co-operation of exporters.

Triangle Glass wants the duty suspended until the disputed document has been verified by the Indian consulate-general.

C

Plate glass firm explores options out of its slump

PGSI can only improve

CT(BR) 7/5/99 (193)

ANN CROTTY

Johannesburg – The only positive thing that can be said about Plate Glass and Shatterprufe Industries (PGSI) in the light of the latest results is that it is very difficult to imagine how things could get worse.

In the 12 months to March 31 headline earnings plummeted 74 percent to 160,5c a share from 624c a share in the previous period. The balance sheet reflects a continued erosion of shareholder wealth, with ordinary shareholders' funds down to R629,6 million from R786,5 million

At the end of financial 1997 the group had shareholders' funds of just over R1 billion

No dividend has been declared Yesterday the PGSI share price shed 3c to close at R34,20 If management's optimism is appropriate, the share price should move ahead from here

Management is not only having to do battle on the trading front but is also dealing with SAB's pending sale of its 68 percent stake in the group

To this end an agreement has been reached in principle for the sale of PG Bison, PGSI's 75 percent-held board manufacturer and distributor, to US-based Formica

The balance sheet reflects a continuing erosion of shareholder wealth

Management states that if the sale is completed, a net loss of R190 million will be incurred

In what appears to be an attempt to clean out the balance sheet ahead of SAB's disposal of its stake, management has made full provision for the R190 million net loss

If this loss is included in the earnings calculation the headline earnings figure becomes an attributable earnings loss of 340,1c

Management notes that positive effects of the disposal of PG Bison include a reduction in borrowings from the expected proceeds of the sale of R216 million and a possible profit gain of R35 million

These benefits will be reflected in the financial 2000 figures

The trading results justified the profit warning issued by PGSI in February At that time management warned that tough trading conditions would hit annual results harder than initially thought

In its review of operations, management notes that "as suppliers of commodity materials to the automotive, furniture and building sectors, Glass SA and PG Bison were directly subject to the vagaries of the economy"

The high interest rate environment weakened activity, although both achieved market share gains at the expense of margins

Belron International continued to report a growing contribution, but it was not sufficient to counter the decline in South African earnings

Ronnie Lubner, the chairman and chief executive, said that assuming the disposal of PG Bison was finalised and first-quarter improvements in the economy were sustained, "group earnings would show a significant recovery, and overall gearing would be reduced in the year ahead"

Higher interest, depreciation to affect second half

PPC's sales knocked

CT(BR) 11/5/99 (193)

ROY COKAYNE

Pretoria – PPC, the cement, lime and related products producer, yesterday reported a 22 percent decline in operating profit to R115,2 million in the six months to March 31 as a result of lower sales volumes

John Gomersall, the group managing director, warned that increased depreciation and interest charges would negatively affect the results in the second half He said earnings for the year would be lower than last year

The interim dividend was reduced by 11 percent to 85c a share against 95c last year

He said lower sales volumes had taken a toll on most of the business units although transport revenue increased because of an expanded fleet and improved vehicle utilisation

Earnings a share declined by 4 percent to 221,5c on increased shares in issue following the capitalisation award in December last year, while turnover rose 3 percent to R882,6 million from R858,6 million last year

DOWNTREND *John Gomersall, group MD of PPC, reported mixed results based on lower sales*

Higher financial costs were offset by a significant drop in the taxation charge, resulting in profit after taxation rising by 8 percent to R113,4 million compared with R104,6 million last year

Gomersall said the taxation charge was reduced by a deferred taxation adjustment of R29,8 million arising from the decline in the South African company taxation rate to 30 percent

He said high real interest rates continued to reduce the level of domestic and fixed investment expenditure

The declining trend of sales in the cement and lime industries was showing no sign of reversing at this stage

"Any general improvement in the domestic economy is unlikely to materially affect demand for cement and lime in the remaining months of the financial year," he said

PPC's net profit attributable to shareholders, excluding exceptional items of R3 million, increased by 1 percent to R106,4 million from R105,8 million last year

Gomersall said sales volumes of domestic cement had declined because of the lower building and construction activity in the country

This decline, coupled with reduced export margins and higher depreciation charges, resulted in operating profit of the cement division dropping by 19 percent to R90,8 million from R112,6 million last year

Outlook gloomy for PPC

BD 11/5/99

Sibonelo Radebe (193)

PRETORIA Portland Cement (PPC) posted a 4% decline in earnings, to 221,5c a share, in the six months to March, citing high interest rates and poor economic activity as the reasons for the poor performance

"The depressed state of the economy is clearly reflected in the 22% decline in operating profit from R148m in the first half of the previous year to R115m," said PPC MD John Gomersal

An analyst said the decline in earnings was expected given the economic conditions which prevailed during the period under review, but said the drop in operating profit was surprising

"A 22% decline is worse than expected and could be a sign of worse things to come in the second half of the year to end-September," the analyst said

The group's profit after tax rose 8% to R113m (R105m) and Gomersal attributed this to a decrease in the company tax rate from 35% to 30% Turnover rose slightly to R883m from R859m in the first half of the previous year

The PPC share price dropped 140c or 3,2% after the publication of the results to end at R42 on the Johannesburg Stock Exchange yesterday

PPC's main product — cement — suffered a dramatic decline in demand last year due to a corresponding lack of activity in the construction industry The group's figures reflect a drop in national cement demand of 6,5% for the period under review compared with the previous six months Lime, the company's other product, suffered the same decline

"These statistics of basic commodities demand reflect the extremely fragile state of our economy", Gomersal said

The results had also been badly affected by the combined effect of a R15m increase in depreciation charges and a R14m increase in interest paid, relating to major expansion investments that have not yet delivered anticipated growth in operating profit

"The outlook for the second half is not encouraging, but we continue to make important strides in reducing cash costs through our global competitiveness programme," Gomersal said

"This, together with lower anticipated interest rates, the elections behind us and a better economic scenario from next year onwards, bodes well for improved earnings in the future," he said

PPC feels effects of struggling industry

Sibonelo Radebe (193)

CEMENT group Pretoria Portland Cement (PPC) looks set to report reduced earnings in the year ended September as the construction industry struggles to make headway amid weak economic conditions

Barnard Jacobs construction industry analyst Tahani Duff forecast a 24% drop in earnings for the full year

In the six months ended March, PPC posted a 4% decline in earnings, to 221,5c a share The group's profit after tax rose 8% to R113m (R105m), largely due to a decrease in the company tax rate from 35% to 30%

Duff said the interim earnings decline could have been 27% down, excluding the deferred tax adjustment

PPC MD John Gomersal attributed the group's poor performance to the depressed economy His expectations for the year are not good

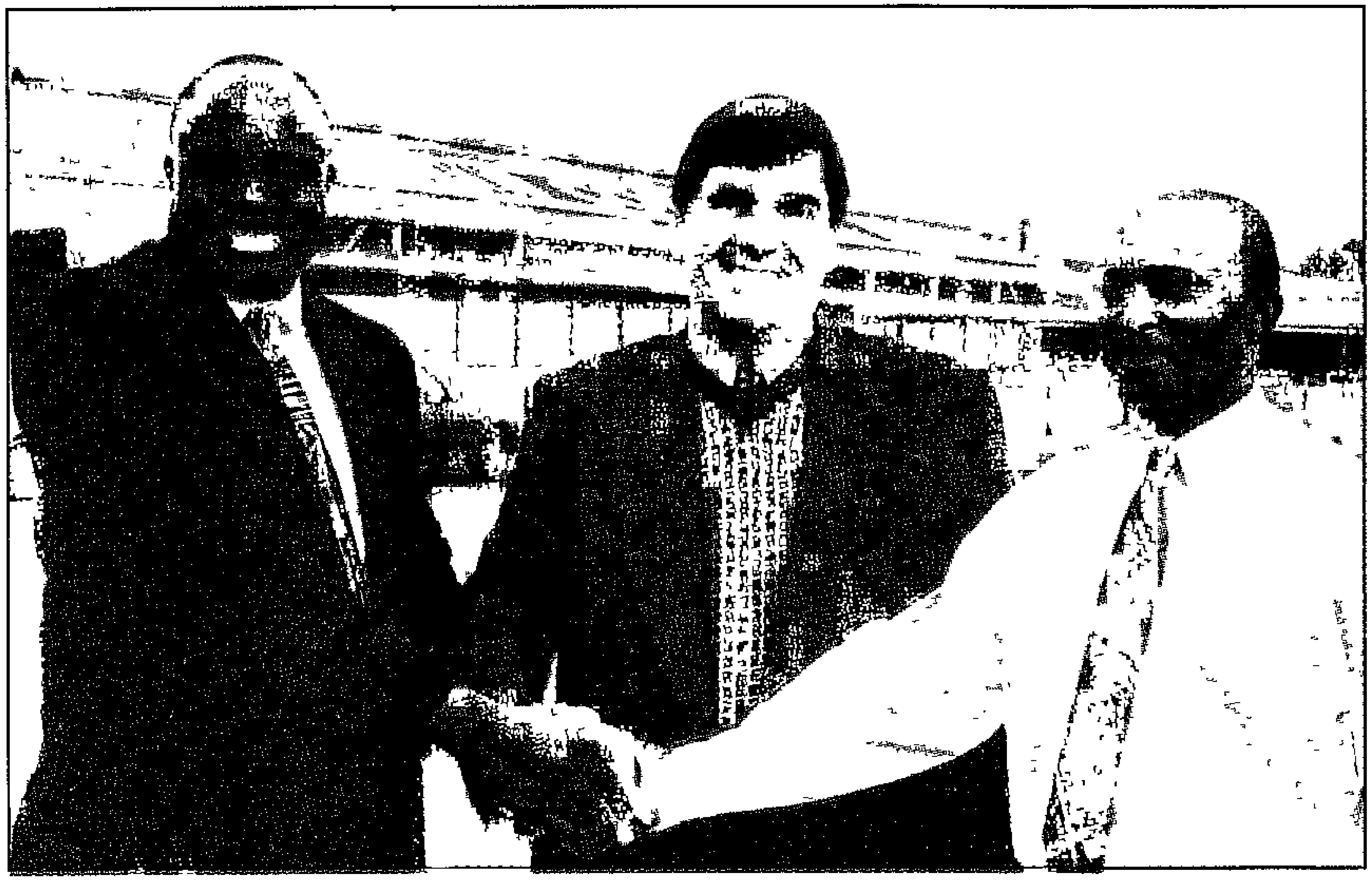
Duff agreed with several other analysts who indicated PPC was a victim of circumstance The group's primary product is tied to the construction industry, devastated by last year's market turmoil

The damage to PPC is reflected in sales figures released by the Cement and Construction Institute They show a 2,1% decline in cement sales volumes for the first three months of this year During the 12 months to April, sales suffered a 5,5% decline

Analysts say the industry will react to the decline in interest rates in the second half of next year

However, the group's share price has shown resilience Despite losing 6,9% or 300c in 30 days, the share held on to levels above the year low of R30,50, closing on Friday at R40,00

BD 24/5/99



Workers at a Corobrik factory in Stilfontein in North West were awarded a 50 percent share of the company yesterday. Celebrating the formation of the new Kopano Brickworks are its deputy chairman Kalamazoo Mathebula, chairman Peter du Tevrou and factory supervisor David Matlou.

PIC CLEMENT LEKANYANE

Corobrick workers given 50pc shares

By Saint Molakeng (103)

LEADING brick manufacturer Corobrik has awarded half of its shares to its workers at its Stilfontein factory in North West The undertaking has been hailed as an unprecedented black economic empowerment deal

Two months ago the factory was on the verge of closure

At a function attended by Public Works Minister Jeff Radebe the factory yard was chock-a-block with bricks indicating that business is slow

However, Corobrik national chairman Mr Johannes Magwaza denied that the alleged imminent collapse of the factory was behind the company's move in handing out 50 percent of its factory shares to its 115-strong workforce

"The production record is good and it uses low-cost technology We might have sold it, though, because we had found a buyer," Magwaza said

Mr Kalamazoo Mathebula, president of the Brick and General Workers Union, who has been appointed deputy chairman of Kopano Brickworks, as it is now called, said "We feel workers will make the factory succeed If the workers are involved in ownership we may enjoy better support"

Magwaza said he had confidence in the workers "They have already shown immense commitment by forfeiting annual salary increases and reducing their leave to two weeks Their bonus will depend on the profit "

According to factory supervisor Mr David Matlou "The workers no longer belong to the union because they now also own the factory This has inculcated a different work ethic"

Union and management have 25 percent shares in Kopano "The reason is that the union initiated the venture," Mathebula said

Corobrik, which will still distribute the manufactured bricks, also holds 25 percent shares

Sowetan 20/5/99

Small traders win long struggle

Dumping duty eased on Indian building glass

(193) CT (PR) 4/6/99

RAVIN MAHARAJ

Durban – Smaller independent traders in South Africa's R350 million-a-year building glass industry have won their fight to reduce the 200 percent dumping duty imposed on Indian building glass

Cyril Gebhardt, the managing director of Triangle Glass, one of the largest independent glass distributors, said the Board on Tariffs and Trade (BTT) indicated it would reduce the dumping duty imposed on Indian building glass from R23,18 a square metre to R7,20 a square metre.

The assault began earlier this year when glass traders throughout South Africa sent protest letters to the BTT vehemently opposing the imposition of glass duties, which they said favoured the glass monopoly to the detriment of smaller traders, making trading conditions almost impossible

The independent traders said the duty had not been based on commercial calculations but on emotive issues.

Triangle used to import glass at R12 a square metre

This price had increased to R36 a square metre since the imposition of the duty The ramifications for smaller traders were far worse

PFG Building Glass, the sole manufacturer of building glass in South Africa, petitioned the BTT for dumping duties after it claimed its market share, profit and sales had declined because of imports

Triangle Glass and other smaller players have about 30 percent of the local building glass market

The BTT imposed provisional duties for six months on imported float and sheet glass from India last December, effectively stopping any Indian glass from entering South Africa

New landed cost still blocks imports as locally made glass has the price edge

The volume of building glass imports rose to 3,5 million square metres in 1997-98, from 475 000 square metres in 1996/97

Imports were valued at R38 million in 1997/98, up from R6 million in 1996/97

Yesterday, Gebhardt said the independent players had welcomed the move, which would boost competitiveness and help level the playing fields

However, he said, the duty would still effectively block distributors from importing Indian glass as the landed cost was now comparable with the cost of glass produced by PFG Building Glass

Triangle had switched its Indian glass imports to Indonesia and Malaysia, which imposed the normal 10 percent import duty

WS

Metal Box to close Durban glass plant

(193) CT (MR) 25/6/99

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban – Metal Box has been forced to close its glass bottle manufacturing plant in Durban because the weak regional economy, unemployment and Aids had hit beer sales in KwaZulu Natal, the company claimed yesterday

This had resulted in poor demand for beer bottles from its main market, SAB

However, David Williams, a spokesman from SAB, said beer sales had shown slight growth in the past year and there had certainly been no significant decline in KwaZulu Natal

In minutes from a meeting with unions, Metal Box management cited these as the reasons for plans to shut down the plant in October

Last week, however, Metal Box announced that the closure would be brought forward to the end of June, resulting in the loss of 90 jobs, Llewellyn Bonnelle and Jay Muckerdhooj, shop stewards for the National Employees' Trade Union (Netu), said

They said Netu, which together with the Chemical, Paper and Allied Workers' Union, had declared a dispute with the company over the closure of the glass plant The issue would now go to arbitration The unions were determined to claim damages running into millions

Sipho Ngidi, Metal Box's group human resources manager, said it had proved impossible to keep the plant open until October, as originally planned However, employees would be compensated as if the factory had remained open until then

He said the reason for the closure was the drastic shrinkage of the glass market in general, which had made rationalisation unavoidable

Muckerdhooj said a more likely explanation for the fall-off in demand was that SAB had transferred its orders to Consol, after repeated quality and delivery problems

He said the union believed Metal Box's restructured furnace at Roodekop in Gauteng would take over Durban's production However, workers had been given no transfer options, and no attempt had been made to find them alternative employment

Although Metal Box Glass had planned a R60 million rebuild of the glass furnace in Durban over the next 18 months, plans were cancelled when the plant's profits hit an all time low last year The plant faces a R2,4 million loss for 1999

Cement sales continue to slip downward (193)

Sibonelo Radebe

CONCRETE and cement sales are continuing their downward trend in SA, reflecting one of the worst crises in the construction industry for years

Sales were down 8,5% in the year to July from the previous year, according to figures from the Cement and Concrete Institute (CCI)

However, export sales rose from 247 378 tons to 385 575 tons

Since the beginning of the year, domestic cement and concrete sales totalled about 5-million tons compared with 5,6-million tons in the same period last year

An analyst said the cement and concrete sector suffered major setbacks as a result of last year's market turmoil

He said the outlook for the rest of the year remained bleak despite the expected economic recovery and continued lowering of interest rates This was because of the lag effect in the construction industry

The slowdown in the SA economy led to reduced construction work and cement and concrete production volumes

This was aggravated by the cut in public sector infrastructural developments

The Building Industries Federation of SA said because of the crisis, the industry stood to shed about 30 000 jobs this year after losing 20 000 last year, amounting together to 25% of the industry's workforce

The industry expects to see 450 company liquidations, compared with 350 last year

An analyst said the cement and concrete sectors were badly affected by the economic conditions

He said the extent of the crisis was reflected in the decline of earnings growth at major cement blenders like Pretoria Portland Cement and Alpha

Small blenders stood to suffer most as they did not have massive resources to survive under such conditions, said the analyst

Cracks in the sector emerged in 1997 when domestic cement sales dropped 1% from 9,3-million tons in 1997 to 9,2-million tons last year

BD 23/8/99

relation to the word 'ombudsman'" scenes battle over regulation and the consumer protection has come

Downturn hits local cement sector like a ton of bricks (193)

BD 26/8/99

Only three big groups may survive, writes Sibonelo Radebe

"SURVIVAL of the fittest" is a perfect description of the situation taking place in the cement and concrete sector, which has been badly hurt by the economic downturn

The broader construction industry has almost been brought to a halt by high interest rates and, subsequently, a dramatic decline in new building contracts

As a result, business confidence in the industry last year declined to its lowest levels since 1990, leading to the cancellation and shelving of plans for new construction

To make matters worse government slashed its budget for new infrastructural developments

These condition had a knock-on effect on the cement and concrete sector sales slumped as did production volumes

The effects of these harsh conditions were reflected in the financial results of several major cement and concrete companies like Alpha and Pretoria Portland Cement (PPC)

Their earnings tumbled

PPC is expected to post a 24% drop in headline earnings a share in the year to end September This is after interim earnings dropped 4% during the first half of the year ended March

The group attributes the poor performance to general harsh economic conditions and to high interest rates

More bad news

Industry players expect conditions to get worse in the current year despite a decline in interest rates and signs of gradual economic recovery

Latest figures of the Cement and Concrete Institute (CCI) suggest that sales will drop about 8% this year compared to a 1% drop last year

Figures released in July showed sales for the year to date coming in at about 5-million tons compared to 5,6-million tons during the same period last year, reflecting an annual decline of 8%

CCI executive director John Sheath expects the decline to remain at about the 8% level for the full year

He and several other players in the sector expect a gradual recovery by the second half of next year given the lag effect suffered by the construction industry

Unlike other parts of the construction industry, which have managed to offset local losses with exports, this is not a viable option due to high transportation costs

The industry has met this crisis with a string of rationalisation programmes within the sector, with companies trying to minimise the effects of the harsh trading conditions on the bottom line

The MD of the concrete and aggregates unit of Lafarge SA, Des Eriksen, says the only way to survive under such conditions is to focus on cost reduction

Lafarge SA is part of the French-based international cement and concrete company Lafarge that came to SA last year through the purchase of the former Blue Circle for R1,53bn from Murray & Roberts

Lafarge SA recently commissioned a restructuring programme which saw the group divide its cement and concrete and aggregates division into two operational entities The group said this was meant to produce more focused approach on each product

"The emphasis on the product line in the highly competitive construction materials market will enable the group to have a clear focus and responsibility for each unit's profit performance," says group CE Elmor Leo

PPC's MD John Gommersal says the company has embarked on a programme to attain global competitiveness

He says the group used international standards as a benchmark, which enabled it to reduce costs

The programme includes developing new manufacturing facilities with more efficient systems

While large companies were hurt by last year's market turmoil, smaller and medium-sized companies were devastated and a large number went to liquidation

Given this situation — and stringent conditions set by the SA Bureau of Standards for cement blenders — the sector has little or no room for newcomers

The industry will continue to be dominated by three large groups Lafarge, Alpha and PPC

Cement firm a casualty of poor domestic demand

Sibonelo Radebe (193) BD 11/11/99

CEMENT group Pretoria Portland Cement (PPC) was another casualty of last year's high interest rates and poor economic conditions, reporting poor results for the financial year ended September

Turnover declined by 22% to R242m compared to R311,8m in the previous year and earnings a share tumbled 25% to 391,1c from 519,4c

Dividend a share lost 28% to 270c compared with 325c during the previous year

The group said the financial year under review was difficult mainly because of the reduced demand for cement. Domestic demand declined 7% this year

However, the group was successful in increasing exports to minimise the impact of weak domestic markets Total exports rose 53% to R150m

PPC said the downturn in demand further accelerated the need for a rationalisation programme The rationalisation process carried out last year improved efficiencies, but resulted in a once-off cost of R13,2m

Given a stable interest rate environment, the group said, it expected modest volume growth and it was well poised to take advantage of any sustained improvement in market conditions in the future

PPC looks for concrete recovery

CT (BR) 11/11/99 (193)

Adele Shevel

Johannesburg – Pretoria Portland Cement (PPC), the cement and lime company, yesterday reported a 25 percent drop in headline earnings per share to 391,9c in the year to September 30

This was below analysts' expectations of 398c, according to Barra, an independent research agency

John Gomersall, PPC's managing director, said "It was a difficult year and the results mask the solid foundation of investment, cost reduction and rationalisation steps that have been taken over the last few years However, these cost savings and others will come through in the year ahead".

The company said reduced demand for products caused by declining fixed investment, combined with non-recurring costs, resulted in operating profit falling 22 percent to R242 million

Gomersall said the recent drop in interest rates and a more positive mood in the building and construction industry made the company optimistic for the second half of next year

Turnover increased 5 percent to R1,88 billion

The downturn in demand had accelerated the need for rationalisation and steps were taken to rationalise production and improve efficiencies This resulted in once-off costs of R13,2 million

The staff complement was reduced by 14,4 percent which, added to the previous year's reduction, represents a decrease of 20 percent over the two years The Jupiter plant was mothballed as part of the cement production rationalisation

A final dividend of 185c a share was declared, which, together with the interim dividend, gave a total of 270c for the year

Thane Duff, an analyst at Barnard Jacobs Mellet, said earnings would have been harder hit had it not been for the reduced tax rate The group's effective tax rate dropped to 12 percent from 27 percent, thanks mainly to a reversal of deferred taxation, worth R30 million, in the first half

Cement demand declined by 7 percent because of higher interest rates and limited public infrastructure investment Lime turnover dropped 6 percent on weakness in world steel markets, which led to lower domestic steel output The packaging and transport division's operating profit increased 56 percent.

PPC shares closed unchanged yesterday at R44,40

EMPOWERMENT

Corobrik builds a lifeboat suited to prevalent business squalls

ET (MR) 9/12/99 (193)

SHIRLEY JONES

Corobrik the brick manufacturer that was hard hit when the building sector crumbled under high interest rates and dwindling development has turned the decline of its Klerksdorp factory into a success story that gives empowerment meaning at realistic levels

Corobrik s strategy could be a prototype lifeboat for other companies in similarly squeezed sectors

In April last year, the company sold 75 percent of its Klerksdorp clay brick plant to its workforce in a deal which Corobrik managing director Peter du Trevou believed offered not only a sound alternative to retrenchment but a case study in retreading a business.

Empowerment Du Trevou said had often been an excuse for selling out to "just another elite" Unbundling was often a way to offload redundant operations

But "this provides a different angle to empowerment' he said. "It was not dumping an unprofitable factory The business was potentially very viable"

The structure of the sale which made every employee an independent shareholder was also unique It was the first time a South African business was sold at a profit to the original shareholder without the buyer needing external finance.

Du Trevou said the Klerksdorp factory was battling against the vagaries of the cyclical building sector. A drop in demand combined with cost and productivity problems meant the factory was unlikely to turn around soon

Corobrik s retrenchment liabilities to the Klerksdorp workforce amounted to R2,5 million based on two weeks pay for each year of service.

Corobrik weighed up the value of the factory to determine what percentage of the plant the workforce could purchase in return for foregoing any claim for past service.

"We always intended structuring a deal which would give the workforce at least a 50 percent shareholding in the factory" said Du Trevou

Because of relatively high asset value compared to the retrenchment liability it was agreed to exclude the land and mineral rights from the deal

"These were dealt with through contractual agreements between the new company, Kopano and Corobrik"

The 75 percent of the business which Corobrik ultimately sold in return for the retrenchment liability was split into a 50 percent shareholding for the workforce, a 6 percent stake for the factory manager and a 19 percent stake for union officials Corobrik retained a 25 percent stake.

The employees' shares were split in a ratio according to individual service Union officials were awarded shares for helping to set up the deal

The two companies agreed Corobrik would be the sole distributing agent for the bricks manufactured by Kopano at the Klerksdorp factory. Corobrik in turn committed itself to a minimum offtake of product at a fixed price ensuring Kopano a guaranteed monthly cash flow

This agreement also eliminated the selling risk associated with the business including the need for Kopano to manage a sales force and debtors book

Corobrik also agreed to handle all administrative functions - purchasing creditors payments, salaries and wages - on behalf of Kopano in return for a fee equal to 3 percent of Kopano s monthly turnover

Du Trevou said the new factory owners, in marked contrast to their past behaviour as employees, had agreed to forego their 1999 annual wage increases and to reduce annual leave to make the factory significantly more cost effective and profitable.

In addition, the working shareholders swapped their thirteenth cheque paid at Christmas for an annual bonus paid out of the profit in proportion to individual share holdings

"During the first three months and despite the particularly weak building industry, Kopano has exceeded its budgeted profit," Du Trevou said.

"This was achieved through the added commitment of the workforce . to achieving budgeted output targets"

For example, during the first two months as a workforce-owned operation, Kopano achieved in 40 000 man hours the output it had budgeted for 48 000 man-hours During the same period only 34 hours of overtime were charged, substantially lower than the previous norm.

Factory manager David Matlou said ownership by workers added a new dimension to empowerment."There is now a lot at stake for the workforce," he said. "The whole workforce is a lot more focused Everyone is pulling in the same direction."

Crucial issues now were training and development, Matlou said. A factory worker could not change into a business executive overnight, but Kopano had made it off the starting block.

"The guys really participate," he said. "Figures are not hidden. There is no fear that they will be used against us In fact, in most businesses there is never full disclosure as far as the staff is concerned."

"Ultimately, this is a proven success story," Du Trevou said. Similar arrangements would suit any company where the depreciated value of the fixed assets was approximately 50 percent of the business's contingent retrenchment liability

"Typically, these would be older businesses where the fixed assets had been written down over time and the shop floor employees had long service," Du Trevou said. "This situation could also be applicable to the agricultural sector, particularly if the transfer of land is not included in the transaction."