

Union to buy apparel business

By [Marc Hasenfuss](#)

1 Nov 2013

Seardel, the industrial holding group controlled by investment group Hosken Consolidated Investments (HCI), will cast off its loss-making clothing manufacture operations.



Seardel's chief executive Stuart Queen. Image: Seardel

In an intriguing twist, Seardel has disclosed that the buyer of the threadbare clothing operations is trade union investment company Sactwu Investment Group, which is aligned to the Southern African Clothing and Textile Workers Union (Sactwu).

Vunani Securities small-to-mid-cap analyst Anthony Clark said on it was ironic that Sactwu was now buying one of the biggest apparel manufacturing concerns in the country. The union's staunch protection of workers' rights had led to major job losses and the curtailing of new investment in the sector.

"Let's see if they have the stomach to make those difficult decisions when losses at the Seardel clothing manufacturing operations mount up," Clark said.

While some observers doubt that Sactwu can pull Seardel's clothing operations back into the black, the union does have a hedge in that it remains a major shareholder in HCI. If a new-look Seardel - 80% controlled by HCI and now with high-growth media assets, including cash-generative e.tv - benefits from a more profitable focus, then Sactwu will also gain.

Clothing was Seardel's backbone

The clothing manufacturing operations Sactwu bought formed the backbone of Seardel's business for decades. There is now not much value accorded to Seardel's clothing operations, which carry a book value of R51m and an inventory count of R131m.

Sactwu, which will fund the transaction with a loan from Seardel, will pay just R77m for the business in April next year after accounting for R105m in retrenchment costs and continuing losses. Recent results from Seardel make plain the challenge faced by Sactwu, which might have to resort to serious down-sizing and restructuring.

In the year to March this year, turnover in the clothing operations - which manufacture well-known brands like Speedo, Brookfield and 46664 - dipped 19% to R695m as Seardel restructured operations to eliminate lower-margin products. This improved efficiency saw operating losses cut from R101m last year to a R34m.

At that stage, Seardel's chief executive Stuart Queen warned that despite the improvement, continuing losses in any business were unsustainable. Seardel is due to release its interim results at the end of November.

Although a recent trading statement lacked detail about the company's business segments, it seems likely that further losses have been notched up by the clothing operations and that directors have finally run out of patience.

This week Seardel directors confirmed a decision had been taken earlier to exit the apparel manufacturing business. But they pointed out that the subsequent sale agreement with Sactwu was cemented after notice was given of the proposed closures. The directors said the deal was driven by the need to protect local manufacturing and save jobs.



Union Sactwu buys Seardel's clothing business. Image: Seardel

Ryan Seaborne, a portfolio manager at 36one Capital, said it was prudent for Seardel to shed uncompetitive assets. "The clothing manufacturing interests are really a small part of the new-look Seardel."

For more, visit: <https://www.bizcommunity.com>