

Steel market doldrums hurt BSI

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BSI Steel's headline earnings per share plummeted 51% in the year ended March 31 amid declining steel consumption in the South African market.



The AltX-listed company said last week that steel consumption in SA dipped by about 6% in the reporting period. It attributed the decline to the SA mining industry being in the doldrums with manufacturing and construction sectors struggling.

"The rest of African markets were stable and steel demand was steady", BSI said. In addition, steel prices were not as volatile as in previous years.

The company operates in the steel and associated industries in SA and other southern African countries including Mauritius, the Democratic Republic of Congo, Ghana, Mozambique, Zambia and Zimbabwe.

Despite the SA market, BSI still saw revenue climb 32% and net asset value per share rise to 77.6c from 68.5c in the period under review, despite the drop in consumption.

The company has three sales channels, namely stockists, bulk sales and exports. These are supported by a steel distribution and processing centre in Gauteng.

BSI said its strategy over the past 18 months had been focused on aggressively growing product and geographic diversity, and this had led to a "temporary" 40% rise in operating costs to R375m from R266m last year.

The increase resulted from moving into higher-cost-to-turnover businesses such as the expansion of the retail footprint and specialist businesses that process and add value to steel. In addition, the company continued to roll out operations in Ghana.

The group said after increasing its trading platform it had beefed up its property, plant and equipment and the debtors book had grown. But the stockholding had been rationalised to cover this.

BSI funded some of the growth with extended terms from foreign suppliers, as reflected in an increase in trade payables.

The steel company said borrowing facilities were increased during the year, but it had "sufficient funding lines to support its future growth".

BSI bought steel trader Brown McFarlane Africa in the reporting period for R25m. The result of this acquisition was an increase of R43m in fixed assets and an improvement of the company's specialised processing capabilities. BSI said its dollar-based export businesses had increased total equity to just under R550m because of the weak rand.

Source: Business Day via I-Net Bridge

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