

IDC finalisation of Scaw acquisition to aid empowerment partners

MARK ALLIX
Industrial Correspondent

THE Industrial Development Corporation (IDC) has finalised its 74% acquisition of steel group Scaw from Anglo American. The purchase of the R3.4bn stake was announced in April on a debt and cash-free basis.

This means existing black economic empowerment partners in Scaw will jointly hold 21% in the company. Another 5% will be held by staff through an employee share ownership programme.

Scaw produces beneficiated steel consumables for mining, rail,

power, oil and gas, construction, and other industrial sectors. This includes products such as wire rod and rope, which are made by job-intensive processes, in line with the government's industrialisation objectives.

"It is critical to maintain and deepen the industrialisation of the economy by refocusing the beneficiation strategy to support ... manufacturing," Abel Malinga, divisional executive of mining and manufacturing at the IDC, said yesterday. He said the purchase put the IDC in a position to invest in Scaw and grow its operations.

Mr Malinga said the acquisi-

tion afforded SA an opportunity to improve trade in Africa, supplying mining consumables and rail infrastructure. "High steel input costs inhibit the development of a robust and sustainable downstream steel fabrication industry to the detriment of job creation."

In this regard, Mr Malinga said Scaw had the potential to be a key supplier to the government's planned R4-trillion infrastructure programme over 15 years, and would be grown into a global steel player. The departments of trade and industry and economic development had long exerted significant pressure on SA's predom-

inant steel maker ArcelorMittal SA to produce steel at "developmental" prices. While IDC's investment in Scaw would help stimulate market competitiveness, it was not clear whether such prices would be attained.

Scaw CEO Christopher Davis said the buyout heralded "a new chapter" for Scaw. "Under the strategic leadership of our new owners we are well positioned to capitalise on the ... growth potential in the African mining industry, as well as the expansion of rail and power in SA and beyond."

In addition to Scaw's South African operations, the business

included a 50% interest in CWI, a joint venture with ArcelorMittal SA, which was the domestic arm of the world's largest steel maker Luxembourg-based ArcelorMittal group. It also had a 31% interest in GSIL, a joint venture with Italian steel group Lucchini, and 100% equity interest in each of Haggie North America, Haggie Reid, and other mining and industrial products subsidiaries.

Existing empowerment partners in Scaw SA were Izingwe Holdings, the Southern Palace Group of Companies and Shanduka Resources.

allixm@bdlive.co.za

