

Questions remain on ArcelorMittal SA fire

ARCELORMITTAL SA has said inordinately little about the fire that closed its Vanderbijlpark works on February 9, and so little is known of the knock-on effects that may soon make themselves felt in the domestic steel fabrication and construction markets.

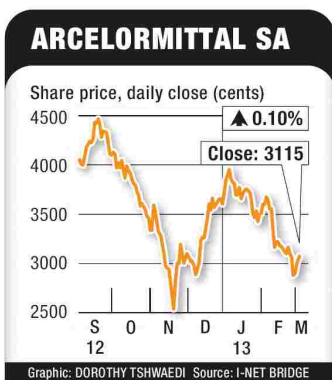
The latest statement issued by the South African arm of the world's largest steel maker was on February 22, referring shareholders to the announcement released on the Stock Exchange News Service on February 11. All SA's premier steel maker is saying is that it has "advanced" the assessments relating to the fire at Vanderbijlpark, and that some "good progress has been made to replace some of the lost production".

ArcelorMittal Group plants around the world have been contacted with a request to supply semi-finished products. Orders have been confirmed and steel dispatches from these plants are expected to arrive in about six weeks' time. Meanwhile, it is diverting more steel from the Saldanha works where it is exploring the possibility of raising output.

The Vanderbijlpark works is one of the world's largest inland steel mills and is critical to South African industry. The company expects some lost steel-making operations will resume this month, with a return to full production estimated by the end of next month. While force majeure remains in effect, ArcelorMittal SA says it is "confident" it will be in a position to fulfil "most" customer requirements, but numerous questions remain unanswered.



AVI subsidiary I&J saw revenue fall 4% to R750m in the six months to end-December, a figure that has lent urgency to analysts calling for the group to cast off the unit. They say other AVI business units performed solidly in a tough trading environment charac-



terised by constrained consumer spending and increasing competition, and I&J no longer seems a good fit for this brand-centric group.

I&J had an unexpectedly difficult semester compared to the first half of last year, with a number of material factors such as rising diesel costs and lower exchange rate gains constraining profitability. But catch rates improved in the latter part of the period under review and should these be sustained, the increased volumes, together with the effect of the weaker rand on export sales, should support an improved second half. The new Marel fish processing line should also boost efficiency.

In the past two results presentations, AVI CEO Simon Crutchley has been very diplomatic when calls were made to divest the I&J business. The group's fashion business is pumping, footwear and apparel in particular — with sales growth of 39% to R916m, which boosted the operating profit to R303m.

The Carvela, Kurt Geiger and Lacoste brands appeal to the aspirational side of South African consumers, who like premium-branded goods. The addition of footwear maker Green Cross was a nice boost, adding R171m to revenue.

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