Hulamin's earnings up 42% on weaker rand

By Mark Allix

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Hulamin, a manufacturer of semi- fabricated and fabricated aluminium products saw normalised earnings go up by 42% in the six months to June as continued rand weakness benefited the company's significant export volumes.

Hulamin's David Austin says the new line of cans are cheaper to transport and provide better recycling volumes. Image: Hulamin

Headline earnings per share grew 95%, despite R25m worth of once-off restructuring costs last year. The group also saw strong cash flow on improved working capital management leading to a big fall in borrowings.

The rand-dollar exchange rate for the period was 16% weaker on average than in the first six months of last year. This boosted the firm's turnover 14%.

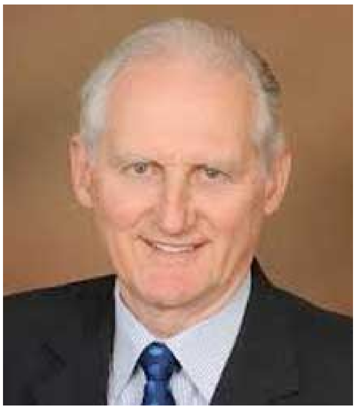
Hulamin said it was continuing to focus on its operational performance. Sales volumes of rolled products grew in the period, but there was a significant fall in sales of extruded products produced for the domestic market, along with a drop in the group's solar energy products business, and pressure from a marked increase in imports.

"Our manufacturing performance showed some improvement with recoveries increasing off a low base," said acting Chief Executive David Austin. Richard Jacob, the existing Chief Executive, is on medical leave.

Austin said better sales of rolled products from the second half of last year, together with a slight improvement in conversion margins, had underpinned group earnings growth, supported by the weaker rand.

Profitability and capital management

"Improved profitability, together with sound working capital management, produced strong cash flows that were used to pay down borrowings. Our efforts to improve operational performance are continuing and should contribute to increased volumes and profitability in the second half," Austin said.



Stephen Meintjies from Imara suggest the scrap metal export restrictions could benefit Hulamin. Image: Grahamstown Cathedral

Imara SP Reid Head of Research Stephen Meintjes said: "Hulamin's management has acknowledged the positive effect a weaker rand has on the company."

Meintjies said recent scrap metal export restrictions could benefit Hulamin's business, but it was too early to say how well this would work in practice.

The group said it had begun sales of aluminium can body stock to the South African market. The metal is lighter to transport than steel, has better cooling properties, a better carbon footprint and higher returns from recycling. It also increases the range of beverages that can be put in a can, including wine, milk-based products and mineral water.

To this end, Hulamin said the can business had found strong acceptance in SA. This bodes well for the future supply of recyclable cans from its R300m Pietermaritzburg plant, expected to begin operations next year.

Hulamin extrusions Managing Director and Group Corporate Affairs Executive Hector Molale said the group had again applied for reciprocal import tariff protection against aluminium products, having been rebuffed by the International Trade Administration Commission of SA.

Source: Business Day via I-Net Bridge