

BSI Steel considers closing branch

By [Mark Allix](#)

29 Sep 2017

BSI Steel, an AltX-listed processor and distributor of steel products into sub-Saharan Africa, is reviewing the viability of servicing the market in KwaZulu-Natal through its Pietermaritzburg warehouse and offices.



Image source: www.pixabay.com

The group, which is feeling the ructions in SA's broader steel industry, said there was a possibility of relocating the firm's administration function to the BSI Kliprivier office in Gauteng.

But it also said "this restructure is a decisive and progressive move to ensure that BSI remains a competitive distributor in the market". The tone of this statement makes any possible move sound like a done deal.

"It is expected that this restructure will result in an efficient, highly cost-effective distribution platform, geared to meet service and price expectations going forward," the company said on Wednesday, 27 September.

BSI said due to decreasing margins over the years, it had been "forced to utilise the lowest cost platform to meet market prices. As a consequence, the company has been supplying a significant and growing portion of steel to KZN [KwaZulu-Natal] customers directly from Kliprivier, which has made the Pietermaritzburg warehouse increasingly redundant". The group described the financial year to March 2017 as "challenging".

"We experienced many unforeseen events. The decision was taken to close the roofing and tubing processing lines. Certain roofing lines remain specifically to complement the product mix for the Namibian market," it said at the time.

The group said steel markets had changed substantially in recent years.

BSI said in a recent trading update that headline earnings per share for the six-month period ending September 2017 were expected to be at least 40% lower than the previous corresponding period.

"We are entering into a consultation phase with our staff to explore options on how to preserve jobs in [Pietermaritzburg].

"The outcome of this process will dictate if we retain a KZN footprint or not. In the interim, it is our intention to continue and improve the quality of direct delivery from Kliprivier," it said.

Prospects for the local steel industry have been dire. With a market capitalisation of R209m, the market pays relatively little attention to BSI Steel.

Marique Kruger, economist at industry body the Steel and Engineering Industries Federation of Southern Africa, said last week the Reserve Bank's decision to keep the repo rate unchanged at 6.75% and the prime rate at 10.25% would stimulate domestic demand and sustain the recent increase in GDP growth.

She said SA's producer price index (PPI) for intermediate manufactured goods had shown a decreasing trend throughout 2017, averaging 3.4% during the second quarter, down from 6.8% in the first quarter.

"This leaves very little room for manufacturers to pass cost increases into the market," Kruger said.

"With roughly 90% of the products in the metals and engineering sector being of an intermediate nature, the declining PPI figures are a cause for concern," she said.

BSI's share price closed unchanged at 29c.

Source: Business Day