

Stewarts & Lloyds Holdings (Pty) Ltd is celebrating 110 years in South Africa and is very positive about the future of the local industry.

AN OVERVIEW OF THE LOCAL STEEL INDUSTRY

“Volatile times are the norm for the South African steel distribution business” says Derek Franks, Director of the company. “Steel merchants have had to contend with unstable steel prices for several years as well as unreliable supply from some of the main local steel mills.”

He adds “this has continually disrupted the domestic steel market, along with lackluster demand and on-going labour disputes, making it difficult for steel merchants to plan or invest for the future”.

“According to the SAISC nearly 1 million tons of steel was imported into SA during the last 12 months, a record, although real demand was depressed. This highlights the fragile state of the steel producers which impact directly on the local steel distribution industry.”

“With the Construction sector depressed and Government infrastructure spending moving slowly, the markets for steel merchants have been challenging. This has resulted in focusing on cutting costs and increasing productivity for most steel merchants.” says Mr. Franks.

THE OUTLOOK FOR THE LOCAL STEEL INDUSTRY

According to Mr. Franks, there are signs that areas of the economy are showing an improvement, especially within the manufacturing and energy sectors. However, it is forecasted that the rest of 2013 will be much the same as previous years, with static growth and profits under pressure.

Unfortunately, this could be exacerbated by falling international steel prices in this period as well as the continual threat of labour unrest. Steel merchants will have to tread carefully for the foreseeable future and maintain a conservative approach to achieving growth.

The coming year is even more unpredictable with the apparent sale of Highveld Steel and Macsteel and the increasing call from Government for a more ‘competitive steel price’ to fuel the country’s manufacturing base, creating pressure on the local steel mills .

Mr. Franks says the year ahead presents many challenges, but the diversified products of the S & L Group as well as its unrivalled distribution network will ensure the Group will grow through this tough economic period.

STEEL PRICES

“Steel prices remain unpredictable, although there has been a steady increase in prices over the last few months. The domestic steel prices are basically led by Mittal, as the largest local producer, who are guided by international steel markets,” says Mr. Franks.

He carries on to say that the domestic steel demand continues to be sluggish yet imports are rising, with local mills unable to meet what demand there is due to on-going production problems. Mr. Franks feels the prices on imported steel are becoming more competitive and foreign mills are increasingly making their presence felt.

According to Mr. Franks the exchange rate will continue to be a major factor on the local steel price and the unpredictability of the economy on exchange rates will in turn make the steel price unpredictable in the coming months.

SUPPLY OF STEEL

It has been widely publicized that the larger local mills have experienced serious continuous production problems during the last year, creating shortages in a market that normally has substantial over capacity.

“This has allowed foreign mills to capitalize on the local market and we have seen a steady increase of steel imports, especially from China, India and Turkey,” says Mr. Franks.

He says the shortages have also helped the local steel price to increase.

Stewarts & Lloyds is seeing the disruption of supply as only a short term issue, as local demand remains subdued and there are new steel mill entrants (mini mills) appearing and adding to the over capacity situation.

ORDERS / PROJECTS OF INTEREST

Due to the wide range of products S & L supplies (steel, tube, pipes, fittings, valves, pumps, irrigation, etc...) the Group has been successful in several major contracts in recent months. These contracts range from a Petro Chemical refinery upgrade where they supplied the pipes & pipe fittings; a Fire Protection installation of a large shopping centre where they supplied the valves & pipe fittings; several school & sports grounds irrigation systems; extensions to structures in a central business park where they supplied the steel sections & structural tube; fencing contracts for a number of municipal grounds; low cost housing contracts where they supplied the roof sheeting & lip channel and many more.

CHALLENGES FOR S & L

“For S & L, the challenges to remain a leading player in the Industry depend greatly on its people. S & L must continue to motivate and uplift all its employees and ensure their needs and aspirations are catered for through training, mentoring and encouragement,” comments Mr. Franks.

He continues saying, “the steel industry continues to be a very competitive business and for steel merchants in particular, it is an ongoing hurdle to ensure customers receive the price, quality and service they demand when supply issues, mill pricing, strikes, declining markets, rising costs, etc. All contribute to the challenges of maintaining a growing business.”

Mr. Franks feels S & L is well positioned to take advantage of any upturn in its markets with the widest range of quality products backed up by a nationwide distribution network and well trained, competent staff.

“We believe the future for our Group is very exciting, especially our commitment to expanding further into other local countries.”

“S & L is ready and willing to contribute to the growth of South Africa and its people, like we always have for 110 years,” Mr. Franks ends off.