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PSV's petrochemicals unit to implement cost-cutting measures

By: Esmarie Swanepoel

Industrial engineering PSV Holdings will introduce cost cutting measures in its petrochemical division, which experienced "significant" pressure in the 2009 financial year, CEO **Albie da Silva** said on Tuesday.

He said that some of the cost cutting measures would include minor retrenchments, improving the procurement process, and import replacements where possible.

The planned retrenchments would initially be focused on early retirement or voluntary retrenchment, and Da Silva said that the company would not resort to an "aggressive" retrenchment scheme.

The cost cutting measures, which would to start immediately, were expected to show results within the next six months.

"Our petrochemical business experienced a lot pressure than all the others divisions. It is a business with quite a big infrastructure and I think they have had a tough eight or nine months," he said in an interview with *Engineering News Online*.

The group experienced tough trading conditions in the financial year ended February, particularly in the second half of the year.

Core earnings, which eliminate the effects of amortisation of intangibles, straight lining of leases and

expensing imputed interest on deferred purchase considerations, decreased by 4,6% to R21,51-million, which compared with the 2008 figure of R22,55-million.

The group's headline earnings a share fell by 11,5% to 7,06c a share, compared with 7,98c a share in 2008. PSV's core earnings a share decreased to 9,12c a share, down 19,2% compared with the previous year's 11,29c a share.

The company reported that the decline was partially attributable to shares issued during the year.

Operating expenditure as a percentage of revenue increased slightly to 14,98%, compared with the 2008 figure of 14,56%.

During the course of the year, PSV acquired the shares in Rand Air and Gas Installations for R18-million. The subsidiary contributed R3,8-million to PSV's after tax profit.

On February 1, 2009, PSV acquired the business of pump manufacturer Mather + Platt for R10-million. The acquisition contributed R0,25-million profit after tax for the one month prior to the financial year end.

Da Silva noted that the acquisition of Mather + Platt would open up a new revenue stream for the company, as the well-known brand was used by several major clients, including power producer Eskom and steel company ArcelorMittal. Da Silva said there was a big demand for services and spares for the Mather + Platt products.

PSV was also looking at a smaller acquisition to consolidate and strengthen the cryogenic unit in the period going forward.

“The group expects to face challenging market conditions in the coming period and has adopted a conservative outlook. Despite this, the PSV group of companies is solid and able to continue bidding on lucrative projects. The group closed off the 2009 financial year with a strong order book of R150-million. PSV is well positioned to benefit from ongoing government infrastructure spend and through new project growth outside of South Africa,” the company said.