

## Business Day, 20 May 2009

### **PSV Adopts Conservative Approach in Challenging Market Conditions**

By: Thabang Mokopanele

Industrial engineering company PSV Holdings yesterday said it was “well positioned” to benefit from ongoing government infrastructure spend and through new project growth outside SA.

But the group, which yesterday posted a drop in earnings and headline earnings for the year ended February, said it expected to face challenging market conditions in the coming period and had adopted a conservative outlook.

“The group produced a reasonable performance despite the prevailing tough trading conditions. Our focus on quality products and high levels of service delivery across all client categories has ensured acceptable revenue growth,” CEO Abie da Silva said.

He said despite tough trading conditions the group was able to continue bidding on lucrative projects. The group closed off the financial year with a strong order book of R150m. Da Silva said the group was capable of filling all orders and contract requirements.

“The enhanced manufacturing capacity is complete and the new workshop capacity is close to completion, giving the group spare capacity to meet growing demands.” However, the numbers are showing the strain of the economic meltdown, with headline earnings per share down 11,5% to 7,06c per share for the year ended February from 7,98c previously.

Earnings per share decreased to 9,12c, down 19,2% compared to the previous year’s 11,29c. The group attributed this decline to shares issued during the year.

The good news, however, is that revenue rose 44% to R431m from R299m and produced an operating profit of R33m from R30m.

The group's balance sheet continued to strengthen as the net tangible asset value per share increased 10,6% to 34,1c from 30,8c, while net asset value per share increased 6,9% to 97,8c from 91,5c.

The group experienced tough trading conditions, particularly in the second half. Gross and net margin reductions were primarily attributable to a change in the sales mix to lower-margin products and services and the margin sacrifice necessary to secure business.

Operating expenditure as a percentage of revenue increased slightly to 14,98% from 14,56%.

Last year the group acquired shares in Rand Air and Gas Installations for R18m, with R5,1m of the purchase price funded out of internal cash resources. The next instalment of R6,3m is due for payment on June 15.