

Denel profit falls to R41m from R110m

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State-owned defence company Denel has posted a modest profit of R41m in the financial year ending March 2012, which was significantly lower than the R110m profit posted last year, group CEO Riaz Saloojee said on Thursday.



Public Enterprises Minister
Malusi Gigaba: "The company
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(Image: GCIS)

Denel - which is in the middle of another phase of restructuring as the National Treasury puts pressure on state-owned enterprises to become self-sustainable businesses - has come a long way since posting losses of up to R1bn.

"We are building a foundation from which we will build a long-term sustainable company," Saloojee said. "This is underpinned by a revised vision for the company and strong commitments from our shareholder, the government, to support the future growth of Denel."

Public Enterprises Minister Malusi Gigaba challenged management to maintain an advanced manufacturing and aerospace capability, strengthen the country's skills and technology base, support enterprise development through downstream suppliers, and foster diversification to increase revenue and job creation.

He also urged the board to ensure the demographics of the workforce continued to grow to reflect people who were previously excluded by design from participating in the defence industry.

He said the changes needed not only to include black engineers and scientists, but also to incorporate a gender balance on its board and to consider the demographics of suppliers.

Need to keep critical skills

"Yes, we must be sensitive and, equally, bold to ensure the company reflects the (country's) demographics while not causing problems of being seen to be simply laying off white skilled workers who have been (assets)," he said.

"The company must make sure the restructuring does not lead to its downfall. It must have a plan to maintain its key critical skills and ensure it is able to deliver within the time schedules of the company."

He said Denel needed to improve investment in research and development, from 4% of the annual budget, to between 10% and 15%. "Denel has immense capabilities to contribute to manufacturing in general of the country to make the downstream production viable in order to supply to Denel," he said.

Zoli Kunene, Denel chairman, said the state-owned company had met its primary mandate as a custodian of key strategic defence capabilities and had contributed to national developmental priorities such as skills development, enterprise growth and maintaining advanced manufacturing capabilities.

"Denel is a strategic national asset and should be viewed within this context. It is on the road to a sustainable financial turnaround, bearing in mind that it has been loss-making for more than a decade," Kunene said.

He said Denel would finalise its programme of implementing measures aimed at improving business development, optimising costs and efficiencies, as well as strengthening the balance sheet.

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