

Denel making sustainable profits again

By [Linda Ensor](#)

18 Aug 2014

The annual financial results released by state-owned arms manufacturer Denel show that the company has returned to profitability on a sustainable basis, group Chief Executive Riaz Saloojee says.



Denel's Riaz Saloojee says that the company is now on a sustainable profit path and is venturing into new markets as a dynamic manufacturing company. Image: [MITech Mag](#)

Saloojee said the company had established itself as a global force in the defence and aerospace environments and a company with the capacity to expand its role in the broader manufacturing sector.

Profit for the year to March more than doubled to R194m from R71m previously on strong sales growth of 17% to R4.6bn, up from R3.9bn in the previous year.

Operating profit climbed 91%, bolstered by a 12% reduction in operating costs. Exports - buoyed by a weaker rand - played a significant part in the company's performance, rising 28% when compared with the previous year.

"Exports now account for 50% of total revenue, including participation in a number of countries in the Middle East, Asia and South America for the development and production of missiles; turrets for infantry combat vehicles; the manufacturing of

advanced aerostructures for military and civilian airlift; and the use of the Denel Overberg Test Range by international clients," Saloojee said.

He noted that future prospects were good as the order book for projects to be executed in the next 10 years has grown substantially to R32bn. "We can safely state that Denel has now returned to profitability on a sustainable basis. We have achieved the planned turnaround and are well on our way to move the company from being a good to a great company," Saloojee said.

Bigger role in industrial development

He said Denel was looking to play an expanded role in industrial development in the country, to contribute to the achievement of the objectives set out in the National Development Plan and the Industrial Policy Action Plan (Ipap).

Denel Aviation was recently awarded a contract to deliver helicopter services and maintenance work to the Transnet National Ports Authority and discussions were underway with government departments for the company to participate in the offsets arising out the acquisition of new fleets by South African Airways and SA Express.

In addition, Denel planned to be involved in the revitalisation by the Passenger Rail Agency of South Africa of its rolling stock. It could also use the technology and processes employed in the manufacture of aerostructures to produce the interiors of passenger rail coaches.

The planned rejuvenation of the South African National Defence Force's fleet of armoured and transport vehicles as well as envisaged maritime and civil security investments would also boost revenue earned locally.

Research and development



Denel's Ingwe missiles are fitted to a Jordanian Temsah APC. Image: [Defence](#)



A drone aircraft fitted with missiles and built by Denel. Image: [Sadid-AMD](#)

"Denel is growing from being a predominantly defence company into a broader technology clearing-house that can add value to high technology engineering and manufacturing services to revitalise the country's infrastructure," Saloojee said.

He said Denel spent more than R500m on research and development and a further R64m on skills development and training during the year to diversify its product range in, for example, the space, civil security, command and control, and maritime arenas.

Saloojee said Denel was in the process of buying BAE Systems Land Systems South Africa business, with finalisation of the deal depending on regulatory approvals.

"I am positive about the future of Denel as we continue on our growth path. Although global defence budgets remain fairly static, there is a positive outlook for growth in Africa and emerging markets, which have been identified as priorities by Denel," he said.

Denel's debt to equity ratio has improved significantly over the past two years from a ratio of 2.8:1 in 2012 to 1.1:1 in 2014. It aims to reached a ratio of 0.5:1 in the medium term.

Fitch Ratings recently upgraded Denel's rating to AAA, while Public Enterprises Minister Lynne Brown has expressed confidence in its sound governance.

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