

# KAP Industrials to buy Safripol

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12 Aug 2016

KAP Industrials followed in the footsteps of its biggest shareholder, Steinhoff International, on Wednesday, with the announcement it would acquire Safripol, the South African manufacturer of plastics, for R4bn.



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If the deal is approved, KAP would become the only company in SA that makes high-density polyethylene — the plastic used to make the lids of bottled mineral water.

The deal would be a perfect fit with the group's Hosaf business through which it makes polyethylene terephthalate, the recyclable plastic that is used in the bottling industry.

High-density polyethylene is also the most widely used plastic globally. Its other applications extend to making containers, crates, film and pipe products.

Just on Monday, Steinhoff International disclosed its bid to buy US-based Mattress Firm Holdings for \$2bn to expand its global reach following its £597m cash offer for UK discount retailer Poundland last month.

KAP's R4.1bn offer for Safripol, which is majority owned by private equity firm Rockwood and Thebe Investment Group, would also be settled in cash.

Due to the maturing of its other businesses that were strongly cash generative, as well as the low gearing of the group, KAP was in a strong position to make acquisitions, its CEO Gary Chaplin said on Monday.

KAP is also involved in transporting goods for the mining and agricultural sectors as well as in manufacturing parts for the car industry.

Chaplin said the current economic environment in which SA's economy is expected to grow at zero percent, and in which interest rates and inflation remain high, was the best time to take advantage of opportunities, signalling that more acquisitions could be on the cards.

Earlier this year, the group concluded its acquisition of Autovest, a manufacturer of car accessories. It followed last year's purchase of its bedding businesses.

Safripol is also one of two manufacturers of polypropylene, a lightweight plastic used for piping and textile fibres. The other is Sasol.

The plastics manufacturer, which until 2006 was owned by the Dow Chemical Group, had net assets amounting to R747m as at December 2015. Profit after tax attributable to the net assets stood at R488m in the same period.

Chaplin said the company had established a good track record over the years.

He did not disclose the plastics business's profit margins, but said the returns on investments were high.

An analyst who cannot be named due to company policy, expressed concern at the fact that Safripol was not well known to the market.

However, he said KAP's management had a formidable track record of finding good projects.

The business also looked like a "reasonably good fit", he said.

The management expects to close the deal by January next year.

KAP's share price pared gains at the market close on Wednesday, finishing only 3.5% higher at R6.75, valuing the diversified industrial player at R16.4bn. The stock soared as much as 6% on Monday to its highest level in seven months.

**Source:** BDlive

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