Astrapak strong after restructuring

By Nick Hedley

30 Sep 2014

Astrapak's balance sheet is the strongest it has been in about four years, despite a widened interim loss, management says..

Astrapak's Robin Moore says that the company has been through its restructuring phase and will return to profitability in the next year or so. Image: Astrapak

The plastic packaging company is nearing the end of a two-year restructuring, though costs to rationalise the business have been offset by the sale of properties and other assets.

Finance Director Manley Diedloff said that since Astrapak's restructuring began, its debt-to-equity ratio had fallen from 56% to 29.6% while its net working capital position had continued to improve.

Astrapak reported a headline loss of R40.1m for its six months to August, weighed down by restructuring costs and a cost to the company of SA's manufacturing strike, which it put at R30m.

The company's revenue from continuing operations grew 3.5% to R1.15bn.

For the final six months of Astrapak's restructuring, its plans include closing its Denver facility and consolidating two Eastern Cape-based plants into one.

The restructuring sees Astrapak gradually shifting away from a 50:50 split between flexible and rigid plastics, to a 75:25 split in favour of rigids.

Growth and consolidation

"We are positioning ourselves in the right markets for growth," said Chief Executive Robin Moore.

He said that while the restructuring was expected to yield "optimised returns" in 2018, earnings were expected to improve from the next financial year.

Meanwhile, he said, Astrapak was relatively comfortable with the imminent entrance of two European plastic packaging manufacturers in SA. "We are not competing head-on with them," he said, adding that Astrapak had adjusted its portfolio ahead of their debut.

The foreign competitors supplied products to the homecare sector, which Astrapak was exiting with the closure of its Denver facility.

Astrapak would also use some of the assets from the facility more effectively in other operations.

While the weaker rand was driving up polymer and other input costs, Moore said Astrapak had been successful in recovering cost increases through higher selling prices.

The company said in a statement that the difficult trading environment, real or imagined, is no longer an excuse for hiding lack of competitiveness.

"The second half of the year to February 2015 will mark the final phase of the turnaround," Astrapak said. "We have some more tidying up to do, and with that is certain to come further costs."

Source: Business Day via I-Net Bridge