

Sanyati 'not worried' about credit crisis

Challenge for company is to continue to use its capacity to tap into government infrastructure spending

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CIVIL engineering and construction firm Sanyati is bracing itself for more competition for local projects as a number of companies shun the overseas markets because of the global financial crisis, according to incoming CEO Malcom Lobban.

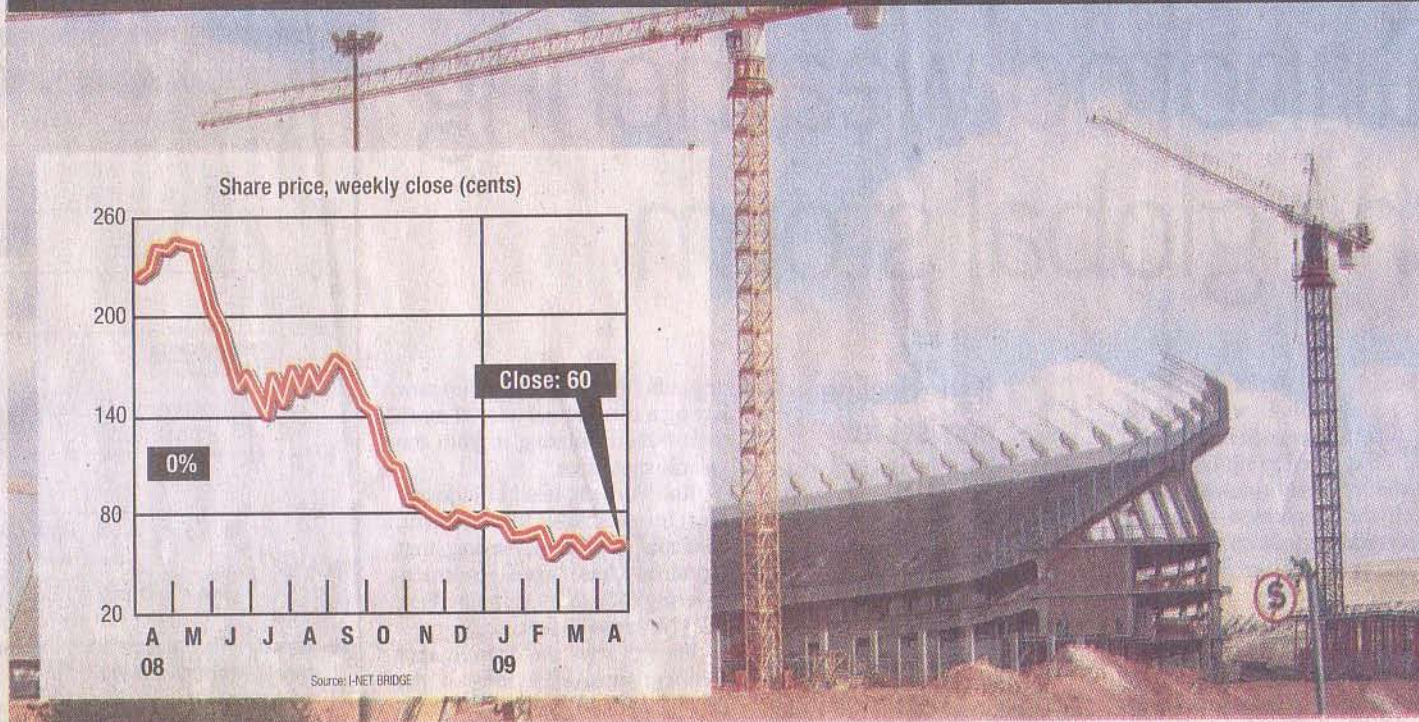
The crisis has seen a number of big construction companies pull out of certain overseas markets, particularly in the Middle East and the mining sector, and Lobban sees this as a major challenge for Sanyati's growth ambitions.

The JSE-listed company — which announced last week that Lobban will take over the reigns from Rick Jackson, who will now become the executive chairman — has ambitious expansion plans for the next five years.

"A lot of construction capacity has come back to SA recently, especially from the Middle East, as companies have had big projects cancelled. With huge government spending on infrastructure projects lined up, the focus for companies will now be on that. This could put some pressure on margins in the long run as companies compete more and more for the same pie.

"Clearly, with the private sector also coming under pressure because of the credit crunch, em-

SANYATI HOLDINGS



phasis is now on government spending. The challenge for Sanyati will be to continue to use its expertise and capacity to tap into that spending," he said on Friday.

Project cancellations in the Middle East have already seen about R20bn wiped off Murray &

Roberts' order book, while Group Five reported in February it had written down R4bn from its construction order book in cancelled or postponed contracts in the Middle East but had quickly replaced this with orders from the government's spending on infrastructure.

Group Five CEO Mike Upton told investors the group would continue to target the government's infrastructure spending programme for future growth as work in its overseas markets and the private sector had come under pressure.

With volatility in some of the

overseas markets, and the private sector under pressure, most companies have looked to the government's multi-billion rand investment in infrastructure.

South African construction companies are expected to continue to benefit from the gov-

ernment's expenditure on infrastructure such as roads, water systems, energy, airports and housing worth nearly R800bn — which should cushion them from the global economic crisis.

While Lobban comes in at a time when the construction sector is beginning to feel some of the effects of the economic slowdown, and will have to steer Sanyati through the difficult times, he remains unfazed by the downturn.

"I am not concerned at all about the credit crisis, because there is still a huge market for us out there. Clearly there are challenges because the credit crisis has affected all industries, but the government's infrastructure investment has, in a way, insulated the construction sector. It means that for companies such as Sanyati there is still a lot of activity out there to see our expansion plans through," Lobban said.

Last year Sanyati moved its listing onto the JSE main board.

The transfer came after Sanyati spent two years on the AltX board, during which it managed to reach its target of R1bn turnover a year and extended its geographic footprint beyond KwaZulu-Natal. It has set itself the target of achieving revenue growth of about R2bn for the full year to February, and to be a big industry player.

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