

PPC's new board has work cut out

By [Nick Hedley](#)

28 Jan 2015

PPC's newly constituted board will have to work fast to arrest the cement maker's decline in market value and repair its dented public image. Its shares fell to an almost 10-year low on Monday, 26 January.



© Sasin Tipchai– [123RF.com](#)

In the coming months the new board will need to guide the company through any takeover of its largest competitor in SA, Afrisam, and expedite its programme to expand into faster-growing markets in the rest of Africa.

The company has been mired in controversy since September last year when former CEO Ketso Gordhan resigned suddenly and then demanded to be reinstated. His resignation and the ensuing drama brought issues previously hidden from view into the public domain. It led to shareholders demanding a vote on the replacement of board members.

The controversy was resolved on Monday at a lengthy annual general meeting in Sandton. After three hours, which included manual vote counting, shareholders elected six new board members.

From a reduced list of 10 nominees, shareholders elected former Reserve Bank governor Tito Mboweni and former PPC finance director Peter Nelson.

The four other new board members are Nicky Goldin, Timothy Leaf-Wright, former Afrisam CEO Charles Naude, and Daniel Ufitikirezi, who is chairman of PPC's Rwandan business. Two other PPC directors retired by rotation.

Shareholders approved the appointment of CEO Darryll Castle, who will today recommend to the board his preferred executive committee and whether he wants Tryphosa Ramano to continue as finance director. Ramano played a central role in Gordhan's departure.

Bheki Sibiya, whose position as chairman will be voted on today, said "we are going to be hitting the road running", by

finalising the board's composition today.

The meeting will also finalise the composition of the executive and assemble its various board committees.

PPC's shares closed 6.29% lower at R22.20 yesterday after it said earnings for the six months to March 31 could fall as much as 45% compared to last year.

In addition to a weaker trading environment, the main contributors to the decline were a once-off tax credit in the prior reporting year, which was not repeated, and higher finance costs.

Sibiya said PPC was consulting its in-house and external lawyers in order to recoup the R5m paid to Gordhan for consulting work which had not been provided.

Gordhan, who resigned in late September when the board did not let him fire Ramano, was paid R21.7m when he left.

This included a R5m consulting fee for Gordhan's continued participation in international expansion programmes. Gordhan has ceased to work with PPC since departing.

He declined to comment yesterday.

Afrisam said in its merger proposal last month that it hoped to have PPC's support to start the due diligence process in mid-January, and wanted a full merger agreement by the end of March.

Sibiya said PPC was still "debating and evaluating the business case for the possible merger" with smaller rival Afrisam. If the board decided to pursue the deal, "we will need to cross this hurdle of the competition commission".

For PPC to pursue the merger, Sibiya said "it has got to make business sense".

"There have got to be synergies for both companies.... We have common shareholders and therefore we would (also) need to find a way of dealing with the common shareholders," he said.

The Public Investment Corporation holds 12.57% of PPC and has a controlling 66% stake in Afrisam.

Imara SP Reid analyst Sibonginkosi Nyanga said PPC's trading update, which was below consensus expectations, "shows how difficult" the trading environment had become for the company, but also said newcomer Sephaku Cement was likely taking market share.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>