

Omnia looking forward to a good year

Diversified and specialist chemicals group Omnia (OMN) expects the current financial year to present its mining and agricultural businesses with favourable conditions. The company also expects its struggling chemicals business to improve its performance.

In the year ended March, Omnia's three businesses experienced mixed fortunes. The company described the macro environment for the past financial year as "exceptionally good" for the mining business, "positive" for agriculture and "difficult" for the chemicals business.

The chemicals business, which manufactures and distributes chemical products, has been negatively affected by the subdued performance of the local manufacturing sector.

The chemical business' operating margin is at a relatively low 2.5%. The company's aspiration, according to MD Rod Humphris, is to raise the margin to between 4.5% and 5.5%. But Humphris said this was unlikely to be achieved in the current financial year. The chemical business' overall production volumes in the past year was down 5.5%. That is in contrast to the strong volume growth experienced by the mining and agricultural businesses.

Omnia said there was a good demand for mining and agricultural commodities. With the commissioning of Omnia's new nitric acid complex in Sasolburg, Omnia would take advantage of growth opportunities in mining and agriculture in southern Africa. Humphris said the new complex would enable the company to improve its margins by substituting expensively purchased nitrates with own nitrates.

Omnia's profit for the year was up 39% to a record high R629m, while revenue was up 16.8% to R10.9bn. The operating margin was up from 7.3% to 8.1% and headline earnings increased 25% to 959c per share from the previous 767c per share.

In the current financial year, the company said it expected further volume growth "across the entire product range".

Humphris said the local manufacturing sector was likely to remain under pressure this year but the chemical business would benefit from a weaker rand.