

Retailing sows profits for clothing business

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7 Mar 2016

Enduring empowerment company Brimstone Investment has sewn up profits at its 100%-owned clothing manufacturing subsidiary House of Monatic (HoM), with the help of a fashion retailing thrust.



Mustaq Brey

Image source: [BDive](#)

At an investment presentation last week, CEO Mustaq Brey disclosed HoM had increased revenue 17% to R214m, with net profit coming in at R6.4m. He said HoM — which manufactures brands such as Carducci and CSquared — had increased its share of the corporate wear and retail segments.

Although investors attending the presentation agreed that HoM's achievement was noteworthy in a local clothing manufacturing sector in which margins had been torn to shreds by cheap imports, they did say that HoM was one of Brimstone's peripheral investments.

Brimstone's intrinsic value table places a book value of only R45m on HoM, which is also understood to hold valuable industrial properties.

This pales in comparison to the company's main investments such as fishing conglomerate Oceana (R2bn) and Life

Healthcare (R1.5bn).

But HoM was one of Brimstone's first investments after its formation in the mid-'90s. It was acquired from the late Doug de Jager's Lenco Holdings.

Brey said HoM's retail initiative — selling clothing through factory shops, show rooms and CSquared boutiques — was gaining traction.

He said there were now five boutiques in Cape Town, Durban and Johannesburg, with plans to roll out another two this year, including at the Mall of Africa.

Brey discounted suggestions that Brimstone could drive a fully fledged retail rollout at HoM. "Basically, we have been short of orders from major retailers ... they simply are not ordering enough from us. So, we use our capacity to supply our own stores."

He said retail sales now represented 15% of turnover.

Market watchers have pointed out that HoM's retail ploy is not dissimilar to a successful tactic adopted in the 1990s by Rex Trueform (Rextru), a fashion retailer that has Brimstone as a 22% shareholder. For decades, Rextru was focused on clothing manufacturing, before launching the Queenspark fashion chain, which is now the main profit driver at the company.

However, any notions that Brimstone could usher HoM's retail endeavours closer to Rextru seem unlikely.

Brimstone's recent investment presentation made it clear the shareholding relationship with Rextru was a tense one.

Brimstone chairman Fred Robertson voiced considerable displeasure at Rextru — including arguing that the company's nonexecutive chairman Michael Krawitz was grossly overpaid.

Robertson said Brimstone's influence as a major shareholder was negated by Rextru's "double pyramid" structure, involving N-shares and holding company African & Overseas Enterprises.

"We've tried to rock the boat, but the pyramid is solid."

Robertson added that sometimes Brimstone was loathe to complain about the frustrating situation at Rextru. "We worry the JSE will delist Rextru, and then the company will be hidden away."

Last week, Rextru reported that headline earnings for the six months ended-December improved 48% to 65.3c per share.

Source: Business Day

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