

# IMPERIAL GROUP

## IN IMPERIOUS FORM



# IN IMPERIOUS FORM

*Mohammed Akoojee, executive responsible for investor relations and corporate strategy, talks about how the diversified nature of Imperial Group's business activities is helping it to prosper despite some challenging conditions*

WRITTEN BY: **WILL DAYNES**  
RESEARCH BY: **CANDICE NICE**





The Kia models compete well in a buoyant South African market

Overall,” explains Mohammed Akoojee, executive responsible for investor relations and corporate strategy, “our performance over the last 12-to-18 months has been good, with the majority of our core business segments showing strong growth. We just released a report that shows that our earnings during the last six months were up 14 percent, even in the face of some challenging market conditions that we were exposed to during that time period.”

Imperial is a diversified industrial services and retail group with activities that span the logistics sector, car rentals, tourism, financial services, vehicle distribution and retail, automotive parts and industrial products distribution. Listed on the Johannesburg Securities Exchange, Imperial employs more than 47,000 people, each of whom it credits equally for the continued success of a group that began life as a motor dealership in downtown Johannesburg in 1948.

“Our motor business in South Africa continues to perform well, despite being subject to supply issues caused by labour disruptions in Korea from where we import many of our products,” Akoojee continues. “Meanwhile, our after sales parts and service business and used car sales have remained buoyant and contributed strongly to the growth achieved. The strength of our integrated business model in the motor business is really starting to come through.”

The last four years have seen the South African vehicle market ride a wave of success on the back of factors such as the

**ISX** arguably the most reliable engine for the past 10 years



Service    Parts    Filtration    Lubrication

Whether it be long distance on-highway heavy-duty haulage, abnormal loads or off-highway operation, Cummins is always there to provide the best solutions.

Cummins South Africa (Pty) Ltd provides sales, service and support and parts to Original Equipment Manufacturers, Distributors, Dealers and Customers in the southern African region.

**Cummins South Africa (Pty) Ltd**

Head Office: Tel: +27 11 321 8700  
Fax: +27 11 444 1899

**Contact:**

Heavy Duty OEM Relationship Mgr	Janean Davies	Cell: +27 82 792 9093
Heavy Duty Service Lead	Kevin Davies	Cell: +27 82 906 4030
Heavy Duty Parts Lead	Greg Davies	Cell: +27 82 804 7770

[www.cummins.com/southafrica](http://www.cummins.com/southafrica)



emergence of the black middle class, improved vehicle affordability, low interest rates and good wage growth across the country, the latter creating a situation where people's ability to take on debt has increased.

“What we are seeing,” Akoojee highlights, “is that as opposed to buying or extending houses, people are using this disposable income and ability to increase their debt to purchase durable goods like cars.”



Imperial Select dealership

Buying cars is an aspirational purchase in South Africa and a necessity. While public transport has improved over the past number of years it is still important to own a car. Car

**CUMMINS ISX ENGINES POWER IMPERIAL LOGISTICS' FLEETS FORWARD**



Imperial Logistics has more than 3 800 vehicles in its fleet powered by ISX engines that are manufactured and supplied by Cummins - a global leader in the manufacture, sales and servicing of diesel engines and related technology.

All 30 vehicles in one of Imperial Logistics' refrigerated fleets are able to successfully complete their service delivery projects throughout South Africa from Tzaneen, Limpopo, despite accumulating more than 1-million km of mileage, as a result of the reliability of the American Drive Line range of Cummins ISX engines.

Cummins SA Heavy Duty Account Manager Leon Nel notes that the basic Cummins I5I ISX engine is highly diverse. “It has a wide range of horse power and torque and, without a waste gate turbo, is capable of running between 400

hp and 450 hp, with torque of up to 2237 NM, between 1100 and 1500 rpm. By changing to a waste gate turbo, it can run between 475 hp and 565 hp with between 2237 and 2510 NM. The main use of this low rev, high torque engine is in heavy duty 6x4 truck tractors.” According to Nel, the American Drive Line range is perfectly suited to African conditions, as it allows for exceptional mileage and availability of parts and service across the border. “This is evident in the fact that some vehicles in a particular refrigerated fleet are still running smoothly with well over 1.2-million km on the clock. The American Drive Line with Cummins ISX is a great choice as it is extremely durable and the service intervals are 30 000 km.”

[www.cummins.com/southafrica](http://www.cummins.com/southafrica)



Imperial's logistics division

**47,000**

People employed by Imperial Group worldwide

penetration in the South African economy is in line with emerging market peers and has great potential in the country as it is proven that as emerging countries develop vehicle penetration increases.

With interest rates in South Africa at a 40 year low and the vast majority of banks willing to provide credit towards vehicle purchases, Imperial has witnessed considerably strong buying patterns at an entry level where it has a number of products including Hyundai and Kia models that compete well. This has allowed the group to gain a decent share of the market over the last three years.

From a logistics perspective however, South Africa continues to prove to be a challenging market to operate in, especially with many of Imperial's clients being exposed to the pressures that the country's manufacturing and industrial sectors are experiencing at present. Fortunately for Imperial, it has made numerous investments into other parts of the continent in recent years that are counteracting this. Indeed, outside of South Africa, Imperial's logistics business has performed exceptionally well over the last 6 months, with operating profit increasing by 22 percent.

"If you look at our activities in Africa," Akoojee states, "our strategy has been to focus



Fleet management

on the demand for consumer goods on the continent. We believe that this sector of the African economy has got excellent long term growth prospects. We are a major distributor of fast moving consumable goods in markets such as Namibia, Botswana, Zambia and Mozambique, and with consumer growth in those parts in Africa increasing we will benefit from accordingly."

Expansion across Africa is a core element

of Imperial's future strategy, the success of which it sees as crucial to its long-term development, both from a distribution and logistics perspective. "As part of our long-term vision," Akoojee highlights, "we recently acquired a South African business called RTT Health Sciences, which is involved in the distribution and logistics of pharmaceutical products on behalf of manufacturers. While being based in South Africa, half of the

**"EXPANSION ACROSS AFRICA IS A CORE ELEMENT OF IMPERIAL'S FUTURE STRATEGY, THE SUCCESS OF WHICH IT SEES AS CRUCIAL TO ITS LONG-TERM DEVELOPMENT"**

company's profits actually originate from markets such as Kenya, Nigeria, Ghana and Malawi. As a result of this acquisition we now have a presence and a distribution channel in these important markets that we did not have previously."

From a geographical point of view, Imperial also remains keen on examining the potential of expanding its activities in Europe, where it already boasts a presence in Germany, where it is a major operator of bulk and container ports along the country's inland waterways. "In Germany," Akoojee says, "we occupy critical industrial choke points and provide value added services where we are integrated into the supply chain of our customers. We are seeing a clear trend where our customers are also looking to grow into surrounding markets such as Eastern Europe, which is something we also hope to be doing as we follow our customers into new markets."

Imperial Group prides itself on the fact that it is a leading player in virtually all of its business areas, however what it also benefits greatly from is the fact that within several of these areas there is still much more growth to be had. If you take the automotive industry in South Africa as an example, sales volumes are relatively low when compared to those

seen in the developed world. As a matter of fact they are much more in line with those of other emerging nations, suggesting that as the economy grows so too will the sector.

It is Akoojee's view that internally Imperial also benefits from being a de-centralised business and one that possesses a strong entrepreneurial spirit that runs throughout the



The logistics division's aim is to continue expanding across Africa and further into Europe

group. "We strive to give our people the freedom to find new opportunities for growth. We also endeavour to provide opportunities for people to be entrepreneurial in their work and we find that is a big factor when it comes to retaining the best men and women."

Going forward it is clear that Imperial's focus remains on improving its returns on capital and putting more capital into logistics, which is a sector with a good long term growth outlook, especially in the markets it serves.

"Certainly we would like logistics over time to become a much larger contributor to the group," Akoojee concludes, "however this is just one of a number of new revenue

streams that are starting to make a big positive difference to our underlying profit. Meanwhile, from a geographic perspective we intend to continue a gradual expansion across Africa and hopefully further into Europe. So while it is too early to say that we have ambitions to be a global company, it can certainly be said that we intend to become a much more international business entity in the not-too-distant future." **BE**

**"GOING FORWARD IT IS CLEAR THAT IMPERIAL'S FOCUS REMAINS ON IMPROVING ITS RETURNS ON CAPITAL AND PUTTING MORE CAPITAL INTO LOGISTICS"**

For more information about Imperial Group visit: [www.imperial.co.za](http://www.imperial.co.za)



**IMPERIAL GROUP**

**[www.imperial.co.za](http://www.imperial.co.za)**

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

**BE Business Excellence**

**[www.bus-ex.com](http://www.bus-ex.com)**