



South Africa's Top Miners Value Divides

The combined worth of South Africa's 35 top mining companies dropped 55% since June 2014. According to the analysts, the dramatic fall in overall market capitalization reflects the impact of the ongoing commodities rout and other challenges the local industry has faced in the last year, such as strikes and power shortages.

The companies, with a primary listing on the JSE and a market capitalization of around US\$15,000 (\$200 million rand) and up, have lost 304 billion rand (\$23 billion) as of Sept 30, 2015, from 675 billion rand on June 30 last year.

Labour costs remain the main cost component in South Africa's mining industry, says the report, though it adds that this item share decreased from 47% to 45% this year.

"Financial performance for the South African mining industry in 2015 was extremely challenging and downcast," says



Andries Rossouw, PwC Assurance Partner. This year's cash flow, he adds, is the worst since the financial crisis in 2008 and reflects the margin pressure and liquidity concerns experienced by the industry. The free cash flows generated were insufficient to make existing borrowing repayments, let alone distributions to shareholders.

In terms of sectors, coal is still the biggest revenue generator for the country, but platinum production has improved substantially to become South Africa's

second-largest export earner. The study also highlights the importance that iron ore mining has had over the last ten years and reveals that gold production has finally reversed its downward trend over the last two years.

However, the precious metal has lost its place in an economy it once dominated.

The country, the world's largest producer of platinum, relies on mining for more than half of its exports and the industry employs about 440,000 people. But the country's mining sector is facing a crisis as prices for the precious metal used mainly in catalytic converters to reduce emissions recently dropped to six-year lows, forcing miners to slash costs even further. Tata Sponge Iron Q2 net plunges 75% to Rs 5.69 crore.

This section is a compilation from various company press releases, business dailies & trade publications.



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