SADOLIN PAINTS (E.A.) LTD:

1. Name: Sadolin Paints (E.A) Ltd.

2. Location: Nairobi, Kenya.

3. Primary Products: 92-98 Paint manufacture and distribution mainly to automotive and industrial customers.

4. Secondary Products: 92-98 Decorative paints, and packaging ink and resin manufacture.

5. Principal Shareholders: 100% by local company owned by 4 locals.

6. Size (as at December 31, 1992 audited financial statements)

No. of Employees:	124	
Annual Sales :	US$ 4.5 million equivalent	
Fixed Asset Value:	US$ 878,000 equivalent	
Annual Net Profit :	US$ 230,000 equivalent	(before taxes)

(as at December 31, 1997. Audited Accounts)

No. of Employees:	164	
Annual Sales	US$ 8.4 m. (1 US$ = Ksh. 60)	
Fixed Asset Value	US$ 1.6 m.	
Annual Net Profit:	US$ 0.56 m.	(after taxes)

(April 1998. Source Group MD)

No. of Employees:	160
Budget Annual Sales:	US$ 8.75 m. (1 US$ = Ksh. 60)
Fixed Asset Value:	US$ 1.75 m.
Budget Net Profit:	US$ 0.65 m.

7. Summary:

The company has had steady growth since the 1995 Impact Study although the general economic situation in the country has not been favourable to business. Financing costs have been high with interest rates being in the low to middle thirties during the period. Purchasing power has eroded over the period in the whole economy. Turnover increased from Ksh. 425 m. in 1995 to Ksh. 504 m in 1997. Net profit increased from Ksh. 22 m. to Ksh. 34 m. between 1995 and 1997. During the same years operating profit also increased - from Ksh. 37 m. to Ksh. 54 m.

8. Brief History of the Company:

The Company was established in 1959 to manufacture automotive paints for the local market. The Company traded profitably and was able to grow from a small cottage-type industry to a prominent local business.

Prior to 1991 the Company was a subsidiary of a leading European paint manufacturer. In 1991 it was taken over by a local company representing a group of local investors. The Company retained a trade mark and technology agreement with the European paint manufacturer. Since the take over, it has been managed by one of the local investors, as Managing Director.

Key in the company's expansion, since then, has been the diversification of the range of paints to offer, not just automotive paints, but, to put on stream, new line of decorative and industrial paints, inks and adhesives. The company sees the period as one of consolidation for the start up problems of identifying the market, putting a management team in place had been completed by

1995. It has continued to improve its manpower by in house and external training even after the completion of the AMSCO contract.

The steady growth of the company since 1995 has to be seen in the national context. Since 1992, the macro-economic framework has not been favourable to business. Interest rates climbed from 18% in 1992 to a peak of 87% in 1993 before stabilising around 35% since 1994. Clearly these high interest rates have negative impact not only on the purchasing power of the nationbut also on the financing of the business. However, the automobile repair sector is booming as people keep cars longer and as repairs are necessitated by the collapsed road system. Although there has been no official devaluation since 1993, the local currency which had stabilised against the dollar during 1995 and 1996 in the upper fifties(52-54) slid into the upper seventies(74.50) on 8/7/97 before settling between 59 and 61 to date.

Intertwined with macroeconomic problems is political insecurity driven by unclear succession lines within the ruling party.

Competition is afoot in the paint industry. The entry of small paint companies has not had impact on the company for its niche is too specialised.

9. Balance of AMSCO Management Contract Since 1995

Not applicable.

10. AMSCO Intervention since 1995

Not applicable

11. Summary of Direct Economic Impact
(refer Table SADOLINS)

a. Turnover and profitability

The turnover of the Company has steadily improved between 1995 and 1997 rising from Ksh. 425 m. to Ksh. 504 m. Over the same period operating profits have increased by 72% and net profits by 54%.

b. Balance Sheet

The working capital remained positive for the period under study but, it has been reducing. There has been a threefold increase in fixed assets indicating investment .It has been financed by term loans which have increased sevenfold. The ratio of turnover over operating profit has been 11, 10 and 9 during the three years. Current assets have increased less spectacularly from 228 m. to 288 m.

c. Labour and Capital Efficiency

Labour efficiency (in terms of annual turnover per employee) increased from 2.83 m. to 3.07 m. Gross sales over fixed assets declined from 11.18 m. to 5.04 m. which is logical given the tripling of fixed assets. Net profits over fixed assets shows a decline from 0.57 to 0.34. Over the period, the labour force increased by only 9% from 150 to 164 employees.

d. Export and/or Import Substitution

Not applicable in the view of the company.

e. Technology Transfer

Not applicable in the view of the company.

Source: GMD Sadolin