

# SEPHAKU HOLDINGS INTEGRATED ANNUAL REVIEW 2016

**SUPPLEMENTARY FACT SHEET:  
ENTERPRISE AND SUPPLIER DEVELOPMENT PROGRAMME –  
DANGOTE CEMENT SOUTH AFRICA PROPRIETARY LIMITED**



**SEPHAKU**  
HOLDINGS LTD

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## DANGOTE CEMENT SOUTH AFRICA PROPRIETARY LIMITED

*This supplementary fact sheet is a supporting document for the 2016 integrated annual review, and expands on Dangote Cement South Africa Proprietary Limited's (CEMENT's) Enterprise and Supplier Development Programme (EDP). The full 2016 integrated annual review is available at [www.sephakuholdings.com/investor-centre/results-and-reports/](http://www.sephakuholdings.com/investor-centre/results-and-reports/). *

CEMENT supports the sustainability of the local economy and community development by mentoring emerging small, medium and micro enterprises (SMMEs). This supplementary fact sheet contains various case studies to demonstrate CEMENT's commitment to this mentoring programme.

### NEW ERA COMMERCE PROPRIETARY LIMITED (NEW ERA)

#### The foundation

New Era was founded by Thokozane Mangana, who was born and raised in Mpumalanga. From an early age, this entrepreneur had a passion for logistics. His dream of becoming an air force pilot could not be realised because he did not fulfil the height requirements, and instead, he registered for a Bachelor of Science degree in Computer Science at the University of Witwatersrand in 2004. Here, he caught the attention of the Investec Trust and was awarded a bursary to attain his degree. Unfortunately, he could not complete his studies due to illness and Investec rescinded the bursary.

Thokozane's determination led him to re-register for a Bachelor of Commerce in Logistics in 2005, and it was during this time that he formally established New Era Commerce while still a student. He then received a bursary from Sasol to further his studies and achieve an honours degree while working within the logistics department. Thokozane didn't complete his honours degree, instead choosing to focus on his business interests. However, he continued to work in logistics-related roles in various organisations.

Speaking about the experience of starting and managing a business, Thokozane said, "Starting a new business was not easy. We had a fairly steep learning curve at the beginning in terms of compliance and other administrative requirements. This did not hinder me and my business partner from applying for selected tenders that were most aligned to our skills set and service offering. Unfortunately, in 2010 we lost a significant portion of our investment in what initially seemed to be our breakthrough opportunity. We quickly got back on our feet within a year and from 2012, resumed providing logistics services through fragmented contracts, supplying mining and state-owned companies," reminisced Thokozane.

### Enters CEMENT

Business at New Era experienced significant transformation in 2014, when Thokozane was selected by CEMENT to participate in the EDP. The company established its relationship with CEMENT as an EDP partner/benefactor and experienced accelerated growth in the revenue and profit lines. CEMENT recognises the potential of small businesses such as New Era to meaningfully contribute to the regional economic growth through job creation, and is determined to build up their capacity and opportunities for future growth.

"We are looking at advancing through large contracts that create sustainability," reiterated Thokozane. "The EDP has enabled us to negotiate with the bank to add capacity - to me, that's by far the best." New Era has also benefited from the EDP through growth in productive assets such as 11 new trucks secured since the inception of the partnership.

Thokozane emphasised: "Stable volumes are imperative for the growth of a small business such as ours, so we are extremely pleased about the potential of more raw materials volumes from CEMENT and a longer-term contract, obviously depending on our performance." Having predictable loads enables growth and gives the business financial credibility. New Era currently has 15 tipper trucks and six flatbeds with revenue of approximately R25 million per annum. The management team is motivated, skilled and subscribes to governance best practices in all aspects of the business. "I am grateful for the skills in the current executive team, which range from engineering and logistics to financial management. We believe in transparency and prudent management of our business, which has contributed to our resounding success," said Thokozane. New Era has started considering expansion opportunities into materials handling, waste management and plant hire which are natural extensions of the logistics focus.

### **An opportunity to give back**

Thokozane has been inspired by CEMENT's entrepreneurial flair and growth trajectory. He believes that the appreciation of the opportunity awarded to New Era by CEMENT should be propagated by also engaging in business mentorship activities. To that effect, Thokozane has invested his personal resources in mentoring a car wash business called TBOS Cleaning and Care Proprietary Limited through seed capital and operations management training. He is proud to have contributed to another entrepreneur's dream by assisting TBOS to register the company and to set up operational systems.

### **Where to from here?**

Thokozane believes in identifying one's purpose and then passionately pursuing it. He is determined to grow the business's capacity in providing world-class logistics services. "I don't want the company to be a sinking ship," retorted Mangana. As a parting shot, Thokozane said, "If you look at CEMENT, their growth inspires us. If CEMENT has done it, we can too. Their growth is my growth."



*Thokozane Mangana*



*New Era truck arriving at Delmas grinding plant with raw materials.*

## AFRICA LINK PROPRIETARY LIMITED (AFRICA LINK)

### Entrepreneurial heritage

Sunshine Bennette was brought up in an entrepreneurial family in a village called Embuzini in Nelspruit. At the age of seven, Sunshine was already involved in the day-to-day operations of his grandfather's passenger bus and trucking business that boasted of 15 buses. "I used to enjoy coming back from school and spending my afternoons assisting the mechanics in the workshops to fix the buses," reminisced Sunshine.

Unfortunately the business closed when his grandfather passed away, and Sunshine found himself looking for employment soon after completing matric. He didn't lose his passion for logistics and got an opportunity to work as a controller for a trucking company. Within a year-and-a-half he requested to be transferred to the workshop, despite a salary cut, because he wanted to understand how the technical department operated. After a further two years, he requested to be made a truck driver so that he could experience the life of transporting commodities for a four-year stint. Sunshine also enjoyed travelling across the southern African region and this opened opportunities for him as a team leader at the administration office. This was his last role as an employee before he embarked on his own path as an entrepreneur following the liquidation of his employer.

### From employment to entrepreneurship

Sunshine's initial venture was as a metered taxi shuttling passengers from Sandton to the O.R. Tambo International airport and other Gauteng destinations. It was not long

before he reignited his passion for motor mechanics by visiting scrap yards to identify damaged vehicles he could restore. Sunshine and his wife, Aida Samantha, then registered Eagle Tours and their shuttle business increased from one vehicle to five over a period of five years by working closely with hotels to transport their guests. Sunshine's experience in managing a team was useful when it came to his own employees and expanding his operations.

### Route to trucking

Sunshine sought mentorship from an established truck owner who assisted him to set up his business. He sold his first house to invest in a deposit for a truck because the banks would not finance his venture. He took a risk in purchasing the truck without any service contract and had to pay three months of instalments while the vehicle could not be used. Eagle Tours became the lifeline for the start-up and enabled Sunshine to meet his bank obligations. The truck eventually secured a six-month contract at a small-scale mine and Africa Link was born in 2009.

"Our logo demonstrates our tenacity and the fact that we don't wait to be invited to get business opportunities. Our mission is, 'We lead in Africa'. We are hungry for opportunities," Sunshine declared. Africa Link's greatest breakthrough was as a subcontractor for the transportation of coal from a mine in Mpumalanga. It was during this time that the fleet expanded from one to four vehicles, with three of them restored using scrap materials. Unfortunately, the shuttle business began to struggle due to the introduction of the Gautrain service to the airport and when the hotel contracts ended, Eagle Tours decided not to renew them.



Africa Link truck collecting bagged cement from Delmas grinding plant.

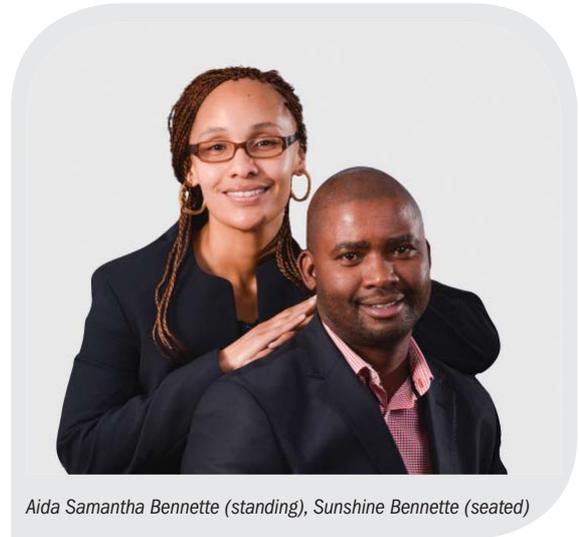
## The Delmas grinding plant

Sunshine tenaciously pursued the business opportunity at the Delmas plant and was offered the transportation of clinker from Aganang in Lichtenburg to the Delmas plant in Mpumalanga. "The first six months were tough, but we decided to invest in CEMENT's contract because the trucks travelled empty four days a week to Aganang to collect the clinker," stated Sunshine.

Africa Link now has 35 trucks, 20 of which are tippers and 15 flatbed types. The enterprise has been selected to mentor three other small enterprises supplying transport services to CEMENT. Africa Link transports approximately 10 bagged cement truckloads a day. The enterprise's strength is the technical motor mechanic abilities to restore and maintain their own fleet. There are currently 22 employees in the workshop, including the panel beaters, and 105 in total. Africa Link was selected for the EDP as a black wholly-owned enterprise with 50% female representation.

## Furthering the transformation agenda

Africa Link has 10 female employees, one of whom is a cement truck driver. Sunshine's drive and passion for the mechanical aspects of the business has enabled him to transfer technical skills to numerous young men from Mpumalanga – most of whom have never been employed. These trainees are not bound to the enterprise but are expected to use the acquired skills to earn an income.



Aida Samantha Bennette (standing), Sunshine Bennette (seated)

## Backward integration and a bright future

Sunshine's dream is to grow the technical team to enable Africa Link to build its own trailers. The enterprise also plans to partner with an insurance company as a preferred panel beating entity. Samantha has started a property development entity to further secure a stable future for their three children.

"No one can force you to do what you don't want to do. You need to be self-motivated and to do your best," concluded Sunshine.



An Africa Link truck being loaded with bagged cement at Delmas grinding plant.

## CIVILKOX TRADING ENTERPRISE PROPRIETARY LIMITED (CIVILKOX)

### From the street corner to the commercial kitchen

In 2007, Tshepo Tefo had to find a way of making money as the sole breadwinner in his family. He decided that selling fried chicken portions such as giblets, and mixed vegetables would provide sustainable income to cater for their daily requirements.

What started off as a means of survival soon became a passion when he realised that he had gained a consistent customer base. From the streets of Itsoeng, Tshepo developed a clear understanding of the market and became the preferred supplier of cooked and raw chicken portions in his community. Having insight into the target market enabled Tshepo to offer smaller affordable portions and a flavour that appealed to the local palate.

“It was easier to choose chicken as the meat of choice because it has a narrow grade range and doesn’t consume too much fire,” explained Tshepo when questioned on his choice of menu. He soon caught the attention of other local traders who attempted to emulate his model but failed to take away his market share because they did not understand the nuances of the customer base. The other emerging competitors decided to sell their food at the taxi rank in an

effort to pre-emptively capture the customers as they disembarked from work. They didn’t realise that the customers were not keen to purchase the meal before confirming with their families at home what the requirements were for dinner on a day-to-day basis.

“The customers also did not want to carry the food over the distance from the rank to home for fear of being robbed of their meal,” explained Tshepo. His proximity to his customer’s homes became Tshepo’s distinctive advantage.

When CEMENT started the stakeholder engagement process, Tshepo decided to formalise the business and registered Civilkox in 2013. He originally pitched his business as a supplier of protective gear in an effort to be relevant to CEMENT’s requirements. Further engagement with management revealed that he could still offer catering services, and he immediately submitted his proposal.

### Encountering competition

Civilkox was initially contracted on a temporary basis to supply meals to the night shift employees. Praise of his culinary skills soon filtered to the day shift employees, who then requested that Civilkox supply them with meals and replace a seasoned, well-resourced competitor. Tshepo demonstrated strategic thinking when he approached the competitor in an effort to partner in the supply of all the meals. Unfortunately this attempt was unsuccessful.



Tshepo Tefo (centre) with his employees.



Tshepo was eventually awarded the full catering services for the Aganang integrated plant. He immediately secured the services of two chefs, a driver and several assistants to serve the employees. Tshepo's transition from being a one-man entity to an employer was not without its challenges ranging from sourcing of inputs to employment contracts, negotiation with the banks and strategic planning. Tshepo decided to volunteer as part of the operations team for a hotel in Mahikeng to understand how to manage a restaurant and in particular, how to manage the stock, administration and operations.

"It was a difficult balance, volunteering and running the business, because I was called daily to deal with crises such as providing fuel to the driver. I realised that I had to find a way to not always take the office with me wherever I went. I partnered with a local fuel station to manage an account with them for the supply of fuel and also opened credit lines with the suppliers of food inputs. I had to establish these key relationships," explained Tshepo.

### **Establishment of a catering chain**

Tshepo has opened two traditional food outlets in the Northern Cape and Itsotseng in the North West province, serving strictly locally recognised meals. He has benefited from inclusion in the EDP through bookkeeping and marketing training. Civilkox currently employs 12 employees in the catering business and has been able to purchase six vehicles since becoming a member of the EDP.

"The CEMENT relationship has added a lot of value to my life and brought stability that is not always available through the over the counter businesses I also run. My net worth has grown a lot and I have managed to complete the construction of my own house. I have even started farming and I am pleased that I can provide a future for my two daughters. I have built a legacy for my children," said Tshepo.

### **Impacting the next generation of entrepreneurs**

Tshepo has started a Facebook page called Entrepreneur Street that he uses to mentor small enterprises. He is also normally invited by the local National Youth Development Agency to mentor fledgling entrepreneurs. "An entrepreneur never sleeps. They bring solutions to current problems. I have started a small business incubation entity that is scouting for investment opportunities," emphasised Tshepo.

Tshepo is a sterling example of how an entrepreneur can overcome his challenging circumstances. He is aspiring to start a franchise in hospitality and has established his first guest house within a mining community. Tshepo has also begun the planning of a butchery partnership chain and he intends to supply the livestock to be sold in all outlets.



## FOXIDO PROJECTS PROPRIETARY LIMITED (FOXIDO)

### **The passionate formative years**

Entrepreneurs Robert Tiro and Daddy Masilo had previously pursued political careers. However, in 2014, their passion motivated them to start a 100% black-owned logistics company named Foxido Projects. Their initial assignments began with ferrying water between several platinum mining entities and their employee residences. The tankers used in the formative years and seed capital were provided by Tiro's father, who already owned a logistics company.

The pair was born and raised in the North West province and was determined to harness available business opportunities in that area. After following up on a newspaper advertisement on CEMENT's EDP, Tiro and Masilo contacted the EDP to ensure that they participated in the supply opportunities. "When we heard of the upcoming opportunities at the Aganang plant, we immediately contacted CEMENT and offered to supply 'anything' required because of our desperation to secure sustainable business," explained Masilo. "We were determined to be registered ahead of any businesses that originate from other parts of the country and expressed the need for CEMENT to offer most if not all the supply opportunities to local business who had been waiting for a long time," emphasised Tiro.

### **Entrepreneurship tested**

Tiro and Masilo registered Foxido for the EDP and were successfully selected to provide logistics services for the transportation of clinker and coal between North West and Mpumalanga province. Foxido entered the EDP partnership with only two trucks in 2014, and continues to perform consistently well.

The sharpest learning curve was on how to manage cash flows to ensure sustainability, as the entrepreneurial pair had only budgeted for one month. "That was the toughest time in our business life and we almost shut down," said Tiro. Nonetheless, the business persevered partially through CEMENT expediting the payment of the outstanding invoices and working closely with the team to manage the cash flows.

The next challenge was to secure the services of experienced drivers who would work with the pair to minimise inefficient loads. The Foxido team quickly appreciated the need for

the meticulous management of loads and fuel to ensure profitability. They then had to define their individual roles and input into the day-to-day management of the business. Masilo was assigned the operations management role supervising the drivers, and Tiro the business development task to actively manage the partnerships with their clients. "We are both always looking for new business opportunities, regardless of our specific roles. We work many hours and are literally on standby throughout the day," emphasised Masilo.

The Foxido employee complement has been steadily increasing over the past several years from three to nine permanent staff, five of whom are drivers. This growth has been primarily through Foxido's participation in the EDP and other business ventures. The team's skill set has been further enhanced by the employment of a female administrative manager from the local community with a diploma in computer science.

### **The advent of success – the EDP partnership**

Foxido supplies transport services for clinker and coal between Aganang and Delmas plants on a daily basis. Their fleet currently transports 70 tonnes of clinker and 35 tonnes of coal, which amounts to 60 and 30 loads per month respectively. The EDP has introduced Foxido to a financial institution to fund additional vehicles and mentor them on cost management through strategic procurement of key inputs such as bulk diesel.

"CEMENT has helped our staff a lot," said Tiro. "Two of the drivers were unemployed before, but now they have a Code 14 licence. Because of CEMENT, we were able to take them through driver training. We've also grown a lot through the help of the EDP," said Tiro and Masilo. "We've learnt better ways to approach our roles and on how to negotiate effectively." The personal lives of this entrepreneurial pair have been completely transformed by the growth in their business. They have become local role models through their prudent approach to business. Masilo highlights how he has begun saving for his daughter's university fees.

Tiro enrolled at the University of Johannesburg to study Transport Management on a part-time basis in January 2016. "I always wanted to get into business, so I'm really grateful to CEMENT for opening up their doors to small enterprises. My vision for the company is to grow within the industry", said Tiro.

### Final word for young entrepreneurs

When asked what advice the Foxido management team would give aspiring young entrepreneurs from North West, they commented, “You need to believe in yourself and have passion. You must never give up in life.” “It is important to manage money well and budget for at least three months. The first month of no income can make you suffer, but don’t get discouraged,” added Masilo.

“Work hard and work smart,” emphasised Tiro. “People will have opinions on what you have to do, don’t forget your goals. Challenges will arise and circumstances may change but don’t be discouraged,” concluded Tiro.

Tiro, Masilo and all the Foxido employees are from the local Itsoseng area. They embody the entrepreneurial flair and attitude that is a requisite for participation in the EDP. The pair’s estimate is that Foxido now directly and indirectly feeds over 20 people in the area.



Robert Tiro



Daddy Masilo



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