



Steely resolve builds an empire

Humble beginnings didn't hold him back: in fact, it's the reason he's where he is today



WHILE MOST 11-year-olds spend their time playing with friends and avoiding homework, one little boy started growing his very first business. Now – 35 years later – Rafik Mohamed (46) runs a successful billion rand steel merchant and manufacturing company called Pro Roof Steel and is one of this year's finalists in the category Best Entrepreneur in the SA chapter of Ernst and Young's World Entrepreneur Awards.

"I'll never forget the day I gave my dad R1 100. He cried," says Mohamed. "From that day onward we became very close and shared an inseparable bond – both of joy and difficulties." That motivated Mohamed to become the entrepreneur he is today.

Four months into his matric year he quit school to care for his sick parents. Soon after, his dad passed away. "He was more than a school or university to me," says Mohamed. "One of the fundamental lessons he taught me was that your name is your most valuable asset. You can make money, you can lose it and you can make it again but if you lose your name you've lost it all. And I built my business on that fundamental lesson and I've never looked back."

After taking over his father's hardware store Mohamed became aware of the demand for roof sheeting, something he had to source from secondary suppliers. It wasn't long until he sold his idea of opening a roof sheeting manufacturing business to a steel company called Wedge Steel. "Somehow they gave me the credit lines, I set up the business and at the point where we had to sign a deal they opted out," says Mohamed. "But they did a very honourable thing at the time – they still gave me the credit line I needed."

In 1988 Pro Roof Steel was founded. "I was the driver, the manufacturer, the machine operator, the order taker, the accountant, the receptionist: I was everything in the business," he says. With a R30 000 loan from his uncle Osman,

Mohamed began selling 3 000 tons of steel a year. "The supply of building materials is dominated by the Indian community, so I had a strong customer base I could call on. By word of mouth I was able to make a breakthrough in my own community and they gave me the support I needed." In its first month Pro Roof Steel broke even and by the end of its first year Mohamed had made R1m profit. "My growth rates were phenomenal over the first 10 years," says Mohamed. "On average we were growing between 35% and 40% a year."

But it wasn't always easy. Pro Roof Steel was competing against significant players in the industry. "Those guys had 95% of the market share. But I always believe when there are monopolies, there are opportunities. Those conglomerates – with their excessive overhead structures – could never compete with individual operators who run their businesses on a leaner structure," says Mohamed.

Along with competitors, Mohamed found it difficult to gain access to finance and credit lines. But that simply motivated him to try harder. "I established myself by selling goods at minimal margins and I developed a marked reputation in the steel industry. The credit lines to buy my machinery were given to me purely based on my honesty and integrity – the level of which fundamentally till today drives my success."

Despite the success of his business, Mohamed was ready to give it all up when his brother and business partner, Shiraz Mohamed, died tragically in an aircraft accident. "When I lost him I went to my competitors and I begged them to buy me out. At the time I offered the business for R50m. They laughed at me. I said please take it, because if I get stuck in it's going to cost you R500m to buy me out. And that's exactly what happened."

Mohamed diversified the business beyond roof sheeting into a fully fledged steel merchant and manufacturer, with a keen interest in the lower-end market. "Low-cost housing – that's where our core focus is. I don't think in the next 20 years they'll be done with housing – and that's where our growth comes from."

Pro Roof Steel currently employs 800

*You can make money,
you can lose it and
you can make it
again but if you
lose your name
you've lost it all.*

SNAPSHOT ►►

Do you have a favourite quote?

Be yourself. Less is more. When you try chase more it's less and in today's environment you need to be yourself.

What really freaks you out?

Lies – because if you lie you'll steal and if you steal you'll kill. The one leads to the other.

Who was the last person to make you nervous?

My dad.

What do you consider your greatest achievement?

Living by my father's teachings.

If you weren't running Pro Roof Steel what would you be doing?

I'd be in the property business.

What keeps you awake at night?

Achieving success.

What was your greatest triumph building the company?

Looking at my competitors and seeing what they've achieved and then managing to achieve that too.

How do you motivate others?

I think other people are motivated by my success. They've seen me come from nothing.

What's the biggest mistake entrepreneurs make?

They're selfish and they don't empower people.

How do you balance work and home?

It's only come about over the past three years otherwise I've never had a balance. ■

people with eight manufacturing facilities spread throughout SA. It sells more than 150 000 tons of steel a year, its turnover exceeds R1,4bn, earnings before interest, tax, depreciation and amortisation are in excess of R80m and its net profit is more than R25m. And the recession hasn't slowed it down. "Historically, I've made the most money during a recession because there's always a gap in good times and bad times. In bad times big companies pull back and guys like me move in."

While the recession may be boosting business, the commodity cycle has hit SA's steel industry severely. "You can talk to people who have been in the industry for 50 or 60 years and I don't think they ever experienced what we experienced last year," says Mohamed. "The price of steel rocketed from roughly R5 000/t to R10 000/t in six months. We made a lot of money. But it was unusual, so I never spent the money, I banked it."

"Since August last year to July this year we have given it all back. I knew it was coming; prices went down from R10 000 back to R5 000/t. "We have to carry inventories of up to 10 000 t in stock and we had to devalue our stock every month by R5m because of the price reduction. So that caught us."

Despite that setback Mohammed says the business can grow to more than R4bn/year. "It took us a while to increase the basket of products we have but I'm nowhere near where I want to be yet," he says. "Pro Roof is aggressively looking at opportunities in terms of acquisitions and mergers." Along with those possibilities a future listing may be on the cards. "I don't think the dynamics of the economy will allow for a listing at the moment but when the opportunity comes we will," he says.

Mohammed is also looking to expand the business beyond SA's borders. "We see great opportunity in Africa, because Africa is the only continent in the world that offers great opportunities."

With his company continually growing, Mohammed has only one wish: that his late brother and his parents were around to witness the success of their teachings.

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