

Botswana-based retailer targets South African expansion

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Botswana-based retailer Choppies Enterprises is extending its South African footprint with the proposed acquisition of retail outlets owned by niche supermarket group Jwayelani.



On Monday Choppies - which listed on the JSE earlier this year - confirmed filing an application with the South African Competition Commission regarding an intention to acquire 21 Jwayelani stores in KwaZulu-Natal and the Eastern Cape.

Jwayelani was initially started as a butchery, but morphed into a niche convenience store chain with a presence in Durban and Pietermaritzburg as well as smaller centres such as Pinetown, Empangeni, Estcourt, Umzinto and Flagstaff.

No further detail was disclosed by Choppies, which already operates 39 stores in South Africa in the Mpumalanga, Limpopo, Free State and North West provinces.

A more determined push by Choppies into South Africa is not entirely unexpected after it opened a 8,000m² fruit and vegetable distribution centre in Rustenburg in December last year. At the time Choppies CEO Ram Ottapathu said the centre was critical to the company's expansion plans in South Africa's northern provinces.

Choppies' new distribution centre is now operating at only 35% capacity, but this will change as the South African operations expand. Ottapathu recently indicated that Choppies aimed to expand its footprint from 36 stores to 42 in the short term and 100 stores in the medium-term.

He said the company was following a very strong organic and acquisitive strategy for the South African market. Since Choppies' listing there have been questions in the market whether the company - which aside from its core market in Botswana also holds a presence in Zimbabwe and Zambia - can crack the competitive South African supermarket market.

Market watchers have pointed out that a good deal of Choppies' business is conducted in mining areas, where economic activity has been depressed by the ongoing commodity price crunch. The local market is also dominated by large retailers like Shoprite, Pick n Pay and Spar although Choppies has stressed seeking out opportunities in areas "underserved"

by formal retail offerings.

In the year to end June Choppies' South African operations recorded revenue of R1,75bn with gross profit of R390m. Ottapathu said although operations achieved ebitda (earnings before interest, tax, depreciation and amortisation) breakeven, the South African interests were not yet profitable on a net income basis.

Source: BDpro

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