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Rift splits City as banks sink Stone-Platt

By JOHN PETTY

AN angry rift split the City last night after Stone-Platt Industries had been forced to call in receivers because banks rejected a survival plan approved by institutional investors.

It jeopardised the whole future of "lifeboat" actions in which institutions and banks got together to rescue companies, said Equity Capital for Industry. "The banks lost their patience their nerve and their judgment," said a spokesman.

"It is not right or ethical," said M and G. "It is very sad. Stone-Platt could have recovered. Forecasts for 1983 indicate a small, viable and important company would have been there. If the banks start taking a five-minute view it is a bad lookout for British industry."

Lined up against Stone-Platt were the Midland, National Westminster, Barclays, Barclays Merchant and Williams and Glyn's.

"It came as an enormous shock to the board and senior management," said Leslie Pincott, former managing director of Esso Petroleum and former chairman of the Price Commission, who became chairman of Stone-Platt in November, 1980, to try to save.

Backing the group that has had two City rescues in two years were the Prucential, M and G, Equity Capital for Industry and Finance Corporation for Industry, which between them hold about 40 p.c. of the shares.

Staying neutral were the Bank of England, which co-ordinated City moves to keep Stone-Platt afloat, and the Industry Secretary, Mr Jenkin, who had said be could not help.

Accountants Bill Roberts and Bill Mackey, of Ernst and Whinney, are the receivers. Mr Mackey is already receiver for Laker Airways and other companies.

Their first task is to try to complete the sale to an unnamed American buyer of the Platt Saco Lowell division, the textile machinery business which is the main loss maker.

This was the crux of the new scheme and would have meant a write off of about £15 million. Gearing at Stone-Platt is almost 100 p.c. and it would have gone to 120 p.c. until a capital reorganisation and rights issue could be arranged for the autumn.

Banks would not accept this. They have already lost between £11 million and £14 million. "The decision was taken reluctantly after extensive discussion," said the Midland. "In the absence of an injection of equity capital in the very short term, additional risks were unreasonable."

Stone-Platt has borrowings of about £34 million, which is within its limits. Its scheme included the sale and lease-back of the Crawley works and the sale of the Altrincham factory for £5·4 million. Banks said these assets were already mortgaged.

"I thought I could see light at the end of the tunnel," said Mr Pincott. "All the frills had gone. We have co-operative unions, good workers, good equipment, good products and big export orders."

The group has already sold the pumps division for £11·5 million and the propellor businesses for £6 million. It has halved its payroll to 7,000 under Mr Pincott.

Mr Pincott said that over the past three years and two months the Platt Saco Lowell business had lost £10 million and the rest of the group had made a profit of £14·25 million before interest and tax. There had been "below the line" costs of £23 million through closures and streamlining.

The electrical division was highly successful and won a £5 million order from New York this week, he said. Scragg had a 30 p.c. share of world business in texturing equipment. "Group turnover would have been £100 million a year after surgery had removed PSL," Mr Pincott claimed.

Date set for Savings 24th-issue

THE 24th ISSUE of National Savings Certificates which go on sale from Monday, April 19, will offer investors an annual yield of 8·92 p.c. over the five year life of the certificates.

This compares with a yield of 10·51 p.c. over five years on the 23rd issue which was withdrawn from sale the day after the Budget.

The Department of National Savings also announced that the new certificates will be dealt in multiples of £25, as with the previous issue but that the maximum holdings will be £2,500 only, compared with the previous maximum of £5,000. Under the 24th issue, a £25 unit will grow in value to £38·52 at the end of the five year term. The 8·92 p.c. annual yield which is free of all taxes, represents a gross yield of 12·74 p.c. to the basic rate taxpayer.

Insolvencies same

COMPANY liquidations in the first two months this year are running at the same level as the corresponding period 12 months ago, according to provisional department of trade figures.

A total of 1,727 companies were insolvent compared with 1,722 a year earlier. Last month's total of 880 was down on the January figure but above the 776 in February last year.

Bankruptcies also show little change over the two months period. They were 892 this year against 889 in the first two months of last year.

Steetley sell

Cyclical index shows