



CONSOLIDATED
STEEL INDUSTRIES

Date: 10 November 2020

Business rescue update for Stalcor, GRS unaffected.

Dear valued customer,

Since CSI management made the decision to voluntarily enter the Business Rescue process on 13 July 2020, we have acted with speed to proactively protect all of its stakeholders' interests, particularly those of our valued customers and our employees.

Through the business rescue process, we have created a new, smaller and sustainable business but one that can grow in the future – as long as the economy does not deteriorate further.

We continue to enjoy the support of CSI's creditors, banks, insurers, landlords and employees and we have managed to implement 'right-sizing strategies' to establish a more focused and appropriately funded business capable of sustainable growth into the future.

Stalcor starts Section 189 - GRS operations unaffected

Due to the protection that the Business Rescue process provides CSI since July we have been able to offer employment to almost two thirds of the CSI workforce. During this time, the BRPs and the management team have worked tirelessly to restructure and find a buyer for the Stalcor division which has been losing a lot of money as this business has been suffering from the effects of a depressed steel market and lower margin sales where there is little or no value-add.

To date, not one of the potential bidders for Stalcor made an acceptable offer for the business which reflected its real value, despite the fact that we worked day and night to find one.

On 29 October 2020, the management team and the BRP's received a legal instruction from one of the companies we owe money to, to sell all of the Stalcor stock over which they have security in the form of a perfected General Notarial Bond (GNB).

This sale of stock was an agreed transaction between the security holder and the buyer of the stock.

As the demand for Stalcor's products has shrunk due to the weak post-Covid economy and as Stalcor continued to lose market share this year and became smaller, this has resulted in Stalcor losing its volume discounts on raw materials.

These factors, we believe, resulted in the instruction to sell the stock from the creditor mentioned above.

Consolidated Steel Industries (Pty) Limited (Reg No. 2006/031549/07)

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The situation Stalcor is now in is that the BRP's must find new suppliers within 60 days and try to negotiate an appropriate level of volume discounts. As this goal might not be achieved, the closure of Stalcor must be contemplated with the unfortunate consequence that all Stalcor positions would be made redundant. Due to this contemplation, we issued on Friday 30th October, a Preliminary Notice of Possible Redundancies and Retrenchments in terms of Section 189 (3) of the Labour Relations Act for Stalcor positions.

GRS' operations and its positions are unaffected by this decision and GRS continues to trade as normal. It is important to remember that Stalcor serves a different marketplace and set of customers to GRS.

While this news does not affect you as a customer, we have always been transparent with you and we wanted to ensure you were aware of this decision and the rationale.

We also want to assure you that even though CSI is still in business rescue, GRS has the funding and facilities to purchase all materials as needed and that all deposits and payments are safe.

I also want to make mention of the local supply constraints and price increase that has been a bitter disappointment. However, we are starting to see raw materials coming through due to the import program we have put in place and our teams are working around the clock to source material for your orders.

We are working in the most challenging circumstances any of us have seen in our working lives and I want to again thank you for your trust in and support of GRS. Should you have any questions, please do not hesitate to contact me or your branch manager.

Yours sincerely



Andrew Winter
CEO, Consolidated Steel Industries (CSI)