

**Companies and Intellectual Property Commission
Republic of South Africa**

Form CoR 125.1

About this Form

- This form is issued in terms of section 132 and 141 of the companies Act, 2008, and Regulation 125 of the Companies Regulations, 2011.
- This Notice and the attached report must be published to every affected person, and to-
 - a) The Commission, if the business rescue proceedings were started by the company; or
 - b) The court, if the proceedings were ordered by the court.
- A report and Notice must be issued at the end of the first three months of the business rescue proceedings, and at regular monthly intervals after that

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address

PO Box 429
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0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Business Rescue Status Report

Date: March 2021

Customer Code: IAN B03

Concerning

(Name and Registration Number of Company)

Name: Consolidated Steel Industries (Pty) Ltd

Registration No: 2006/031549/07

The above named company commenced business rescue proceedings on 13 July 2020.

Because the business rescue proceedings have not concluded within three months, the appointed business rescue practitioner provides the attached report in terms of section 132 (3).

Please see the annexed report below.

Name and Title of person signing on behalf of the Practitioner:

Ian Bryce Fleming

Authorised Signature:





CONSOLIDATED
STEEL INDUSTRIES

04 May 2021

CONSOLIDATED STEEL INDUSTRIES (PTY) LIMITED
(In Business Rescue) ("CSI" or the Company")

SECTION 132(3)(A) REPORT TO AFFECTED PERSONS
FOR THE MONTH ENDED 31 March 2021

The Company's directors and duly appointed Business Rescue Practitioners ("BRP's") have pleasure in submitting their report on the trading performance and financial position of the Company for the month ended 31 March 2021 ("**5th Monthly Report**").

Previous monthly reports to Affected Persons issued are herein after referred to as follows:

- **1st Monthly Report** – for the month ended 30 November 2020
- **2nd Monthly Report** – for the month ended 31 December 2020
- **3rd Monthly Report** – for the month ended 31 January 2021
- **4th Monthly Report** – for the month ended 28 February 2021

TRADING AND SALES MARGINS

Sales Revenues

| | <u>R'000</u> | | |
|--------------------------------|---------------|-----------------|----------------|
| | <u>Actual</u> | <u>Forecast</u> | <u>Planned</u> |
| Sales revenues for March 2021: | | | |
| - GRS | 80,752 | 80,498 | 77,762 |
| - Stalcor | 4,936 | 3,900 | n/a ** |
| - CSI (total) | 85,688 | 84,398 | |

***:* No 'Planned' sales revenues for Stalcor as this business has substantially wound-down down its operations

Percentage %

Percentage of Actual vs Forecast achieved for the month of March 2021 100,3%

'Planned' sales revenues for GRS represent those projected sales as reflected in the creditor-approved BR Plan.

Comment on Sales Revenues:

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

Directors: CJ Ransome (Exec Chair) AJ Winter (CEO)

Address: Cnr. Quality and Barlow Roads, Isando, 1601, Gauteng, South Africa

Tel: +27 11 898 2900

GRS:

During March 2021, GRS emerged from the effects of the general shortages of galvanised and painted steel coil which had plagued South Africa over the past 6 months, which shortages severely impacted numerous companies and industries in South Africa. This systemic steel shortage is first referred to in the 1st Monthly Report.

As referred to in the 4th Monthly Report, it is encouraging to note that imported raw material ordered by the Company is being received in increasing quantities and contributed to the achievement of GRS's March 2021 sales revenues.

Unfortunately, approximately 180 tons of imported coil received in March 2021 was found to have been damaged *en-route* by moisture, causing 'white rust', thus preventing it from being sold as 'prime material'. Credits for this damaged material are being sought from the relevant transacting parties involved in this consignment of raw material.

GRS exceeded its Planned sales revenues by 3,8% in March 2021 (+5,3% in February 2021). As at the date of this report April 2021 gross sales revenues are tracking to approximate the Planned sales for that month. Both the BRPs and management are encouraged by the performances and trends recorded by GRS over the abovementioned months. GRS's forward sales order book remains healthy vis-à-vis the BR Plan's Planned sales revenues for the remainder of the fiscal year.

GRS continues to actively manage and expedite the recovery of its debtors book, which at month end totaled *circa* R90 million, representing just over one month's total sales and 42 days of credit sales.

In its efforts to restore steel supply into the South African market, ArcelorMittal SA ("**AMSA**") had resumed its hot-rolled coil production by late December 2020 and, within 3 months, its downstream coil galvanizing and painting lines also became fully operational.

Encouragingly, during March 2021 AMSA's downstream production processes generated sufficient levels of galvanised and pre-painted coil to enable GRS to restore its minimum stocking levels of raw materials to ensure a 'return to normality' for the GRS business.

Notwithstanding this achievement, additional sales opportunities of *circa* R5 million for the month were frustrated, lost or postponed as a consequence of the 'white rust' problem referred to above. These damaged coils became the subject of detailed investigations and will only be capable of sale in subsequent months.

Stalcor:

A decision was taken during late October 2020 to accept an offer to sell all Stalcor inventories to a trade buyer at an average price of approximately 78% of book value, effective from 1 November 2020. This included a significant amount of slow-moving inventory. Accordingly, the Stalcor sales revenues for the month of March 2021 represent a continuance of the 'winding down' of Stalcor's traditional business, as opposed to a normal trading month characterized by ongoing trading stock replenishment.

Sales margins

GRS exceeded its Planned gross profit margins in March 2021 as a result of rapidly rising steel prices, both locally and internationally.

The Stalcor inventory sale and winding down process progressed as planned during March 2021. As was expected, the residue of the slower moving inventories was sold at 24% discount to cost during March 2021 (4% discount in January 2021; 15% discount during February). Although these discounts-to-cost have expectantly deepened, the targeted aggregate gross proceeds of 78% of book value of all Stalcor inventories is expected to be achieved, if not exceeded.

THE STALCOR WIND-DOWN

The winding down of Stalcor has been completed, with only debtors' book collection outstanding. The latter is expected to be completed by 30 June 2021. The contribution of the last stock items for March 2021 has been noted in the section above.

CASH FLOW

The BRP's and CSI management continue to successfully focus on and manage cash flow on a daily basis.

During the month of March 2021, the Company continued to achieve close to a +95% accuracy in terms of its budgeted/forecast cash flows and remain confident and committed to the settlement of all remaining 'ring-fenced' historical creditor obligations (amounting to *circa* R76 million) together with the payment, within terms, of all trade payables arising post business rescue.

Despite the ongoing sale process of sale of the GRS business, management and the BRP's remain committed to executing on the Business Rescue Plan according to schedule, to the extent possible barring all external influences. Management and BRP's further wish to thank creditors for their patience and assistance whilst they navigate the abovementioned challenges.

SALE OF CSI ASSETS

Disposal/discontinuance of non-core operations

The BRP's, with the assistance of Deloitte Corporate Finance ("**Deloitte**") and CSI management note the following:

- The businesses of GRS Botswana and GRS Roofing in Namibia are being considered for sale to the current parties finalizing the acquisition of GRS South Africa, but remain as ongoing trading agents at this point.
- There is also an outstanding amount of R2 million for GRS Zimbabwe, which is due for settlement in April 2021, but which is realistically expected to be received by no later than 30 June 2021.
- Refer to the 4th Monthly Report for details of non-core business disposals that have been successfully sold/discontinued.

SALE OF GRS

Plans to sell GRS as a going concern or CSI remain ongoing, with the due diligence process completed and a sale agreement to be completed, with several conditions to be met prior to closure. In accordance with the sales process, the BRP's, with Deloitte's guidance, are currently actively engaging with the identified potential buyers.

If successful, it is anticipated that the sale process will be completed by end of Quarter 2.

CONCLUSION AND APPRECIATION

The business rescue of CSI is still progressing well. The BRP's and CSI Management remain confident of ultimately achieving the financial projections set out in the BR Plan, albeit delayed as a consequence of the steel shortages and mitigating import strategies referred to above and in previous Monthly Reports.

CSI is grateful for the continued support of its valued customers, suppliers, financiers, creditors and landlords. The forward sales order book remains an achievable beacon to take the CSI business forward into 2021.

The BRP's together with CSI management remain committed to maintaining and increasing the momentum of this successful business turnaround so as to maximize the return for all affected persons.

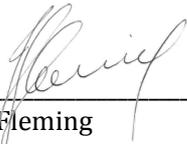
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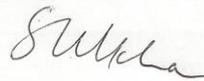
Chris Ransome
Executive Chairman



Andrew Winter
Chief Executive Officer



Ian Fleming
Business Rescue Practitioner



Sello Mkhondo
Business Rescue Practitioner