



CONSOLIDATED  
STEEL INDUSTRIES

8 June 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 30 April 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 30 April 2021 (“**6<sup>th</sup> Monthly Report**”).

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

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

**TRADING AND SALES MARGINS**

**Sales Revenues**

	<u>R’000</u>		
	<u>Actual</u>	<u>Forecast</u>	<u>Planned</u>
Sales revenues for April 2021:			
- GRS	82,304	81,600	81,510
- Stalcor	n/a **	n/a **	n/a **
- <b>CSI (total)</b>	<b>82,304</b>	<b>81,600</b>	<b>81,510</b>

*\*\*:* No sales revenues for Stalcor as this business has completely wound-down down its operations

Percentage %

Percentage of Actual vs Forecast achieved for the month of April 2021      100,9%

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

## Comment on Sales Revenues:

### GRS:

During the past three months, GRS emerged from the effects of the protracted general shortages of galvanised and painted steel coil which had plagued South Africa during the 4<sup>th</sup> Quarter of 2020 and the First Quarter of 2021. These shortages profoundly impacted numerous companies and industries in South Africa during this challenging period. This systemic steel shortage is first referred to in the 1<sup>st</sup> Monthly Report.

As referred to in the 5<sup>th</sup> Monthly Report, it is encouraging to note that both locally and internationally procured raw material, as ordered by the Company, is now being received by GRS in required quantities. This availability of raw material has resulted in yet another month where the Company has exceeded both its forecast and Planned sales revenues.

The approximately 180 tons of imported coil receipted in March 2021 which was found to have been damaged *en-route* by moisture, causing 'white rust', was sold during the month of April 2021 at a positive blended gross margin of approximately 6%, thus further mitigating possible financial loss relating to this defective material. This 'white rust' matter is more fully described in the 5<sup>th</sup> Monthly Report.

GRS exceeded its Planned sales revenues by 1,0% in April 2021 (+3,8% in March 2021; +5,3% in February 2021). As at the date of this report, gross sales revenues for the month of May 2021 are expected to exceed the Planned sales for that month by a factor of more than 15%. Both the BRP's 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 totalled *circa* R84 million, representing just over one month's total sales and less than 42 days of credit sales.

ArcelorMittal SA's ("**AMSA**") supply of galvanised and pre-painted coil to the Company has, for all intents and purposes, now been restored to sustainable levels, with the constraints referred to in the 4<sup>th</sup> Monthly Report having been substantially resolved.

As witnessed in the prior month, AMSA's downstream production processes are now generating 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.

### Sales margins

GRS's actual gross profit margins for April 2021 were 0.6 percentage points below forecast for the month. This negative variance was principally caused by the lower sales margins being achieved on the disposal of 'white rust' damaged material as referred to above.

Encouragingly, sales margins in the near term are expected to exceed Planned gross profit margins as a result of continued rising steel prices, both locally and internationally.

## THE STALCOR WIND-DOWN

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. The Company has now sold all of its remaining Stalcor inventories within the above '78% of book' price range. At 30 April 2021, collection of the residual Stalcor accounts receivable was progressing to plan with no further provisions for doubtful debts being anticipated.

## **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 April 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* R73.6 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 was due for settlement in April 2021, but which is realistically expected to be received within a three to four month timeframe.
- Refer to the 4<sup>th</sup> Monthly Report for details of non-core business disposals that have been successfully sold/discontinued.

## **SALE OF GRS**

The sale of GRS as a going concern remains ongoing, with a sale agreement having been signed and the purchaser's due diligence process successfully completed. At the date of this report, certain conditions precedent to this sale agreement, however, remain outstanding - in particular, regulatory consent.

At this stage, it is anticipated that the sale process will be completed during early Quarter 3 of 2021.

## 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 it delayed as a consequence of the steel shortages and mitigating import strategies referred to 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.

Thank you.



---

Chris Ransome  
Executive Chairman



---

Andrew Winter  
Chief Executive Officer



---

Ian Fleming  
Business Rescue Practitioner



---

Sello Mkhondo  
Business Rescue Practitioner