

# Nedbank Capital adjusts view on ArcelorMittal SA's prices

**MARK ALLIX**  
Industrial Correspondent

**NEDBANK** Capital yesterday amended its report on ArcelorMittal SA, after discussions with the steel maker's management.

As reported in Business Day yesterday, Nedbank Capital had said ArcelorMittal SA's domestic prices were on average 33% higher than its benchmark since the second half of 2008. But now it says it has adjusted its views.

"ArcelorMittal does not agree with our view," Nedbank Capital said yesterday. We have made adjustments to the way we calculate the company's steel price premium."

Nedbank Capital said the changes to its calculation arose from including value added tax (VAT) at 14% in the price of ArcelorMittal SA's domestic hot-rolled coil.

"The basket of prices which we used to calculate the benchmark does not include VAT," it said.

"Our hot-rolled coil basket price was calculated based on average prices in North America, Europe, Russia and China," it said.

"Our hot-rolled coil price in North America was in dollars per



**Nimrod Zalk**

short ton, whereas prices in Europe, Russia and China were in dollars per metric ton," it said.

"Also, the price we used for Russia was based on an export price, whereas for North America, China and Europe it was based on domestic hot-rolled coil prices."

Nedbank Capital said after taking these factors into account, it now calculated the ArcelorMittal SA price premium from the second half of 2008 until now as 11%, instead of the previously calculated 33%.

"The lower premium explains why ArcelorMittal has not been able to generate margins that are superior to its peer group," it said.

Nedbank Capital also said it was important to note that the adjustment had no effect on its forecasts or investment stance "as our calculation of ArcelorMittal's domestic price premium is purely an analysis of historic data".

On Tuesday, ArcelorMittal said the "difference between ArcelorMittal SA's pricing and the 'basket' price, since the second half of 2008 to date, has been about 6%."

Also on Tuesday, Nimrod Zalk, deputy director-general for industrial development at the Department of Trade and Industry, said it appeared ArcelorMittal SA had operational issues. "There appears to be considerable underinvestment in maintenance and productivity. That is one of the reasons margins are so low."

But yesterday, ArcelorMittal SA said it had invested substantially in past years, and had plans to re-line some of its facilities from next year. Its total investment programme last year was R1,2bn. This was down from R1,7bn in 2010.

allixm@bdfm.co.za