PIC not meddling

An outcry in February over the possibility that the Public Investment Corp (PIC), which manages government money, would make a politically motivated decision to assist Kalagadi Manganese has been proven unfounded.

But it is still not clear who is going to help Kalagadi Resources to find R3.9bn to buy out ArcelorMittal’s stake in the Kalagadi Manganese mine and sinter plant.

Kalagadi Manganese is 40% owned by Kalarhari Resources, a black economic empowerment company led by Daphne Mashile-Nkosi, whose political standing was illustrated by the presence of President Jacob Zuma in opening the mine late last year. The Industrial Development Corp (IDC) owns 10% of Kalagadi Manganese and global steel group ArcelorMittal owns 50%.

In late 2012 ArcelorMittal said it would sell its 50% stake to Mashile-Nkosi or her nominee for R3.9bn. The relationship between the two parties had evidently broken down.

ArcelorMittal had accused Kalagadi of excluding it from making key decisions while Mashile-Nkosi accused ArcelorMittal of trying to take over the project.

In February, PIC chief investment officer Daniel Matjila confirmed to the Sunday Times that the PIC was considering financing the buyout of ArcelorMittal’s stake, but said approval processes were at an early stage.

The possibility provoked some criticism, as questions have been raised about whether political motives have prompted some of the PIC’s other decisions: to back local over Chilean bidders for Adcock Ingram; to assist in the local buyout of Independent Newspapers from Irish owners; and to invest in a little-known African oil explorer, SacOil.

Manganese is an essential commodity in steel making but its current outlook is weak.

A PIC spokesman said last week the PIC had never invested in Kalagadi Manganese. “We were approached as possible funders of the project and subsequently commenced with the due diligence. However, this fell through when the company informed us that it had managed to secure funding elsewhere.”

ArcelorMittal said in an e-mailed response that it was in a closed period and could not comment in detail. But it had not been notified that financing arrangements for the buyout had been secured. It remained a shareholder in Kalagadi.

Mashile-Nkosi confirms that the PIC has not bought the ArcelorMittal stake.

“We are also subject to confidentiality regarding the process, notwithstanding the fact that we have applied for funding from the PIC. ArcelorMittal is still a shareholder in the company and all shareholders are still working together towards the completion and implementation of the project,” she says.

An IDC spokesman says it is not aware that the funding has been secured and it has not been approached to assist.

“We are not equipped to play a technical role that ArcelorMittal was initially envisaged to play.”

Apart from its 10% stake in Kalagadi, the IDC also provided a R1.05bn bridging loan facility for the sinter plant. In February, Kalagadi said it had secured a R22bn loan from the African Development Bank to complete financing of the mine, sinter plant and smelter.

However, the IDC said last week that the process of raising funds for the ferromanganese smelter at Coega had not commenced yet.

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