

Grindrod, a boost for Africa

Shipping and logistics group Grindrod has been a big spender on infrastructure for some time. Growing its network of port and rail operations allows the group to diversify away from international shipping, a notoriously cyclical business.



Alan Olivier, Chief Executive of Grindrod says the company will raise R4bn to put into infrastructure development in Africa. Image: Grindrod

With many important rail and port facilities spread throughout Africa, where infrastructure development is generally poor or non-existent, Grindrod often has to invest in and build, or improve, the facilities it needs.

This makes the whole transport process - which often starts in coal or iron ore mines and ends with the raw materials on Grindrod vessels being exported overseas - more efficient.

Grindrod's board agreed at the end of last month to raise R4bn via an equity issue, about three-quarters of which will be spent on infrastructure development.

Chief Executive Alan Olivier says this will result in the group spending about R10bn on infrastructure over the next three years. "The company has a significant pipeline of expansionary capital projects," he says.

Much of the immediate capital spending is likely to be on rail development, though further expansion at the Maputo and Richards Bay coal terminals has been mentioned. Also under consideration are the bulk liquid and oil storage facilities at Saldanha Bay and Coega.

The remainder of the R4bn equity funding will be used on rearranging Grindrod's BEE structure, initially by buying-back the interests of empowerment partners Calulo and Solethu, and then setting up a new BEE transaction which will include JSE-

listed Brimstone in the new consortium.

After the deal is wrapped up - the target is the end of next month - the new BEE grouping will own 8,5% of Grindrod, at the listed group level.

At the conclusion of the BEE deal, Grindrod minority shareholders will be offered a claw-back to purchase Grindrod shares from Grindrod and major shareholder Remgro

Source: Financial Mail via I-Net Bridge

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