Grindrod to spend big on African infrastructure, says CEO

Logistics specialist Grindrod had significant infrastructure spend planned going forward, said CEO **Alan Olivier** on Thursday.

Reporting on the company's financial results for the six months ended June 30, in Johannesburg, he noted that infrastructure in Africa and South Africa was "heavily underdeveloped", creating significant bottlenecks, especially in commodity exports.

One of the areas Grindrod was targeting for development was Mozambique, where the company was a partner in the Maputo Port Development Company (MPDC).

Olivier hoped to expand the annual capacity at the coal terminal in Maputo from the just completed six-million tons of coal and magnetite, to 20-million tons of coal and 10-million tons of magnetite over the "next few years".

The feasibility study for this expansion was to be completed before the end of the year.

Olivier also wanted Grindrod's Richards Bay Coal Terminal to increase coal capacity from 3.2-million tons a year to 10-million tons a year.

"Of course, this will require quite a lot of capital expenditure (capex). We have significant infrastructure spend planned going forward. We want to grow our ports and terminals business."

Grindrod had capex of R938-million on the table for the six months to December, but this did not include the Maputo expansions.

Olivier added that Grindrod was receiving several phone calls a day from companies seeking coal export capacity at its terminals.

"People are frustrated that they cannot sell their coal when the prices are this high.

"We see opportunities now in the bottlenecks that exist in infrastructure."

Olivier said Grindrod would like to become involved in other "strategically positioned" ports in Mozambique, such as Beira and Ncala, with that country fast becoming a coal mining hub.

MPDC chair and Grindrod executive director **Dave Rennie** noted that the coal currently moving through the Mozambican terminal all came from South Africa, with the expansion likely to cater for more coal from this destination, as well as possibly coal from Zimbabwe.

Any opportunities developed at other ports in Mozambique would be more targeted towards moving coal from that country.

Rennie said Mozambican coal volumes could ramp up to reach 100 000 tons a year, which would require "all ports" to be onboard, as well as "new ports" to be developed.

Looking further into the future, he added that Grindrod was interrogating development opportunities on some of the main commodity transport corridors in Africa, such as the coal export corridors in Southern Africa, the copper corridor going from Zambia through to Angola, and the iron-ore, gas, oil, and bauxite corridor in West Africa.

“You can see that we would be interested.”

Housed in the freight services division, ports and terminals was a healthy earner for Grindrod in the six months ended June 30.

Where Grindrod’s shipping earnings declined by a massive 81%, to R1.94-billion, compared with the same period last year, and with margins plummeting by 63% to 5%, freight services upped its margin by 53% to 13%, with revenue climbing 24% to R1.5-billion.

The trading division recorded a 24% increase in revenue to R14.2-billion, with an operating margin of 1%.

Olivier attributed the declines seen in the shipping division to an oversupply in ships and a subsequent drop in shipping rates.

He emphasised, however, that shipping would remain Grindrod’s main focus.

“When the time is right, we’ll increase our exposure to shipping again. Now we are in a cyclical downturn due to the oversupply of ships and not a lack in demand.”

Grindrod's total revenue declined 19% to R17.77-billion for the six months ended June 30 compared with the same period last year, with net profit down 36% to R277-million.

Net debt shot up from R1.9-billion to R2.9-billion, with Olivier expecting the net debt:equity ratio to ratchet up past the current 48% as capital expenditure requirements – and debt – grew further.