

# Grindrod to target Africa with rail unit

*Firm in venture with Pembani Remgro Infrastructure Fund*

RAZINA MUNSHI  
Infrastructure Writer

GRINDROD Freight Services yesterday announced a rail leasing joint venture with the Pembani Remgro Infrastructure Fund, established in 2012 by MTN chairman Phuthuma Nhleko's Pembani Group and Remgro.

The joint venture, Mauritius-based GPR Leasing Africa, could emanate from Remgro's purchase of 22% of Grindrod in 2011, to raise its exposure to African infrastructure. It will provide leasing solutions to African rail users, including state and private railway entities and mining companies. Grindrod owns 55% of the firm.

Africa needs to spend an estimated \$50bn in the next decade to develop 4,000km of additional rail infrastructure alone, according to Standard Bank estimates. Its rolling stock requirements are expected to be as sizeable, creating a window of opportunity for South African companies.

Grindrod operates a locomotive manufacture plant in Pretoria, and already exports to railway and mining companies in Africa.

To fund the venture, RMB has made an initial debt facility of \$50m available.

The deal is the second for the fund, which teamed up with US private equity firm Carlyle in 2012 to invest \$210m in Export Trading Group, giving it access to the agriculture supply chain in Africa.

The fund has ambitious investment plans, particularly in power and ports and logistics. CEO Herc van Wyk said that leveraging each partner's strength will be key: "(Mr Nhleko) has a strong track record of having established and built up a major entity in Africa.

"This is important for us. It will be useful in both the sourcing and selection of transactions."

GPR Leasing Africa has already secured orders for 31

## GRINDROD

Share price, daily close (cents)



Graphic: RUBY-GAY MARTIN Source: I-NET BRIDGE

locomotives from a number of different mining company clients in Southern Africa. This includes leasing contracts that GPR Leasing will buy from entities within the Grindrod group.

Growing its rail presence in Africa has become a key objective for Grindrod. The firm has a strategic advantage, Grindrod Rail GM James Holley told Business Day. Aside from manufactures and refurbishment, it had the ability to maintain locomotives in its country of operation.

Since Grindrod bought into RRL Grindrod in 2009, few of its leasing arrangements with clients have not included maintenance, Mr Holley said.

In Sierra Leone, Grindrod was able to ensure a 95% availability of rolling stock — despite its remote location, a staff complement made up almost entirely of expatriates and rain for five months of the year. Working conditions in African countries could be extremely difficult, Mr Holley said.

Rail is a strategic growth area. "To facilitate its growth, we needed to set up a funding structure that would give us the opportunity to sell and leave locomotives in an efficient way."

Grindrod says its locomotives are 30%-50% cheaper than other diesel-electric locomotives.

munshir@fm.co.za