

## Grindrod to become bigger player in rail arena



[Image by: Fernando Higashi]

Sasha Planting | 2014-01-21 16:25:34

Deal has support of shareholder Remgro.

CAPE TOWN: For the second time in six months freight and logistics company Grindrod (JSE:GND (/moneyweb-click-a-company/grindrod-ltd)) has capitalised on its relationship with shareholder Remgro (JSE:REM (/moneyweb-click-a-company/remgro-ltd)) to conclude a sweet deal.

In this case Grindrod Freight Services and the Pembani Remgro Infrastructure Fund have created a joint venture company to provide leasing solutions to the burgeoning African rail industry.

Investment in rail infrastructure is booming across Africa and Grindrod's rail division is determined to expand its footprint on the continent. The company, with operations from Angola to Sierra Leone and the DRC, provides an integrated solution – from railway track construction and maintenance to locomotive and wagon manufacture and refurbishments, to operations of the trains and railway networks themselves.

What it has not been able to offer in the past was funding for customers wanting to buy or lease the capital equipment, and this became an impediment to growth.

Enter the Pembani Remgro Infrastructure Fund which was established in 2012 as a partnership between former MTN CEO Phuthuma Nhleko and Remgro to invest equity in long term infrastructure projects across the African continent.

At the time Remgro put seed capital of \$75m into the venture, but most of this was invested in agricultural commodities supply chain manager, Export Trading Group alongside US fund manager Carlyle Group. So the fund is fund-raising and exploring new opportunities in parallel, says Herc van Wyk, CEO Pembani-Infrastructure Managers.

"We see huge plans for expenditure on rail coming up in Africa. The big opportunity lies with mining companies who want to get their resources to ports. "Mining companies want to focus on what they are good at – they don't want to do the ancillary infrastructure. The beauty of Grindrod is that they do it all," he says.

Interest is not just from mining companies, also private rail companies and some state owned entities.

This is a good deal, says Arnold Werbeloff, equity analyst with Vunani (JSE:VUN (/moneyweb-click-a-company/vunani-ltd)) Securities. "These days there are few producers of capital equipment that don't assist with leasing and financing solutions."

Rail, he says, is becoming increasingly important to Grindrod. "This JV should enable the company to secure more contracts."

The new entity, GPR Leasing, will fund the acquisition of the locomotives and freight wagons with equity (55% Grindrod; 45% Pembani Remgro), while RMB has provided a \$50m debt funding facility. "Key to rail leasing transactions is a combination of equity and debt – it helps to reduce the cost of funding," says Van Wyk.

The company has already secured orders for locomotives and is exploring immediate opportunities in Mozambique, Zambia and Zimbabwe.

This is the second deal in a year that has either been orchestrated by Remgro, which owns an effective 25% of Grindrod, or at the very least received its direct support. The other was the acquisition last year of a 20% stake in agricultural trading company Senwes by Grindrod Trading.

More deals are sure to come. Remgro has become an increasingly active shareholder and investor in the past year, doing deals in the food, energy and trading arenas.

[Tweet](#) [Share](#) [g+1](#) Like 1

**MONEYWEB**

[VIEW DESKTOP VERSION](#) (<http://www.moneyweb.co.za/moneyweb-home?mode=desktop>)

[ABOUT US](http://www.moneyweb.co.za/moneyweb-about-moneyweb) (<http://www.moneyweb.co.za/moneyweb-about-moneyweb>) [CONTACT US](http://www.moneyweb.co.za/moneyweb-contact-moneyweb) (<http://www.moneyweb.co.za/moneyweb-contact-moneyweb>)

[ADVERTISE](http://www.moneyweb.co.za/moneyweb-advertise) (<http://www.moneyweb.co.za/moneyweb-advertise>) [TERMS & CONDITIONS](http://www.moneyweb.co.za/moneyweb-terms-and-conditions) (<http://www.moneyweb.co.za/moneyweb-terms-and-conditions>)