

The industry's not ship shape

MOST MAJOR SHIPPING lines call in at Durban and Richards Bay, giving both ports an intercontinental flavour. Safmarine and the Mediterranean Shipping Company (MSC) are large users of Durban's container terminal and MSC also operates some luxury liners that regularly visit South African ports.

Safmarine has been expanding its container ship fleet, adding two new vessels to its container route last year. The most recent newbuild – Safmarine Benguela – was built in South Korea.

But the big fish in the shipping industry – not only around Africa but increasingly global – is Grindrod. It operates a fleet of more than 70 vessels, about half owned and the remainder contracted.

However, the global shipping industry has been through a tough time. The financial crisis saw demand for commodities drop, hitting volumes and freight rates.

Against that background Grindrod did well to manage earnings growth ahead of market rates. While latest financial results had turnover down by 60%, the group successfully survived the worst of collapsing world shipping markets, partly through its strategy of diversifying operations to include broader-based freight and logistics services. It even owns and operates a coal terminal at the port of Maputo, Mozambique.

Diversification is a strategy CEO Alan Olivier has been following since taking over at the helm of Grindrod a few years ago. Diversified, non-shipping operations accounted for half of group earnings in its latest financial results. A few weeks ago Grindrod added to that with the acquisition of Fuelogic, a bulk liquid fuel transporter. Its primary business is the distribution of fuel from oil refineries and import facilities to terminals, depots and large customers.

By Grindrod's standards it's a small acquisition R160m – paid in cash. Strategically, it could offer a lot of value. Olivier says while demand for fuel has softened on the back of suppressed economic conditions the long-term forecast for fuel demand remains robust.

Grindrod's transport operations are largely skewed towards the automotive and dry bulk markets. Further expansion into the petrochemical sector should reduce earnings volatility, Olivier says, and provide a platform for the expansion of operations into the Southern African Development Community region. ■