



NEW PLAN. The new owners plan to play on the company's strengths as a high quality, high safety standard contractor. Picture: Moneyweb

Grinaker-LTA's owners upbeat

TURNOVER: PREDICT TARGETS WILL BE MET

» Consortium looking to ensure the company has a strong balance sheet that is cash-strong.

Roy Cokayne

Moneyweb

Grinaker-LTA, which was acquired by the black-owned Laula Consortium from JSE-listed Aveng four months ago, is confident it will meet its turnover targets in its first year of operation, despite the negative impact of the Covid-19 pandemic.

Mlu Manci, chair of Grinaker-LTA, also confirmed that the new owners will not have to renegotiate the payment terms for the company with Aveng because of the negative impact of the lockdown.

Manci said the obligations for the cash portion of the purchase considerations and the first portions of the balance of the vendor commitments were met and debt or obligations "are not, for now, affected".

"The future obligations have not been affected and we are hoping the reopening of the economy and government's risk-adjusted approach will enable the construction industry to go back [to work]," he said.

The Laula Consortium was specifically created for the transaction and acquired Grinaker-LTA's mechanical and electrical business for R72 million cash.

But its acquisition of Grinaker-LTA's building and civils business involved an initial payment of R30 million settled via six equal monthly instalments that commenced on the 25th day of the sixth month following the closing of the transaction.

Both transactions were finally concluded in the fourth quarter of last year.

The consortium is required to pay a further R70 million, including the net working capital adjustment, that must be settled by no later than the second anni-

versary of the closing date of the transaction.

Shareholders

The consortium's shareholders are Manci's Oteo Investments Holdings (52%), Manzini Ventures (14%), Upsize Trading (10%) with the balance held by Bhekani Mdlalose, the MD of Grinaker-LTA when it was still owned by Aveng and who was part of the company's management team that remained with the company after the acquisition.

Manci said Grinaker-LTA has continued to service certain of its clients on a limited basis because they are essential services and has had some trading "even in this difficult time".

The force majeure factor

But he described the impact of the lockdown on payments to Grinaker-LTA from its clients as "certainly uncharted waters" and something that is presenting challenges for construction companies and its clients, particularly the debate around force majeure.

This is a common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond their control prevents one or both parties from fulfilling their obligations under the contract.

"I don't know how many legal opinions I have read. I think these will crystallise in time.

"Clients have been understanding but I think it's only this month that things will start to crystallise around this. Safcec [SA Forum of Civil Engineering Contractors] has been doing decent work in this area," he said.

Manci said the loss of income to Grinaker-LTA because of the lockdown is significant but the strategy of the new owners is to ensure the company has a strong balance sheet that is cash-strong.

"We were quite wise in the way we structured the business with Aveng because we had some capacity and headroom to deal with the lockdown," he said.