

CAPE Business News

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1 Jan 2018

PSG'S most liquid investment

STELLENBOSCH-based PSG Group – now a R62bn investment house with holdings in Capitec Bank and private education juggernaut Curro Holdings – has traditionally been very careful to tap new opportunities.

The company – headed by Jannie Mouton – well known for meticulous investment processes and a strategy built around backing ventures that could at worst led to a small loss but at best lead to huge returns.

In fact, both Capitec Bank and Curro – now collectively worth close to R120bn in market capitalisations – were backed with relatively small sums by PSG as fledgling ventures.

With this in mind, PSG's surprise decision to take a punt on the water services and reticulation sector could be a development to keep close tabs on in the year ahead.

In a deal that looks out-of-synch with PSG's usual endeavours, subsidiary PSG Alpha has – via a controlling shareholding in power management special-



South Africa's largest desalination project - 15 MI/day Mossel Bay plant, under construction in 2010. Photo credit Royal HaskoningDHV.

ists Energy Partners – bought into GrahamTek, a small Strand-based water desalination specialist.

The investment, from what CBN can garner, is tiny by PSG standards. But there are hopes that PSG and Energy Partners can bring the requisite skills and capital that will turn GrahamTek into a multi-billion rand business.

The deal coincided with the Western Cape's water shortages reaching crisis point, and GrahamTek – at the time of writing – was still waiting to hear whether its desalination tenders for the City of Cape Town were successful.

Desalination is key component of the City's water shortage alleviation plans with dams likely to run out of drinkable water by mid-lay this year.

A number of small scale desalination plants have been built along our coast with the largest being the 15 MI/day plant in Mossel Bay, built by Veolia Water in 2010.

But it seems the real

thrust for GrahamTek is the potential for securing international business.

Modular RO plants

GrahamTek recently unveiled a locally designed and assembled modular sea water, reverse osmosis, desalination plant for deployment in Saudi Arabia. Each of the modular plants has the capacity to produce 3 MI/day of potable water from sea water. The big advantage is that the plant can be up scaled to virtually any size.

GrahamTek CEO Julius Steyn said it was a big achievement for a South African company to present the world with locally developed technology relevant for the world's biggest desalination and water treatment hubs.

"We were earlier this year contracted to do consultation and optimisation work on the four largest desalination plants globally."

He pointed out that these Saudi Arabian plants produce more than 4 billion litres of water per day.

"The GrahamTek engineers identified opportunities to reduce the cost of water production by more than 20% and to improve the reliability of the plants in the process."

Steyn said that based on the successes achieved, the Saudi Arabian client asked GrahamTek to design a modular desalination plant optimised for their local conditions.

He disclosed the company was also busy with contracts in India and Ghana.

With GrahamTek set to score from international tenders, it seems PSG will play a key role in 'corporatising' the business.

GrahamTek, which has 20 years of experience in desalination and waste water treatment, was recently restructured from a family-owned business into a corporate entity with a firm focus on the international market.

The local angle is that Steyn reckoned the experience gained in Saudi Arabia would be very valuable to the rapid deployment required to solve the Cape Town crisis in a timely manner.

"Cape Town has amidst a major water crisis the opportunity to not only provide long-term water security for the region, but also to develop a sustainable water economy with global reach."

But Steyn cautioned that the capital cost of sea water desalination plants are substantial. "If financed over the

useful life of the plant however, which is typically 20 years, water can be procured by the city at R12 to R18 per kilolitre, which is comparative to what users pay on average in the city."

PSG CEO Piet Mouton said the combination of PSG as financial partner, Energy Partners as project developer and GrahamTek as sea water desalination expert made for a credible team which could make a significant contribution towards increasing the city's water supply in cooperation with the City and other role-players.

GrahamTek's 'technology' harks back to the late nineties when company founder William "Koerie" Graham introduced the 16" Reverse Osmosis technology in water treatment.

Although many doubted Graham's technology, the 16" system is now in use in some of the largest desalination plants in the world.

Basically GrahamTek's reverse osmosis process requires a mobile plant that that costs around \$3m (R42m) to set-up. The modular plant – which has a life expectancy of around 25 years - can produce 3 MI of fresh water a day. It takes about ten weeks to set up a single plant.

GrahamTek has already moved a pilot plant from the company's premises in the Strand to fruit exporter Capespan's warehouse at the Victoria & Alfred Waterfront.