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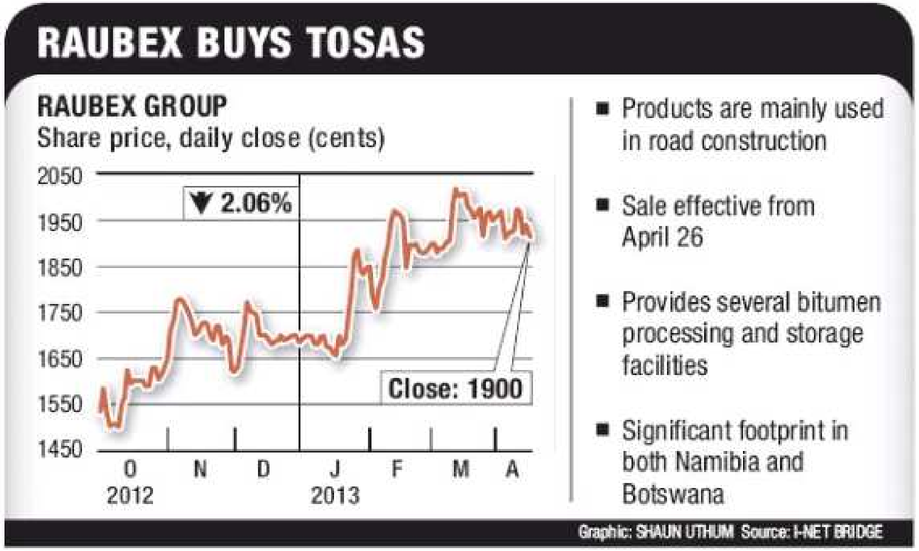
Tosas deal provides Raubex with 50% of its bitumen needs

LISTED road construction and rehabilitation group Raubex has bought Tosas, a maker of valueadded bituminous products, from Sasol Oil for R120m in cash.



The acquisition provides Raubex with several bitumen processing and storage facilities in inland regions of SA, and a significant footprint in both Namibia and Botswana.

It also provides Raubex with traditional and "modified" bitumen operations. Crucially, this gives the company security of supply in an uncertain South African bitumen market.

The Sasol subsidiary's products are mainly used in road construction. All regulatory approvals have been met, with the sale becoming effective April 26.

"Following an assessment of the strategic fit of the downstream bitumen business, Sasol Oil decided to sell its interest in Tosas," Sasol group said yesterday. Modified bitumen includes rubber or synthetic latex, and is a more elastic and durable product with greater temperature stability. Raubex CEO Rudolf Fourie said yesterday the acquisition gave the group the ability to "modify" bitumen in-house, and also provided 50% of its bitumen needs.

"We want to make sure we provide the whole value chain of road construction — that is our business." He said in the past Raubex had bought 50% of its bitumen from oil companies, and another 50% from suppliers of modified bitumen. These included Tosas and Colas SA, a maker of bituminous binders and slurries for road surfacing.

"The other main reason is because of the bitumen crisis in the country, it secures our supply," he said.

Persistent bitumen shortages have seen a rise in imports in recent years. Raubex had brought in product from both Singapore and Spain.

Mr Fourie said SA's major oil producers were turning away from bitumen production, mainly because of breakdowns in ageing plant, and due to plant maintenance costs. Instead they were now focusing on making and distributing diesel, petrol and kerosene. "Bitumen is probably at the end of that food chain," Mr Fourie said.

He said companies needed storage facilities for the product, and that Raubex now owned these, including for storing imported bitumen.

"We think the acquisition represents a strong strategic fit for Raubex as an integrated road construction and rehabilitation company," Sibonginkosi Nyanga, an analyst at Imara SP Reid, said.

"To avoid the repeat of the chaos that followed the shortage of bitumen in 2011, this acquisition is a good move by Raubex. If Raubex produces its own bitumen, it means that they will have control over the supply of the product, compared to a situation whereby a third party controls the product," he said.