

# THE CIVIL ENGINEERING CONTRACTOR

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## RAUBEX GROUP AIMS TO STRENGTHEN ITS VERTICAL INTEGRATION

The Raubex Group is the only contractor that can carry out the full road cycle, says CEO Rudolf Fourie, from sourcing the aggregates and crushing the stone to the asphalt and concrete work, and even bridge work and road markings.

**"T**hat is the difference between us and the rest of the market," Fourie says. "It has become a trend in the rest of the world and therefore is not unique to us.

However, it is a model that is certainly working." Fourie says the Raubex Group's strategy is to strengthen this approach through either acquisitions or organic growth.

"The strategy is essentially to focus on our vertically integrated model in South Africa. We also want to increase our geographical spread so that we have a strong foothold throughout South Africa. That has been our policy with our latest acquisitions, while most of the future acquisitions will also be in that light."

### Growth in Africa

Apart from this internal strategy, the Raubex Group is also looking to bolster its growth in Africa. "We are tendering for road and construction work. We are quite fortunate at the moment as we have quite a good order book in Africa, but are looking for work with better margins, mainly because the South African construction industry is under major pressure," Fourie says.

"The entire construction and mining environment in which we operate is very challenging at the moment." Therefore the Raubex Group is looking to extend its vertically integrated model to the rest of the continent.

"We will achieve this goal through acquisitions and also by tying up with local partners. You need to have a local presence in Africa." An example of this would be to acquire a crushing company and then to incorporate an asphalt and concrete focus.

### Established presence

Fourie adds that the Raubex Group will look beyond Zambia, Namibia and Botswana, as it already has an established presence in these countries. It has even contemplated international markets such as Australia and India, where the particular strength of the Raubex Group could give it a competitive advantage.

While the construction and mining industries are under pressure at the moment, "I believe there are going to be opportunities in that difficult environment," Fourie says.

**"The strategy of the Raubex Group going forward is to have a visible presence in the rest of Africa and to be a major mining solutions supplier, while remaining the leading road construction company in South Africa."**

"We have a strong balance sheet and are driving our cash position so we are able to capitalise on these opportunities."

As an example, Fourie points to the acquisition of Buildmax Crushers in September this year. "Due to economies of scale, efficiencies and cash injections, we have turned it around and it is making a very nice profit now. If you have cash, there will be opportunities, especially for us, and I believe we are well positioned for that."

### Outsourcing trend

The labour instability in the mining industry is prompting a trend towards outsourcing, and "that will suit us to a tee," says Fourie. This is because the Raubex Group has capabilities in everything from crushing to infrastructure and housing.

"For example, we will engage with major mining houses to determine whether or not we can provide mining solutions for their operations that encompass their entire businesses. These are the sorts of opportunities I am referring to."

"At this stage we have 22 companies within the Group," Fourie says. This marks the significant evolution of the Raubex Group from its initial formation as a private company during the difficult economic conditions of the early 1990s. The current structure is that while the individual companies remain autonomous and in charge of their own day to day operations, the majority shareholding and strategic direction lies with the larger Raubex Group.

It is this differentiation from a typical large corporate entity that has resulted in the ongoing success of the Raubex Group. "Our latest results will probably be some of the best results out there in the construction industry today with a strong order book of R7.5 billion." Fourie says the capex budget for the current financial year is pegged at R500 million. "It is based predominantly on the mining side, which is quite hungry for capex," he concludes. ■



# FROM GRANDMOTHER'S KITTY TO LISTED INDUSTRY GIANT

**Raubex was incorporated on 28 November 1974 by founder Koos Raubenheimer, thereby securing his status as a legendary figure in the South African construction industry.**

**R**aubex was incorporated on 28 November 1974 by founder Koos Raubenheimer, thereby securing his status as a legendary figure in the South African construction industry.

“My father started this company with R27 000 borrowed from my grandmother’s pension kitty. His biggest hurdle was obtaining a performance guarantee. He had to put up cash, rand for rand, in order to get that,” Louis Raubenheimer, Head of the Construction Divisions, says. Raubex had 45 employees back in 1974 and a revenue of R1 million in its inaugural year; in 2015 it has 9 000 employees and a revenue of R8 billion, with a proud record of 39 years of uninterrupted profitability.

Raubex was awarded its maiden contract by the Free State Provincial Administration on 1 January 1975, which was an R800 000 project for a bridge over the Vet River between Bultfontein and Wesselsbron in the Free State. The province’s road network was developing, which required a number of bridges, and Raubex was in the right place at the right time.

During the period from 1975 to 1986, Raubex diversified further into road construction as well as crushing, completing a record 109 projects in this period, of which 50 were bridges. These included the Vaal River Bridge between Potchefstroom and Viljoenskroon in 1979. Raubex’s first major road construction project was the Kroonstad to Koppies road.

## First cross-border contract

Raubex’s first cross-border contract was secured in Lesotho in the late 1980s. This comprised access roads and town infrastructure at Butha-Buthe for the Lesotho Highlands Water Project (LHWP), in addition to crushing stone for the Muela Dam and for the tunnel linings. Raubex’s involvement at the LHWP would last for an impressive four years.

Raubex then diversified even further with the commencement of crushing operations at Kroonstad in the Free State in the mid 1980s. This strategy resulted in the ultimate acquisition of various crushing operations in Gauteng in the 2000s, which saw another feather added to Raubex’s cap: this time as one of the leading crushing companies in South Africa.

As Raubex began to take on ever larger road projects, so it began to venture outside its home market of the Free State. The period 1987 to 1996 saw its tally of completed projects ratchet up to 200. In 1996, Raubex embarked upon an unbundling process to unlock further value in the group, and also as an ‘adapt or die’ response to South Africa’s international isolation at the time.

## Decentralised

It decentralised its activities into smaller companies, with the management of each company having a

substantial shareholding. This quickly resulted in the formation of Raumix, Roadmac Surfacing and Roadmac Surfacing Cape. In 2004, the group consolidated into the three main divisions that are prevalent today.

Raubex meanwhile continued with its acquisition strategy in order to grow the business even further. From 2004 to 2007 it acquired Canyon Rock, SPH Kundalila, Phambili Road Surfacing, Milling Techniks, National Asphalt and Centremark, while at the same time laying the groundwork for its eventual listing on the Johannesburg Stock Exchange. This auspicious event took place on 20 March 2007, catapulting the Raubex Group to the forefront of the construction industry in South Africa.

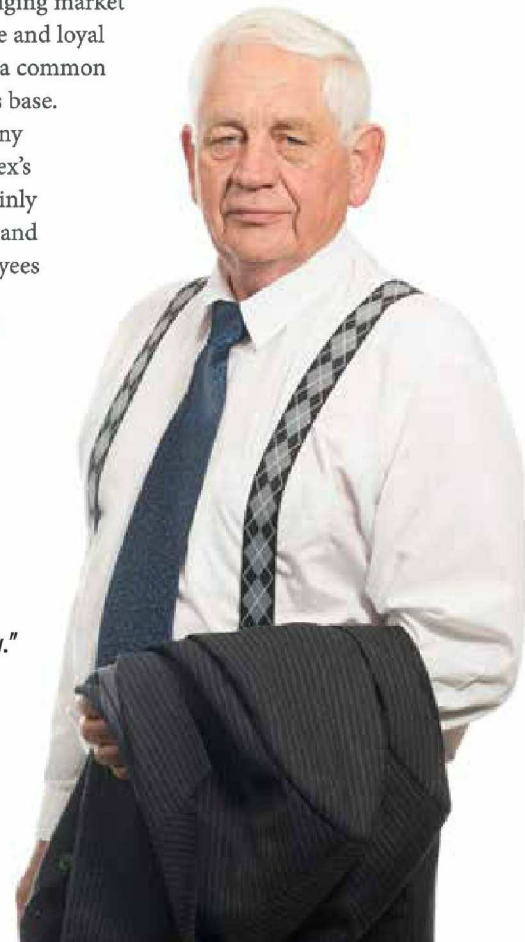
## KOOS RAUBENHEIMER

Born on 15 March 1943, Koos Raubenheimer founded Raubex in 1974 and has been Chairman of the Group since its inception. Prior to founding Raubex, Raubenheimer served as an engineer with the Free State and Kruger National Park Roads Departments for eight years. He gained invaluable experience in steering the Raubex Group through a challenging market by inculcating a cohesive and loyal management team with a common purpose and a rich skills base.

“We have achieved many milestones during Raubex’s 40 years in business, mainly due to the commitment and dedication of our employees to the Raubex family.”

Koos Raubenheimer. ■

**“My father started this company with R27 000 borrowed from my grandmother’s pension kitty.”**  
Louis Raubenheimer







# INFRASTRUCTURE & ROADS DIVISIONS

The Infrastructure and Roads market segments contribute a large proportion of the Raubex Group's total profit margin, despite margins in the construction industry currently being under pressure, Louis Raubenheimer, Head of the Construction Divisions, says.

The Roads Division comprises five companies that cover different areas of the country. Three are coastal companies while two focus inland. "Then there is Raubex Africa, with the Group having a registered company in every country in which it operates, which gives it the capability to move resources in and out of these countries."

While some of the road construction companies in the Roads Division favour rehabilitation and asphalt work, others are more geared for greenfield work. "Hence we offer the entire spectrum. Whatever is required in terms of roads, we are able to provide it. I believe that our Materials Division strengthens our competitive edge."

"When we tender on a major project, where there is crushing, structures and asphalt involved, we have all the necessary companies on hand. We even have a road marking company. Traditional contractors would be able to supply the asphalt but not have the crushing capability, for example. We have the entire spectrum on hand."

**"Hence we offer the entire spectrum. Whatever is required in terms of roads, we are able to provide it. I believe our Materials Division strengthens our competitive edge."**

## Raubex Infra

The Infrastructure Division contains a company called Raubex Infra that "covers all those areas that the road construction companies do not, with the exception of building work. We do not build shopping malls, office developments or high rises."

"Raubex Infra focuses on renewable energy projects, rail work and optic fibre rollouts in Africa, such as in Zambia and the Democratic Republic of the Congo (DRC). We also execute civil works at mines, including concrete structures, such as the R40 million Kumba Iron Ore Scrap Yard project, in addition to the dewatering pipeline at Sishen," Raubenheimer says.

"At Tweefontein we have completed Phase 1 of the project to construct a coal rail loading loop for Glencore which is now operational. This project contained a lot of specialised elements, from concrete to rail work and overhead track electrification."

## L&R Civil

L&R Civil carries out reticulation and major steel pipeline projects. "The reticulation work is to fill out any gaps in its order book. We are confidently awaiting the government's rollout of its infrastructure developments plans in terms of bulk water services in particular, which is critical to the mining industry as well," Raubenheimer says.

## Raubex Housing

Raubex Housing carries out mass housing projects, such as the 476 Housing Project it has just completed for Kumba Iron Ore's Sishen mine at Kathu in the Northern Cape. It also builds top structures for private property developers, which include clients like IHS (International Housing Solutions) and Valumax. "Project sizes range typically from 400 to 1 000 units, as this allows us to establish an "assembly line" system and achieve economies of scale as well as cutting the building cost per square metre."

"We do not compete in the lower end of the market at all. We are currently one of the biggest players in this market, which is a remarkable achievement given the fact that this company has only been up and running for two years now. The housing market is looking quite rosy at the moment, particularly on the mine housing side," Raubenheimer says.

## Raudev

Raudev is a property development company that obtains land and secures the rights to develop and market that land. "However, our focus is not only to make a profit on the development but also to add to the order book of all our other companies, such as Raubex Housing for the top structures and L&R Civil for the infrastructure. An example is the Wood Winds development in Midrand, where Raudev will be breaking ground in the next three to four months on this 400 unit project," Raubenheimer says. ■





# MATERIALS DIVISION

The Materials Division was formed from the acquisition of various companies in line with the Raubex Group's strategy of vertical integration.



"It is important to the Materials Division that it services its external clients to their satisfaction on a competitive basis."  
Tobie Wiese

"Raubex began as a road construction company. In 2007 it went on the acquisition trail for companies in the mining, materials supply and engineering environment,"

Tobie Wiese, Head of the Materials Division, says. Its main client base is external, with the Materials Division only generating about 20% of its revenue from the Raubex Group.

The strength of the Materials Division lies not only in its technical and engineering skills, but also in its highly competent and dedicated management team. It employs 4 300 people out of a total of 9 000 within the Raubex Group. Health and safety is high on the agenda.

"Our target is a Lost Time Injury Frequency Rate (LTIFR) of below one; this year it is 0.8. This is a major driver," Wiese says. The Materials Division has embarked on a number of Corporate Social Responsibility initiatives such as school projects in Namibia, the Free State and Eastern Cape.

## Raumix Aggregates

Raumix Aggregates, established 23 years ago to supply aggregate and sand for roads, now operates 12 quarries. "It is important to service our external clients to their satisfaction on a competitive basis," Wiese says. The Materials Division has grown substantially due to organic growth and acquisitions, of which the latest are in commercial aggregates.

"We have acquired a cluster of sand quarries in Gauteng and an aggregate and gypsum operation in North West, through OMV Crushers. We are also looking at acquisitions in Botswana." The Materials Division sees opportunities in Mozambique "on the mining and materials supply side."

## B&E International

B&E International focuses on the design, build and operation of mineral processing plants. It is a 'partner of choice' for mining and construction with its integrated crushing, mining and mineral processing solutions.

B&E International has designed and manufactured plants at its Port Elizabeth facilities since the 1990s. "There is a definite gap in terms of purpose built and operational plants for mine owners," Wiese says. "We work for major

listed mining companies such as De Beers, Billiton, Kumba, Gold Fields, Sibanye and Pilanesberg Platinum.

"We have a diversified exposure. However, we do not own resources as such. We provide engineering, materials handling, processing, mining and beneficiation services. We gravitate towards the minerals processing side, where we have a lot of technical strength," Wiese says.

## Comar

Comar designs and manufactures asphalt plants. It was acquired by B&E International in 2012. It began as a small local manufacturer and has supplied equipment to the Democratic Republic of the Congo.

## National Asphalt

National Asphalt is the second largest asphalt supplier in the country. It is a local leader in the implementation of global trends in pavement technology. National Asphalt has a strong presence in Africa due to its static and mobile plants. It acquired Shisalanga Construction to consolidate its presence in northern KwaZulu-Natal. National Asphalt monitors its carbon footprint closely and is installing bag houses on all its Comar mobile plants to improve air quality.

## Tosas

Tosas has been supplying bituminous products for roads and mining for over four decades. Specialist products include crack resilient rubber bitumen for sealing badly cracked roads and dust proofing of haul and access roads.

## Burma Plant Hire

Founded in 2003 in the Western Cape with five employees and three items of plant, Burma Plant Hire now has branches in the Eastern and Northern Cape and Gauteng. "Its growth is due to uncompromising customer service and a fleet of quality, application-specific equipment," says Wiese. Its fleet of 250 items of large capital equipment is updated regularly. ■

