



FUCHS PETROLUBE TANZANIA LIQUID GOLD





LIQUID GOLD

Petrolube, an affiliated member of the global lubricants group Fuchs Group, was established in Dar es Salaam, Tanzania, more than a decade ago. Now, exponential growth in the mining of gold and other minerals has presented it with unique opportunities



Blending plant

Though Tanzania's manufacturing sector is comparatively small, accounting for perhaps six per cent of GDI, it is growing rapidly thanks to the privatisation of companies in the sector and a government policy that has changed to attract international players. The involvement of SABMiller in the breweries industry, Holderbank and Heidelberg in cement production, and the Japanese Tobacco Company in local cigarette manufacturing are examples of growing levels of foreign direct investment (FDI).

This is where Fuchs Lubricants comes in. Fuchs as a brand may not be as well known as Castrol or Esso but that's because these companies focus on the consumer, so every motorist knows them. Founded in 1931, Fuchs is a specialist in industrial and specialised lubricants—and though it operates in more than 100 countries on five continents and employs nearly 4,000 people, it is still very much a family firm, ranking number one among the world's independent lubricant providers.

Fuchs is acknowledged as the world's largest independent lubricants manufacturer, supplying quality lubricants from 50 state-of-the-art ISO accredited plants worldwide, of which Fuchs Petrolube Tanzania is one. Of the total employees working worldwide, about 10 per cent are engaged in R&D, delivering a combination of German technology and a worldwide team of specialists to create the most advanced and industry-specific lubrication systems. Seventy per cent of all sales come



Barrels containing lubricants

from products developed in the last five years in partnership with leading American, European and Asian original equipment manufacturers who have approved Fuchs products for use in a huge range of machinery, equipment and components.

In 2011 the company achieved record earnings for the third successive year, despite the global downturn. Naturally enough the contribution of Africa to this growth was small, but the consumption of specialist lubricants is in proportion to the growth of mechanised industry. And it is no secret that the Chinese in particular have cottoned on to the fact that Africa is going to join the BRIC group of economies as its potential in terms of human capital is realised, together with the mineral resources that China in common with its trading partners around the world is going to need.

In 1999 Tanzania had yet to show much sign of this level of overseas interest and the country was chiefly known for being among the poorest in terms of per capita income. But the opportunity presented by a market which could only go upward was spotted by entrepreneur Feroz Kassam. Kassam set up Petrolube, at that time a small company trading in lubricating oils, greases and coolants. He quickly formed an alliance

with Fuchs, was appointed sole distributor for the region and started to grow a customer base among the process industries located in Tanzania's principal cities like Dar es Salaam, Arusha, Mwanza, Mbeya and new business complexes specifically designed to facilitate further investment, such as the recently completed Bagamoyo Industrial Park.

Engineering, assembly and process industries all rely on specialist lubricants,

cutting agents, hydraulic liquids and high performance oils. These are needed to prolong the life of equipment, lower the cost of production, and have been developed by Fuchs over 80 years of research and innovation—they are high-

value, high-margin products. To look for lower cost substitutes is a false economy, says Kassam. "When we started, the market was dominated by oil products imported from the Middle East: most of what was available was not fit for purpose."

As best practices were introduced, and local enterprises were joined by multinational partners, many of the major industries started



to specify the lubricants that had been tried and tested in other parts of the world, and generally that meant Fuchs products. However that had long been the position of the companies set up to exploit Tanzania's resources of gold and other minerals.

Fuchs Petrolube invested \$16 million in the construction of a blending plant in the Chang'ombe area to the south of Dar es Salaam, at Port Access Road, close to the oil refineries and storage facilities.

The 8,000 square metre plant is a state-of-the-art facility that makes use of computerised automated batch blending (ABB) systems based on sophisticated supervisory control

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Employee handling barrels

and data acquisition (SCADA). This ensures control and monitoring of the process in real time. The local company has thus been able to introduce a level of quality to the Tanzanian market that was not available before. “Frankly the distributors that were importing products into Tanzania were dumping low-grade lubricants: at best the customers were getting a product that was not tailor-made to their applications,” says Kassam.

The blending plant was designed to Fuchs Petrolube AG specifications and built by Petroserv, the specialist Dubai engineering company. All its equipment conforms to the highest industry API 650 standards. The facility includes a base oil tank farm with 2,200 metric tons storage capacity and can process 22,000 tons of lubricants and 2,000

tons of greases per annum. To support quality assurance for the manufacturing facility and provide after-sales support to customers, it also has a fully equipped testing laboratory—one of the best in East Africa. “We have all the required testing facilities for lubricants conforming to ASTM International standards including high-end apparatus, like a cold cranking simulator, Fourier transform infra-red spectrophotometer, and inductively coupled plasma spectrophotometer, among others.”

Back to FDI—the global manufacturing companies moving into Africa demand the same level of support from the lubricants suppliers as they enjoy in the US or Europe, and in Tanzania only Fuchs Petrolube can provide this. The improvement in

“THE MINING SECTOR IS BY FAR OUR BIGGEST CUSTOMER: OUR PRODUCTS HELP KEEP ALL THEIR CRUSHERS AND PROCESSING PLANTS RUNNING AT OPTIMUM EFFICIENCY”

Tanzania’s ability to attract FDI has made it, at least potentially, something of a tiger economy. It is now high among African economies in terms of FDI and at the very top of the list in terms of non-oil countries. However, according to the International Council on Mining and Metals (ICMM) the major single reason for Tanzania’s sustained high performance in recent years has been the massive new inflows of capital for

investment in the mining sector.

Driven by the high gold price, currently around a record \$1,600 per ounce but expected to reach \$2,000 by the end of 2012, gold mining projects like AngloGold Ashanti’s Geita mine and Barrick’s North Mara, Bugwazi and Bunyanhulu projects are key to further development. In 1999 when Kassam founded Petrolube, gold production was on a par with the country’s main export crops: tea, coffee,

cotton, tobacco and cashews. Each category generated less than \$50 million a year. By 2008, while coffee, tea and tobacco had grown to just over \$100 million, gold exports were nudging \$900 million.

In the year to October 2011, though, Tanzania's gold exports jumped by a third to reach \$2 billion, making it the third largest gold producer in Africa after South Africa and Ghana. "The mining sector is by far our biggest customer: our products help keep all their crushers and processing plants running at optimum efficiency," says Kassam.

Fuchs is renowned for its specialist products for the mining industry. Its Powergear lubricants, for example, offer unique protection from conditions found in mining, such as water and dirt contamination, high temperatures and shock loading. Cepplatyyn is a multi-service open gear lubricant for protection of open gearing and dipper sticks in shovels and draglines, designed to exceed the tough requirements of OEMs such as Bucyrus and P&H.

Currently, Fuchs Petrolube Tanzania is a completely indigenous enterprise with all its shares held by Kassam. In the coming year, Fuchs AG will exercise its option to acquire a percentage of the equity. Investment and expansion will continue, with new depots opening in provincial centres as well as other resource-rich African countries such as DRC and Rwanda. **BE**

For more information about
Fuchs Petrolube Tanzania visit:
www.fuchs-tz.com

A large, modern building with a glass facade reflecting the sky and clouds. The word "PETROLUBE" is written in large blue letters across the top of the building. Above the letters, the Fuchs logo is visible, consisting of a stylized 'F' and 'S' in blue and red. The building is surrounded by a blue metal fence with white pillars. In the foreground, there is a paved area and some greenery.

PETROLUBE

FUCHS



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