

Delivered additional profit of US\$ 3.8 million per annum by enhancing contracting system

BUSINESS CASE

Market Trends

- Increased competition in the country led to:
 - Higher pressure on concrete supplier to decrease per unit price of concrete
 - Tougher negotiations from customers on the Ready Mix terms and conditions
 - Higher liabilities concerning on site batching facilities in mega projects

CHALLENGE

What is the challenge

- For two consecutive financial years, the profitability of ready mix business was deeply impacted
- Operational EBITDA (O-EBITDA) varies from -51% to 381% in a 3 year period
- High Days Sales Outstanding (DSO) of an average of 126 days

Where is the challenge

- Ready Mix business unit

When was the challenge identified

- During the calendar year 2015 through

IMPACT

What is the impact

- Loss of profitability of up to 20% points due to penalties and high liabilities
- A belief among the sales team, that unless we give into customer's demands we will not be able to obtain orders

TARGET

What is the Target

- Reduce fluctuation of O-EBITDA within preferable numbers
- Increase O-EBITDA year on year above 25% points
- Work with the sales team to improve their expectation management and negotiation skills
- Renegotiate existing contracts to make them a win-win for both the organization and the customer(s)

OUTCOMES

Improved Profits

Additional profit of US\$ 3.8 million through increased revenue and decreased costs due to stronger contract terms and conditions

Operational Outcomes

- O-EBITDA increased by
 - 4.7 times in 2015 when compared to 2014
 - 2.4 times in 2015 Q4 when compared to average of 2015
 - 1.6 times in 2016 when compared to Q4 of 2015
- Decrease in DSO from 126 days to
 - 87 days in 2015 and
 - 80 days in 2016

Delivered using:

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