

Delivered additional profit of US\$ 6.53 million per annum by decreasing fuel mix cost

BUSINESS CASE

Organization Trends

- The organization was making losses with a Net Profitability of -2.3% in FY 2014
- The organization was evaluating various options to reduce costs, and the fuel cost was one of the largest expenses
- Cement plant uses multiple types of fuels for it's Kiln operations like Heavy Fuel Oil (HFO), Ground pet coke (Big Bag), Natural gas (NG), Un ground pet coke and Alternate Fuels (AF)

CHALLENGE

What is the challenge

- Decrease cost of production by optimizing the fuel mix
- HFO is the most expensive type of fuel at US\$ 17.9 per ton of clinker
- HFO is also the most used type of fuel, constituting 58% of the total fuel mix used at Kilns
- Reducing cost of production is a top priority for the senior leadership of the organization

Where is the challenge

At Cement plant Kilns (4 Kilns)

When was the challenge identified

During 2015

IMPACT

What is the impact

- Decreased profits due to high production cost
- High variability in cost of HFO leading to increased variability in production cost
- Fuel cost variance is above the budgeted cost by US\$ 14.4 million
- Risk of delay in production due to scarcity of HFO as a resource

TARGET

What is the Target

- Decrease cost of production by:
 - Decreasing fuel mix cost per ton of clinker
 - Increasing usage of pet coke in fuel mix
 - Reducing dependency on HFO as a fuel source
- Reducing dependency on HFO and NG also helps reduce disruptions to production as HFO is scarce due to political conditions

How much is the Target

- Decrease fuel mix cost from US\$ 31 per tonne of clinker to US\$ 23 per tonne of clinker

OUTCOMES

Increased profits

- Additional profit of US\$ 6.53 million per annum

Operational outcomes

- Decrease dependency on scarce HFO and NG
- Decrease safety risks
- Decrease in variance of fuel mix performance from budget by 45%

Leaders of Tomorrow

- Belief system within employee towards sustaining the reduced fuel mix cost and continued business impact

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