CAPEX reduced by US$ 9.2 Million during the peak recession period of FY 2008

BUSINESS CASE

Economic Trends:

- The 2008 recession hit all industries in some form or the other

- The biggest impact was on the availability of cash and credit limits

- This forced the organization to find cost saving opportunities in their CAPEX investments without having to cancel them

CHALLENGE

What is the Challenge

- Total CAPEX investment of US$ 126 Million
- Tight cashflow situation caused cash crunch, putting the CAPEX investments at risk
- No clarity in where the cost reductions will come from, and the risks associated with these cuts

Where is the Challenge

- Across 4 critical Civil Construction Projects

When is the challenge

- All 4 CAPEX investments are already in progress and are 5 - 12% complete

IMPACT

What is the impact

- The risk of cancelling one of the Civil Construction Projects resulting in
  - Loss of reputation
  - Loss of trust among investors
  - Refund of payments received from customers
- If the situation got worse, the worst-case scenario would be to stall all projects and lose the return on investment in the long-term

TARGET

What is the Target

- The need to cut down CAPEX cost by at least 12% without having to cancel the CAPEX Investments
- Need for contract renegotiation with partners and suppliers
- Continued on-time payment of partners and suppliers
- On-time completion of projects

OUTCOMES

Improved Profits

- Reduced CAPEX by US$ 4.9 Million due to Overdesign, while adhering to the Code of Practice and undertaking appropriate Risk Management
- Saved US$ 3.2 Million from procurement optimization
- Saved US$ 1.1 Million from Design Standardization
- A total reduction of 7.3% of the total CAPEX budgeted

Accelerated Cashflows

- Ensured that the Days Payable Outstanding (DPO) remains a maximum of 45 days for the organizations partners and suppliers

Delivered using:

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