



Driving RSSC Forward



simama
20-20

IGP

INTEGRATED
GROWTH PLAN



SUSTAINABILITY

**GROWING
THE BUSINESS FOR THE FUTURE**

EXPAND OR GO EXTINCT

What inspired the IGP?

The financial year 2017/18 saw both the raw and white sugar prices in the world market continue to trend downwards, losing about 33% in value, and EU markets prices also trend downwards – with a significant decline in the last quarter of 2017 and short term recovery unlikely. Nonetheless, we have recorded cane and sugar volumes that are ahead of what we had budgeted for, and profit also ahead of budget.

Where is the focus?

Although the adoption of the Integrated Growth Plan (IGP) was delayed by the drought that we experienced over three years, with the breaking of the drought, Phase 1 of the plan was approved and is now completed. Among the overall objectives of the IGP in the long term, are the securing of more water, and growing more cane to match our factory capacity. The mill performance and efficiency, particularly at Mhlume will be enhanced as it is expanded in a modular fashion.

It is hoped that our increased energy self-sufficiency will lead us, in the long-term, to become a net energy exporter as we focus on operational efficiency in our production chain.

“All of this will allow us, in terms of the IGP, to grow the business by investment and appropriate partnering as we ensure that our human capital is suitably skilled, motivated and aligned”

What will be the benefit?

As it is extended over a period of seven years, the project has been broken up into discreet parts that can be approved without jeopardising the whole operation. The project is that over 20 years it will result in E4.3 billion in additional profits after tax.

During the financial year 2017/18 the implementation of Phase 1 has been proceeding successfully. It was on time and on budget.

What else does the IGP look at?

The IGP with its focus on cost reduction and sustainability, will enable RSSC to be more competitive in the challenging market conditions. The IGP features the unit cost reduction and with that noted, sugar industries have high fixed costs and the expansion component of the IGP seeks to address this by reducing our unit cost. We are using every opportunity to improve the efficiency of the Mhlume factory in order to maximise this unit cost reduction.

An analysis has shown that there is sufficient water for expansion, and the water strategy seeks to “drought-proof” the business while developing new water storage.

In a nutshell the IGP is also designed to:

- Secure more water
- Grow more cane to match factory capacity
- Improve mill performance and efficiency, particularly at Mhlume
- Expand the Mhlume Factory in a modular fashion
- Move towards energy self-sufficiency and potentially become a net exporter of energy in the long term
- Produce more sugar and ethanol
- Focus on operational efficiency in the production chain
- Grow the business through appropriate investment and partnering
- Ensure that human resources are suitably skilled, motivated and aligned
- Continue to motivate for a new vision for Eswatini sugar industry



NICK JACKSON
RSSC MANAGING DIRECTOR



3 762
HECTARES
The total cane area that RSSC wants to expand





Phepsiwe Mveli
Head of Strategy

THE REAL REASON FOR SIMAMA 20-20

The Office of Strategy Management is responsible for ensuring that RSSC defines, plans, ensures cross functional involvement in implementing the strategy (Simama 20-20) and take care of change management across the organisation.

Simama 20-20 is our current strategy that we are pursuing as an organization and it started from our desire to remain sustainable as a business. When we realized that we will be operating in open sugar markets, it was when the business felt that one of the best ways to mitigate such challenges is to increase our capacity for us to produce more and this is how the IGP came to life.

Simama 20-20 is our entire strategy and the IGP goes beyond the year 2020 because it entails 7 stages which will be executed consecutively.

To achieve Simama 20-20, we all have to work together, this includes; stakeholders, employees and every member of leadership. Everyone must find their space and ask themselves that 'What do I need to do?'.

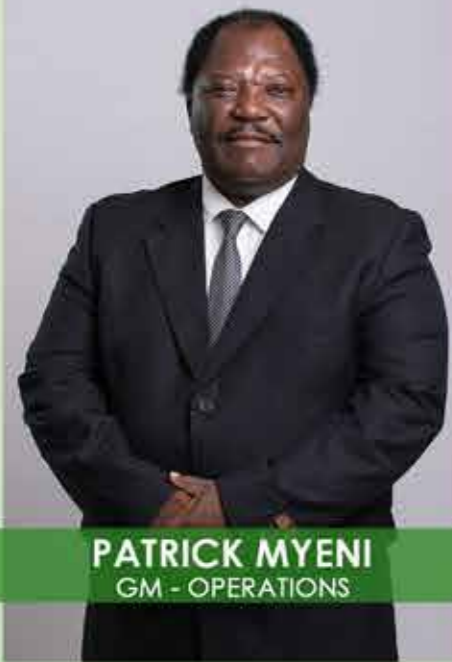
Given the circumstances prevailing in our environment, our plan in the short-to-medium-term is to address water security, expand production and optimize our operations in order to effectively lower our unit cost.

When we reach the year 20-20, once we get to the summit of Simama 20-20, we can then be ready to pursue our long-term vision to 2035.



DRIVING DOWN THE UNIT COST BY 20% BY 2020





PATRICK MYENI
GM - OPERATIONS

WE JUST HAVE TO EXPAND

diffusers. There is quite a lot of development that has happened over the years in terms of our cane area (footprint) and the introduction of various varieties (seed cane) which are giving us more sugar per hectare. We are also the biggest drip irrigated sugar estate in the world.

How do we become sustainable in the future? We approached this in two ways; one being the reduction of our unit cost of production which also entails operation excellence and the other being through growth in terms of extending our cane fields and expanding our factories to become more efficient. This approach is called the Integrated Growth Plan and it entails seven phases which were strategically broken down to facilitate the funding of these phases.

Over the past few years, we had only mills in the factories (both lines), in 1980 we actually grew and we were able to better our structure by introducing



962 HECTARES

The total new outgrower cane area

WATER INNOVATION IS A MUST

Why is the expansion project vital & how many cane fields are being added?

It is vital as a company to invest in the expansion of cane fields and the factory milling capacity. The total IGP land expansion in Agriculture amounts to 3762 hectares and in 2018/19 the organization is developing 379 hectares and the balance will be developed in the next 5-6 years ending in 2023/24.

There is also a portion of about 962 hectares which belongs to outgrowers. Out of this 379 hectares we are developing this year, 203 hectares is going to feed from the Mbuluzi river and the balance will be irrigated by the Komati system.



Has the project given the people of Eswatini employment opportunities?

We have employed on average about 120 seasonal employees and casuals, also local contractors have benefitted from the land development project. The bigger portion of contractors are those dealing with irrigation systems installation.

Will there be sufficient water for the additional cane?

We are aware that increasing cane fields on this minimal resources such as irrigation water is a threat, however we have come up with drought resilience strategies and one of those strategies is to convert traditional irrigation systems into the more water efficient systems. All the IGP land expansion will be under drip-irrigation.



Vusi Malubane
Agronomy Manager



120 JOBS

The number of seasonal jobs created by the expansion



E85,000

The estimated cost of stopping the mill per day for repairs, if we don't do the IGP



Jimson Tfwala
Factories Manager

WE'LL WORK MORE AND STOP LESS

The IGP is relevant to the factories in that it will drive the unit cost down by making sure that we crush for extended periods and reduce factory stoppages. Before the introduction of the new evaporators, we would stop the factory every Monday or Friday to clean the evaporators, yet with the new system we will be able to clean the evaporators on the run because they are now one line and in a bigger capacity.

In financial terms, stopping the factory means that physically we are not producing anything in the factories, there is no income yet the company is still paying employees which in a single day amounts to more than E85 000.

With the new evaporators being introduced, we have not added staff members to operate the new evaporators. The existing staff is excited about the new system and they have received trainings on operating the evaporators.



Dumsani Gina
Evaporator Operator

OUR WORK IS NOW EASIER

I would like to thank the company's management for introducing the IGP especially the new evaporators because it has eased my duty as an Evaporator Operator.

It is now easy to execute our duties because we are now able to operate the evaporators from the

system station since they are automated and we only come to check on them when there are issues that have been identified.

Plus the production rates have already started to yield positive results after the introduction of the evaporators.



Ivan Sutherland
EMS Manager

ENGINEERING MANAGEMENT SUPPORT

MHLUME FACTORY EXPANSION

RSSC embarked on a project to expand Mhlume Factory back in 2012, but unfortunately the feasibility study proved to be expensive for the company. With the results of reducing transport costs, the factory at Mhlume proved to be the favourable one.

From 2014-2016, a consultant was hired for the expansion and it was then that the factory was to expand from a 350 tonnes cane/hour to a 450 tonnes cane/hour.

The Mhlume Expansion project started in April 2017 and it has been successfully completed in August 2018.

The phase 1 project, entails increasing the capacity of the evaporator station and to do this we had to add-on evaporators into our existing arrangement. The old arrangement entailed a number of vessels and some of them were very old, this vessels were to be removed and the new arrangement had to be configured to allow the factory to clean on the run which is something that could not be done in the old arrangement.

The budget was set at E152million, but the project team was able to finish the project under budget at approximately E145million.

The significant amount of resources which were required for this project included suppliers, consultants and contractors from across the globe.

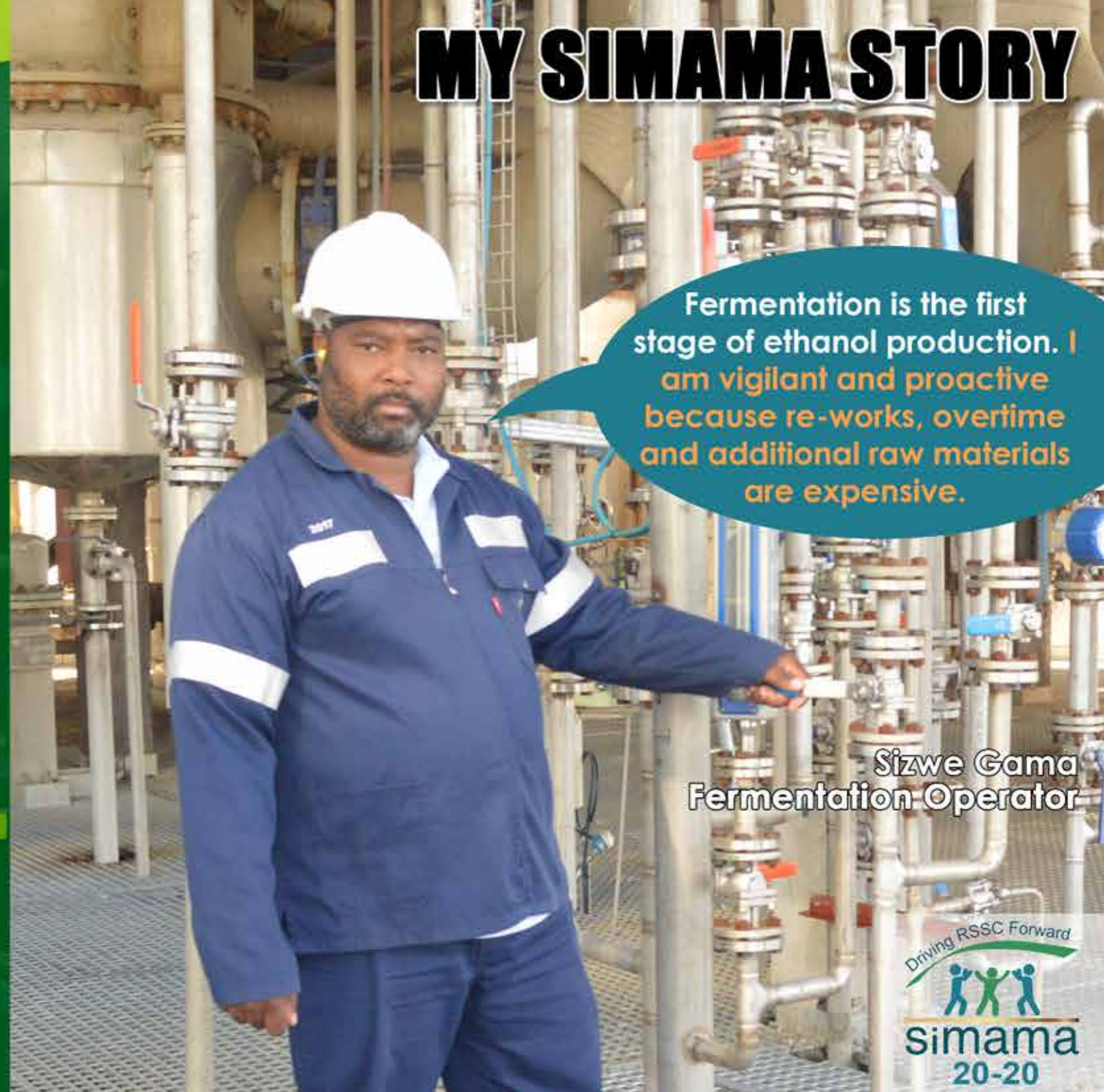


440

TONNES CANE/HOUR

The capacity that Mhlume Mill will now be able to crush after the expansion

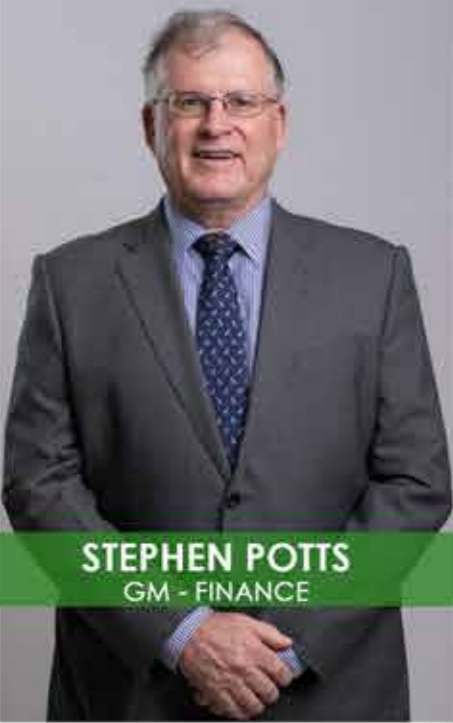
MY SIMAMA STORY



Fermentation is the first stage of ethanol production. I am vigilant and proactive because re-works, overtime and additional raw materials are expensive.

Sizwe Gama
Fermentation Operator





STEPHEN POTTS
GM - FINANCE

THE INTEGRATED GROWTH PLAN (IGP)

How much profits will we make after the IGP?

In terms of profitability, after the expansion project and reduction of the unit cost, the projection is that in over 20 years the IGP will contribute E4.3 billion extra profits. During the financial year 2017/18 the implementation of Phase 1 has been proceeding successfully. It was on time and on budget.

How is the IGP linked with our low cost strategy?

Having noted that there are two components to the company's strategy; the first being a low cost strategy involving a short to medium term theme comprising the maximization of shareholders value via growth and operational excellence and it is this approach that underpins our Simama 20-20 initiative; the second being a high value strategy involving, in the longer term, a more diversified flexible portfolio comprising high value-add initiatives tailored to a new customer base.

What inspires the IGP?

The IGP is important to RSSC. This growth, plus the improvement of the efficiencies, will lower the unit cost and RSSC will be able to compete globally in the challenging sugar markets.

The Integrated Growth Plan focuses on achieving the low-cost strategy



MY SIMAMA STORY



I no longer offer to call back people who call me from non-RSSC telephone extensions.

Dumi Dhliwayo
Financial Manager;
Management Accounting



MY SIMAMA STORY

I take good care of company property as I would my own to avoid frequent costly maintenance and I promptly report water leakages for quick response and thus minimize wastage.

Ishmond Fakudze
Property Manager

THE COMMUNITIES SAY



Lungile Mhlanga
Umbombo Wendlovu Farmers Association employee

Since the initiation of the project, we have witnessed a lot of changes in the community, from reduction of unemployment rate to family developments and overall community development.

I have been unemployed for a number of years and have been relying on my husband to support the children and myself, but since I started working for Umbombo Wendlovu Farmers Association, I am now able to support my husband at home and we are now able to develop our homestead.



Luzamo Mndzebele - *Mnyangombili Community Member*

Over the past two years, I have noted the expansion of the Mhlume mill and we were also included in the project after it was noted that we also have land we can use to grow sugar cane and we were financially assisted by EU to kick-start the project.

We had been growing maize in the fields where we have planted the sugar cane and we then decided to go to the Chief of the community to request his assistance to approach RSSC for assistance in us to start growing sugar cane.



Nomsa Nhlengefwa - *Madzanga High School Head Teacher*

Since 2014, the school has developed quite well and with sugar cane growing project having started in the area, we have seen a lot of development in the area. Parents are now able to pay school fees for their children because they are now employed at Umbombo Wendlovu and the welfare of the pupils is now uplifted because they now dress properly and are able to buy food during school hours which assists academically.

The school alone has also benefited profusely from the project by getting semi-attached teachers' houses which will ease the school's operations because some teachers commute from as far as Mhlume and Tshaneni. We are grateful for such a blessing and we thank EU and RSSC for ensuring that the project starts successfully and also benefits the community and school socially and otherwise.



OUT GROWERS PROJECTS



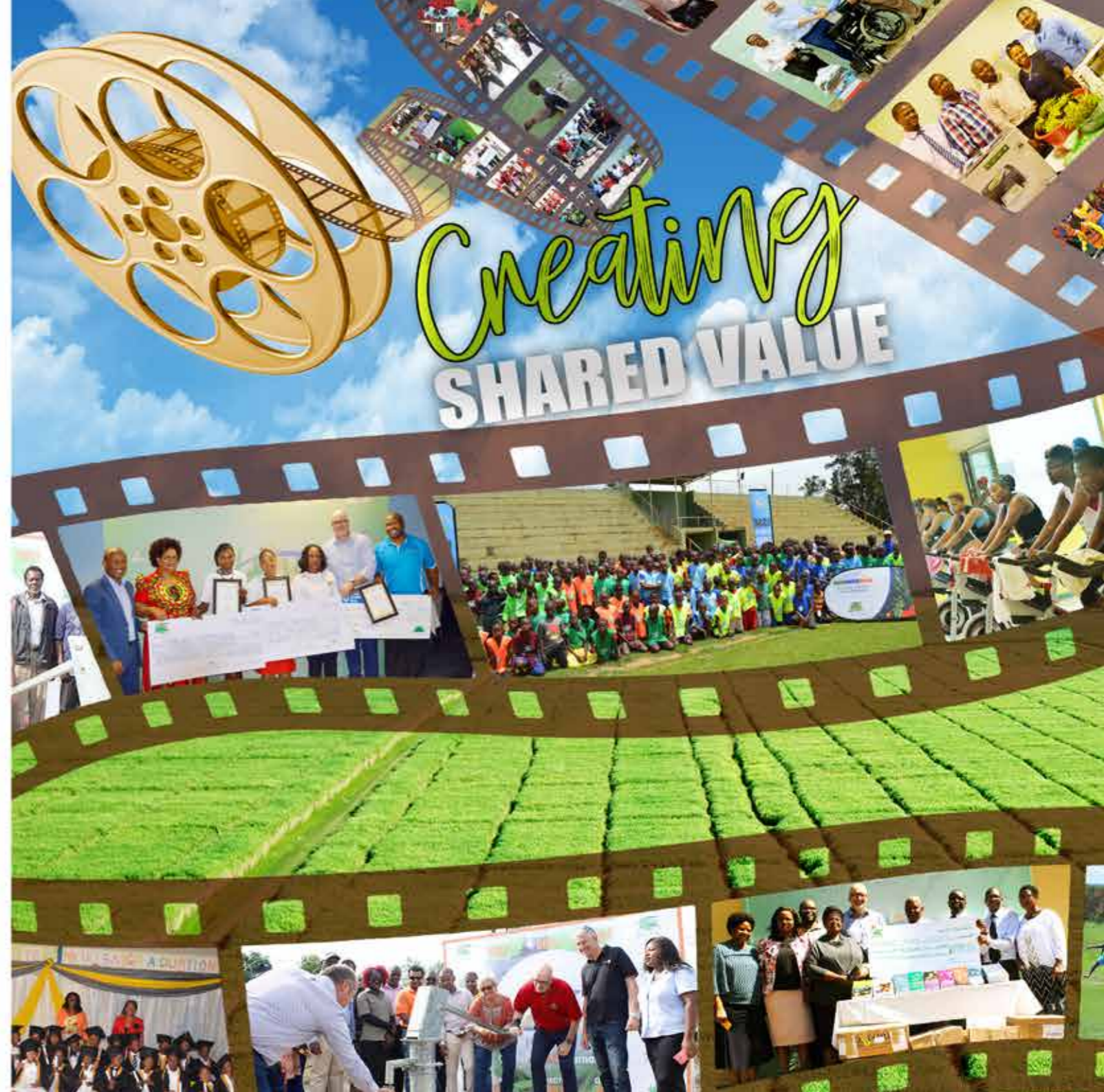
Jobs for individuals and contractors were created as a result of the ongoing expansion



The cane expansion has benefited both RSSC and new cane growers from the communities surrounding RSSC.



The community at large stands to benefit from the expansion project which has brought with it various aspects of social development, such as housing for 3 schools.



SKILLS FOR EMPLOYEES & EMPLOYMENT OPPORTUNITIES THROUGH IGP

One of the core areas of our strategy Simama 20-20 is the IGP.

Will the IGP bring more jobs?

We are phasing out a whole range of equipment in the factory and increasing area under production and generally increasing our efficiency level.

More land under cane means that there will be more employment opportunities for the people of Eswatini.

What skills will be needed by the workforce?

As a company we will refresh the current skills base. We have to up skill our employees looking at the modernisation of our manufacturing section and the employees will have to be able to cope with the new changing environment mostly because of the changes in technology.

We also have an aggressive training programme known as a Leadership Academy which focuses on training managers and RSSC has partnered with leading business schools in South Africa to see this being made a reality.



DRIVING DOWN THE UNIT COST BY 20% BY 2020

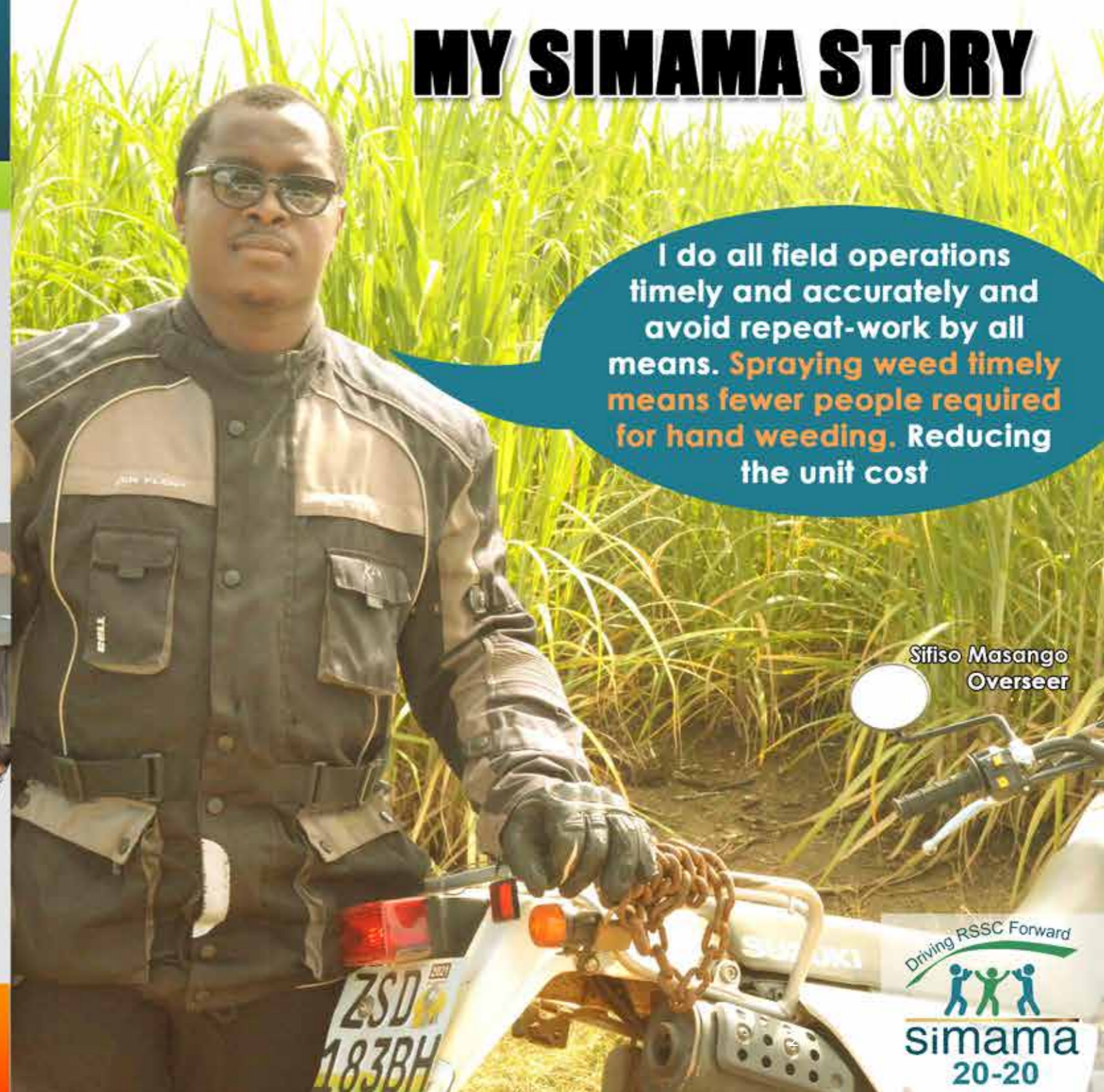


RSSC management and employees have been engaged in extensive workshops where talks about the company's strategy Simama 20-20 and the future were held. We are gathering suggestions and creating awareness about the business and challenges faced by the sugar industry.
 #Simama20-20



Until the price of producing
 one bag of sugar
GOES DOWN BY 20%

MY SIMAMA STORY



I do all field operations timely and accurately and avoid repeat-work by all means. **Spraying weed timely means fewer people required for hand weeding.** Reducing the unit cost

Sifiso Masango
 Overseer

MY SIMAMA STORY

My personal pledge towards saving costs is to switch off my office lights each time I leave the office and to switch off the air conditioner when I go home.



Nick Jackson
Managing Director



THIS IS THE IGP

INTEGRATED GROWTH PLAN

| | | | |
|---|---|--|--|
|  <p>SECURE MORE WATER</p> |  <p>GROW MORE CANE</p> |  <p>IMPROVE MILL PERFORMANCE & EFFICIENCY</p> |  <p>ENERGY SELF-SUFFICIENCY</p> |
|  <p>OPERATIONAL EFFICIENCY</p> |  <p>BUSINESS GROWTH</p> |  <p>NEW VISION</p> | |
|  <p>HUMAN RESOURCES SKILLS, MOTIVATION & ALIGNMENT</p> |  <p>PRODUCE MORE SUGAR & ETHANOL</p> |  <p>EXPAND MHLUME FACTORY</p> | |



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