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PC on Trade, Industry and Competition

Status Update: Mpumalanga Oversight Visit

12 October 2022

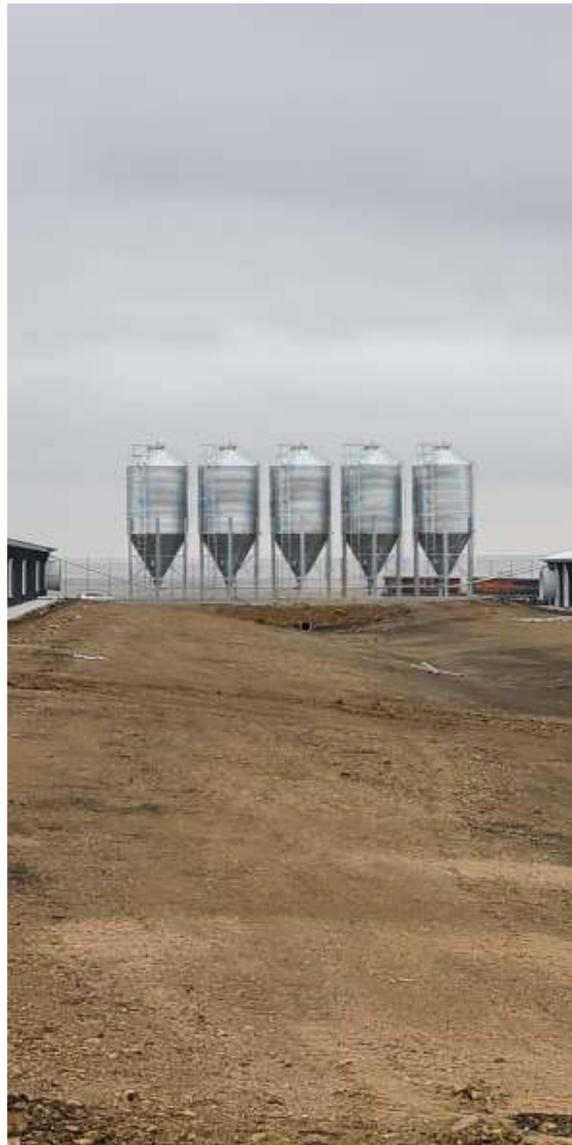
Description:

Gegana Business Enterprise is a family-owned agri-company operating a commercial livestock operation (beef and chicken) and farming grain crops near Leandra, Mpumalanga. Gegana was granted funding of R70,2 million, which includes R22,6 million in grant funding, the first draw down being disbursed in October 2021. The approved funding was to be utilised for expanding its chicken broiler business. Gegana currently has a production facility producing 1.8 million birds per annum. The new project will add capacity of 2.5 million birds per annum, bringing combined operations to 4.3 million birds each year. **When the committee visited the new broiler site, the groundwork in preparation for the construction had commenced.**

Status update:

To date, 55% of the approved funding has been disbursed, with 33% of the remaining undrawn amount being requested for draw down. Construction at Gegana is nearly at 90% completion and the first order of day-old chickens has been placed. Delivery of these day-old chickens is expected on 20 October 2022.

Gegana Business Enterprise



Description

Roadgrass Investments is an agri-company operating a fully commercial chicken broiler business in Delmas, Mpumalanga. In this regard, it was approved for funding of R55,3 million, which was disbursed in September 2021, and received a R18 million grant from the Department of Agriculture, Land Reform and Rural Development. **The eight technologically advanced broiler houses were under construction would each house 40 000 chicks per cycle. The project was expected to be operational by August 2022 during the time of the committee visit.** It is expected to yield about 320 000 birds per cycle.

Status Update

The IDC had disbursed 99% of the approved funding has been disbursed to date. The project has been completed and operating at full capacity. The first cycle of chickens has been delivered to Astral Operation Limited in the first week of October 2022. It is further pleasing to note that the farm is currently growing their second cycle

Roadgrass Investments - Delmas



Description :

Mixcorp is a youth-owned emerging logistics company established in 2014 to provide intermodal logistics solutions. The company is wholly owned by Mr Mixo Kobe. Mixcorp secured a 5-year Eskom Holdings SOC Ltd (Eskom) contract for the provision of management and handling services associated with the delivery of coal by rail at Tutuka Power Station, ending in March 2024. Mixcorp advised The Portfolio Committee during their site visit that it is experiencing challenges with repayment of IDC facilities due to high unplanned and planned stoppages of Tutuka Power Station.

Status Update:

- In May 2022, a client visit was conducted to perform a value creation plan, and look at various options to assist the client during this difficult period
- In June 2022, The IDC was advised that the client and Eskom are in negotiation for early termination of their contract
- They then requested the IDC to provide settlement figures on the IDC loan, which was provided for the 29 June 2022.

Status Update Continued:

The following operational reasons were cited for termination:

- At inception of the Contract, it was contemplated that Tutuka would have a need for coal to be delivered in addition to what the colliery delivers via conveyor belt. These additional volumes were intended to be delivered via rail to Tutuka, hence the need for the Contract. However, **the coal requirements of the power station have unexpectedly plummeted.**
- As from October 2021, **the plant performance of Tutuka decreased to such an extent that it becomes uneconomical to transport coal to Tutuka via rail.** Subsequently, the last train was offloaded at Tutuka on 8 May 2022.
- **There is no additional coal required at Tutuka, other than coal via conveyor belt.** It is futile and economically unviable to maintain the Contract in circumstances where the services performed by the Contractor has and will continue to become redundant
- The cost of having a siding which will **not be utilised may constitute fruitless and wasteful expenditure** in terms of the PFMA & associated legislation.

Notice of termination was issued in September 2022. The parties are currently in negotiation of settlement. We understand settlement will include settlement of IDC's facilities and all creditors affected by early termination



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Thank you