

Launch of a compound feed production plant

KAZAKH INVEST
Investment proposal
November 2020

Agricultural sector

Project idea:

The Project envisages the launch of a plant to produce 120 000 tonnes of compound feed per year on a 3.3 ha site in Almaty.

The plant owned by the Initiator is fully operational. It is connected to all infrastructure and utilities, including railway sidings. The production site covers an area of 4 000 m².

The potential partner will have the required sector experience to improve its business by expanding its product range, upgrading the production process, and including Initiator product in its supply chain. The Project creates 25 new jobs.

Project location:

Almaty

Project Initiator:

Baharat LLP

Production capacity:

It is planned to reach full capacity in the third year from the date of launch, after which production volumes will reach a plateau at the level of 118.8 thousand tons per year. На начальных этапах развития At initial stages, product will include compound feed for various bird types, according to age, including:

- Start – 13.1 thous. tonnes;
- Grower – 40.4 thous. tonnes;
- Finish – 65.3 thous. tonnes.

Sales market:

The plan is to sell product created by the Project in neighbouring countries (Uzbekistan and China) through direct targeted sales with subsequent delivery to the buyer's warehouse.

Investment attractiveness of the Project

Indicator	Results
Investment amount, US\$ thousand	3,633
Project NPV, US\$ thousand	26,417
MIRR, %	24.5%
EBITDA margin, %	13%
Payback period, years	2.0
Discounted payback period, years	2.1

Investment structure



Initial working capital



100%

\$3.6 mln

Prerequisites for implementation of the Project

Advantageous location.

Almaty is a city of national significance and one of the leading industrial and economic centres of Kazakhstan. It is recognised as the southern capital of Kazakhstan. The main rail lines and “Western Europe – Western China” transportation corridor pass through Almaty. It is also home to an international airport, which helps reduce transportation and logistics costs when exporting goods.

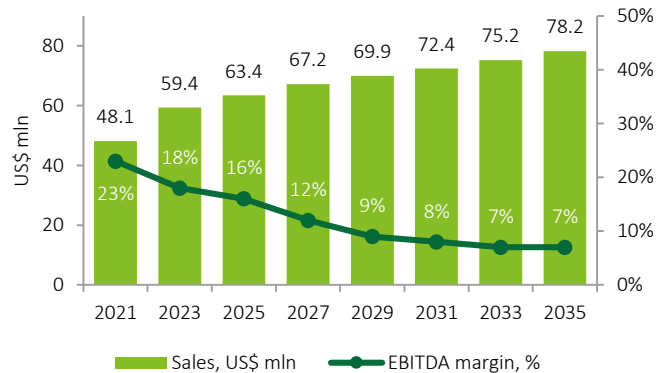
Sources of raw materials.

The main Project raw material, which is grain – wheat, will be purchased from local growers. Kazakhstan is one of the top 10 wheat exporting countries, with production reaching 11.5 million tonnes in 2019.

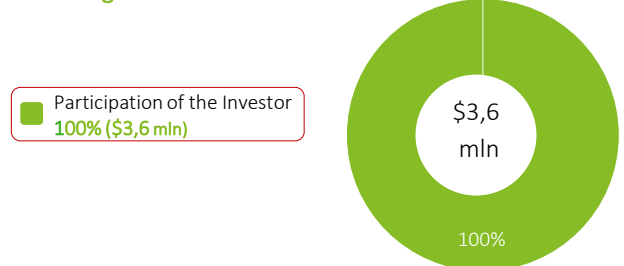
High-tech equipment.

Equipment used to prepare feed meets current technical standards. The manufacturer is the Swiss company Bühler AG, which is one of the global producers of feed and food products.

Project's profitability



Financing structure



The proposed financing structure and state support instruments are indicative, the final financing and Project participation structure will be determined based on the results of negotiations with the investor.

Poultry feed farming and production on newly irrigated land

Agro-industrial complex

Project description

Organisation of forage production based on soybeans and corn for poultry. The production is planned in two locations in Almaty Oblast:

- in Turgen rural district of Enbekshikazakh district on a leased land plot of 800 ha; and
- in Tigermen rural district of Uygur district on own land plot with an area of 1,200 ha. The production process will include a resource-saving technology for crop irrigation.

The production process will include a resource-saving technology for crop irrigation. The Project will create 75 jobs.

Initiator:

Adal Agro Group LLP, which is a member of Otan Green Food LLP group of companies engaged in the food products industry. It produces chicken eggs, meat products, sausages and delicacies. In the corporate strategy of the Initiator as a holding structure, this project is considered as a vertical integration project, which will allow achieving self-sufficiency, reducing the cost of final products and bringing under cultiv

Commodity production and capacity:

Upon reaching the design capacity in Year 3 of the Project, it is planned to produce 14,742 tonnes of feed annually. Produced goods:

- Corn;
- Soybeans.

Sales markets: domestic market and export.

Key investment indicators of the Project

Indicator	Results
Investment amount, US\$ thousand	6,968
Project NPV, US\$ thousand	5,520
IRR, %	22.9%
EBITDA margin, %	53.0%
Payback period, years	6.6
Discounted payback period, years	9.5

Investment structure



Construction and assembly work

10%

\$0.7 million



Machinery and equipment

28%

\$2.0 million



Other capital expenses

62%

\$4.3 million

Prerequisites for Project implementation

Guaranteed domestic sales.

The most products will be sold under contracts with the parent company Otan Green food LLP, which provides a guaranteed domestic sales for the products manufactured.

Demand for grain fodder and grain legume fodder in Kazakhstan.

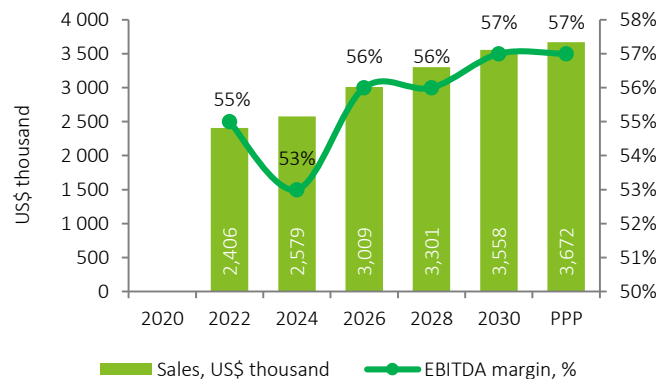
The grain feed consumption by poultry in 2019 increased 3 times compared to 2015. CAGR of grain feed consumption for 2015-2019 was 32%, indicating a strong demand for the product. The grain legumes consumption in 2019 amounted to 1.8 thousand tonnes, with an increase of 23% compared to last year.

Favourable location.

The moderately cold climate of the selected region is favourable for the selected crops. The growing season is 165-170 days per year.

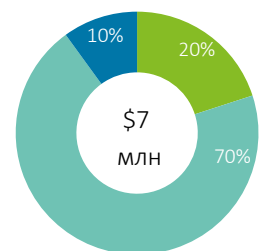
The absolute maximum temperature is observed in July, with an average monthly temperature of 22.0 °C and the absolute minimum temperature is in January, with an average temperature of -8 °C. The precipitation is about 400 mm per year.

Project profitability



Financing structure

- Initiator equity
20% (\$1.4 million)
- Debt financing subject to collateral
70% (\$4.9 million)
- Participation of the Investor
10% (\$0.7 million)



The proposed financing structure is indicative, the final financing and Project participation structures will be determined based on the results of negotiations with the Investor.

Poultry feed farming and production on newly irrigated land

Agro-industrial complex

Project description

Organisation of forage production based on soybeans and corn for poultry.

The production is planned on a leased land plot with an area of 6,700 ha in Akmol village, Tselinograd district, Akmol Oblast. The production process will include a resource-saving technology for crop irrigation.

Initiator:

Akmola-Fenix Plus LLP is a part of Shanyrak group of companies engaged in food production: chicken eggs, meat products, sausages and delicacies.

Commodity production and capacity:

Upon reaching the design capacity in the third year of the Project, it is planned to produce 23,450 tonnes of feed annually.

Produced goods:

- Corn;
- Soybeans.

Sales markets: domestic market.

The company will provide full feed to the poultry farm of the sister company Capital Project LLP, where it is planned to supply 23,450 tons of products annually.

Key investment indicators of the Project

Indicator	Results
Investment amount, US\$ thousand	11,968
Project NPV, US\$ thousand	14,060
IRR, %	25.0%
EBITDA margin, %	53.0%
Payback period, years	6.0
Discounted payback period, years	7.9

Investment structure



Construction and assembly work

67%

\$8,0 mln



Machinery and equipment

27%

\$3,2 mln



Other capital expenses

6%

\$0,8 mln

Prerequisites for Project implementation

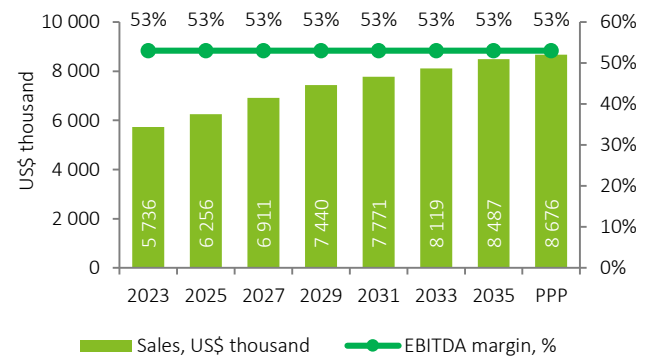
Guaranteed domestic sales.

The products will be sold under contracts with the sister company Capital Project LLP (100%), which provides a guaranteed sales for the products manufactured.

Demand for grain fodder and grain legume fodder in Kazakhstan. The grain feed consumption by poultry in 2019 increased 3 times compared to 2015. CAGR of grain feed consumption for 2015-2019 was 32%, indicating a strong demand for the product. The grain legumes consumption in 2019 amounted to 1.8 thousand tonnes, with an increase of 23% compared to last year.

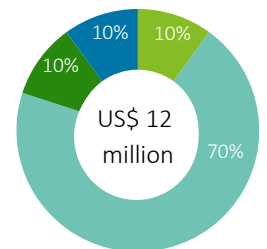
Favourable location. The moderately cold climate of the selected region is favourable for the selected crops. The growing season is 150-160 days per year. The absolute maximum temperature is observed in July, with an average monthly temperature of 19.8 °C and the absolute minimum temperature is in February, with an average temperature of -15.8 °C. The precipitation is about 280-350 mm per year. It is planned to use surface water from the Nura River for irrigation of land plot.

Project profitability



Financing structure

- Initiator equity
10% (\$1.2 million)
- Debt financing subject to collateral
70% (\$8.4 million)
- Funds participation (KIDF, KCM, SKI)
10% (\$1.2 million)
- Participation of the Investor
10% (\$1.2 million)



The proposed financing structure is indicative, the final financing and Project participation structures will be determined based on the results of negotiations with the Investor.