



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



Organization for Security and
Co-operation in Europe
Programme Office in Bishkek

ZERO WASTE SLAUGHTERING CYCLE PROJECT

“KARA-BUK” LLC



KYRGYZSTAN



Name of the company:

“Kara-Buk” LLC

Brief description of the Project:

The project involves the development of the “Kara-Buk” LLC wool processing shop in the Emgekchil village, Naryn district, namely: purchase of new equipment to improve the quality of the felt cloth and completion of construction of a slaughterhouse.

“Kara-Buk” LLC’s goal is to create a zero waste slaughtering cycle in the Naryn Region to reduce the negative impact on the environment according to ITS 43-2017. The total area of the entire complex is 1 hectare. The felting shop and the slaughterhouse building are located in this area.

Description of the Project Initiator:

The Company’s wool processing business started in 2006. Finished products - cleaned and processed wool - have been sold in Bishkek and some exported to China. Since 2016, exports to China have accounted for 90-95% of all processed products. “Kara-Buk” LLC has made considerable contribution to solving the problem of local people with selling the wool.

General Director - Kurmanbek Zhakshylykov

Experience in the wool collection and processing since 2006.

Excellent understanding of the raw material market and the felt products market.

Project cost - \$500,000

- ✓ Purchase of equipment- \$430,000
- ✓ Construction - \$70,000

Amount of investments - \$500,000

Payback period - 4.1 years



DESCRIPTION OF THE PROJECT

The project involves the development of the “Kara-Buk” LLC wool processing shop in the Emgekchil village of the Naryn district, namely: the purchase of new equipment to improve the quality of the felt cloth and the completion of the construction of a slaughterhouse.

“Kara-Buk” LLC plans to create a zero waste slaughtering cycle in Naryn Region, processing secondary products (wool, fat, bone residues) from slaughter to finished products (felt, animal, and fish feed), and reducing the negative impact on the environment according to ITS 43-2017 Information and Technical Handbook on Best Available Techniques.



Secondary products from slaughtering will be used for:



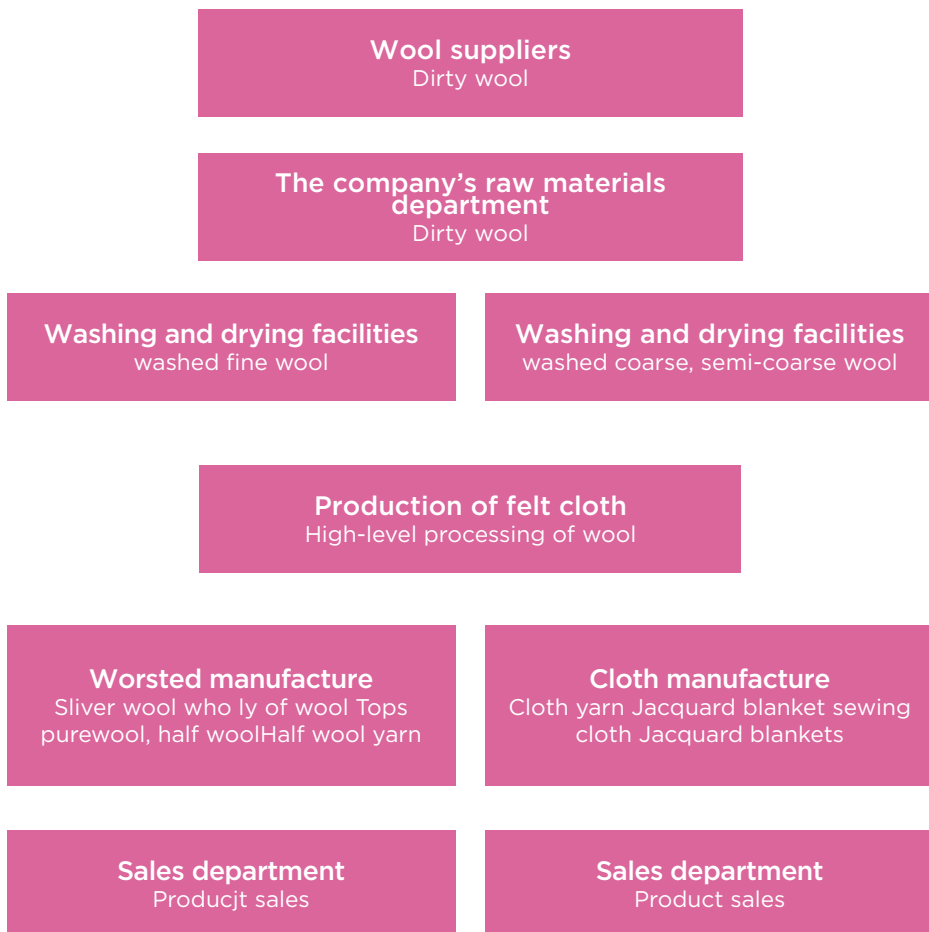
- use of slaughterhouse animal skins for processing into a finished wool product and for the felts production;
- recycling of non-food waste and fats to produce animal feed, biogas, biofuel;
- mechanical deboning and the use of bone residue for edible fat, dry food broth and fodder meal.

The total area of the complex is one hectare. The felting shop and a slaughterhouse building are located in this area. Slaughterhouse is 70% ready.

The main building of the slaughterhouse should be built within the framework of this project. The planning and construction of the slaughterhouse will be carried out in accordance with all EAEU standards. The project also provides for upgrading the felting shop equipment, namely: the construction of a new high-level processing of wool line and a wool-washing line. The main and auxiliary production equipment by the latest technology and renowned manufacturers will be purchased to achieve these objectives. These measures will allow setting up a high-functioning, modern production facility.

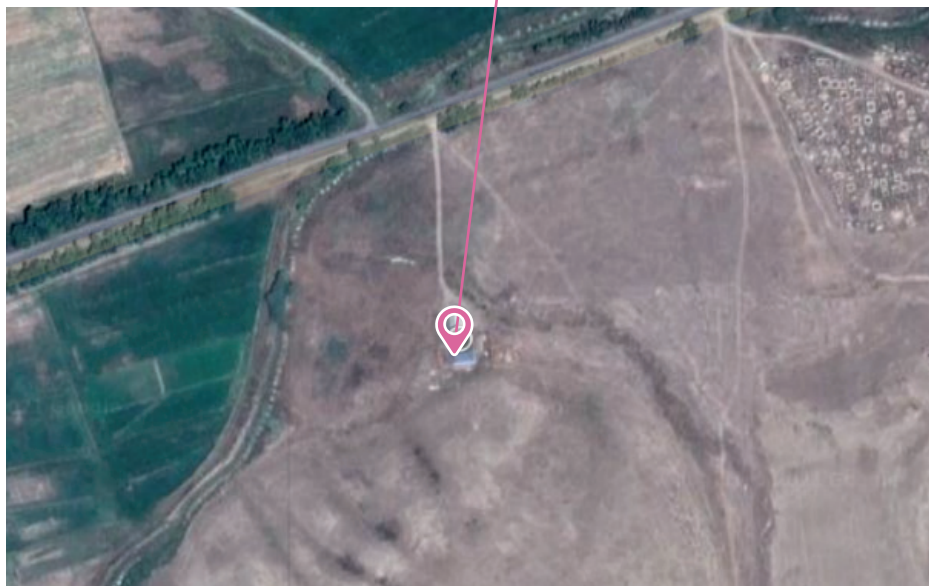
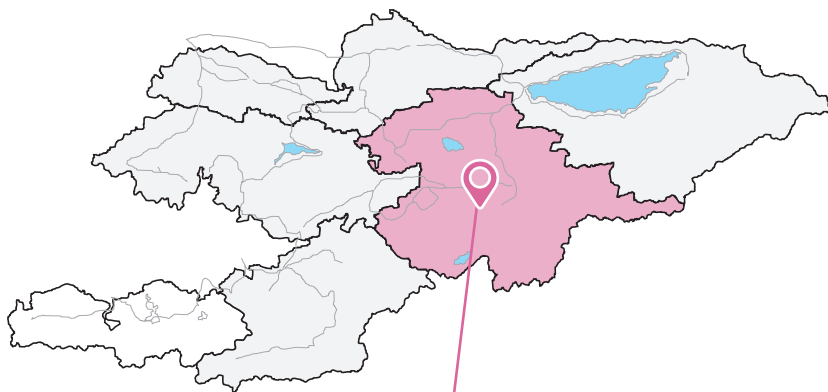
SUSTAINABLE DEVELOPMENT OF THE PROJECT

Currently the dirty wool is collected in the workshop of “Kara-Buk” LLC. Then it is delivered to Tokmok city for washing and goes back to the workshop for further processing. The project is planned for entire production processe for the next 5-10 years.



GEOGRAPHICAL LOCATION OF THE PROJECT

The processing plant of “Kara-Buk” LLC is located at Naryn Region, Naryn district, Emgekchil village, Kara-Buk section





DESCRIPTION OF THE PROJECT INITIATOR

The Company's wool processing business started in 2006. The final products - cleaned and processed wool and felt cloth - have been sold in Bishkek and partially exported to China. The products of this Company are well known in the Bishkek markets and highly praised by the TUMAR art group. Since 2016, exports to China have accounted for 90-95 percent. The "Kara-Buk" LLC contributed to solve the problem of selling the wool by the residents of Naryn Region. The annual volume of wool processed exceeds 100 tons.

All equipment on the balance of the "Kara-Buk" LLC has been assembled for 10 years. The following equipment is currently available in the wool processing shop:

| No. | Name | Quantity | Cost, USD |
|-----|-----------------------|----------|-----------|
| 1 | Carding machine | 2 | 20 000 |
| 2 | Scutching machine | 1 | 8 000 |
| 3 | Baling machine | 3 | 3 000 |
| 4 | Wool laying equipment | 1 | 8 000 |
| 5 | Rolling machine | 1 | 2 500 |
| 6 | Modelling machine | 1 | 5 000 |
| 7 | Drying ripping head | 2 | 600 |

Modern equipment will allow the Project Initiator to produce wool that meets modern requirements for this type of product.

The implementation of this project is an element of domestic production development and, consequently, one of the ways to attract the domestic and foreign investment.

SUSTAINABLE COMPETITIVE ADVANTAGES OF THE PROJECT



✔ **Work experience.** The “Kara-Buk” LLC has been processing wool in the Naryn district for 15 years. The Company has established distribution channels and earned the trust of both customers and raw material suppliers, the farmers;

✔ **Compliance with standards.** The slaughterhouse will be built in accordance with EAEU Standards. The appropriate equipment has already been delivered to the workshop. According to ITS 43-2017 the project provides for the creation of a zero waste slaughtering cycle to reduce the negative impact on the environment;

✔ **Launching new products.** Currently, the workshop processes wool and produces two- and three-layered felts. Other types of products with added value can be produced, i.e. slippers, boots and various felt accessories.

✔ **Cooperation with farmers.** Under this project, the contracts with farmers for the wool supply will be concluded. The contracts will include clear requirements and deadlines, and be a guarantee for farmers to cooperate with banks and other financial institutions in obtaining preferential financing.



MANAGEMENT TEAM



Kurmanbek Asanbekovich Zhakshylykov
Founder

- ✓ Experience in collecting and processing wool since 2006. Excellent knowledge of the raw material and the felt products market. The Founder is the Chief Technologist of the Company.



Nurlan Samakeev
Production Director

- ✓ Experience in the wool processing since 2015

HISTORIC PRODUCTION AND FINANCIAL INDICATORS OF THE COMPANY

| Project physical indicators, tons | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Wool collection | 80 | 77 | 90 | 83 | 100 |
| Processing of wool, tons | 25 | 24 | 28 | 26 | 32 |
| Production of felt cloth, pcs | 1120 | 1083 | 1260 | 1162 | 1400 |
| Revenue, USD | 72 470 | 70 115 | 81 529 | 75 188 | 90 588 |



PROJECTED FINANCIAL INDICATORS

| Project physical indicators, tons | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Wool collection, tons | 116 | 129 | 192 | 192 | 192 |
| Processing of wool, tons | 37,1 | 41,3 | 61,5 | 61,5 | 61,5 |
| Production of felt cloth, pcs | 1508 | 2400 | 2550 | 2550 | 2550 |
| Slaughter of livestock, tons | | 30,7 | 50,2 | 53,7 | 66,1 |

| Revenue, USD | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------|---------------|----------------|----------------|----------------|----------------|
| Revenue | 97 576 | 528 817 | 608 272 | 684 241 | 653 781 |
| EBITDA | 21 466 | 111 052 | 133 820 | 157 376 | 156 097 |

- ✓ IRR at the end of Year 5 is 19%
- ✓ Project payback period is 4.1 years, discounted payback period is 4.8 years

SOURCES OF FINANCING AND APPLICATION OF FUNDS

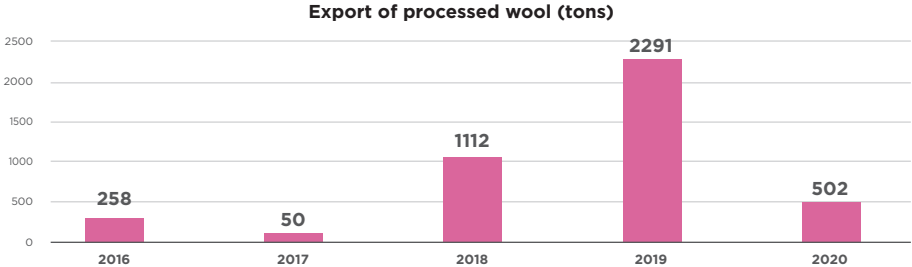
| Source of financing | Amount, USD |
|---------------------|----------------|
| Financial investor | 500 000 |
| Total: | 500 000 |

| Application of funds | Amount, USD |
|---|----------------|
| Wool scutching machine | 80 000 |
| Carding machine | 75 000 |
| Modelling machine | 65 000 |
| Unit for preliminary cleaning from wool impurities | 75 000 |
| Mini wool washer - 3 tubs | 95 000 |
| Squeezing rollers for controlling squeezing of wool | 40 000 |
| Completion of the slaughterhouse construction | 70 000 |
| Total: | 500 000 |

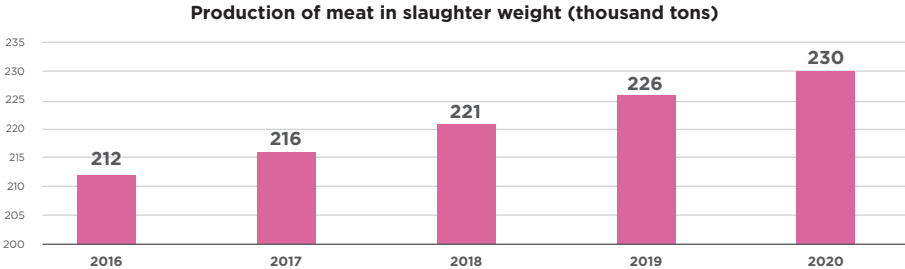


EXPORT POTENTIAL

The export of processed wool in 2016 - 2020 was 4,213 tons or USD 1,370,000. Production of felt products in the same period amounted to 800 tons or USD 1,314,000



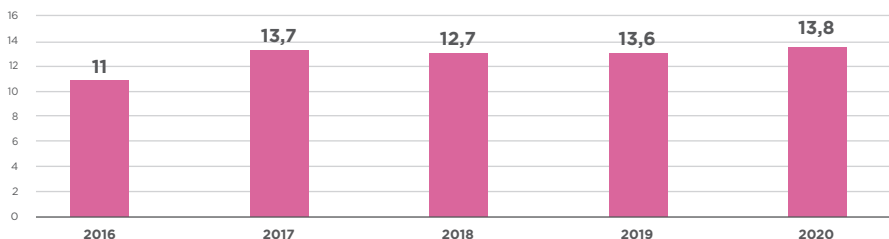
In Naryn Region, the “Kara-Buk” LLC is the only Company that collects and processes livestock wool. There are no slaughterhouses that meet all standards in Naryn Region. The annual meat production in the Kyrgyz Republic is 250-290 thousand tons in slaughter weight. Production of meat and edible by-products of cattle ranges from 11 to 14 thousand tons.



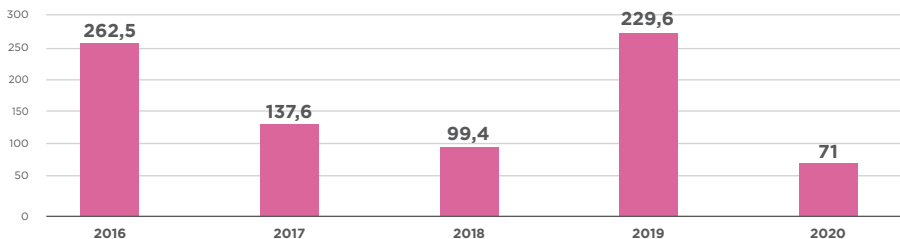
The meat industry in Kyrgyzstan, as in many Central Asian countries, is a priority sector.

Livestock breeding in the Kyrgyz Republic is one of the main sources of income of the rural residents. Its share in the country's agricultural GDP makes 45.6 percent. There are 26 meat producers and more than 287 IEs in the country. Livestock breeding dominates in rural areas due to the abundance of pastures in Kyrgyzstan, it accounts for 48.1 percent of gross agricultural production in the country. Of the 55.2 percent of agricultural land, pastures account for 43 percent. Almost half of them are summer, 30 percent - spring-autumn and 25 percent winter pastures. Livestock production is concentrated in the mountainous districts of the Naryn, Issyk-Kul and Osh Regions and is mainly used for meat and milk production.

Production of meat and edible by-products of cattle (thousand tons)



Production of felt products (tons)



OFFER FOR INVESTOR

| | |
|--------------------|---|
| LEGAL MECHANISM | ✓ Limited liability company |
| TYPE OF FINANCING | ✓ Direct investment in capital |
| AMOUNT | ✓ USD 500,000 |
| NUMBER OF TRANCHES | ✓ Tranche No. 1 – completion of plant construction ✓ Tranche No. 2 – purchase of equipment |
| FINANCIAL SUPPORT | ✓ 100% доли Компании |
| ОБЕСПЕЧЕНИЕ | ✓ 100% of the Company's share |



