

DAIRY FARM CONSTRUCTION PROJECT

IE Makhmudov M. (“Jeti Baatyr” trade mark)



KYRGYZSTAN



Name of the company:

IE Makhmudov M. (trade mark “Jety Baatyr”)

Brief description of the Project:

The project involves the construction of a modern dairy farm, that meets international standards, in Nariman village, Kara-Suu District of Osh Region to produce raw milk for the production of “Jety Baatyr” dairy products.

It is planned to purchase 300 high-yielding cows, with an average milk yield equal to 9,000 kg of milk per cow annually. The estimated volume of raw milk production will average 2,700 tons per year. The dairy farm will be built on one - hectare land plot.

Description of the Project Initiator:

The Project Initiator is IE Makhmudov M., operating since 2010 and producing dairy products under the trade mark “Jety Baatyr”. Currently, the Company produces 12-13 types of “Jety Baatyr” products. The main product line includes kefir, kaymak, sour cream, cottage cheese, cheese and milk in different packaging and weight. The Company has launched a line for the production of Dutch and Italian cheeses.

Head of the enterprise is Muhammadyusuf Makhmudov

12 years of experience in business management, practical experience in arranging dairy production process

Project cost - \$2,900,000

- ✓ Purchase of high-yielding cattle - \$900,000
- ✓ Construction - \$1,000,000
- ✓ Equipment - \$1,252,000
- ✓ Working assets - \$400,00

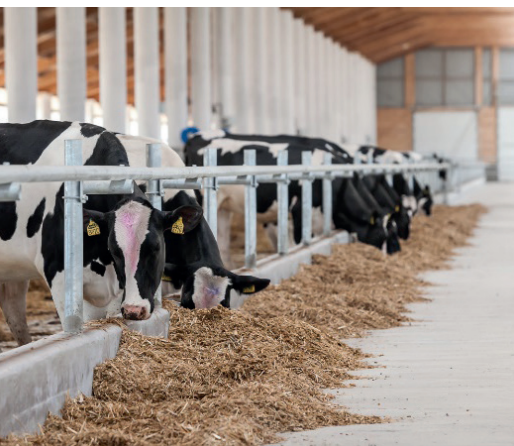
Amount of investments - \$2,900,000

Payback period - 4.74 years

DESCRIPTION OF THE PROJECT

The project involves the construction of a modern dairy farm in the Nariman village, Kara-Suu District, Osh Region. The farm will meet the international standards and produce raw milk for the “Jeti Baatyr” dairy products.

The dairy farm is to resolve the problems of milk production through use of advanced technologies and mechanization, a herd of high-yielding dairy cows, construction of new barn and milking on a milking machine in a dairy milking block, and construction of a calf herd for rearing replacement heifers. The high quality roughage and succulent fodder will be used in the process.

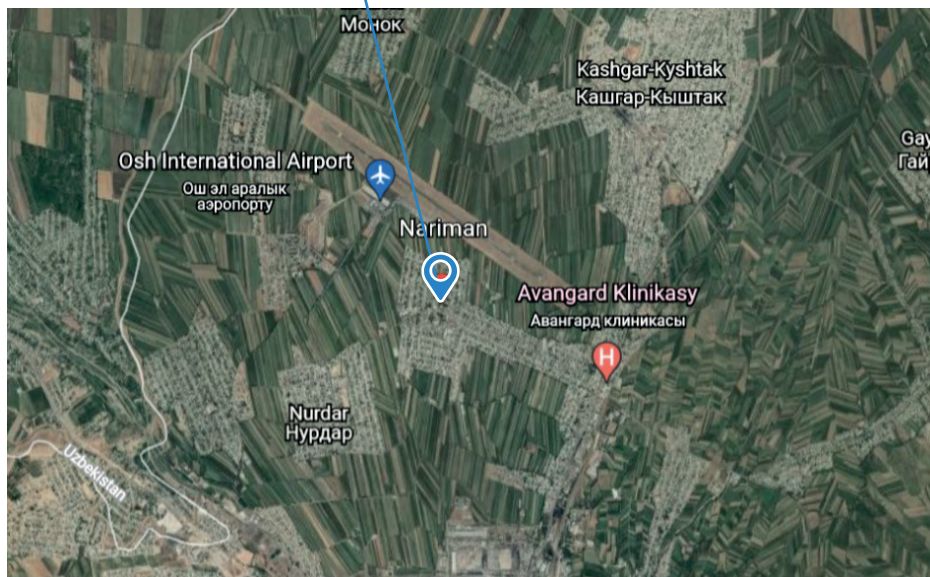
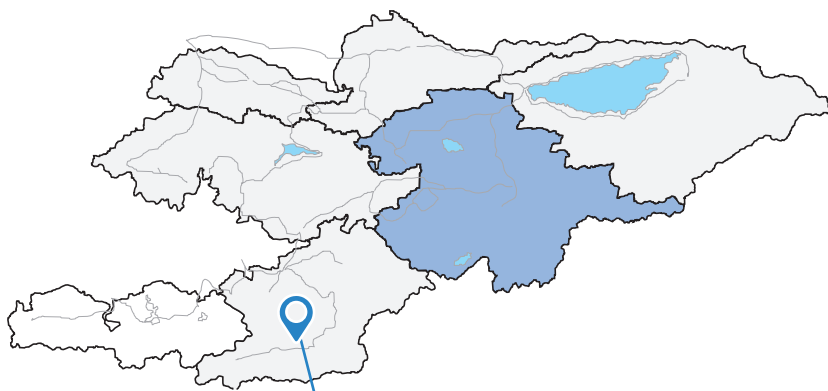


It is planned to purchase 300 high-yielding cows, with an average annual yield of 9,000 kg of milk per cow. The estimated volume of raw milk production will average 2,700 tons per year. The farm will be built on one-hectare land plot.



GEOGRAPHICAL LOCATION

Geographical location of the project: Nariman village, Kara-Suu District, Osh Region





DESCRIPTION OF THE PROJECT INITIATOR



Since 2010, the Project Initiator, IE Makhmudov M. has been producing dairy products under “Jeti Baatyr” trade mark. The Company has 50 employees. Annually, IE Makhmudov buys 2,160 tons of raw milk from 400-600 farmers.

There are 12-13 types of “Jeti Baatyr” products at the moment. The main product line includes kefir, kaymak, sour cream, cottage cheese, cheese and milk of different packaging and weight. The Company has launched a line for the production of Dutch and Italian cheeses. The capacity utilization rate is 35-40%.

Currently, IE Makhmudov M. has a distribution network of over 1,000 sales points and cooperates with the chain stores “Globus” and “Frunze”, city supermarkets and minimarkets, private retail outlets and kiosks.



SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND THE PROJECT

- ✓ **The own material base.** The dairy farm will be built on a one-hectare land plot. It is planned to purchase 300 high-yielding cows producing homogeneous milk, which will improve the quality of dairy products.
- ✓ **Sufficient volumes for export.** Annually the Company processes 1,080 - 2,160 tons of raw milk from farmers. As soon as the farm starts working, it is planned to process 4,800 tons annually. This will provide the sufficient export volumes to third countries.
- ✓ **Established production.**
- ✓ **IE Makhmudov M. has 11 years of experience in the production of dairy products and raw milk processing.** In order to provide the full raw milk processing and dairy production, the Company has purchased equipment meeting the HACCP and ISO standards.
- ✓ **Established distribution network.** The Company has 1,000 active sales points in southern Kyrgyzstan to support uninterrupted sales. Thus, it cooperates with the chain stores “Frunze” and “Globus”, as well as minimarkets and retail shops in Osh and southern Kyrgyzstan.
- ✓ **Compliance with international quality standards.** An ISO 22000:2018 food safety management system is in the process of implementation. This will strengthen the export potential of “Jeti Baatyr” products.



MANAGEMENT TEAM



Muhammadyusuf Makhmudov
Director

- ✓ Higher technical education
- ✓ 12 years of experience in business management
- ✓ Practical experience in the organization of production



Ali Akbarzhanov
Deputy Director

- ✓ Higher education with a degree in "International relations"
- ✓ 10 years of experience in sales



Kubanych Toksobaev
Chief Technologist

- ✓ Higher technical education
- ✓ 15 years of experience in processing plants

HISTORIC PRODUCTION AND FINANCIAL INDICATORS OF THE PROJECT

Number of products produced, tons/year	2018	2019	2020
Milk	191	248	282
Cottage cheese	48	62	70
Kefir	72	93	106
Kaymak	45	58	66
Cheese	0	12	13
Sour cream	50	65	84

Key Financial Indicators, USD	2018	2019	2020
Sales revenue	168 960	225 280	281 600
EBITDA	50 688	67 584	84 480



PROJECTED PRODUCTION AND FINANCIAL INDICATORS OF THE PROJECT

Production volumes, tons	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Milk	320	512	691	829	954	1097	1207	1321
Cottage cheese	80	121	162	194	224	257	283	311
Kefir	120	204	275	330	387	437	481	529
Kaymak	75	120	157	181	212	234	267	293
Cheese	15	35	47	61	68	75	81	89
Sour cream	96	154	207	249	286	329	362	398



Key Financial Indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Revenue	352 000	739 200	1 108 800	1 607 760	2 170 476	2 604 571	3 125 485	3 750 583
EBITDA	18 304	147 840	277 200	482 328	651 143	911 600	1 093 920	1 312 704

- ✓ IRR at the end of Year 8 is 9.13%
- ✓ Project payback period is 4.74 years, discounted payback period is 6.93 years

PROJECTED PRODUCTION AND FINANCIAL INDICATORS OF THE PROJECT

Application of funds	Amount, USD
Purchase of high-yielding cows	900 000
Construction	1 000 000
Equipment	600 000
Working assets	400 000
Total:	2 900 000



Sources of financing	Amount, USD
Financial investor	2 900 000
Total:	2 900 000

A BRIEF OVERVIEW OF DAIRY PRODUCTS MARKET IN KYRGYZSTAN

The annual milk production in Kyrgyzstan is more than 1.6 million tons. The most part (98%) of raw milk is collected from the private farmers, which sell raw milk either through small wholesalers or directly to the milk-processing plants.

The livestock of the Kyrgyz Republic numbers 1.71 million head. The most of it are low-yielding cows (giving 2-4 liters of milk per day). Due insufficient industrial processing, a significant part of the products, i.e. yoghurt, cheese, butter etc., is imported from Russia or Kazakhstan.

In 2020, 1,668,000 tons of raw milk were produced in Kyrgyzstan. The largest volume of milk was produced in Chui (422,900 tons), the lowest - in Talas Region (75,900 tons).

There is more milk consumed, than produced domestically in some EEU countries. For example, Russia provides 82% of its domestic needs. Similarly, the demand for milk is met by 90% in Armenia and Kazakhstan (according to the Eurasian Economic Commission). However, the production volumes in Belarus and Kyrgyzstan exceed domestic demand (2.5 times in Belarus and 1.2 times in Kyrgyzstan), providing an opportunity to increase milk exports both within the EAEU and other countries.



DAIRY PRODUCTS EXPORT IN KYRGYZSTAN

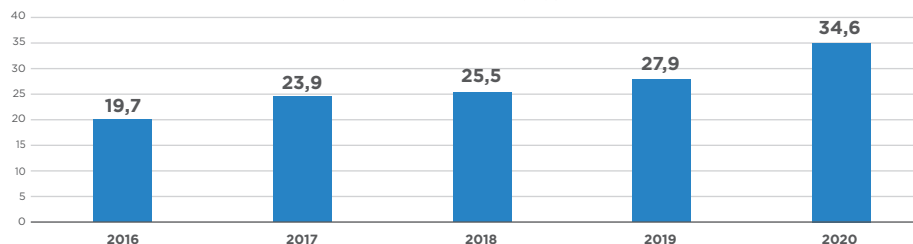
The potential markets for milk and dairy products are CA countries (Kazakhstan, Uzbekistan, Tajikistan) and Russia.

According to the National Statistics Committee of the Kyrgyz Republic, exports of milk and dairy products have grown 1.8 times within the last five years. Compared to 2016, in 2020 the export reached almost 35,000 tons amounting to USD 46 million.

Currently exported dairy products include butter (37% of the marketable volume), cheese and cottage cheese (21%), condensed and dried milk and cream (17%), as well as non-condensed milk and cream (13%) and curdled dairy products (appr. 11%).

Most exports have been to Kazakhstan (USD 24.1 million in 2020 - over 52 percent) and Russia (USD 21.0 million - appr. 46 percent of total export volume). Dairy products are also exported to Uzbekistan (USD 705,000) and Tajikistan (USD 217,000).

Export of milk and dairy products of the Kyrgyz Republic (thousand USD)



Export of milk and dairy products of the Kyrgyz Republic (thousand USD)

Partner country	2016	2017	2018	2019	2020
Kazakhstan	10 862,5	20 922,6	15 875,5	16 057,0	24 084,0
Russia	11 717,5	12 965,5	14 889,9	28 889,7	21 043,4
Uzbekistan	-	0,2	596,8	298,5	704,5
Tajikistan	29,4	78,0	286,0	143,6	217,1
Total:	22 610,2	33 971,1	31 663,4	45 404,1	46 086,7



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OFFER FOR INVESTOR

LEGAL MECHANISM	✓ Individual entrepreneur
TYPE OF FINANCING	✓ Direct investment in capital/ borrowings
AMOUNT	✓ 2,900,000 USD
FINANCING TERM	✓ 7-8 years
NUMBER OF TRANCHES	✓ Tranche No. 1 - construction of the dairy farm ✓ Tranche No. 2 - purchase of equipment ✓ Tranche No. 3 - purchase of high-yielding cows
FINANCIAL SUPPORT	✓ Company assets



