



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



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

FRUITS AND BERRIES DRYING PLANT EXPANSION PROJECT

“Holding Company Orzhemil” LLC



KYRGYZSTAN



Project initiator:

“Holding Company Orzhemil” LLC

Brief Project Description:

Under the project, it is planned to modernize the existing production facilities of the company for the production of dried berries and fruits.

The raw material base will be local seasonal berries and fruits grown in Osh Province. Raw materials (vegetables, fruits, berries) will be supplied in accordance with their blossom season, then immediately dried without long-term storage and exported. During the season, the production facilities will work for the production of finished products and sales, and in the winter - only for sales from the warehouse.

The main types of produce are dried cherries, tomatoes, watermelon, melon, apples, pears, mulberries, etc.

Project Initiator Description:

The Project initiator is the “Orzhemil Holding Company” Limited Liability Company (hereinafter - Orzhemil or the Company) is a private enterprise located in Osh, which produces high quality dried berries, fruits and vegetables. The company started its activities in 2010.

The current production capacity of the Company is 12 tons of dried fruits and berries per day. The equipment meets the food safety requirements for the food located near raw materials sources which increases the volume, quality and competitiveness of the enterprise, and also allows the Company to compete at export markets.

Project cost: \$1,500,000

- ✓ Equipment - \$800,000
- ✓ Modernization of production facilities and creation of storage - \$500,000
- ✓ Working capital - \$200,000

Investment required : \$1,500,000

Payback period:3.04 years

PROJECT DESCRIPTION

Within the project, it is planned to modernize the existing production facility of the Orzhemil Holding Company LLC for the production of dried berries and fruits.

For the purpose of the project implementation, it is planned to rent about 8,000 sq. m. area, on the basis of which it is planned to install production lines, and to allocate additional premises for a warehouse and utility unit. It is planned to purchase 4 drying tunnels with a capacity of 6,000 kg per day each. Thus, the total additional processing capacity will be 27,000 kg of raw materials per day.

Also, it is planned to create a fruit storage, taking into account all the fruits and berries storage temperature and humidity conditions requirements, which will allow the company to minimize product losses due to evaporation of liquid and decay, to preserve saleable condition and other consumer qualities. The construction of a modern fruit storage facility will reduce the company's production costs.

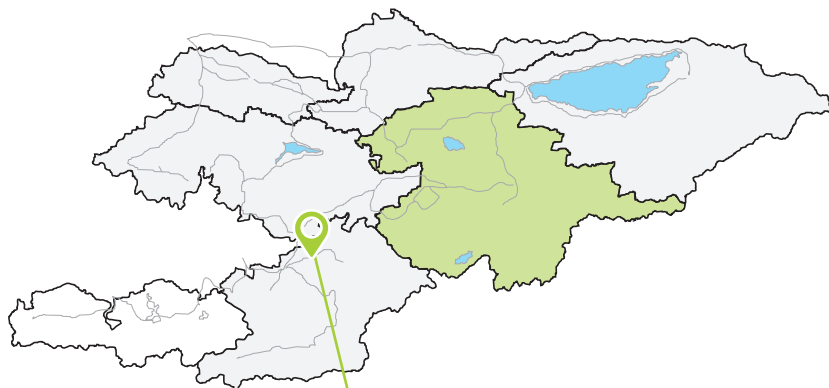


The raw material base will be local seasonal berries and fruits grown in Osh Region. Raw materials (vegetables, fruits, berries) will be supplied in accordance with the blossom season, then immediately dried without long-term storage and exported. During the season, the production facility will work for the production of finished products and sales, and in the winter - only for sales from the warehouse.

The main type of produce: dried cherries, tomatoes, watermelon, melon, apples, pears, mulberries, etc.



GEOGRAPHIC LOCATION





PROJECT INITIATOR DESCRIPTION

The Project initiator is the Orzhemil Holding Company Limited Liability Company (hereinafter - Orzhemil or the Company) - a private enterprise located in Osh, which produces high quality dried berries, fruits and vegetables. The company started its activities in 2010. Today the assortment of dried products includes: sweet cherries, apples, watermelons, melons, mulberries, pears, persimmons, tomatoes. All manufactured products are 100% natural, do not contain dyes, flavors, preservatives, etc.

The current production capacity of the Company is 12 tons of drying fruits and berries per day. The equipment complies with the food safety requirements for food products located near sources of raw materials, which increases the volume, quality and competitiveness of the enterprise, and also allows the Company to compete at export markets.

Orzhemil produce is a product whose quality is attributable to the favorable climate of Osh Region. Hot climate makes fruits sweet, and dry air is excellent natural dryer without chemicals that destroy the beneficial properties of foods. Orzhemil is a major producer and supplier of dried fruits for both domestic consumers and the markets of the EAEU countries and Europe.

Current production indicators

Product (dried fruit and vegetables)	Productivity (kg/year)
Cherries	5 000
Apples	50 000
Pears	4 000
Tomatoes	5 000
Watermelons	1 000
Melons	3 000
Mulberries	650
Prunes	1 500
Persimmons	700

The implementation of the project will significantly increase the company's production capacity through the acquisition of the most efficient production asset in the form of major equipment for drying (drying cabinets) and will ensure the safety of raw materials for subsequent drying.

SUSTAINABLE COMPETITIVE ADVANTAGES

- ✓ **High quality products.** The products comply with technical requirements of the EAEU member states, including TR CU 021/2011 On Food Safety and TR CU 022/2011 Food Products in terms of their labeling, appropriate laboratory tests were carried out, on the basis of which the Declaration of Conformity of the products was obtained.
- ✓ **Well-established production process.** The staff of the company has impressive experience in the dried fruit market, including in the export supplies of products to the countries of near and far abroad.
- ✓ **Established partnerships.** The company has established relationships with raw material suppliers and customers, which reduces the possibility of production interruptions.
- ✓ **Modern equipment.** The existing equipment of the Company, including drying ovens, meets food safety requirements.



HISTORICAL COMPANY'S PRODUCTION AND FINANCIAL PERFORMANCE INDICATORS

Production in kind, kg	2020	2021
Dried cherries	3 700	5 000
Dried apples	41 000	50 000
Dried pears	2 600	4 000
Dried tomatoes	3 800	5 000
Dried watermelon	0	1 000
Dried melon	0	3 000
Dried mulberries	260	650
Dried prunes	600	1 500
Dried persimmons	0	700
Total	51 960	70 850

Historical financial indicators, USD	2020	2021
Revenue	94 973	147 443
EBITDA	28 492	44 233



FORECAST PROJECT PRODUCTION AND FINANCIAL INDICATORS

Sales plan in kind, kg	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Dried cherries	12 500	27 500	46 750	65 450	78 540	86 394	95 033	99 785
Dried apples	125 000	275 000	467 500	654 500	785 400	863 940	950 334	997 851
Dried pears	10 000	22 000	37 400	52 360	62 832	69 115	76 027	79 828
Dried tomatoes	12 500	27 500	46 750	65 450	78 540	86 394	95 033	99 785
Dried watermelon	2 500	5 500	9 350	13 090	15 708	17 279	19 007	19 957
Dried melon	7 500	16 500	28 050	39 270	47 124	51 836	57 020	59 871
Dried mulberries	1 625	3 575	6 078	8 509	10 210	11 231	12 354	12 972
Dried prunes	3 750	8 250	14 025	19 635	23 562	25 918	28 510	29 936
Dried persimmons	1 750	3 850	6 545	9 163	10 996	12 095	13 305	13 970
Total	170 000	389 675	662 448	927 427	1 112 912	1 224 203	1 346 623	1413954

Key financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Sales revenue	368 608	843 376	1 433 738	2 007 234	2 408 680	2 649 548	2 914 503	3 060 229
EBITDA	14 744	84 338	215 061	401 447	602 170	794 865	874 351	918 069

✓ IRR:17.82%

✓ Payback period: 3.07 years. Discounted payback period:4.86 years

FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD
Financial investor	1 500 000
Total:	1 500 000

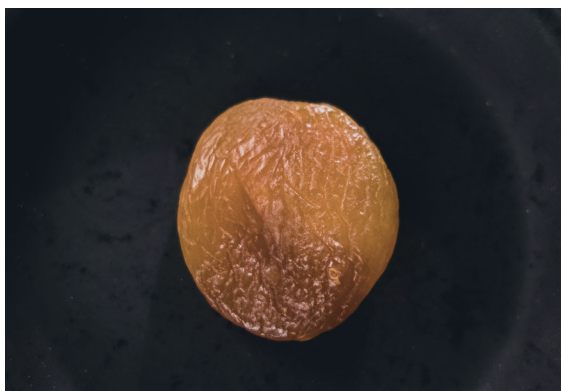
Use of funds	Amount, USD
Equipment	800 000
Modernization of production facilities and storage creation	500 000
Working capital	200 000
Total:	1 500 000



BRIEF OVERVIEW OF THE FRUIT AND BERRIES MARKET IN KYRGYZSTAN

Kyrgyzstan has a huge potential for growing fruit crops, which are a raw material base for further production of dried fruits. The nature of Kyrgyzstan and ecologically clean environment allow to obtain high-quality fruit products.

At present, in Kyrgyzstan, fruit crops are cultivated on the area of 48.2 thousand hectares, the potential yield of which is about 52 c/ha with a production volume of more than 250 thousand tons. Calculations show that Kyrgyzstan fully provides itself with fruits that are grown on the territory of the Republic and can export from 30-40% of produced fresh or processed products. At the same time, the proportion of fruit processing in the Republic is still quite low and does not exceed 13-15%. In this regard, the development of processing of fruits and berries in the country remains very relevant, both to meet its own



needs and to increase exports. The raw material base for the production of dried fruits is mainly fruits and vegetables of domestic production, and in recent years, the collection of various fruits has a tendency to grow slowly. The raw material base of the industry is distributed as follows: 74% of enterprises work with local, Kyrgyz suppliers, 22% have their own raw material base and 4% import raw materials

Gross output of fruit and berry products	2016	2017	2018	2019	2020
Kyrgyz Republic	2 092,6	2 448,5	3 191,5	2 613,7	2 059,0
Osh Region	1 926,8	1 560,3	1 952,2	1 647,4	2 316,8
Osh City	52,6	49,3	51,6	43,7	34,1

FRUIT AND BERRY PRODUCTS

EXPORT POTENTIAL

In 2020, Kyrgyzstan exported dried fruits to 23 countries, 26.7 thousand tons of dried fruits were exported for \$16.2 million, which is 41.4% more than in 2019. In 2019, 15.6 thousand tons of dried fruits were exported for \$10.4 million.

According to the Ministry of Agriculture of the Kyrgyz Republic, 24 enterprises and 43 individual entrepreneurs are engaged in the production of dried fruits in Kyrgyzstan.

Dried fruits are mainly exported to such countries as Russia, Turkey, Iraq, Kazakhstan, China and Mongolia.

In terms of export volume, Russia ranks first, where 22.2 thousand tons were exported in 2020 for \$13.6 million. Turkey ranks second in terms of export volume, where 1.2 thousand tons were exported in 2020 for 543 thousand USD. Iraq is in the third place, where 918.6 tons worth 234.2 thousand USD were exported in 2020, more detailed information about the export of fruit and berry products is presented in the table below.

Dried fruits, mixtures of nuts or dried fruits	2020		2019	
	Quantity in kind, tons	In value terms, USD	Quantity in kind, tons	In value terms, USD
Total	26 748,0	16 227,6	15 667,5	10 399,2
Russian Federation	22 161,6	13 635,8	9 880,3	6 437,3
Kazakhstan	815,7	285,8	920,0	813,6
Turkey	1 173,3	543,1	1 526,9	967,8
Iraq	918,6	234,2	1 878,9	532,1
China	628,8	299,2	819,1	509,6
Germany	586,6	902,8	448,2	868,8
Mongolia	264,6	156,3	68,7	40,9





INVESTMENT PROPOSAL

LEGAL MECHANISM	✓ Limited Liability Company
FUNDING TYPE	✓ Debt financing: Providing a long-term loan
AMOUNT	✓ USD 1,500,000
TERM	✓ 4-5% per annum, loan term is 5 years, grace period is 12 months
NUMBER OF TRANCHES	✓ Tranche No. 1 - Prepayment for equipment ✓ Tranche No. 2 - Modernization of production facilities ✓ Tranche No. 3 - Payment for the remaining part of the equipment installation and commissioning
COLLATERAL	✓ Hard collateral (fixed assets)



