

NATURAL JUICE PRODUCTION

«YUG PROM» LIMITED LIABILITY COMPANY





Project Initiator:

Yug Prom LLC

Brief Project Description:

The project involves the launch of natural juices production in the existing grape processing facility. The project involves fruit processing, and juice and cognac spirit production.

In addition, the Project involves the existing vineyards reconstruction with a total area of 40 hectares.

It is planned that the facility will process fruits and vegetables with a gradual processing increase, starting with 1,200 tons in year 1, and 2,100 tons in year 5 after the Project launch.

Project Initiator Description:

The Project initiator is Yug Prom LLC, which is engaged in the production of wine and cognac spirit.

In 2019, the Company processed 640 tons of grapes and produced 70.3 tons of cognac spirit. In 2020, due to COVID-19 pandemic, only 151 tons of grapes were processed and 16.6 tons of cognac spirit were produced. In 2021, it is planned to process 500 tons of grapes.

CEO, Yug-Prom LLC:

Jamaldin Kudaikulov

- Over 40 years of engineering experience
- More than 30 years of experience in grape, fruit and vegetable processing

Project Cost: USD \$752,042

- ✓ Vineyard restoration - USD \$319,689
- ✓ Equipment - USD \$300,000
- ✓ Shop renovation - USD \$50,000
- ✓ Working capital - USD \$82,353

Investment Required: USD \$752,042

Payback Period: 3.34 years

PROJECT DESCRIPTION

The project implies the launch of the production of natural juices on the basis of an existing plant for grapes processing. The project involves the processing of fruits and the production of the following final products:

- ✓ Apple juice
- ✓ Peach juice
- ✓ Apricot juice
- ✓ Cherry juice
- ✓ Tomato juice
- ✓ Grape juice
- ✓ Wine material
- ✓ Cognac alcohol



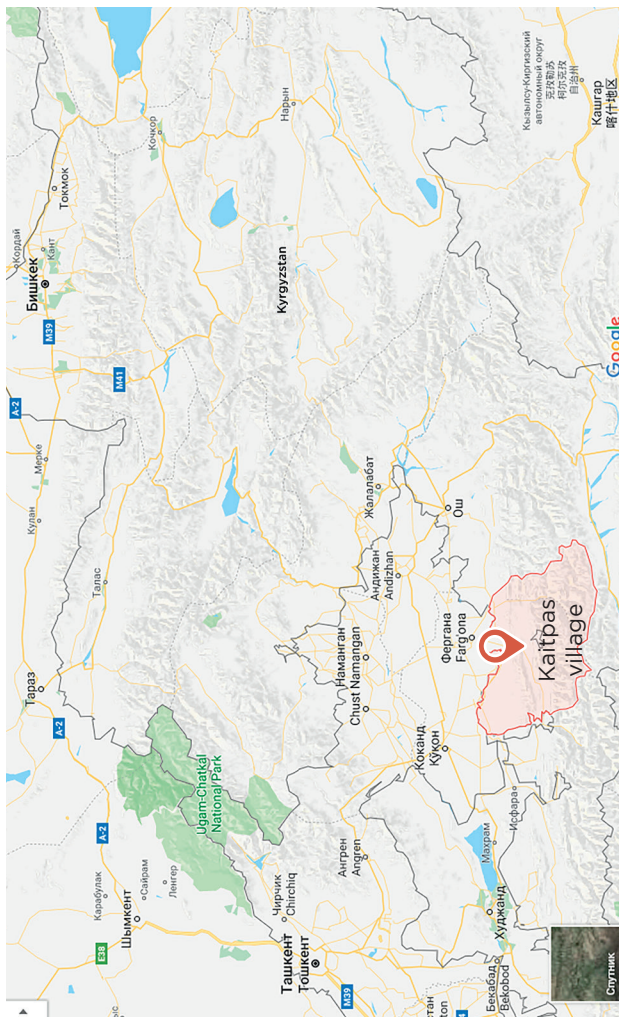
In addition, to provide the enterprise with its own raw materials, the project involves the reconstruction of existing vineyards with a total area of 40 hectares.

The expected fruit processing capacity is up to 100 tons of fruit per hour. The plant is expected to process fruits and vegetables with the increase in processing volumes from year to year, starting from 1,200 tons in the first year and ending with 2,100 tons in the fifth year of the Project.



GEOGRAPHIC LOCATION

The operating production base is located in Kaitpas village, Kadamjay district, Batken region, 80 km from Kadamjay and 28 km from Batken city.



PROJECT INITIATOR

DESCRIPTION

The initiator of the Project, “Yug Prom” Limited Liability Company, is a manufacturer of wine and cognac material. The main customers are large manufacturers of wine and cognac drinks in Kyrgyzstan, one of which is the Kyrgyz Konyagy Company.

The Company owns a production base with a total area of 5 hectares. The following facilities are located on this territory:

- ✓ workshop for processing grapes (3,500 m²)
- ✓ wine bottling shop
- ✓ two boiler houses for steam production
- ✓ warehouse (30,000 m²)

In addition, the Company has its own 40 hectares of vineyard, which has been leased for 20 years. The lease ends in 2037.

The main suppliers of raw materials to the Company are farmers from Tajikistan, Batken, and Leylek district. In addition, grapes are purchased from local Aiyl Okmotu - Kyshtak and Ak-Turpak. In 2020, the Company started a partial reconstruction of the vineyards, the irrigation issues were resolved. In 2021, 20 tons of grapes were harvested from the vineyards for further processing.

In 2019, the Company processed 640 tons of grapes and produced 70.3 tons of cognac alcohol. In 2020, due to the COVID-19 pandemic, only 150 tons of grapes were processed and 16.6 tons of cognac alcohol were produced. In 2021, according to plan, 500 tons of grapes should be processed.

Today the Company is engaged in the production of cognac alcohol. In 2007-2008, the Company was engaged in the production of wine under its own brand, but the original drink began to be counterfeited, and the Company could not cope with unfair competition.

In this regard, it was decided to produce only the base for wine, cognac, wine and cognac drinks.

SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND PROJECT

High quality	<ul style="list-style-type: none">• The company produces natural wine material and cognac alcohol exclusively from grapes.• Currently, most of the wine and cognac drinks are made with the addition of various flavors and colors. The water and alcohol are used as raw materials, which indicates the absence of grapes in the composition of drinks.• The availability of environmentally friendly raw materials in the region for the production of natural juices will allow the production of high-quality juices without the addition of various preservatives.
Vineyard	<ul style="list-style-type: none">• The company extended the lease of vineyards for 20 years in 2018.• To improve the quality and reduce the cost, the development strategy includes the reconstruction of the garden and the own growing of grapes.• Having own grapes will also allow not to depend on suppliers.
Well-established infrastructure	<ul style="list-style-type: none">• The Company has a well and a transformer, as well as a transport hub. The plant is located on the Batken-Osh road.• This factor gives an advantage in logistics.
Perspectives for growth and good geographic location	<ul style="list-style-type: none">• If the development strategy is successfully implemented, then the Company would be able to significantly increase production volumes and expand sales not only throughout Kyrgyzstan, but also export products to Uzbekistan, Tajikistan and Kazakhstan.• The plant is located close to the borders of Uzbekistan and Tajikistan
Experienced team and management	<ul style="list-style-type: none">• Kudaykulov Zh., Director of the Company, has 20 years of experience in the wine industry.• Experienced technologist monitors the entire production process and the quality of the manufactured products.

MANAGEMENT TEAM



ZHAMALDIN KUDAIKULOV
General Director

- ✓ Higher education. Frunze Polytechnic Institute, Engineer.
- ✓ Started career as a Technologist at the Jalal-Abad Automobile Unit Plant until December 1977.
- ✓ In December 1977 was transferred to work in the Jalal-Abad city Komsomol Committee.
- ✓ 1983 - Chief Mechanic of the Kyzyl-Kiya shoe factory.
- ✓ 1990 - Head of the Kyzyl-Kiya «Rembyttekhnika» OJSC
- ✓ 1998 - present - Yug Prom LLC, Director

HISTORICAL FINANCIAL PERFORMANCE INDICATORS

Financial indicators, USD	2016	2017	2018	2019	2020
Sales	209 481	134 920	133 331	39 784	6 117
Processed grapes, tons	1 268	817	720	640	151
Cognac alcohol produced, tons	124,4	80,16	79,2	70,3	16,6

- ✓ Due to the imposed quarantine and restrictions caused by the COVID-19 pandemic, the Company was unable to operate. In addition, closed borders impeded the Company to import sufficient volumes of grapes from Tajikistan and Uzbekistan for further processing.
- ✓ In 2021, the Company expects to process 500 tons of grapes, which is equal to the production of 49 tons of cognac alcohol.

Balance sheet	2016	2017	2018	2019	2020
ASSETS	16 230,5	6 580,6	9 155,8	8 052,1	9 016,3
Current assets	14 374,0	4 724,1	5 248,5	5 515,0	5 109,0
Cash in bank	3,2	503,0	0,0	0,2	0,2
Accounts receivable	8 357,7	4 221,1	0,0	0,0	0,0
Inventory	6 013,1	0,0	5 219,2	5 275,5	4 869,5
Stocks of auxiliary materials	0,0	0,0	29,3	239,3	239,3
Advances issued	0,0	0,0	0,0		0,0
Fixed assets	1 856,5	1 856,5	3 907,3	2 537,1	3 907,3
LIABILITIES	12 944,8	3 097,0	5 662,9	2 410,3	2 004,4
Short-term liabilities	12 944,8	3 097,0	5 662,9	2 410,3	2 004,4
CAPITAL	3 285,7	3 483,6	3 492,9	5 641,8	7 011,9
Authorized capital	3 104,7	3 104,7	3 104,7	3 104,7	3 104,7
Undistributed profits	181,0	216,0	221,2	2 370,1	3 740,2
Reserve capital	0,0	162,9	167,0	167,0	167,0
TOTAL LIABILITIES AND CAPITAL	16 230,5	6 580,6	9 155,8	8 052,1	9 016,3

FORECAST FINANCIAL INDICATORS

Sales plan in kind	Unit	2022	2023	2024	2025	2026
Wine material	Litre	294 000	420 000	546 000	672 000	672 000
Cognac alcohol	Litre	27 440	39 200	50 960	62 720	62 720
Apple juice	packing 3 litre	0	23 333	23 333	23 333	23 333
Peach juice	packing 3 litre	0	20 000	20 000	20 000	20 000
Apricot juice	packing 3 litre	0	20 000	20 000	20 000	20 000
Cherry juice	packing 3 litre	0	23 333	23 333	23 333	23 333
Tomato juice	packing 3 litre	0	21 667	21 667	21 667	21 667
Grape juice	packing 3 litre	0	7 000	7 000	7 000	7 000

Forecast financial indicators, USD	2022	2023	2024	2025	2026
Sales	172 941	435 294	509 412	583 529	583 529
Gross profit	73 405	231 512	270 738	314 669	342 904
EBITDA	65 322	223 430	262 655	306 587	334 822

- ✓ IRR 12.48%
- ✓ Project payback period 3.34 years. Discounted payback period 4.36 years

FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD
Project Initiator	82 353
Financial investor	669 689
Total:	752 042

Use of funds	Amount, USD
Vineyard reconstruction	319 689
Equipment	300 000
Repair of the production premises	50 000
Working capital	82 353
Total:	752 042

BRIEF OVERVIEW OF THE FRUIT MARKET IN KYRGYZSTAN AND EXPORT POTENTIAL

The fruit-processing industry is one of the priorities and export-oriented industries in the agro-industrial sector of the Kyrgyz Republic.

At present, the production potential of the industry is based on 27 industrial enterprises and more than 300 mini-workshops with a total capacity of canned fruits and vegetables, about 127 million conventional cans per year (mb / year). Effective use of the existing capacities will allow processing up to 40 thousand tons of fruits and berries, 10 thousand tons of grapes, 110 thousand tons of tomatoes, 10 thousand tons of vegetables per year.

Name	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vegetable and fruit juices (thousand litres)	7 628,3	6 996,9	10 326,2	11 259,3	13 035,1	11 734,3	8 656,1	5529,1	9411,0	8880,2	7805,0	6613,3
Processed fruits and vegetables (tons)	2 602,8	2 573,3	3 756,8	2 529,3	2 699,6	2 701,2	4 063,1	4240,5	5859,9	2182,8	3404,2	8716,5

The high export potential of this industry allows to increase the export of fruit and vegetable products up to 20 percent per year. The key export markets are Kazakhstan and Russia, they purchase 65 percent of the total export of fruit and vegetable products.

The share of processing vegetables and fruits in Kyrgyzstan is low and does not exceed 13-14 percent. Processing enterprises use their installed production capacity, mainly at 10 percent. At the same time, 75 percent of enterprises purchase raw materials, 22 percent of enterprises have their own raw material base and 3 percent of enterprises import raw materials.

The increase in production volumes is hampered by the limited financial capabilities of enterprises, as well as the seasonal nature of the work. The enterprises of the industry are not able to compete with buyers of raw materials from neighboring countries in terms of the price factor. So the bulk of the vegetables and fruits grown are exported in raw form.

INVESTMENT PROPOSAL

LEGAL MECHANISM	✓ Limited Liability Company
FUNDING TYPE	✓ Direct investment in capital
AMOUNT	✓ USD 669,689
NUMBER OF TRANCHES	✓ Tranche No.1 - restoration of vineyards ✓ Tranche No.2 - purchase and installation of equipment ✓ Tranche No.3 - repair of the production workshop
COLLATERAL	✓ 100% share of Yug Prom LLC

