



# VIMAL PPCE

Investing in Ukraine's Food Processing Industry

Investment teaser

2014

## VIMAL PPCE: Investing in Ukraine's Food Processing Industry

VIMAL potato starch processing company is looking for an investor for the strategic extension of our manufacturing by means of implementation of a new potato starch processing plant with the daily throughput of 600 tons potatoes, as well as increasing the production and improving the product quality.

### 1. Company Profile

**VIMAL PPCE belongs to Ukraine's leading state-of-the-art manufacturers of potato starch and derivatives**

<b>Established</b>	1992.
<b>Active in</b>	Potato starch and derivatives manufacturing
<b>Markets</b>	Ukraine, CIS, Europe and Asia
<b>Product range</b>	<ol style="list-style-type: none"> <li>1. Potato starch</li> <li>2. Jellying starches</li> <li>3. Phosphate starches</li> <li>4. Acetylated starches</li> <li>5. Dextrin</li> </ol>

#### **Competitive advantages:**

- VIMAL is Ukraine's leading potato starch manufacturer.
- Our products are distinguished through high quality and are produced by means of advanced technology, they have enjoyed great demand for over 20 years.
- We have business partners in over 25 countries worldwide.
- Unblemished business reputation.
- State-of-the-art technological equipment
- Our products are 100% environment-friendly.
- Flexible pricing.

### 2. Project Concept

Potato starch processing industry in Ukraine has substantially decreased capacity during the years of independence and needs investments to build up capacity and to meet demand.

Potato has been traditionally used to produce starch. Potato starch belongs to Traditional food products in Europe and Ukraine.



In 2013, Ukraine farmers produced 22,259 thousand tons raw potatoes. Predominantly, potatoes are produced in the northern and western parts of Ukraine. Chernihivska oblast (Province Chernihiv) is the country's leader as far as raw potatoes production is concerned.

Ukraine's starch market is characterized by a wide variety of starch products offered to local consumers. In 2013, the domestic starch industry produced 6,930 tons potato starch for the amount of UAH 55 Mio. In 2013, Ukraine's potato starch market was 25,000 tons. Thus, the implementation of the project shall enable our company to increase both domestic and international market penetration.

#### **Building a new potato starch manufacturing plant is:**

- Buying brand-new technological equipment
- Achieving product quality that complies both with Ukraine's current regulations and international standards
- Strengthening our leadership on the domestic market and better competition on international markets
- Increasing the business profitability indexes
- Import substitution and development of the country's domestic potato starch manufacturing

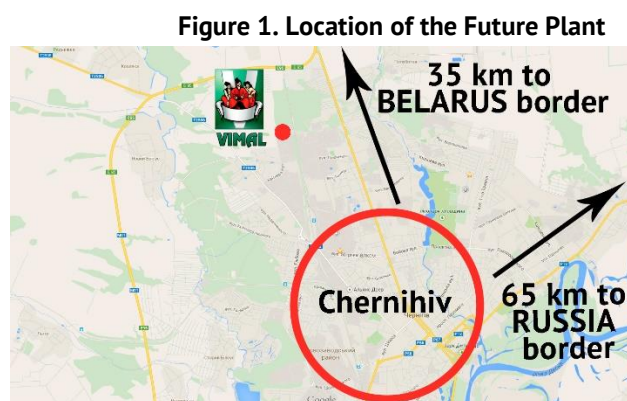
The planned potato starch and derivatives manufacturing facility is to be built under the address:

**14000, Kvitneva Str 20 Vill. Noviy Bilous District, Chernihiv Province, Chernihiv, Ukraine**

Potato starch shall be processed on the technological equipment of the world's leading supplier, "Larsson" in Sweden.

All equipment components which shall contact the products, shall be made of stainless

steel AISI 316, the plastic components are approved by FDA. The manufacturing process shall be highly automatic.



### 3. Project Financing Sources. Investment Targeting. Project Financing Schedule

The total project value is UAH **143,204,072**, 29,6% of which (UAH 42,453,216) are own capital, and 70,4% of the project value – UAH 100,750,857 are loans.

**Table 1. Funding Streams, UAH thousand**

Budget Item	Own Funds	Loans
<b>Plant Building</b>	0	26 500
<b>Equipment</b>	11 682	74 251
<b>Working Capital</b>	30 771	0
<b>PROJECT VALUE</b>	<b>42 453</b>	<b>100 751</b>

The Project implementation is to start in March 2015 and last for 18 months before the startup. The following activities shall be accomplished during that time:

**Table 2. Investment Schedule, UAH thousand**

Budget Item	2015F	2016F	TOTAL
<b>Plant building</b>	21 501	4 999	26 500
<b>Equipment</b>	71 989	13 945	85 934
<b>Working capital</b>	0	30771	30 771
<b>Total CAPEX</b>	<b>93 490</b>	<b>49 715</b>	<b>143 205</b>

#### 4. Main Economic Indicators of the Project Implementation

Manufacturing campaign  
Monthly output of potato starch  
Sales to begin in  
Potato starch price

September-December (annually)  
2913 tons  
September 2016  
UAH 10,409 /ton

Table 3. Sales Forecast

Sales	Year 1 to 5 (annually)	Total for 5 years
Manufacture volume, t	11 653	58 267
Sales volume, t	11 653	58 267
Price, UAH/ton	10,4	10,4
Sales revenues, UAH thousand	121 301	606 505
<b>Revenues Total, UAH thousand</b>	<b>121 301</b>	<b>606 505</b>

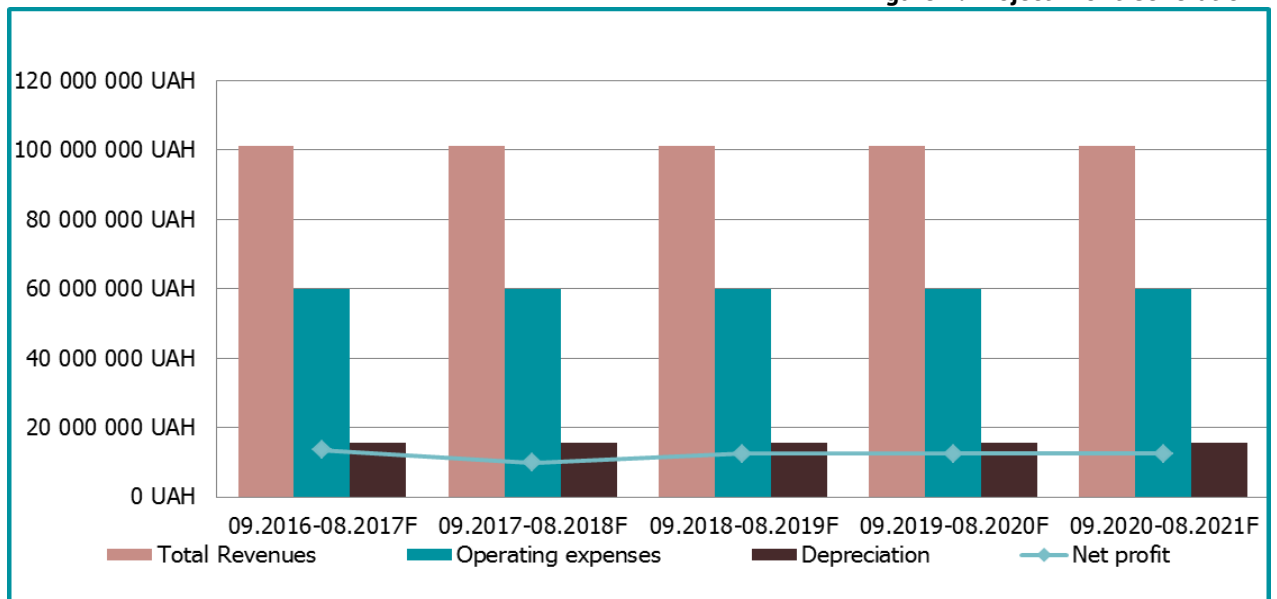
Table 4. Project Operating Expenses, UAH thousand

Project Expenditures	Year 1 to 5 (annually)	Total for 5 years
Raw potatoes	51 840	259 200
Gas	4 925	24 624
Electricity	3 865	19 327
Packaging (bags)	1 935	9 677
Other direct manufacturing costs (labor, water, materials)	5 417	27 086
General running costs	865	4 326
Administration costs	1 028	5 142
Cost of sales	602	3 012
<b>Operating expenses total</b>	<b>70 479</b>	<b>352 393</b>

Table 5. Project Profitability Analysis, UAH thousand

Indicator	09.2016- 08.2017F	09.2017- 08.2018F	09.2018- 08.2019F	09.2019- 08.2020F	09.2020- 08.2021F
<b>Total Revenues</b>	101 084	101 084	101 084	101 084	101 084
<b>Gross Profit</b>	42 914	42 914	42 914	42 914	42 914
<i>Gross Profit Margin, %</i>	42%	42%	42%	42%	42%
<b>EBITDA</b>	41 205	41 205	41 205	41 205	41 205
<i>EBITDA Margin %</i>	41%	41%	41%	41%	41%
<b>EBIT</b>	25 650	25 650	25 650	25 650	25 650
<i>Ordinary Income Margin</i>	25%	25%	25%	25%	25%
<b>Net Profit / Loss</b>	13 560	9 942	12 475	12 475	12 475
<i>Return on sales, %</i>	13%	10%	12%	12%	12%

Figure 2. Project Profit Generation



The above calculations have enabled us to obtain the following project efficiency and investment potential indicators.

Table 6. Project Efficiency and Investment Potential Indicators

Indicator	Value
DPP (Discounted payback period)	55,5 months/4,6 years
PP (Project period)	60 months/5 years
NPV (Net Present Value)	UAH 12 480 thousand
IRR (Internal rate of return)	14,0%
PI (Profitability index)	1,1
ROS (Return On Sales, Net Profit Margin)	12,1%
ROI (Return on investment)	54,1%

For further details concerning investment opportunity, please contact:

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