



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

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

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

Figure 1. Location of the Future Plant



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.

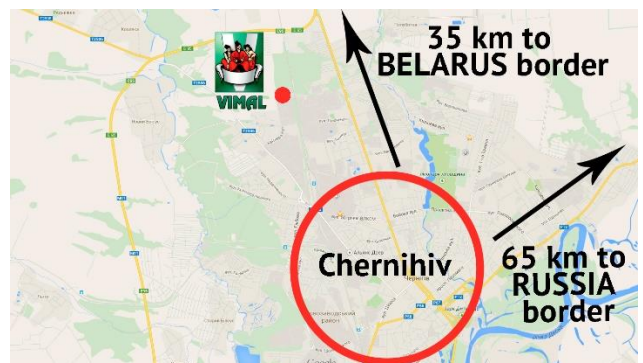
Ukraine's starch market is characterized by a wide variety of starch products offered to local consumers. In 2013, the domestic starch industry produced 6,930 tons potato starch for the amount of EUR 3,46 Mio. In 2013, Ukraine's potato starch market was 25,000 tons. Thus, the implementation of the project 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 EUR **8,944,664**, 29,6% of which (EUR 2,651,669) are own capital, and 70,4% of the project value – EUR 6,292,995 are loans.

Table 1. Funding Streams, EUR thousand

Budget Item	Own Funds	Loans
Plant Building	0	1,655
Equipment	730	4,638
Working Capital	1,922	0
PROJECT VALUE	2,652	6,293

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, EUR thousand

Budget Item	2015F	2016F	TOTAL
Plant building	1,343	0,312	1,655
Equipment	4,497	0,871	5,368
Working capital	0	1,922	1,922
Total CAPEX	5,840	3,105	8,945

4. Main Economic Indicators of the Project Implementation

Manufacturing campaign	September-December (annually)
Monthly output of potato starch	2913 tons
Sales to begin in	September 2016
Potato starch price	EUR 650.16 /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, EUR/ton	650.16	650.16
Sales revenues, EUR thousand	7,577	37,883
Revenues Total, EUR thousand	7,577	37,883

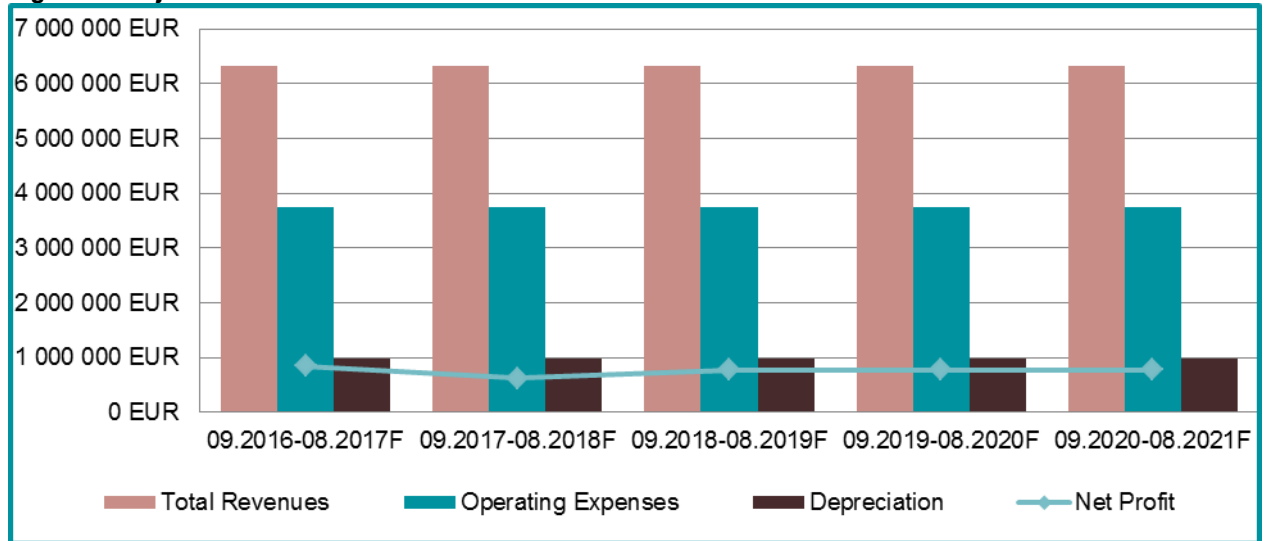
Table 4. Project Operating Expenses, EUR thousand

Project Expenditures	Year 1 to 5 (annually)	Total for 5 years
Raw potatoes	3,238	16,190
Gas	307.6	1,538
Electricity	241.4	1,206
Packaging (bags)	120.9	604.4
Other direct manufacturing costs (labor, water, materials)	338.4	1,692
General running costs	54.0	270.2
Administration costs	64.2	321.2
Cost of sales	37.6	188.1
Operating expenses total	4,402.1	22,010.8

Table 5. Project Profitability Analysis, EUR thousand

Indicator	09.2016-08.2017F	09.2017-08.2018F	09.2018-08.2019F	09.2019-08.2020F	09.2020-08.2021F
Total Revenues	6,313.8	6,313.8	6,313.8	6,313.8	6,313.8
Gross Profit	2,680.4	2,680.4	2,680.4	2,680.4	2,680.4
Gross Profit Margin, %	42%	42%	42%	42%	42%
EBITDA	2,573.7	2,573.7	2,573.7	2,573.7	2,573.7
EBITDA Margin %	41%	41%	41%	41%	41%
EBIT	1,602.1	1,602.1	1,602.1	1,602.1	1,602.1
Ordinary Income Margin	25%	25%	25%	25%	25%
Net Profit / Loss	847,0	847,0	847,0	847,0	847,0
Return on sales ,%	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)	EUR 779.5 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:

VIMAL PPCE
14037, Instrumental'na Str 5,
Chernihiv, Ukraine, 514037

Phone.: + 380 (50) 313-56-75
Fax: + 380 (462) 72-35-40
<http://vimal.ua>

Serhiy V. Samonenko
Director
samonenko@vimal.ua