



Project for the Establishment of Baby Food Production

1 Project Summary



Section 1. Summary

Brief description of the project and justification of investments



This business plan has been prepared by the Ministry of Investments and Foreign Trade of Uzbekistan (MIFT) with the support of Ernst & Young in order to identify a strategic investor interested in making a long-term investment in this Project.



Project goal

Establishment of an enterprise for the production of baby food (fruit and vegetable purée and baby juices) with a maximum production capacity of 300,000 units per year, based on the principles and requirements for organic products.



Cost of the Project

Estimated cost of the project – 135 million US dollars (Including capital expenditures in the amount of 80 million US dollars Including VAT and initial working capital costs 55 million US dollars). Estimated financing structure of the Project: own funds - 30% (not more than 30% co-investment by the Project Initiator in equity), debt financing - 70%.



End consumers and advantages of the Project's products

The end consumers of the Project's products are children in Uzbekistan as well as in neighboring countries. The key advantage of baby food production is the availability of a wide raw material base and the absence of local producers of vegetable and fruit purées for children.



Revenue

70% The baby food products are planned to be sold on the domestic market (with an average sales volume of: 160 thousand units, average revenue: 194 million US dollars), 30% - in foreign markets (average volume: 70 thousand units, average revenue: 78 US dollars), which provides hedging against currency risk.



Raw material supply for the Project

The main raw materials for baby food production are vegetables and fruits. The total annual harvest volume of vegetables (potatoes and carrots) in Uzbekistan exceeds 6 million tons, fruits (such as apples, pears, apricots and peaches) – 2 million tons, which allows the Project to be provided with a sufficient raw material base. 3 Raw materials will be purchased in local currency.



The Project's competitive advantage on the Uzbek market

Absence of producers specializing in the production of fruit and vegetable purées for children; Availability of raw materials in sufficient quantity; Close proximity to major consumer markets (Russia, China, Kazakhstan); Highly qualified and low-cost labor force, with wages paid in local currency.

In order to reduce potential risks for the investor and to ensure the timely implementation of the Project stages and its overall profitability, the Ministry of Investments and Foreign Trade (MIFT) provides for the participation of the Uzbek side/MIFT as the Project Initiator and co-investor in the investment project. The share of co-investment will amount to not more than 30% of the Project's equity capital, with a subsequent exit from the Project once it reaches financial sustainability. The co-investment funds are to be allocated from the "Direct Investment Fund of the Republic of Uzbekistan." This proposal — the condition for co-investment by the Uzbek side — is subject to negotiation during the structuring of the transaction and preparation of the Investment Agreement.

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Key project indicators

Final Project Indicators

Net Present Value (NPV), million USD	59,1
Internal Rate of Return (IRR)	18%
Payback period, years	1,04
Profitability Index (PI)	8,75

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Operational and financial indicators of the Project

Key Assumptions of the Project

**Capacity**

Preliminary design capacity of the plant – 300 000 units of baby food, of which:

- ▶ Fruit and vegetable purées for children in glass jars with a volume of 0.25kg– 210 000 units
- ▶ Baby juices in Tetra Pak packaging with a volume of 0.35l.– 90 000 units

The production volume forecast was based on the assumption that the capacity utilization in 2025 will be 50%, then – 100%.

**Types of production**

Potato purées for children;
Carrot purées for children;
Apple purées for children

Apricot juices for children;
Pear juices for children;
Peach juices for children.

**Electricity, gas, and water**

The consumption rates of fuel and energy resources were based on data from open sources.

**Number of personnel and wage expenses**

The employee recruitment schedule and headcount were calculated based on data from open sources, while the average monthly salary was determined using data from recruitment agencies for the relevant job positions.

**Capital expenditures for maintenance**

All fixed assets for the Project will be newly introduced, and therefore no maintenance capital expenditures are expected during the first 5 years,

Capital expenditures

**80 million USD
excluding VAT**

The calculation of the total investment budget for 2022–2023 was based on data from open sources and the assumed capacity of the Project.

Revenue

**395
million USD**

The Project's average annual revenue during the period 2026-2036 will be at 100%

EBITDA

**6,5 million
USD**

The average EBITDA during the period 2029-2031 at 100% capacity utilization; EBITDA margin – 9%.