



Techimpex

AGRO PRO MANAGEMENT



**Corn to starch processing plant construction project with elevator for 50kt storage
Kremenchuki, Krasilov district, Khmel'nitsk region**

A modern complex for processing corn into starch: 150 tons per day with a grain elevator for 50,0kt

Brief description

- 20,0 hectares land plot in private property with utilities (gas, water, electricity, access roads) and earmarking;
- Feasibility study and business plan prepared by company "Techimpex" (Poland), conceptual design „Bipromet" (Poland);
- Detailed design of fast railway load (one railway branch with capacity of 14 carriages)
- Preliminary conducted negotiations with potential products buyers;
- The project is pre-approved by BGK (Polish National Development Bank) – provides the long-term financing;
- The project's net profit is estimated at €9,0 million per year;
- Extra profit from cereals export sales;
- Further development possibility of the project (volumes, depth of processing, expansion of the range);
- Construction period – 3 years.

Project Location



- Project in Kremenchuki, Krasilov district, Khmelnytskyi region

Project View



1. Fast railway load (one railway branch with capacity of 14 carriages and the possibility to expand one more);
2. Status of Route elevator and shipping by separate trains within 48 hours, reducing the renting cost;
3. Products are directly delivered to the "dry" port of Medyka (Poland);
4. Selling of the products directly to the European market at European prices.

Key starch consumers

Main potential consumption markets are EU and Ukraine

Corn production in Ukraine:

- Ukraine is in the top 5 of biggest corn producers in the world and in the top 3 of biggest corn exporters;
- Ukraine produced 35,8 mln tons of corn in 2018. Total land bank which is used for corn production is 5,0 mln ha;
- Khmelnytsk region is in the top 3 regions of Ukraine with average crop/ha ratio - 10t/ha.

Potential consumption markets:

EU market

- Poland is the biggest consumer of starch in EU, annual consumption is around 1,2 mln tons;

Ukrainian market

- Domestic consumption in 2018 is estimated at 92k tons, export – 70k tons.

EU starch consumption: 9,3 mln tons in 2018



1. 27 companies produce starch at 73 plants in the European Union;
2. Starch production in the European Union increased from 8.7 million tons in 2004 to 10.7 million tons in 2018;
3. The EU consumes 9.3 million tons of starch, where 58% is for food, 2% for feed and 40% for non-food products, mainly paper.

Key starch consumers in Ukraine



1. The food industry is a leader in the number of possible ways of using the modification of starch;
2. Khmelnytsk region is one of the leading regions of corn production. It has perfect location to supply domestic and export market.

Polish market of starch is most growing in EU

- Total consumption of starch is around 1.2 mln tons per year;
- Poland produces about 200k tons of starch (potato);
- More than 850k tons are imported to Poland, including 60k tons - import from outside the European Union (mainly for paper and cardboard production);
- Import of corn starch was 59.2k tons in 2018;
- Main consumers - food and paper industry;
- Food industry in segments:
 - 32% - meat;
 - 29% - beverages;
 - 21% - dairy;
- Demand for starch in Poland is constantly growing, which creates perfect opportunities for import from Ukraine.

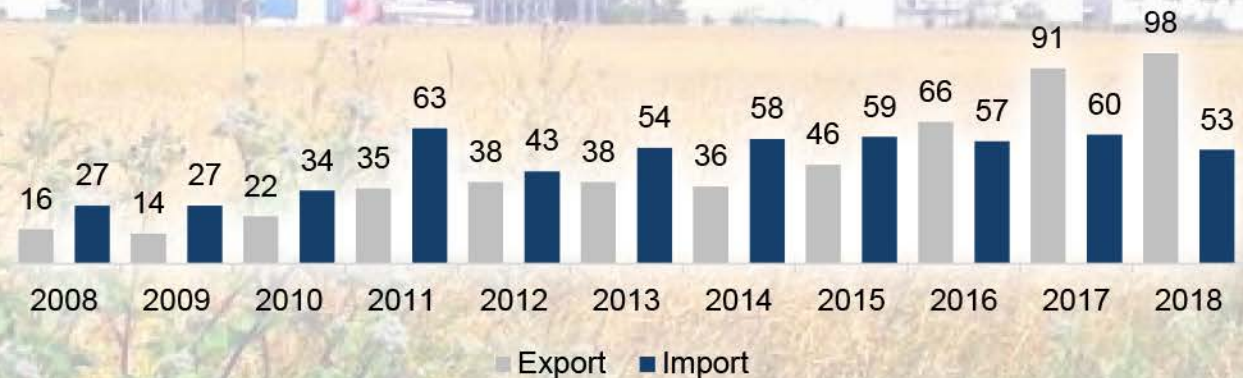
Key consumers, k tons



Export, Import and Consumption of Corn Starch, euro mln *



Export / Import of all types of starch, euro mln*



* From outside the European Union

Source: Statistics Service of Poland

Major starch consumer groups in Poland

Enterprises of paper and cardboard industry

- **45 manufacturers of paper and cardboard industry in Poland** - consumers of native starch;
- **3 companies** have already expressed their interest (**Schumacher Poland, TFP LLC, StoraEnso Poland**);
- According to experts, **best starches are from potato and corn**, wheat starch is used because of the lack of corn starch on the market and the high price of potato;
- Corn starch has the optimal ratio quality/price;
- Starch corn supply from Ukraine will be very actual to the Polish market offer;
- **Ability to sell up to 30k tons per year at a price of 415,0 to 450,0 euro per ton** on DDU terms.

Enterprises of the food industry

- Enterprises of meat, dairy, bakery, confectionery industry, manufacturers of sweet non-alcoholic beverages - **consumers of modified starch (maltodextrin)**;
- Enterprises mainly buy modified starches on the domestic market, rarely – imports;
- Accordingly, the price is formed on the basis of domestic prices and VAT invoice;
- Currently, prices for **maltodextrin range from 800,0 to 1,200 euro per ton**, including tax and 8% VAT;
- For the clients of this group it is necessary to create a trading company with a warehouse in Poland, from which deliveries will be made to clients (B2B).

Project Financial Summary

Financial conditions

- Project cost - CAPEX - **€ 55,2 mln;**
- The Investor acquires corporate rights of Company - owner of the land plot, feasibility study, technical conditions, a preliminary turnkey construction contract with the Polish general contractor, a memorandum with a financing bank (BGK), LOI with products potential buyers in the Poland/EU;
- Company equity purchase cost is **€2.95 million;**
- The Investor should also raise upto **€11,04 million** to finance 20% of total project cost;
- Polish Bank provides - **€44,16 million** of a loan for 10 years at 4% annual rate with credit holidays for construction period (credit insurance from the Polish state-owned company KUKI is included).

Investor advantages

- Compensation right up to 30% of the elevator cost under special support program from the Ukrainian government - up to **€3,0 million;**
- Guaranteed product sales to EU countries;
- Additional opportunity for Investor in grain export to EU through the Polish railway terminal in Medyka;
- Modern automated enterprise (small staff, process effectiveness);
- The possibility of further project development either increasing the volume or by refining depth;
- Access to European financial resources (long term, low rate);
- Project life - **30 years;**
- Gross profit margin – **32%;**
- IRR - **12,5%;**
- Payback period - **8 years;**
- Company capitalization is estimated at **€110 million** after the plant launch, which creates good conditions for issuing shares in Warsaw Stock Exchange.



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