



(18)



The Executive Director,
Tanzania Investment Centre.
P.O. Box- 938
Dar es salaam

1st March 2021

Dear Sir,

Subject: Bagamoyo Sugar Ltd - Progress Report/request for extension of Certificate of Incentives dated 24th April 2018

We thank Tanzania Investment Centre for the support extended so far, which helped us to make good progress in sugar project, we are glad to provide the progress report along with our application for extension of Certificate of Incentives as below:

Project Background:

Bagamoyo Sugar Limited (BSL), a unit of Bakhresa Group, was incorporated on 1st December 2016 with the main objective of establishing a sugarcane plantation and manufacturing sugar to alleviate the shortfall in domestic sugar production.

BSL was established in compliance with the directive by the Govt of Tanzania for Bakhresa Group to invest on a green field sugar project on 10,000 Ha of land in Makurunge Village of Bagamoyo district allotted by Govt. This move was part of the Government's initiative to reduce dependency on sugar imports and to drive an increase in domestic sugar production. This land is situated along the Wami River.

As per the report submitted earlier, this project involves sugar cane plantation on 6000 ha in three phases and establishment of sugar factory of 1500 TCD capacity expandable to 2500 TCD.

In Phase-1, we are preparing to develop our own nucleus estate to plant sugar cane on 2,030 Ha of land and install a sugar plant of 1500 TCD capacity. The commissioning of plant is expected to be done by Mid-2022.

1. Planned Activities for the Period

Sugar Cane Main Crop Plantation- The main crop plantation is set to commence in June 2021 using the sugar cane, harvested from Nursery B, as the seed cane. The bush clearing and the land preparation activity for the main crop plantation is in progress. Out of 2030 Ha area, planting of approximately 1,200 Ha is planned to done in year 1 and the balance in year 2 so that sugar cane is available continuously during the crushing season.

Land Preparation including Roads and Drainage- The land preparation activities will continue to take place till the land is well prepared for main plantation. The improvement will be in both land for plantations as well as the land prepared for key inside the farm infrastructure such as road and drainage system.

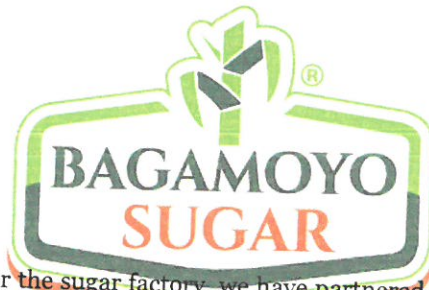
Earthmoving, Agricultural, Cane Haulage & Transport Equipment- The machinery and equipment required for Land preparation are purchased year ago. Procurement is an ongoing process, we expect to place the order and receive the equipment relating to Agriculture, Irrigation & Plant & machinery for 2 more years.

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Sugar Plant Installation- For the sugar factory, we have partnered with JP Mukherji & Associates, a leading consultant on sugar industry from India, who helped with finalising the sugar plant specifications and supply of sugar plant. The contract for the supply of complete sugar plant is awarded to **Thyssenkrupp india pvt ltd**, a German company, based in India for supply of complete sugar plant. **Thyssenkrupp** is a very reputable company, known for their engineering and designing for sugar and cement industry. The capacity of the sugar factory is 1500 TCD which is expandable to 2500 TCD in future, with few additional equipment. In the year 2021 the consignment will be arriving and simultaneously Installation will also continue. The progress of Factory foundation for mill house, and process house is already completed so that the sugar plant can be installed during this year.

2. Achievement made on the project to date

Major Activities	Completed	Status
Incorporation of Bagamoyo Sugar Ltd and acquired 10,000 Ha Land from Government of Tanzania.	Dec -16	Completed
Bush Clearing and Land Preparation for Foundation Nursery.	June -17	Completed
Signing of Contract with Netafim Ltd for Supply of Irrigation Equipment for 200 Ha – Nursery A & B	Sep -18	Completed
Signing of Contract with Netafim Ltd for Supply of Irrigation Equipment for 2030 Ha – Main farm	Jan -19	Completed
Foundation Nursery Development for 7 Ha – difference varieties of Sugar Cane harvested & tested	Feb -19	Completed
NEMC Approval Received	Nov -19	Completed
Nursery A Expansion for 20 Ha completed in February 2020.	Feb -20	Completed
Financial Closure for initial funding for the project	Mar – 20	Completed.
Award of the Contract for the supply of Sugar Plant. The despatches will start from Dec 2020	Mar – 20	Completed.
Installation of irrigation infrastructure for the project	In Progress	June 22
Bush Clearing and land preparation activities	In Progress	June 22
Construction of non-factory buildings	In Progress	Mar 22
Construction of factory buildings	In Progress	Mar 22
Erection & commissioning of Sugar Plant & Machinery	To commence	June 22
Testing and handover of Sugar Plant & Machinery	To commence	Dec 22

Project Implementation Schedule:

Year	Activities Carried and Expected to Be Carried
2016	<ul style="list-style-type: none"> Incorporation of Bagamoyo Sugar Ltd. Acquired 10,000 Ha of Land from Government of Tanzania
2017	<ul style="list-style-type: none"> Carried out Due Diligence Studies i.e Topographic, Soil Profile, Hydrology and Feasibility Study. Procured Few Farm Equipment. Bush Clearing and Land Preparation for Foundation Nursery.
2018	<ul style="list-style-type: none"> Foundation Nursery – Development of Land and Planting of Sugar Cane – 7 Ha. Farm Equipment – Procurement of Bull Dozers D6R, D7R Ripper, Motor Grader, Excavator, Tractors, Harrows etc. Land Preparation and Development for Subsequent Phase of Nursery. Order for Irrigational Equipment for 200 Ha was awarded to Netafim Ltd, Israel. Floated Tenders for Supply, Installation and Commissioning of Sugar Plant.
2019	<ul style="list-style-type: none"> Bush Clearing and Land Preparation for the Nursery A & Nursery B. Construction of Nursery office, Workshop, Garage, Dormitories, Lagoon and Pump Stations. Irrigation equipment, Pipes & Tubes for 200 Ha has arrived and Laying of Pipelines will continue. Entered into contract with Netafim for supply of irrigation equipment for 2,030 Ha gross area.

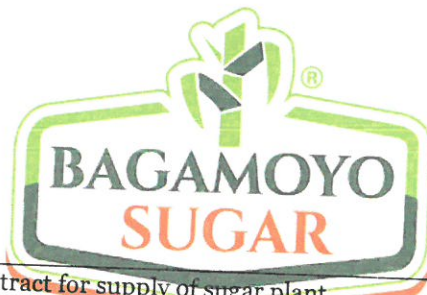
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2020	<ul style="list-style-type: none"> • Awarded Contract for supply of sugar plant. • Awarded Contract for connecting the electrical line to the site with the nearest sub-station • Nursery Expansion – 20 Ha (Nursery A) • Nursery Expansion – about 110 Ha (Nursery B) • Continuation of Bush Clearing, Land Preparation and irrigational Infrastructure work for the main crop cultivation, including the intake facility on Wami River, laying of water pipelines from the River, building the water reservoirs etc. • Construction of roads & drainages, factory and Non-factory Buildings.
2021	<ul style="list-style-type: none"> • Main crop plantation. • Continuation of Land Preparation & Irrigational Infrastructure for the Main crop cultivation. • Continuation of Construction of roads & drainages, factory and non-factory Buildings. • Sugar Plant Installation
2022	<ul style="list-style-type: none"> • Continuation of Main Crop Plantation. • Continuation of Land Preparation and Irrigational Infrastructure. • Continuation of Roads, drainages, factory and non-factory Buildings. • Installation and Commissioning of Sugar plant. • Harvesting of Sugar Cane. • Commencement of Production of Sugar.

3. Updated Information

S/No	Information	Description	Current Project Status
1.	Shareholder's information	Current Shareholders names, nationality and Percentage of ownership	1. Abubakar Said Salim Bakhresa, Tanzanian (25%) 2. Said Salim Awadh Bakhresa, Tanzanian (25%) 3. Said Salim Bakhresa & Co Limited, Tanzanian (50%)
2.	Company Communication Information	Email Address	senapathy@bakhresa.com accounts@bagamoyosugar.com george.mani@bagamoyosugar.com
3.	Contact Person(s)	Mobile Numbers	Senapathy- 0786066854 George - 0716851896
		Land Line Telephone	Azam Center- +255 22 2180007
		Physical Address	1. Farm no.3565/1 at Makurunge -Bagamoyo
	Key Contact person position	Controller of Operations	Anoor Senapathy (0786066854)
4.	Incorporation	Certificate of incorporation number	131640
5.	Tin Information	Tin Certificate no.	CTN 0828953 /TIN 132-283-141
6.	Project Objective	Project Core Activity	Sugarcane plantation and manufacturing sugar
7.	Capacity	Project Capacity per Year	1500 TCD, 25000 Tonnes of Sugar per year
8.	Direct Employment	Foreign -Men Foreign - Women Local - Men Local -Women	Foreign Men- 14 Foreign Women- 0 Local Men- 760 Local female 251 Total 1021
9.	Indirect Employment	Estimated total number	5000 people
		Types/Areas of Indirect Employment	Sugar cane out-growers, Wholesalers and retailers

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4. Project Financial Expenditure as on Dec 2020 (USD)

	Foreign(USD)	Local (USD)	Total (USD)
Land and Buildings	-	11.67 Mil	11.67 Mil
Plant and Machinery	13 Mil	9.85 Mil	22.85 Mil
Factory Machinery	4 Mil	0.36 Mil	4.36 Mil
Nursery & Main crop development	-	1.44 Mil	1.44 Mil
Power lines & Generators	-	2.59 Mil	2.59 Mil
Office Equipment	-	1.38 Mil	1.38 Mil
Insurance Cover	-	0.31 Mil	0.31 Mil
Pre-Operational Expenses	-	5.77 Mil	5.77 Mil
Working Sub-total Capital	-	-	-
GRAND TOTAL	17 Mil	33.37 Mil	50.37 Mil

5. Project Financing

The total project cost for capex in phase1 is estimated at USD 100 Mil. The project cost comprises debt of USD 66.5 Mil and balance amount shall be promoter's contribution. As of current while we are applying for renewal of Certificate of Incentive the project has been financed by Loan from Local bank USD 26.65 Mil and Promoter contribution USD 23.72 Mil as summarized in this distribution table.

	Amount (USD)	Source Country
Local Equity**	23.72 Mil	Tanzania
Local Loans	26.65 Mil	Tanzania
Foreign Equity	-	-
Foreign Loans	-	-
Total Investment	50.37 Mil	-

** Includes Shareholders loan

6. Problems and Solutions

During this phase 1 of the project along with the achievement the following were the problems, and the action taken against them as a solution as shown in this table.

S/No.	Problem description	Action taken
1.	Water Availability during the dry season	There is critical scarcity of Water in the Wami river during the dry season.
2.	Demarcation of land with Sadani Game Reserve whereby it caused some concerns to interested financial Institutions and delayed the project financing.	The Ministry of Land & Ministry of National park visited the site and clearly identified the boundaries, We are yet to receive the official notification for the demarcation
3.	Bad condition of Access Road to site during the rainy season and within the project site	We have informed to the Government for improvement of road.
4.	Power supply	Company has entered into contract with ABB to lay power line from Makurunge Junction to farm. The contract between TANESCO and Company for power purchase agreement is yet to be signed

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7. Future Plans

In spite of several challenges due to natural calamities and complexities of the project we are trying our best to make steady progress on the project to meet the schedule timeline as indicated above and seek your continuous support for us to be able to meet the deadlines.

This is one of the large private sector investment project in the country and is of national importance aligned with the objective of Government of the United Republic of Tanzania to increase domestic sugar production and reduce dependence on imported sugar.

The immediate goals is to proceed with main crop cultivations, improving the roads and drainage systems and ensure sugar factory installation is along the schedule and completed within 2022 in the second half of the year.

8. Recommendation and other comments

We would like to bring to your attention, Certificate of Incentives no. 017127 dated 24th April 2018 granted by your office is expiring on March 2021. We request your good office to renew the same with effect from April 2021 to March 2023 for a period of another two years, which will help us to complete all the activities of the project.

Apart from this Certificate of Incentive, we humbly request that the Government of Tanzania through President office Tanzania Investment Centre (TIC) to grant the strategic investors status as we have been making follow up. Our commitment is to see success to this project and hope this renewal process will be completed within short time, we are waiting for your good response.

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