

TANZANIA INVESTMENT CENTRE

DAR ES SALAAM

PROGRESS REPORT

(Information required for the project's progress report after every six months or for amendment of Certificate of Incentives)

1. Planned activities for the period:

- a) Undertaking sugarcane cultivation activities using appropriate technologies and good practices and develop 3,600 ha of sugarcane fields by end of June 2023;
- b) Acquisition of modern farm equipment and machinery to support mechanized land clearance, cultivation, preparation and planting;
- c) Acquisition of equipment and tools for rehabilitation and maintenance of farm access roads;
- d) Installation of a state-of-the-art sugar mill with a crushing capacity of 2,500TCD and production of 50,000 tonnes of Sugar once fully operational.
- e) Construction of estate building to support Company operations.
- f) Installation of a power plant to produce at least 15 MW of electricity for running the factory, irrigation and estate housing and buildings. The boiler for power plant will be using bagasse as fuel;
- g) Expand the supply of water to the estate by extraction of water from Wami River, construction of reservoirs, drilling of boreholes and installation of appropriate irrigation systems.

- 2. Achievements made on the project implementation to date:** (i.e. from the date the project was approved to the date of writing the report). Describe the status of activities that have already been undertaken e.g. construction of buildings, acquisition of supplies, installation of equipment, etc.

- a) Construction of a 2,500 TCD Sugar plant have started in June 2021; once commissioned and fully operational, the sugar mill will have capacity to produce 50,000 tonnes of sugar per annum.
- b) By 31st December 2021, total of 2,755 ha was planted with sugarcane; equivalent to 75.6 % of the total planned area 3,600 ha. The remaining area will be cultivated and planted by the end of June 2023.
- c) Construction of Sugar factory civil works commenced on 19th June 2021 and sugar factory installation is expected to be completed by end of August 2022.
- d) Installation of semi solid sprinkler have been completed for 1,531 ha and installation of irrigation system for additional 1,200 ha is expected to be completed by June 2022.
- e) The Company have acquired 80% of the required farm machinery and equipment. The machinery and equipment are being used for field operations, construction and rehabilitation of farm access roads and drainage infrastructure;
- f) The Company have constructed 45 km of farm access roads to gravel standard.
- g) Construction of Administration building, seven (7) Staff houses, fence of the factory area and hostel rooms to accommodate 112 workers and 22 Engineers have been completed.
- h) Completion of Dispensary building which is currently serving workers.
- i) The project has created 156 direct employment and 450 casual and seasonal labourers;
- j) The Project provides opportunity for the surrounding community to participate in sugar production value chain whereby already 245 registered Cane growers are undertaking sugarcane cultivation.

3. Provide updated information on the following aspects:

S/No.	Information	Description	Current Project Status
1	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	<ul style="list-style-type: none"> i. The Board of Trustees of the National Social Security Fund, Tanzania Fund, own 96%. ii. The Prisons Corporation Sole, Tanzania Institution, own 4 %

2	Company communication Information	<p>Email address</p> <p>Mobile Number</p> <p>Land Line Telephone Number</p> <p>Physical Address (Plot No. Block No. Street, District and Region)</p>	<p>info@mkulazi.co.tz</p> <p>+255 232935279</p> <p>+255 232935281</p> <p>Plot Number 471 located at Farm Number 471 Mbigiri Village in Kilosa District, Morogoro – Tanzania, and Plot number 472 located at Farm Number 472 Mabwegele village in Kilosa District, Morogoro Region - Tanzania</p>
3	Contact Person	<p>Name</p> <p>Position</p> <p>Communication details (Email, Mobile and telephone)</p>	<p>Mr. Japhet Tesha</p> <p>Legal Officer</p> <p>japhet.tesha@mkulazi.co.tz</p> <p>+255 767 185 758</p> <p>+255 232935281</p>
4	Incorporation	Certificate of Incorporation Number	129293
5	TIN Information	TIN Certificate No.	131-656-181
6	Project Objective	<p>Project Core Activity: Undertaking sugarcane cultivation activities at Mbigiri Estate by planting high quality sugarcane varieties on 3,600ha fields.</p> <p>The following are the core functions of the project:</p> <p>(i) Commercial cultivation of different sugarcane varieties.</p> <p>(ii) Production of domestic and industrial sugar.</p> <p>(iii) Sale of quality sugar and its related downstream products such as ethanol,</p>	<p>By 31st December 2021, total of 2,705 ha was planted with sugarcane; equivalent to 75% of the total planned area 3,600 ha. The remaining area will be cultivated and planted by the end of June 2023.</p> <p>Construction of Sugar factory civil works commenced on 19th June 2021 and sugar factory installation is expected to be completed by end of August 2022.</p>

		particle boards, pulp e.t.c. (iv) Power generation.	
7	Capacity	Project capacity per year Sugar processing mill with crushing capacity of 2,500 Tons of Cane per day) TCD will be installed with capacity to produce 50,000 tonnes of sugar per annum once full operational.	Construction of civil works including building structures and machinery foundations is on-going. The installation of machineries at Mill House have started in March 2022.
8	Direct Employment	Foreign Men Foreign Women Local Men Local Women	NIL NIL 115 33
9	Indirect employment	Type/areas of Indirect employment	Seasonal Labourers worked at Mbigiri estate and factory area are 359.

1. Project Financing Expenditure to date (TZS)

	Foreign (USD)	Local (TZS)	Total (TZS)
Land and Buildings	-	26,477,375,287.78	26,477,375,287.78
Plant and machinery (Capital Work in Progress)	-	22,317,651,173.98	22,317,651,173.98
Irrigation System (Capital Work in Progress)		37,460,472,702.25	37,460,472,702.25
Farm Implement	-	5,618,020,102.00	5,618,020,102.00
Cane root (Biological Asset)	-	5,087,942,740.00	5,087,942,740.00
Farm Road Improvement		5,428,868,043.00	5,428,868,043.00
Boreholes	-	227,070,000.00	227,070,000.00
Vehicles/Aircrafts/	-	807,660,000.00	807,660,000.00
Furniture	-	111,485,856.00	327,363,500.00
Office equipment	-	476,971,101.92	752,548,000.00
Insurance Cover	-	103,811,187.93	103,811,187.93
Pre-operational expenses	-	18,138,379,730.00	18,138,379,730.00
Working capital (Current Assets)	-	19,544,526,903.06	

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Grand Total		141,156,665,870.61	141,156,665,870.61

2. Project Financing

Explain how the project is being financed e.g., equity, loans, sources of loans, conditions etc. see table below: -

	Amount (TZS)	Source Country
Local equity	141,156,665,870.61	Tanzania
Local loans	-	-
Foreign equity	-	-
Foreign Loans	-	-
Total Investment	141,156,665,870.61	Tanzania

3. Problems and Solutions:

a) Challenges caused by the Impact of COVID 19 in trade and transportation industries have caused delays in construction of Sugar factory.

- ❖ The challenge has been resolved and construction of the sugar factory commenced in June 2021. The Company anticipates to start sugar production in 2022/23 season.

b) Prolonged procurement procedure has sometimes affected smooth implementation of the project.

- ❖ The Company has resolved to proactively undertake procurement activities and also have strengthened use of technical staff in implementation of some of consultancy services, use of Force Account modality in construction works as well as effecting procurement directly from Manufacturers and Authorized dealers.

c) Poor farm access roads in Cane growers' area whereby 90 km of farm roads need to be constructed / rehabilitated to gravel standard. Construction of these roads will facilitate transportation of sugarcane from potential growing areas to the sugar mill.

- ❖ The Government has initiated measures through TARURA / TANROADS in effort to resolve this challenge.

7. Future Plans

❖ Future plans for the next coming six months (January – June 2022)

- a) Maintenance and expansion of irrigation systems;
- b) Operating and maintenance of water conveyance channels storage dams, pump stations;
- c) Commissioning of perforated pipes irrigation system; (1,100 ha);
- d) Enhancing control of flood and maintenance of proper drainage system;
- e) Seed cane nursery management;
- f) Undertake land clearance and preparation of 800 ha for planting in the coming financial year 2022/23;
- g) Ratoon crop maintenance for existing cane fields;
- h) Recruitment of additional staff as per requirement of the respective departments; and
- i) Sourcing and grooming young operators and maintenance fitters from high learning institutions, Vocational training institutions;
- j) Supervision of construction of civil works, installation and commissioning of the new sugar factory; and
- k) Preparation of Company's Sugar Marketing and Sales Policy.

❖ Planned financial commitments:

A total of TZS 344,471,547,783 is committed for this project

8. Recommendations and any other comments:

The project will be completed in the financial year 2022/2023 and start production of sugar. This project is one of the strategic projects of the Government.