

# Kagera Sugar Limited

## Special Strategic Investor Status

03<sup>rd</sup> August 2023



## Important Notice

This special strategic investor status report (“report”) presents a qualitative and quantitative analysis of Kagera Sugar Limited (“KSL” or “the Company”) and is prepared as part of KSL’s application for TIC certificate of incentives. The information contained in this report has been obtained from the shareholders and management of KSL and other independent sources. KSL cannot be held responsible for its unauthorized copying and distribution. Recipients are respectfully reminded that this report contains potentially sensitive information and should be kept secure.

The conclusions, findings, and opinions expressed in this report are those of the shareholders and management of KSL unless identified as those of other parties. This report has been produced for the purpose outlined above and its interpretation, use or application for other purposes imposes no obligations on the shareholders and management of KSL. KSL confirms that this report is neither a Memorandum of Information, nor a Prospectus nor any other kind of (private or public) Offering Document.

# Contents

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	Page		Page
Glossary	4	Challenges	31-32
Executive Summary		Phase III expansion plan	
Overview	6	Overview of phase III expansion plan	34-36
KSL's transformation at a glance	7	The next twelve years	37
Company overview and history	9,10	Agricultural development targets	38,39
Prior strategic investor performance targets	12	Factory & production targets	40
Historical achievements		Community & employees' welfare contribution	41
Historical summary achievements	14	Forecast financial performance and positions	42
Agricultural development	15-21	Investing for development	44
Cane Varieties Development	22	Request to the Government	46
Factory & production capacity	23	Phase III implementation roadmap	48
Employee's' welfare	24,25	Closure	50
Community	26-28	Annexure	52-57
Financial performance and positions	29		



# Glossary

AYT	Advanced Yield Trial	NOPAT	Net Operating Profit After Tax
CAGR	Compound Annual Growth Rate	p.a.	Per annum
Capex	Capital Expenditure	PC	Plant Cane
EBIT	Earnings Before Interest and Tax	PYT	Preliminary Yield Trial
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation	RI	Ratoon One
FY	Financial Year	TBS	Tanzania Bureau of Standards
FYDP	Five Year Development Plan	TDV	Tanzania Development Vision 2025
GDP	Gross Domestic Product	TCH	Tonnes Crushed per Hour
Government	Government of Tanzania	TFDA	Tanzania Food and Drugs Authority
Ha	Hectare	TIC	Tanzania Investment centre
KAGSA	Kagera Sugarcane Growers Association	TOSCI	Tanzania Official Seed Certification Institute
KSL or the Company	Kagera Sugar Limited	Tzs	Tanzania Shillings
Kg	Kilogram	USD	United States Dollars
Management	KSL's Management		
MT	Metric Tons		
NPT	National Performance Trial		
NBS	National Bureau of Statistics		
NIP	National Irrigation Policy (2009)		
NIMP	National Irrigation Master Plan (2002)		
NISC	National Investment Steering Committee		

# Executive Summary

# Executive summary (1/2)

## Overview

- Kagera Sugar Limited (“KSL” or “the Company”) is one of the few successful stories coming from the privatization policy that was initiated back in 1990s. With the support from the Government of Tanzania (“Government”) and under the supervision of a capable and patriotic KSL leadership, the company has transformed into a large, modern agricultural organization. The transformation is not only in the company but also in the surrounding communities, the Kagera region and the Tanzania business landscape. KSL has become the role model company that epitomizes the vision of the current President of the United Republic of Tanzania, Her Excellency Dr. Samia Suluhu Hassan, and her administration i.e. the vision for Supporting Local industries development, creation of employments to Tanzanians and growth of our nation economy.
- The success of KSL, to a large extent, has been made possible by the provision of special investment incentives under the Special strategic Investor status granted by the Government to the company. KSL was a recipient of a Special strategic Investor Status from 2003 to 2011. This status was granted to support the company to implement Phase I of the rehabilitation and modernization project that involved an investment of USD120 million. The status was then extended to cover the period from 2012 to 2018 to support the company in Phase II of the expansion plan project whereby the company committed to invest a further USD70 million over the time span of seven (7) years. In return for the Special strategic investor status, KSL committed to a number of targets which were contractually agreed on two performance contracts. With the above Government support in place, KSL has been able to successfully execute the two phases/projects.
- In her recent visit to KSL’s estates, the current President of the United Republic of Tanzania, Her Excellency Dr. Samia Suluhu Hassan challenged KSL and other sugar producers to increase their investments and enhance production to meet the current sugar demands of the local market. The president further challenged KSL and other sugar producers to not only have their eyes on the local market but to the wider EAC (East African Community) market.
- In response to His Excellency President Dr. Samia Suluhu Hassan call to address the sugar deficit in the country and to support the Government’s industrialization drive, KSL is in the process of embarking on phase III of its expansion plan which will see the company investing a minimum of USD 220 million over the next twelve (12) years. This investment will see the company more than double its current sugar production level of 75,568 tonnes per annum to 170,000 tonnes per annum by 2030. This intent is yet another tangible commitment by the shareholders and management of KSL to address the sugar deficit in the country, increase employment opportunities, boost foreign exchange earnings through sugar exports, boost savings on foreign currency through less payments on imports, contribute to the exchequer through various taxes and continue to be an industrialization role model for the country.

## Purpose of the report

- KSL is requesting VAT & Duties exemption to support its planned phase III expansion plan. KSL has prepared this qualitative and quantitative analysis to support its application for TIC certificate of incentives for a period of twelve (10) years (“the Application”). The application will be submitted to Tanzania Investment Centre (“TIC”) who in turn will submit the same to Tanzania Investment

Centre ("TIC").

# Executive Summary (2/2)

KSL's transformation at a glance

Period	< 2002	Phase I: 2003 - 2011	Phase II: 2012-2018	Phase III:2019-2029	Total
Operational status	● None	● Operational	● Operational expanded	● Further expansion	
Investment capital added	● None	● USD 120 million	● USD 70 million	● USD 220 million	● USD 410 million
Area under cane added	● None	● 10,000 Hectares	● 4,500 Hectares	● 9,500 Hectares	● 24,000 Hectares
Area under centre pivot irrigation system added	● None	● 4,000 Hectares	● 3,000 Hectares	● 8,200 Hectares	● 15,200 Hectares
Other irrigation systems added (Outfall)	● None	● None	● 2,800 Hectares	● 2,000 Hectares	● 4,800 Hectares
Rain-fed farm area	● None	● 6,000 Hectares	● 4,700 Hectares	● 4000	● None
Factory crushing capacity added	● None	● 100 TCH	● 47 TCH	● 153 TCH	● 300 TCH
Sugar production capacity added (Tonnes)	● Non-operational	● 44,176 Tonnes	● 31,392 Tonnes	● 94,432 Tonnes	● 170,000 Tonnes
Out-grower cane supply	● None	● 4,400 Tonnes	● 55,600 Tonnes	● 60,000 Tonnes	● 150,000 Tonnes
Employment levels added:	● None	● 4,900	● 2,400	● 2,700	● 10,000
- Direct	● None	● 24,500	● 12,000	● 13,500	● 50,000
- Indirect					
Total taxes paid	● None	● TZS 17.9 billion	● TZS 83.7 billion	● TZS 323.8 billion	● TZS 425.4 billion

# Overview and History

# Company overview

Kagera Sugar Limited, one of the four sugar producers in Tanzania, produces 24% of the total sugar produced in the country.

KSL, privatized on 3 December 2001, was completely run down at the time the new owners took control.

KSL's well-defined vision, mission statement and core values assisted to shape the appropriate corporate culture at the company and this in turn has contributed positively to the ongoing turnaround of the company.

## Overview

- Kagera Sugar Limited ("KSL" or "the company"), located in Kagera region, is one of the four sugar producers in Tanzania. In 2017/18, KSL contributed 75,568 tonnes of sugar per annum in the market from a total annual local production of 320,000 tonnes i.e., 24%. Currently that has increased to over 84,000 tonnes in 2018/19 and projected over 90,000 tonnes next year.
- Effectively from 3 December 2001, the ownership of KSL moved from the Government to the current owners through the privatization program that started in the early 1990s.
- At the time of privatization, the company had no cane in the fields and the small processing plant at the estate was run-down. Due to this, one could view the transaction then as a greenfield project and not as a brownfield project for the new owners and the new management team.

## Appropriate and robust corporate culture

- As one of the key strategic tools for any turnaround process of a company, the new owners together with all the employees came up with well-defined company's vision, mission statement and core values. This process facilitated shaping the appropriate corporate culture at KSL; and have positively contributed to the ongoing turnaround of the company.



# Company history

Kagera Sugar Limited, initially known as 'Kagera Sawmills', constructed and run a small sugar factory in Kagera 'A' area.

In 1973, following the Arusha Declaration, the company was nationalised and became a public corporation under the name Kagera Sugar Limited (KSL).

Government constructed a larger sugar factory at Kagera B area that was commissioned in 1982.

It was from 1984 onwards, due to several macro and micro challenges, KSL was set on a downward trajectory. Sugar production gradually reduced to production levels of as low as 700 tonnes per annum.

KSL halted sugar production late in 1996 and was privatised on 3 December 2001.

Pre nationalization period: 1950 - 1973

- Kagera Sugar Limited (KSL), is a company with a history dating back to the 1950s. The company, then known as 'Kagera Sawmills', was established and run by the late Mr. Grewal Singh. Originally, the company was set up as a small jaggery plant in Kyaka and subsequently ventured into sugar production following construction of a small sugar factory in Kagera 'A' area. The factory at that time was producing around 10,000 tonnes of sugar per annum.
- In 1973, following the Arusha Declaration, the company was nationalised and became a public corporation under the name Kagera Sugar Limited (KSL).

Post nationalization and war period: 1974 - 1983

- During Kagera War In 1979, KSL Factory was bombed down by Idi Amin troops and completely reduced to ashes. Soon after the end of Kagera War, the Government of Tanzania took initiative to rebuild the factory at Kagera 'B'
- The new factory at Kagera 'B' was successfully completed and commissioned in 1982.
- The newly built factory was projected to produce 20,000 tonnes of sugar per annum from an estimated 220,000 tonnes of cane in its first season i.e. in 1982. In that season, KSL managed to produce only 6,500 tonnes of sugar due to various challenges encountered by management such as technical faults of the plant, logistical challenges, lack of infrastructure, lack of skilled resources etc. In addition, inadequate staff accommodation at the time, created many of logistical challenges to the management team.

- As a result of a number of technical problems, KSL's plan in 1983 was to overhaul the entire plant but due to lack of spare parts and funds, this task could not be implemented. During this period, Tanzania was also facing a number of serious macro-economic woes such as insufficient foreign currency reserves in the country which exacerbated the company's fragile state.

Structural adjustment and privatization period: 1984 - 2001

- It was from 1984 onwards, due to several macro and micro challenges, KSL was set on a downward trajectory. Sugar production gradually reduced to production levels as low as 700 tonnes per annum.
- With the ongoing downward trend, financial obligations of KSL were becoming unbearable and towards the end of 1996 the company was not able to pay staff salaries and meet other obligations. KSL eventually halted sugar production late in 1996. With no funds to pay TANESCO, power to the factory was cut off and consequently water could no longer be supplied to the staff residences.
- Staff and different stakeholders launched various claims on the company. The General Manager at that time was forced to relocate to an office in Bukoba City Centre as workers became more and more restless towards the deteriorating state of affairs.
- Given the ongoing turmoil the company was facing and difficult conditions at the estate, most of the trained staff opted to resign and move on to other prospects.
- After failing to reach a compromise with the workers, the Government finally decided to dismiss all the workers in 1999, retaining only 150 staff who remained until the company was privatized on 3 December 2001.

# Evaluation of prior performance commitments

# Prior strategic investor performance targets

The first successful rehabilitation and modernization plan and performance contract covered the period from December 2003 to December 2011.

The second expansion plan and performance contract covered the period from January 2012 to December 2018.

## Phase I rehabilitation and modernization plan

- In December 2003, the Government granted special investment incentives under 'Strategic Investor Status' to KSL. In turn, KSL committed to the rehabilitation and modernisation of its sugar estate. In the succeeding performance contract, signed on 20 January 2012, the two parties confirmed that Phase I rehabilitation and modernization plan was successfully implemented.

## Phase II expansion plan

- In December 2011, after successfully completing Phase I, KSL requested the Government for additional special investment incentives to support the second phase of KSL's expansion plans. The Government, through consultations with NISC agreed to grant investment incentives similar to the ones granted in Phase I.
- This agreement, which was formalised on a performance contract signed on 20<sup>th</sup> January 2012, ended in December 2018.

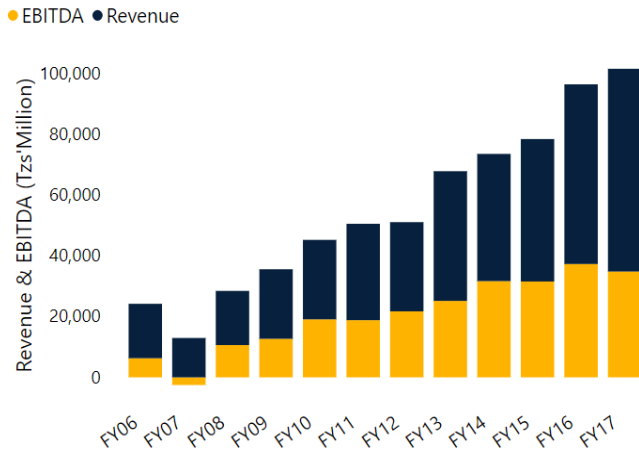
## KSL's performance targets

- In the second performance contract, KSL committed to increase production capacity and completely upgrade its estates. Specifically, the company committed to the following targets by December 2018:
  - I. Develop and modernise the sugarcane irrigation scheme to ensure increased yields and to sustain sugar production at the KSL's factory.
  - II. Expand the current 10,000 hectares to 16,500 hectares.
  - III. Modernise the sugar factory by procuring new technology and machinery capable of crushing 1.2 million tonnes of sugarcane and produce an average of 100,000 tonnes of sugar p.a.
  - IV. Continue with the development and modernisation of the existing infrastructure including field and accessroads, staff houses, offices, educational and health buildings and water distribution lines.
  - V. Invest an additional total capital of USD70 million.

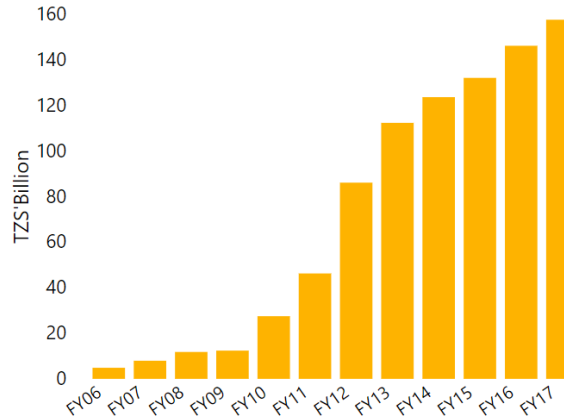
# Historical Achievements

# Summary historical achievements

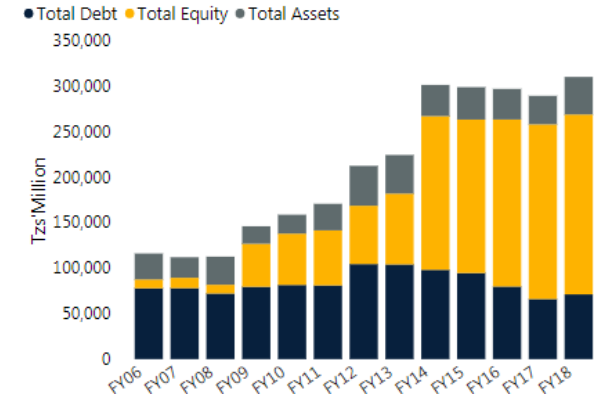
Summary Financial Performance



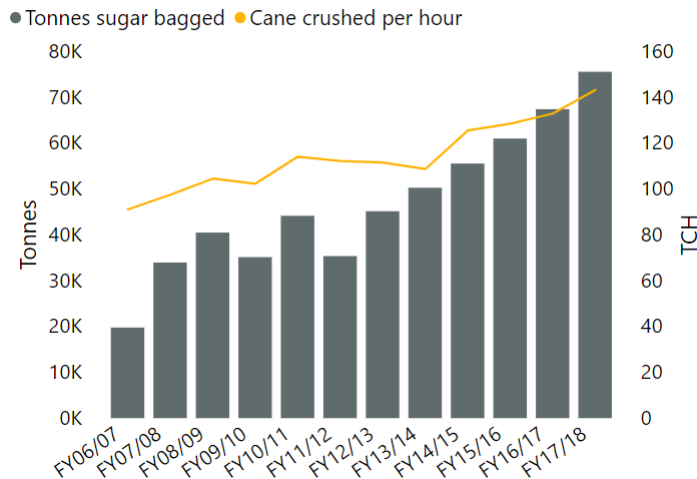
Cumulative Capital Expenditures



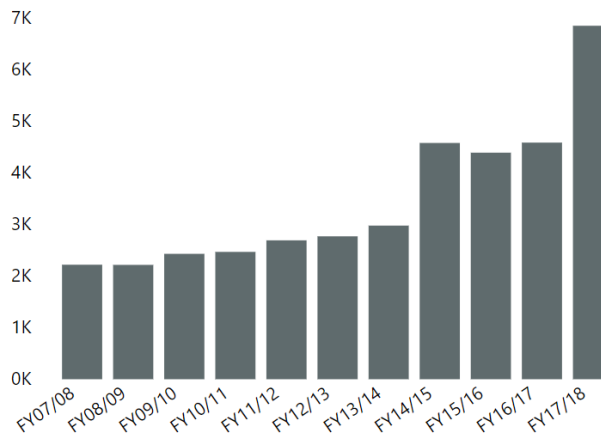
Summary Financial Position



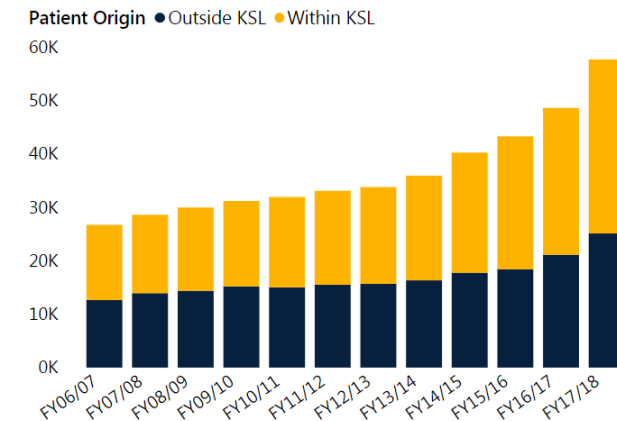
Sugar Production and TCH



Number of Employees



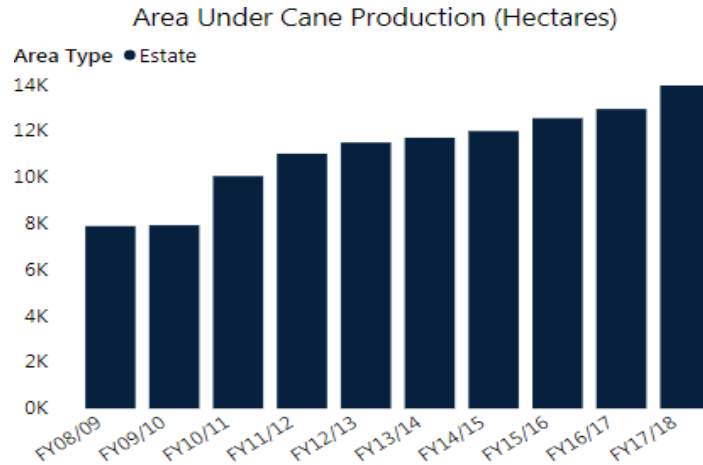
KSL Hospital Admission



# Agricultural Development (1/7)

The key targets in the 2012 performance contract were set as:

- Area under cane: 16,500 hectares by 2018
- Modernization of the sugar cane irrigation scheme



One of the centre pivot irrigation systems at KSL

## Sugarcane Estates and Irrigation Scheme

- Between 2006/07 and 2017/18, KSL made significant investments to increase the area under cane production in the estates and in out-grower areas as well as modernizing the sugar cane irrigation scheme.
- Area under cane production has expanded each year, from 7,900 hectares (“ha”) in 2008/09 to about 14,500 ha in 2017/18.
- KSL has invested heavily in irrigation of the estates using the centre pivot irrigation system. KSL has one of the largest centre pivot sprinkler irrigation system in Sub-Saharan Africa, covering about 7,000 hectares in 2017/18.
- Currently, KSL has a total of 85 centre pivots irrigating around 7,000 hectares in the north bank estate of the Kagera river.
- In addition to this, about 7,500 ha in outfall and rain-fed areas are irrigated using other technologies such as the Big Gun Sprinklers.
- By investing in irrigation, KSL has increased yields to between 90 and 100 tonnes of cane per hectare in irrigated areas under the centre pivot system, compared to between 40 and 50 tonnes of cane per hectare in outfall and rain-fed areas.

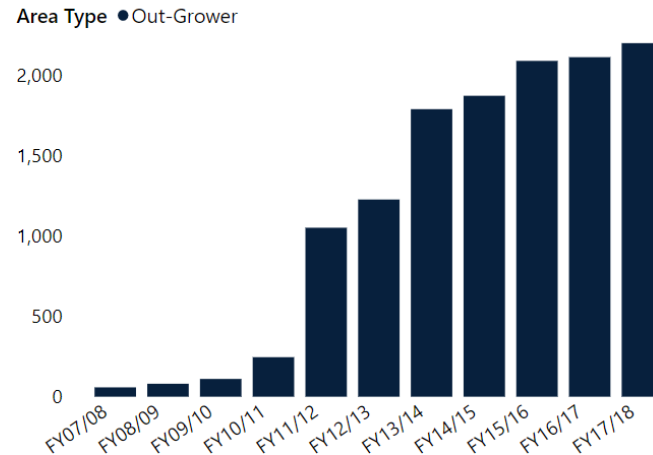
# Agricultural Development (2/7)

Reviving the non-operational out-grower scheme is in line with KSL's approach of creating sustainable wealth, jobs and prosperity for the surrounding community.

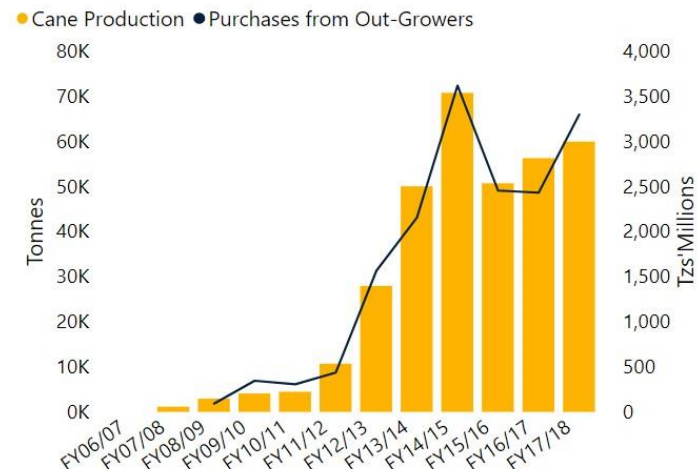
A lot of time and effort was spent by KSL's team to engage, attract and train out-grower farmers over the years.

During the initial phases, KSL had to support the pilot group of farmers with two tractors, arrange tours to cane out-grower schemes in Morogoro and provide ample farming inputs to win back the confidence of other farmers in the surrounding areas.

Area Under Cane Production (Hectares)



Out-Growers Cane Production



## Out-grower Farmers Development

- Supporting development of the out-grower farmers' scheme has been an essential part of KSL's long-term strategy. KSL revived the non-operational out-grower scheme in the 2008/09 season when farmers started supplying sugar cane to KSL.
- KSL has achieved tremendous success in supporting out-grower farmers. The area under cane for out-growers increased from 81 ha in the 2008/09 season to 2,200 ha in the 2017/18 season. In the same period, the number of out-grower farmers increased from 156 to 449.
- Total cane harvested from out-grower farmers has also increased significantly, from 2,900 tonnes of cane in 2008/09 to 60,000 tonnes of cane in 2017/18.
- A total of TZS 20 billion was paid to out-grower farmers in the period 2008/09 to 2017/18. In the 2017/18 season, KSL paid TZS 4 billion to out-grower farmers.
- Beyond financial support, KSL has supported the development of out-grower farmers by:
  - Development of block farms to achieve economies of scale.
  - Construction of roads in out-grower farmer areas to improve access and reduce transport costs.
  - Appointment of a dedicated Out-grower Manager in KSL for co-ordination and relations with farmers.
  - Working closely with the Kagera Sugarcane Growers Association (KAGSA) for land preparation activities, agronomic advice, research into suitable varieties and provision of fertilizer to farmers.

# Agricultural Development (3/7)

Agriculture is very long term investment by its nature and requires very heavy investment at the beginning.

Key operational steps undertaken by KSL to fully develop one hectare of cane plantation.

1. Bush clearing
2. Rough Levelling
3. Ripping
4. First plough, second plough and third plough
5. Scraping and Levelling
6. Ripping



*Step 1: Initial clearing of shrubs and trees on an undeveloped land*



*Step 2/3: A second clearing process to knock down the anthills, Ripping and initial levelling of the land*



*Step 4: Ploughing (3 operations) to loosen up top layer of soil*



*Step 5/6: GPS controlled machine tractors and scrapers levelling the land, followed by ripping operation*

# Agricultural Development (4/7)

Land levelling operations requires modern automated equipment which uses Satellite to navigate the ground operator as depicted in the picture to carry out land levelling operations

KSL had to send senior team of operators of these sophisticated equipment to USA for advanced technical training on how to use and maintain these equipment



*GPS controlled machine tractors and scrapers levelling the land*



# Agricultural Development (5/7)

Key operational steps undertaken by KSL to fully develop one hectare of cane plantation.

- 7. Excavation of drains
- 8. Harrowing
- 9. Ridging
- 10. Planting



Step 7: Installation of drainage system to irrigate the cane effectively.



Step 8: KSL's tractors carrying out harrowing operations.



Step 9: Cane fields are ridged with ridging tractors to prepare for Cane planting process.



Step 10: Planting of cane.

# Agricultural Development (6/7)

*Installation of underground water pipe network for irrigation*



*One of KSL's pump stations positioned at the Kagera river*

*One of KSL's centre pivot irrigation structure at work*



*One of KSL's pump stations*



# Agricultural Development (7/7)

Investment in development of road infrastructure

Internal construction and development of the road infrastructure in the entire Estate constitutes relatively heavy investment with eventual aim to facilitate easy accessibility to all fields in the estates at all times. So far KSL has already constructed at total of 1,250 kilometres of road within the Estate.



*Investment in heavy equipment including tippers, motor graders, and front end loaders for development of road infrastructure*



*Investment in heavy equipment for agricultural and civil engineering works*

# Cane Varieties Development

Development of new sugarcane varieties is a key and long-term undertaking for the sustainability of the sugar industry.

Variety evaluations can take up to 12 years from commencement to commercialization.

KSL is committed to research and development of new sugarcane varieties.

KSL has spent over TZS 2 billion in conducting trials / evaluations of new sugar cane varieties.

Over the next 12 years, KSL expects to spend TZS 12 billion in research and development of new sugar cane varieties.

## Overview

- KSL recognizes that development of sugarcane varieties plays a vital role in the economic viability and sustainability of the sugar industry. KSL has invested heavily in research, development and evaluation of new sugar cane varieties for commercialization.
- KSL has invested over TZS 2 billion since 2012/13 on the evaluation and selection of new sugar cane varieties for commercialization.
- Conducting sugarcane variety evaluation is a highly scientific process that is regulated by the Ministry of Agriculture through the Sugarcane Research Institute (SRI).
- The objective of trials is to obtain varieties with high cane and sugar yields, good ratooning ability and resistance to smut and other diseases. Sugar cane varieties evaluations can take up to twelve (12) years before a variety is ready for commercialization.

## Summary procedures

### *Preliminary Yield Trial – I (PYT I)*

- A trial with two replications in high/medium potential fields under irrigation. This is done at Kilombero Sugar Company (“KSC”) only. Assessments made on plant cane (“PC”) and the first ratoon (RI) will determine whether to move varieties to the next stage.

### *Smut Screening Nursery*

- This is carried out along with PYT I. Varieties are planted in the smut screening nursery (three replicants). Assessments are done on PC up to RII. Depending on data and results, varieties will either be dropped or proceed for further tests and selection.

## Summary procedures (continued)

### *Preliminary Yield Trial – II (PYT II)*

- Varieties selected from PYT I and the smut nursery are advanced to PYT II. Replicated experiments planted in two sites with high and medium/low potential are carried out. Assessments are done on PC, RI and RII. Data is obtained and promising varieties are moved to the next stage.

### *Advanced Yield Trial – I (AYT I)*

- Varieties selected from PYT II are planted in replicated trials over four sites representing the soil types at the estates. Assessments are done on PC and RI and later ratoons. Data is obtained and promising varieties are selected for the final stage of evaluation.

### *Advanced Yield Trial – II (AYT II)*

- This stage is to expose varieties from AYT II to more diverse conditions in the estates to further assess adaptability and resilience under various soil conditions.

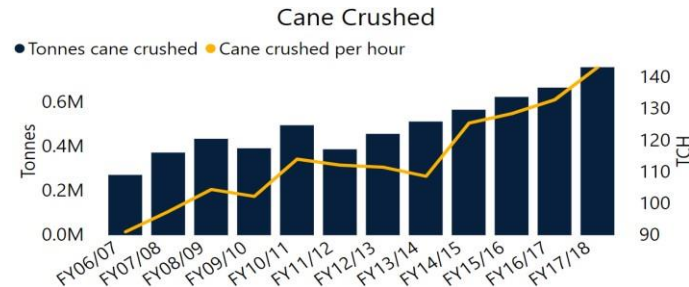
### *National Performance Trial (NPT)*

- This stage is carried out to meet the requirements of the Seed Regulations (2007). An independent trial is carried out by the Tanzania Official Seed Certification Institute (TOSCI). A Distinctiveness, Uniformity and Stability test of the variety is also carried out by TOSCI.
- The cost of the trials is borne by the company (i.e. KSL). Additionally, estate agronomists employed by KSL are required to on a day-to-day basis to supervise trials, collect data and assist in laboratory analysis.

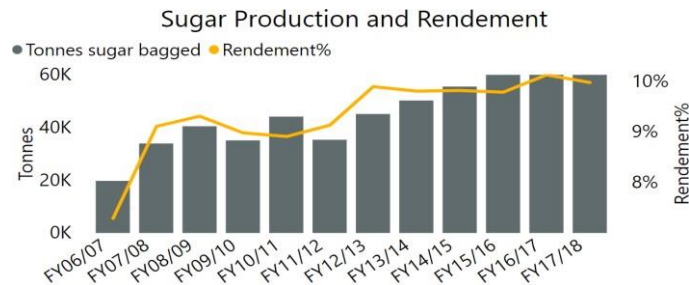
# Factory and production capacity

The key annual production targets in the 2012 performance contract were set as:

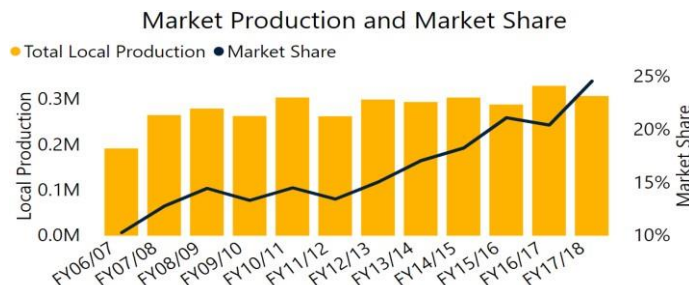
- Sugar Production: 100,000 tonnes by 2018
- Cane Crushed: 1,200,000 tonnes by 2018



Source: KSL



Source: KSL



Source: KSL, SBT, NBS and estimates from Budget Speeches (2017/18)

## Increasing Sugar Production and Efficiency

- Between 2006/07 and 2017/18, KSL made significant investments to increase the capacity and efficiency of its sugar factory.
- Actual sugar production increased from 19,800 tonnes of sugar in the 2006/07 season to 75,568 tonnes of sugar in the 2017/18 season.
- As a result, tonnes of cane crushed per hour (“TCH”), a measure of milling capacity increased from 91 TCH in the 2006/07 season to 147 TCH in the latest 2017/18 season.
- The amount of cane crushed by KSL’s sugar production factory was 271,800 tonnes in 2006/07, rising to 766,000 tonnes in 2017/18.
- From a market share perspective, KSL had a market share of 10.3% in 2006/07. KSL’s market share doubled to 24.8% in 2017/18.
- This makes KSL the third largest producer of sugar in Tanzania and in line with KSL’s vision of being the leading sugar producer in the region.

# Employees' Welfare (1/2)

KSL provides free housing to its staff.

The value of staff residences is currently at Tzs 52.1 billion.

In FY17, KSL's expenditures related to staff residences totalled Tzs 1.02 billion.

Agricultural employees are provided with free meals.

KSL also provides its employees with affordable loans to purchase cars, motorcycles as well as bicycles.

## Overview

- One of the key areas that KSL has decided to focus on is ensuring staff members are happy, healthy and satisfied. The company executes this policy by providing free housing to its employees, advanced training for continuous skill development, free healthcare, free education for staff family members and a generous loan scheme.

## Housing

- KSL's employees enjoy free housing, power and water provided by the company. Currently, the total value of houses that KSL has built for its staff members stands at Tzs 52.1 billion.



*One of the types of staff houses built in KSL's estates.*

## Skills development

- KSL periodically upgrades its employees' human capital by regularly placing them on some of the best training courses with international training institutes across Mauritius, South Africa, USA, Europe, Brazil amongst other nations.
- The company also employs an in-house trainer specifically on the areas around machinery, providing employees with necessary technological expertise.
- KSL has invested heavily on its annual program of recruiting fresh graduates. The company annually recruits postgraduates from Sokoine University of Agriculture (SUA), University of Dar es Salaam (UDSM) and Dar es Salaam Institute of Technology (DIT) for their graduate trainee program which the company uses to filter through to their junior management positions. Between 20 to 25 graduates are recruited annually for this program.
- One of the many appealing courses provided by KSL to junior staff, is the 10-week special sugar cultivation course administered by the University of Kwazulu-Natal, SA.
- The success of the graduate and artisan trainee program has meant that an increasingly fewer number of expatriates are required for management and skilled positions.
- The expatriate mentorship programs is another of KSL's key and successful development schemes. This program is intended to fill the skills gap in the organization by imparting expatriates' knowledge to local staff in areas such as technological advancements in the agricultural and factory sectors.
- KSL spends over Tzs 500 million p.a. on training its staff.

# Employees' Welfare (2/2)

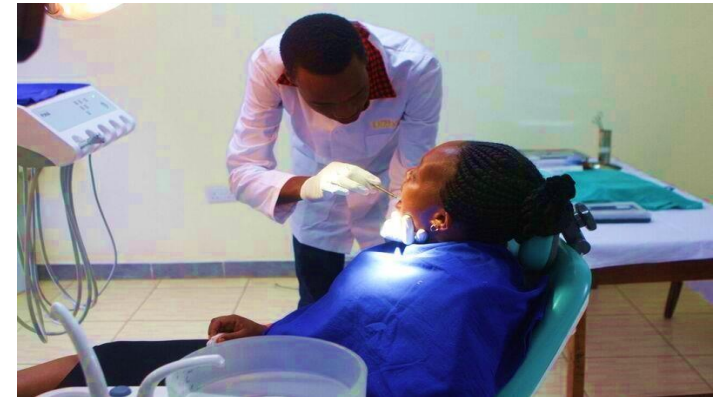
KSL contributes to over 20 schools in neighbouring districts in the form of building materials, teachers accommodation, desks, books, etc.



*One of the types of staff houses built on KSL's estate.*



*One of the types of staff houses built in KSL's estate.*



*Free healthcare provided to staff and family members as well as neighbouring communities.*



*On it's estate, KSL runs a modern pre-primary school at the company's cost. School children are pictured enjoying playground facilities.*

# Community (1/3)

KSL's out-growers scheme provides additional employment by aiding local sugar cane growers secure a market.

In line with KSL's environmental policy, by-products from KSL's factory are recycled. For e.g. the waste fibre from sugar cane is used to generate electricity.

KSL has spent Tzs 2.95 billion in hospital expenses in the last 3 years.

KSL's hospital initiated a paediatrics and adolescent groups HIV program in FY08. The clinic catered to over 800 patients in FY17.

## Overview

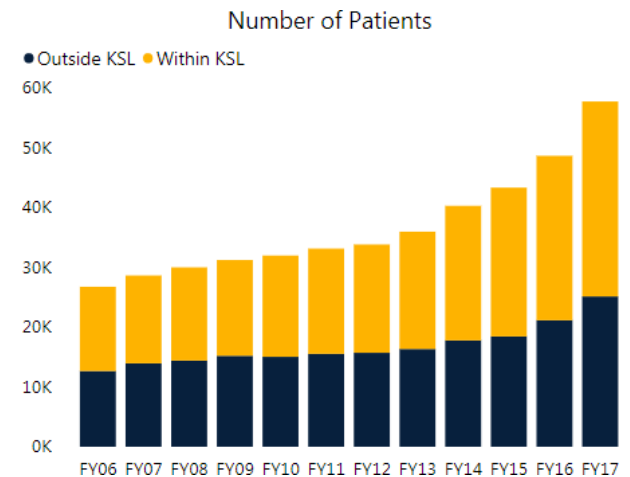
- KSL invests in policies that ensure a healthy and mutually prosperous relationship between the company and its community.
- A few of these policies include the provision of free education and healthcare, prioritizing local purchases, investment in infrastructure as well as working closely with local government authorities, boosting local employment and preserving the environment.

## Employment

- KSL employs a diversified workforce of over 6,000 employees. During FY17, the majority of workers employed by KSL were in the agriculture department followed by factory employees and HR & administrative staff members.
- Recruitment for seasonal employees is done in collaboration with local government authorities.
- The out-growers scheme run by KSL, also provides further employment by aiding local sugar cane growers secure a market for their sugar cane. The company currently deals with 500 out-growers who are managing a total cane area of close to 2,200 Ha.
- In addition to the out-grower's scheme, KSL has opened a centre where local villagers engage in trade, providing indirect employment for the local community.

## Free Healthcare

- KSL is located about 75 km away from Bukoba, the regional capital of Kagera. Due to the remote geographical location of its operations, KSL had to invest in a modern healthcare facility to ensure its employees, their families and the community have access to quality healthcare services.
- KSL's 78 bed hospital is run by four (4) full time qualified doctors and 30 nurses to provide free healthcare services to the region. The hospital has become the referral centre for neighbouring healthcare centres.
- In FY17, KSL spent Tzs 1.06 billion on hospital expenses. As illustrated on the bar chart below, the hospital has accommodated an increasing amount of patients, from 26,740 in FY06 to 57,710 in FY17. The mothers and children's clinic received the highest increase in number of patients from 7,220 in FY06 to 20,628 patients in FY17.



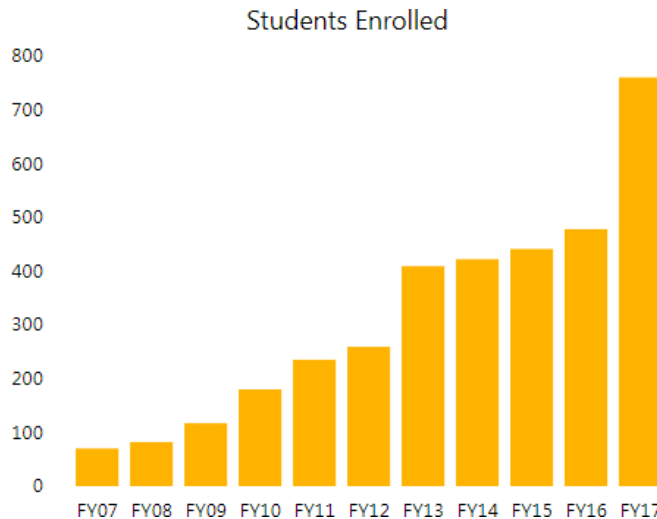
# Community (2/3)

KSL runs an inter-village football tournament under the “Ujirani Mwema” scheme that provides free medical camps in addition to entertainment to the villages visited.

KSL’s FY17 expenditure on road infrastructure totalled Tzs 800 million, of which Tzs 500 million was on the new road infrastructure and Tzs 300 million was on maintenance.

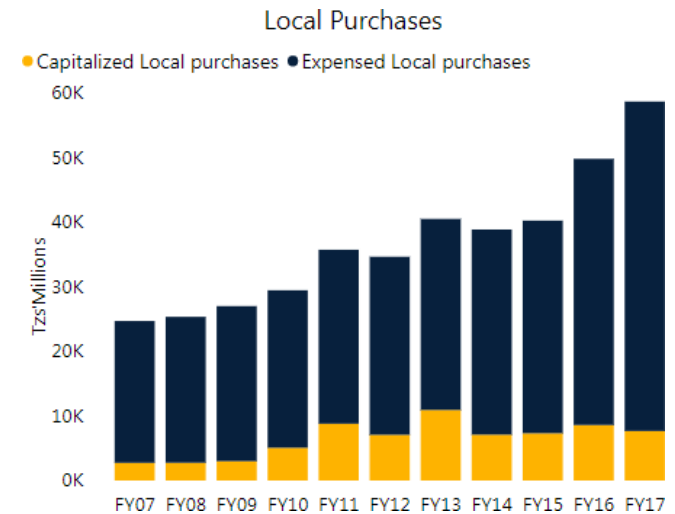
To maintain harmonious relations between farmers and livestock keepers, KSL provides livestock keepers with land for their livestock.

KSL is promoting modern livestock keeping by investing in a cattle ranch of the highest international standards.



## Free Education

- KSL provides free education for the community in Kagera up to form two (2). KSL’s schools have seen student enrolment increase over 10 times during the period from FY07 to FY17, from 70 students to 760.
- To accommodate the increase in student intake, KSL invested further in the local schools by increasing both the number of teachers and number of classes.
- During the period FY07 to FY17, KSL more than quadrupled the number of teachers from 4 to 19. The number of classes available in that period increased from 4 to 10.



## Local Purchases

- In FY17, KSL spent a total of Tzs 58.6 billion on local purchases bringing the company’s three (3) year cumulative expenditure on local purchases to Tzs 148.7 billion.
- Research by Kaliba et al in collaboration with the ministries of livestock development and agriculture & food security, place the Tanzanian sugar cane sector’s economic multiplier at 1.51. As such, KSL’s local expenditures of Tzs 148.5 billion translate to a contribution of Tzs 225 billion towards Tanzania’s GDP, in the last three years alone.
- The effects of KSL’s local purchases are felt by a range of stakeholders, from out-growers to households and other non-sugar producing companies.

# Community (3/3)

Kagera Sugar football team, the local community's football team, is financed by KSL. In FY17, KSL incurred Tzs 1 billion million in football team's expenses.



*Kagera Sugar football team in the national premier league*



*KSL spent a total of Tzs 800 million on road infrastructure in FY17.*



*Hospital expenses totalling Tzs 1.06 billion were covered by KSL in FY17. Pictured above, former cabinet Minister for Home Affairs, Hon Mr. Mwigulu Nchemba on a tour around the Kagera Sugar Hospital.*



*KSL runs a modern cattle ranch operating with the highest international standards.*

# Financial performance & positions

**Revenue:**

12 year CAGR of 14%.

**GP Margin:**

FY07: -41% to FY18: 47%.

**EBITDA:**

FY07: -24% to FY18: 22%

**Net Profit Margin:**

FY07: -29% to FY18: 2%

**Total Capex spent (12 yr):**

Tzs 157 billion

**Net Assets:**

FY07: Tzs 11 billion to FY18: Tzs

198 billion

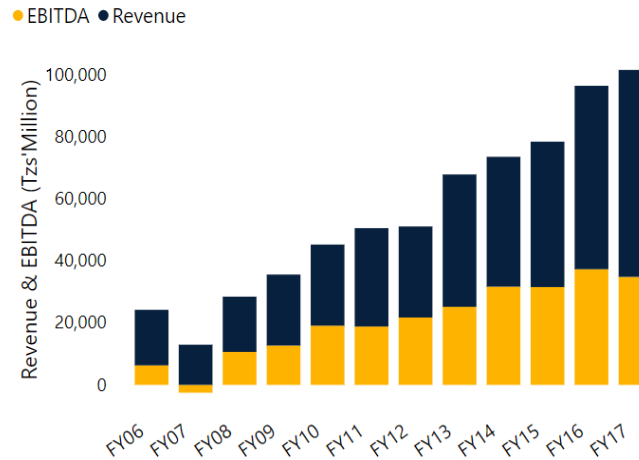
**Net Working Capital (NWC):**

FY07: -303% to FY18: 3%

**Debt to Capital (Debt + Equity):**

FY07: 87% to FY18: 26%

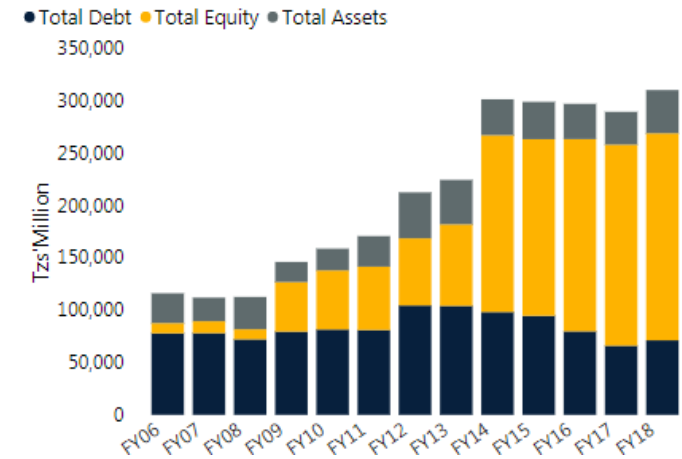
Summary Financial Performance



Summary financial performance

- The shareholders and management of KSL, with support from the Government, have managed to transform the business from the production level of 44,200 tonnes per annum (“pa”) in 2011 to 75,568 tonnes pa of sugar produced in the FY17/18. The significant increase in sugar production has led to revenue levels increasing at a CAGR of 14% over the 12 years.
- The above growth was also fuelled by extensive transformation of KSL’s management and operations which resulted in material improvements in operational efficiencies and financial performance.

Summary Financial Position



Summary financial position

- Over the last 12 years, KSL’s financial position has grown from strength to strength. The company has grown from a net asset position of Tzs 11 billion recorded in FY07 to Tzs 198 billion recorded in FY18.
- Government’s investment incentives have allowed the company to raise adequate capital to fund the expansions. From the above bar charts, KSL has managed to convert this Government support into tangible results. This success is also reflected in the debt/capital ratio which improved from 86% in FY07 to a more sustainable level of 26% in FY18; and net working capital moving from a negative 303% to 3% in FY18.

# Challenges

# Challenges (1/2)

Despite all the achievements

and ambitious plans ahead, owners and management team of KSL encountered significant challenges in the execution of their rehabilitation, modernisation and expansion programs at the sugar estate.

Some of these challenges were inherent in the remoteness of KSL's location and Government's economic priorities while some of the challenges cropped up as the sugar sector developed.

Main challenges faced by KSL

- Agricultural risks
- Financial support I,e. high interest rates
- Investment in infrastructure
- Skills adequacy
- KSL's location
- Market instability
- Inadequate financial capacity to support Agriculture
- Unstable policy to support Agriculture

Overview

- Despite all the achievements and plans ahead, owners and management team of KSL encountered significant challenges during the execution of their rehabilitation, modernisation and expansion programs at the sugar estate. Some of these challenges were inherent in the remoteness of KSL's location and Government's economic priorities while some of the challenges emerged as the sugar sector developed.

- Below are some of these challenges that led to KSL requesting various support from the Government:

## 1. Agricultural risks

- Sugar production business is a long term investment. Investors are expected to initially invest heavily in infrastructure in and around the sugar estate to create a sustainable sugarcane estate. Over the same time horizon, investors face uncertainties inherent in weather patterns, yields, prices and seasonality which can cause significant uncertainties in investment returns.

## 2. Financial support

- Currently none of the banks in Tanzania have adequate resources and risk appetite to singlehandedly fund a large agricultural project. For smaller credit facilities of between USD3 - USD10 Million, interest rates charged go up to 19%. These rates are not ideal for long term investments such as in the sugar production business. KSL, in the past and at present, has been forced to rely on syndicated credit facilities. These facilities take substantial amount time to reach conclusions due to conflict of interests amongstakeholders involved in the facility which makes it very difficult for Agriculture Projects since timing is very critical due to the

## 3. Investment in infrastructure

nature of operation which are seasonal based.

- KSL inherited a sugar estate which hardly had any infrastructure developed in it. Harvested cane is required to reach the mill within twenty four (24) hours. Management had invested heavily in road infrastructure that has now reached exceeded 1,250 Kilometres. This investment is ongoing as KSL has to maintain these roads.

- Similar to most agriculture activities, sugarcane farming requires sophisticated irrigation systems which have to be supported by reliable power supply. KSL invested in the installation of power generation and distribution infrastructure for number of kilometres all over the estate.

#### 4. Skills adequacy

- There has been and still is a significant shortage of skilled labour force in the agriculture sector in Tanzania. Large

projects such as this which KSL has embarked on are not sustainable without having skilled Tanzanians capable of managing all aspects of the business. KSL took upon themselves to address this challenge by investing and rolling out two initiatives:

- Established close alliances with higher institutions: KSL collaborates with the University of Dar es Salaam and Sokoine University to offer special graduate trainee programs at the company for graduates from these two higher learning institutions.

# Challenges (2/2)

## Main challenges faced by KSL

- Agricultural risks
- Financial support
- Investment in infrastructure
- Skills adequacy
- KSL's location
- Market instability

## Skills adequacy (Continued)

- KSL has and still is investing substantially in its staff through internal and external trainings. Staff are placed on specialised agricultural and industrial programs in Brazil, Mauritius and South Africa which cost a lot money to the Company.

## KSL's location

- KSL is located in Missenyi District, Kagera Region, in remote North Western Tanzania. KSL's location is approximately 1,450 KM from the Dar es Salaam port and 74.7 KM from the Bukoba Airport. Company's distance from these two locations and other strategic locations creates a number of challenges:
  - Logistical challenges as KSL is positioned significantly far from key commercial and government centres.
  - The location lacks basic healthcare facilities with the nearest hospital 16 km from the sugar estate. This forced KSL to build a 78 bed medical facility with an operating theatre.
  - The remoteness of the estate necessitates higher and innovative compensation packages to attract skilled staff to the location but also to build number of school to provide easy access to education

## Market instability

- As a temporary measure to address sugar deficit in the country, the Tanzania Sugar Board used to issue special permits to traders to import sugar in the country. Unfortunately, some of the traders with permits and traders 'without' permits brought in a sizeable amount of sugar which was not appropriate for human consumption. These unethical traders used to flood the market with cheap but poor quality sugar and severely affecting the viability of local producers. These challenges were more severe during the period from 2010 to 2016. In some of the years during this period, KSL were forced to sell sugar at a price lower than its cost of production. This trend could put the going concern and the entire investment done in Kagera at great risk of business collapse and eventually closing down of the company.
- The problem of illegal sugar imports and flooding of poor quality sugar in the market has largely been brought under the control by the current 5<sup>th</sup> phase Government under the leadership of President Dr. John Magufuli. Import permits to address sugar shortages in the country are now only granted to the current four sugar producers in the country with the commitment that these four companies will keep investing in additional capacity to address the sugar deficit in Tanzania.



# Phase III expansion plan

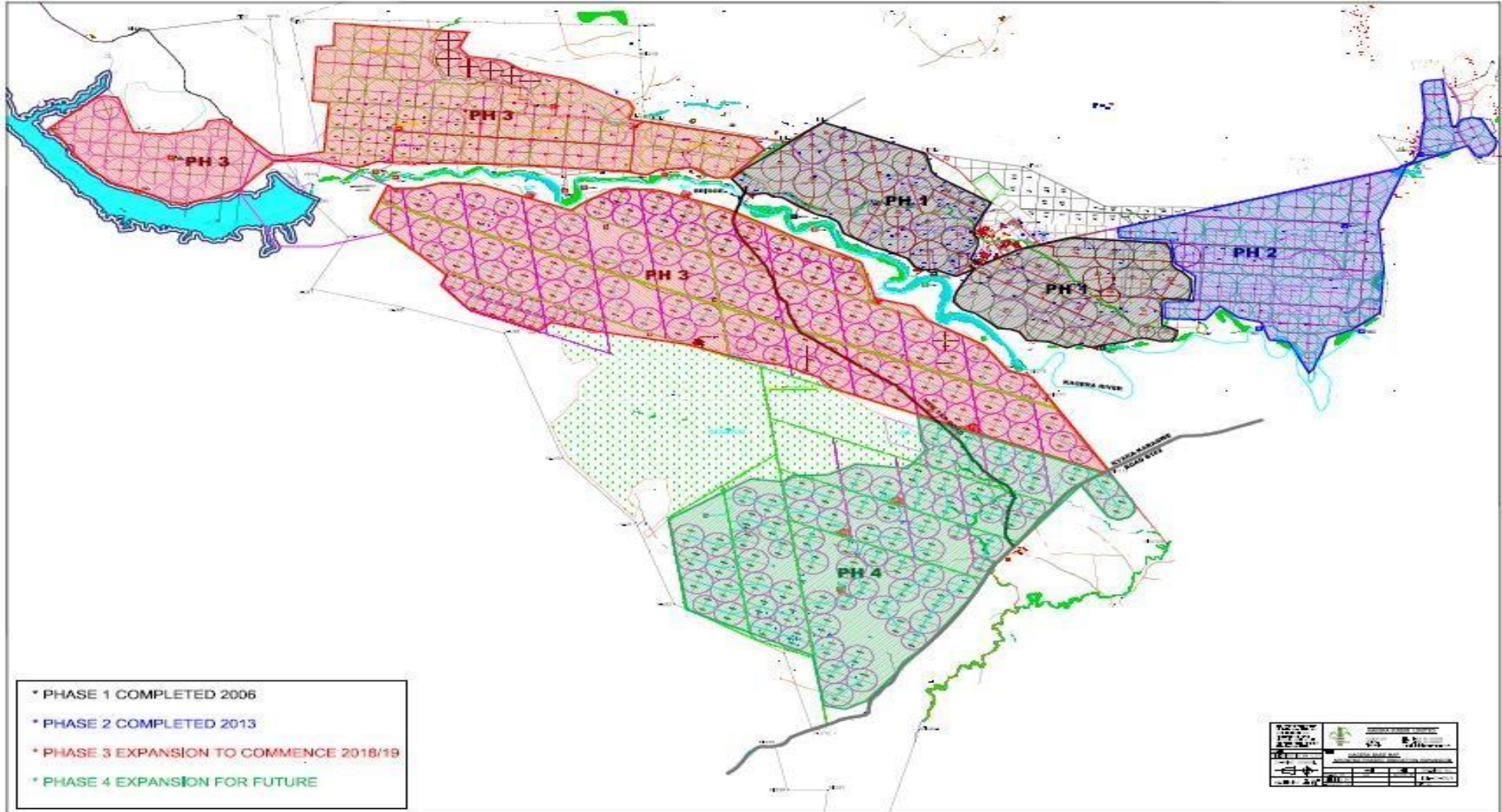
# Overview of phase III expansion plan (1/3)

- Phase III entails developing a total area of 9,500 Hectares located in Kitengule area in the south bank of the Kagera river. Access to the south bank of the river will require erection of a bridge. KSL has already procured the bridge and Government has committed to install the bridge and complete the rest of the supporting infrastructure.
- KSL plans to spend a total of USD 220 million as capital expenditure in the next 12 years to complete KSL's phase III expansion plan. Tabulated below are some of the key performance indicators which are expected to be accomplished after successful implementation of phase III expansion plan.

Period	< 2002	Phase I: 2003 - 2011	Phase II: 2012-2018	Phase III:2019-2029	Total
Operational status	● None	● Operational	● Operational expanded	● Further expansion	
Investment capital added	● None	● USD 120 million	● USD 70 million	● USD 220 million	● USD 410 million
Area under cane added	● None	● 10,000 Hectares	● 4,500 Hectares	● 9,500 Hectares	● 24,000 Hectares
Area under centre pivot irrigation system added	● None	● 4,000 Hectares	● 3,000 Hectares	● 8,200 Hectares	● 15,200 Hectares
Other irrigation systems added (Outfall)	● None	● None	● 2,800 Hectares	● 2,000 Hectares	● 4,800 Hectares
Rain-fed farm area	● None	● 6,000 Hectares	● 4,700 Hectares	● 4000	● None
Factory crushing capacity added	● None	● 100 TCH	● 47 TCH	● 153 TCH	● 300 TCH
Sugar production capacity added (Tonnes)	● Non-operational	● 44,176 Tonnes	● 31,392 Tonnes	● 94,432 Tonnes	● 170,000 Tonnes
Out-grower cane supply	● None	● 4,400 Tonnes	● 55,600 Tonnes	● 90,000 Tonnes	● 150,000 Tonnes
Employment levels added:	● None	● 4,900	● 2,400	● 2,700	● 10,000
- Direct	● None	● 24,500	● 12,000	● 23,500	● 60,000
- Indirect					
Total taxes paid	● None	● TZS 17.9 billion	● TZS 83.7 billion	● TZS 323.8 billion	● TZS 425.4 billion

# Overview of phase III expansion plan (2/3)

Map of KSL's sugar estate showing different project phases



# Overview of phase III expansion plan (3/3)

Construction of a bridge will provide access to parts of the estate where phase III will be implemented



*Ongoing construction of road infrastructure that connects to the bridge.*



*Preparation of the area where the bridge will be assembled and installed.*

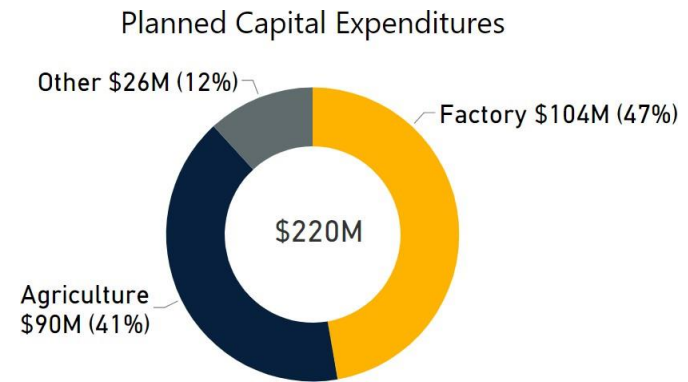
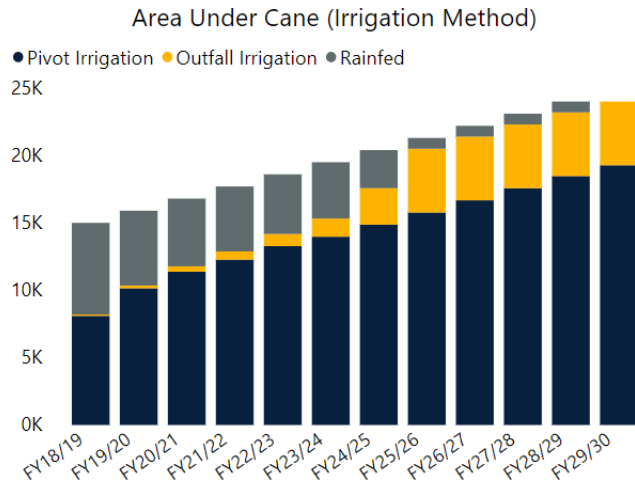
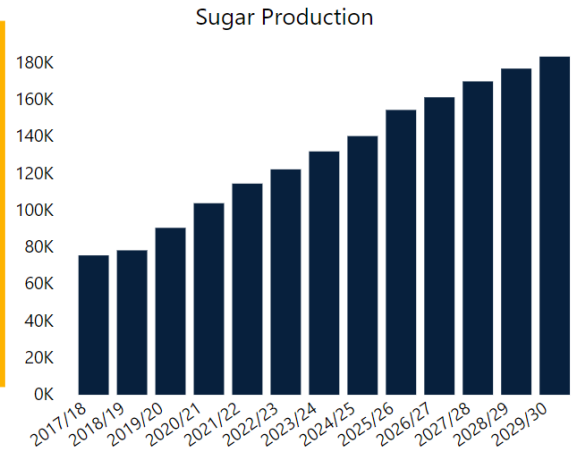
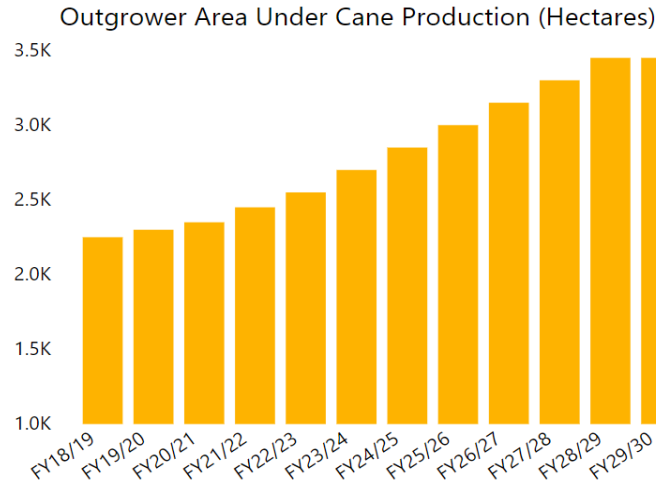
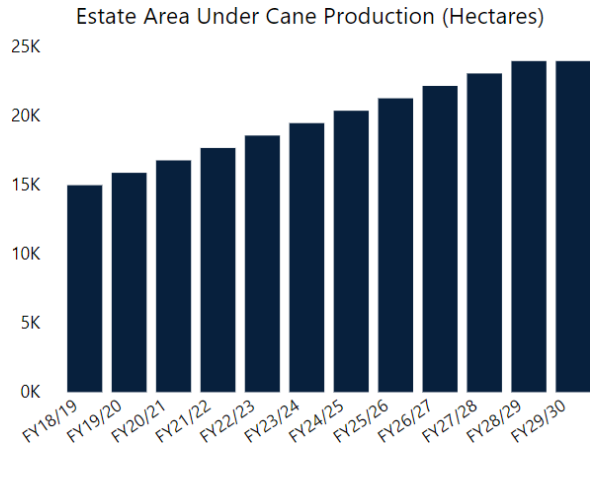


*Parts of the bridge acquired by KSL.*



*Parts of the bridge acquired by KSL.*

# The next twelve years

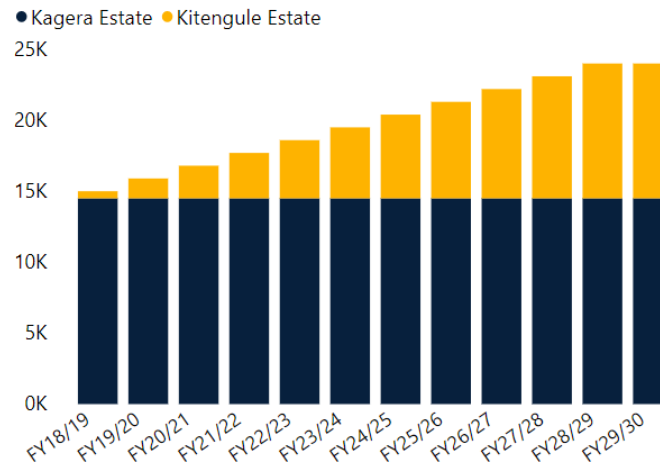


# Agricultural Development Targets (1/2)

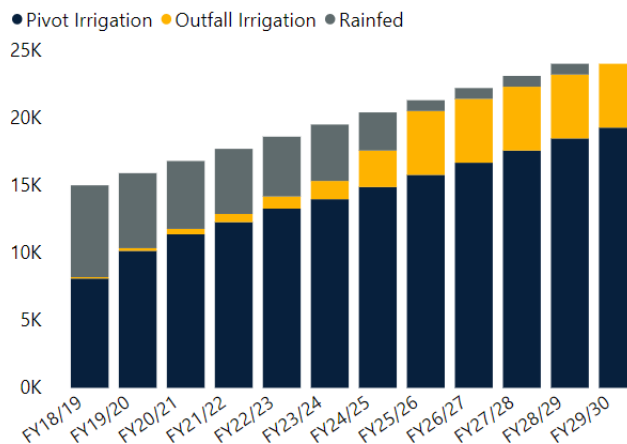
KSL's targets for its estates for the next twelve years to 2029/30 are:

- Area under cane: 24,000 hectares by 2029/30
- Irrigated area under centre pivot technology: 19,200 hectares by 2029/30
- Irrigated area under sub-surface drip technology: 4,800 hectares by 2029/30

Estate Area Under Cane Production (Hectares)



Area Under Cane (Irrigation Method)



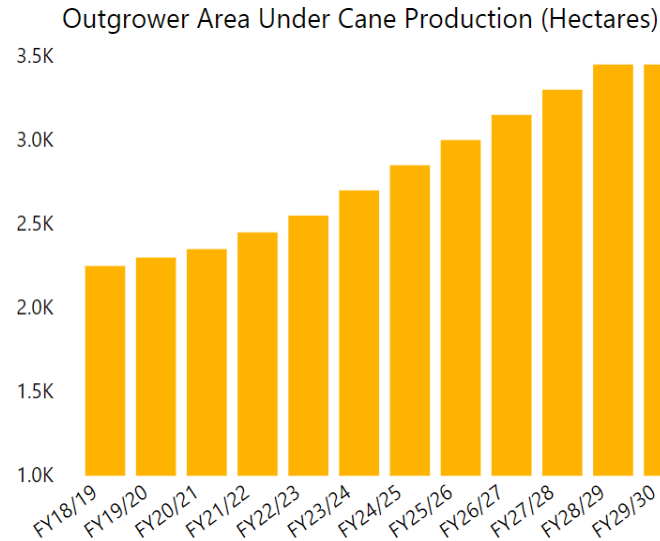
## Sugarcane Estates and Irrigation Scheme

- In the next twelve years, KSL plans to increase sugar cane production by investing heavily in expansion of area under cane in its estates and modernizing the irrigation scheme. A total of about Tzs 205 billion will be invested to this goal.
- This will be used to procure heavy machinery and equipment for agricultural land development, drainage and road construction, cane harvesting and transportation, irrigation and transportation of field employees.
- According to KSL's long term strategic plan, the total area under cane will be expanded from the current 14,500 hectares to about 24,000 hectares in 2029/30. An average of around 1,050 hectares of area under cane will be added annually during this forecast period.
- The main driver of growth in area under cane will be development of the Kitengule area in the south bank of the Kagera river. KSL will add about 9,500 hectares of area under cane in Kitengule.
- KSL will also continue to invest in modernizing the irrigation scheme. A further 2,700 and 9,500 hectares under centre pivot irrigation system will be added in north and south of the Kagera river, respectively. By 2029/30, a total of 19,200 hectares will be under the centre pivot irrigation system, potentially making it the biggest scheme of its kind in Africa.
- In addition to this, KSL will invest to irrigate the rainfed areas not reached by the centre pivots. Using the sub-surface drip technology, KSL plans to irrigate 4,800 hectares in the north bank of the Kagera river. By 2029/30, a total of 4,800 hectares in outfall areas will be drip-irrigated.

# Agricultural Development Targets (2/2)

KSL's targets for the out-grower scheme for the next twelve years to 2029/30 are:

- Area under cane: 3,450 hectares by 2029/30
- Cane production: 150,000 tonnes by 2029/30



## Out-grower Farmers Development

- Going forward, KSL will increase its commitment and support for out-grower farmers around its operational area.
- The area under cane for out-grower farmers is forecast to increase to 3450 hectares in 2029/30 from the current 2,200 hectares. Over the same period, the number of out-grower farmers is forecast to rise from 449 to 700.
- Total cane harvested from out-grower farmers is forecast to increase significantly, from 60,000 tonnes of cane in 2017/18 to 150,000 tonnes of cane in 2029/30 through various forms of support provided by KSL and its partners.
- KSL forecasts to pay around Tzs 12 billion in the period 2029/30 for cane supplied by out-grower farmers.
- To achieve this, KSL has developed strategic interventions in support of out-growers farmers including:
  - Increasing the number of KSL staff providing technical support to out-grower farmers.
  - Funding research and development for new, resilient varieties of cane for out-grower farmers.
  - Improve access to fertilizer by procuring, storing and distributing fertilizer to farmers.
  - Expanding the road network and maintaining the existing network to reduce transport costs.
  - Introducing irrigation schemes in out-grower farms to improve yields and output.

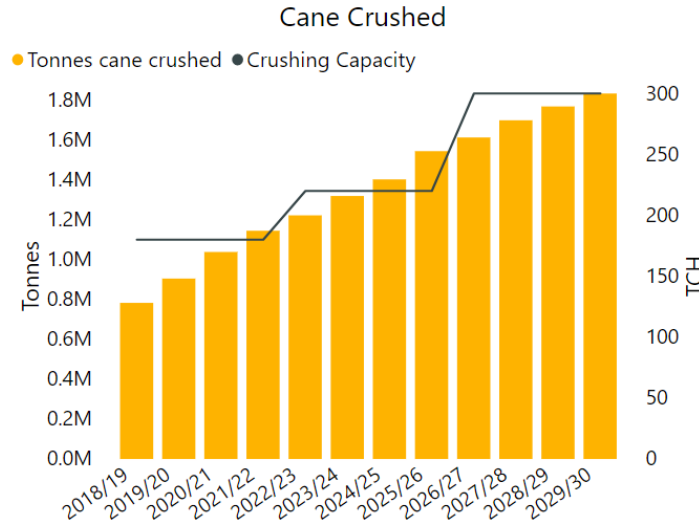
## Out-Grower Purchases



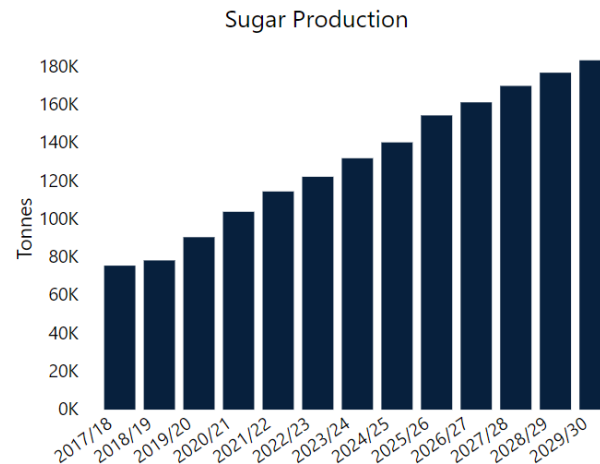
# Factory and Production Targets

KSL's targets production and plant capacity for the next twelve years to 2029/30 are:

- Sugar production: 170,000 tonnes annually by 2029/30
- Cane crushed: 1,700,000 tonnes of cane by 2029/30



Source: KSL



## Increasing Sugar Production and Efficiency

- Between 2018/19 and 2029/30, Kagera Sugar Limited plans to undertake a capital expenditure program to increase sugar production and efficiency. A total of about Tzs 250 billion will be invested in this period.
- This investment will be made towards civil and structural works related to expansion of the existing factory space, procurement and installation of new equipment for bagasse handling, steam generation, power generation, packing and storage as well as milling and processing.
- Power generation capacity at the factory will be upgraded to 25 MW from the current 5 MW. The additional capacity will be used to supply power at the factory, new water pumping stations, irrigation equipment and the village catchment area.
- Sugar production is forecast to reach 170,000 tonnes by 2029/30 from the current 75,568 tonnes. This represents an annual average growth in sugar production of 8.4% over the forecast period.
- The amount of tonnes of cane crushed per hour is forecast to increase to 300 TCH in the 2029/30 season from the current 147 TCH. This represents a two times expansion in milling capacity over the next twelve years.
- The amount of cane crushed by KSL's sugar production factory is forecast to reach 1,700,000 tonnes in 2029/30, from 757,300 tonnes crushed currently. This represents an annual average growth in cane crushed of 8.2% over the forecast period.

# Community & Employee Welfare

KSL's commitment to its community is unwavering. Historical accomplishments only drive the company to further improve the community it operates in.



*The mother and child clinic and ward at the Kagera Hospital will continue to service the KSL operations and the community beyond.*

## Community

- Keeping the environment clean and the community healthy is important to KSL. As such the company plans on investing Tzs 1.7 billion in the following years to help further preserve the environment. This will aid in the upgrading of the firm's process plants to eliminate sugar contamination in effluent waters.
- KSL plans on expanding its area under cane production into Kitengule. With this expansion, will come further investment in road infrastructure to aid with operations and transportation.



*KSL's employees enjoy high quality and frequent training as KSL is committed to building local capacity to run operations at the factory and estates.*

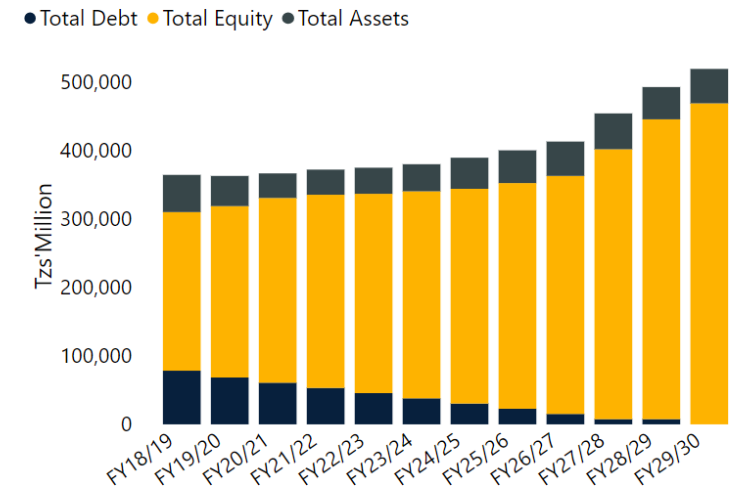
## Employee Welfare

- Within the next 10 years, KSL plans on adding to its workforce. Driven by the success of the company's graduate trainee program, KSL forecasts that the vast majority of staff employed in management positions will be from these programs.
- KSL plans on investing an additional Tzs 9.1 billion in staff housing to accommodate increasing employee housing demands.



# Forecast financial performance & positions

Summary Financial Position



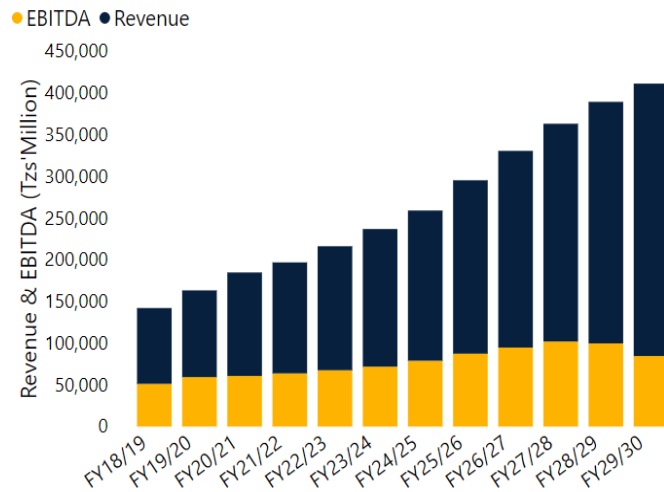
## Summary financial performance

- Given the Government's support, KSL's management team are forecasting revenue levels to grow by a CAGR of 10% over the next 12 year period.
- The forecasted 12 year growth in revenues is primarily driven by increases in sugar production (MT) of 7% per annum on average.
- Net profit margins are forecasted to reach 9% by FY29/30 compared to 2% in FY18/19.
- However; margins (both gross and net profit) are projected to taper off in the forecast period due expected competition in the market.

## Summary financial position

- KSL's financial position is forecasted to continue its historical trend and improve throughout the 12 year forecast period.
- The company's net asset position is expected to reach TZS 469 billion by FY29/30 from TZS 231 billion in FY18/19.
- Improving financial performance throughout the forecast period will allow KSL to completely retire its debt by FY29/30.

### Summary Financial Performance



# Investing for Development

# Investing for Development

**By 2025, Tanzania will graduate**

**from a least developed country to a middle income country with a high level of human development characterized in improvements in the quality of livelihood of the people.**

**KSL's capital investment program is uniquely placed to boost both the agriculture and industry sectors over the next twelve years.**

**Further, KSL's support and initiatives in the community, employee welfare, schools and hospital will greatly contribute to poverty reduction and improving quality of life in the often neglected rural areas.**

**KSL is focused on wealth creation and is in line with the Government's vision of Tanzania becoming middle income country by 2025.**

Contributing to the Tanzania Development Vision (2025)

- The overarching vision of the Government of Tanzania, enshrined in the Tanzania Development Vision (2025) is to transform Tanzania's economy from "a low productivity agricultural economy" to "a semi-industrialized one led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supportive industrial and service activities in the rural and urban areas."
- One challenge outlined in the National Five-Year Development Plan I and II (2016/17 – 2020/21) is the low level of irrigation and the lack of investment in irrigation infrastructure. Additionally, FYDP II identifies specific challenges for the sugar sector as low cane yields and over-reliance on rainfall.
- Tanzania's National Irrigation Master Plan (NIMP) (2002) identifies a total irrigation development potential of 29.4 million hectares. According to the National Bureau of Statistics (NBS), about 468,000 ha are currently under irrigation, leaving more than 98% of fertile land dependent on increasingly uncertain weather and climate change.
- To enhance agricultural transformation, the FYDP II has set a goal of expansion and improvement of irrigation systems. The target set in FYDP II is to have 700,000 hectares under irrigation by 2020 and 1,000,000 hectares by 2025.
- One of the main policy objectives in the National Irrigation Policy (NIP) (2009) is to ensure "expansion of area under irrigated agriculture for commercial irrigation farming by the private sector".
- By investing in the expansion of the irrigation scheme, KSL is strategically placed to contribute towards achievement of the targets set in the FYDP II, NIP and TDV.
- The National Plan for Growth Reduction and Poverty I and II and the FYDP II have recognised the inclusion of smallholder farmers in the agenda for reduction of poverty and improvement of quality of life. Some measures include reducing dependence on rain-fed agriculture, linking farmers to industry and securing markets for their produce, promoting skills and awareness as well as improving the quality of extension services.
- KSL's commitment to continue supporting small holder sugar cane farmers around the estate will contribute to inclusive agricultural-led growth and transformation envisioned in TDV 2025.
- The Fifth Phase Government's top priority for 2025 is the "promotion of growth and industrialization for economic transformation".
- In the FYDP II, the broader industry sector targets are set at 25% share of GDP, 10.5% real growth and 20.0% share of employment by 2025. The manufacturing sub-sector targets are set at 18% share of GDP, 12.2% real growth and 12.8% share of employment by 2025.
- The FYDP II specifically identifies the sugar industry as one with the potential to double total production in the medium and long term, contribute to national self-sufficiency with local production and eliminate imports of sugar which drain foreign currency.
- By investing in the expansion of the factory, KSL will add value to agricultural produce, significantly increase sugar production in the country, generate manufacturing sector growth and create sustainable employment and wealth for thousands of people in rural areas.

# Request to the Government

# Request to the Government

Special strategic investor status for a period of 12 years, commencing from 2019 and ending in 2030.

Fiscal and non fiscal incentives that will facilitate effective implementation of planned expansion plans.

## Overview

- Typically large scale agricultural projects demand immediate substantial amounts of investments, significant amount of efforts and on the contrary, the potential pay offs on a longer time horizon. This timing mismatch compounded by complexity of such projects, are the reasons for project promoters such as KSL to seek special support from the Government.
- KSL is requesting the Government to grant the company with a Special strategic investor status in support of its planned phase III expansion project.
- Specifically, the company is requesting for the following fiscal and non fiscal incentives within the project implementation period i.e. 2019 to 2030.

## Fiscal incentives

- Diesel and lubricants are critical key inputs in KSL's phase III project establishment. The project will consume approximately 650,000 litres of diesel per month, amounting to 7,800,000 litres per year.
- The company is therefore requesting full tax exemption (Excise duty and Fuel Levy) on fuel and lubricants to be used by KSL in the project period at the consumption levels outlined on the table below:

Tax exemptions on fuel and lubricants			
SN	Description	Qty (ltrs)/Month	Qtr (Ltrs)/Year
1	Diesel	650,000	7,800,000
2	Engine Oil	17,000	204,000
3	Transmission Oil	5,000	60,000

## Fiscal incentives (Continued)

- VAT, import duty and excise duty exemptions on all vehicles that will be procured and used in the implementation of phase III plan. The full list of these items is disclosed on Annexure I, page 52 to 57 of the report.
- VAT and import duty exemption on all project capital goods i.e. agricultural equipment, factory equipment, building materials, replacement components and spare parts. The full list of these items is disclosed on Annexure I, page 52 to 57 of the report.
- Withholding tax exemption on interest on foreign financing.
- Withholding tax and VAT exemption on engineering and technical services.
- Full exemption on all tariffs for water used for irrigation purposes and full exemption from discharge fees for factory/irrigation water reused for irrigation purposes.

## Non fiscal incentives

- Government assistance to build the bridge connecting Misenyi and Karagwe districts across Kagera River.
- Recruitment of reasonable number of expatriates for the development of the planned project.
- Land rent on underdeveloped land.

# Phase III roadmap

# Phase III implementation roadmap

Phase III implementation roadmap.

No:	Activity	Start date	Completion date	Responsible
1.	Preparation of project documentations	1 January 2019	30 June 2019	KSL
2.	Special strategic investor status application & signing of performance contract	22 July 2019	30 August 2019	TIC & PMO
3.	Government notice of approved fiscal incentives	2 September 2019	27 September 2019	MoFP/Agri
4.	Financial closure	1 July 2019	30 December 2019	KSL
5.	Construction of the bridge in Kitengule area (construction has already started and now in progress)	5 August 2019	30 December 2019	Tanroads Kagera
6.	Implementation of KSL Phase III project	1 October 2019	31 December 2030	KSL



Closure

# Closure

**KSL is planning to invest USD 220 million to double production capacity from 147 TCH to 300 TCH.**

**With timely and firm support from the Government, these KSL's objectives will be attained.**

- At the time of privatising KSL, it was very clear that the turnaround of the company and the sugar sector required a firm support from the Government. It was on the back of this support, the shareholders embarked on a bold investment journey to transform the company. KSL's shareholders installed a strong management team, aligned the company's long term strategy to the Government's long term goals and invested significant amounts of funds to initiate the turnaround process of the company.
- In the last 12 years, with a total expenditure in excess of TZS 731 billion, KSL managed to substantially rehabilitate, expand and modernise its estates and the factory.
- The first modernization and rehabilitation plan (Phase I) and the following expansion plan (Phase II), transformed the company's sugar production facility from zero tonne p.a. sugar producer to its current 75,568 tonnes p.a. sugar producer.
- KSL is now planning to embark on another aggressive factory and irrigation infrastructure expansion plan. The expansion aims to increase the factory capacity from 147 TCH to 300 TCH, which will lead to a sugar production capacity of 170,000 tonnes p.a. This also means sugarcane harvested annually from the KSL's estate will increase to 1,700,000 tonnes due to the additional irrigation infrastructure to be installed and a total of 150,000 tonnes of sugarcane will be expected from out growers.
- The company estimates a total of USD 220 million will be spent to achieve the 300 TCH capacity. With the necessary Government support (covered on page 46), this extensive planned capex will achieve the intended objectives highlighted on page 34 – 42 of this report. In addition to the direct benefits of this investment, the multiplier effect on the economy would be significant.

# Annexure

# Annexure I: Items to be procured in Phase III project (1/6)

Land Development and Cane Field Operations (1/2)			Land Development and Cane Field Operations (2/2)			Drainage, Roads and Construction		
SN	Items	No of units	SN	Items	No of units	SN	Items	No of units
1	Bulldozer	15	31	Manure / Filtercake Loaders	20	1	Excavator	20
2	Tractor 0- 100 HP	100	32	Molasses Bowsers and Pumps	30	2	Excavator Long Reach	10
3	Tractor 101 - 200 HP	200	33	Survey and GPS Equipment	200	3	Grader	15
4	Tractor Greater than 300 HP	120	34	Radio Units	600	4	Wheel Loader	15
5	Plough Chisel	20	35	Radio Base Stations	50	5	Compactor	10
6	Plough Square	20	36	Security CCTV System	1,000	6	Tankers	40
7	Plough 36"	30	37	Sanitary Equipment	1,000	7	Fuel Bowsers	10
8	Plough 32"	30	38	Fertigation Equipment	400	8	Bulldozer	15
9	Plough Disc	30	39	Chemigation Equipment	400	9	Lowbed Loader	10
10	Harrow 28"	30	40	Tractor Guidance Equipment	250	10	Survey and GPS Equipment	100
11	Ripper	10	41	Computers	150	11	Tipper / Dump Trucks	80
12	Ridger	30	42	Agronomy Laboratory and Equipment Sets	3	12	Trucks	50
13	Grove / Bed former	10	43	Meteorological Equipment	100	13	Horse Trucks	20
14	Boom Sprayer	40	44	Agronomy Cane Testing Equipment	100	14	Semi Trailers	45
15	Herbicide Applicator	2,000	45	Agronomy Trials Equipment	500	15	Trailers	100
16	Fertiliser Applicator	2,500	46	Soil Nutrition Laboratory and Equipment Sets	3	16	Tow Grader	30
17	Fertiliser Incorporator and Spreader	100	<i>Source: KSL's Management</i>			17	TLB	10
18	Grabloader Seedcane	15	<b>Cane Harvesting and Transport</b>			18	Mobile Crane Truck	20
19	Trailer Seedcane	20	<b>SN</b>	<b>Items</b>	<b>No of units</b>	19	Crane	20
20	Trailer Tip	50	1	Cane Grab Loader	30	20	Mobile Workshop	20
21	Trailer Flat	50	2	Haulage Tractor	150	21	Front End Loader / Wheel Loader	25
22	Water Tankers	50	3	Cane Trailers	200	22	Backhoe	25
23	HWT Plant	10	4	Fuel Bowser	10	23	Welding equipment	100
24	Slashers	20	5	Cane Knives	50,000	24	Plate rollers	10
25	Hay Making Equipment	50	6	Weigh Station	5	25	Culvert Making Machine and Moulds	100
26	Spray Race	5	7	Mobile Weigh Station	20	26	Plate compactors	50
27	Weighing Equipment	20	8	Cane Harvester	10	27	Rollers	40
28	Scraper Leveller	30	9	Mobile Workshop	10	28	Cement Mixer	20
29	Land Plane	10	<i>Source: KSL's Management</i>			<i>Source: KSL's Management</i>		
30	Manure / Filtercake Spreader	40	<i>Source: KSL's Management</i>					

# Annexure I: Items to be procured in Phase III project (2/6)

Irrigation Equipment (1/2)			Irrigation Equipment (2/2)			Workshop (1/2)		
SN	Items	No of units	SN	Items	No of units	SN	Items	No of units
1	Centre Pivot Irrigators	400	30	Auxillaries	1,200	1	Tractor Tyres	10,000
2	Centre Pivot Equipment, Gearboxes and Acces	1,000,000	31	Hydrants	20,000	2	Truck Tyres	12,000
3	Centre Pivot Tyres	20,000	32	Airvents	1,000	3	Motor Vehicle Tyres	12,000
4	Containers 40 ft	400	33	Valves	5,000	4	Trailer Tyres	10,000
5	Containers 20 ft	100	34	Pressure Regulating Valves	1,000	5	Motorcycle Tyres	10,000
6	Pivot Transformers	400	35	HT Electric Line	1,000 km	6	Welding Machine	100
7	Pole Transformers	200	36	LV Electric Line	1000 km	7	Tyre Repair Unit	20
8	Mobile Pivot Irrigators	100	37	Electric Insulators and Accessories	100,000	8	Wheel Alignment Unit	20
9	Reel Irrigators	500	38	Fencing Wire, Poles and Accessories	1,000 km	9	Tyre Changing Machine	20
10	Reel Irrigator Equipment and Accessories	10,000	39	Generators	50	10	Forklift	20
11	Diesel Pressure Pumps	200	40	Treated Wooden Poles	5,000	11	Jacks	500
12	Irrigation pump spares	5,000	41	PVC Pressure Pipes	1,000 km	12	Tools and Spanners	10,000
13	Centre Pivot Tyres	10,000	42	HDPE Pressure Pipes	1000 km	13	Oil Dispenser	50
14	Drip Irrigation Equipment	2,000	43	GRP Pressure Pipes	500 km	14	Fuel Dispenser	50
15	Drip Irrigation Pipes	2,000 km	44	Irrigation Pipe Connectors, Joints and Bends	1,000,000	15	Mobile Workshop	20
16	Drip Irrigation Dripper Pipes / Tape	55,000 km	45	Soil Moisture Monitoring Equipment	2,000	16	Mobile Service Units	50
17	Drip Line Installer	10	46	Prefabricated Buildings, Offices and Structures	500	17	Generators	50
18	Filtration Units	1,000	47	Irrigation Workshop and Equipment	5	18	Grinders, Drills, Bench press, Pneumatic press	500
19	Sprinkler Irrigation Risers, Hydromatics, Access	10,000,000	<i>Source: KSL's Management</i>			19	Power Tools	1,000
20	Sprinkler Irrigation Sprinklers	500,000	<b>Employee First Aid Clinics</b>			20	Press Machines	50
21	Sprinkler Irrigation Hoses	20,000km	<b>SN</b>	<b>Items</b>	<b>No of units</b>	21	Overhead Crane	100
22	Water Treatment Plant	50	1	Hospital Beds	100	22	Mobile Crane	10
23	Petrol and Diesel Motor and Pumps	300	2	First Aid Centre Structure	50	23	Vehicle Hoists	50
24	Transfer Pumps	50	3	First Aid Centre Equipment	50	24	Heavy Duty Chains	5000 m
25	Electric Panels	150	4	First Aid Centre Benches and Beds	50	25	Bob Cat	10
26	Electric River Pumps	150	5	First Aid Centre Generators	50	26	Plough Discs	5,000
27	Electric Pump Transformers	30	6	Desks, Cabinets, Cupboards and Chairs	50	27	Hydraulic Cylinders	1,000
28	Irrigation Pump Stations	30	<i>Source: KSL's Management</i>			28	Lathe and Workshop Machinery	1,000
29	Borehole Equipment	500				29	Paint Workshop Equipment	200
30	Switchgear	1,200				30	Workshop Spares and Equipment Storage Racks	200

Source: KSL's Management

Source: KSL's Management

# Annexure I: Items to be procured in Phase III project (3/6)

Workshop (2/2)			Field Maintenance			Employee Transport		
SN	Items	No of units	SN	Items	No of units	SN	Items	No of units
31	Workshop Structures	20	1	Fire Tenders	10	1	Personnel carrier	100
32	Hydraulic Pipe Workshop and Equipment	100	2	Hospital X Ray machine	2	2	Tractor 4WD 90 HP	50
33	Electrodes	100000 kgs	3	Hospital laboratory test equipment	100	3	Flatbed / Box body Truck	40
34	Grader Blades	5,000	4	Dental equipment	100	4	Pickup 2WD	70
35	Grader Tips	20,000	5	Mortuary equipment	10	5	Pickup 4WD	100
36	Grader Accessories and Spares	5,000	6	Hospital equipment general	500	6	Motor Vehicles 4WD (Land Cruiser)	50
37	Scraper Blades	3,000	7	Refuse Collection Trailers	30	7	Toyota Land Cruiser Exec management vehicles	10
38	Dozer Blades	1,000	8	Compost Makers	20	8	Motorcycles	500
39	Dozer Tips	3,000	9	Nursery equipment	100	9	Bicycles	20,000
40	Dozer Accessories and Spares	5,000	10	Manure / Compost spreaders	10	10	Mini Bus	15
41	Dozer Tracks	150	11	Grass mowers	200	11	Bus	10
42	Excavator Tracks	300	12	Chainsaws	200	12	Ambulance 2WD	5
43	Excavator Accessories and Spares	5,000	<i>Source: KSL's Management</i>			13	Ambulance 4WD	6
44	Fire Fighting Equipment	500	<b>Vehicles &amp; equipment</b>			14	Boat	5
45	GPS Tracking and Monitoring Equipment	200	<b>SN</b>	<b>Type of vehicle/equipment</b>	<b>No of units</b>	15	Outboard boat engine	10
46	Fuel Storage Tanks	90	<i>Source: KSL's Management</i>					
47	Tyre changer machine	12	1	SUVs (Sport Utility Vehicles)	50			
48	Tyre press machine	12	2	Hardtops	100			
49	Tyre mobile service	3	3	Double cabin pick ups	150			
50	Barge Boat	3	4	Single cabin pick ups	150			
			5	Tipppers	75			
			6	Sugar and cane haulage trucks	30			
			7	Rigids	40			
			8	Tankers	20			
			9	Tractors	150			
			10	Motorcycles	600			
			<i>Source: KSL's Management</i>					

*Source: KSL's Management*

*Source: KSL's Management*

# Annexure I: Items to be procured in Phase III project (4/6)

Factory Equipment (1/7)			Factory Equipment (2/7)			Factory Equipment (3/7)		
SN	Items	No of units	SN	Items	No of units	SN	Items	No of units
1	Evaporator vessel and equipment	10	31	Maceration Pumps	10	61	Cranes (10–200 tons)	6
2	Air Receiver	10	32	Press water tank	6	62	Crystalliser Liquidation Pump	10
3	Air Conditioners	1,000	33	Press water pump	6	63	CVP	4
4	Ash Beach Plant and equipment	4	34	Bagasse slat carrier	16	64	Vacuum pan	20
5	Bearings	5,000	35	Belt conveyor	10	65	Vacuum pan condenser	20
6	Belt Magnet	5	36	Boiler spares	3,000	66	Cyclodrive gearboxes	20
7	Bending Machines	3	37	Boiler Tubes	1000m	67	Vacuum Seed Reciever	10
8	Biometric Units	500	38	Boiler(150 tph and 250 tph)	4	68	Strike receiver	20
9	Boiler Chequered Plates	1000t	39	Breathing aparatus	10	69	Vertical Crystalliser	10
10	Boiler Refractory materials	1000t	40	Cane Slat Carrier	4	70	Dearator	4
11	Boiler economiser and ancilliaries	2	41	Cane Control Tower Diffuser Line	4	71	Massecuite reheater	2
12	Boiler Feed Water Pump	4	42	Cane Feeder Table	4	72	Dearator Spray Pumps	4
13	Boiler Feed Water Treatment Plant	4	43	Cane Knife assembly	4	73	Sugar line magnet	4
14	Boiler Fire Bricks	5,000	44	Cane Knife Discharge Conveyor	4	74	Electromagnet	4
15	Boiler Fondu Cement	1000t	45	Cane Knife Feeder Drum	4	75	Sugar packing machine(250g to 5kg)	6
16	Boiler Galvanized Srews	1,000	46	Cane Prep MCC	4	76	TA Cooling tower	
17	Cane Control Tower	2	47	Centrifugal, batch and continuous	6	77	Molasses Bladder	
18	Cane Feeder Table and ancilliary equipme	10	48	Overhead Crane(5 to 50 ton)	8	78	Fire Protection System	
19	CCTV Cameras and accessories	500	49	Centrifugal Screens	500	79	Dirty Sluice Water Pump	4
20	Hilo Cane Spiller	10	50	Compressor(50 to 750 CFM)	6	80	Imbibition Pump	
21	Boiler HP valves	100	51	Compressor Drier	6	81	ICW Pump	10
22	Boiler ID Fan	4	52	Cesspool truck	4	82	Dry Sugar Elevator Belt	200m
23	Diffuser	2	53	Civil Structure Equipments	100	83	Effluent Treatment plant tanks	10
24	Rotary juice screens	4	54	Clarifier flash tank	2	84	Electric Transformers	500
25	Boiler MS Plate	1000t	55	Clean Water Pump	4	85	Electric motors	500
26	Boiler PA Fan	4	56	Clear Juice heater	4	86	Electrical data logger	2
27	Boiler Recycle Water Pump	4	57	Mixed Juice Tank	2	87	Electrical overhead power line equipment	
28	Boiler Rock Wool Branket	5000m	58	Process Pumps	100	88	Electrodes	1000t
29	Boiler SA Fan	4	59	Cooling tower	8	89	Electronical Control Panel	100
30	Maceration Tanks	10	60	Cooling Tower Fans	8	90	Entrainment Separators	50

Source: KSL's Management

Source: KSL's Management

Source: KSL's Management

# Annexure I: Items to be procured in Phase III project (5/6)

Factory Equipment (4/7)			Factory Equipment (5/7)			Factory Equipment (6/7)		
SN	Items	No of units	SN	Items	No of units	SN	Items	No of units
91	Ethanol Plant Complete	2	121	Lathe machines	6.0	151	Pressure Cleaning/Washing(treatment) Pumps	6
92	Evaporator Condenser	4	122	Machinery for pipes	10.0	152	Process and Lab Chemicals	3,000
93	Armoured Electrical Cables	100000m	123	Machinery for sugar bagging	6.0	153	Radio Base Station (including GPS Connection	6
94	Instrumentaion Cables	10000m	124	Machinery for wood cutting	6.0	154	Radio Hand Sets	6
95	Factory electrification equipments	1,000	125	Massecuite crystallizer	10.0	155	Raw Sugar Dryer	2
96	Factory Personnal Protective Equipments	10,000	126	Mill bearings	50.0	156	Road signs	2,000
97	Flow transmitter	100	127	Mill Discharge Conveyor	4.0	157	Rolling Machines	2
98	Factory tools	10,000	128	Mill Juice heater	4.0	158	Rotary juice screen	4
99	Final Mixed Juice heater	4	129	Mill rope couplings	6.0	159	Saccharomant Equipments	4
100	Fire Extinguishers (Fire Fighting Equipments)	1,000	130	MS Pipe Schedule 40 high pressure for turbine	5000m	160	Sanitary Equipments	10,000
101	Fire fighting equipment	1,000	131	MS U Channel for overhead cane carrier	1000t	161	SCADA Engineering server	6
102	Fire Fighting truck	4	132	Overhead Line Conductor	500000m	162	SCADA Engineering station	6
103	Fire Fighting Vehicle	2	133	Office Furniture, Fictures and fittings	1,800.0	163	SCADA Operator station	6
104	Fire siren(electric)	10	134	Canteen Furniture	500.0	164	Scaffolding Accessories	20set
105	Fire siren(hand)	10	135	Contractors Prefabricated Houses	200.0	165	Scalding Juice Heater	4
106	Fireman PPE	30	136	Housing Furniture, fixtures and fittings	2,500.0	166	Scalding Juice Heater Condensate Tank	4
107	First Aid Boxes	200	137	TV sets	200.0	167	Scalding Juice Heaters Condensate Pump	4
108	First Mill	4	138	Refrigerators	200.0	168	Scraper Spares	300
109	Generators (20 kva-5000 kva)	50	139	Deep Freezers	100.0	169	Secondary Mixed Juice heater	4
110	Heavy duty chains	5000m	140	Photo luminiscent safety signs	1,000.0	170	Sewing Machines	20
111	Heavy duty welding machines	30	141	Portable gas detector	6.0	171	Shear machines	2
112	High Pressure Cleaner	6	142	PLC	50.0	172	Shredder	4
113	Hilo Cane Spiller(20 ton and 30 ton)	4	143	Pressure transmitters	50.0	173	Sluice Water Pump	4
114	HP steam traps	100	144	Portable Grinding Machine	200.0	174	Solar street lights	1,000
115	Instrument workshop test equipment	20	145	Power cutting machines	5.0	175	Steam Turbaine Concentric Reducers	100
116	Intercarrier	4	146	Power Saw Machines	5.0	176	Steam Turbine MS Pipe schedule 40	1000 m
117	Kestner Evaporator	4	147	Pre-fabricated house complete sets	300.0	177	Steam Turbine Bends,schedule 40	1,000
118	Lamella Clarifier	2	148	Pre-fabricated house furniture	2,000.0	178	Steam Turbine Complete	10
119	Level transmitters	50	149	Pre-Fabricated steel material and structure for work	10000t	179	Steel Construction Structure	10000t
120	Lazer alignmnt set	2	150	Pressing Machines	3.0	180	Sugar Arc Electrodes	30,000 mt

Source: KSL's Management

Source: KSL's Management

Source: KSL's Management

# Annexure I: Items to be procured in Phase III project (6/6)

Factory Equipment (7/7)		
SN	Items	No of units
181	Sugar Evaporator Contactors	300
182	Sugar Impellers	500
183	Sugar Laboratory Equipments	500
184	Sugar Laboratory Tools and Apparatus	1,000
185	Sugar Mill key locked emergency push botton	300
186	Sugar Mill Thermal O/L Relay	300
187	Sugar Mill Trash Plates	200
188	Sugar Mill Brass Bar	300t
189	Sugar Mill Fenaflex Coupling	400
190	Sugar Mill Motors	1,000
191	Sugar Mill Pinions	300
192	Sugar Mill Rollers	50
193	Sugar Mill Valves	1,000
194	Sugar Processing tools and instruments	1,000
195	Tandem Mill Complete	2
196	Tubes Stainless steel	25,000
197	Turbine spares	4,000
198	Uninterruptable Power Supplies(UPS)	100
199	Vaccum Pans	8
200	Variable Speed AC drives	100
201	Variable Speed AC drives	50
202	Vibration analyser and balancing machine	2
203	Water softener (Treatment)	5
204	Weigh Bridge	4
205	Wheel Alignment Machine	5
206	Input/output modules(I/O)	1,000
207	Electric hand dryers	500
208	Culvert making machine	4
209	Block making machine	4
210	Concrete Mixers	10
211	Compactors Hand+F108	10

Source: KSL's Management