

1st June 2024

REF: BSL/TIC/2024/06/01

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



Dear Sir,

Subject: Request for extension of Certificate of Incentives (Strategic Investor Status)

With reference to above subject, we hereby requesting the extension of Certificate of Incentives no 017127 issued on 24th May 2023. The current status of project is 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.

Considering the challenges due to short rainy season in November & December, there is planning to enhance the capacity up to 5000 TCD.

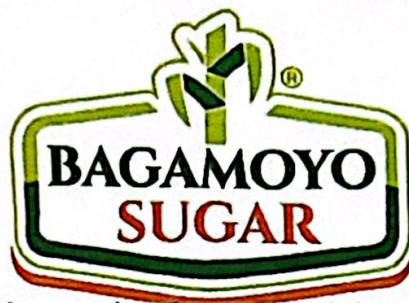
We already planted sugar cane on 2,000 Ha of land and installed and commissioned a sugar plant of 1500 TCD capacity. The sugar plant is in operations since July 2022.

Stages of Sugar Cane Plantation:

Sugar Cane Seed Development- We are doing in-house sugar cane varietal screening so that we use the best varieties which are suitable for the local soil and climatic conditions. The screening of the varieties shall be done initially in three stages before going for the main crop plantation.

Foundation Nursery- In the year 2018, as a first step, we did the nursery plantation on 7 Ha of land. Different varieties of seeds cane were collected from Sugar Research Institute, Kibaha and Kilembero Sugar and planted on 7 Ha of land after properly treating the seed cane. The planting on this 7 Ha of land was done on Feb 2018. We call this as our Foundation Nursery. The sugar cane from the foundation nursery was first harvested in Feb 2019. As of May 2024, sugar cane area in Foundation Nursery is 16 Ha.

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Nursery A- The next stage of nursery plantation was done during March 2020 on 20 Ha of land, using the seed cane harvested from Foundation Nursery and screening suitable varieties. We are preparing an additional area of 12.5 Ha for new varieties which will be planted in August 2024.

Nursery B- The third stage of nursery planting was done on 110 Ha area. The harvested cane from Nursery A was used as seed cane for Nursery B.

Main Crop Plantation- The main crop plantation was started from June 2021 using the sugar cane, harvested from Nursery B, as the seed cane. In Phase 1, total area planted is around 2,000 Ha. We are targeting to increase the planting area by about 200 to 300 Ha every year depending on availability of water and suitable business environment. Currently we are planning to expand the area under plantation by 700 ha with in next two years.

Irrigation Infrastructure:

For the development of sugar cane, the most important component apart from sugar cane seed is good quality water suitable for the use in sugar cane field. Since in Bagamoyo region, the rainfall is less, there is dependence on drawing water from Wami River for irrigation. This source is not sufficient hence there is need to use it very efficiently thus investment was done on state-of-the-art technology known as sub-surface drip irrigation system.

BSL have partnered with Netafim, an Israeli Company, world leaders in drip irrigation system, for supply of complete irrigation system, including the sub-surface drip irrigation system. Netafim is also supporting us in developing the land, roads and drainages.

The advantages of Drip Irrigation System:

- No wastage of water- Under the drip irrigation system, water is provided to the plant exactly the quantity that is required, at the time that is required and at the place it is required. The irrigation system will work automatically, with little human intervention.
- Effective Fertigation- The application of fertilizers is done through the driplines. The fertilizer is injected along with the water paving the way for the roots to absorb the fertilizer resulting in proper application and no wastage of fertilizers.
- Removal of Salt from sub-surface - Under drip irrigation, the water is allowed to drip down into the soil and splashes out all the salt that is on the sub surface of the soil, thus moving the salt away from the root zone so that the root systems get clean unsalted water.

Water is drawn from the Wami River, through pipe lines of 1-meter diameter, to the main supply reservoir and from the main supply reservoir, the water is distributed to different zones through dripper lines / laterals.

Irrigation is being done every day using drip irrigation system, with exception of rainy days. Even on rainy days, the drip irrigation system is used for fertigation.

The irrigation system is running on automation.

We have developed existing natural lagoons to increase the storage capacity for using during the dry season, when the water levels at Wami River goes down. In addition to that, there is plan to develop another barrage dam named as DAM-5 to harvest and store rain water which will also be used for irrigation during dry periods.

Roads & Drainage:

Total 200 kilometres of internal roads and have been developed to facilitate internal transportation and effective drainage of water to avoid any water logging.



Sugar Factory:

For the sugar factory, BSL has partnered with JP Mukherji & Associates, a leading consultant on sugar industry from India, who helped us to finalise the sugar plant specifications and supply of sugar plant. The contract for the supply of complete sugar plant was 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.

Power:

At present the nearest TANESCO transmission line is at Makurunge is almost 30 kms away from the site. We are connecting the TANESCO transmission line by tapping. We have partnered with ABB, Tanzania and completed laying the distribution line and the sub-station for the project.

Project Status Update:

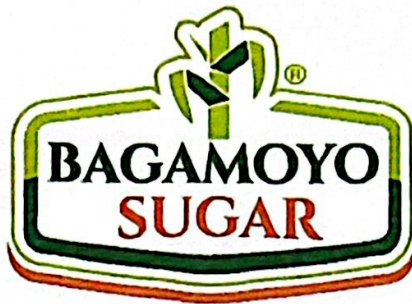
Major Activities	Completed	Status
Incorporation of Bagamoyo Sugar Ltd and acquired 10,000 Ha Land from Government of Tanzania.	Dec -16	Completed
Bush Clearing and Land Preparation for Foundation Nursery.	June -17	Completed
Signing of Contract with Netafim Ltd for Supply of Irrigation Equipment for 200 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.	Mar – 20	Completed.
Supply, erection & commissioning sugar plant	June 2022	Completed.
Second Molasses Storage Tank	August 2023	Completed

We have started all the activities to expand the area for plantation on the new 700 ha area and planning to expand the mill capacity.

Project Funding:

We have so far invested more than US\$100 million on this project and have plans to invest another US\$25 million in the next three to five years.

We request TIC for extension of certificate of incentive for another five years.



We also request for your assistance to resolve the following pending critical issues for the success of the project to its full potential.

- **Demarcation of land with Sadani Game Reserve:**
The representatives of concerned ministry visited the site and have agreed upon the demarcation, which need the necessary approvals and Gazettification.
- **Upgrade the Access Road to the site:**
Our land is situated along the road from Makurunge junction on Msata road towards Sadani National Park. This road is not in good condition and project site gets inaccessible during the rainy season. All the movements of men and machines become almost standstill during the rainy season.
Construction of National Highway on this road is in the agenda of the Government. It would be of great of help if it is undertaken on priority.
- **Water availability:**
During the dry season, the water level in Wami River goes down and water is not sufficient for irrigation. If sufficient water is made available to us by way of constructing a small dam, we can increase the planting area and produce more sugar. The limitation to increase additional area is water scarcity during October & November months. There is proposal with WAMI RUVU Board to construct a multipurpose dam near Mkoko for the purpose of flood control, drinking water supply & irrigation. If the government takes up this project, we Bagamoyo Sugar, all adjoining farmers of Wami river will get benefited.

In spite of several challenges due to natural calamities and complexities of the project we have completed & commenced commercial production since July 2022.

This is one of the large private sector investment projects in the country and is of national importance aligned with the objective of Government of Tanzania to increase domestic sugar production and reduce dependence on imported sugar. More than 1500 people are working in this project and the village is vibrating with the economic activities.

It is our humble request to assist in extension of Certificate of Incentives, the strategic investor status and resolve the issues as indicated above.

We Bagamoyo Sugar thankful for your continuous support to achieve the timeline & expecting the same in future.

Yours, Sincerely

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Said Nassor Mohamed
Deputy CEO