

M/S MUFINDI PAPER MILLS LIMITED

PROGRESS REPORT TO DATE

ON

THE PROJECT

TO

**ESTABLISH GREEN FIELD SUGAR PROJECT AT KASULU,
KIGOMA REGION**

FEBRUARY 2025

1.0 INTRODUCTION

M/S **Mufindi Paper Mills Limited** is a registered Company in Tanzania with certificate of incentives no **02110570** which was registered in 21st October 2021. **Mufindi Paper Mills Limited** has also been granted status of **Special Strategic Investor with special incentives** through a performance contract entered into on 23 June 2023 between Mufindi Paper Mills and the Government of The United Republic of Tanzania. **Furthermore, Mufindi Paper Mills Limited** was issued by the following 5 government notices which will be expiring by 31st May 2028.

GN NO.50T- *Income tax exemption- Withholding tax on engineering and construction services and provided to the establishment of the project.*

GN No.50U- *Income tax exemption- Withholding tax on interest on loans from foreign institutions for establishment of the project.*

GN No.85O- *The value added tax (exemption) to the establishment of the project*

GN No.85P- *The excise (management and tariff) (Remission) to the establishment of the project*

GN No.50V- *Income tax (exemption (corporate tax of the establishment of the project.*

The estimated investment cost in fixed asset is estimated to be **US\$320 Million**. The main aim of the project is to carry out the establishment of sugar cane plantation, sugar cane milling and packaging plant at Kasulu Kigoma Tanzania for both domestic and export markets based on modern technologies. The projected project-financing plan consists of shareholders equity and the term loan.

Equity	Proportion	Amount in US\$ ml
Equity	18.75	60.00
Loan	81.25	260.00
Total	100	320.00

2.0 PLANNED ACTIVITIES

The company planned the following:

- a) To develop **30,000 hectares** out of total allocated of **37,661ha**. The other remaining area is mountainous, valley and marshy wet land of water stagnated area. Out of the total amount of **30,000**, 20,000 ha of sugar cane crop area will be under SSDI-subsurface drip irrigated systems and will be in phases.
- b) The project intended to develop 7000 ha as phase one from 2023 - 2025. Foundation of 25,000 sq meters will be a nursery under shade net and also intended to develop **1.5ml** seedlings of **8** prominent sugar variety. This will later be transferred to an area of 100 ha after 45 days after planting and will be termed as nursery A which is developed with sub surface drip irrigation system and constructed water intake1.
- c) Mufindi paper also intended to develop another phase 2 nursery to be known as Nursey B in 700ha of land by starting with land preparation. The 700ha sugar plantation will be developed with sub surface drip irrigation system and construction of water intake2. Other things to be established in the area are roads, drainage, culverts including feeder roads and protection bunds.

- d) Further, to develop and plant commercial cane on 7000 hectares of which will be source of raw materials for the factory to be constructed.
- e) To conduct sensitization meetings to enable smoothly re-allocating the people who are currently conducting economic activities in the farms to another farm of 1000 ha set aside by the Kasulu district
- f) To carry aerial photography and lidar survey of Kasulu sugar project land in order to provide high accuracy topographical data to facilitates design requirements for bulk water, infield irrigation roads and drainage
- g) To conduct the Environmental Impact Assessment (EIA).
- h) To obtain all necessary permits and license and registration
- i) To construct a project site office, house for accommodation, security room, laundry dining, laboratory and dispensary, Police Post, Fuel Station, Weigh Bridge, workshop for its own vehicle maintenance and canteen with pre-fabricated building materials.
- j) To develop a total road map for a complete mechanized farm by engaging a consultant from energy crop technology of Australia.
- k) To order irrigation equipment's from ***Netafim, Israel based irrigation water management company*** who is a global leader in irrigation solutions for sustainable agriculture. Mufindi paper will also order required implements like Rome plough, ejection scraper and finishing scraper with guided GPS and all related equipment.
- l) To develop sugar cane plantation infrastructure with modern drip irrigation system. It will begin by consultants providing designing systems and drawings of 100 hectares primary nursery.

- m) To establish a highly advanced irrigation system which will be fully automatized. It will include irrigation facilities with fertilizer injection-fertigation.
- K) To install a backup generator of 300 KVA as a source of electricity to supplement TANESCO electricity.
- L) To establish a centralized computerized system for intake 1 with a fertilizer dosing system and to establish stations in the fields in order to irrigate the crop to a specific period as per the soil moisture status.
- M) To procure, install a sugar cane milling plant with a production capacity of 300,000 metric tons of sugar per year over a period of 10 years.
- N) To order required implements for the mechanized planting of Sugar, Upfold Hot Water Treatment Unit for prevention of diseases
- O) To establish a soil and testing laboratory and a sugar cane quality testing laboratory with modern equipment's.
- p) To have Workforce of 150 as permanent staff and 300 casual farm workers and helpers. The workforce will be increased up to 1000 permanent staff and 3000 casual farm workers and helpers when the project commissioned its operations at full capacity.

3.0 ACHIEVEMENTS MADE ON THE PROJECT IMPLEMENTATION TO DATE

- a) **Mufindi Paper Mills Limited** has been awarded the ownership of land for the implementation and establishment of a green field sugar project over an area of **37,661hectres** at Nyamidoho, Kumtuntu, Kigadye, Heru-Shingo, Kitanga Kiyunge and Nyarugusu in Kasulu, Kigoma Region. The company has already secured the Derivatives Rights issued by TIC.

- b) **Mufindi Paper Mills Limited** conducted sensitization and re-allocating of about 3500 houses of 4800 family's people from the most of the villages in the 1000 hectares set aside by the kasulu district council in Mukuyuni village.
- c) **Mufindi Paper Mills Limited** conducted the Environmental Impact Assessment (EIA) and also was able to obtain all necessary permits, license and registration with sugar board.
- d) **Mufindi Paper Mills Limited** has appointed consultants to conduct the ariel photography and lidar survey which will provide high accuracy topographical data to facilitate design requirements for bulk water, infield irrigation, roads and drainage. The survey has been completed and a preliminary report has already been finalized.
- e) The company has placed order to Netafim, ***Israel based irrigation water management company*** to supply irrigation systems for the cane development and drip burying machines in the Nursery-A (100 hectares), Nursery-B (700 hectares) and Commercial area of 1600 hectares.
- f) The company has started developing **30,000** ha out of the total allocated land of **37,661** leaving the balance area of 7661 ha under mountain, valley and marshy wetlands of water stagnated area. Out of the total amount of **30,000**, 20,000 ha will be for sugar cane crop area and will be under SSDI-subsurface drip irrigated systems and will be in phases. The balance of 10,000 will be developed with sugar cane crop under rainfed systems relaying on the rain water.

- g) **Mufindi Paper Mills Limited** has imported all the materials for the nursery and has already started developing foundation nursery under shade net to develop 1.5 million seedlings of 8 prominent sugar cane varieties by using 50-hole trays of 30000 no's raised under a specially constructed shed net area of 25,000 square meter. The seedling raised in the shed will take 45 days to be planted on over an area of 100ha. The selected varieties were from the neighboring sugar mills like Manyara Sugar, Kilombero Sugar, Mtibwa Sugar and Bagamoyo Sugar.
- h) The development of irrigation infrastructure has completed for Nursery-A. The irrigation room had been constructed and finalized. A highly advanced atomized irrigation system was installed and similarly, second irrigation room and pump house for Nursery-B (700 hectares) and the Commercial area of 1600 hectares are under progress.
- i) **Mufindi Paper Mills Limited** installed a centralized computerized system for intake 1 with a fertilizer dosing system and also established stations in the fields in order to irrigate the crop to a specific period as per the soil moisture status.
- j) A backup generator of 300 KVA as a source of electricity to supplement TANESCO electricity has been installed.
- k) **Mufindi Paper Mills Limited** has ordered required implements like Rome plough, ejection scraper and finishing scraper with guided GPS and all related equipment through its main consultant on sugar cane mechanization called M/S NETAFARM Energy Crop Technology from

Australia.

- l) All equipment for mechanized planting of sugar cane using a whole stick planter with bed maker, bed renovator, hilly Billy vertically tillage implements have also been ordered from Hodge equipment, Australia.
- m) Upfold hot water treatment has been installed in order to prevent the spread of smut diseases and ensure the production of healthy, disease-free seedlings of sugar cane. **Mufindi Paper Mills Limited** has installed Soil and water testing laboratory and sugar cane quality testing laboratory with all modern equipment like Pallini test soil and water testing kits, polarimeter, refractometer and saccharimeter.
- n) The implementation of nursery **B** has started and all materials for installation has been ordered. The contractor is already on site carrying out the works. The related roads and drainage work in nursery **B** is under progress.
- o) To date the Workforce of 150 as contractual permanent staff and 300 casual farm workers and helpers have been recruited and are working
- p) The project office and related buildings such as site office, house for accommodation, security room, laundry, dining, laboratory, dispensary, police post, fuel Station, weigh bridge, workshop for its own vehicle maintenance and canteen with pre-fabricated building materials have been constructed and further, we have also constructed recreation club recently and permanent buildings are under progress, also as a part of CSR activity, the company has dig boreholes for arraigning drinking water facility in the village of Mikumi, Kasulu District council, Kigoma. Below are the few pictures...

Boreholes at Mikumi village, Kasulu



Permanent Houses





UPDATED INFORMATION ON THE COMPANY

S. No.	Description	Details									
1.	Shareholder's Information	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Shareholder</th> <th style="text-align: left;">Nationality</th> <th style="text-align: left;">Shares In %</th> </tr> </thead> <tbody> <tr> <td>Angle Hurst Industries Limited</td> <td>British Virgin Island</td> <td>85.45</td> </tr> <tr> <td>Jaswant S. Rai</td> <td>Kenyan</td> <td>14.55</td> </tr> </tbody> </table>	Shareholder	Nationality	Shares In %	Angle Hurst Industries Limited	British Virgin Island	85.45	Jaswant S. Rai	Kenyan	14.55
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Angle Hurst Industries Limited	British Virgin Island	85.45									
Jaswant S. Rai	Kenyan	14.55									
2.	Company Communication Information	<p>Mufindi Paper Mills Limited Address – P.O. Box 1 Mgololo, Mufindi Iringa Email – svs@mufundipapermills.com Mob. – 0783683109</p>									
3.	Contact Person	<p>Name Satyanarayana Position -Chief Corporate Director Email - svs@mufundipapermills.com Mobile 0783683109</p>									
4.	Incorporation	47435									
5.	TIN Information	102551850									
6.	Project Objective	To establish green field sugar plantations and sugar processing factory and allied industries to meet the sugar deficit in the country as well as improve the socio-economic benefits to the Tanzanian economy									
7.	Capacity	15000 TCD									
8.	Current Direct Employment	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Foreign – Men</td> <td>14.....</td> </tr> <tr> <td>Foreign – Women</td> <td>0.....</td> </tr> <tr> <td>Local - Men</td> <td>110-</td> </tr> <tr> <td>Local - Women</td> <td>40.....</td> </tr> </tbody> </table>	Foreign – Men	14.....	Foreign – Women	0.....	Local - Men	110-	Local - Women	40.....	
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4.0 PROJECT FINANCIAL EXPENDITURE TODATE.

So far, the project financial expenditure is USD 53,193,840

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings			862,943
Roads and Drainages			4,600,000
Plant and machinery			12,411,693
Vehicles/Aircrafts			21,411,763
Furniture			99,994
Cane roots			2,442,376
Office equipment			80,890
Insurance Cover			35,680
Pre-operational expenses			6,248,501
Working capital			5,000,000
GRAND TOTAL			53,193,840

5.0 PROJECT FINANCING

The company has been able to implemented up to ...16.62.....%. The financing pattern of the project is as follows.

	Amount (USD)	Source Country
Local Equity/Internal funds	28,193,840	Tanzania
Local Loans	25,000,000	Tanzania
Foreign Equity	-	-
Foreign Loans	-	-
Total Investment	53,193,840	

6.0 PROBLEMS

- 1) Since the location of the project is very remote, the costs of getting the required materials, spares, building materials like cement, steel, sand are very expensive.
2. Being a special strategic investor, with special incentives we have signed the performance contract with the government for period of five years whereby we have been given special incentives as per our sugar project requirements. In order to utilize these special incentives given by the **Government**, The TIC should also issue pending Government notices such as exemption of import duty and VAT for capital goods, deemed capital goods, RDL, TANROADS abnormal load fees, import duty and VAT on importation of project engines oils Otherwise, the project has brought to stand still the importation of important capital goods as they have to be imported and we depend on these exemptions to reduce cost of doing business.
3. One of the Governments Notice on tax exemption given is **Income tax (exemption (corporate tax of the establishment of the project.** This exemption as per implementation plan will only come into effect after project establishment is over i.e., when operation of the sugar project begins and when the company starts to earn income. So, giving it now does not help the reduction of costs as anticipated during construction stage.
4. Encroachment people are still in 50% of the land with survey numbers 210.212,213 & 214 which hampers the progress of the project.

5. The TANESCO power supply is fluctuating and having drop off voltage therefore we depend on DG sets which is very expensive operational cost.

6. The window of operations is only available for 4-5 months in a year due to long spell of rainfall. The management has to mobilize all resources to move the project activities with in the short time.

7 During this season while doing the land preparation we identified laterite stone in our farm lands which causes difficulty in development of land preparations for cultivation. It costing more in the form of diesel consumption for breaking the laterite stones.

8. We have not identified any quarry and sand mines in our farms to utilize the stone and sand to carry out civil works. Currently, we are purchasing from private parties at high cost. We have to build a lot of factory buildings, residential houses, river intakes which need lot of metal and sand from own source. Therefore, please take up with regional mining department to allocate mines to MPM.

9. Customs clearing of project equipment is consuming lot of time due to the modern equipment's.

10. Road permit process for wide loads is costing high as well as time consuming.

11. Integrity of operators has become serious concern for administration and causing HR issues.

8.0 SOLUTIONS

1. Government of Tanzania to consider helping the company to construct feeder roads to the sites through TAN ROADS or District Councils. This will help to reduce the cost of doing business also the project and hence the project will be implemented on Time as there will be reliable roads.

2. Government of Tanzania is requested to state in ***the GNN0476A-Income tax (exemption (corporate tax of the establishment of the project*** that the enjoyment of income tax exemption to start when the project starts operation and not during the establishment period.

3. **TANESCO** is requested to implement the following:

- I. extend the power transmission lines up to river intake-2 and subsequently intake-3, pump station, and factory by the TANESCO.
- II. To extend the new 400 kVA HT transmission line to be passed through with in the vicinity of factory area to step down and connect to 132 kVA substation. Currently the TANESCO has undertaken the job of 400kVA transmission line is in progress from Nyakanazi to Kidawe
- III. To set up a 132 KV substation close to the sugar unit switch yard.

4. **Mufindi Paper Mills Limited** is requesting to be allocated quarry and sand mines area within the nearby villages

5. **Mufindi Paper Mills Limited** requests the customs to clear the goods at the project bonded warehouse at KASULU site.

By implementing these proactive solutions, **Mufindi Paper Mills Limited** can navigate the current challenges and position itself for sustainable growth and success in the dynamic green field Sugar Project.

9.0 FUTURE PLANS

- a) The company remains committed to the establishment of Green Field Sugar Plantations and Sugar Processing Factory and Allied Industries to meet the sugar deficit in the country as well as improve the socio-economic benefits to the Tanzanian economy. It also aims to reduce sugar deficit and increase the employment opportunities and contributes possible exports helping to economy to earn foreign exchange
- b) **Mufindi Paper Mills Limited** expects continued assistance from the Government of Tanzania of which it will enable the Project Promoters to optimize its construction activities and be able to implement the project on time and hence be able to have economies of scales and hence fulfil both economic and social activities to the economy as a whole.
- c) **Mufindi Paper Mills Limited** will try to request and implement cost-cutting measures such as reducing unnecessary expenditures in order to reduce the costs of doing business.

10 .0 RECOMMENDATIONS

As per the foregoing, the promoters of the project are requesting the Government of Tanzania through the Tanzania Investment center to issue the pending **Government Notices**. This will enable the project to be implemented without interruptions:

1. GN NO.539- road and fuel tolls (exemption to the establishment of the project which was expired in August 2024.

2. GN on VAT on building materials procurement.

3. GN on exemption of Import Duty on Capital goods and Deemed capital goods

4. GN on exemption on Railway Development Levy on Capital goods and Deemed capital goods.

Final establishment of Irrigation room as part of intake -1



Inner view of Irrigation room in Intake-1



Back up generator -300 KVa as power source in Intake-1



Construction of Shed for the Hot Water Treatment unit in Nursery A



View of soil ,water and sugar cane quality testing laboratory



MPM has constructed with 100MT capacity with fully computerised



MPM has constructed inhouse workshop for vehicle maintenance



TRACTORS





TIPPERS





GRP Pipe line Installation works



