

WALNUT PROCESSING AND EXPORT PROJECT

«ZOLOTOY OREKH» LIMITED LIABILITY COMPANY
(GOLDEN WALNUT)





Project Initiator:

«Zolotoy Orekh» LLC

Brief Project Description:

The project involves the construction of a walnut processing workshop and the production of the following types of products: butterfly nuts, glazed nut dragees, nut butter (spread). The forecasted processing volume is 123 tons per month.

The sale of walnut products is supposed to be established through export to the EAEU countries, mainly to Russia. For the successful implementation of sales, the Project Initiator intends to organize sales through an existing legal entity registered in Russia.

Project Initiator Description:

The Project Initiator is Zolotoy Orekh LLC, which has been exporting walnuts since 2011. The main activity of the Company is the procurement and export of walnuts and dried fruit to Asia, Europe and the CIS.

The walnut is exported mainly to the Russian Federation. The main customers are Russian confectionery shops and processors.



CEO: Maadanbek Karayev

- Over 20 years of experience in the exports and nut industry
- More than 10 years of experience in the production of dried fruit
- Chairman of the Board of the Association of Walnut Growers and Foresters of Kyrgyzstan

Project cost: \$1,000,000

- Construction - \$288,800
- Equipment - \$511,200
- Working capital - \$200,000

Investment required: \$800,000

Payback period: 3.53 years



PROJECT DESCRIPTION

The project involves the construction of a workshop for walnut processing and the production of the following types of products:

- ✓ Butterfly walnut packed in boxes of 10 kg
- ✓ Nut dragee glazed with sugar or chocolate, packed in bags of 200 g.
- ✓ Nut butter/ spread, packed in 300 g jars.

The forecasted volume of processing is 123 tons per month:

- ✓ The butterfly (1/2 of the nut) will be sold after the shell has been removed. The Company is already exporting walnuts to Russia.
- ✓ Quarters and nut crumbs will be used for the subsequent production of nut dragees and nut butters. The finished products are also expected to be exported to Russia. For this purpose, the Project Initiator will open a legal entity in Russia for further distribution of goods at retail.

For the organization of production, it is expected to erect a building from a metal frame with a total area of 1900 m². It is planned to install several lines for the processing and packaging of nut products inside the premises:

- ✓ Sorting and packing line
- ✓ Photo separator
- ✓ Dragee machine
- ✓ Glazing line
- ✓ Dragee packaging line
- ✓ Drying roasting line
- ✓ Crushing machine
- ✓ Nut butter mill
- ✓ Filling and packaging line
- ✓ Roasting and salting line
- ✓ Spice application machine



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PROJECT GEOGRAPHICAL LOCATION

The production is planned to be located on the existing base in Lavdan-Kara village of Jalal-Abad region, which is located 8.5 km from the city of Jalal-Abad.



PROJECT INITIATOR

DESCRIPTION

The Project Initiator is Zolotoy Orekh LLC (Golden Walnut), which has been exporting walnuts since 2011. The main activity of the Company is the procurement and export of walnuts and dried fruit to Asia, Europe and the CIS. The Company also handles the processing (sizing, splitting, sorting and packaging) of products on a by-order basis.

The Company has its own walnut orchards, where it grows traditional and its own varieties of walnuts. The total area of the orchards is 40.5 hectares. Walnuts are exported mainly to the Russian Federation. The main customers are Russian confectionery shops and processors.



Figure 1 Butterflies



Figure 2 Sticks



Figure 3 Slivers

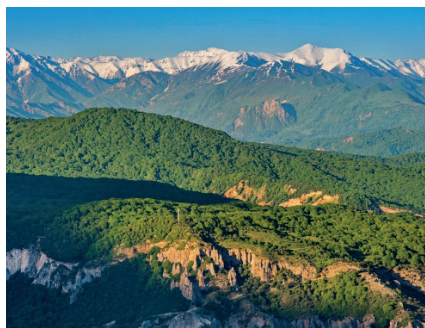
The Company has three models of shelled walnuts for export:

- ✓ **Europe Model:** 1st grade - white butterflies - 80%, 2nd grade - white sticks - 20%
- ✓ **Dubai Model:** 1st grade - white butterflies - 60%, 2nd grade - white sticks - 40%
- ✓ **Turkey Model:** 1st grade - white butterflies - 60%, 2nd grade - white sticks - 25%, 3rd grade - red butterflies - 5%, 4th grade - red sticks - 5%, 5th grade - nut slivers (crumbs) - 5%.



Zolotoy Orekh LLC was recognized as the best walnut exporter within the framework of the National Competition “Best Exporter-2018” organized by the Investment Promotion and Protection Agency of the Kyrgyz Republic with the technical support of the USAID Enterprise Competitiveness Project. In 2018, the Company exported shelled walnuts to the countries of the Eurasian Union in the amount of about 105 million Kyrgyz soms.

SUSTAINABLE COMPETITIVE ADVANTAGES OF THE PROJECT



✓ **Available raw material resource base.**

The largest wild walnut reserve in the world, Arslanbob, is also located in Jalal-Abad region, where the local population gathers the walnuts in and then sells them to procurement agencies. The total area of wild walnut forests is 700,000 hectares.

✓ **Organic products.** Most of the walnuts are harvested in Arslanbob, which is the largest wild walnut reserve in the world. Due to the fact that the walnut is wild, accordingly, it is primordially organic. In

addition, there are 22 more walnut forests in the Jalal-Abad region. The walnuts are collected by the local population and sold in the markets.

- ✓ **Fully functional marketing system and extensive experience in export.** The Company has an active contract with a buyer from Russia for the supply of walnuts. Besides, the founder and director of the Company also exported walnuts to the UAE during the period 2004-2005 through charter flights.
- ✓ **Extensive experience in sales and marketing.** The founder and director of Zolotoy Orekh LLC has an impressive experience in the distribution of goods in new markets in Russia. The Company has a clear marketing strategy for entering the Russian market. In addition, walnut dragees and nut butter are in constant demand in the Russian market.
- ✓ **Sales through our own network of confectionery shops.** The Company also plans to sell its products through the network of confectionery shops «Shirin Sulaiman», which have 4 brand stores in the village of Bazar-Korgon, in the city of Osh, Osh region, in the city of Kyzyl-Kiya, Batken region and in the village of Voyenno-Antonovka, Chui region. The founder of Zolotoy Orekh LLC is also the founder and head of the Shirin Sulaiman network.

MANAGEMENT TEAM



MAADANBEK KARAYEV

Founder / CEO

- ✓ Over 20 years of experience in the exports and nut industry
- ✓ More than 10 years of experience in the production of dried fruit
- ✓ Chairman of the Board of the Association of Walnut Growers and Foresters of Kyrgyzstan
- ✓ Founder of the chain of confectionery shops «Shirin Sulaiman»
- ✓ Higher education. Kyrgyz State University with a degree in jurisprudence. Osh Agricultural College, specializing in agricultural mechanization

COMPANY HISTORICAL FINANCIAL PERFORMANCE

Key performance indicators	2017	2018	2019	2020
Export of walnuts, kg	81 002	228 000	152 000	38 000

Historical financial performance, USD	2017	2018	2019	2020
Sales	58 239	1 487 310	1 117 904	244 049

Due to heavy precipitation in Jalal-Abad region, the walnut harvest was very low and close to zero. In 2021, the walnut harvest is good and large export volumes are expected.

FORECAST FINANCIAL PERFORMANCE OF THE PROJECT

Forecasted indicators in kind	Year 1	Year 2	Year 3	Year 4	Year 5
The volume of processed nuts, kg	209 000	244 145	280 767	322 882	371 314

Key financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	1 165 829	1 361 873	1 566 154	1 801 077	2 071 238
EBITDA	159 026	215 780	275 525	344 232	423 245

- ✓ IRR: 10.92%
- ✓ Payback period: 3.53 years Discounted payback period: 4.58 years

FINANCING SOURCES AND USE OF FUNDS

Financing Source	Amount, USD
Project Initiator	200 000
Finance investor	800 000
Total:	1 000 000

Use of funds	Amount, USD
Construction	288 800
Equipment	511 200
Working capital	200 000
Total:	1 000 000

BRIEF OVERVIEW OF THE WALNUT MARKET IN KYRGYZSTAN

In the Kyrgyz Republic, walnuts are harvested from walnut forests in the Arslanbob forest. The Arslanbob National Reserve is located in the Babash-Ata ridge on the western and southern slopes of the Fergana and Chatkal ranges and is famous primarily for relict walnut and fruit forests occupying a total of 608.5 thousand hectares. It is the largest relict walnut and fruit forest in the world. Kyrgyz walnuts are grown and harvested in wild forests and they are organic products. Some walnut trees are more than 1000 years old, reach 30 meters in height and 2 meters in diameter, and each of them brings from 200 to 400 kilograms of nuts every year. Walnut kernels are rich in valuable nutrients and have a unique natural taste.

Russian companies prefer walnuts from Kyrgyzstan, which have proven to show high gustatory qualities in comparison with walnuts from China or Uzbekistan.

The demand for walnuts is present throughout the year, while walnuts are harvested during 3 months of the year - September - November.



WALNUT EXPORT POTENTIAL

According to the Agency for Investment and Development of the Kyrgyz Republic, the dynamics of walnut exports has a positive trend:

Export of walnuts from the Kyrgyz Republic, thousand USD	2015	2016	2017	2018	2019
In-shell walnuts	196	552	894	305	3 957
Walnut kernels	7 738	1 508	5 567	4 491	2 032

According to the Food and Agriculture Organization of the United Nations, the export of walnuts also has a positive trend:

Export of dried fruit and nuts from Kyrgyzstan, tons	2015	2016	2017	2018	2019
In-shell walnuts	190	393	640	425	836
Walnut kernels	3597	809	2234	1305	4434

The largest part of exports goes to Russia, since, being a party to the EAEU, it is easiest for Kyrgyzstan to export its products to the countries of the Union.

Besides, walnuts can be exported to Europe due to their advantage over other countries:

Suppliers	Product code	Product description	Tariff arrangement	Applicable tariff
USA	080232	Walnuts, fresh or dried, shelled	Most favored nation tariff	5,1%
Chile	080232	Walnuts, fresh or dried, shelled	Preferential tariff for Chile	0%
Moldova	080232	Walnuts, fresh or dried, shelled	Preferential tariff for Moldova	0%
China	080232	Walnuts, fresh or dried, shelled	Most favored nation tariff	5,1%
France	080232	Walnuts, fresh or dried, shelled	Within the EU	0%
Kyrgyzstan	080232	Walnuts, fresh or dried, shelled	Generalized Scheme of Preferences Plus (GSP+)	0%

INVESTMENT PROPOSAL

LEGAL MECHANISM	✓ Limited Liability Company
FUNDING TYPE	✓ Direct investment in capital
AMOUNT	✓ USD 1,000,000
TERM	✓ 5-7 years
NUMBER OF TRANCHES	✓ Tranche No. 1 - construction ✓ Tranche No. 2 - purchase of equipment ✓ Tranche No. 3 - purchase of raw materials
COLLATERAL	✓ 100% of the Company's share



