



Abaso Cocoa Processing Ltd



OPPORTUNITY FOR FINANCING COCOA BEAN PROCESSING EQUIPMENT IN GHANA

PROJECT SYNOPSIS SOLE ARRANGER



April 2022

DISCLAIMER

This Project Synopsis has been prepared by Blend Financial Services Limited ("BFSL") at the request of the management of the client and is based on the facts of the case as given to and understood by us, analysis of the facts and interpretation of law as we understand. It represents our perception of the matter, in the outcome of which we do not have any interest pecuniary or otherwise. The views are confidential being solely for the use of the management to whom it is issued. They must not be copied, disclosed or circulated, to any person other than to whom it is issued. Our work does not constitute an audit or review of the financial statements or any part thereof, the objective of which is the expression of an opinion or limited assurance on the financial statements, or a part thereof, or verification of the accuracy of management responses to our inquiries. The sufficiency of the work plan and the contents of our findings are solely the responsibility of your management. Consequently, we make no representation regarding the sufficiency of the work plan either for the purpose for which our findings have been requested or any other purpose. Once accepted, this report will constitute satisfactory completion of our work. Discussions relating to tax and other corporate laws prevalent in various jurisdictions are subject to confirmation by local counsel.

CONTACT DETAILS

Blend Financial Services Limited

Pramukh Plaza, C-Wing, 4th Floor, Cardinal Gracious Road,
Chakala, Andheri (East), Mumbai – 400099, India
Tel : +91 22-6777000 Fax: +91 22-6777019

Subhashish Saha

Head – Export and Structured Finance
Phone: +91 22 67770022
Mobile: +91 98197 11502
subhashish@blendfinance.com

Anup Karwa

AVP – Export and Structured Finance
Phone: +91 22 4708 8863
Mobile: +91-97734 52590
anup.k@blendfinance.com

PROPOSAL HIGHLIGHTS

Industry	:	Agri sector								
Project	:	Processing of 32000 MT Cocoa beans in Ghana								
Project Location	:	Asutsuare, Ghana Free Zone 1D1F								
Borrower	:	Abaso Cocoa Processing Limited								
Type	:	Buyers Credit								
Total Procurement cost	:	\$ 75.0 million								
Debt Requirement	:	\$ 58 million (77% of the total procurement cost)								
Equity infusion	:	\$ 17million (23% of the total procurement cost)								
Tenure	:	10 Years including availability period of 15 – 18 months for construction of proposed plant.								
Shareholding	:	Substantial shares are held by PGIL DMCC, company based in UAE and also providing corporate guarantee for raising the required finance in the proposed project.								
Financial Highlight of Sponsor company as on 30.06.2021	:	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount USD in mn</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>186 mn</td> </tr> <tr> <td>PBT</td> <td>16.31 mn</td> </tr> <tr> <td>Net worth</td> <td>188 mn</td> </tr> </tbody> </table>	Particulars	Amount USD in mn	Turnover	186 mn	PBT	16.31 mn	Net worth	188 mn
Particulars	Amount USD in mn									
Turnover	186 mn									
PBT	16.31 mn									
Net worth	188 mn									

About the Company

- Abaso Cocoa Processing Limited (ACPL), a Ghana based company, is setting up Cocoa beans processing plant with Annual capacity of 32000 MT for production of Cocoa Liquor, Butter and Powder.
- ACPL is promoted by Dr. Fredi Asiedu and has already acquired twenty acres of land at the Asutsuare junction on the Akosombo road, about 35 kilometres from Tema for the development of the factory.
- The company has been registered by the Ghana Free Zone Board as a free zone export processing enclave.
- **Feedstock Agreement:** ACPL has already signed feedstock agreement with Ghana Cocoa Board for supplying the cocoa beans.
- **Off take agreement:** ACPL has entered in to a MOU with JB Foods Limited, company based in Singapore, for supplying 100% output.

JB Foods Limited (“JB Foods” or the “Group”) started as a processor of wet cocoa beans to dry cocoa beans in the 1980s. Today, it has grown to be one of the major cocoa ingredient producers in the region, with a total processing capacity of 180,000 metric tonnes of cocoa beans equivalent per year. The Group’s principal activities comprise the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder and cocoa mass, under brand name JB Cocoa.

JB Foods has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 2012.

- ACPL has already receive the licenses/ approvals required for setting up the proposed project.
- **TURNKEY EQUIPMENT SUPPLIER:** Buhler AG is a Swiss Company specializing in engineering, producing and installing processing machines for the cocoa and chocolate industry. With its excellent engineering and mechanical team Buhler holds an impressive record in providing innovative solutions to the industry in general and the cocoa and chocolate industry.

The plant consists of the following: cleaning equipment, a pre-treatment device, crusher, classifier, nib roaster and cooler, pre – and fine grinding, presses, cake pulveriser, a powder mill, packaging and other ancillary equipment.

Shareholding:

Shareholder name	% of holding
Dr Fredi Asiedu and others	60%
PGIL DMCC – Project Sponsorship company	40%

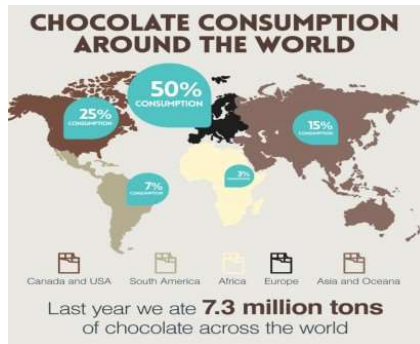
Profile of PGIL

- ACP has entered a MOU with M/s PGIL, a reputable FMCG company based in UAE which is on the path of diversification to join ACP as strategic partner and shareholder with capacity to marshal the funding for the project.
- Pharmyka specializes in pharmaceuticals and healthcare services, meeting the needs of domestic as well as international pharmaceutical industry by catering to the frontier with services starting from but not limited to Cosmeceuticals, Nutraceuticals, APIs, FDFs, Intermediates, Medical devices & Pharma Solutions.
- From the steadily expanding pharmaceutical company, Pharmyka have successfully grown and specialized in the professional implementation of complex infrastructure projects in the fields of Energy, Water & Sanitation, Healthcare, Housing, Construction, Equipment Solutions, Mining, and Agriculture.
- PGIL is also engaged in the Agro sector. One of the subsidiary/ associate company based in India is engaged in developing a project design for Livestock Integrated Organic farming utilizing the current technology with livestock organic wastes as the main input.
- Engaged in
 - **Farm based core Agriculture product** includes modernized farming of fruits, rice, vegetables, pulses, grams and livestock in 300 acres of land in India out of which in which cultivated area of 180 acres is fully owned by the company.
 - **Trading & Processing of Agri Commodity Products, Fruits & Vegetables:** The company is also into trading of Agro commodity business, and the products dealt with includes Rice, polished and semi polished Toor Dal and Pulses, Oil Cake, De-Oil Cake, Roasted Grams, Nachni Powder, Fruits, Garlic and Ginger.
- The company is also expanding the Agri activities from trading to manufacturing/ processing by acquiring the strategic stake in ACPL.

The financial Highlights of Pharmyka are as follows:

Particulars USD in million	June 21 Audited	Mar 20 Audited	Mar 19 Audited
Sales Turnover	186.03	121.14	101.35
Gross Profit	18.39	12.08	10.18
%	9.89%	9.97%	10.04%
EBITDA	16.31	10.53	8.63
TNW	174.87	26.51	16.94
Total debt	-	-	-
Net Fixed Assets	167.64	0.00	0.00

MARKET STUDIES



World chocolate consumption grows at a CAGR of 2.5%

MARKET

Cocoa is mainly consumed as chocolate confectionery products or in other food products containing cocoa powder including beverages, cakes, ice cream, snacks, etc. Cocoa consumption in the Far East and Eastern Europe has witnessed significant growth and is largely attributed to an increase in demand for products containing cocoa powder, and cocoa butter for the cosmetics industry. The grinding capacity of the first phase is 32000 Million tons per annum with 20% cocoa liquor, 37% cocoa butter and 43% cocoa cake.

ACP has agreed with Facta International BV of The Netherlands as prospective off-taker. ACP products are principally for the export to the global market worth over 45 billion Euros in Europe alone. Ghana accounted for about 21% of the total world's cocoa production. In the past, this has not translated into semi-processed cocoa products because the processing companies in Ghana have not been able to meet the demand for semi-processed cocoa. This is however changing with the restructuring of all the processing plants in Ghana and the introduction of others. There has therefore, been a progressive increase in grinding from Ghana.

Market analysis reveals the potential for Abaso Cocoa Processing Ltd to experience high sales volumes due to the premium on Ghana's cocoa. The potential market for ACP derives directly from the inability of the existing processing plants to meet the needs of the existing market. This notwithstanding, the Company will embark on a strategy directed at establishing relationships with suppliers, clientele and all stakeholders for a sustainable business.

COCOA BUTTER



Global cocoa butter market is expected to reach USD 3.5 billion by 2027 growing at a growth rate of 6.40% in the forecast period 2020 to 2027. Increasing implementation of cocoa butter in the end use industry is the driving factor for the cocoa butter market in the forecast period of 2020- 2027. Increasing demand for cocoa butter and its bases product among population will accelerate the demand for market. The rising trend of cocoa butter infused in deodorized form to inculcate flavour of it is driving the success ratio in market. Its implementation in pharmaceuticals industry for flavouring drugs and medicines has also accelerated, owed to its distinctive aroma. Germinating bakeries and personalized demand from the chocolatiers is adding a good input to the market. These certain factors will drive the market growth in the forecasted time phase of 2020 to 2027.

COCOA LIQUOR



The continuous popularity of chocolate-based products in the food & beverage sector continue to influence companies towards increasing the production of cocoa liquor. A wide range of cocoa products are being made from cocoa liquor, which include cocoa butter, cocoa-based creams, and other chocolate solids. Over the years, the demand for cocoa liquor is surging vigorously, while producers are struggling to extend their production capacities. In the approaching years, the demand-supply gap in the global cocoa liquor market will be a key reason for its sluggish growth. Apropos a Fact.MR forecast study, over 1.4 million tons of cocoa liquor is expected to be sold across the globe by the end of 2026. The study has also assessed that during the forecast period, the global cocoa liquor market will expand at a CAGR of 2.9%.

COCOA POWDER



Increasing production of confectionery syrup and chocolates will continue to drive demand of cocoa powder globally. As increasing consumption of the cocoa powder benefits the cardiovascular health, demand for cocoa powder for the production of various food products is expected to remain high. However, concerns about the side effects of consuming cocoa can lead to a decline in sales during the forecast period. According to the report, food & beverage will continue to be a leading segment in the global cocoa powder market. Fact.MR states that the global cocoa powder market is expected to reflect a CAGR of 2.2% in terms of volume during the assessment period 2017-2026.

PROJECT RISK MITIGATION MATRIX

Table: Project Risk & Mitigation Measures		
Sr. No.	Parameters	Risk Mitigation
1	Competition	Although there are other cocoa grinding mills such as West Africa Mill Company (WAMCO), Cocoa Processing Company (CPC), Barry Callebaut, Olam, Touton, and Cocoa Processing International operating in Ghana, ACPL does not see them as competitors as the company operates a free zone project with an international off-taker for all the output. The cocoa processing industry in Ghana still operates under capacity. The policy target of 50% processing of local cocoa production is yet to be met. On the international market, the company is likely to face competition from processing companies in Africa and other parts of the world. However, Ghana's cocoa has attained a remarkable and favorable reputation in the world market and this goodwill will positively impact on the operations of the company.
2	Construction Risk	The key construction risks are non-completion, late completion, and cost over-runs. This risk is mitigated by the fact that construction period for the project is for a limited period of time. Secondly, the company is looking at a fixed price contract showing who bears the risk of non-completion, late completion, or the possibility of cost over-runs. More importantly, the sponsors/promoters have committed to making a substantial contribution to the project cost. This obviously increases their level of interest in the successful completion of the project. Besides, shareholders have severally and jointly guaranteed the debt.
3	Market	Market risk is also an important factor that can affect the operations of the company. However, there is an increasing demand for processed cocoa and world consumption of cocoa product has over the years, experienced an upward trend. In addition, Facta International BV of the Netherlands have concluded an off-taker agreement for purchasing all the company's product output. These companies are synonymous with cocoa processing and have factories scattered in Europe, Asia and America. The promoters of the company are in discussions with prospective customers across the globe for similar sales arrangements.
4	Interest Rate risk	This may result from gross volatility of the market interest rates. This becomes a source of worry when the interest rates increase arbitrarily having a ripple effect on the interest payment on a loan facility. Due to the fact that the interest on the loan will be based on US LIBOR which is relatively stable, this type of risk will be mitigated to a large extent.
5	Government Support	Local processing is encouraged by the Government of Ghana through incentives such as price discounts, extended credit for payment, permission to import essential machinery, conferment of Export Processing Zone status on companies operating in the zone, inter alia, for example, COCOBOD (the government's cocoa regulating body) discounts beans from the minor light crop season, which runs from May to September, to local processors. The Government of Ghana's vision is to enable private companies to position themselves profitably in adding value to raw cocoa beans before export against the fluctuating world market prices of cocoa, and more importantly to enhance the revenue generation potential of the cocoa sector in general.
6	Political Risks	Political risks are inherent in doing business, especially in some part of the world due to political instability and social unrest. These risks come under especially sharp scrutiny in developing countries. The most basic risk is that of the change of government. Political risk can also be incurred through government inaction or direct action (of both national and local government). Inaction could be failure to issue permits as needed, or government failure to enforce local legal provisions. This can jeopardize the very existence of businesses and their development. In Ghana, this risk is mitigated substantially due to the political stability the country has enjoyed over the last fourteen years.
7	Entry Barriers	There are no regulatory barriers of entry to the industry. The most prominent barriers are the cost of investment and technical know-how.
8	Environmental Risk	No large-scale current and long-term environmental risk is associated with this project. As part of the factory construction design, a modern and environmentally sound sewerage system will be constructed to take care of solid and liquid waste disposal including human waste.

FINANCIAL ANALYSIS

Project Cost

The total project cost is estimated at USD 76.5 Mn. and will be funded by Debt & Equity. The detailed breakup of the project cost and proposed capital structure is provided below: -

Application of funds	Amount US \$ in Mn
Total Project Investment	75.00
EPC	
Land Development cost	0.85
Civil work & Other Infrastructure cost	24.00
Processing Plant	18.59
Utilities – Generators, boilers, etc	7.50
PMS	4.76
Engineering Services	3.40
Office equipments	1.50
Vehicles	1.10
Aggregator cost	3.40
Contingency	3.40
Total EPC Cost	68.50
Land	2.00
Pre-Operative expenses	0.66
Upfront Fess & Other charges	0.80
IDC	3.03
Total	75.00
Means of Finance	
Debt (80% of project cost)	58.00
Equity (20% of Project Cost)	17.00
Total	75.00

Present Requirement

- ACPL is setting up cocoa processing plant in Ghana and the estimated total cost of project is USD 75.00 million and looking to raise the finance of USD 58 million for setting up the cocoa beans processing plant for a tenure of 10 years including 2-year moratorium for setting up plant.
- ACPL will be procuring the beans processing full auto generated technology from Swiss based manufacturing company '**Buhler Holding AG**'
- ACPL is partnering up with Swiss based company "**Aqua Swiss**" for providing turnkey solutions in the project which includes aggregating all the equipments from various suppliers and supplying it to company under single agreement.
- The above procurement will meet the SERV minimum content requirement.
- Sponsor Company based in UAE is ready to provide Corporate Guarantee for raising finance in the project. Below are brief indicative terms:

BROAD INDICATIVE TERMS OF FINANCING

Borrower	Abaso Cocoa Processing Limited
Project	Development of Cocoa Processing Plant, Ghana
Total EPC Cost	USD 68.50 Mn.
Equity Contribution	USD 10.00 (15% of the total project cost)
Debt Contribution	USD 58 Mn (85% of the total project cost)
Facility	Buyers Credit
Door to Door Tenor	10 years door to door with 18-24 months availability period, moratorium period of 6-12 months post construction and Repayment in 9 years
Security	<ul style="list-style-type: none">· Corporate Guarantee of Pharmyka having net worth of USD 175 million as on 30.06.21· Project Assets procured from the proposed borrowing