

# FIRST HAND BIZ INFORMATION

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Spotlight on



## inside

Delta Dairies

2



Petrologistics

3



Tannery Industries Botswana

4



# The CVCF Portfolio of Companies



One of a CEDA Venture Capital funded project

CEDA's relationship with Venture Partners Botswana (VPB) began in 2003 when, due to a capacity gap in-house, CEDA outsourced the management of the Government initiated CEDA Venture Capital Fund to a citizen owned independent dedicated private equity Fund Manager, Venture Partners Botswana, or VPB as it is now known.

The CEDA Venture Capital Fund is one of five financing products that are on offer to citizen entrepreneurs by CEDA. Aside

from subsidised loans, CEDA's offering includes credit guarantees and equity, the management of both was outsourced to independent Fund Managers. Recently, however, the contract with Botswana Export Credit Insurance (BECI) ended, and, as the Principal has since built capacity, this facility was brought in-house.

CEDA's long-term outlook is to provide a holistic offering, in terms of financing, to Botswana entrepreneurs, and with regard to the success of the equity financing arm,

CEDA notes the Fund's successes, such as the country's first UHT milk processing plant, Delta Dairies, as well as Latex Medical Products, a condom manufacturer. These projects have highlighted the importance of productive technical partnerships; skills transfer and entrepreneurship development.

CEDA also acknowledges that its own Principal - Fund Manager relationship with VPB is a citizen empowerment story;

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## Comment

CEDA's relationship with Venture Partners Botswana (VPB) continues to grow in a mutually beneficial way, with the funding partner continuing its citizen empowerment drive through increased funding of new projects in the manufacturing and services sectors in Botswana.

The government has been at the forefront of wealth and job job creation for Botswana, with initiatives having seen the growth of new business ventures like Delta Dairies, Transport

Holdings, Tannery Industries Botswana and the transformation of Truck Africa Botswana into Petrologistics.

What makes Delta Dairies a unique and exciting project in the agriculture sector is that it is the first of its kind in the country, in which UHT milk will be produced in Botswana for sale in the country, as opposed to the traditional importation of UHT milk from South Africa. This means more expansion of the dairy industry as a bigger market has been created for mainstream and fringe milk producers throughout Botswana. CEDA's strategic vision entails the provision of

a comprehensive package in terms of capital and operating finance to citizens wishing to venture into the hitherto uncharted territory of mainstream business.

These projects serve to highlight the importance of productive technical partnerships; skills transfer and entrepreneurship development that the country desperately needs.



# Delta Dairies – Botswana's sole UHT milk producers

## Transaction overview

In 2005 a feasibility study was commissioned by the Centre of Development Enterprise (CDE). The terms of reference of the study centered around the development of the milk industry in Botswana.

The CDE study confirmed that Botswana's demand for milk was on the increase. Figures for the year 2003 showed a total consumption at 45 million litres of milk for that year alone.

The study highlighted that the major players in the dairy industry are Paramalat, Clover Dairy, Sally Dairy and Dairy King who all import around 6 million litres of raw milk to augment the 6 million litres of milk that comes from the national dairy herd.

Paramalat and Clover Dairy import the rest of the liquid milk (UHT milk) which is approximately 30 to 33 million litres.

The study also proved that UHT processed milk is ideal for most parts of the country as it has a very long shelf life and does not require refrigeration.

In more ways than one this study gave birth to the Delta Dairies project.

When the Delta Dairies project was conceived, there were no domestic producers of UHT milk in Botswana. The two promoters of Delta Dairies (Pty) Ltd, Dr. Howard Sigwele and Mr. John O'Rahilly collaborated with the CEDA Venture Capital Fund to set up a UHT Milk processing plant, the first of its kind in the country.



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## The CVCF portfolio of companies

VPB's success with the CEDA Venture Capital Fund has provided a platform for new endeavors such as VPB Fund II.

CEDA sees equity financing as an important instrument that will assist in the diversification of the economy, and as a means of encouraging the entrepreneurial spirit. As such, it will continue to be one of the ways the organization fulfills their citizen Economic Empowerment mandate.

The UHT process (which is an acronym for Ultra High Temperature), entails heating raw milk to temperatures of 137°C for 4 seconds, cooling it, and then packaging it under aseptic conditions.

Delta Dairies commenced commercial production of its Delta Fresh brand of UHT milk in December 2007.

The company experienced a number of teething problems which it managed to surmount with the able assistance of its equipment suppliers GEA and Tetrapak.

### Performance

The company is currently in its infancy

having only started operating in December 2007.

However notwithstanding that it has managed to secure a 12month contract with the Ministry of Local Government for its schools feeding program, a contract that is valued at P43million.

As a result of the Company securing this contract it is now experiencing rapid growth in its operations at its factory in block 3 and this has required the Company to significantly ramp up its operations and current capacity.

The company's Managing Director, Dr. Howard Sigwele is an agricultural economic consultant who has extensive experience in trade policy formulation

in relation to the World Trade Organization,

The ACP-EU trade agreement, and UNCTAD. Prior to beginning work on Delta Dairies, Dr Sigwele worked with the Ministry of Agriculture.

### Exit prospects

Delta dairies is one of the Investee companies in the CEDA Venture Capital Funds portfolio that the Fund envisages will be initially listed on Venture Capital Board and later on the main board of the Botswana Stock Exchange.

This will essentially form part of the Funds normal exit strategy.

# Transport Holdings (Pty) Ltd and Petrologistics

## Transaction overview

Botswana imports products such as foodstuffs, machinery and heavy industrial equipment as well as textiles and petroleum products. As a result, road transport and logistics as an industry plays a vital role in the overland transportation of these goods into the country.

It is on these facts that the CEDA Venture Capital Fund through its business development initiatives, collaborated with Peo Venture Capital Fund and a Technical Partner, Imperial Holdings a transport and logistics company listed on the Johannesburg Stock Exchange, to form the largest logistics and transport business with citizen participation. Imperial is the largest transport and logistics company in Africa with a presence in Europe and Asia.

At the time the transaction was consummated Imperial Holdings had a subsidiary called Transport Holdings that was already doing work in the local market. The company was registered under the name Transport Holdings Limited and it became the vehicle used by the parties for the deal. After the above deal was finalized, TH acquired the entire issued share capital of Express Cartage (Pty) Ltd and 51% of Petrologistics (Pty) Ltd (formerly Truck Africa Botswana). Both these companies were subsidiaries of Imperial Holdings Limited.

Transport Holdings (TH) has over the years built sufficient operational capacity to service sizeable contracts for entities such as large mining enterprises and companies that move bulk goods. The Company offers a seamless service to its clients and continues to grow as a strong brand in the logistic arena. Petrologistics specializes in the transportation of petroleum products while the business of Express Cartage involves the consolidation of bulk goods and bulk-breaking of these goods for onward transportation to its clients throughout Botswana.

In addition to the above this initiative was driven by the CEDA Venture Capital Fund's strategy to develop the investment that it had in 4Ms Group Holdings (Pty) Ltd. (4Ms), the Fund successfully exited from this investment in early 2007.

4Ms' main activity entails the transportation of beverages for Kgalagadi Breweries Limited. (KBL), the em-



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powerment initiative was pioneered by KBL's former Managing Director Mr. Lon Mtongana.

## Performance

The business has over the last report period improved its financial performance and is well positioned to take advantage of the prospects that have come as a result of the demise of some of the Company's most erstwhile competitors. The development of a number of junior mines in the northern part of the country also provides the Company with a number of

opportunities to grow its revenue base even broader.

Mr. Anthony Lee, a Botswana Citizen, is the Managing Director of Transport Holdings. Prior to joining Transport Holdings he held the position of Managing Director at Peo Venture Capital.

Mr. Todd Mangadi is the General Manager of Petrologistics, he spent several years at British Petroleum (BP) and was the company's Logistics Manager overseeing the transportation and engineering aspects of the oil multinational. During his tenure as Logistics Manager

Mr. Mangadi gained intimate knowledge of the wet goods transportation business and this is what stood him in good stead to take over the reigns as General Manager of Petrologistics.

## Exit prospects

In order to achieve the objective of citizen empowerment and enable Botswana to participate in the ownership of the company, the ideal exit strategy would be to list the company on the Botswana Stock Exchange through an Initial Public Offering (IPO).

# Tannery Industries Botswana (Pty) Ltd



## Transaction overview

Botswana has approximately 2.5 million herd of cattle and boast of a well-established beef industry exporting to developed markets such as the European Union.

Having such vast number of cattle translated to the availability of raw hides which were up until Tannery Industries Botswana came in to being, were exported in semi-proceed form to other countries in the west for further processing and use in the manufacture of leather goods.

The availability of wet-blue hides which hitherto have been exported presented the entrepreneurs in the country with an obvious opportunity to add value to the raw material before exporting in order to enable such leather businesses to fetch better prices for their product.

Armed with the knowledge of the existence of this opportunity in the processing of skins and hides the CEDA Venture Capital Fund collaborated with two citizen entrepreneurs, Mr. Mokolobetsi Makhamsa and Mr. Mmapatsi, as well as a technical partner from Bulgaria. Later on the Fund together with the promoters invited Botswana Development Corporation to participate in the project as a shareholder

The ultimate aim for Tannery Industries Botswana and the Fund is to create leather upstream and down stream industries, including leather goods manufacturing. It is also worth noting that a

lot of the raw material goes to waste in the country side and this is especially the case for small livestock, development of the leather finishing factory by TIB will create numerous opportunities for value addition which will benefit both small stock and beef cattle farmers.

## Current Performance:

The factory commenced commercial production in April 2007, with more than 90% of its product being exported to South Africa and the balance going to a vibrant local leather goods manufacturer.

The factory mostly produces leather for shoe uppers and upholstery, but plans are underway to produce leather for the more lucrative automotive industry in the region.

The project has faced a number of challenges including delays during implementation, as well as access to raw material. Steps are underway to address some of these challenges by engaging all relevant stakeholders.

The project has created 80 new employment opportunities at its Francistown and Phakalane sites. TIB is also planning to set up a countrywide hide-collection network which will create more employment and income -generating opportunities for Botswana citizens.

The company's Managing Director Mokolobetsi Makhamsa spent a considerable number of years at the Bot-

swana Meat Commission (BMC), heading up the wet-blue hides processing division of the Tannery.

During his stay at BMC Mr. Makhamsa garnered a wealth of experienced in the leather business and today is undoubtedly is amongst the countries leading authorities in the industry.

## Exit prospects

The fund anticipates that it will continue to be a shareholder in TIB for at least another four years, following which, a listing on the Venture Capital Board of the Botswana Stock Exchange would be investigated.

