Country: Malawi  
Business stage: Post-profit  
Capital need: USD 400K working capital debt financing

Company overview: AISL, founded in 2003, produce and distribute seed-specific biological inoculant under the Nitrofix brand and also sell agro-inputs including seeds (soya, groundnut & beans) to institutions, agro-dealers, co-operatives and farmers. They plan to expand their reach in Malawi by establishing a hub-and-spoke business model to increase the number and speed of customers they can reach in rural, under-served areas.

Business summary

- AISL distributes products nationally, with its greatest presence in Malawi’s Central Region & parts of Northern Region
- Institutions, mainly NGOs and related programs, are AISL’s largest Nitrofix customers with 21 institutions accounting for 41% of revenues
- Malawi’s govt accounts for ~95% of AISL’s seed sales via a national subsidy program
- AISL’s revenue grew from USD 300K in 2014 to a peak of 803K in 2015 but declined to 517K in 2016 due to drought and reduction in gov’t subsidies. Revenue has since recovered, increasing 14% to USD 587K in 2017
- AISL employs full time staff of 8 and ~65 seasonal workers

Market

- AISL seeks to compete on convenience and availability by increasing distribution in underserved regions through a new hub-and-spoke business model
- Nitrofix is Malawi’s only locally produced seed inoculant though int’l competitors such as BASF & Kenya’s Biofix are in trials
- AISL has a potential market in Malawi of ~100K smallholder farmers who grow groundnuts on 200K-400K ha; soybean is grown on ~150K ha
- 77% of groundnut and 83% of soybean production is in the Central Region where AISL has a strong presence
- Within the Central Region, AISL estimates a potential market of 800K groundnut & soya & inoculant sachets, volume grows to 1M+ when including beans sales

Products, services & sales

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Nitrofix</td>
<td>0.8/sachet</td>
<td>~290K</td>
<td>50%</td>
</tr>
<tr>
<td>Seed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) groundnut</td>
<td>2.8/KG</td>
<td>~203K</td>
<td>35%</td>
</tr>
<tr>
<td>ii) Soybean</td>
<td>1.4/KG</td>
<td>~87K</td>
<td>15%</td>
</tr>
</tbody>
</table>

Fintrac support to-date

- Fintrac’s support enabled AISL to partner with cooperatives and widen its customer base through marketing, demonstrations, & outreach

Impact

- Nitrofix improves yields by over 30%¹, enabling farmers to earn higher income
- So far, AISL has distributed inoculant products to over 180K farmers

(¹) AICC, Malawi Groundnuts Outlook; (2) FAO crop data; (3) Joseph Dzanja et al., USAID, Michigan State University, Mapping Market Prospects for Grain Legumes in Malawi (2016)
**Financing need**

- **Amount:** USD 400K in MWK
- **Type:** Debt financing for working capital at under 35% interest rate
- **Timing:** Immediate, to replace current bank overdraft with more sustainable option

*In 3-5 years additional debt / equity financing required for CAPEX investment to meet increased demand*

- Local debt at 35% interest p.a. prohibits investment into the business
- Current overdraft facility of USD 275K used for working capital will need to increase to USD 400K as business scales
- AISL expects additional investment will be required in the future for expansion into new markets and CAPEX for gamma treatment of biological inoculant

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**Agro-Input Suppliers Ltd (AISL)**

**Team**

**Fredric Kawalewale, Director & CEO:** An accountant by training with an MBA. Prior to founding AISL, Fredric worked on agricultural projects backed by NGOs and government. This included transforming a government-owned institution into a private MFI, with Frederic responsible for managing farmer loan portfolio and products. He is currently the only senior manager within AISL and is responsible for day-to-day decision making. Fredric’s wife & brother are AISL directors, providing advice on broader strategic decisions on an informal basis.

**Financial summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenses</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>587K</td>
<td>515K</td>
<td>72K</td>
</tr>
<tr>
<td>2016</td>
<td>517K</td>
<td>469K</td>
<td>49K</td>
</tr>
<tr>
<td>2015</td>
<td>803K</td>
<td>585K</td>
<td>218K</td>
</tr>
<tr>
<td>2014</td>
<td>300K</td>
<td>461K</td>
<td>(161K)</td>
</tr>
</tbody>
</table>

**Business plan & growth strategy**

- **Product development:** Improve product quality & shelf-life through development of liquid form inoculant. Expand product range to other legumes (beans), grains and begin feed & food processing to include Vitamin A fortified maize
- **Service development:** Establish warehouses and receipt systems to connect farmers to better sales market rates and financing
- **Operations:** Expand hub-and-spoke business model to reach greater numbers of distributors & farmers. A new inoculant production facility will increase capacity four-fold and is scheduled to be fully operational from May 2018
- **Team expansion:** AISL will be hiring senior management including a COO and Finance & Admin manager and three other members of staff
Agro-Input Suppliers Ltd (AISL)

**Capital raise factors**
- Investment readiness support could prepare a compelling business case with the investment amount identified likely attractive to a range of investors
- Investors may be deterred by lack of diversified management team & dependence on government subsidies for seed sales

**Path to sustainability**
- AISL believes the hub-and-spoke business model will enable sales during the planting season by ensuring timely distribution and increasing cash sales
- The company, however, needs to develop other revenue generating activities for these hubs during the rest of the year

**Risks and mitigation**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seasonality</td>
<td>• Hub-and-spoke model will facilitate timely distribution</td>
</tr>
<tr>
<td></td>
<td>• Diversify into other seed &amp; inoculant products with differing seasonality</td>
</tr>
<tr>
<td>Government subsidy programs</td>
<td>• Diversify into grain products</td>
</tr>
<tr>
<td></td>
<td>• Package seed with inoculant for sale to farmers through other distributors</td>
</tr>
<tr>
<td>Adverse weather</td>
<td>• Diversify products to include inoculant for other crops such as beans</td>
</tr>
<tr>
<td></td>
<td>• Groundnuts were not affected by the drought and AISL is now selling inoculant for groundnuts, which are providing around 50% of revenue</td>
</tr>
</tbody>
</table>

**Overview**

**Highlights:**
- AISL have developed a locally produced biological inoculant that improves crop-yields and already impacted over 180K+ farmers across the country
- In 4-years, have grown Nitrofix to 50% of revenues, with further growth potential through diversification into groundnut, beans & grain, combined seed & inoculant products, clearer packaging, marketing and customer awareness.
- Developed a hub-and-spoke business model to reach under-served farmers though model still needs to be refined and tested for scale
- Existing partnerships w/ NGOs & agro-dealers facilitate distribution of AISL's products
- Business maintained profitability over last 3 years despite unprecedented 2016 drought