Halso LPG Supply – Sakhiwo Trading JV

LPG Retail Business on Solar Site – Greater Taung

High-Margin LPG Retail Strategic Land Partnership North West Province

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Business Overview

Halso LPG Supply proposes a partnership with Sakhiwo Trading (Pty) Ltd to establish a high-margin LPG retail and cylinder refill business on approximately 0.15–0.25 hectares of Sakhiwo's 300-hectare solar site in Greater Taung, North West Province. The operation will be co-located with the solar project, benefiting from security, visibility, and potential low-cost solar electricity.

Key Highlights

• Start volume: 550 tons/year (9 & 19 kg cylinders)
• Growth target: 700–1,000 tons/year within 5 years
• Total capex: R40 million (Halso funded)
• Projected IRR (whole JV): 18–50%
• NPV (12% discount): R25–75 million
• Payback: 4–6 years

Partnership Structure – Option 1

- JV company: Halso-Sakhiwo LPG Retail (Pty) Ltd
- Equity: Halso 65% Sakhiwo 35%
- Sakhiwo contribution: 25-year sub-lease + client introductions
- Halso contribution: 100% capex, operations, licenses, supply
- Profit split: 65% Halso / 35% Sakhiwo after costs

Market Opportunity

Greater Taung shows strong LPG demand across agricultural, residential, and business sectors. Retail positioning offers 3.5–4.0x markup vs. bulk supply, with margins exceeding traditional wholesale. Climate-controlled inventory on a secure solar site provides a clear operational advantage.

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Land Requirement & Facility Layout

The LPG retail operation requires only a small portion of the 300-hectare solar site. The main refill station will be located in a non-disruptive area (e.g., near boundary or entrance), with minimal impact on solar infrastructure.

Land & Facility Summary

Main Site Area: 1,500–2,500 m² (0.15–0.25 ha)
Storage: 50–80 m³ bulk tanks (SANS 10087 compliant)
Throughput: 550–1,000 tons/year
Layout: Filling bays, cylinder storage, office, truck access
Growth: Optional 1–2 satellite points (400–800 m² each) years 3–5
Total footprint at scale: 0.23–0.4 ha (<0.13% of 300 ha site)

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Capital Expenditure (Capex) – Detailed Breakdown

Total investment required: **R40 million** (100% Halso funded).

Item	Cost (R)	% Total
Storage & Infrastructure		
Bulk storage tanks (50–80 m³)	6,500,000	16.3%
Tank installation & foundations	1,800,000	4.5%
Safety systems	800,000	2.0%
Filling station equipment	4,200,000	10.5%
Site & Building		
Site preparation	2,100,000	5.3%
Prefab office/control room	1,600,000	4.0%
Cylinder storage racks	900,000	2.3%
Paving & drainage	1,200,000	3.0%
Vehicles & Equipment		
Refill truck (10 ton)	1,800,000	4.5%
Forklift & equipment	650,000	1.6%
Carts, trolleys, tools	300,000	0.8%
Licensing & Compliance		
LPG license, permits	400,000	1.0%
SAQCC certification	250,000	0.6%
Insurance (initial)	300,000	0.8%
IT systems, scales	450,000	1.1%
Contingency & Pre-Op		
Contingency (5%)	2,000,000	5.0%
Training & recruitment	500,000	1.3%
Pre-launch marketing	400,000	1.0%
TOTAL CAPEX	**29,250,000**	**73.1%**

Funding Structure

Equity Investment (Halso): R25 million (62.5%)
Debt Financing: R15 million (37.5%) – Bank loan, 7%, 10-year term
Annual Debt Service: R1.74 million (years 1–10)

Operating Cost Structure – Year 1 (550 t/year)

Detailed annual operating expenses.

Cost Category	Annual (R)	% Rev
Cost of Goods Sold		
LPG bulk (550 t @ R10,200/t)	5,610,000	29.0%
Cylinder depreciation	650,000	3.4%
Personnel		
Operations Manager	480,000	2.5%
Supervisors (2 × R280k)	560,000	2.9%
Operators (3 × R220k)	660,000	3.4%
Drivers (2 × R240k)	480,000	2.5%
Admin staff	240,000	1.2%
Benefits & payroll tax	360,000	1.9%
Site & Facility		
Lease/ground rent	240,000	1.2%
Electricity	180,000	0.9%
Water & waste	60,000	0.3%
Maintenance	400,000	2.1%
Insurance	300,000	1.6%
Transport		
Truck fuel & maintenance	450,000	2.3%
Road licenses	120,000	0.6%
Delivery logistics	200,000	1.0%
Admin & Marketing		
Compliance	150,000	0.8%
Marketing	300,000	1.6%
Office supplies	100,000	0.5%
Professional fees	80,000	0.4%
Contingency (2%)	270,000	1.4%
TOTAL OPEX	**11,120,000**	**57.6%**
Gross Profit (43.4%)	**8,380,000**	**43.4%**

Operating Leverage: As volumes grow to 700–1,000 tons/year, fixed costs remain stable, improving margins by 3–5 percentage points. Working capital efficiency improves as inventory turns accelerate from 8 to 4–5 weeks by the end of Year 1.

Revenue Model – Pricing & Sales Assumptions

Product Mix & Target Volumes

Product	Price	Year 1	Revenue
9 kg retail cylinders	R156	28k units	4,368,000
19 kg retail cylinders	R310	18k units	5,580,000
Bulk customers	R10,200/t	12 t/mo	1,464,000
Institutional sales	R10,500/t	8 t/mo	1,008,000
Delivery surcharge	R60–120 avg	32k deliveries	2,240,000
TOTAL YEAR 1	**R14,660,000**		

Growth Trajectory

- **Year 2:** 600 tons/year (+9%)
- **Year 3–5:** 700–800 tons/year (satellite expansion)
- **Year 5+:** 900–1,000 tons/year (regional market saturation)
- **Price inflation:** 4% annually

10-Year Financial Projections – Base Case

Conservative scenario: 550 tons/year steady state (65/35 JV split).

Year	Revenue	EBITDA	EBIT	Net Profit	FCF
1	14.7m	3.6m	1.8m	-3.5m	-14.0m
2	15.3m	4.0m	2.2m	-2.8m	-1.2m
3	15.9m	4.4m	2.6m	-1.9m	0.8m
4	16.5m	4.8m	3.0m	-0.8m	2.2m
5	17.2m	5.2m	3.4m	+0.3m	3.2m
6	17.9m	5.6m	3.8m	+1.2m	4.2m
7	18.6m	6.0m	4.2m	+2.1m	5.0m
8	19.3m	6.4m	4.6m	+3.1m	5.8m
9	20.1m	6.8m	5.0m	+4.1m	6.7m
10	20.9m	7.2m	5.4m	+5.2m	7.6m

Base Case Metrics (550 tons/year)

NPV @ 12%: R28–35 million
IRR (whole JV): 22–26%
Payback: 5–6 years
Terminal value (Y10, 3.5× EBITDA): R25.2 million
Sakhiwo NPV share (35%): R10–12 million

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Growth Scenario – 1,000 tons/year by Year 5

Aggressive expansion with satellite sites; successful market penetration.

Year	Volume	Revenue	EBITDA	Net	FCF
1	550t	14.7m	3.6m	-3.5m	-14.0m
2	600t	16.2m	4.5m	-2.2m	-0.8m
3	700t	19.8m	6.2m	+0.6m	3.5m
4	850t	24.9m	8.8m	+3.2m	6.8m
5	1,000t	29.4m	11.5m	+6.2m	10.2m
6	1,000t	30.6m	12.0m	+6.8m	10.8m
7	1,000t	31.8m	12.5m	+7.5m	11.5m
8	1,000t	33.1m	13.1m	+8.3m	12.3m
9	1,000t	34.4m	13.6m	+9.1m	13.1m
10	1,000t	35.8m	14.2m	+10.0m	14.0m

Growth Scenario Metrics

NPV @ 12%: R65–78 million
IRR (whole JV): 38–45%
Payback: 3–4 years
Sakhiwo NPV share (35%): R23–27 million
Terminal value share: R19.8 million

Detailed Cash Flow Analysis

Year 1 – Quarterly Breakdown (R millions)

	Q1	Q2	Q3	Q4
Revenue	2.8	3.4	3.8	4.7
Op. Expenses	(2.6)	(2.7)	(2.8)	(2.9)
EBITDA	0.2	0.7	1.0	1.8
Debt Service	(0.44)	(0.44)	(0.44)	(0.44)
Op. FCF	(0.24)	0.26	0.56	1.36
Capex	(8.2)	(4.1)	(2.4)	(1.2)
FCF	**(8.44)**	**(3.84)**	**(1.84)**	**0.16**

Working Capital: Initial working capital is absorbed in build-up of LPG inventory and debtor books; inventory turns improve from 8 weeks (launch) to 4–5 weeks by Month 12, freeing cash and supporting higher free cash flow in subsequent years.

Sensitivity Analysis

IRR Sensitivity: Volume versus EBITDA Margin

Margin	400t	550t	700t	900t	1,000t
35%	8%	12%	18%	32%	38%
40%	14%	18%	26%	42%	50%
45%	20%	26%	34%	52%	62%

NPV Sensitivity: Key Variables

Variable	-10%	Base	+10%
LPG Purchase Price	R35.2m	R28m	R21.8m
Volume (550t baseline)	R12.1m	R28m	R45.6m
Retail Margin	R18.5m	R28m	R37.2m
Capex Required	R42.3m	R28m	R24.8m
Operating Expenses	R25.1m	R28m	R31.2m
Discount Rate	R36.1m	R28m	R21.5m

Key Insight: Project value is most sensitive to volume ramp (10% upside = 63% NPV improvement) and LPG costs (10% increase = 33% NPV reduction).

Risk Management & Exit Strategy

Key Risks & Mitigations

Risk	Probability	Mitigation
Cost inflation	Medium	Forward contracts; productivity targets
Volume shortfall	Medium	Sakhiwo referrals; delivery convenience
Competition	Medium	Brand loyalty; service quality
Regulatory change	Low	Early engagement; compliance budget
Supply disruption	Low	Halso existing network; buffer stock

Strategic Exit Scenarios

- **Primary (Year 5–7):** Sale to major LPG retailer (Afrox, Oryx) at 4–6× EBITDA
- **Valuation:** R48–90 million; Sakhiwo receives R17–32 million
- **Secondary:** Management buyout or ongoing dividend stream (IRR >20%)
- **Downside:** Continue operations; breakeven by Year 5 provides protection

Partnership Governance

JV Structure & Terms

Element	Terms
Company	Halso-Sakhiwo LPG Retail (Pty) Ltd
Equity	Halso 65% Sakhiwo 35%
Term	25 years + 5-year renewal
Board	Halso 2 directors; Sakhiwo 1 director
Sub-lease	25 years; Sakhiwo annual rent R240k
Dividend Policy	30% net profit post-Year 3
Dispute Resolution	Mediation → Arbitration (JASSA)

Key Covenants

- Halso retains operational control; annual budget approval
- Sakhiwo first right to supply solar electricity (@ market rates)
- Exit approval: mutual consent; drag-along at 4× EBITDA minimum
- Insurance: R10m liability; key-person coverage on operations lead
- Annual distribution: 35% of distributable cash (post-capex, debt service)

Implementation Roadmap – Months 1–12

Phase	Timeline	Key Deliverables
1. Validation	M1–M2	JV agreement; sub-lease terms; site survey
2. Licensing	M2–M4	LPG license; SANRAL approval; SAQCC
3. Construction	M3–M7	Tanks, filling bay, office, utilities
4. Staffing	M6–M8	Recruitment; training; HSE induction
5. Soft Launch	M8–M9	Pilot refills; supplier validation
6. Launch	M10	Full retail; marketing; Sakhiwo referrals
7. Ramp	M11–M12	Volume scaling; system optimization

Critical Success Factors

- Early regulatory alignment (DMRE, SANS, local municipality)
- Reliable supply chain (forward contracts; price hedging)
- Sakhiwo client base activation (target 200–300 accounts by M12)
- Predictable staffing & training (minimize ramp delays)
- Strong branding & delivery logistics (convenience = competitive edge)

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