

# **General Department of Economic and Financial Affairs of Khuzestan**

Preparation and Compilation of Investment Opportunities in The Province

Investment Opportunity Studies Report

## **"SALHAVIYEH Shadgan Ponds Coastal Tourism Complex"**

(Attachment Number 1)

In the name of God

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## 1) Location of the project

### 1-1- Province

**Khuzestan province** is located in the southwest of Iran (in 47° 42' to 50° 39' east of the Greenwich meridian and 29° 58' to 32° 58' north of the equator). The area of Khuzestan province is 63,238 square kilometers. With a population of 4,994 thousand people in 1400SH, it is the fifth most populous province in Iran (after Tehran, Khorasan Razavi, Isfahan and Fars provinces). Ahvaz is the capital of Khuzestan province and is located in the 880km of Tehran. This province is bordered by ILAM province from the northwest, Lorestan province from the north, CHAHARMAHAL and BAKHTIARI, KOHGILUYEH and BOYERAHMAD provinces from the northeast and east, the Persian Gulf (330km long) from the south and Iraq (330km long) from the west. The location of Khuzestan is in the west of Zagros mountains. Due to the vastness of its plains, the border with Iraq and the Persian Gulf, and the distance from other provincial centers have placed this province in a strategic position.

### 1-2- County

According to the latest national divisions of 1401 of the Ministry of Interior, this province has 29 counties, 70 districts, 145 villages, 90 cities and 3 special governorates. The latest political divisions of the province are described in figure (3). SHADGAN city is one of the cities of Khuzestan province, centered in SHADGAN city, which is located 70 kilometers away from Ahvaz. SHADGAN city has three parts "Central, DARKHOVEYN" and "KHANAFEREH" and three cities "DARKHOVEYN, KHANAFEREH " and "SHADGAN", and eight villages.

With a population of over 140,000 people, SHADGAN has about 3% of the province's population. SHADGAN city is located in the south of Khuzestan province. This city is bounded by Ahvaz city from the north, Bandar MAHSHAHR city from the east, Khorramshahr city from the west and Abadan city from the south.

SHADGAN is located at a height of 5 meters above sea level. It also has a hot and humid climate, which has caused the spread of tropical products in this area. Wheat, barley, dates, summer vegetables and rice are the most important agricultural products of the region, and most of the country's date products are supplied from this region. Animal husbandry is also popular in this city and all kinds of dairy products and animal products such as dairy products, wool and leather are among the animal products of this city.

SHADGAN city is located in one of the oil-rich regions of Iran, where about five percent of Iran's total oil production is extracted from the oil fields of this region. Private and government industries are expanding in SHADGAN. SHADGAN Steel Industry is a subsidiary of Khuzestan Steel Company. DARKHOVIN nuclear power plant is one of the power plants located in DARKHOIN, SHADGAN. SHADGAN port is the seventh commercial port of Khuzestan province. It is worth noting; Historical attractions along with natural attractions such as SHADGAN International Wetland have added to the importance of this city<sup>1</sup>.



Figure (1): The Province location in Iran



Figure (2): SHADGAN location in Khuzestan province

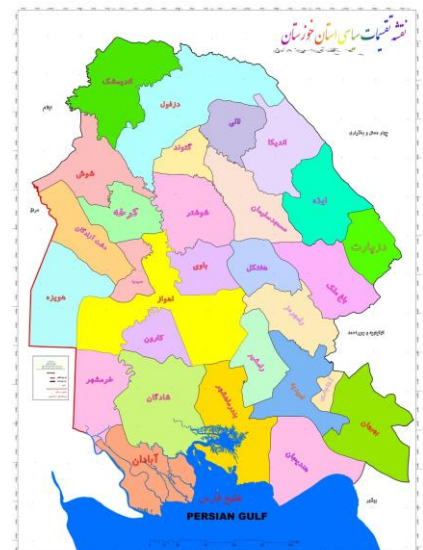


Figure (3): Political divisions of Khuzestan province

1- Among the places of pilgrimage and recreation in SHADGAN city, we refer to DARKHOVIN Camp, Dolat Park, MELLAT Park, Seyed Mahmoud MOUSAVINIA Park, Jaziri Park, Shaghayegh Park, Khor Doreq Wharf, SHADGAN Port Wharf (ABUKHAZIR), SARAKHIEH Village (known as the Venice of Iran). There is also the shrine of Hazrat Abbas in this city. Among the ancient monuments and famous people of SHADGAN, we can refer to Qatrani region, Medina village, Ibn SEKIT al-DORQ, Mullah Fazil SEKRANI, Sheikh Hashem al-KAABI al-DORQI, Ali Ibn MAHZIAR AHWAZI (DORQI), Dr. Hossein ASAKARE, a scientist of geography, etc.

## 2) Project Status

This project is implemented in a land area of 10.77 meters in the vicinity of SHADGAN lagoon and at a distance of 27 km from SHADGAN city and 53 km from Ahvaz city according to the attached coordinates.

The place is located at a distance of 1300 meters from SALHAVIYEH village and 5 kilometers from DARKHOVEYN. In 2015, the village of SALHAVIYEH consisted of 100 households and 360 people.

### 2-1- Access to infrastructures

Currently, the facilities of the construction site have access to the road. Due to the small distance of the project from the village of SALHAVIYEH and other neighboring places, it is possible to transfer infrastructure facilities to the place. The nearest port to this area is Imam Abadan port at a distance of 57 km, the nearest railway station (GORGOR station) is located at a distance of 65 km, and the nearest airport (SHADGAN airport) is located at a distance of 30 km .

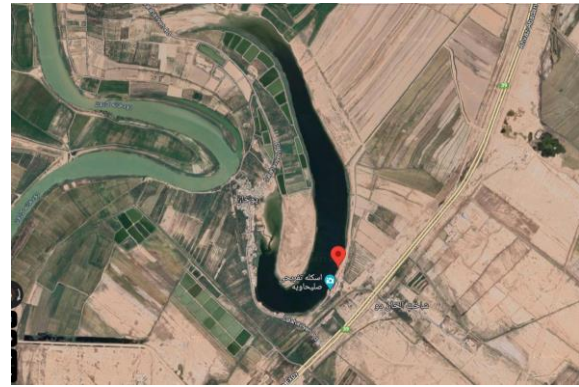


Figure (4): Project location map

Table (1): access to infrastructures

No.	Required Infrastructure	Distance From Project Status(km)	Location Of Infrastructure Provision
1	Water	1.3	SALHAVIYEH village
2	Electricity	0	electricity network
3	Gas	1.3	SALHAVIYEH village
4	Telecommunication	1.3	SALHAVIYEH village
5	Main road	116	Ahvaz-Abadan highway
6	Side road	0	SALHAVIYEH village road
7	Airport	30	SHADGAN Airport
8	Port	89	89 km from SHADGAN port 57 km from Abadan port
9	Railway Station	65	

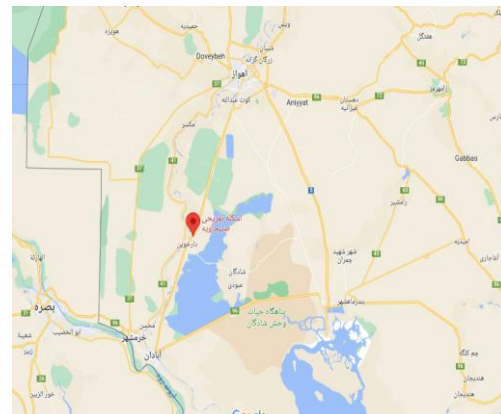


Figure (5): Access routes to the project



### 3) Technical specifications of the project

#### 3-1- Project

SHADEGAN Ponds is located in the southwest of Khuzestan province. This wetland is one of the most important Ponds for a large number of migratory, transiting and breeding birds due to the characteristics of the vegetation and its general condition, in addition to being a very good breeding ground for a large number of fish species, especially It is endemic in the southwestern area of Iran. The economic value of the region includes direct and indirect use value and conservation, heritage, existential and cultural value.

SHADGAN Ponds, as the largest wetland in Iran and the second largest wetland in the Ramsar Convention, is located at the end of the JARHARI River at the beginning of the Persian Gulf in the southwest of Iran. With an area of over 400,000 hectares, this wetland is the 34th largest wetland in the world and the largest wetland in the Middle East.

SHADGAN Ponds has a considerable diversity of vegetation. According to the documents available in the General Department of Environment of Khuzestan Province, 17 main plant communities including 110 plant species have been identified in the wetland area. SHADGAN Ponds maintains 40 species of mammals, 174 species of birds, 8 species of reptiles, 3 species of amphibians and more than 81 species of fish. Birds and fishes of the wetland are the most important animal groups of the wetland

" SALHAVIYEH SHADGAN Ponds Coastal Tourism Complex" has been taken into consideration in order to create tourism infrastructure and provide services and beach and water recreation in SHADGAN Ponds. This plan develops and creates tourism infrastructures such as commercial and recreational places (coffee shop, restaurant, store, weekly market (handicraft booths, etc.), traditional restaurant (MAZIF), traditional tea house, bicycle station. , traditional eco-museum, meeting hall and celebrations, camping in NAKHLESTAN), sports and recreational places (water and beach sports sites (parasail, fly board, swimming, fishing, boating, kite surfing, kayaking and canoeing, parachuting or parasailing, cycling, skating), public places (prayer, parking lot, restroom), temporary accommodation (rest platforms, pavilions) are defined.

The total uses of the plan according to the existing and required infrastructures will be as follows.

Table (2): Characteristics of the infrastructure (landscaping operations) of the complex

Type of building/use	Total area (Square meters)
Beach and water games and entertainment site	400
Entertainment space	1,752
Children's play park	1,000
Car parking	3,000
Traffic routes of people (tabulation and paving)	1,400
Open space and green space	563
Outdoor resting platform	120
Landscaping	8,235

Table (3): Specifications of the infrastructure (construction operations) of Lali coastal town

Type of building/use	Total area (Square meters)	Cost amount (Million Rials)
Temporary accommodation	270	2,700
Commercial premises	1,022	91,400
Recreational places	840	120,000
Management and support facilities and required public services	410	35,080
A collection of buildings	2,542	249,180



Figure (6): Pictures of the project location

Annual income (Million Rials)	Practical capacity	Average capacity utilization percentage	Maximum capacity	Types of town services
52,000	24,000	64%	37,320	temporary accommodation (pergolas, platforms)
40,800	180	26%	684	Monthly rental of commercial infrastructures
43,800	201	48%	419	Monthly rental of user/recreational-sports infrastructures (water and beach)
39,190	22,396	36%	61,578	All kinds of entertainment services
3,120	36,043	64%	55,980	All kinds of entertainment services - free entertainment
0	20,000	64%	31,100	Car parking/entrance

### 3-2- Project Requirement

#### 3-2-1- Land And Required Infrastructure

All the infrastructures of " SALHAVIYEH SHADGAN Ponds Coastal Tourism Complex " will be as follows after the implementation of the project:

Table (5): Amount of investment in land, landscaping and building

Floor.	Requirements	Number	Unit area	total area	Unit price	Total amount (million Rials)
Accommodations	Large pavilions	5	12	60	10	600
	Small pavilions	35	6	210	10	2,100
	rest platform	20	6	120	3	360
	Car parking lots	100	30	3,000	5	15,000
Commercial premises	Coffee Shop	1	50	50	100	5,000
	Restaurant	1	172	172	100	17,200
	Store	5	49	245	100	24,500
	Weekly bazaar (handicraft booths, etc.)	5	15	75	20	1,500
	Traditional restaurant (Mazif)	2	120	240	100	24,000
	traditional teahouse	1	200	200	80	16,000
	Bicycle station	1	40	40	80	3,200
	Traditional Eco Museum	1	120	120	100	12,000
Recreational places and beach and water games and entertainment sites	Meeting hall and celebrations	1	720	720	150	108,000
	Camping in the grove	1	300	300	8	2,400
	Horse riding coastal path	1	1,000	1,000	30	30,000
	Children's play park	1	1,000	1,000	5	5,000
	ski resort	1	452	452	12	5,426
	Paracel site	1	50	50	5	250
	Flyboard site	1	50	50	5	250
	Swimming site	1	50	50	5	250
	Fishing site	1	50	50	5	250
	Boating site	1	50	50	5	250
	Kitesurfing site	1	50	50	5	250
	Kayaking and canoeing site	1	50	50	5	250
	Parachute or parasailing site	1	50	50	5	250
	Management and support and reservation building	1	50	50	100	5,000
	Prayer room	1	158	158	100	15,800
	People's traffic routes (Tabulation and paving)	1	1,400	1,400	3	4,200
Management and support facilities and required public services	W.C	2	65	130	60	7,800
	Information, security and ticket office	1	48	48	100	4,800
	Complex janitor's shed	1	12	12	80	960
	Arrangement shed	1	12	12	60	720
	Open space and green space	1	563	563	0.5	281
	<b>Total</b>		-	10,777	-	313,847

#### 3-2-2- Plant Machinery and Equipment

Based on the location conditions for the tourist town, the required equipment is as follows. All equipment can be supplied in the country.

Table (6): Plant Machinery and Equipment

No.	Equipment/Machinery	Required investment		Total cost (Million Rials)
		Amount	Purchase Price	
1	Billing and ticketing system	1	1,000	1,000
2	Metal playground equipment for children and adults (types of slides, swings, and other sports equipment for children and adults)	10	150	1,500
3	Other Park equipment (urban elements, chess table, trash cans, drinking fountains, concrete park benches, dishwashing equipment, park, etc.)	10	40	400
4	Other main equipment - domestic	1	100	100
<b>Total</b>				<b>3,000</b>

Table (7): Auxiliary and service plant Equipment

No.	Equipment/Machinery	Unit of measurement	Type of equipment	Required investment		Total cost (Million Rials)
				Amount	Unit Price (Million Rials)	
1	Distribution Of Electricity / Demand Price	Kw	Facility	100	3	300
2	Types of electrical cables	m	Facility	1,000	5	5,000
3	Electrical equipment of the lighting system	Amount	Facility	349	5.0	1,746
4	The cost of boards and related electrical equipment	Amount	Facility	15	500	7,500
5	Water pumping and transmission and purification equipment	Amount	Facility	1	2,500	2,500
6	Human sewage transfer route	m	Facility	100	5	500
7	human sewage disposal well (three rings)	m	Facility	3	350	1,050
8	Security system, firefighting, and fire alarm	Capsule	Facility	10	30	300
9	gas piping	m	Facility	700	5	3,500
10	Gas branching	-	Facility	1	3,000	3,000
11	Air conditioner	Set	Facility	10	800	8,000
12	Workshop tools and equipment	Machine	Laboratory and workshop equipment and tools	1	3,000	3,000
13	Administrative tools	Set	office Equipment	5	500	2,500
14	Other side facilities	-	Facility	1	804	804
Total				-	-	39,700

### 3-2-3- Raw Materials

Apart from the suites, most of the uses such as (restaurants, coffee shops, stores, etc.) are leased to qualified people during the period of operation. The specifications of the materials (mainly food for the personnel admitted to the suites) are as described in the table below.

Considering that most of the main uses such as (restaurants, coffee shops, teahouses, stores and bazaar stalls) are leased to qualified people during their operation. Therefore, the raw material is not relevant in " SALHAVIYEH SHADGAN Ponds Coastal Tourism Complex "

### 3-2-4- Management and human resource

The number of employments in the current plan is equal to 19 people. The specifications of the human resources required for the project are as described in the table below.

Table (8): Management and Human Resource

No	Level of skill	Number of staff	Average basic salary
1	Senior	4	112,500,000
2	Junior	15	85,000,000

Number Of Direct Junior Staff Required	15	Person
Number Of Direct Senior Staff Required	4	Person
Total	19	person



## 4) Ownership and legal permissions

### 4-1- land ownership

The implementation of this project is planned on a land with an area of 10777 square meters and the construction of a building with infrastructure equivalent to 2542 square meters. For the construction of Sandi coastal tourism town, under the title of establishment license and activity license (in accordance with the terms and conditions listed in paragraph 3-4), it is provided to the investors.

### 4-2- Intellectual Property and Concessions

Lifetime management, according to established standards and regulations, requires special conditions mentioned in the law (in addition to the need for knowledge and experience in this regard). Coastal tourism projects, like other projects, should have minimal environmental effects and reduce the quality of sea water. The classification and pricing criteria of tourism facilities is also the responsibility of the relevant commission, which is specified by the "Ministry of Cultural Heritage, General Directorate of Tourism and Handicrafts".

### 4-3- Legal permissions

Obtaining permits and tourism activities related to "coastal and marine tourism centers" and similar centers in accordance with the "Iran Tourism and World Tourism Industry Development Law" (approved in 1370 and its subsequent amendments) and the "Creation, Modification, Completion, Grading and Rate Regulations" Establishment of tourism facilities and their supervision" (approved 1373) and instructions for supervising the establishment and activity of tourist information centers (approved 1400). Currently, the General Directorate of Cultural Heritage, the General Directorate of Tourism and Handicrafts of the provinces (under the management and supervision of the Ministry of Cultural Heritage, Tourism and Handicrafts), the only executive body and authority for recognizing the creation and issuing of permits for all types of tourism facilities, as well as modification and completion, equipping and operating these facilities.

The applicant for investment in order to create, modify or complete tourism facilities must refer electronically to the system (the window of the Electronic Services Unit (SAMA<sup>2</sup>) related to the "Ministry of Cultural Heritage, Tourism and Handicrafts") and submit the relevant documents. Go to the General Administration of Cultural Heritage, Tourism and Handicrafts of the Provinces. Municipalities and other authorities that issue permits for the construction of tourism facilities are obliged to comply with the regulations announced by the organization in addition to complying with their own regulations.

These authorities are not allowed to issue permits for the construction of tourism facilities before announcing the agreement of the organization (General Administration).

The license holder is obliged to create, modify or complete tourism facilities; Finish the relevant plan based on the schedule approved by the organization and regularly inform the organization of the work progress.

The holder of the license to build tourism facilities is obliged; After the completion of the construction operation and equipping the relevant unit, inform the organization to obtain a temporary operating license. The organization must issue a temporary activity license (only for a one-year period and three years if the performance is approved). During this period, the license holder must take steps to obtain the tourism service quality standard certificate, and the organization (General Administration) must issue operating (activity) licenses for the units that have succeeded in obtaining the said certificate.

All applicants for tourism facilities are required to renew their license at least one month before the expiry of their operating license. The organization (general administration) is obliged to prevent the continuation of the unit's activity in the event of the expiration of the validity period of the operating (activity) license and the failure of the applicant to fulfill the relevant obligations. Operators of tourism facilities are obliged to comply with the notified rates, and in case of violation, they will be dealt with. The organization must, within six months after issuing the temporary operating license, regarding grading and issuing the license. Operate tourism facilities.

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2 -This system has been launched online with the aim of mechanizing the process of issuing permits of the Organization of Cultural Heritage, Handicrafts and Tourism. In this system, the process starts after the initial registration and according to the needs of the applicant, and in fact, all interactions of the organization with the applicants from the time of registration of the application for obtaining a license to the issuance of the license and, if necessary, the extension of the issued licenses are done through this system. The set of supervisory operations of the organization is also applied in the same way.

## 5) market research and competition

### 5-1- Target market introduction

Iran is a vast country and has a number of cities with good tourist attractions. On the other hand, Iran is considered a cheap country in terms of tourism. The amount of incoming tourism in Iran between 2013 and 2018 was between 4.7 and 5.2 million tourists. There was hope for political openings in 2019 and 2020; The number of incoming tourists in Iran will reach 7.3 and 9.1 million at once. An experience that was greatly reduced after that due to the loss of hope for political opening and the Corona disease and reached 1.5 million entries.

However, compared to other countries of the world and even the countries of the region, it does not have a good position. On average, the number of tourists in Iran is between 4.7 and 9 million. This is despite the fact that countries in the region have higher arrival statistics, for example, Saudi Arabia has received between 17 and 23 million tourists in recent years and dreams of reaching 70 million tourists.

Examining the tourism situation in the geographical area of the country shows that Khuzestan's tourism position is inappropriate compared to other provinces of the country. According to the statistics of 2019, out of about 16,900 accommodation facilities in the country (hotels, motels, guesthouses, ecotourism, tourist complexes, guest houses, etc.), the share of Khuzestan province is only 119 accommodation centers (equivalent to 0.7%). Meanwhile, the share of the provinces of Mazandaran (4608 centers), Razavi Khorasan (2447 centers), Isfahan (1052 centers), GILAN (2665), Fars (864 centers), and Tehran (561 centers). Out of a total of 455,704 beds in residential centers, the share of Khuzestan province is only 7,413 (equivalent to 1.6%) of residential beds. This situation is more unfortunate regarding tourism facilities. The total number of tourism facilities (including roadside catering units, entertainment centers, traditional canteens) in the whole country is 20,080 units by 2019, and the share of Khuzestan province is only 117 units (equivalent to 0.6%).

Meanwhile, Khuzestan is one of the important bases of incoming tourists. Similarly, due to the characteristics of water resources and the extent of the Karun River, the vast coast of the Persian Gulf and the pristine nature of the province, as well as the existence of many historical places, it is the destination of many domestic tourists. Therefore, considering the existing weaknesses in the tourism infrastructure as well as the significant volume of tourists, investing in the tourism infrastructure and facilities of this province is important due to the reception of local, national and foreign tourists.

## 6) Physical progress of the project

☒ No ☐ Yes

This project is defined in order to create and complete the infrastructure of the SALHAVIYEH Shadgan Ponds Coastal Tourism Complex. The current design has physical progress of over 40%.

## 7) Operational plan and implementation scheduling

The construction of the project is planned for 24 months. The operation of the project is expected from the beginning of 1405. Table (9) shows the plan implementation schedule.

Table (9): Project Scheduling

year	1402				1403				1404				1405			
Operations/Season	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Pre investment studies	■															
Fundraising and starting	■■■	■■■	■■■	■■■												
Completion of necessary permits and action for financing			■■■	■■■	■■■											
Providing engineering services				■■■												
Selecting contractor				■												
Equipping site				■												
Construction of required buildings				■	■■■	■■■	■■■	■■■	■■■	■■■						
Buying furniture and equipment for buildings									■■■	■■■	■■■					
Completion of landscaping operations						■■■	■■■	■■■	■■■	■■■						
Facilities						■■■	■■■	■■■	■■■	■						
Hiring and onboarding of staff											■■■					
production phase												■■■	■■■	■■■	■■■	■■■

## 8) Financial Plan

### 8-1- Cost Estimation

Generally, there are two ways to fundraise for this project, fixed capital and initial working capital. The required investment before utilization is provided through fixed capital. Initial working capital will be used during utilization. Fixed capital includes, purchasing land, construction and landscaping, machinery and equipment, facilities, office stuff and pre-production costs. These types of costs are incurred at the beginning and before operation and are consumed during the life of the project according to their service life. Working capital includes the capital required during the operation of the project. The working capital of a production unit is the set of facilities, inventories and work in progress, as well as the liquidity required for the exploitation of fixed capital in order to maintain the operation.

Determining the basic amount for inventories, work in progress and claims depends on the supply, production and sales capacity and business environment. In this section, the evaluation and estimation of the required investment (based on the price of the base year 1402 SH) is proposed.

Table (10): Cost Estimations

No.	Subject	Amount (Million Rials)
1	Total Fixed Investment Costs	393,421
2	Total Net Working Capital Requirements	3,406
3	Total Production Costs (Annual)	72,107
4	Depreciation of investment (Annual)	30,177
5	Total investment required	396,827

Table (11): Fixed Capital Estimations (Capital Costs)

No.	Subject	Cost (Million Rials)
1	Purchasing land	0
2	Landscaping and land improvement	64,667
3	Civil operations and construction of buildings	249,180
4	Production machinery and equipment	3,000
5	Service equipment	39,700
6	Protection and environmental equipment	0
7	Overhead costs	0
8	Pre-Production Expenditure (As described in Table (13))	Pre-investment studies
		Project management and organization
		Technology education
9	Unexpected costs	17,874
Total		<b>393,421</b>

### The main items in determining working capital are:

Among the conventional working capital items, the cash balance (payroll) is that part of the working capital that is needed to pay the project's current expenses. Cash balance coverage period is also a period of time that is meant to cover operating expenses. In the present plan, this period is considered equivalent to 30 days.

Table (12): Total Net Working Capital Requirements (Production Costs)

No.	Subject	Amount (Million Rials)
1	Raw Materials Inventory	0
2	Work In Progress	0
3	Finished Product	0
4	Accounts Receivable	0
5	Cash-In-Hand	3,406
6	(Commercial Accounts Payable)	0
Total Net Working Capital Requirements		3,406

Table (13): Pre-Production Expenditure

No.	Subject	Description	Total (million Rials)
1	Incorporation	-	30
2	Obtaining Licenses / Production License	-	300
3	Studying, Consulting, Research and Development, Traveling, Visiting and Participating in Local Exhibitions, etc.	1.5 thousandth of the investment costs of the project	560
4	Property Insurance	2 thousandth of depreciable fixed assets	750
5	Survey Fee, Financing, Contract and So On	Bachelor's fee 0.5 per thousand, other cases 2.5 per thousand	900
6	Cartography, Supervising	2 thousandth of contract expenses	630
7	Other's	Staff Training	Equivalent to 0 days of personnel salary
		Wages And Salaries During the Construction	equivalent to the salary of 4 people in 24 months
		Other Expenses	٪5.0
Total			19,000

## 8-2- Sales Revenue

Based on the surveys conducted and according to the plan of the operational period, the total amount of project revenues in 1405 at constant prices of 1402 is estimated to be equal to 160 billion Rials. This figure will increase in the following years due to the increase in service capacity and will increase to a maximum of 179 billion Rials.

Table (14): Project Revenue in The First 5 Years of Production Phase (Billion Rials)

No.	Subject	Q <sub>1</sub>	Q <sub>2</sub>	Q <sub>3</sub>	Q <sub>4</sub>	Total 1 <sup>st</sup> Year	Total 2 <sup>nd</sup> Year	Total 3 <sup>rd</sup> Year	Total 4 <sup>th</sup> Year	Total 5 <sup>th</sup> Year
1	temporary accommodation (pergolas, platforms)	10.4	10.4	10.4	10.4	41.6	46.8	52.0	52.0	52.0
2	Monthly rental of commercial infrastructures	10.2	10.2	10.2	10.2	41	40.8	40.8	40.8	40.8
3	Monthly rental of user/recreational-sports infrastructures (water and beach)	11.0	11.0	11.0	11.0	43.8	43.8	43.8	43.8	43.8
4	All kinds of entertainment services	7.8	7.8	7.8	7.8	31.4	35.3	39.2	39.2	39.2
5	All kinds of entertainment services - free entertainment	0.6	0.6	0.6	0.6	2	2.8	3.1	3.1	3.1
Total		40	40	40	40	160	169	179	179	179

## 8-3- Length of Production Phase

The start of the exploitation period of the plan is considered from 1405. The length of production phase is considered to be 5 years.

Table (15): Planning Horizon

Title	Month	-	year	Length of construction phase (months)	Start of phase (months)	Length of production phase (years)
Project identification	1	/	1402	24	12	5
Beginning of construction phase	1	/	1402			
Beginning of production phase	1	/	1405			
End of production phase	12	/	1409			

## 8-4- Break-Even Analysis

From an economic point of view, break-even point analysis is an important technique that is used to study the relationship between costs, income and profit. The break-even point is the point at which total cost and total revenue are equal. In other words, it is used to analyze the effect of product volume change on the profit. The break-even point is calculated for 100% of practical capacity (year 1404 SH onwards) below.

$$\text{Break-even sales value (Rials)} = \frac{\text{Total fixed costs}}{1 - \frac{\text{Total variable costs}}{\text{Sales value}}}$$

$$\text{The number of sales at the break-even point} = \frac{F_c}{S - V_c}$$

FC = Total Costs VC= Average Variable Costs Q = Quantity of Sales S = Unit Price

$$\text{Break-even sales value} = \frac{50,813}{1 - \frac{21,294}{178,910}} = 57,678 \text{ (Million Rials)}$$

$$\text{Break-even ratio (\%)} = \frac{57,678}{178,910} = 32.2\%$$



Table (16) : Project break-even point estimation (Million Rials)

Title	Production 1405	Production 1406	Production 1407	Production 1408	Production 1409
Sales revenue	160,048	169,478	178,910	178,910	178,910
Variable costs	19,255	20,274	21,294	21,294	21,294
Variable margin	140,793	149,204	157,616	157,616	157,616
Variable margin ratio (%)	88	88	88	88	88
Fixed costs	49,372	50,092	50,813	50,813	50,563
Break-even sales value	56,124	56,899	57,678	57,678	57,394
Break-even ratio (%)	35.1	33.6	32.2	32.2	32.1

• According to COMFAR Results

Based on the calculations of COMFAR software, the break-even point in Riyals, including operational and non-operational costs, is 57,678 million Riyals, and 32.2% of practical capacity will be achieved.

In the mentioned formula, the break-even point is determined by the relationship between fixed costs and the difference between unit sales price and unit variable costs. Therefore, three practical results are obtained from it:

- The higher the fixed costs, the higher the break-even point.
- The greater the difference between unit sales price and variable operating costs, the lower the break-even point. In this case, fixed costs are absorbed faster through the difference between unit sales price and unit variable costs.
- One of the break-even points is disproportionate. Since it makes the company vulnerable to changes in production (sales) levels.

### 8-5- Cost-Benefit Analysis

In project analysis, one of the most common methods is the **Benefit-Cost Ratio**. In this method, the ratio of the current value of possible benefits to the current value of costs is obtained. If this ratio is greater than one, the plan has economic justification for implementation. In terms of this index, the plan has favorable conditions.

**Net Present Value** is one of the other evaluation methods which is calculated according to the following relationship:

$NPV = \text{The Present Value of The Total Cost of The Period of Construction Phase and Production Phase} - \text{The Present Value of The Total Income of Construction Phase and Production Phase}$

$NPV = \text{The Present Value of The Fixed Assets Depreciation} + \text{Initial Investment} - \text{The Present Value of The Future Cash Flows}$

The net current value of the project at a discount rate of 20% is 36.411 million Rials, which indicates the economic justification of the project.

One of the other methods of evaluating investment plans **internal rate of return**. In fact, the internal rate of return is the interest rate or the discount rate in which the current value of all the plan benefits is equal to the current value of its expenses. According to the calculations, the internal rate of return of the project is estimated at 23.7% and compared to the Minimum Attractive Rate of Return, it is favorable.

Table (17): Project Return Index

Index	Amount	Unit of measurement
The Present Value of The Total Cost of The Period of Construction Phase and Production Phase	412,496	Million Rials
The Present Value of The Total Income of Construction Phase and Production Phase	448,907	Million Rials
NET PRESENT VALUE (NPV)	36,411	Million Rials
Cost-benefit RATIO (B/C)	1.09	-
INTERNAL RATE OF RETURN (IRR)	23.7%	Percent
NPV RATIO (PI)	0.12	Rial per Rial of investment
NORMAL PAYBACK	3.07	Year - equal to the year 1408

**Profitability Index (PI)** indicates how much economic profit will be obtained for each unit of money invested during the lifetime of the project.

**Project Investment payback** is the period of time required to recover the project investment from net income, measured in years. In other words, it shows the length of time taken for the initial investment to be returned. This index shows the speed of investment return and the amount of project risk coverage. The ROR (simple) of the plan is estimated to be 3.07 years (equal to the year 1408) according to the calculations.

## 8-6- Sensitive Analysis

In the sensitivity analysis of the plans, the percentage of changes in the internal rate of return (IRR) is measured in relation to the change in some basic parameters and variables. In this plan, the analysis has been carried out by major variables such as sales, fixed and operating costs. Table (18) shows the results of the sensitivity analysis regarding the variables of sales income, fixed assets and operating costs.

### 8-6-1- Sales Revenue

Changes in sales revenue are mainly caused by changes in two variables: planned sales amount and product sales price. The results of the sensitivity analysis of the plan regarding sales income show; 20% increase in sales revenue of the project, the internal rate of return of the project will increase from 23.7% to 31%. On the contrary, in case of a 20% decrease in sales revenue, the internal rate of return of the plan will decrease to 16%.

Table (18): Sensitivity Analysis (Percentage of IRR changes caused by sales revenue, fixed assets and operating costs alteration)

Variation (%)	Sales revenue	Increase in fixed assets	Operating costs
-20%	16%	31%	25%
-4%	22%	25%	24%
0%	23.7%	23.7%	23.7%
4%	25%	22%	23%
20%	31%	18%	22%

### 8-6-2- Fixed Assets

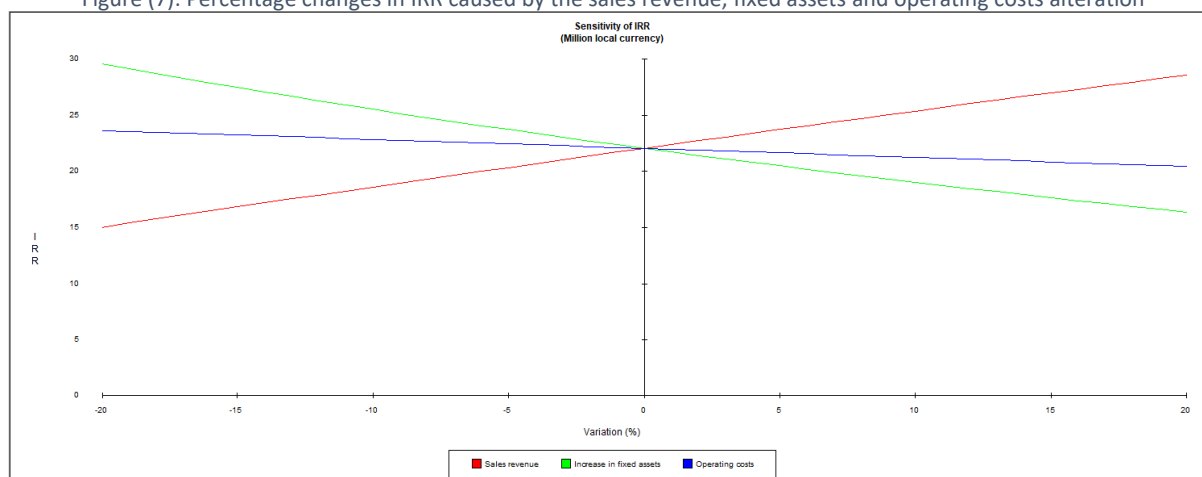
The change in the fixed assets of the plan is caused by the change in the fixed costs of the initial investment of the plan. The results of the analysis of the sensitivity of the plan to the changes of the fixed costs of the plan have been done and it shows; In case of an unexpected 20% increase in fixed investment costs of the project, the internal rate of return will decrease from 23.7% to 18%. On the contrary, in case of a 20% decrease in the fixed investment costs of the plan, the internal rate of return of the plan will increase and reach 31%.

### 8-6-3- Operating Costs

The operating costs of the plan is another case where the analysis of the sensitivity of the plan regarding its changes is very necessary and its unforeseen and possible changes should be investigated.

The change in project operating costs is mainly caused by changes in raw material costs, necessary costs, changes in manpower costs, and finally changes in other overhead costs of projects. The change of these parameters can happen due to the change in the technical coefficients of product production or the change in their purchase price. The sensitivity analysis carried out regarding the present plan indicates; In case of a 20% increase in the operating costs of the plan, the efficiency rate of the plan will decrease to 22%. In the opposite case, if the total operational costs of the project are reduced by 20%, the internal rate of return of the project will increase to 25%. Finally, the results of the sensitivity analysis of the plan show; The current plan shows a very high sensitivity to changes in sales income (changes in sales amount or sales price) and more considerations should be made in this regard.

Figure (7): Percentage changes in IRR caused by the sales revenue, fixed assets and operating costs alteration



As you can see, the slope of the IRR change curve is higher relative to the changes in sales revenue compared to other items while the slope of the IRR change curve is lower relative to the changes in fixed assets, which indicates the greater sensitivity of the plan's internal rate of return to sales revenue and its lower sensitivity relative to operating costs and fixed assets.

## 8-7- Conclusion

Implementation of the project in a land with an area of 10,777 square meters and with the construction works of 2,542 square meters, including: 1022 square meters of commercial places (coffee shop,

restaurant, store, weekly market (handicraft booths, etc.), traditional restaurant (MAZIF), traditional tea house, bicycle station, sports cafe), 840 square meters of recreational and entertainment places (traditional eco-museum, meeting hall and celebrations), 410 square meters of management and support places and public services, 270 square meters of accommodation places (pergolas) and Landscaping operations for a total of 8,235 square meters including: 1,752 square meters of recreation and entertainment space, 400 square meters of beach and water games and recreation sites, 1,400 square meters of people's traffic routes (planning and paving), 3,000 square meters of car parking lots 563 square meters of open space and green space, 1,000 square meters of children's play park, 120 square meters of outdoor rest platform. The total investment in land and building is estimated at 314 billion Rials and the total investment in main and auxiliary equipment is estimated at 60.5 billion Rials. The total pre-operation costs are estimated at 19 billion Rials, including the total fixed capital required is 393 billion Rials and the total working capital required by the project is 3 billion Rials. The total investment of the project is expected to come from the resources of the company's shareholders.

The sale of the project in 1405 is expected at fixed prices equal to 160 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to a maximum of 179 billion Rials. The net profit of the plan has been positive in all years. The profit figure in 1405 is equivalent to 91 billion. The profit will increase in the following years and will reach a maximum of 107 billion Rials. The average annual profit of the mature plan is 70 billion Rials and the average profit margin is expected to be 59.0%. The internal rate of return (IRR) of the project is also estimated at 23.7% and the payback period (PBP) is estimated at a maximum of 3.07 years. Also, the net present value of the project's cash flows (NPV) is positive and, considering the expected interest rate of 20%, is equal to 36 billion Rials.

The liquidity status of the plan and the payment of dividends to the shareholders from the company's funds are also appropriate. Therefore, if the assumptions and predictions are fulfilled, the plan under consideration has favorable profitability and according to the financial results obtained, its implementation is recommended. The economic discussions of the plan are summarized as follows.

Table (19): Summary of Economic Features

Nominal Capacity and Unit of Measurement	Product Name	Title Of the Project with ISIC Code	Title Of the Project
Equivalent to 684 monthly rents for commercial use, 37,320 temporary residences (pergolas, platforms), 31,100 car parking lots, 61,578 types of entertainment services, 419 monthly rents for recreational and sports use (water and beach), 55,980 types of free entertainment services	tourism services	tourism services (-)	SALHAVIYEH Shadgan Ponds Coastal Tourism Complex
Required Human Resource (Person)	Equity Shares (Million Rials)	Total Fixed Capital (Million Rials)	Project Duration
19	3,406	393,421	24
B/C	Applicant Available Cash (Million Rials)	Net Present Value (NPV) (Million Rials)	IRR (%)
1.1	396,827	36,411	23.7%
ROI (%)	NPV Ratio / Profitability Index (Rial per Rial invested)	Dynamic Payback Period (Year)	Normal Payback Period (Year)
18	0.12	5.47	3.07
Average Assets Turnover Ratio	Average Net Profit Margin (%)	Average Annual Profit (Million Rials)	Maximum Annual Sales (Million Rials)
0.30	59.0%	73,028	178,910

#### 8-8- Estimation of currency rate fluctuation during the project implementation

The exchange rate at the time of evaluation is included as described in Table (20) (Error! Reference source not found.). The purchase and sale prices are under the energy exchange transactions and are adjusted to a large extent under the influence of the exchange rate increase. Therefore, exchange rate fluctuations regarding the purchase of foreign equipment will be compensated to some extent by the income from sales, and exchange rate fluctuations will have little effect on the evaluation results. Therefore, in the construction and implementation phase, if the financing of the project is through foreign currency sources of finance, the number of financial resources required will not change much.

Table (20): Currencies exchange Rate

Unit of Measurement	Unit Price	Currency
Rials	413,204	USD
Rials	451,531	EURO

Exchange rate of Central Bank, Exchange Trading System (ETS) dated 05/25/1402

## 9) Investment Required, method of fundraising and guarantees

### 9-1- Foreign Currency Required

The total fixed capital of the plan is in Rials.

Table (21): Foreign (Fixed) Currency Required

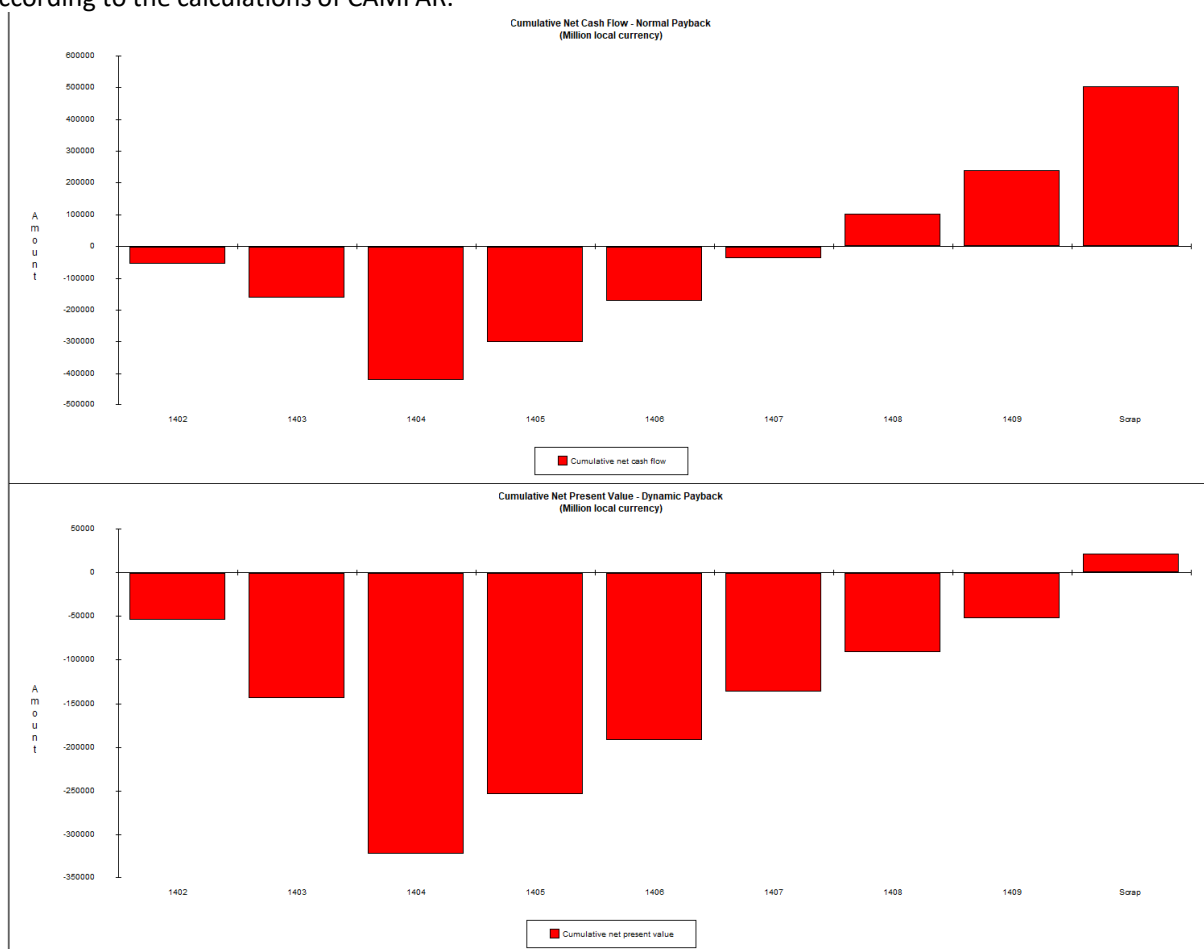
No.	Year	Required Investment
1	Year 1	0
2	Year 2	0
3	Year 3	0
4	Year 4	0
5	Year 5	0

### 9-2- Model Of Partnership and Fundraising

Participation in the present project and its financing is foreseen in the form of establishing a company inside the country. The total financial resources needed are predicted through the investor's contribution and have not been included in order to implement the facility plan of domestic banks.

### 9-3- Payback Period

The payback period is the period of time when the initial investment of the plan is compensated from the annual cash funds. The payback period (simple) of the plan is estimated to be 3.07 years (equal to 1408) according to the calculations of CAMFAR.



Dynamic Payback Period of the plan is also estimated at 5.47 years.

## 10) Incentives, features and benefits of the plan

Some of the financial supports for production companies are loans and bank facilities and tax exemptions which can facilitate the project implementation and provide the favorable condition for investment. In the following, some of these supports will be discussed.

One of the important bank facilities for production units is the long-time repayment period loans up to 70% of fixed capital by the Iran's state banks. This amount can be increased up to 90% for deprived areas if foreign machinery is used. The interest rate of long-term facilities in the industry sector is 23%, which in case of financial prudence, only a part of the interest can be repaid. The repayment period of long-term bank facilities is up to 8 years according to the production plan, the type of technology and the possibility of product exportation.

Another important bank facility is short-term bank loans (6 to 12 months) to use as working capital needed to carry out production processes, which will be provided up to 70% by bank communities. Obtaining short-term facilities to this extent depends on gaining the trust of the operating banks and having an acceptable financial history.

In the tax section: According to Note 3, Article 132 of the Direct Taxes Law: "All Iran tourism and tourism facilities with operating licenses from the Cultural Heritage and Tourism Organization are exempt from paying 50% of the property tax every year." Also, in accordance with Article 8 of Iran Tourism Industry Development Law: "All Iran tourism and tourism facilities, travel service offices and other similar facilities in any respect, including fuel, water and electricity, tolls, taxes, bank loans, etc., are subject to tariffs." are the regulations and instructions of the industries department.



## (Attachment Number 2)

### Summary Sheet

Project introduction	
1. <b>Project Title:</b>	SALHAVIYEH Shadgan Ponds Coastal Tourism Complex
2. <b>Sector:</b>	Tourism <b>sub-sector:</b> Tourism services
3. <b>Products/services:</b>	Tourism services (accommodation, catering and entertainment, car technical services)
4. <b>Location:</b>	Khuzestan - Shadgan city - SALHAVIYEH village Ponds
5. <b>Project description:</b>	<p>Implementation of the project in a land with an area of 10,777 square meters and with the construction works of 2,542 square meters, including: 1022 square meters of commercial places (coffee shop, restaurant, store, weekly market (handicraft booths, etc.), traditional restaurant (MAZIF), traditional tea house, bicycle station, sports cafe), 840 square meters of recreational and entertainment places (traditional eco-museum, meeting hall and celebrations), 410 square meters of management and support places and public services, 270 square meters of accommodation places (pergolas) and Landscaping operations for a total of 8,235 square meters including: 1,752 square meters of recreation and entertainment space, 400 square meters of beach and water games and recreation sites, 1,400 square meters of people's traffic routes (planning and paving), 3,000 square meters of car parking lots 563 square meters of open space and green space, 1,000 square meters of children's play park, 120 square meters of outdoor rest platform. The total investment in land and building is estimated at 314 billion Rials and the total investment in main and auxiliary equipment is estimated at 60.5 billion Rials. The total pre-operation costs are estimated at 19 billion Rials, including the total fixed capital required is 393 billion Rials and the total working capital required by the project is 3 billion Rials. The total investment of the project is expected to come from the resources of the company's shareholders.</p> <p>The sale of the project in 1405 is expected at fixed prices equal to 160 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to a maximum of 179 billion Rials. The net profit of the plan has been positive in all years. The profit figure in 1405 is equivalent to 91 billion. The profit will increase in the following years and will reach a maximum of 107 billion Rials. The average annual profit of the mature plan is 70 billion Rials and the average profit margin is expected to be 59.0%. The internal rate of return (IRR) of the project is also estimated at 23.7% and the payback period (PBP) is estimated at a maximum of 3.07 years. Also, the net present value of the project's cash flows (NPV) is positive and, considering the expected interest rate of 20%, is equal to 36 billion Rials.</p>
6. <b>Annual Capacity:</b>	Equivalent to 684 monthly user rents, 37,320 temporary residences (pergolas, platforms), 31,100 car parking lots, 61,578 types of entertainment services, 419 monthly rents for recreational and sports use (water and beach), 55,980 types of free entertainment services

Project Status	
<b>7. Local/internal raw material access:</b>	100%
<b>8. Sales:</b>	179 billion Rials
<b>Anticipated local market:</b>	90%
<b>Anticipated export market:</b>	10%
<b>9. Total time required for the project (from the beginning to the start of commercial activities):</b>	24 months
<b>10. project status:</b>	<ul style="list-style-type: none"> <li>- <b>Feasibility study available?</b> Yes. The feasibility of the project has been evaluated from different aspects and the results of the feasibility study are favorable in terms of market, engineering, financial and economic indicators.</li> <li>- <b>Required land provided?</b> Yes - a suitable place for the implementation of the plan has been defined.</li> <li>- <b>Legal permission (establishment license, foreign currency quota, environment) taken?</b> In order to carry out activities and provide tourism services, it is necessary to obtain legal permits from the "General Administration of Cultural Heritage, Tourism and Handicrafts of the Province".</li> <li>- <b>Partnership agreement concluded with local/foreign investor?</b> No - So far, no partnership agreement has been prepared for the implementation of the project. This plan has the necessary features to attract shareholders' financial resources.</li> <li>- <b>Agreement with local/foreign contractor(s) concluded?</b> No, so far, no agreement or contract has been concluded for the purpose of contracting operations for the implementation of the plan.</li> <li>- <b>Infrastructural utilities procured?</b> Electricity and road access facilities are available at the project implementation site.</li> <li>- <b>List of know-how, machinery and equipment concluded?</b> In order to implement the current plan, the required equipment is supplied from the domestic market and its supply becomes important after the implementation of the construction operation.</li> <li>- <b>Financing agreement for machinery, equipment and know-how concluded?</b> No</li> </ul>

## Financial structure

### 11. Financial table:

Description	Local Currency Required			Foreign Currency Required	Total Euro
	Million Rial	Exchange Rate	Euro		
Total Fixed Investment Costs	393,421	451,531	871,305	0	871,305
Total Net Working Capital Requirements	3,406	451,531	7,544	0	7,544
<b>Total Investment</b>	<b>396,827</b>	<b>-</b>	<b>878,848</b>	<b>0</b>	<b>878,848</b>

- Value Of Foreign Equipment/Machinery: 0 Euro
- Value Of Local Equipment/Machinery: 94,567 Euro
- Value Of Foreign Technical Know-How: 0 Euro
- Value Of Local Technical Know-How: 0 Euro
- Net Present Value (NPV): 80,640 Euro      Net present values discounted to: 1403
- Internal Rate of Return (IRR): 23.7% %
- Normal Payback: 3.07 year      Equivalent to 36.84 months
- Minimum Attractive Rate of Return: 20% %

## General information

- 12. Project Type:**      new Project ☒      Explanation / Rehabilitation project ☐
- Name / Company name:
- Address: Khuzestan- SALHAVIYEH SHADGAN Ponds Coastal Tourism Complex
- Tel: 0098916 313 4985      Fax:
- Email: [gharib.t@gmail.com](mailto:gharib.t@gmail.com)      Website:
- Local entrepreneur: Private Sector ☒      government /public sector ☐

Feasibility study of the plan ☒

Legal licenses (establishment license, foreign investment license, etc.) ☐