

General Department of Economic and Financial Affairs of Khuzestan

Preparation and Compilation of Investment Opportunities in The Province
Investment Opportunity Studies Report

"Al-Ghadir Handicrafts Market of Ahvaz"

(Attachment Number 1)

Date: 2023/07/24

V2

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).

Ahvaz is one of the cities of Khuzestan province, centered in Ahvaz city. Ahvaz has a population of 1,420 thousand people, 28% of the population of the province. This city has a common border with SHUSHTAR, BAVI and RAMSHIR cities from the east, HAMIDIEH and HOIZEH cities from the west, KARKHE city from the north and Khorramshahr, Karun and Bandar MAHSHAHR cities from the south. After passing through DEZFUL, it enters Ahvaz and connects to Karun River at BANDGIR, which after the confluence of two Dez rivers, Karun forms the great Karun River, and after passing Ahvaz, it enters Abadan and Khorramshahr. A total of 185 km from the Karun River, 61 km from the Karkheh River and 5 km from the Dez River are located in Ahvaz .

From the industrial point of view, Ahvaz is considered the vital artery of Khuzestan province where large factories of food, mineral, metal, and chemical industries have been established there. In the industry sector, there are five industrial towns (Ahvaz 1 to 5) .

Critical industrial centers including National Iran Drilling Company, Steel Complex, National Steel Industrial Group, Pipeline Company, Oil and Gas Companies, Northeast Agriculture and Industries, DEHKHODA and sugarcane ancillary industries are located in Ahvaz. In addition, sandstone and wind (industrial) mines and rich oil and gas resources are being exploited in the area of Ahvaz and many utilization units and management facilities in the southern oil-bearing areas, including exploration, drilling and oil and gas production facilities are settled in Ahvaz.

The prosperity of agriculture and industries in the region has led to the prosperity of commerce and all kinds of industrial products such as steel, iron sheets, pipes, profiles, industrial parts, artificial leather, pressure vessels and heat exchangers, all kinds of iron, oil and all kinds of petroleum products, sanitary products and detergents, food, agricultural products such as wheat, barley, tares, dates and fishery products are among the most important products exported from this region locally and internationally.

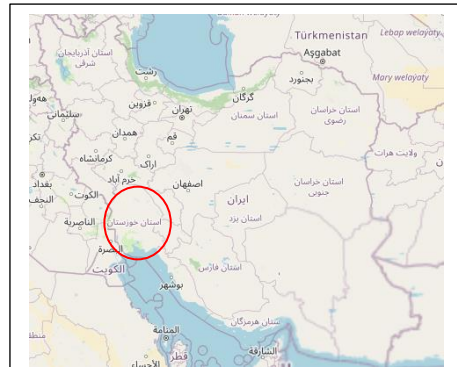


Figure (1): The Province location in Iran

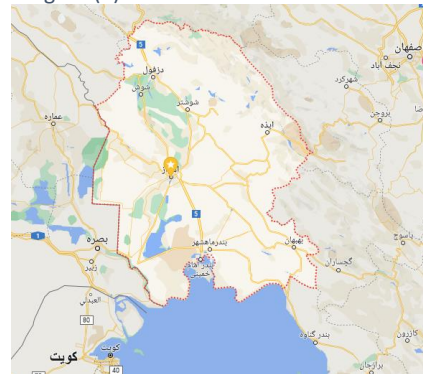


Figure (2): AHVAZ location in Khuzestan province

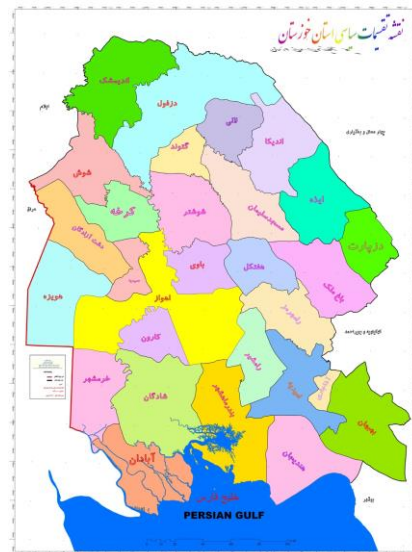


Figure (3): Political divisions of Khuzestan

2) Project Status

The location of Al-Ghadir Bazaar in Ahvaz is as follows and has an area of 2,081 square meters

Table (1): Coordinates of the project implementation location

| point | longitude | latitude |
|-------|------------|--------------|
| a | 280,740.06 | 3,466,997.44 |
| b | 280,786.56 | 3,466,977.97 |
| c | 280,770.78 | 3,466,940.70 |
| d | 280,749.41 | 3,466,948.83 |
| e | 280,743.51 | 3,466,939.22 |
| f | 280,739.53 | 3,466,941.04 |
| g | 280,741.73 | 3,466,946.49 |
| h | 280,741.99 | 3,466,947.14 |
| i | 280,737.14 | 3,466,957.54 |
| j | 280,724.13 | 3,466,952.40 |
| n | 280,730.16 | 3,466,967.57 |
| m | 280,731.44 | 3,466,970.96 |



Figure (4): Project location map

2-1- Access to infrastructures

Currently, there are water, electricity and gas infrastructures in this place. It is also in a good location in terms of access to transportation. The distance of the chosen place to AYATOLLAH BEHBAHANI Highway is 450 meters and its distance to Imam Khomeini Port is 108 kilometers. Ahvaz airport is also 8.1 km away from the place.

Table (2): access to infrastructures

| No. | Required Infrastructure | Distance From Project Status(km) | Location Of Infrastructure Provision |
|-----|-------------------------|----------------------------------|--------------------------------------|
| 1 | Water | 0 | Available |
| 2 | Electricity | 0 | |
| 3 | Gas | 0 | |
| 4 | Telecommunication | 0 | |
| 5 | Main road | 0.45 | AYATOLLAH BEHBAHANI highway |
| 6 | Side road | 0.08 | Imam Khomeini street |
| 7 | Airport | 8.1 | AHVAZ airport |
| 8 | Port | 108 | IMAM KHOMEINI port |
| 9 | Railway Station | 3.5 | AHVAZ Railway |

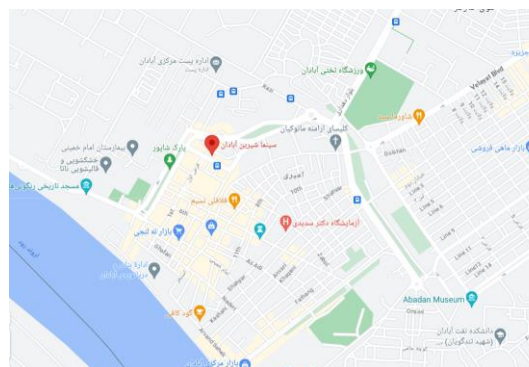
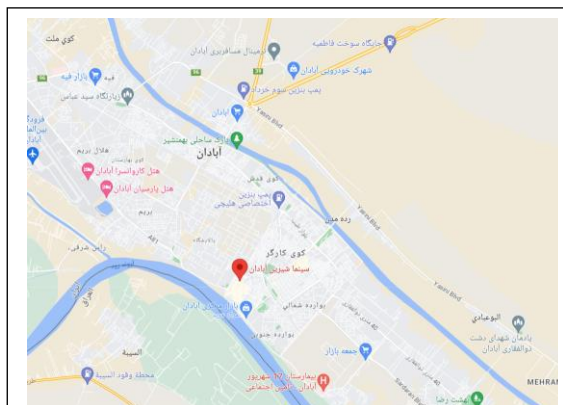


Figure (5): Access routes to the project

3) Technical specifications of the project

3-1- Product

Traditional markets are a public space for exchange and trade, and have a social, economic and religious role. The location of most bazaars in cities is close to historical places, mosques, caravanserais, and for this reason, most of these bazaars are frequented places. In addition to the commuting of the residents of the same area, the markets themselves also have tourist attraction and are welcoming to travelers and tourists.

Many markets are considered as a suitable place for the supply of handicrafts of that city, and usually the prosperity of the markets depends on the prosperity and prosperity of the handicrafts of that city.

Ahvaz handicrafts are a symbol of the culture and art of Khuzestan people and show the civilization of this region. Among the most beautiful handicrafts of Ahvaz are carpet weaving, KHARATI, pen weaving, BURIA weaving, carpet weaving, mat weaving, basket weaving, felt weaving, carpet and rug weaving, which add to the beauty of this city. For this reason, many bazaars and bazaars have been created to sell these handicrafts in Ahvaz city.

Al-Ghadir Bazaar is one of Ahvaz's bazaars, which was created to focus and facilitate the sale of handicrafts in the province. This bazaar with 40 handicraft stalls and two display galleries was built in an area of about two thousand square meters in Ahvaz city.

Among the industries that are more visible in Al-Ghadir market are handicrafts and arts related to that area. Considering the location of this bazaar, the attention of tourists and capitalists and the majority of consumers of native arts and crafts to this place, more importance should be given in its operation and management. For this purpose, the present plan has been defined for the better management and exploitation of Al-Ghadir market.

In line with the implementation of the present project, the investor can operate Al-Ghadir Handicrafts Bazaar in Ahvaz in the form of a mortgage contract and monthly rent. After concluding the contract, the investor can lease the bazaar space to those who qualify. Of course, in order to exploit BAZARCHEH and provide various educational services and support BAZARCHEH activists, the investor should make additional investments in BAZARCHEH



Figure (6): Pictures of Ahvaz handicrafts

3-2- Project Requirement

3-2-1- Land And Required Infrastructure

The initial investment costs of the investor are given in the table below.

Table (3): Amount of investment in land, landscaping and building

| No. | Requirements | Description | Investment Required | | Total Cost (Million Rials) |
|-------|--------------|--|---------------------|-------------------------------------|----------------------------|
| | | | Required Area | Unit Price of Purchase/Construction | |
| 1 | Construction | The cost of the mortgage of Al-Ghadir market by the investor (for 5 years) | 2,081 | 24,026,910 | 50,000 |
| 2 | | Costs of construction operations for the changes required by the investor | 1 | 40,000 | 40,000 |
| total | | | - | - | 90,000 |

3-2-2- Plant Machinery and Equipment

Based on the existing conditions, the required equipment is considered as follows. All equipment can be supplied in the country.

Table (4): Auxiliary and service plant Equipment

| No. | Equipment/Machinery | Required investment | | Total cost (Million Rials) |
|-------|--|---------------------|----------------|----------------------------|
| | | Amount | Purchase Price | |
| 1 | Completion of market heating and cooling equipment | 2 | 40,000 | 80,000 |
| 2 | Purchase of office equipment for the education department | 1 | 3,000 | 3,000 |
| 3 | Purchase of commercial department equipment and supply of raw materials | 1 | 3,000 | 3,000 |
| 4 | Buying equipment related to doing environmental advertising and installing advertising billboards | 1 | 6,000 | 6,000 |
| 5 | Equipment to facilitate the internal transportation of market | 1 | 1,000 | 1,000 |
| 6 | Safety equipment, health, CCTV and fire extinguishing system | 1 | 3,000 | 3,000 |
| 7 | Buying furniture and chairs to rest and wait for customers | 1 | 5,000 | 5,000 |
| 8 | Purchase of general welfare and recreational equipment needed | 1 | 10,000 | 10,000 |
| 9 | Preparation and completion of lighting equipment | 1 | 20,000 | 20,000 |
| 10 | Interior architecture, wooden and decorative works, carpets and floor carpets in the halls, buying elements and doing volumetric works, etc. | 1 | 65,000 | 65,000 |
| 11 | Other main equipment | 1 | 4,000 | 4,000 |
| Total | | - | - | 200,000 |

3-2-3- Raw Materials

In the current plan, the supply and procurement needed during the operation of the bazaar is considered as described in the following table.

Table (5): Management and human resources

| No | Description | Consumption amount in nominal consumption | The cost of raw materials in the maximum nominal capacity (million Rials) |
|-------|--|---|---|
| 1 | Procurement of materials needed for trading materials (million Rials) | 600,000 | 600,000 |
| 2 | Contracting services of consultants, professors of training courses (person per month) | 36 | 9,000 |
| total | | - | 609,000 |

Table (6): management costs and human resources

(Million Rials)

| No | Description | 1404 | 1405 | 1406 | 1407 | 1408 |
|-------|--|--------|--------|--------|--------|--------|
| 1 | Procurement of materials needed for trading materials (million Rials) | 360000 | 420000 | 480000 | 600000 | 600000 |
| 2 | Contracting services of consultants, professors of training courses (person per month) | 9000 | 9000 | 9000 | 9000 | 9000 |
| total | | 369000 | 429000 | 489000 | 609000 | 609000 |

3-2-4- Management and human resource

The number of employees of BAZARCHE Al Ghadir in its management and support department is more than 9 people. The required human resources are described in the table below.

Table (7): Management and Human Resource

| No | Level of skill | Number of staff | Average basic salary |
|----|----------------|-----------------|----------------------|
| 1 | Senior | 6 | 138,000,000 |
| 2 | Mid-level | 1 | 90,000,000 |
| 3 | Junior | 2 | 85,000,000 |

| | | |
|---|---|--------|
| Number Of Direct Mid-Level Staff Required | 1 | Person |
| Number Of Direct Junior Staff Required | 2 | Person |
| Number Of Direct Senior Staff Required | 6 | Person |
| Total | 9 | person |

4) Ownership and legal permissions

4-1- land ownership

Currently, the ownership of Al-Ghadir Handicrafts market in Ahvaz is in the General Directorate of Cultural Heritage, Tourism and Handicrafts of Khuzestan. Obviously; By accepting the project and concluding the contract, the investors can start using the market.

4-2- Intellectual Property and Concessions

The terms and conditions of the selection of the conducting company are: having the ability to organize and run a temporary market, relative knowledge of the production and trading situation of handicrafts, the possibility of holding a market based on the articles of association and the announcement of the latest changes in the company's registration, the company's acknowledgment of not including the law prohibiting the intervention of government employees in government transactions, insuring market goods and carrying out anonymous insurance (at least for 2 people), having sufficient financial capacity (account turnover in the last three years, the property and assets of the applicant, providing suitable guarantees to the participants to protect their rights Participants in the market equal to the Rial value of expenses and property offered.

4-3- Legal permissions

Issuing the license to hold temporary handicraft markets in each province is the responsibility of the general departments of cultural heritage, handicrafts and tourism of that province; Obviously; During the contract, the investor must create the necessary conditions for this organization.

5) market research and competition

1-1- Target market introduction

Due to the fact that the national seal of authenticity has been received on 56 handicrafts of Khuzestan province, and this figure is a record in the country compared to other provinces, the attention to the handicrafts of this province and Ahvaz has increased day by day. The table below shows examples of Ahvaz handicraft centers and stores:

Table (8): Details of active handicraft shops in Ahvaz

| province | Address | Phone number |
|--|---|--------------|
| Art gallery SIMORGH AHVAZ | AHVAZ, GOLESTAN Boulevard KHOSH | 09177046567 |
| Handicrafts JAMEI AHVAZ | 1.AHVAZ, MOSLEM St 2. AHVAZ, SIROUS St | 06132235943 |
| Store DOYAYE FIROZEI | AHVAZ, ZAMZAM St. | 06134444553 |
| Handicraft Gallery ARAMIS | AHVAZ, GOLESTAN DEY St | - |
| Handicraft Gallery | AHVAZ, KIYAN PARS, 7 St | 06133922225 |
| Handicraft TORANJ AHVAZ | AHVAZ, IMAM BAZAAR | 06132227654 |
| DEHKADEH SEHRAMIZ AHVAZ | AHVAZ, JAVADOLAEMEH Boulevard | - |
| SAYEH ROSHAN AHVAZ | AHVAZ, ZEYTON KARMANDI | - |
| Store Handicraft KHORSHID KHANOM AHVAZ | AHVAZ, GOLESTAN, SAADI Alley | - |
| Store Handicraft KOLBEH HONAR | AHVAZ, TALEGHANI | - |
| Handicraft LOTOUS | AHVAZ, KIYAN PARS | 06133379414 |
| Handicraft Wood SI ANTA AHVAZ | AHVAZ, KIYAN PARS | - |
| Store Handicraft HONARE KHAKE AHVAZ | AHVAZ, ZEYTON KARMANDI | 06134437341 |
| Handicraft GOLHA | AHVAZ, KIYAN PARS | 06133912546 |
| Handicraft GHASRE FIROZEH | AHVAZ, KIYAN PARS | 06133911251 |
| Handicraft GANJINEH AHVAZ | AHVAZ, PADADSHAHR | - |

No Yes

6) Physical progress of the project

The Currently, Al-Ghadir Handicrafts Bazaar has been established in Ahvaz city, and many additional operations have not been planned for its better exploitation.

7) Operational plan and implementation scheduling

The implementation of the project stages until the start of the investor's activity is planned for 12 months, and the operation and management of the investor is expected from the beginning of 1404.. The schedule of the project is presented in Table (9).

Table (9): Project Scheduling

| year | 1402 | | | | 1403 | | | | 1404 | | | |
|--|------|---|---|---|------|---|---|---|------|---|---|---|
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| Operations/Season | | | | | | | | | | | | |
| Pre investment studies | | ■ | | | | | | | | | | |
| Fundraising and starting | | | ■ | ■ | | | | | | | | |
| Completion of necessary permits and action for financing | | | | ■ | | | | | | | | |
| Providing engineering services | | | | ■ | | | | | | | | |
| Selection of project manager (investor) | | | | ■ | | | | | | | | |
| Implementation of additional operations and required changes | | | | ■ | ■ | ■ | | | | | | |
| Purchase of furniture and additional equipment | | | | | | ■ | ■ | | | | | |
| 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 | 319,000 |
| 2 | Total Net Working Capital Requirements | 58,391 |
| 3 | Total Production Costs (Annual) | 682,535 |
| 4 | Depreciation | 25,700 |
| 5 | Total Investment | 377,391 |

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

| No. | Subject | Cost (Million Rials) | |
|-------|--|-------------------------------------|-------|
| 1 | Purchasing land | 50,000 | |
| 2 | Landscaping and land improvement | 0 | |
| 3 | Civil operations and construction of buildings | 40,000 | |
| 4 | Production machinery and equipment | 200,000 | |
| 5 | Service equipment | 0 | |
| 6 | Protection and environmental equipment | 0 | |
| 7 | Overhead costs | 0 | |
| 8 | Pre-production costs as described in Table (13). | Pre-investment studies | 470 |
| | | Project management and organization | 7,798 |
| | | Technology education | 732 |
| 9 | Unexpected costs | 20,000 | |
| Total | | 319,000 | |

The primary items included in working capital are:

- Raw materials (local and foreign): To prevent any interruptions in production process, production capacity, source and method of supplying materials, length of time during ordering and receiving materials, time of delivery and transportation, the amount of required raw materials, auxiliary materials and packaging are determined as one of the working capital items for one period. In this project, the material inventory coverage period is equal to 0 days.

- Finished product and work in progress: Considering the steps and methods of production, the required time for production and storage has been determined and the related costs are considered as working capital. In this plan, the coverage period for finished product and work in progress are 3 and 5 days, respectively. With this in mind, the total stock in hand is equal to 38 days.

- Claims of expected funds from sold products that are collected in a short period of time. The duration for expected funds must be determined. According to the economic condition of Iran, cash is preferred.

- Revolving fund to finance the company's current expenses is considered as cash balance or revolving fund for a period of time in working capital based on production costs (without considering the cost of raw material production and depreciation). 60 days is considered in this plan.

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 | 3,751 |
| 6 | (Commercial Accounts Payable) | 0 |
| Total Net Working Capital Requirements | | 3,751 |

Table (13): Pre-Production Expenditure

| No. | Subject | Description | Total (million Rials) |
|-------|--|---|--|
| 1 | Incorporation | - | 500 |
| 2 | Obtaining Licenses / Production License | - | 0 |
| 3 | Studying, Consulting, Research and Development, Traveling, Visiting and Participating in Local Exhibitions, etc. | 1.5 thousandth of the investment costs of the project | 470 |
| 4 | Survey Fee, Financing, Contract and So On | Survey fee 0.5 thousandth, other 2.5 thousandth | 740 |
| 5 | Cartography, Supervising | 1 thousandth of contract expenses | 240 |
| 6 | Other's | Staff Training | Equivalent to 10 days of Staff salary |
| | | Wages And Salaries During the Construction | Equivalent to the salary of 3 personnel in 12 months |
| | | Other Expenses | 7.2% |
| Total | | | 9,000 |

8-2- Sales Revenue

Based on the surveys conducted and according to the user service program, the total amount of project income in 1404 at constant prices of 1402 is estimated to be equal to 562 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to a maximum of about 850 billion Rials.

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

| No. | Subject | Q ₁ | Q ₂ | Q ₃ | Q ₄ | Total 1 st Year | Total 2 nd Year | Total 3 rd Year | Total 4 th Year | Total 5 th Year |
|-------|--|----------------|----------------|----------------|----------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 1 | Raw material procurement and supply services | 22.5 | 22.5 | 22.5 | 22.5 | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 |
| 2 | Income from renting food court and traditional coffee house | 108.0 | 108.0 | 108.0 | 108.0 | 432.0 | 504.0 | 576.0 | 720.0 | 720.0 |
| 3 | Income from craft stores | 0.9 | 0.9 | 0.9 | 0.9 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| 4 | Income from environmental advertising | 5.4 | 5.4 | 5.4 | 5.4 | 21.6 | 21.6 | 21.6 | 21.6 | 21.6 |
| 5 | Income from holding training courses, holding events | 2.3 | 2.3 | 2.3 | 2.3 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| 6 | Income from sales booths inside the lobby | 0.9 | 0.9 | 0.9 | 0.9 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| 7 | Income of market handicrafts co-working space (for students, interns, graduates, etc.) | 0.5 | 0.5 | 0.5 | 0.5 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Total | | 140 | 140 | 140 | 140 | 562 | 634 | 706 | 850 | 850 |

8-3- Length of Production Phase

The construction period of the plan is 12 months and it is considered to start from April 1403. The duration of the project 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 | 12 | 12 | 5 |
| Beginning of construction phase | 1 | / | 1403 | | | |
| Beginning of production phase | 1 | / | 1404 | | | |
| End of production phase | 12 | / | 1408 | | | |

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

$$\text{The ratio of investment to employment} = \frac{377,391}{9} = 41,932 \text{ (Million Rials)}$$

$$\text{Break-even sales value} = \frac{42,829}{1 - \frac{399,706}{561,960}} = 148,336 \text{ (Million Rials)}$$

$$\text{Break-even ratio (\%)} = \frac{148,336}{561,960} = 26.4\%$$

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

| Title | Production 1404 | Production 1405 | Production 1406 | Production 1407 | Production 1408 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales revenue | 561,960 | 633,960 | 705,960 | 849,960 | 849,960 |
| Variable costs | 399,706 | 460,210 | 520,714 | 641,722 | 641,722 |
| Variable margin | 162,254 | 173,750 | 185,246 | 208,238 | 208,238 |
| Variable margin ratio (%) | 29 | 27 | 26 | 24 | 24 |
| Fixed costs | 42,829 | 43,045 | 43,261 | 43,693 | 43,693 |
| Break-even sales value | 148,336 | 157,057 | 164,864 | 178,340 | 178,340 |
| Break-even ratio (%) | 26.4 | 24.8 | 23.4 | 21.0 | 21.0 |

- According to COMFAR Results

Based on the calculations of COMFAR software, the break-even point including operating and non-operating costs, is 148.3 billion Rials and it will be achieved in the 26.4% of the practical capacity.

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 over 280 billion Rials, which shows that the project is economically feasible.

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 43.5% 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 | 2,513,551 | Million Rials |
| The Present Value of The Total Income of Construction Phase and Production Phase | 2,794,070 | Million Rials |
| NET PRESENT VALUE (NPV) | 280,518 | Million Rials |
| Cost-benefit RATIO (B/C) | 1.11 | - |
| INTERNAL RATE OF RETURN (IRR) | 43.5 | Percent |
| NPV RATIO (PI) | 0.65 | Rial per Rial of investment |
| NORMAL PAYBACK | 2.36 | Year |

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 2.36 years (equal to the year 1406) 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.

8-7-1- Sales Revenue

Changes in sales revenue are mainly caused by alteration in two variables: planned sales amount and product sales price. The results of the sensitivity analysis regarding sales income show; 20% increase in sales revenue of the plan, the internal rate of return will increase from 43.5% to 82%. On the contrary, in the case of a 20% decrease in sales revenue, the internal rate of return of the project will decrease to 0%.

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% | 0% | 55% | 73% |
| -4% | 35% | 46% | 50% |
| 0% | 43.5% | 43.5% | 43.5% |
| 4% | 51% | 42% | 37% |
| 20% | 82% | 35% | 11% |

8-7-2- Fixed Assets

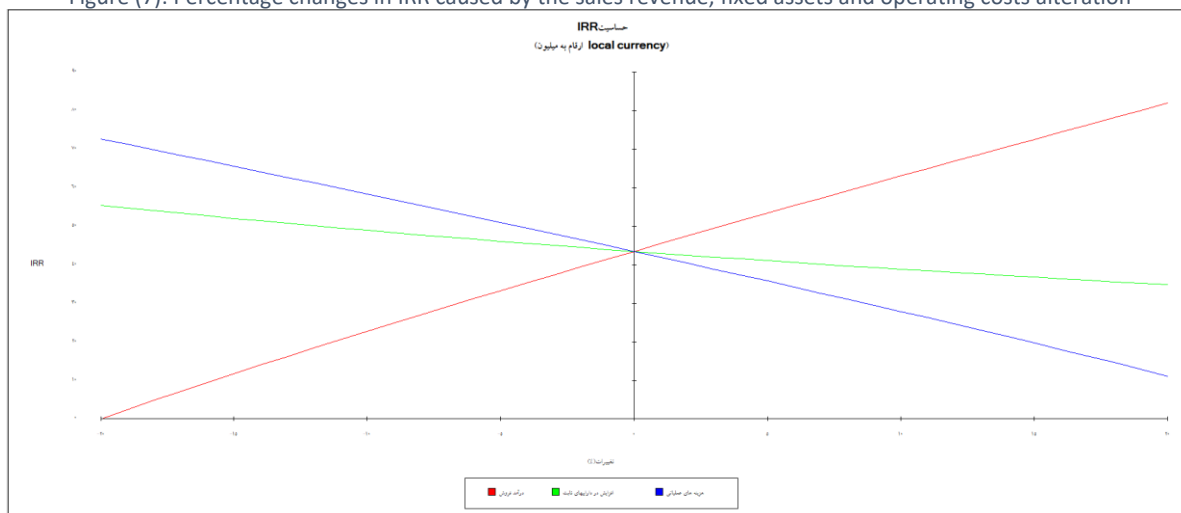
The change in the fixed assets is due to the fixed costs of the initial investment alterations. The results of the sensitivity analysis according to the fixed costs of the plan have been done and it shows that in case of an unexpected 20% increase in the fixed capital costs of the project, the internal rate of return will decrease from 43.5% to 35%. Conversely, if there is a 20% reduction in the fixed capital costs, the internal rate of return will increase and reach 55%.

8-7-3- Operating Costs

The operating costs of the plan is one of the crucial items in terms of sensitivity analysis regarding its changes. Therefore, unexpected and possible changes should be investigated.

The change in project operating costs is mainly caused by changes in raw material, supply, human resource and finally changes in other overhead costs of projects. If these parameters change, it can be as a result of the change in the technical coefficients of product production or the change in their purchase price. The sensitivity analysis indicates that in case of a 20% increase in the operating costs, the efficiency rate of the plan will decrease to 11%. On the contrary, if the total operating costs of the project are reduced by 20%, the internal rate of return will increase to 73%. Finally, the results of the sensitivity analysis show that the current project has a very high sensitivity to changes in sales revenue (changes in sales amount or sales price) and more considerations should be taken 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

In line with the implementation of the present plan, the investor can operate Al-Ghadir Handicrafts Market in Ahvaz in the form of a 5-year mortgage contract (50 billion Rials) and monthly rent (1000 million Rials). After concluding the contract, the investor will lease the market space to the eligible people. In order to exploit the market and provide various educational services and support to the market participants, the investor should make additional investments in the market. The additional investment in the building is estimated at 40 billion Rials and the investment in equipment is estimated at 220 billion Rials. The total costs before operation are estimated at 9 billion Rials; Including this, the total fixed capital required amounts to 319 billion Rials and the total working capital required for the plan is 58 billion Rials. The total investment of the project is expected to come from the sources of the company's shareholders.

The sale of the plan in 1404 is predicted at fixed prices equal to 562 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to about 850 billion Rials at most. The net profit of the plan has been positive in all years. The profit figure in 1404 is equivalent to 119 billion. The profit will increase in the following years and will reach a maximum of 165 billion Rials. The average annual profit of the plan is over 100 billion Rials and the average profit margin is expected to be 20%. The internal rate of return (IRR) of the project is estimated at 43.5% and the payback period (PBP) is estimated at a maximum of 2.36 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 281 billion Rials.

The liquidity status of the plan and the payment of dividends to the shareholders from the company's funds are also suitable. 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 |
|--|--|---|---------------------------------------|
| Movie service 85,000 audience | Market operation management | (-) | Al-Ghadir handicrafts market in Ahvaz |
| Required Human Resource (Person) | Equity Shares (Million Rials) | Total Fixed Capital (Million Rials) | Project Duration |
| 9 | 58,391 | 319,000 | 12 |
| B/C | Applicant Available Cash (Million Rials) | Net Present Value (NPV) (Million Rials) | IRR (%) |
| 1.1 | 377,391 | 280,518 | 43.5% |
| ROI (%) | NPV Ratio / Profitability Index (Rial per Rial invested) | Dynamic Payback Period (Year) | Normal Payback Period (Year) |
| 28 | 0.65 | 3.33 | 2.36 |
| Average Assets Turnover Ratio | Average Net Profit Margin (%) | Average Annual Profit (Million Rials) | Maximum Annual Sales (Million Rials) |
| 0.84 | 20.0% | 103,030 | 849,960 |

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

The currency rate at the time of evaluation is included as described in Table (20). The purchase and sale prices are determined with the energy exchange transactions and are adjusted to a large extent under the influence of the currency rate increase.

Therefore, currency rate fluctuations regarding the purchase of foreign equipment will be compensated to some extent by the income from sales which will have a little effect on the evaluation results. So, in the construction and implementation phase, if the financing of the project provided through foreign currency sources, the amount of required investment 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 plan does not need currency and the total fixed capital of the plan is Rial.

Table (21): Foreign (Fixed) Currency Required

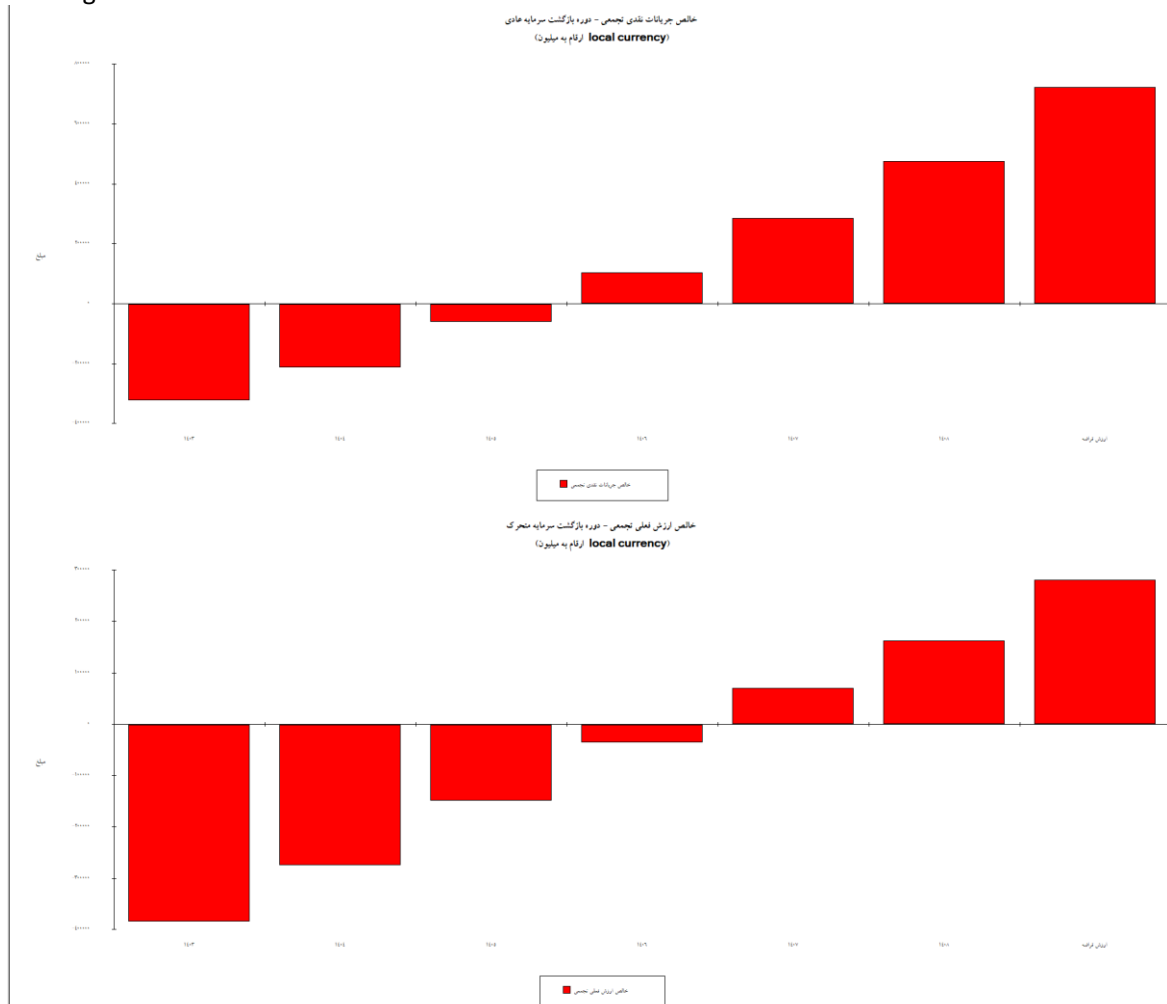
| No. | Year | Required Investment |
|-----|--------|---------------------|
| 1 | Year 1 | 0 |
| 2 | Year 2 | 0 |
| 3 | Year 3 | 0 |
| 4 | Year 4 | 0 |
| 5 | Year 5 | 0 |

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 2.36 years (equal to 1406) according to the calculations of CAMFAR.



Dynamic Payback Period of the plan is also estimated at 3.33 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 department: according to Note 3 of Article 132 of the Law on Direct Taxes: "All tourism and tourism facilities in Iran with operating licenses from the Cultural Heritage and Tourism Organization are exempt from paying 50% property tax every year." Also, according to Article 8 of the Tourism and Tourism Industry Development Law: "All Iranian tourism and tourism facilities, travel service offices and other similar facilities in every respect, including fuel, water and electricity, duties, taxes, bank loans, etc., are subject to tariffs, regulations and guidelines of the industry".

(Attachment Number 2)

Summary Sheet

| Project introduction |
|---|
| 1. Project Title: Al-Ghadir handicrafts market in Ahvaz |
| 2. Sector: Tourism sub-sector: tourism services |
| 3. Products/services: Cultural goods and services, handicrafts |
| 4. Location: KHUZESTAN - AHVAZ city - East IMAM KHOMEINI St, YOUSEFI corner |
| <p>5. Project description:</p> <p>In line with the implementation of the present plan, the investor can operate Al-Ghadir Handicrafts Market in Ahvaz in the form of a 5-year mortgage contract (50 billion Rials) and monthly rent (1000 million Rials). After concluding the contract, the investor will lease the market space to the eligible people. In order to exploit the market and provide various educational services and support to the market participants, the investor should make additional investments in the market. The additional investment in the building is estimated at 40 billion Rials and the investment in equipment is estimated at 220 billion Rials. The total costs before operation are estimated at 9 billion Rials; Including this, the total fixed capital required amounts to 319 billion Rials and the total working capital required for the plan is 58 billion Rials. The total investment of the project is expected to come from the sources of the company's shareholders.</p> <p>The sale of the plan in 1404 is predicted at fixed prices equal to 562 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to about 850 billion Rials at most. The net profit of the plan has been positive in all years. The profit figure in 1404 is equivalent to 119 billion. The profit will increase in the following years and will reach a maximum of 165 billion Rials. The average annual profit of the plan is over 100 billion Rials and the average profit margin is expected to be 20%. The internal rate of return (IRR) of the project is estimated at 43.5% and the payback period (PBP) is estimated at a maximum of 2.36 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 281 billion Rials.</p> |
| 6. Annual Capacity: - |

| Project Status |
|---|
| 7. Local/internal raw material access: 100% |
| <p>8. Sales: 850 billion Rials</p> <p>Anticipated local market: 100%</p> <p>Anticipated export market: 0%</p> |
| 9. construction period: 12 months |
| <p>10. project status:</p> <ul style="list-style-type: none"> - Feasibility study available? 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. - Required land provided? Yes, the Ghadir handicrafts market of Ahvaz has been built with 40 handicraft stalls and two display galleries in an area of about two thousand square meters in Ahvaz city. - Legal permission (establishment license, foreign currency quota, environment) taken? Yes. - Partnership agreement concluded with local/foreign investor? 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. - Agreement with local/foreign contractor(s) concluded? No, so far, no agreement or contract has been concluded for the purpose of renovating and renovating the place and purchasing its equipment. - Infrastructural utilities procured? Due to the establishment of this market in Ahvaz city, there are necessary facilities and access. - List of know-how, machinery and equipment concluded? There is the technical knowledge of market completion operations in the country and many companies will do this as a contractor. - Financing agreement for machinery, equipment and know-how concluded? No |

Financial structure

11. Financial table:

| Description | Local Currency Required | | | Foreign Currency Required | Total Euro |
|--|-------------------------|---------------|---------|---------------------------|------------|
| | Million Rial | Exchange Rate | Euro | | |
| Total Fixed Investment Costs | 319,000 | 451,531 | 706,485 | 0 | 706,485 |
| Total Net Working Capital Requirements | 58,391 | 451,531 | 129,319 | 0 | 129,319 |
| Total Investment | 377,391 | - | 835,804 | 0 | 835,804 |

| | | | | |
|---|---------|------|-----------------------------------|------|
| - Value Of Foreign Equipment/Machinery: | 0 | Euro | | |
| - Value Of Local Equipment/Machinery: | 442,937 | Euro | | |
| - Value Of Foreign Technical Know-How: | 0 | Euro | | |
| - Value Of Local Technical Know-How: | 0 | Euro | | |
| - Net Present Value (NPV): | 621,260 | Euro | Net present values discounted to: | 1403 |
| - Internal Rate of Return (IRR): | 43.5% | % | | |
| - Normal Payback: | 2.36 | year | Equivalent to 28.32 months | |
| - Minimum Attractive Rate of Return: | 20% | % | | |

General information

12. Project Type: new Project Explanation / Rehabilitation project

Name / Company name:
Address: KHUZESTAN - AHVAZ city - East IMAM KHOMEINI St, YOUSEFI corner
Tel: +98916 313 4985 +98-6135541819 Fax:
Email: 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.)