

General Department of Economic and Financial Affairs of Khuzestan

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

"SHIRIN ABADAN Cinema "

Reconstruction project

(Attachment Number 1)

Date: 2023/04/06

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).

Abadan city is one of the cities of Khuzestan province of Iran. The center of this city is Abadan and it is located 53 km from the Persian Gulf. Abadan city was established in 1321 Shamsi. This city has been one of the most important cities of Iran since World War II due to its oil and petrochemical refinery, strategic location and border with Iraq. One of the largest oil refineries in the world (Abadan Oil Refinery) is located in this city.

The geographical location of this city is 48 degrees 17 minutes long and 30 degrees 20 minutes latitude, with a height of 3 meters above sea level and a width of 2,796 square kilometers. Abadan is bounded by SHADGAN from the north, the Persian Gulf from the east and south, the country from the southwest and west, and Khorramshahr from the northwest.

The population of Abadan is around 300 thousand people. Abadan plays an important role in the oil and petrochemical industry, and one of the largest oil refineries in the world, Abadan Oil Refinery, is located in this city. Also, in recent years, this city has made remarkable progress in the export of fisheries, dates and agricultural products, especially in Free Zone.

Exports to neighboring countries, especially Iraq, are carried out through export bases such as SHALAMCHEH base.

On the other hand, barge-making, handicrafts and shrimp farming industries have also grown significantly in Abadan in recent years.

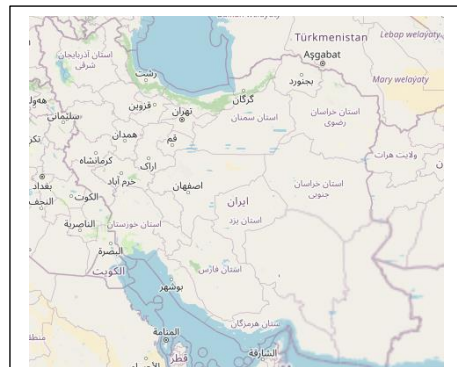


Figure (1): The Province location in Iran



Figure (2): ABADAN location in Khuzestan province

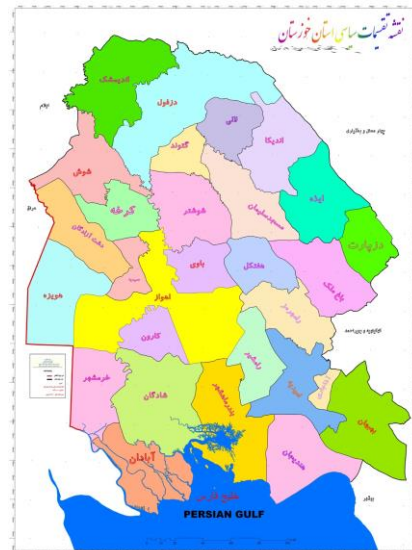


Figure (3): Political divisions of Khuzestan

2) Project Status

This project (revival) of **SHIRIN ABADAN Cinema** is implemented on a plot of land with an area of 852 square meters on **SHAHID MONTAZERI Street** in Abadan city according to the following coordinates.

Table (1): Coordinates of the project implementation location

Points	longitude	latitude
a	238860.29	3359221.9
b	238877.16	3359248.8
c	238906.88	3359230.6
d	238889.02	3359203.2

Shirin Cinema is located in the center of Abadan, near **ARVAND River**.



Figure (4): Project location map

2-1- Access to infrastructures

This cinema is currently closed and its water, electricity and gas infrastructures have been destroyed. In order to revive it, all water, electricity and gas infrastructures must be renovated and provided.

Table (2): access to infrastructures

No.	Required Infrastructure	Distance From Project Status(km)	Location Of Infrastructure Provision
1	Water	0	Abadan city
2	Electricity	5	
3	Gas	0	
4	Telecommunication	0	
5	Main road	0	Shahid MONTAZERI St., SHAHRDARI St
6	Side road	0	-
7	Airport	11.5	Abadan airport
8	Port	0.85	Abadan port
9	Railway Station	18.5	Khorramshahr Railway

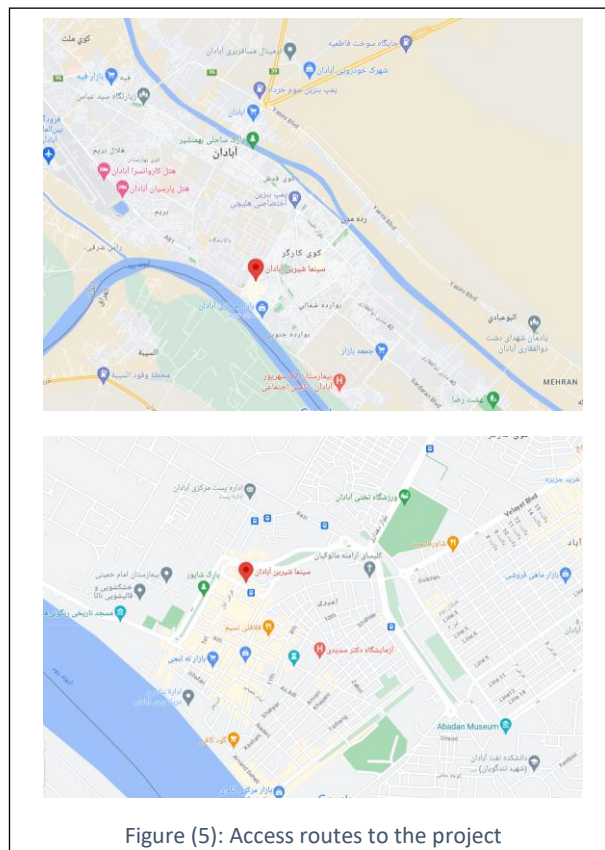


Figure (5): Access routes to the project

3) Technical specifications of the project

3-1- Product

Shirin Cinema was built in 1310 (1st Pahlavi period) by an Indian businessman and was the only non-government cinema of that time and the first functional cinema in Abadan. This cinema, which had two floors covered, also had a summer theater, and after the end of the World War, two more floors were added to it, thus becoming the largest cinema in Iran. This cinema has been registered in the list of national works of Iran since 2005 and is now owned by the Organization of Cultural Heritage, Handicrafts and Tourism. This cinema, like many other cinemas in Abadan, was closed after the start of the Iran-Iraq war, and it was also damaged by the war.

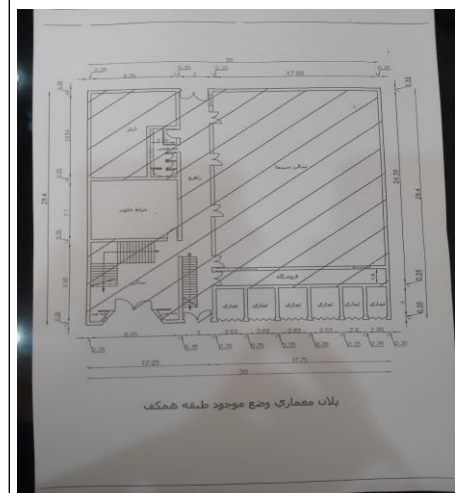
This cinema is located in the commercial center of Abadan, in the Amiri area of MONTAZERI Street (former SHAPUR).

In this cinema, mostly Iranian films have been shown, and sometimes Indian and American films were also shown. An example of the most popular movies of that time was the movie GANJ QAROON, which was on the screen of this cinema for about two to three months, and many people came to the cinema to see this movie.

Years ago, Shirin Cinema had a very high reputation, and attractive and new Iranian films such as RAGBAR, SULTAN GHALBHA, FARAR AZ TALEH, KANDU, AGHAYE HALLOU, POSTCHI and ASRAR GANJ DAREH JENI have been shown in it.



Figure (6): SHIRIN cinema images



3-2- Project Requirement

3-2-1- Land And Required Infrastructure

In the beginning, Shirin Cinema had two covered tiers and a summer theater. Two more floors were added to this cinema after the World War. In order to revive this movie theater, demolition operations, debris removal, retrofitting, reconstruction and renovation of the building are planned on 2374 square meters.

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	Demolition operations, debris removal, retrofitting, reconstruction and renovation of the cinema building	2,374	126,500,000	300,296

3-2-2- Plant Machinery and Equipment

Based on the existing conditions of the place and the revival of this cinema, the required equipment is considered as follows. All equipment can be supplied in the country.

Table (4): Plant Machinery and Equipment

No.	Equipment/Machinery	Required investment		Total cost (Million Rials)
		Amount	Purchase Price	
1	Cinematic equipment including (screen, projector, digital sound processor, sound systems and speakers, acoustic panels)	2	60,000	120,000
2	Billing and ticket issuing system	1	3,000	3,000
3	Equipment and furniture (cinema seats, and hall equipment, lobby equipment, waiting seats, etc.)	700	100	70,000
4	Control room equipment, lighting and lighting equipment	1	50,000	50,000
5	Interior architecture, wooden and decorative works, fireproof carpets and carpets of lobbies and floors of halls, elements and volumetric works, etc.)	1	60,000	60,000
6	Other main equipment - domestic	1	6,100	6,100
Total		-	-	309,100

Table (5): 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	Establishment of water, electricity and gas branches	Kw	Facility	1	3,000	3,000
2	Electromechanical installations (water and electricity piping, wiring, cabling, ventilation systems, cooler and air conditioning ducting, gas piping, heating and cooling systems, etc.)	Amount	Facility	1	71,000	71,000
3	Security system, firefighting, and fire alarm	capsule	Facility	1	20,000	20,000
4	Administrative tools (Computers, office desks and chairs, network and server equipment - according to the number of support personnel)	set	office Equipment	6	800	4,800
5	Other side facilities	-	1	2,000	2,000	1
Total				-	-	100,800

3-2-3- Raw Materials

Cinema services are subject to the regulations and tariffs of the country's cinema organization. This service does not require special raw materials. The operation of the food court and buffet of this cinema is considered to be leased, and therefore the supply of consumables required for these uses will be the responsibility of the respective tenants.

3-2-4- Management and human resource

The number of employments in the current plan is equal to 15 people. The specifications of the human resources required for the project are as described in the table below.

Table (6): Management and Human Resource

No	Level of skill	Number of staff	Average basic salary
1	Senior	6	153,000,000
2	Mid-level	1	90,000,000
3	Junior	8	85,000,000

Number Of Direct Mid-Level Staff Required	1	Person
Number Of Direct Junior Staff Required	8	Person
Number Of Direct Senior Staff Required	6	Person
Total	15	person

4) Ownership and legal permissions

4-1- land ownership

Currently, the ownership of Shirin Cinema is in the hands of the General Department of Cultural Heritage of Abadan. Obviously; By accepting the implementation of the project and after completing the reconstruction operation and restarting the activity, the investors can proceed to obtain ownership documents of Shirin Cinema.

4-2- Intellectual Property and Concessions

During the operation period, the cinema management is the responsibility of the person who has obtained the cinema management card. This card is issued upon the written request of the cinema owner to issue a management card to a qualified person who is introduced for this purpose. (The said petition must be sent to the Cinema Affairs Department along with the previously announced documents). According to the legal regulations, the personal and moral competence of the nominated manager must be approved by the Public Places Supervision Department of the Abadan Police Force.

4-3- Legal permissions

The system (service desk) related to the "Cinematic and Audiovisual Affairs Organization" under the cover of the General Department of Culture and Islamic Guidance, is responsible for issuing and providing licenses for the construction of cinema halls. specifically; The investor must create the necessary conditions for this organization.

According to the rules and regulations of the building of cinemas and cultural complexes, after choosing the desired land, the cinema must deliver the relevant documents according to the specifications and conditions stipulated in the theater regulations.

5) market research and competition

5-1- Target market introduction

Although in terms of history, Iranian cinema has a long history¹, but currently its indicators are not in a favorable condition. According to the statistics published in 1400, the total number of cinemas in the country is 336 with 655 theaters and 150,526 seats. The specifications of active cinemas are as follows.

Table (7): Specifications of active cinemas in the country

province	Number of cinemas	The number of halls	Number of seats	population	The ratio of the number of seats to a thousand people
TEHRAN	73	232	48,686	13,267,637	3.7
ISFAHAN	26	57	10,887	5,120,850	2.1
EAST AZARBAIJAN	21	31	7,595	3,909,652	1.9
FARS	19	27	8,615	4,851,274	1.8
KHUZESTAN	16	21	6,568	4,710,509	1.4
KHORASAN RAZAVI	15	52	8,927	6,434,501	1.4
KERMAN	14	16	4,571	3,164,718	1.4
MAZANDARAN	14	21	5,573	3,283,582	1.7
YAZD	12	19	4,169	1,138,533	3.7
GILAN	10	11	4,902	2,530,696	1.9
WEST AZARBAIJAN	9	9	3,991	3,265,219	1.2
ALBORZ	9	21	4,281	2,712,400	1.6
SEMNAN	8	10	2,415	702,360	3.4
SOUTH KHORASAN	7	7	1,762	768,898	2.3
NORTH KHORASAN	7	10	1,991	863,092	2.3
GOLESTAN	7	13	2,672	1,868,819	1.4
HORMOZGAN	7	7	1,934	1,776,415	1.1
ARDEBIL	6	6	2,415	1,270,420	1.9
QOM	6	10	1,704	1,292,283	1.3
KORDESTAN	6	8	2,312	1,603,011	1.4
KERMANSHAH	6	11	1,755	1,952,434	0.9
MARKAZI	6	9	2,149	1,429,475	1.5
HEMEDAN	6	9	2,002	1,738,234	1.2
CHAHARMAHAL VA BAKHTIARI	5	8	1,782	947,763	1.9
LORESTAN	5	8	1,985	1,760,649	1.1
SISTAN VA BALUCHESTAN	4	4	1,237	2,775,014	0.4
ILAM	3	3	570	580,158	1.0
BUSHEHR	3	5	1,404	1,163,400	1.2
ZANJAN	2	4	538	1,057,461	0.5
QAZVIN	2	4	554	1,273,761	0.4
KOHILOYE VA BOYERAHMAD	2	2	580	713,052	0.8
Total	336	655	150,526	79,926,270	1.9

Out of all the cinemas in the country, there are 73 cinemas in Tehran, 26 cinemas in Isfahan, 21 cinemas in East Azerbaijan, 19 cinemas in Fars and 16 cinemas in Khuzestan province. Comparing the population and the number of seats in cinemas is one of the indicators that determine the state of cinema infrastructure in the country to a large extent. This index shows the number of seats in cinema halls of the country per thousand people. This index was 1.4 seats for the whole province of Khuzestan, 2.1 seats for Isfahan province, 3.7 seats for Tehran province and 1.9 seats for the whole country.

¹ - Iran's first movie theater was established in 1279 solar year (only 5 years after the LUMIER brothers invented the cinema) named "Cinema Soli" by religious missionaries of the Catholic Church in the city of Tabriz. But this cinema was closed in 1295 due to the lack of access to daily movies.

In the table below, the state of cinemas in the country in terms of sales and audience and its comparison with the provinces of Tehran, Isfahan and Khuzestan have been examined.

Table (8): Cinema sales situation and its audiences

	Description	1400	1401	Quarter of 1402	Growth from 1401 to 1400	Share to the whole country
KHUZESTAN	Sales (billion Rials)	20.4	57	63	179.4	%1
	audience (thousands)	132.5	274.5	193	107.2	%2
TEHRAN	Sales (billion Rials)	745.8	2,222	1,610	197.9	%47
	audience (thousands)	2,910	6,233	3,386	114.2	%42
ISFAHAN	Sales (billion Rials)	169.6	399.9	323	135.8	%9
	audience (thousands)	807	1,301	752	61.2	%10
IRAN	Sales (billion Rials)	1,587	4,481	3,574	182.4	%100
	audience (thousands)	7,031	14,236	8,257	102.5	%100

The following table shows the status of cinemas in Khuzestan province.

Table (9): The status of all active cinemas in Khuzestan province

Row	city	cinema name	owner name	hall	chair	year of opening	cinema grade	Manager's name
1	AHVAZ	auxin	Islamic Propaganda Organization artistic field	1	487	1348	one	ALIREZA SHIRAZI
2	AHVAZ	BAHMAN	Islamic Propaganda Organization artistic field	1	621	1347	one	FARZAD JAFARI
3	AHVAZ	HELAL	Ahvaz Red Crescent Society	1	600	1371	excellent	MOHAMMAD HAMEDPOUR
4	AHVAZ	SAHEL	Foundation of the oppressed and veterans	1	402	1383	excellent	NIMA BAGHIAN
5	SHUSHTAE	ABSHAR	MANUCHEHR HOSEINZADEH	2	605	1381	one	MANUCHEHR HOSEINZADEH
6	IMAM KHOMEINI PORT	SAHEL	ABDUL REZA ASAKERE	1	600	1390	one	MEHDI ESAKARE
7	KHORAMSHAHR	NAKHL	Foundation of the oppressed and veterans	2	407	1382	excellent	JENAH
8	MAHSHAHE	DARYA	FEREYDON QASEMIZADEH	1	404	1372	one	FEREYDON QASEMIZADEH
9	ABADAN	MEHR	Department of Culture and Islamic Guidance of Abadan	1	356	1394	one	EYDAN
10	DEZFUK	IRSHAD complex	Department of Culture and Islamic Guidance of DEZFUL	2	600	1378	one	NADER SADATI FARD
11	ABADAN	AZADI	Islamic Propaganda Organization artistic field	3	261	1395	one	MILAD AISHAN
12	SHUSHTAR	MEHR VA MAH	Department of Culture and Islamic Guidance of SHUSHTAR	1	279	1396	one	MOHAMMAD KEFAYAT
13	BEHBAHAN	FAJR	BEHBAHAN Guards Corps	1	232	1394	one	ASGHAR MOHAMMADPOUR
14	ANDIMESHK	KHORSHID	Department of Culture and Islamic Guidance of ANDIMESHK	1	300	1396	one	AMIRHOSEIN SAKI
15	BEHBAHAN	KUCH	REZA MOSAVIPOUR	1	80	1396	one	MOHSEN MOSAVIPOUR
16	MARKAZI	MARKAZI	EZEH Municipality	1	334	1398	one	SADEGH MALMALI
total				-	21	6,568	-	-

Meanwhile, the city of Abadan has 2 active cinemas named MEHR and AZADI, which were established in 1394 and 1396, respectively.

The total number of seats in these two cinemas is 617. The total population of Abadan city is equal to 300,000 people, and in this way, there are 2.1 cinema seats per thousand people, and in this respect, it has a better position compared to the situation of the whole country and the whole province.

Table (10): Comparison of indicators related to cinema infrastructure

Location / Country	population	Number of cinemas (Statistics of 1400)	Number of seats	Number of seats per thousand people	The percentage of cinema audiences to the total population in 1401
KHUZESTAN	4,710,509	16	6,568	1.3	6%
TEHRAN	13,267,637	73	48,686	3.7	37%
ISFAHAN	5,120,850	26	10,887	2.1	25%
IRAN	79,926,270	336	150,526	1.9	18%

Statistics show; In terms of cinema infrastructure, Khuzestan province is in a lower state than the average of the country. Weakness in the mentioned indicators has caused cinema audiences in this

No Yes

6) Physical progress of the project

This plan is a kind of renovation plan and it is defined in order to restart the activity of Shirin cinema and cover the needs of the people of Abadan city and its passengers. The reconstruction and renovation operation has not yet started.

7) Operational plan and implementation scheduling

The implementation of the project stages until the resumption of activities is planned for 24 months, and the operation of the project is expected from the beginning of 1405. The schedule of the project is presented in Table (11).

Table (11): 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				■	■											
Building renovation operation				■	■	■	■	■	■							
Purchase of cinema furniture and equipment									■	■	■	■				
Carpentry operations, interior designs, woodwork, interior decoration									■	■	■	■				
Mechanical and electrical installations									■	■	■	■				
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 (12): Cost Estimations

No.	Subject	Amount (Million Rials)
1	Total Fixed Investment Costs	678,000
2	Total Net Working Capital Requirements	3,751
3	Total Production Costs (Annual)	105,803
4	Depreciation	59,734
5	Total Investment	681,751

Table (13): Fixed Capital Estimations (Capital Costs)

No.	Subject	Cost (Million Rials)	
1	Purchasing land	0	
2	Landscaping and land improvement	0	
3	Civil operations and construction of buildings	284,866	
4	Production machinery and equipment	243,800	
5	Service equipment	94,700	
6	Protection and environmental equipment	0	
7	Overhead costs	0	
8	Pre-production costs as described in Table (15)	Pre-investment studies	990
		Project management and organization	15,701
		Technology education	1,309
9	Unexpected costs	36,634	
Total		678,000	

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). 30 days is considered in this plan.

Table (14): 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 (15): Pre-Production Expenditure

No.	Subject	Description	Total (million Rials)
1	Incorporation	-	500
2	Obtaining Licenses / Production License	-	1,000
3	Studying, Consulting, Research and Development, Traveling, Visiting and Participating in Local Exhibitions, etc.	1.5 thousandth of the investment costs of the project	990
4	Survey Fee, Financing, Contract and So On	Survey fee 0.5 thousandth, other 2.5 thousandth	1,580
5	Cartography, Supervising	1 thousandth of contract expenses	530
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 24 months
		Other Expenses	4.2%
Total			18,000

8-2- Sales Revenue

Based on the investigations and according to the Shirin Cinema service program, the total revenue of the project in 1405 at the constant prices of 1402 is estimated to be equal to 209 billion Rials. This figure will increase in the following years due to the increase in production capacity and will increase to a maximum of 272 billion Rials.

Table (16): 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	Cinema campus services (3 theaters)	6.8	6.8	6.8	6.8	27.0	32.4	36.0	36.0	36.0
2	Income from renting buffets and food courts	1.6	1.6	1.6	1.6	6.3	7.7	8.4	8.4	8.4
3	Income from commercial stores	12.2	12.2	12.2	12.2	48.6	58.5	64.8	64.8	64.8
4	Income from renting upper floor halls for events	4.4	4.4	4.4	4.4	17.5	17.5	17.5	17.5	17.5
5	Income from environmental advertising	6.6	6.6	6.6	6.6	26.3	31.5	35.0	35.0	35.0
6	Income of Khuzestan Cinema Museum	2.0	2.0	2.0	2.0	7.9	9.5	10.5	10.5	10.5
7	Pre-show ads	18.8	18.8	18.8	18.8	75.0	90.0	100.0	100.0	100.0
Total		52	52	52	52	209	247	272	272	272

8-3- Length of Production Phase

The construction period of the plan is 24 months and it is considered to start from April 1402. The duration of the project is considered to be 5 years.

Table (17): Planning Horizon

Title	Month	-	year
Project identification	1	/	1402
Beginning of construction phase	1	/	1403
Beginning of production phase	1	/	1405
End of production phase	12	/	1409

Length of construction phase (months)	Start of phase (months)	Length of production phase (years)
24	12	5

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 1408SH 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

$$\text{The ratio of investment to employment} = \frac{681,751}{15} = 45,450 \text{ (Million Rials)}$$

$$\text{Break-even sales value} = \frac{84,089}{1 - \frac{21,714}{272,200}} = 91,379 \text{ (Million Rials)}$$

$$\text{Break-even ratio (\%)} = \frac{91,379}{272,200} = 33.6\%$$

Table (18): Project break-even point estimation (Million Rial)

Title	Production 1405	Production 1406	Production 1407	Production 1408	Production 1409
Sales revenue	208,525	247,050	272,200	272,200	272,200
Variable costs	18,346	20,369	21,714	21,714	21,714
Variable margin	190,179	226,681	250,486	250,486	250,486
Variable margin ratio (%)	91	92	92	92	92
Fixed costs	81,767	83,162	84,089	84,089	83,609
Break-even sales value	89,655	90,635	91,379	91,379	90,857
Break-even ratio (%)	43.0	36.7	33.6	33.6	33.4

- According to COMFAR Results

Based on the calculations of COMFAR software, the break-even point including operating and non-operating costs, is 91 billion Rials and it will be achieved in the 33.6% 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 36 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 21.3% and compared to the Minimum Attractive Rate of Return, it is favorable.

Table (19): Project Return Index

Index	Amount	Unit of measurement
The Present Value of The Total Cost of The Period of Construction Phase and Production Phase	774,441	Million Rials
The Present Value of The Total Income of Construction Phase and Production Phase	810,686	Million Rials
NET PRESENT VALUE (NPV)	36,245	Million Rials
Cost-benefit RATIO (B/C)	1.05	-
INTERNAL RATE OF RETURN (IRR)	21.3%	Percent
NPV RATIO (PI)	0.04	Rial per Rial of investment
NORMAL PAYBACK	3.37	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 3.37 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 (20) 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 21.3% to 28%. On the contrary, in the case of a 20% decrease in sales revenue, the internal rate of return of the project will decrease to 15%.

Table (20): 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%	15%	29%	22%
-4%	20%	23%	22%
0%	21.3%	21.3%	21.3%
4%	23%	20%	21%
20%	28%	16%	20%

8-7-2- Fixed Assets

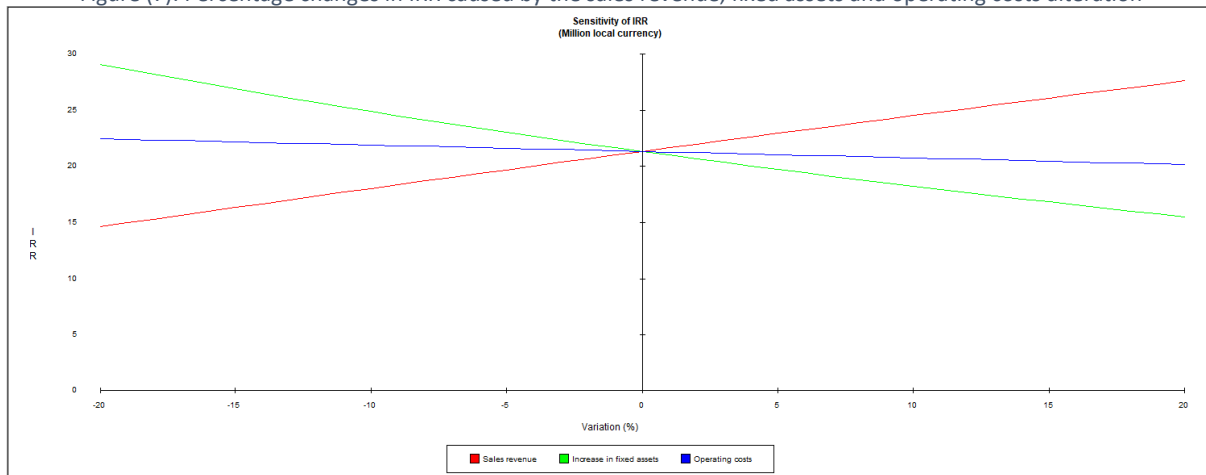
The change in the fixed assets is due to the fixed costs of the initial investment alterations. The results of the sensitivity analysis according to the fixed costs of the plan have been done and it shows that in case of an unexpected 20% increase in the fixed capital costs of the project, the internal rate of return will decrease from 21.3% to 16%. Conversely, if there is a 20% reduction in the fixed capital costs, the internal rate of return will increase and reach 29%.

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 20%. On the contrary, if the total operating costs of the project are reduced by 20%, the internal rate of return will increase to 22%. 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

The present plan is defined in order to revive SHIRIN Abadan cinema. The total investment in reconstruction and renovation of the building is estimated at 285 billion Rials and the total investment in main and auxiliary equipment is estimated at 244 billion Rials. The total costs before operation are estimated to be 18 billion Rials, including the total fixed capital required of 678 billion Rials and the total working capital required for the project is 3.7 billion Rials. The total investment of the project is expected to come from the resources of the company's shareholders.

The income of the project in 1405 is estimated at constant prices equal to 209 billion Rials. This figure will increase in the following years due to the increase in service capacity and people's reception, and will increase to a maximum of 272 billion Rials. The net profit of the plan has been positive in all years. The profit figure in 1405 is equivalent to 108 billion. The profit will increase in the following years and will reach a maximum of 167 billion Rials. The average annual profit of the mature plan is 107 billion Rials and the average profit margin is expected to be 59.1%. The internal rate of return (IRR) of the plan is also estimated at 21.3% and the payback period (PBP) is estimated at a maximum of 3.37 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 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 (21): Summary of Economic Features

Title Of the Project	Title Of the Project with ISIC Code	Product Name	Nominal Capacity and Unit of Measurement
SHIRIN Movie Theater	Cultural goods and services, cinema services (-)	Cultural goods and services, cinema services	Movie service 85,000 audience
Project Duration	Total Fixed Capital (Million Rials)	Equity Shares (Million Rials)	Required Human Resource (Person)
24	678,000	3,751	15
IRR (%)	Net Present Value (NPV) (Million Rials)	Applicant Available Cash (Million Rials)	B/C
21.3%	36,245	681,751	1.0
Normal Payback Period (Year)	Dynamic Payback Period (Year)	NPV Ratio / Profitability Index (Rial per Rial invested)	ROI (%)
3.37	5.80	0.04	16
Maximum Annual Sales (Million Rials)	Average Annual Profit (Million Rials)	Average Net Profit Margin (%)	Average Assets Turnover Ratio
272,200	107,372	59.1%	0.02

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 (22). 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 (22): 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 (23): Foreign (Fixed) Currency Required

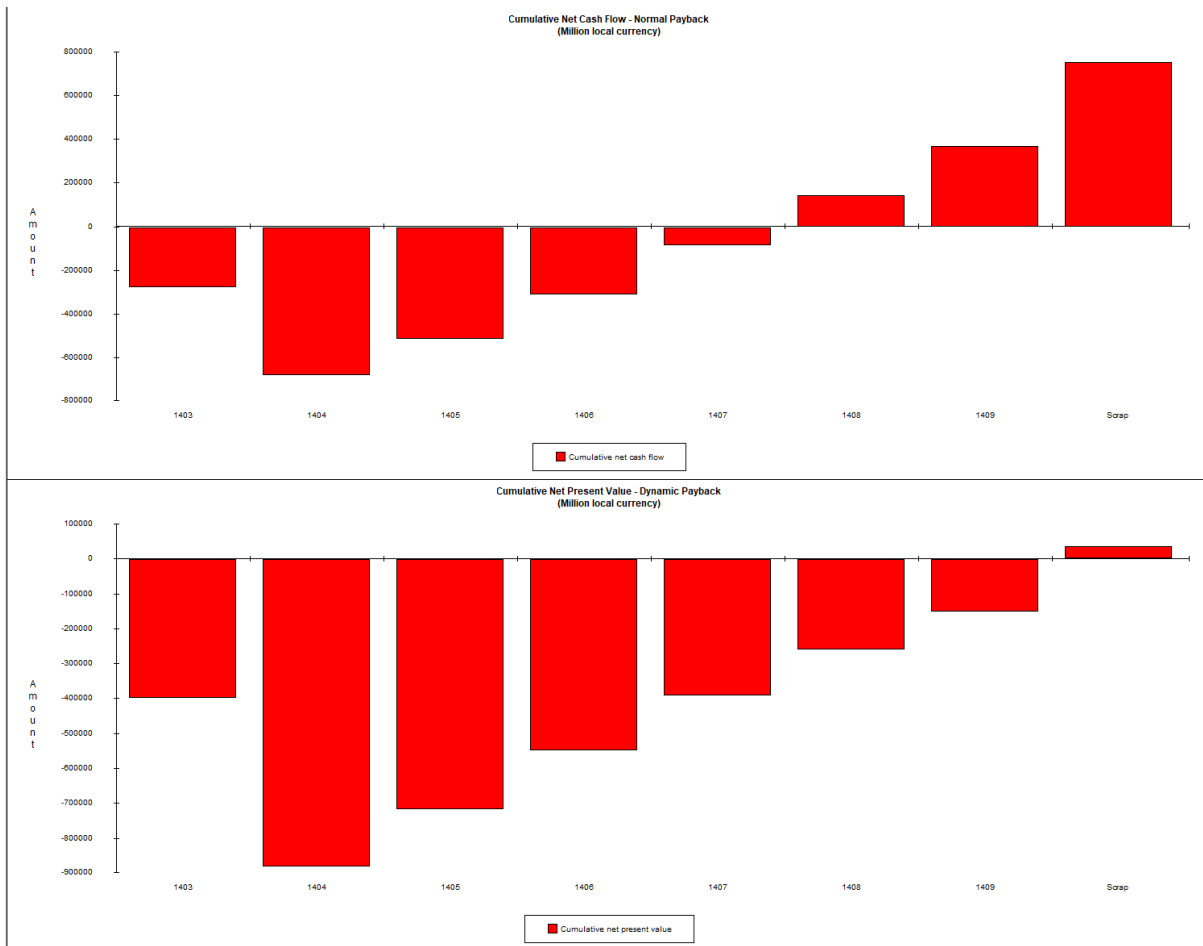
No.	Year	Required Investment
1	Year 1	0
2	Year 2	0
3	Year 3	0
4	Year 4	0
5	Year 5	0

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 3.37 years (equal to 1408) according to the calculations of CAMFAR.



Dynamic Payback Period of the plan is also estimated at 5.8 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.

Tax exemption is another incentive for investors to establish factories. To name a few;

- Tax exemption for up to 10 years for implementation in deprived areas
- Tax exemption for up to 4 years for implementation in industrial towns

Investments in the project during implementation is of the investments in developed towns with industrial and mining activities. Since it is located within 30 kilometers of cities with more than 300,000 people, it doesn't have any tax exemption. But if it establishes in another industrial town within a range of more than 30 kilometers from cities with a population of more than 300 thousand people, it can get exempted from Article 132 of the Direct Taxes Law and up to 80% until four years after the date of operation from Article 105 (Direct Taxes Law)².

So, the effective performance tax rate (annual profit) can be reduced to 4% in the first 4 years, and then it will be considered on the basis of 20%. Obviously; If the project location is in one of the deprived areas, it will be subject to 10 years of 100% exemption.

If the produced Manufactured products (provided that it is in excess of the local market) can be exported to foreign markets, it can be exempted from Article 141 and 100% of the income from exports is exempt from taxes.

Obviously, If the legal personality of the partnership is defined as a public company accepted in the stock exchange market during its operation (in such a way that its shares can be traded with stock brokers), this type of company is subject to Article 143 of the Direct Taxes Law and up to 10% of the company's tax will be exempted.

2 - The exemptions of this article will not include the income of production and mining units located within a radius of 120 kilometers from the center of Tehran and 50 kilometers from the center of Isfahan, 30 kilometers from the centers of provinces and cities with more than 300 thousand people (according to the latest census).

(Attachment Number 2)

Summery Sheet

Project introduction	
1. Project Title:	SHIRIN Abadan cinema
2. Sector:	Art activities sub-sector: Film distribution and screening
3. Products/services:	Cinematic services
4. Location:	Khuzestan, Abadan city
5. Project description:	<p>The present plan is defined in order to revive SHIRIN ABADAN cinema. The total investment in reconstruction and renovation of the building is estimated at 285 billion Rials and the total investment in main and auxiliary equipment is estimated at 244 billion Rials. The total costs before operation are estimated to be 18 billion Rials, including the total fixed capital required of 678 billion Rials and the total working capital required for the project is 3.7 billion Rials. The total investment of the project is expected to come from the resources of the company's shareholders.</p> <p>The income of the project in 1405 is estimated at constant prices equal to 209 billion Rials. This figure will increase in the following years due to the increase in service capacity and people's reception, and will increase to a maximum of 272 billion Rials. The net profit of the plan has been positive in all years. The profit figure in 1405 is equivalent to 108 billion. The profit will increase in the following years and will reach a maximum of 167 billion Rials. The average annual profit of the mature plan is 107 billion Rials and the average profit margin is expected to be 59.1%. The internal rate of return (IRR) of the plan is also estimated at 21.3% and the payback period (PBP) is estimated at a maximum of 3.37 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. Annual Capacity:	60,000 audience

Project Status	
7. Local/internal raw material access:	100%
8. Sales:	272 billion Rials
Anticipated local market:	100%
Anticipated export market:	0%
9. construction period:	24 months
10. project status:	<ul style="list-style-type: none"> - Feasibility study available? <p>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.</p> <ul style="list-style-type: none"> - Required land provided? <p>SHIRIN Abadan cinema was built in 1310 on a square meter land. Currently, this cinema is closed and due to its age, it has been handed over to the cultural heritage of Abadan city. The current plan was developed for the purpose of renovating and renovating this place.</p> <ul style="list-style-type: none"> - Legal permission (establishment license, foreign currency quota, environment) taken? <p>Due to the closure of this cinema, its resumption of operation requires permission from the General Department of Islamic Culture and Guidance.</p> <ul style="list-style-type: none"> - Partnership agreement concluded with local/foreign investor? <p>No - so far, any partnership agreement has been prepared for the implementation of the project. This plan has the necessary features to attract shareholders' financial resources.</p> <ul style="list-style-type: none"> - Agreement with local/foreign contractor(s) concluded? <p>Due to the establishment of this cinema in SHAHID MONTAZERI street in Abadan city, there are necessary facilities and access.</p> <ul style="list-style-type: none"> - Infrastructural utilities procured? <p>If the project is established in Shush Industrial Estate, infrastructure facilities such as water and electricity, roads, etc. are available.</p> <ul style="list-style-type: none"> - List of know-how, machinery and equipment concluded? <p>There is the technical knowledge of performing demolition, renovation and redesign of cinema in the country, and many companies will do this as a contractor.</p> <ul style="list-style-type: none"> - Financing agreement for machinery, equipment and know-how concluded? <p>No</p>

Financial structure**11. Financial table:**

Description	Local Currency Required			Foreign Currency Required	Total Euro
	Million Rial	Exchange Rate	Euro		
Total Fixed Investment Costs	678,000	451,531	1,501,558	0	1,501,558
Total Net Working Capital Requirements	3,751	451,531	8,306	0	8,306
Total Investment	681,751	-	1,509,865	0	1,509,865

- Value Of Foreign Equipment/Machinery:	0	Euro		
- Value Of Local Equipment/Machinery:	749,672	Euro		
- Value Of Foreign Technical Know-How:	0	Euro		
- Value Of Local Technical Know-How:	0	Euro		
- Net Present Value (NPV):	80,272	Euro	Net present values discounted to:	1403
- Internal Rate of Return (IRR):	21.3%	%		
- Normal Payback:	3.37	year	Equivalent to	40.44 months
- Minimum Attractive Rate of Return:	20%	%		

General information

12. Project Type: new Project Explanation / Rehabilitation project

Name / Company name:
Address: Khuzestan, Abadan city
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.)