

In the name of Allah

Pre-feasibility studies

Project Name:
Production of ABS Luggage and Laptop Bags and Backpacks

Project Owner:
Sara Bahr & Bar Arvand Company

Advisor of the project:
Zahra Badoei

**Project address: Khorramshahr Industrial Estate,
Arvand Free zone, Khuzestan,**

Date of P.F.S: February, 2021

Summary of pre-feasibility plan

General Specification	
Name of The Project	Production of ABS luggage and laptop bags and backpacks
Project Capacity	12000 luggage, 30000 laptop bag and backpack
Personnel Number	30 persons
Working Days	250 days
Product Usage	Luggage: Traveling (transportation of goods) Laptop Bag and backpacks: Carrying Laptops & Digital Devices
Marketing	
Product Global Price	luggage 80 Euro, laptop bag and backpack 12.5 Euro
Domestic Demand	379,642 Pieces
Domestic Production	370,260 Pieces
Import	109,079 Pieces
Export	99,698 Pieces
Technical Study	
Land Area	3050 m ²
Building Area	2130 m ²
Main Raw Materials	ABS sheet, Tarpaulin, Liner, fittings
Supplying Place of Raw Materials	Domestic and foreign supplier
Power Requirement	75 KW
Water Requirement	1000 m ³
Fuel Requirement	3000 m ³ gas
Economical & Financial Study	
Fixed Investment Cost	159,086.58 million Rails (0.349 million dollar & 83,440.83 million Rails) \cong 0.619 million Euro
Working Capital	56,749.16 million Rail's (0.255 million Yuan & 47,958.56 million Rails) \cong 0.221 million Euro
Total Investment Cost	215,835.74 million Rail's \cong 0.840 million Euro
Annual Sale	295,200.0 million Rail's \cong 1.15 million Euro
Net Present Value(NPV)	84,309.13 million Rail's \cong 0.328 million Euro
Break Even Point(BEP)	43.11%
Internal Rate of Return(IRR)	31.27%
Investment Return Period	4.5 years
<u>Investment Sources Ratio:</u>	
Equity: 15.7%	33,835.74 million Rails \cong 0.132 million Euro
Finance: 84.3%	182,000.00 million Rails \cong 0.708 million Euro

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Introduction:

Given that Iran is subjected to the United States sanctions and is less likely to use and import new technology into technology-driven industries, reason dictates that more focus be placed on domestic production of simpler technology-imported products, as it will both reduce foreign currency outflow and create significant employment and value-added opportunities for the country. ABS luggage and laptop bags are among the products that have been imported from countries such as China and Taiwan in recent decades. Although closely related to each other in terms of functionality, they differ somewhat in manufacturing process, and laptop bags are manufactured by tailoring and converting special fabrics for this type of bag, while ABS luggage is the result of an industrial process like molding, pressing and laser cutting through machines specific to this product.

As stated above, due to the increasing demand of the country for the use of this product, Mr. Shahaboddin Mohammadian has been producing the bags and backpacks with the “LAND SEA” brand in the form of “Sara Bahr & Bar Arvand Company for about 5 years in Arvand Free Zone, Abadan Industrial Estate No.1 is in a workshop for rent and plans to transferring the workshop to Khorramshahr Industrial Estate and expanding it by attracting more liquidity to produce ABS luggage. For this reason, a 3050-square-meter land has been provided in Khorramshahr Industrial Estate. It should be noted that the company's products are sold in the whole country through order registration, reputable online store "Digi Kala" as well as direct sales.

This industrial unit has the capacity to produce the aforementioned two products by attracting liquidity at its full capacity. The purpose of this plan is to attract investors to provide liquidity for the import of ABS luggage and textile machinery. It should be noted, however, that if the investor wishes to import and supply up-to-date machinery with modern technology, it will be welcomed.



1- product introduction :

The project aims to produce 30,000 laptop bags and backpacks and 12,000 ABS luggage per year.

▪ Laptop bag and backpack

We need a device to transport digital devices so that we can use it safely and effortlessly by putting our devices inside it. Bags, backpacks or covers are commonly used to transport laptops. Laptop bags are a commodity that has become increasingly popular over the last decade due to the expanding use of laptops. The laptop case has features more than conventional ones, such as bump and protective covers, mouse casing, power bank and accessories and more.

Most of the cheap laptop bags are manufactured by plastic and polyester but these products have not good quality and durability whereas high quality laptop bags are made of "tarpaulin". Laptop bags made from natural or synthetic leather may not be able to withstand high weights because over time it changes its original form.

An example of the products of "Sara Bahr & Bar Arvand Company as LAND SEA brand"



Features of Laptops' bags produced by this company :

- Suitable for 13 to 17-inch laptops
- Having plenty of space and plenty of pockets: In addition to carrying a laptop, portability and embedding other essentials such as flash memory, power bank, charging, mobile or book, office and other everyday items. This way the laptop case should have several internal and external pockets with separate space for special equipment.
- Air-Cell Enclosure: These cells are bulked up in this compartment and are arranged so that they can repel forces entering the device so as not to hit the laptop body.



Features of backpacks produced by this company:

- Suitable for 13 to 17-inch laptops
- Having a cell pad to protect the spine
- Use antiperspirant medical pads to ventilate and prevent sweating in the backpacks
- Use the stock for comfort, safety, and non-slip positioning on the ground and on a variety of surfaces
- Having AUX and USB ports for connecting to Power Bank and Handsfree ...
- Providing separate and convenient spaces for placing books and documents, cards and notebooks, personal belongings and daily necessities
- Having orthopedic straps

■ ABS luggage

ABS is a combination of three acrylonitrile, butadiene and styrene plastics and has an amorphous structure. ABS is one of the most widely used plastic raw materials because of its reasonable price as well as its mechanical, thermal and chemical balancing properties. ABS has good dimensional strength and good thermal resistance as well as high impact resistance. This polymer is very scratch resistant. It is mainly used in pipes for the transportation of petroleum products, luggage, pipes, home appliances, furniture, automobile components, telephones and electrical equipment. Acrylonitrile provides chemical resistance, hardness and melting power. The butadiene provides high impact resistance and styrene provides resistance against heat, processing, color and hardness. Combining these three features together are excellent for impact

resistance (for example, luggage holder) and excellent processing (shaping) as well as excellent mechanical properties; high heat distortion temperature and gloss.

In luggage manufacturing, ABS is the cheapest hard material to use. It is also light and makes the ABS luggage cheaper than many other similar variants but unfortunately does not have high durability. However, the majority of luggage makers use ABS along with other materials to make a stronger luggage overall.



1-1-Product Name and ISIC Code (ISIC3):

It should be noted that the laptop bag and backpack do not have their own ISIC code and are classified in the category of bags.

<i>Product name</i>	<i>ISIC Code</i>	<i>Unit</i>
Plastics suitcases (luggage)	1912512310	<i>Piece</i>
Luggage and bags	1912312301	<i>Piece</i>

Source: organization of Industry, mine and trade

1-2- Customs Tariff Code:

Examination of the Book of Export and Import Regulations of the Islamic Republic of Iran revealed that the tariff for "Laptop bag and ABS luggage" is as follows.

Heading subheading No.	Description
4202	Trunks, , Suitcases, luggage, brief cases & etc
42021200	Trunks, , Suitcases ,luggage, brief cases & etc with outer surface of plastics or of textile materials
42021900	Other

Source : export-import regulations (2020)

It should be noted that the laptop bag does not have its own customs tariff number and is subjected to tariff code 42021900 "Others".

1-3-Product Import and Export Conditions:

According to the rules of export and import of the Customs of the Islamic Republic of Iran, the following conditions and tariffs for the import or export of luggage and bags are as follows:

Heading Subheading No.	Description	SUQ	Import duty
42021200	Trunks, , Suitcases ,luggage, brief cases & etc with outer surface of plastics or of textile materials	U	55
42021900	Other	U	55

Source : export-import regulations (2020)

1-4- Review and presentation of standard (national or international)

- National Standard

Number	Description	country
14537	Plastics, Acrylonitrile-butadiene-styrene (ABS), molding and extrusion materials Leather-Leather products-Soft-Top suit cases-specifications and test methods	Iran

-International Standard

ISO 2580-1: 2002, Plastics — Acrylonitrile-butadiene-styrene (ABS) molding and extrusion materials

The standard of ABS luggage is defined by their size. They are designed and manufactured in four sizes of 16, 20, 24 and 28 inches.



However, the most common sizes for this type of suitcase are 20, 24 and 28 inches.



Also, the standard of laptop bag and backpack is defined by the size of laptops and usually ranges from 13 inches to 17 inches and even higher.

1-5- Reviewing and providing necessary information on domestic production prices as well as global product prices

- The global price of ABS luggage is about € 80 on average, depending on the type and quality of manufacture, as well as the dimensions and sizes of this product.
- The average price of a laptop bag and backpack is about €12.5 on average, depending on the type and quality of manufacture, as well as the dimensions and sizes of this product.
- In Iran, the price of laptop bags and backpacks is on average around 300,000 Tomans which varies depending on the type and quality of manufacture, as well as the dimensions and sizes of this product. The price can reach 900,000 Tomans too.
- In Iran, the price of ABS luggage is about 2 to 4 million Tomans on average, which varies depending on the type and quality of manufacture and also on the dimensions and sizes of this product.

No.	Title	Price	
1	ABS Luggage	global	80 Euro
		domestic	2 to 4 million Tomans \cong 78-156 Euro
2	Lap top bags and Backpack	global	12.5 Euro
		domestic	300.000 Tomans \cong 11.67 Euro

1-6- Explaining the uses of the product in the domestic and foreign markets

The main use of ABS luggage, bags and backpacks are to carry and facilitate the transportation of personal and laptop items. In fact, luggage has long been a means of travel and transportation for travelers, the main feature of ABS luggage is the robustness, lightness and resistance to impacts likely to occur in the travel process, for example in aircraft, as well as cheap and appropriate price.

Bags and backpacks for carrying laptops, in addition to making it easier to transport these types of computers and digital devices, protecting them against hardware damage.

1-7- Investigation of alternative commodities, competitors, analysis and their effects on product consumption

Other products that replace ABS luggage include polyester, nylon, aluminum, polycarbonate, polypropylene, PVC and recently nano luggage. In fact, the ABS luggage features are their bump, beauty, lightness and reasonable price, but in general, each type of luggage has the ability to replace each other depending on consumer preferences.

In the case of laptop bags and backpacks, the types of tarpaulins intended to be manufactured in this design are mostly synthetic and genuine leather.

1-8- The strategic importance of the product in Iran and foreign markets

Considering the epidemic of luggage, bag and backpacks, these two products can be significant, but they cannot be considered strategic. Because their absence or lack is not a crisis for a national economy. Obviously, the importance of producing these products for the Iranian economy should be taken into account in terms of reducing imports and increasing their profit and employment margins, since the production of these products in addition to the development of domestic employment will lead to a reduction in foreign currency outflows. Therefore, the domestic production of these goods is of considerable importance to the Iranian economy.

1-9- Major producer and consumer countries

China is one of the largest manufacturers of luggage and laptop bags. In addition to China, the most important countries producing ABS luggage, bags and backpacks are:

No.	Brand name	Producing country
1	American Tourister	United States of America
2	Samsonite	United States of America
3	Travelpro	United States of America
4	Eagle Creek	United States of America
5	Polo Class	-
6	Victorinox	Switzerland
7	Carlton	United Kingdom

Major consumers of ABS luggage and bags and laptop backpacks are populated countries such as China, Russia, the United States, and Brazil.

2. Situation of supply and demand in Iran and foreign markets

2.1. Study of utilization capacity and production process since the beginning of the Sixth Five Year Economic Development Plan, unit location, the number and level of technology of available units, nominal capacity, practical capacity, lack of full capacity utilization reasons, the name of country and manufacturer of machinery used in production

According to the statistics of the units with active exploitation licenses provided by the Organization of Industry, Mine and Trade, there are currently 4 industrial units with a nominal capacity of 187,000 in the field of bag and backpack production in the whole country which are located in Hamedan, Qom, Semnan and Khuzestan provinces. It should be noted that there is no ABS luggage manufacturer in Iran.

Sara Bahr & Bar Arvand Company, located in Arvand Free Zone, Abadan Industrial Estate, Khuzestan, is one of the major manufacturers of High-quality laptop bags that sells their products throughout the country in addition to direct supply in Khuzestan.

It should be noted that some of the domestic manufacturers are informally producing laptop bags, mainly through imports and mainly from China. The status and amount of production of these units are presented in the following table.

The varied daily prices of raw materials, problems such as over-imports of these commodities, liquidity and many other big and small problems have made the industry weaker than its foreign competitors; Official manufacturers of these products do not even reach the number of fingers.

In the case of machine-building countries, we can mention the countries of China, Taiwan, and to a certain extent Germany, Italy, and Japan, they are the main suppliers of sewing machines. Of course, press machines are available from Iranian manufacturers as the following:

- Ghadir Machinery Company
- The Shayan Etemad Group
- Pars Hydraulic Naghshe Jahan

Of licensed operation unit in the field of production of bags and backpacks

No.	Province	Number of units	Capacity (Piece)	investment	
				Million Rials	Million Euros
1	Hamedan	1	20,000	3,500	0
2	Qom	1	67,000	1,010	0.045
3	Semnan	1	88,000	5,800	0
4	Khuzestan	1	12,000	3,500	0
<i>nominal Total capacity</i>		4	187,000	13,810	0.045
<i>Practical capacity (%90)</i>		4	187,000	13,810	0.045

Source: organization of Industry, Mine and Trade

2.2. Study of the status of new projects and under construction development projects (In terms of number, capacity, operation place, the physical progress rate and the level of their technology and investments by both foreign exchange and other required) and semi-finished projects

According to information received from the Organization of Industry, Mine and Trade, the under construction unit of luggage and backpack production, is only limited to one production unit in East Azerbaijan whose production rate is presented in the table below.

Under Construction Units of producer luggage, bag and backpack with 20-59% of physical progress

No.	Province	Number of units	Capacity (Piece)	investment	
				Million Rials	Million Euro
1	East Azerbaijan	1	2,000	30,000	0
Total		1	2,000	30,000	0

Source: organization of Industry, Mine and Trade

2-3- The trend of product imports over the past five years

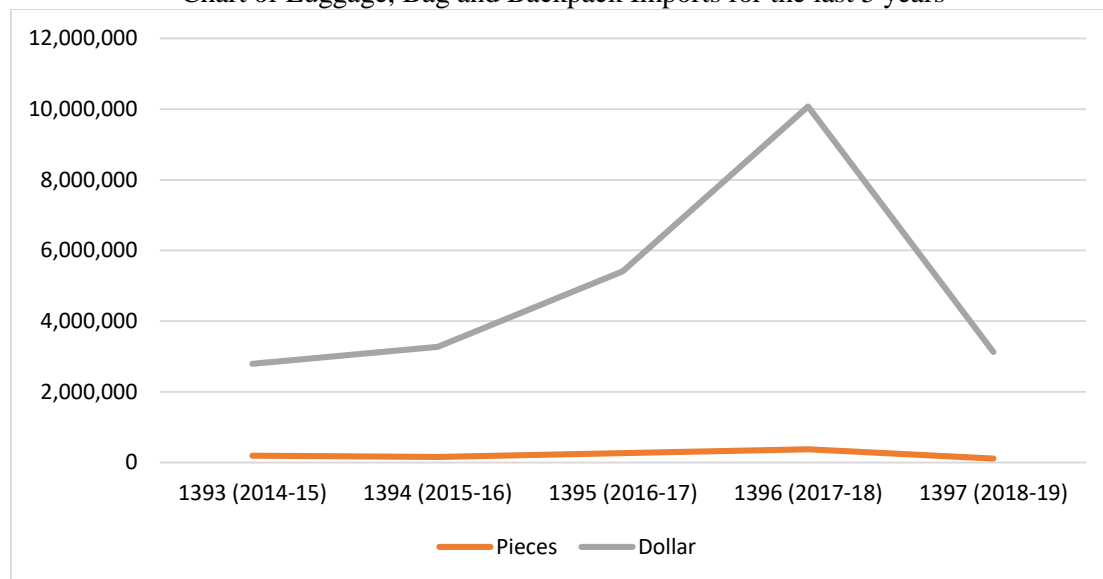
According to the country's customs statistics, the trend of luggage, bag and backpack imports has been rising for the last five years up to 2017-2018, but declined somewhat in 2019 (due to the high exchange rate in the country and its impact on imports). At present, China and the United Arab Emirates have the largest amount of imports in our country. China is the main exporter to Iran with supplying more than 70% of these products over a long distance.

Imports of Luggage, Bag and Backpack in the last 5 years (2014-2019)

Year	Piece ¹	Rials	Dollar	Description (Highest import / country percentage)
2018-19	109,079	129,432,616,415	3,128,776	China 74%-United Arab Emirates 24%
2017-18	374,612	341,351,454,718	10,071,752	China 75%-United Arab Emirates 19%
2016-17	263,304	170,965,601,108	5,410,003	-
2015-16	155,274	97,224,000,849	3,268,081	-
2014-15	191,197	74,337,869,388	2,787,357	-

1-The calculation of the amount of consumption and the future need of the commodity has been converted from "kg" to " Piece".

Chart of Luggage, Bag and Backpack Imports for the last 5 years



Imports of luggage, bags and backpacks divided by country in 2018-2019

No.	counterparty country	Weight (kg)	Rail's value	Dollar value	Weight ratio (Wt%)
1	China	485,641	95,723,467,107	2,319,269	74.20
2	United Arab Emirates	155,570	22,597,517,811	538,659	23.77
3	Germany	2,686	2,160,337,490	56,829	0.41
4	Portugal	2,572	3,345,826,486	79,662	0.39
5	Bulgaria	2,118	1,506,500,943	35,869	0.32
6	Hong Kong	1,759	741,272,000	19,600	0.27
7	Belgium	1,355	1,038,786,000	24,686	0.21
8	Italy	856	914,102,301	21,143	0.13
9	Spain	572	445,019,740	10,596	0.09
10	Turkey	488	98,493,001	2,345	0.07
11	Czech Republic	346	473,292,576	10,880	0.05
12	Taiwan	277	174,120,960	4,146	0.04
13	England	200	145,800,800	3,471	0.03
14	France	35	68,079,200	1,621	0.01
Total		654,475	129,432,616,415	3,128,776	100.00

Source :The Islamic Republic of Iran Customs Administration (2020)

Imports of luggage, bags and backpacks divided by country in 2017-18

No.	counterparty country	Weight (kg)	Rail's value	Dollar value	Weight ratio (Wt%)
1	China	1,693,367	237,477,625,267	7,004,524	75.34
2	United Arab Emirates	435,591	51,753,392,934	1,534,081	19.38
3	Turkey	55,266	19,057,356,569	577,030	2.46
4	Portugal	23,141	14,807,160,294	426,612	1.03
5	Germany	11,262	6,219,846,724	179,175	0.50
6	Switzerland	6,087	1,871,071,549	56,192	0.27
7	Oman	5,328	293,355,000	9,000	0.24
8	Italy	2,964	2,246,246,158	63,501	0.13
9	Belgium	2,760	1,681,286,380	49,345	0.12
10	Spain	2,549	1,968,624,370	57,963	0.11
11	Georgia	1,675	572,010,151	17,584	0.07
12	Bangladesh	1,402	1,079,250,060	29,207	0.06
13	France	1,111	772,733,412	22,631	0.05
14	Hong kong	1,080	375,859,217	10,640	0.05
15	Japan	1,074	309,687,632	8,596	0.05
16	Denmark	890	149,711,374	4,411	0.04
17	Taiwan	764	289,554,450	8,250	0.03
18	Azerbaijan	515	172,796,250	5,325	0.02
19	Indonesia	500	112,272,222	3,459	0.02
20	Netherlands	185	111,536,820	3,326	0.01
21	Austria	90	14,508,720	425	0.004
22	Bulgaria	47	13,785,240	420	0.002
23	Thailand	21	1,783,925	55	0.001
Total		2,247,668	341,351,454,718	10,071,752	100

Source :The Islamic Republic of Iran Customs Administration (2020)

2-4- Consumption trends over the past five years

At the outset of the process of luggage, bag and backpack consumption, it is important to note that a significant amount of these products are manufactured illegally and by forging reputable brands. Therefore, given the lack of reliable statistics on the amount of production, the statistics presented on the production rate may not be accurate and tell the facts. It is making it more difficult to examine the production process and consumption when the importation of smuggling has also affected the market for these products.

Lastly, there is a lack of segregation of luggage production figures (polyester, nylon, aluminum, ABS, polycarbonate, polypropylene, PVC), and bags and backpacks which is also difficult to quantify. This has added to the difficulty of providing a clear picture of the amount of production and consumption of ABS luggage and a laptop bag and backpack.

But to illustrate the extent of domestic consumption, however, the same statistics have been built up by adding an approximation for some years. As can be seen from the following tables, the apparent amount of luggage, bag and backpack consumption was estimated at 405,000 in 2019-2020.

Estimating apparent consumption of luggage, bags and backpack in the country over the past 5 years (2014-2019)

	2014-2015	2015-2016	2016-2017	2014-2015	2015-2016	2019-2020
Domestic production (Piece)	130,900	201,960	273,955	332,860	370,260	396,440
Imports (Piece)	191,197	155,274	263,304	374,612	109,079	109,079
Export (Piece)	14,344	8,414	12,568	8,875	99,698	99,698
The apparent consumption (Piece)	307,753	348,821	524,691	698,597	379,642	405,822

2-5-Investigating the export trend of the product over the past five years and the possibility of its development

The chart shows the progress in the export of luggage, bags and backpacks, both in number and in terms of currency, so the numbers changed from 14,000 in 2014 to 99,000 in 2019; The main export destination of luggage, bags and backpacks in Iran is Iraq and Azerbaijan. The increase in the price of this product and the marked increase in the exchange rate have increased exports of this product, but it should be noted that between 2015 and 2019, exports of these products have dropped significantly.

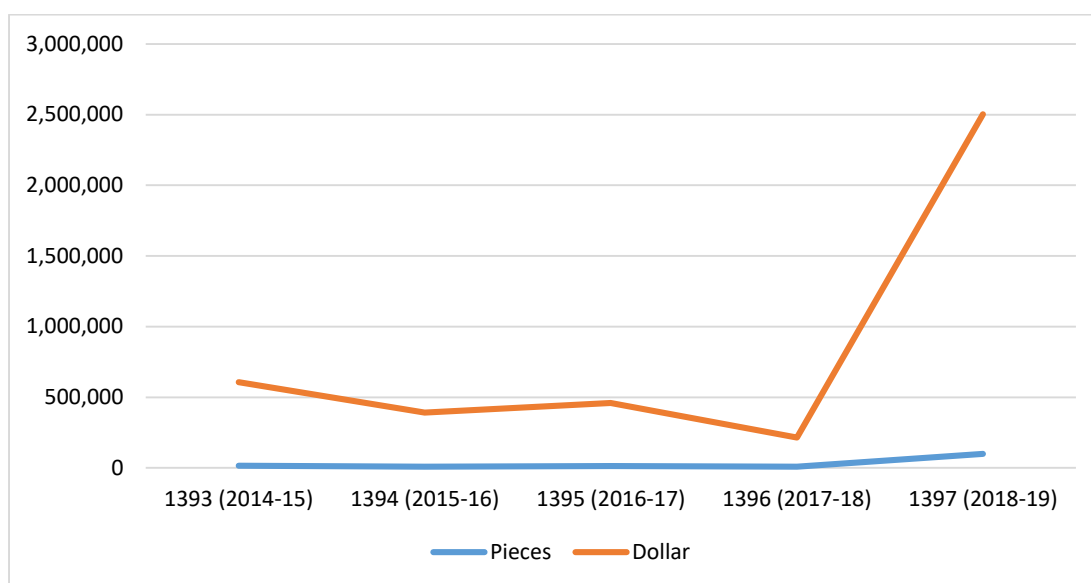
Exports of luggage, bag and backpack in the last 5 years (2014-2019)

year	Piece ¹	Rail's value	Dollar value	Description
2018-19	99,698	185,173,355,081	2,502,638	83% Iraq, 5% Turkmenistan
2017-18	8,875	7,295,721,211	214,948	56% Iraq, 20% Azerbaijan,
2016-17	12,568	14,520,598,452	460,191	
2015-16	8,414	11,576,737,043	392,180	
2014-15	14,344	16,046,413,175	606,095	

Source :The Islamic Republic of Iran Customs Administration (2020)

1-The calculation of the amount of consumption and the future need of the commodity has been converted from "kg" to " Piece ".

The chart of the amount of export of luggage, bag, backpack in the last 5 years



Exports of luggage, bags and backpacks divided by country in 2018-2019

No.	counterparty country	Weight (kg)	Rail's value	Dollar value	Weight ratio (Wt%)
1	Iraq	495,684	150,713,075,264	2,045,204	82.86
2	Turkmenistan	29,831	18,380,624,886	232,060	4.99
3	Azerbaijan	26,417	4,504,806,191	69,512	4.42
4	Afghanistan	19,916	5,288,251,531	72,690	3.33
5	United Arab Emirates	9,467	2,089,536,856	27,777	1.58
6	Georgia	5,178	1,109,780,277	13,908	0.87
7	Russia	3,097	847,190,544	9,291	0.52
8	Turkey	1,750	440,090,730	4,845	0.29
9	Kuwait	1,615	481,493,527	5,417	0.27
10	China	914	152,245,200	3,471	0.15
11	Jordan	890	132,749,400	3,149	0.15
12	Tajikistan	842	117,416,500	2,202	0.14
13	Qatar	491	164,006,001	1,804	0.08
14	Bahrain	383	53,231,973	1,149	0.06
15	Germany	300	217,876,680	2,520	0.05
16	Australia	285	116,612,650	2,390	0.05
17	Kyrgyzstan	264	34,452,000	792	0.04
18	Sweden	214	96,456,075	1,063	0.04
19	Canada	204	130,011,752	1,612	0.03
20	Lebanon	140	51,890,124	612	0.02
21	England	120	5,405,120	127	0.02
22	Kazakhstan	90	15,120,000	360	0.02
23	Taiwan	30	5,290,800	120	0.01
24	Finland	25	9,576,000	225	0.004
25	Switzerland	20	2,520,000	60	0.003
26	Hungry	10	10,344,000	240	0.002
27	Colombia	9	3,301,000	38	0.002
Total		598,186	185,173,355,081	2,502,638	100.00

Source :The Islamic Republic of Iran Customs Administration (2020)

Exports of luggage, bags and backpacks divided by country in 2017-2018

No.	counterparty country	Weight (kg)	Rail's value	Dollar value	Weight ratio (Wt%)
1	Iraq	30,094	2,954,095,479	88,405	56.52
2	Azerbaijan	10,952	2,422,283,588	70,346	20.57
3	Afghanistan	7,992	1,097,131,718	32,144	15.01
4	Turkmenistan	1,310	357,868,980	11,004	2.46
5	Kuwait	850	62,671,103	1,727	1.60
6	United Arab Emirates	486	27,573,150	850	0.91
7	Italy	300	22,617,000	600	0.56
8	Qatar	265	49,256,875	1,325	0.50
9	Germany	220	9,064,440	260	0.41
10	Netherlands	155	10,054,850	310	0.29
11	USA	150	14,769,900	450	0.28
12	Lebanon	147	172,767,967	4,675	0.28
13	Georgia	125	24,918,817	763	0.23
14	Canada	70	2,659,916	82	0.13
15	Oman	64	5,354,088	165	0.12
16	Australia	50	17,971,380	510	0.09
17	Taiwan	19	44,661,960	1,332	0.03
Total		53,249	7,295,721,211	214,948	100

Source :The Islamic Republic of Iran Customs Administration (2020)

2-6- Examining product need with export priority

Considering the growth trend of luggage, bag and backpack consumption over the past 5 years which represents an average growth of 6% annually. We can say cautiously, it accounts for about half (3%) of this growth as consumption growth for the year 2020 to 2025. Also based on the resilience economy, oil sanctions and the need to focus on exporting non-oil products. Export growth is also considered as export growth with the average of the past five years being around 48% and about half (20%). Therefore, it is calculated on the basis of deficiency or surplus of luggage, backpack and backpack for the next 5 years.

As Can be Seen In the table below, The country encounters the shortage of about 241000 Pieces of luggage, bag and backpack by 2025 which can be met through expansion of existing factories, establishing new ones, or importing the products.

Estimation of luggage, bag and backpack demand over the next 5 years

Production	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
The domestic consumption (<i>Piece</i>)	417,996	430,536	443,452	456,756	470,458
Export (<i>Piece</i>)	119,637	143,564	172,277	206,733	248,079
Total demand (<i>Piece</i>)	537,633	574,100	615,729	663,488	718,538
Output of current units (<i>Piece</i>)	396,440	396,440	396,440	396,440	396,440
Production of new operational units (<i>Piece</i>)	16,755	50,565	66,871	75,099	80,934
Total supply (<i>Piece</i>)	413,195	447,005	463,311	471,539	477,374
Shortage	124,438	127,096	152,418	191,949	241,164

3- Overview of technology and production methods and product supply in the country and compare it with other countries

-ABS luggage

After preparing ABS sheets from suppliers in both white and colored, the profiles are molded by the press machine and then transferred to the automatic laser cutting machine in order to cut through this device and its possible scrap, The profiles are then cut and punched and the wheels installed by the workers. It is after this stage that other equipment is installed and ready to ship.

-Laptop bag and backpack

After preparing tarpaulin, linen fabric, zippers and other fittings by laser cutting and mass-cutting, the bags and backpacks are produced with an applique process (sewing and embroidery) with sewing and embroidery machines.

4- Determination the strengths and weaknesses of conventional technologies in the process of production

According to the technology in the product manufacturing process, the strengths and weaknesses of the manufacturing process are as follows:

Weaknesses

- Using non-industrial production methods, mainly underground and copied from reputable brands
- Importing a significant portion of the raw materials needed for the production of ABS luggage and laptop bags and backpacks
- Non-compliance with world standards in production
- High pressure on smuggled goods on production activists
- Low cost of imported goods and reduced competitiveness of imported foreign goods

Strengths

- Easy access to ABS luggage manufacturing technology and laptop bag and backpack
- Possibility of mass production using laser cutting machine

5. Determine the minimum economic capacity includes the estimated volume of fixed investment estimated volume with the separation of Rials and foreign exchange (Using information of available and under construction units, UNIDO, internet, the global data banks, technology selling companies and equipment, etc.)

According to domestic market needs especially Khuzestan province and taking into account export nominal annual capacity of the project are: **12,000 ABS luggage and 30,000 laptop bags and backpacks annually**

Considering the need for liquidity to supply raw materials, manpower efficiency and unforeseen factors, the practical capacity utilization is projected to be 70, 80, 90 and 100% of nominal capacity during the first four years.

It takes about 12 months to complete and purchase the equipment. It is also expected to produce this product in 250 working days and an 8-hour shift per day.

Plan production and sales over the next 5 years

Years of operation		first year	second year	third year	Forth year	fifth year
Percentage of capacity		70	80	90	100	100
ABS luggage		8,400	9,600	10,800	12,000	12,000
laptop bags and backpacks		21,000	24,000	27,000	30,000	30,000
The income of selling						
ABS luggage (17.1 million Rials per piece)		143,640	164,160	184,680	205,200	205,200
laptop bags and backpacks (3 million Rials per piece)		63,000	72,000	81,000	90,000	90,000
Total sales	million Rials	206,640.0	236,160.0	265,680.0	295,200.0	295,200.0
	Million Euro	0.80	0.92	1.03	1.15	1.15

Exchange rate:

1 Euro \cong 257,000 Rials

1\$US \cong 217,000 Rials

1\$Yuan \cong 34,500 Rials

Table of Project Investment

Description	incurred Costs (million Rials)	required Costs					Total Costs	
		The Foreign currency			Local Currency	Total (million Rials)	Million Rials	Equivalent in million Euro
		Million Dollar'S	Million Yuan	Equivalent Rails (million Rails)	million Rails			
land	4,270.0	0	0	0	0.00	0.00	4,270.0	0.017
landscaping	0.0	0	0	0	5,067.50	5,067.50	5,067.50	0.020
Construction	0.0	0	0	0	59,600.0	59,600.00	59,560.0	0.232
utilities	0.0	0	0	0	3,400.0	3,400.00	3,400.0	0.013
Equipment& Machinery	5,300.0	0.332	0	72,044.00	0.00	72,044.00	77,344.00	0.301
laboratory equipment	0.0	0	0	0	0.00	0.00	0.0	0.0
transportation	0.0	0	0	0	0.00	0.00	0.0	0.0
Office Equipment & Supplies	280.0	0	0	0	630.0	630.0	910.0	0.04
Other and unpredicted	0.0	0.0166	0	3,602.20	3,432.88	7,035.08	7,035.08	0.027
total	9,850.0	0.349	0	75,646.20	72,090.38	147,736.58	157,586.58	0.613
Pre-Production expenditures	500.0	0	0	0	1,000.0	1,000.0	1,500.0	0.006
Total of fixed Capital	10,350.0	0.349	0	75,646.20	73,090.38	148,736.58	159,086.58	0.619
Working capital	0.0	0	0.255	8,790.60	47,958.56	56,749.16	56,749.16	0.221
Total Investment	10,350.0	0.349	0.255	84,436.80	121,048.94	205,485.74	215,835.74	0.840

Exchange rate:

1 Euro \cong 257,000 Rials

1 Dollar \cong 217,000 Rials

1 Yuan \cong 34,500 Rials

land specification of project as follows as:

Description	Area(m ²)		Cost (million Rails)			Equivalent in Euro
	done	required	done	required	Total	
land	3050	0.0	4,270	0.0	4,270.0	16,614.8

landscaping price as follows as:

Description	Area		Cost (million Rails)			Equivalent in Euro
	done	required	done	required	Total	
filling and leveling the land	0.0	3000 m ³	0.0	750.0	750.0	2,918.3
brick Wall (2.5 meters height)	0.0	261 m	0.0	3,132.0	3,132.0	12,186.8
Asphalt and sidewalk	0.0	500 m ²	0.0	500.0	500.0	1,945.5
Green space and lighting	0.0	457 m ²	0.0	685.5	685.5	2,667.3
total	0.0		0.0	5,067.5	5,067.5	19,717.9

Construction items Information:

Description	Square meters area (m ²)		Unit price (Rial)	Total cost (million Rails)			Equivalent in Euro
	Done	Required		Done	Required	Total	
Production salon: Industrial shed	0	1000	28,000,000.0	0.0	28,000.0	28,000.0	108,949.4
Raw material and product warehouse: Industrial shed	0	1000	28,000,000.0	0.0	28,000.0	28,000.0	108,949.4
Administrative buildings and services	0	120	28,000,000.0	0.0	3,360.0	3,360.0	13,073.9
Electronic room	0	10	20,000,000.0	0.0	200.0	200.0	778.2
Gate guard	0	10	20,000,000.0	0.0	200.0	200.0	778.2
Total infrastructure and costs	0	2130	-	0.0	59,560.0	59,560.0	231,751.0

Utilities:

Description	Number/amount Technical Specifications	Required costs (million Rail's)			Equivalent in Euro
		Done	Required	Total	
Electrification	Electric power 75 KW	0.0	1,700.0	1,700.0	6,614.8
Water	1/2-inch split-water supply	0.0	500.0	500.0	1,945.5
Split and piping for gas		0.0	400.0	400.0	1,556.4
cooling and heating system	Split Air Condition	0.0	600.0	600.0	2,334.6
fire Alarm and extinguisher		0.0	200.0	200.0	778.2
Total		0.0	3,400.0	3,400.0	13,229.6

Equipment& Machinery of production line:

Description		Qty		The foreign currency (Dollar)		Equivalent Rails (million Rails)	Local Currency (million Rails)		Total costs (million Rails)	Equivalent in Euro
		Done	Required	Done	Required		Done	Required		
Production Machinery for Bags and Backpacks										
1	Double bases Inflatable Sewing Machine	3	10	0	20,000.0	4,340.0	1,200.0	0.0	5,540.0	21,556.4
2	Double bases Magnetic Sewing Machine	3	2	0	2,000.0	434.0	600.0	0.0	1,034.0	4,023.3
3	Arm Sewing Machine	2	0	0	0.0	0.0	800.0	0.0	800.0	3,112.6
4	press machine	1	1	0	10,000.0	2,170.0	1,500.0	0.0	3,670.0	14,280.2
5	embroidery machine	1	-	0	0.0	0.0	1,200.0	0.0	1,200.0	4,669.3
6	Laser cutting machine	-	1	0	110,000.0	23,870.0	0.0	0.0	23,870.0	92,879.4
Production Machinery for ABC Luggage										
1	Thermal press machine	0	1	0	190,000.0	41,230.0	0.0	0.0	41,230.0	160,428.0
2	cutting machine									
3	Moulds									
Total					332,000.0	72,044.0	5,300.0	0.0	77,344.0	300,949.4

Office Equipment & Supplies and Services:

Description	Qty		The foreign currency (EUR)		Equivalent Rails (million Rails)	Local Currency (million Rails)		Total costs (million Rails)	Equivalent in Euro
	Done	Required	Done	Required		Done	Required		
Office furniture	0	1	0	0	0	0	100	100	389.1
chairs	10	20	0	0	0	100	200	300	1167.3
Fax	0	1				0	50	50	194.6
Phone / Modem	0	1	0	0	0	0	30	30	116.7
Computers	1	1	0	0	0	100	100	200	778.2
Printer	1	1	0	0	0	0	50	50	194.6
Refrigerator	1	1	0	0	0	80	100	180	700.4
Total						280.0	630.0	910.0	3,540.9

Working capital:

Description	duration	The foreign currency		Local Currency	Total (Million Rials)	Equivalent in Million Euro
		Million Yuan	Equivalent Rials (Million Rials)	Million Rials		
Raw Material and Packaging	2 Months	0.255	8,790.60	20,980.00	29,770.60	0.116
Semi-produced products	10 days	0.0	0.00	5,840.68	5,840.68	0.020
Account receivable	1 Month	0.0	0.00	18,152.67	18,152.67	0.071
Cash in hand	1 month	0.0	0.00	2,985.21	2,985.21	0.011
Total		0.255	8,790.60	47,958.56	56,749.16	0.221

Production costs:

Description	Amount (Million Rials)	Equivalent in (Million Euro)
Costs of raw materials and packaging	178,623.60	0.695
Cost of production personnel salary	15,317.60	0.060
Cost of utilities (fuel and electricity, water ...)	434.50	0.002
Cost of repair and maintenance	5,859.26	0.023
cost of unforeseen production	10,030.00	0.039
Depreciation expense	12,405.45	0.048
Administrative personnel salary	4,165.60	0.016
Costs of administrative and sales	2,952.00	0.011
Cost of financial facilities	7,644.00	0.030
Factory insurance	450.00	0.002
Total sum	237,882.01	0.926

6-The annual major required raw materials and annual and to supply outside or inside the country, domestic and foreign exchange and checking the major developments in the supply of essential required items in the past and future

ABS luggage, laptop bags and backpacks are usually products that are marketed mainly by counterfeit and copied brands or are smuggled into the country through formal and informal bases. Among the highlights of these two products are the increasing market demand, which may be attributed to the expansion of the use of personal laptops and the increased attention of Iranian families to travel. It should be noted that, according to industry activists, about 70% of the raw materials under consideration are supplied from overseas and in particular China, although the establishment of a production unit in the Arvand Free Zone may provide suitable facilities for production. The quantity and price of raw materials needed to produce products in this plan are as follows:

Description	Consumption per product unit	Unit Consumption	The amount required for all capacity	Price of unit		Supplying Place	Total cost			Equivalent in Million Euro
				currency (million Yuan)	Equivalent (million Rials)		Local currency (million Rials)	Equivalent (Million Rials)	Total cost (Million Rials)	
12000 ABS luggage										
White ABS Sheet	0.0059	ton	35.4	0	1100	domestic	38,940.0	0	38,940	0.152
Colored ABS sheets	0.0059	ton	35.4	0	1100	domestic	38,940.0	0	38,940	0.152
Movable luggage wheel	4	pcs	48,000	0	0.25	domestic	12,000.0	0	12,000	0.047
Fittings and accessories	1	set	12,000	0	3	domestic	36,000.0	0	36,000	0.140
Liner (linen fabric)	1.8	m²	21,600.0	3	0	foreign	0	2,236.0	2,253	0.009
total							125,880	2,236.0	128,116.0	0.499
30000 laptop bags and backpacks										
Tarpaulin	0.55	Yard	16,500	37	0	foreign	0	20,493	20,493	0.080
Liner (linen fabric)	1.5	m²	45,000	2.8	0	foreign	0	4,658	4,658	0.018
Zip	2	m	60,000	5	0	foreign	0	11,385	11,385	0.044
Straps	2	m	60,000	4	0	foreign	0	9,315	9,315	0.036
Fittings and accessories	1	set	30,000	4	0	foreign	0	4,658	4,658	0.018
total							0	50,508	50,508	0.197
Total sum							125,880	52,743.6	178,623.6	0.695

7- Project risk analysis

Strengths:

- Placing the project in Arvand Free Zone and enjoying customs discounts for import of raw materials and machinery as well as tax exemptions
- The possibility of mass production and the ability to order in large scale and high production quality
- Technology-driven production process
- Having a history of producing, distributing and selling products through direct distribution as well as reputable online stores such as Digi Kala
- Low investment risk due to high demand in domestic and world markets
- Near to Iraq and the possibility of exporting there by cheap prices
- High internal rate of return and adequate return period

Weaknesses

- - Lack of liquidity to supply raw materials
- - Full competition market

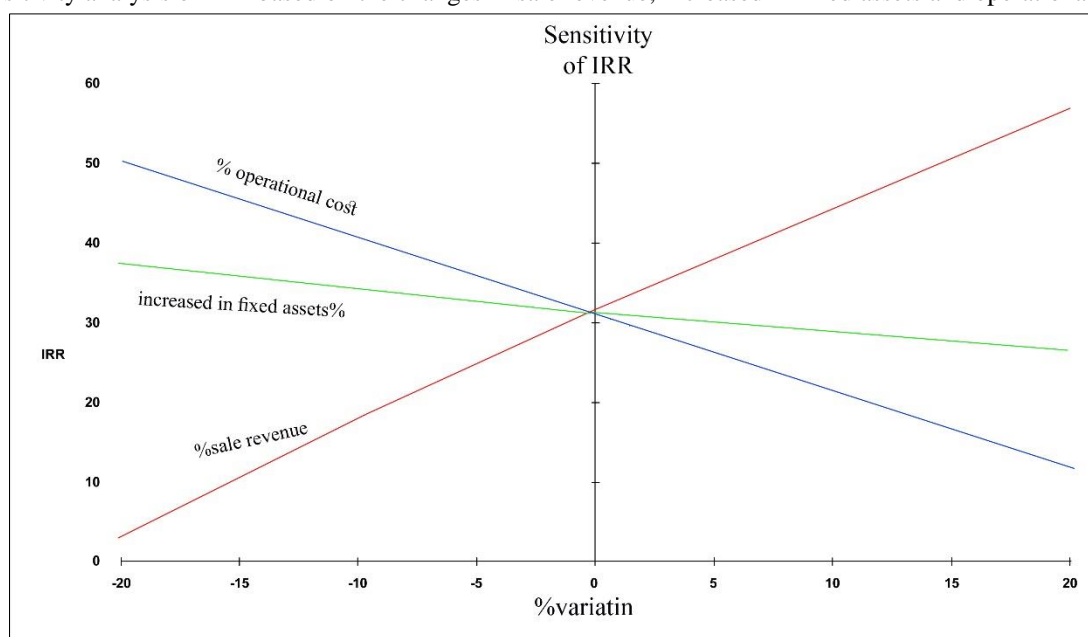
Opportunities:

- - Supporting domestic production
- - Supporting attracting foreign investors
- - Existence of a very large consumer market in the project area
- - Access to major axes and infrastructure such as freeway, south-north railway, access to open water for export

Threats:

- - International sanctions and its negative impact on exports
- - Variable inflation rates and rising production prices
- - The import of inappropriate products through smuggling.

Sensitivity analysis of IRR based on the changes in sale revenue, increased in fixed assets and operational cost



8. Human resources and employment status

The project employs 30 people, 24 in manufacturing and 6 in office. Due to the existence of prestigious universities and technical and vocational centers in Khuzestan province and Khorramshahr and Abadan, access to specialist human resources is provided.

Job Title	Sex		Required			Monthly salaries per person (million Rails)	Monthly salaries (million Rails)	Annual salaries (million Rails)	Equivalent in Euro
	F	M	Qty	Shift	Sum				
CEO		✓	1	1	1	60	60	984	3,829
Finance, sales, administration director,	✓	✓	1	1	1	50	50	820	3,191
Finance, sales, administration personnel	✓	✓	2	1	2	37	74	1,213.6	4,722
warehouse keeper		✓	1	1	1	40	40	656	2,553
Process engineer	✓	✓	1	1	1	45	45	738	2,872
production supervisor	✓	✓	1	1	1	42	42	688.8	2,680
Skilled worker	✓	✓	10	1	10	40	400	6,560	25,525
Worker	✓	✓	11	1	11	37	407	6,674.8	25,972
Guard		✓	1	2	2	35	70	1,148	4,467
Total			29		30		1188	19,483.2	75,810.0

9. Determine the amount of water, electricity, fuel, telecommunications and communication facilities (road - railway - Airport - Port ...) and how to provide them in the appropriate area to implementation

Khorramshahr Industrial Estate has basic infrastructure such as water, electricity, gas and telecommunication facilities. The distance from Khorramshahr city to Ahvaz (center of province) is 110 km. Khorramshahr Port is one of the major commercial ports of the country to facilitate export. It is also possible to export to Iraq via the Shalamchek border market with distance of 18 km from the project, 15 km to Abadan Airport and about 5 km to the national south-north railway station.

Description	unit	Annual consumption	Price per unit (Rails)	Total price (million Rails)	Equivalent in Euro
Electricity	KW	150,000	1,400	210	817.1
water	m ³	1,000	20,000	20	77.8
Gas	m ³	3,000	1,500	5	17.5
Other				200	778.2
total				435.0	1,690.7

10. Economic and trade support for plan

To stimulate the industrial section and related to the resistance to economy, several projects are implemented and the following are mentioned

- In order to study, exchange of views and coordination to resolve the problems and obstacles faced by manufacturing units, "the Working Group of facilitate and remove of production obstacles " is formed in all provinces and with membership of the governor (chairman), head of the provincial Ministry of Industry, Mine and Trade (Secretary), management and planning organization chairman, President of the Chamber of commerce, Industries, mines and Agriculture of province and chairman of the house of industry, mine and trade. The main tasks of this working group can be mentioned as follows:
 - Helping to expedite the completion and commissioning of the production of semi-finished projects and develop
 - Support and contribute to the export development of provincial products.
 - Investigating slowdown causes or production units suspension and problem solving coordination.
- **Working Group on Economy of Resistance (boom):** Regarding to the economy resistive of Ministry of Industries and Business in Act 12868 dated 2016.21.4, the funding are considered in order to completing industrial plans with a physical progress more than 60% and also improving the competitiveness of small and medium production units to increase exports.
- **Investment Guarantee Fund of Small Industries:** The credit guarantees issuance is guaranteed to facilitate financing was through small business facilities and securitized principal and interest and credit facilities granted by banks and financial institutions to small firms. This credit guaranties have been issued for applicants after expert review and validation, obtaining fees with the required securities and warranty credit.

10.1. Supporting of Customs tariff (products and machines) with global tariff

In order to support domestic production and ease of technology supply, the machines input rights to the project are relatively low at around 5 to 10%. Also the import right of the bags and the luggage for import is very high and about 55%, thus supporting domestic production.

10.2. financial support (existing units and projects) banks - investment firms

The most important sources of financial credit from banks, can be cited as follows.

1. **Foreign exchange reserves:** The surplus proceeds from the sale of crude oil facility will be provided support and finance of part of the foreign exchange needs of producers and exporters of private and cooperative sectors. In the framework of contracts and Islamic banking laws and regulations enacted by the opening credits are awarded based on the provisions of the import and export of goods and services.
2. **Economy of Resistance Committee (boom):** Now, funding is considered for the completion of a physical progress with 60% and industrial production units as well as enhance the competitiveness of small and medium enterprises to increase exports.

3. Foreign Investment Promotion and support Act:

Since 1955, the legal framework for foreign investment in Iran has been the Attraction and support of Foreign Investments law. In line with reforms in the economic structure of the country, the Iranian parliament has offered the foreign investment plan as a Foreign Investment Promotion and Support Act which legislated finally in 1381. This will lead to the development of the legal framework and operational environment for foreign investors in Iran. Some of the new developments in the field of foreign investments include:

- Islamic Republic of Iran is welcome of foreign investments by foreign persons, whether natural or legal persons in all areas of economic activity.
- Recognition of new investment methods in addition to foreign direct investment
- Short and quick process and approval application and foreign investment approval.
- Creating an unique organization called the Center for Foreign Investment Service Organization for Investment, Economic and Technical Assistance of Iran in order to focused and effective support of the activities of foreign investors in Iran
- Further liberalization of foreign exchange mechanisms for more use by foreign investors

In case of absorbing foreign investor, the government considers some bonus, such as:

1. Tax exemption for the products of foreign investing companies
2. Presenting insurance coverage for the investors
3. Presenting customs exemptions for importing equipment required by foreign investing companies
4. Granting subsidy for training local manpower
5. Preparing free zones for investment
6. Granting infrastructure facilities and less expensive public services such as water and power
7. Guaranteeing return on profit and the main capital and prevention from their confiscation and nationalization

11-Analysis and presentation of final conclusions and suggestions

The current situation of the Iranian economy faces both unprecedented domestic and foreign problems such as unemployment, inflation, high liquidity, and unprecedented external sanctions; Among all the challenging issues, it seems that from a domestic point of view, the main concern should be focusing on facilitating the expansion of industry and domestic production. Because it can both create productive employment and help attract wandering liquidity in the market.

It should not be forgotten, however, that a significant part of the Iranian economy and in particular products such as luggage, handbags and backpacks, are heavily influenced by the smuggling importation of such goods which are mainly low quality and high prices; This is due to the significant market demand for lightweight and inexpensive ABS luggage, which is increasingly important for domestic and foreign travelers, as well as the expanding role of technology in the lives of Iranians using personal and laptop computers. It has caused the need for carrying bags and backpacks;

It seems logical that given the background of “Sara Bahr & Bar Arvand Company” in the production of laptop bags and backpacks and a thorough knowledge of the provincial and overseas markets as well as access to Iraq's favorable markets and mobility to reduce the role of oil in the Iranian economy and to export through non-oil exports, the establishment and development of the “Sara Bahr & Bar Arvand Company” plant seems necessary. It should be noted that the project has an appropriate internal rate of return and a period of capital return as well as a good economic justification.

Cost of Piece	laptop bag	2,431,600 Rials \cong 9.46 Euro
	ABS luggage	13,740,000 Rials \cong 53.5 Euro
Sale price of Piece	laptop bag	3,000,000 Rials \cong 11.67 Euro
	ABS luggage	17,100,000 Rials \cong 66.54 Euro
total Sales(in 100% capacity)		295,200.0 million Rials \cong 1.15 million Euro
Present sales in break-even point		43.11%
Profit in 100% capacity		57,318.49 million Rials \cong 0.223 million Euro
Gross value added		110,282.6 million Rials \cong 0.43 million Euro
Net value added (million Rail's)		97,877.2 million Rials \cong 0.38 million Euro
The Gross value added to total Sales		37%
The Net value added to total Sales		33%
The Gross value added to Investment		52%
Investment Return Period		4.5 years

1 Euro \cong 257,000 Rials

1 Dollar \cong 217,000 Rials

1 Yuan \cong 34,500 Rials

12- Summary of pre-feasibility plan

General Specification	
Name of The Project	Production of ABS luggage and laptop bags and backpacks
Project Capacity	12000 luggage, 30000 laptop bag and backpack
Personnel Number	30 persons
Working Days	250 days
Product Usage	Luggage: Traveling (transportation of goods) Laptop Bag and backpacks: Carrying Laptops & Digital Devices
Marketing	
Product Global Price	luggage 80 Euro, laptop bag and backpack 12.5 Euro
Domestic Demand	379,642 Pieces
Domestic Production	370,260 Pieces
Import	109,079 Pieces
Export	99,698 Pieces
Technical Study	
Land Area	3050 m ²
Building Area	2130 m ²
Main Raw Materials	ABS sheet, Tarpaulin, Liner, fittings
Supplying Place of Raw Materials	Domestic and foreign supplier
Power Requirement	75 KW
Water Requirement	1000 m ³
Fuel Requirement	3000 m ³ gas
Economical & Financial Study	
Fixed Investment Cost	159,086.58 million Rails (0.349 million dollars & 83,440.83 million Rails) \cong 0.619 million Euro
Working Capital	56,749.16 million Rail's (0.255 million Yuan & 47,958.56 million Rails) \cong 0.221 million Euro
Total Investment Cost	215,835.74 million Rail's \cong 0.840 million Euro
Annual Sale	295,200.0 million Rail's \cong 1.15 million Euro
Net Present Value(NPV)	84,309.13 million Rail's \cong 0.328 million Euro
Break Even Point(BEP)	43.11%
Internal Rate of Return(IRR)	31.27%
Investment Return Period	4.5 years
<u>Investment Sources Ratio:</u>	
Equity: 15.7%	33,835.74 million Rails \cong 0.132 million Euro
Finance: 84.3%	182,000.00 million Rails \cong 0.708 million Euro