

## BUSINESS DEVELOPMENT & PARTNERSHIP DEPARTMENT

### PROJECT SHORT-BRIEF

Project Name		Country / Region		Date of Request
<b>Residential Complex in Velipoja-Shkoder</b>		<b>Albania</b>		<b>17/04/2012</b>
Origin		Legal Form	Sector	Project Type
<b>Albania</b>		<b>LLP</b>	<b>Construction and Building Industry</b>	<b>GF</b>
<b>SPONSORS REQUEST</b>				
<b>Term Financing needed from ICD (Amount in USD): 17,270,880 USD</b>		<b>Equity (Amount in USD):</b>		

<b>Project Description</b>	<p><input type="checkbox"/> <b>Project brief concept</b></p> <p>Society Builder "BESA Construction" Ltd, established based on a court order No. 336010, with the object of construction of facilities construction activity in Shkodra as well as whole territory of Albania with legal representatives Besnik Fangaj. Creation of this society has become in support of Law No. 7638 dated 19/11/1992 for commercial and later became renewal in support of the Law No. 9901 dated 14/04/2008 "On traders and commercial companies"</p> <p>Through this project this company aims in taking lead in the building industry as far as this industry deals with the touristic villages. The objective of this project is to build the biggest touristic village in the Northern Albanian Sea Shore, Velipoja.. The sponsors of this project have invested a lot in obtaining the construction site permit, they have already bought over 44.000 m<sup>2</sup> of land, about 200 m far from the sea with a total construction surface of 75,000 m<sup>2</sup>. Most of the objects are of 3-4-5 floors of high and the following norms have been taken into consideration:</p> <ol style="list-style-type: none"> <li>1. 40% the dwelling surface</li> <li>2. 20% the green surface</li> <li>3. 25% the road surface</li> <li>4. 15% parking, amusement and children places</li> <li>5. Sufficient entrance area for each floor</li> </ol> <p>Project sponsor has already invested <b>11,000,000 USD</b> in land acquisition,. The Expected term financing from ICD is <b>31,401,600 USD</b> (partially). Project sponsor is ready to provide guarantee letter for the requested amount from ICD, which will consist in bank guarantee as well as mortgages.</p> <p><b>Total cost of the project is: 42,401,600 USD</b></p> <p><b>Project sponsor already invested: 11,000,000 USD</b></p> <p><b>The project requires: 31,401,600 USD</b></p>

## **Objective and rationale**

The main objective of the firm is to maximize its profit. Other objectives are:

1. Increase the level of participation in the market (constructions industry)
2. Creating a hi class profile in the industry
3. increasing the prestige of the market
4. saving the environment from the waste generated

The reasons why this company is efficient in the market as coordinator of economic activity is due to the fact that:

- it reduces the transaction costs
- economy of scale
- economy of the production team

Also, society “Besa Construction” L.t.d. operates, directs and governs its activity by the following legislation:

- Law on companies
- Law on tax procedures in the republic of Albania
- Accounting standards (SSK) for the maintenance of the financial statements

## **Status of the project**

The actual status of the project is on *freeze* due to absence of financing. The legal request and the legal approvals from the Velipoja Municipality have been obtained. Project has to finish all the documentation and paper stages and will start of the stage of building and construction of the **Residential and Touristic Complex in Velipoja-Shkoder**. Therefore, financing is required in order to buy up the remained equipment and conduct construction and building works.

The sponsor company “Besa Construction”, has provided already an investment of 11,000,000 USD so that the land can be obtained. Also it has made possible to obtain all the necessary approvals from the governing authorities.

## **Development impact (if any)**

No development impact is foreseen, exempt for a few weaknesses as the first due to the fact that this is a huge building project experience in sea shore touristic villages. Pricing problems may occur because of absence of competition, which is in fact is one of the strengths of company by itself, and as a threat, unfortunate decline in real estate prices, with systemic (industrial) risk of marginal go-down of prices for construction and building materials which may affect the secondary business activity which will also be prevented by the project sponsor, according to high markup (brute margin) meant in today's pricing policies regarding real market prices.

## **Project Sponsors**

- “Besa Construction” Ltd** society, NIPT no. K 67327001V, was established on 17th of November, 2006, recorded by a court order No. 336010, with the object of construction of facilities construction activity in Shkodra as well as whole territory of Albania with legal representatives Besnik Fangaj

- Society Builder "BESA Construction" Ltd. Is the project sponsor and at the same time the owner, Mr. Besnik Fangaj since the company is private.  
The owner of "Besa Construction" is one of the well-known companies in the construction industry.

During its life time this company alone or based on subcontracts has built residential buildings and facilities as:

1. "Hotel International" (entrepreneur)
2. "Arifi Center" near the City Theater (with subcontract)
3. The "New Palace" building at Rus district, near the Musical School (investor)
4. The "Fangaj Tower" at Zdraljej district (investor)
5. Residential villas and tourist facilities at Velipoja beach. (investor)
6. Pavement (sidewalks) and asphalt roads with limited length within the city (on contract from the municipality)
7. Addicted to water supply and sewerage systems, etc.

**Corporate structure**

Creation of "Besa Construction" L.t.d. society has become in support of Law No. 7638 dated 19/11/1992 for commercial and later became renewal in support of the Law No. 9901 dated 14/04/2008 "On traders and commercial companies".

The company has a single shareholder, Mr. Besnik Fangaj, who owns 100% of the company capital, and has the following contacts:

Mail address:  
 Besa Konstruksion L.t.d  
 NIPT K 67327001 V  
 Address: Kompleksi "Gjylbegj", prane Radio-Shkodres  
 Shkoder, ALBANIA  
 Tel ++ 355 (0)66 20 26 332  
 Email: [blendialushi@yahoo.com](mailto:blendialushi@yahoo.com)

*Summary of Sponsor's financials (if available)*

Description	2009	2010	2011
Total Assets ( USD)	5,188	9,402	18,678
Total Equity (USD)	132,493	187,372	275,256
Total Sales ( USD)	828,760	765,112	1,161,376
Net Profit ( USD)	87,884	54,879	55,944

**Project Cost:**

**Total cost of the project is: 42,401,600 USD**  
**Project sponsor already invested: 11,000,000 USD**  
**The project requires: 31,401,600 USD**

The project will be developed in 2 consistent phases. The 1<sup>st</sup> phase will last starting 3 years, and from the 4<sup>th</sup> year of the project the 2<sup>nd</sup> phase will start, which will increase the building capacity but at the same time, economize the huge amount of investment put in 1<sup>st</sup> phase for the same building capacity.

Components of 1 <sup>st</sup> phase	Amount in USD	In %
Building	14,250,000	82.5
Machinery & equipments	895,880	5.2
Starting expenses	2,125,000	12.3
<b>Total:</b>	<b>17,270,880</b>	100.00

**Project Cost and Financing Plan**

The request from ICD will be in the 1<sup>st</sup> phase of the project, where the total investment for the 1<sup>st</sup> phase of the project is in approximate amount of USD 17,270,880 USD. The remained USD 14,130,720 from the 1<sup>st</sup> phase investment will be financed by the “Besa Construction” company in the 2<sup>nd</sup> phase, since the marketing and the sales process will implement.

**Financing Plan:**

The total project cost is estimated to be around USD **31,401,600** the main component of which is the building of the plant machinery purchase for 2 phases. USD 11,000,000 amounts is sponsored by sponsor company. Remained part of the investment is mentioned to be requested from ICD.

Components of 1 <sup>st</sup> phase	Amount in USD	In %
Equity	11,000,000	38.9
Debt	17,270,880	61.1
<b>Total:</b>	<b>28,270,880</b>	<b>100.00</b>

Therefore, the project cost for the 2<sup>nd</sup> phase of the project USD 14,130,720 will wholly be covered by the sponsor company obtained from the sales acquired from the 1<sup>rd</sup> phase.

<p><i>Please indicate Proposed terms by client (if any)</i></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Tenor Including Grace Period</td><td style="padding: 5px;">84 months (7 years)</td></tr> <tr> <td style="padding: 5px;">Grace Period</td><td style="padding: 5px;">18 months (1.5 years)</td></tr> </table>	Tenor Including Grace Period	84 months (7 years)	Grace Period	18 months (1.5 years)
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<p><i>Why this project is important</i></p>	<p>This project is important because is unique in its kind. By unique is mend:</p> <ol style="list-style-type: none"> <li>1. The first time this kind of project is met to take place all together by a single land owner as well as investor.</li> <li>2. The building area is very strategic one since it is situated at the best seashore side of the Velipoja area. It consists of 44,000 m<sup>2</sup>, with a total construction surface of 75,000 m<sup>2</sup>, approximately 30 buildings of 3 stores each, 45 buildings of 4 stores each and a huge hotel of 6 stores, dwelling surface, green surfaces, road structure surfaces, and parking, amusement and children places.</li> <li>3. The possession of the land is a stronghold of our company in this area.</li> <li>4. The approval from the Local Governing Authorities of the urban plan, construction site, and the building permit.</li> <li>5. Development of social and economic life of the community where the project will be built to contribute to creating jobs opportunities.</li> <li>6. Improve of standards and the creation of a more appropriate field to make tourism, by attracting more tourists and returning to the main tourist center to the sea for the entire area of the north.</li> <li>7. But most importantly of all, because we know how to work and have no desire to work in this industry. All these years of experience serving accumulated to enable the successful realization of this project.</li> </ol>				

**BUSINESS DEVELOPMENT & PARTNERSHIP DEPARTMENT**  
**Overall Opinion & Recommendations**

**Submitted by:**

**Date of Submission:**

