

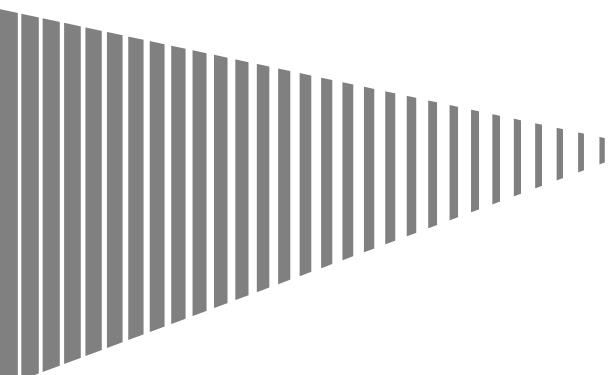
Deliverable 4: FINAL FEASIBILITY REPORT

Transaction Advisory for Development of Shopping Complex cum Guest House at Bangladesh Railway Land near **CHITTAGONG** on PPP mode

Submitted to

Public Private Partnership Office,
Prime Minister's Office, Bangladesh

JUNE 2016



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Section 1:

Project and Assignment Status Update



Project Status Update- Where are We?

ACTIVITIES COMPLETED

The PROJECT TEAM has completed all the requisite on-ground activities for detailed site assessment and feasibility study. Key activities included Detailed Site Survey, Topography Survey and Soil Survey, Preliminary Environmental and Social Assessment, Conceptual Master Planning, Block Cost Estimate and Financial Analysis.



MODULE 1

Detailed Site Assessment

MODULE 2

Preliminary Technical Assessment

MODULE 3

Project Scoping & Conceptual Master Plan

MODULE 4

Environmental and Social Impact Assessment

MODULE 5

Financial Feasibility

MODULE 6

Project Structuring, Risk Assessment, Key Concession Terms

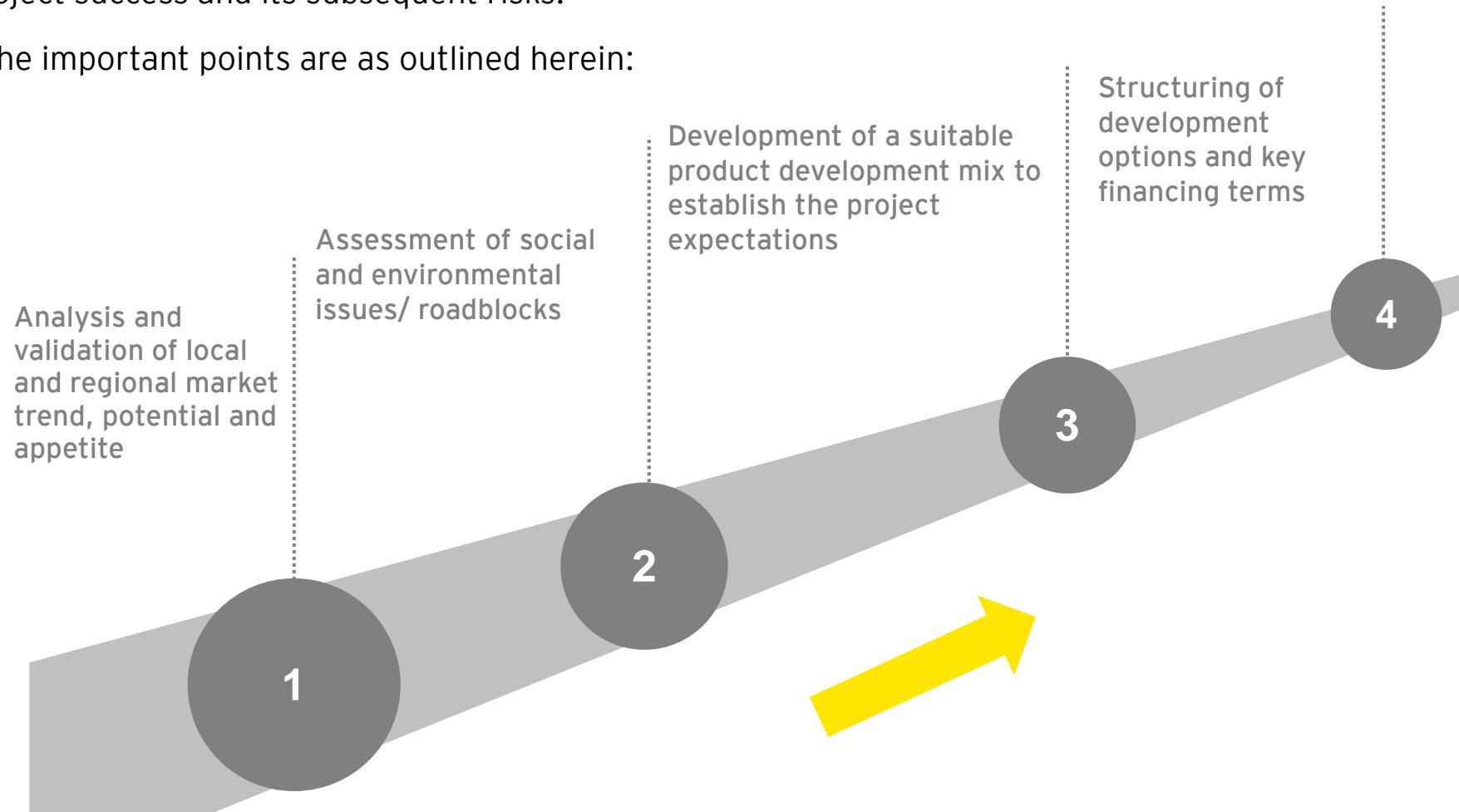
ONGOING ACTIVITIES

Basis the observations of the Conceptual Master Planning and Block Cost Estimate, the TEAM has undertaken a Detailed Financial Analysis. A broad outline of all the sub activities has been covered in this report. Post discussion with the Authority and all the Stakeholders, the TEAM is currently working out the various project structuring options and shall further refine the inferences and incorporate the key takeaways.

Project Status Update- Where are We?

Apart from the site related details, the Team has also captured the external data points that may impact and influence the overall project success and its subsequent risks.

Some of the important points are as outlined herein:



Section 2:
Recapitulating Project Background and Need



Project Background and Need

Bangladesh Economy



- ▶ Bangladesh is primarily a **market-based economy**, presently witnessing rapid growth and development in all its major sectors of industry and services.
- ▶ The economy has grown at the rate of **6-7% per annum** over the past few years.
- ▶ The economy of Bangladesh is increasingly led by **export-oriented industrialization** and as such the freight transport segment (**road, rail and shipping**) plays a vital role in the growth of overall trade and commerce in the country.

Bangladesh Freight Transportation



- ▶ Bangladesh Railways (BR) has a vast spread of network across the length and breadth of the country. In the past decade rail contributes to approximately **12-15% of the total freight distribution**
- ▶ In terms of preference, **frequency and dependency on road transport** has seen an increasing share in the overall freight operations, particularly showing strong growth in the **Dhaka-Chittagong section** owing to high GDP growth.
- ▶ Desktop research reveals that though BR historically enjoyed monopoly as a freight carrier, road transport has now emerged in a big way and **Railways is losing its market share to approximately 4% for both passenger and freight transport in the past 2-3 decades.**

Project Background and Need

Bangladesh Railways : Outlook



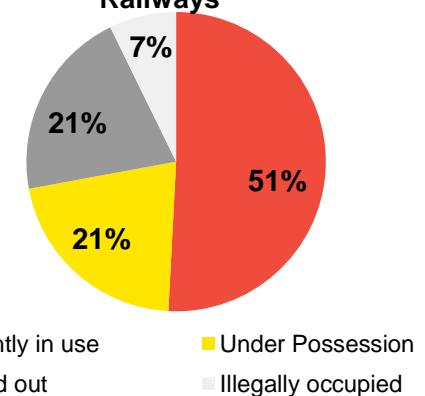
- ▶ The Bangladesh Government, attaches topmost priority to railway amongst all the surface mode of transports in **Vision-2021**.
- ▶ **28 new projects** have been approved in the **past two years** for the improvement of railway. The Government is committed to transform BR into a feasible and market oriented organization with managerial, financial and administrative autonomy to meet its objectives.

Bangladesh Railway Land Asset: Current Status and Future Plans



- ▶ Owing to the land acquisition policy practiced during the British regime, Bangladesh Railways is in possession of approximately 61.605 acres of land asset spread all across the country.
- ▶ As shown in the graph alongside, approximately 51% of the land parcels are already under use for various activities. A major chunk of the assets are being utilized as rail lines and stations.
- ▶ BR is currently focusing on assessing the potential of the unutilized 30% (21% under possession but unutilized, and 7% illegally occupied by local occupants) of the land parcels.

Status of Land under Bangladesh Railways



Project Background and Need

1 Bangladesh Railways : Issues



Large Deficit of Revenues

Withdrawal of Direct and Indirect Government Subsidies

Limited Maintenance/ Improvement budget

Short Loop Lengths

Inadequate Marshalling Yard Lines and terminals

Frequent derailments

2 Implications

► Funding constraints are further compounded with Bangladesh Railways required to operate extensive passenger services at low fares. This results in insufficient revenue to justify investment, despite the high passenger demand.

► The priority given to passenger trains also causes delays to freight trains and reduces their competitiveness.

3 Government Interventions: Improvement of Bangladesh Railway Revenues

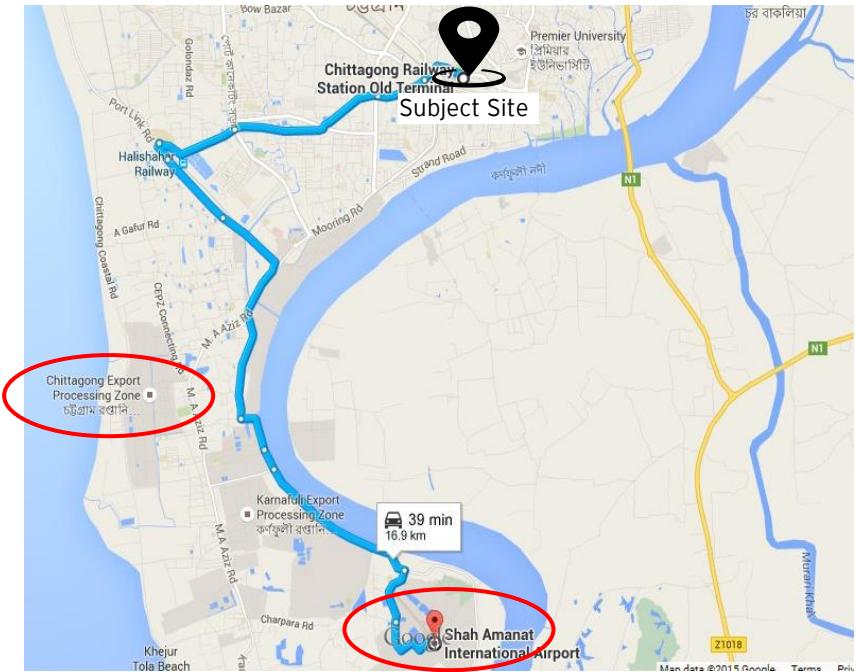
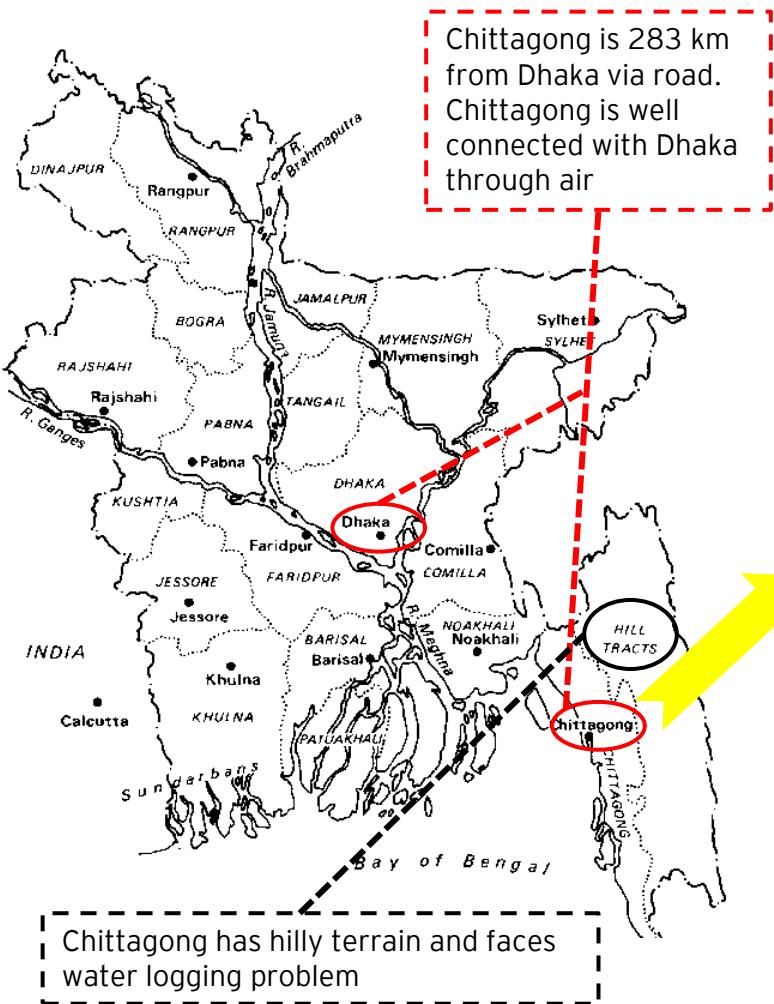
- Bangladesh cabinet has called for the formulation of an integrated land management policy involving several government departments in order to retrieve public land under illegal occupation.
- The aim is to generate revenue by leasing the land or constructing commercial complexes for rent.
- Cabinet decision to have a multi-department policy comes in response to a draft land management policy unilaterally put forward by the Road Transport and Highways Division (RHD).

- Circular Date: 22 August, 2004 : Regulation about lease of Roads and High ways and Bangladesh Railway land for C.N.G filling station and conversion factory and petrol pump and diesel pump situation.
- Jatiya Sangsad (JS) committee in its sixth meeting Dec 2014 on Railways Ministry today to construct hospitals, hotels, educational institutions, commercial buildings and container yards on its land under Public Private Partnership (PPP).

Section 3:
Summarizing Site Specifications



Chittagong: Regional Context



- Chittagong is the financial capital of the country
- It houses the biggest port of the country. As Bangladesh is an export based economy, Chittagong has a great significance. Chittagong port handles about 80% of the total exports and imports of Bangladesh.
- It contributes to about 40% of the Bangladesh's industrial output
- Chittagong per capita income is among highest in South East Asia
- Chittagong is densely populated and urbanized

Site Location Setting

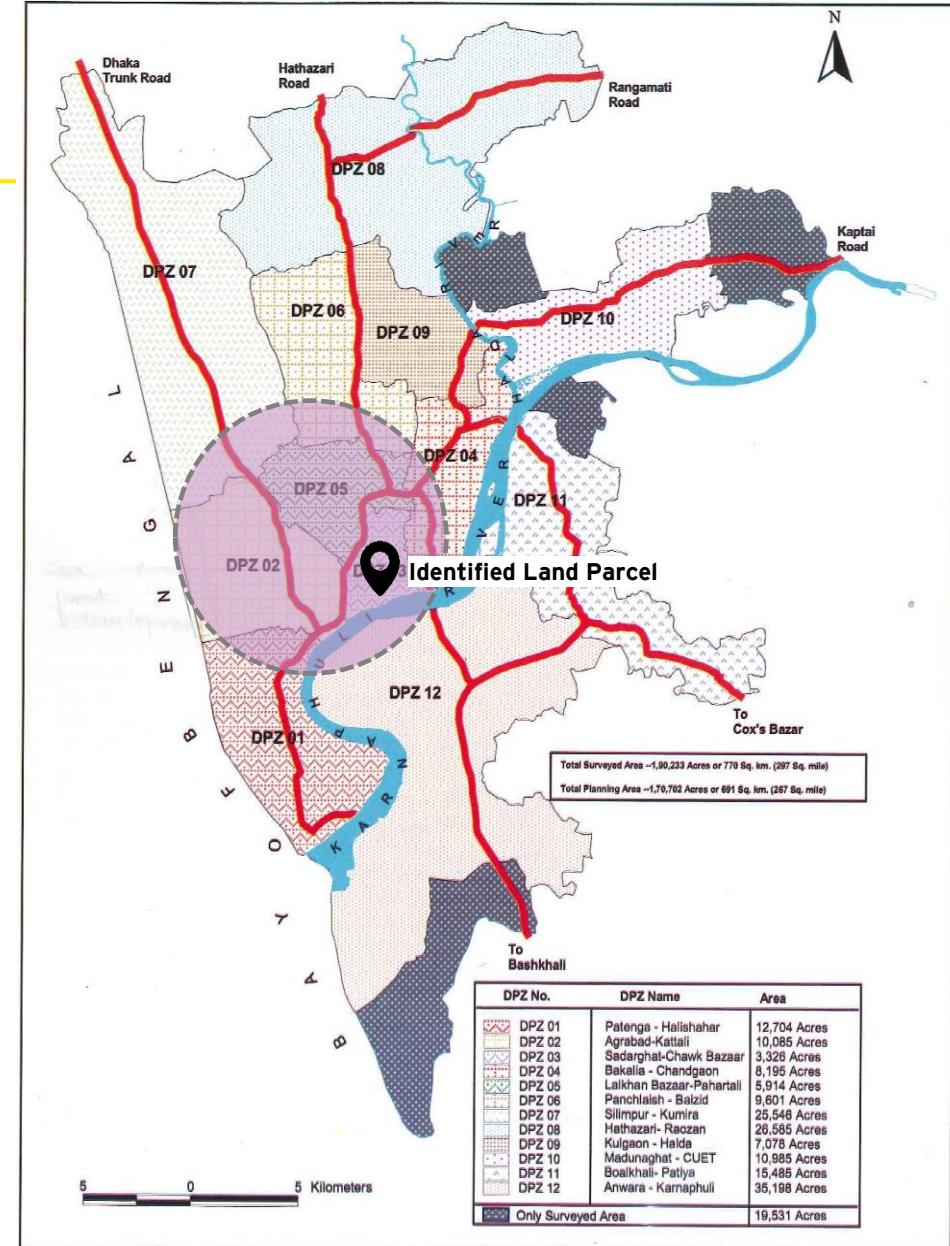


Chittagong is a big city with a population of over 6.5 million and henceforth a lot of geographically spread development has taken place

Therefore it is prudent to consider the development in the radius of 10 km as the catchment area for our project.

Zone 02, 05, 04 and some parts of Zone 12 fall within 10 km radius from the site.

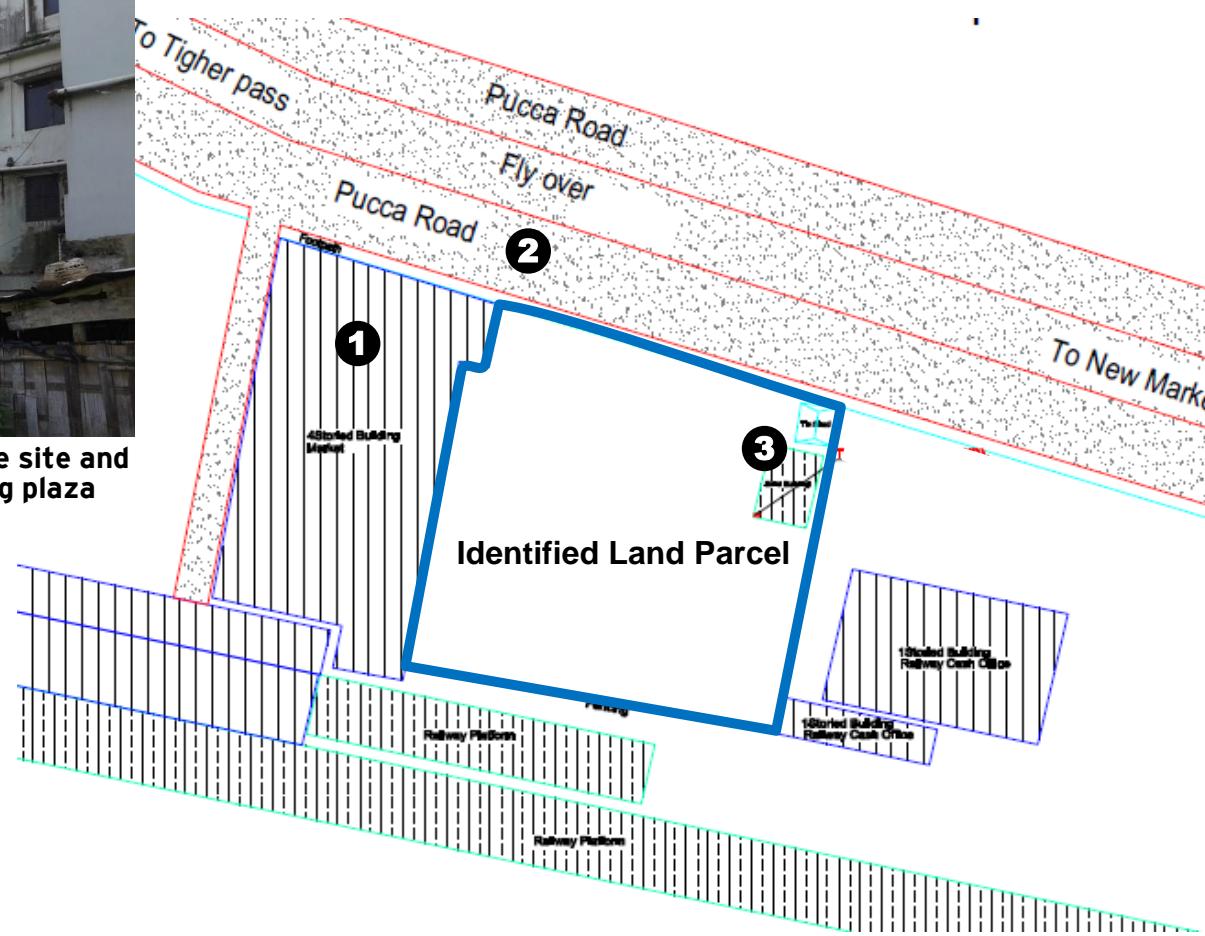
Zone 02, comprising Chittagong Port, is one of the fastest growing zone of the city and has considerable influence on the overall economic and real estate on the catchment of the identified land parcel



Site Whereabouts



1 G+4 Storey Building, abutting the site and currently used as a local shopping plaza



2 4 lane Road- Direct access to identified land



3 Existing building of Freedom Fighters Club



Preliminary Overview of the Identified Railway Land

Site Assessment		
Site location	Near Chittagong Old Railway Station Platform	
Total site area	0.4432 acres	
Site Characteristics		
Site Boundary	Site boundaries undefined	
Encroachments	Illegally occupied by shops, automobile garage, political party office, etc.	
Shape	Square	
Ownership	Bangladesh Railway	
Physical Conditions		
Soil Type	Plain land, Elevation same as road	
Current Usage of the Site		
Usage	Currently used as parking lot for private cabs, portion of land also used as automobile garage, shops, and office of political party. A small portion of land is occupied by a small permanent structure operating as the office of Freedom Fighters' Club	
Existing Structures	Shops, garage, semi-permanent structures	
Site Catchment		
Site Neighborhood	Prominent developments within 1 km radius: Local Hotel : Asian Hotel, Iqbal Boardings, Favour Inn, Mid Town, Paninsula, Relax Inn, Eden	<ul style="list-style-type: none">▶ Local Markets : New market, Zohur market, Rizuddin Bazar, Shah Amanat market, Tamakunda Lane, Nupur Market▶ Others : Amanat Shah Mazar, MA Aziz Stadium, Collegiate School, City College, Sea World

Key Findings and Observations of Preliminary Technical Assessment

Activity	Work Status	Key Findings/ Roadblocks encountered	Interventions Sought / Way Forward
Topography Survey	Completed	No major level differences, no significant permanent structure or tree on site, Site access is clear of any major encumbrances. Inference: exact site boundary earmarked, almost whole of the identified land parcel may be suitably developed	BR to confirm the overall site findings and final site boundary
Soil Survey	Completed	Soil found suitable for high rise development	Soil survey inferences to be incorporated for planning and block cost estimate
Assessment of Building Regulations	Completed	Applicable building rules identified. <u>Current site land use: Transportation Use, ownership of BR.</u> Applicable FAR 6.5. Height Restriction based on Aviation norm to be confirmed. Site suitable for high rise development	BR to confirm process to be adopted for land use change and applicable FAR norms
Discussion with Key Stakeholders	Completed	<u>City Town Planners raised concern on suitability of high rise commercial development</u> , as the area is already congested owing to railway station and other upcoming commercial buildings in immediate vicinity of identified site	PPPO and BR to conduct meeting with regulatory bodies to discuss change in land use, infrastructure gaps
Preliminary Market Study	Completed	Chittagong real estate market found as an active market. Good scope for grade A commercial and hotel building	Inferences and observations to be further used for financial feasibility
Preliminary Feedback from Potential Players	Completed	Some of the key players have shown positive interest in the project. Some players are keen on taking up residential development on the site. Players are keen on understanding BR's expectations	BR to discuss with Town Planner to assess the provision of residential use. BR to confirm project expectations
Broad Project Scoping and Massing	Completed	Commercially saleable component of project estimated roughly basis preliminary market study, feedback from players and applicable regulations	BR to confirm exact estimate of guest house room requirement and any other specificity to be adhered to.
Preliminary Environmental Survey	Completed	Site seems environmentally hindrance free and suitable for high rise commercial development	BR to co ordinate with Ministry of Environment for final confirmation
Social Assessment	Ongoing	Key social group samples identified. Sample survey initiated at various levels.	Detailed survey and analysis to be documented

Preliminary Site SWOT analysis

STRENGTH

- ▶ The site is appropriately located to be developed as an integrated retail cum hotel complex
- ▶ The site terrain is suitable for development
- ▶ Site is well connected on all four sides by roads
- ▶ The Site being located in the Business hub of the country, houses a large portion of urban population, in turn generating the need for grade A shopping mall spaces

WEAKNESS

- ▶ All the abutting access and approach roads, are already facing an issue of heavy traffic conditions, the proposed development may further add pressure to the existing infrastructure
- ▶ The area is primarily a low lying terrain and faces the issues of water logging during the rainy season

OPPORTUNITY

- ▶ Presence of a few prominent heritage sites in the vicinity provides good potential for hotel development
- ▶ The city being a popular destination for various events and festivals throughout the year, provides good potential for regular tourist footfall throughout the year
- ▶ The city being very well connected with other parts of the country and various international locations, ensures regular footfall of tourists, both leisure and business oriented

THREAT

- ▶ The city and site catchment is currently dotted with a large number of small and medium size retail and hotel establishments, posing high level of competition for the proposed development
- ▶ The existing occupants of the site, namely the shop and garage owners, parking operators may oppose the proposed development. The issue may have to be addressed during social risk mitigation process

Excellent Site for Commercial Exploitation: The location, connectivity, accessibility and overall available contiguous land area makes the site very suitable for commercial exploitation, however, presence of existing encumbrances, such as the local shops or electric poles within the site boundary, may relatively reduce the overall development appropriateness and potential of the site

Preliminary Site Suitability Matrix

Suitability Parameter	Site Features
Site Topography	 Land is free of any external hindrances
Soil Suitability for Development	 Soil is suitable for high rise development
Current Land Use and Ease of Land Use Change	 Current land use- Transport. Land Use Change not easy
Current Market Demand	 City RE market active. Demand for Grade A uses
Support from Key Stakeholders	 Town Planner not supportive of a high rise commercial establishment. Current infrastructure not adequate.
Feedback and interest from Potential Players	 Prominent players interested for residential development
Environmental Suitability	 Environmentally suitable
Social Acceptability	 Acceptable by local residents
Overall Ease of Saleability	Good for immediate transaction

Section 4:
Analysing Urban Growth Profile of Chittagong



A glimpse of Chittagong Growth Trend

Factors influencing development potential of identified land parcel

City Growth Pattern

The city primarily expanding towards the Dhaka region

The pattern can be developed in 2 direction based on the artery national highway of Chittagong

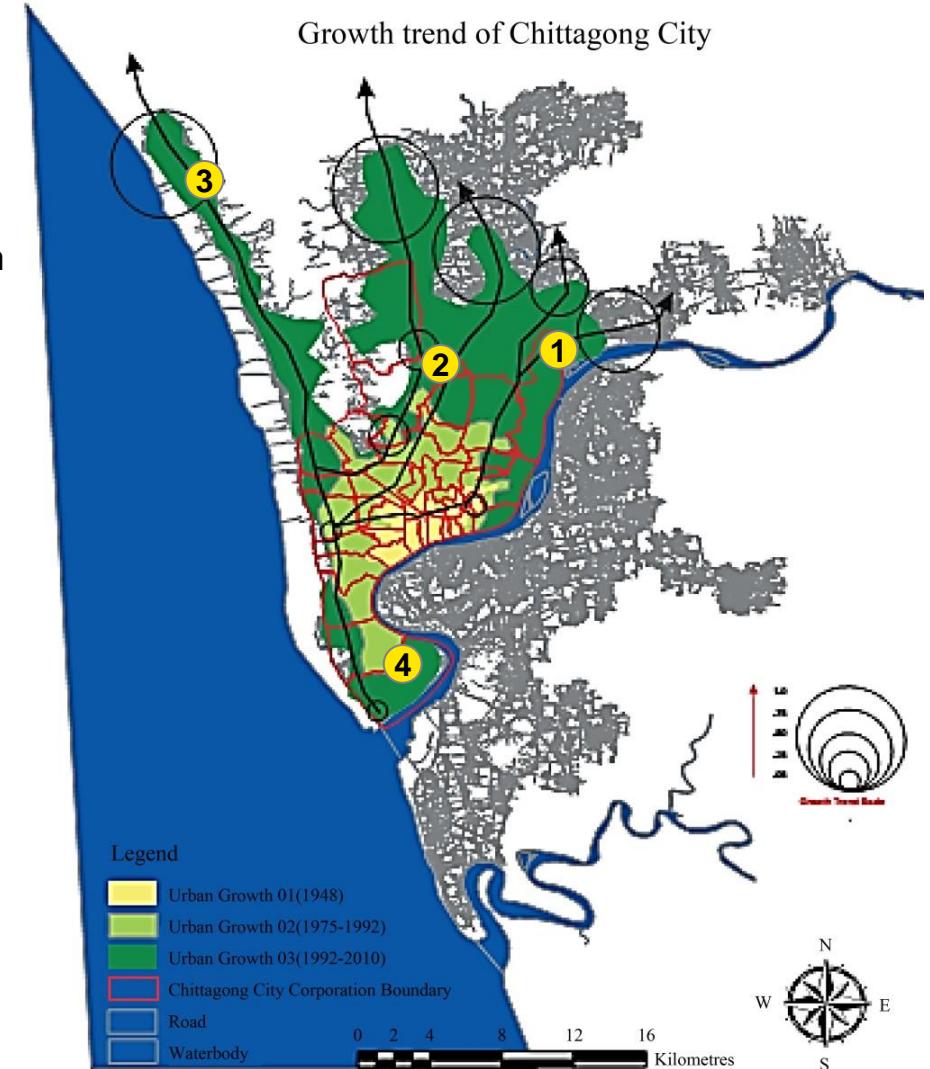
One direction can be to the Comilla region through Salimpur, Barihari, Kumira and Sitakunda

Another growth can be attributed towards Fatikchari, Kanchannagar and Dharmapur

The urban and economic growth of the city, can be attributed to the existing Port, international airport, industrial nodes and the importance of the location on the tourist map of Bangladesh.

Some of the key existing industrial growth nodes of Chittagong are:

1. Kalurghat Export Zone
2. Nasirabad Solosahar Export Zone
3. Fouzdarhat Industrial Zone
4. Patenga Industrial Area



Zone Overview of the Identified Site as per DAP of Chittagong Master Plan- Zone 03

The identified land parcel falls under Zone 03- Sadarghat Chowkbazaar of Chittagong Metropolitan Master Plan

Commercial Retail Profile: The Zone is considered as the core of Chittagong City, wherein it covers the traditional areas of the city and is bounded by the Karnaphuli River Port at one end, extending upto Chowk Bazaar.

Chowk Bazaar is considered as one of the oldest commercial retail areas of the city and houses a number wholesale shops for Jute, textiles, among others. The area also houses some of the prominent retail towers of the city such as Chawk View Market, Keari Tower and Moti Tower. Chowk bazaar is approximately 3.5 km from the identified site.

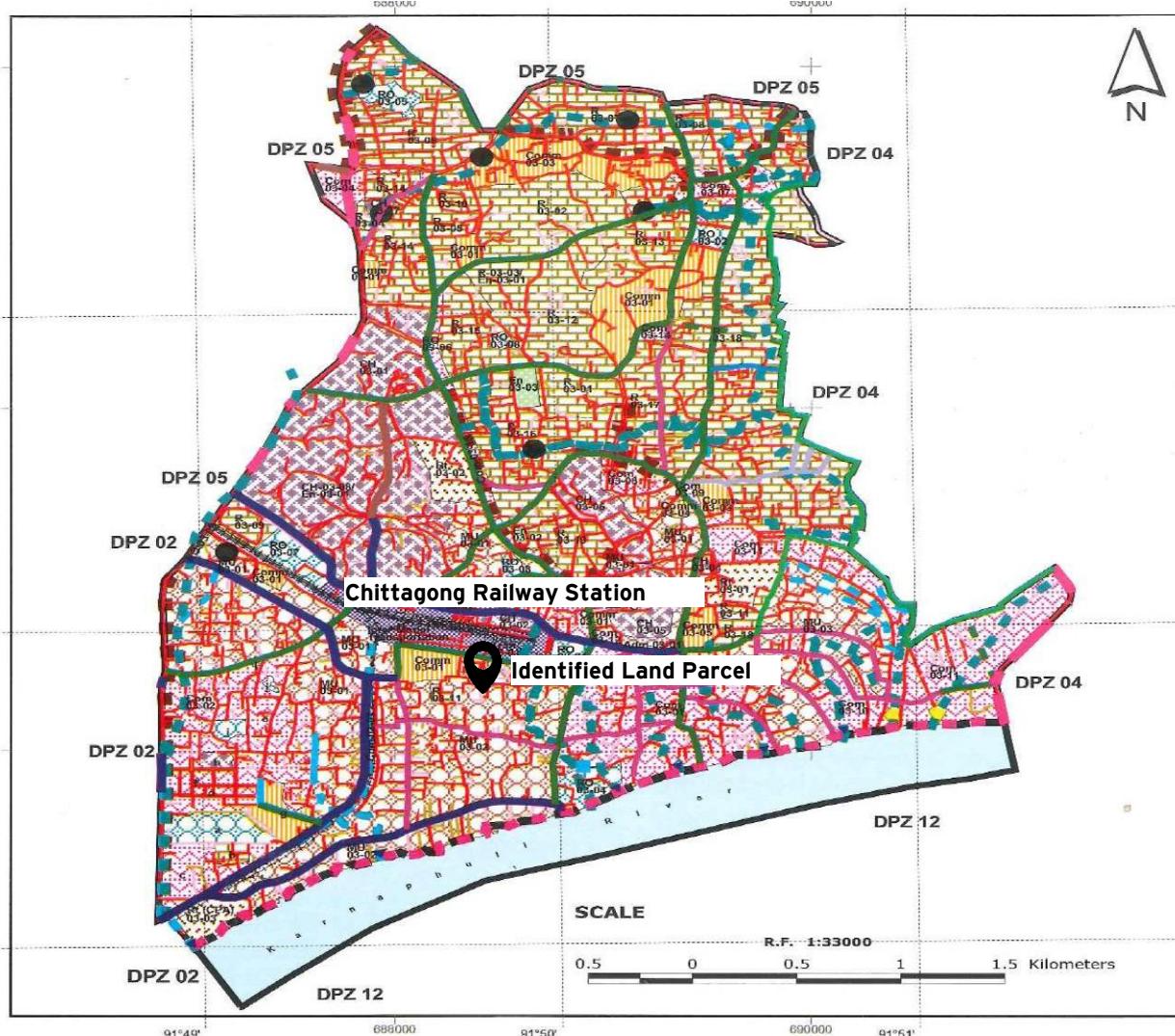
Alkaran (wholesale bicycle market), Hazirgoli (wholesale medicine market), Jubilee Road (wholesale tiles market) and Teri Bazaar (wholesale textile market) are some of the other key commercial wholesale areas in the zone.

Residential Profile: The zone encompasses, some of city's high end residential areas such as Panchalish R/A, Nasirbad Housing Society and Hill View. Most of these locations are undergoing huge interests from developers to set up integrated residential complexes. However, limited availability of large contiguous land parcels is posing a deterrent for attracting for large scale expansion

The zone, being part of the core of the city is encircling a large area of slums and squatters. Currently the area is witnessing a number of redevelopment projects to eradicate these unorganized residential areas.

CBD of Chittagong- Zone 03 is primarily characterized as the old city, comprising most of the city's wholesale markets for all types of commodities. The Zone is considered as the Central Business District of the city. Abutted by Zone 02 (the Port area of the city), this zone is acts as a key commercial centre for the city. The zone is currently dotted with old and haphazard and highly dense residential areas. Limited land availability in the Zone has resulted in influx of a large number of redevelopment projects

Zone Overview of the Identified Site as per DAP of Chittagong Master Plan- Zone 03



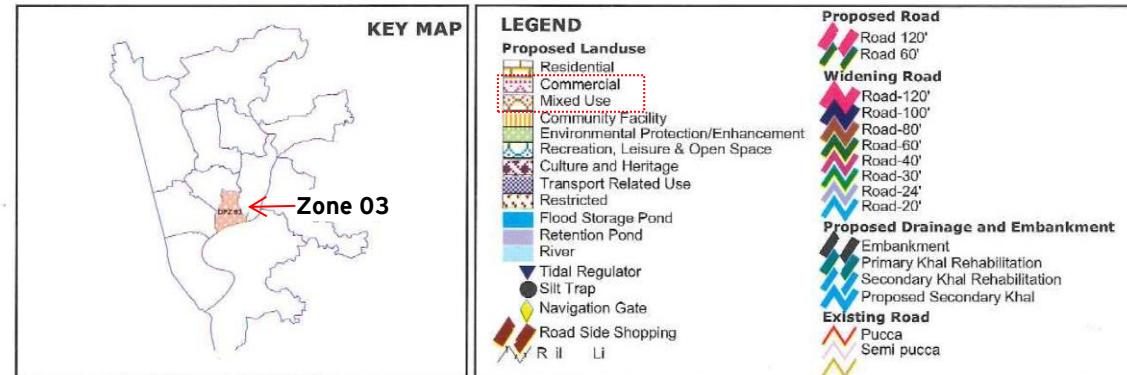
Chittagong Railway Station is one of the most important infrastructure features of the zone

Owing to the presence of Railway Station, most parts of the Zone are dotted with old wholesale retail, hotels and haphazard commercial development.

The zone is characterized with a huge number of old dilapidated structures, most of which are proposed to undergo redevelopment, being replaced by high rise stand alone commercial or mixed use commercial development.

Sub Zone Comm 03-02, of the Zone, which is located in proximity to Sadarghat river Port and Chaktai Area have been categorised as the 'Special Commercial Zone'.

CDA has plans to undertake immediate redevelopment activities in this sub zone. The identified BR land falls in this sub zone of Comm 03-02

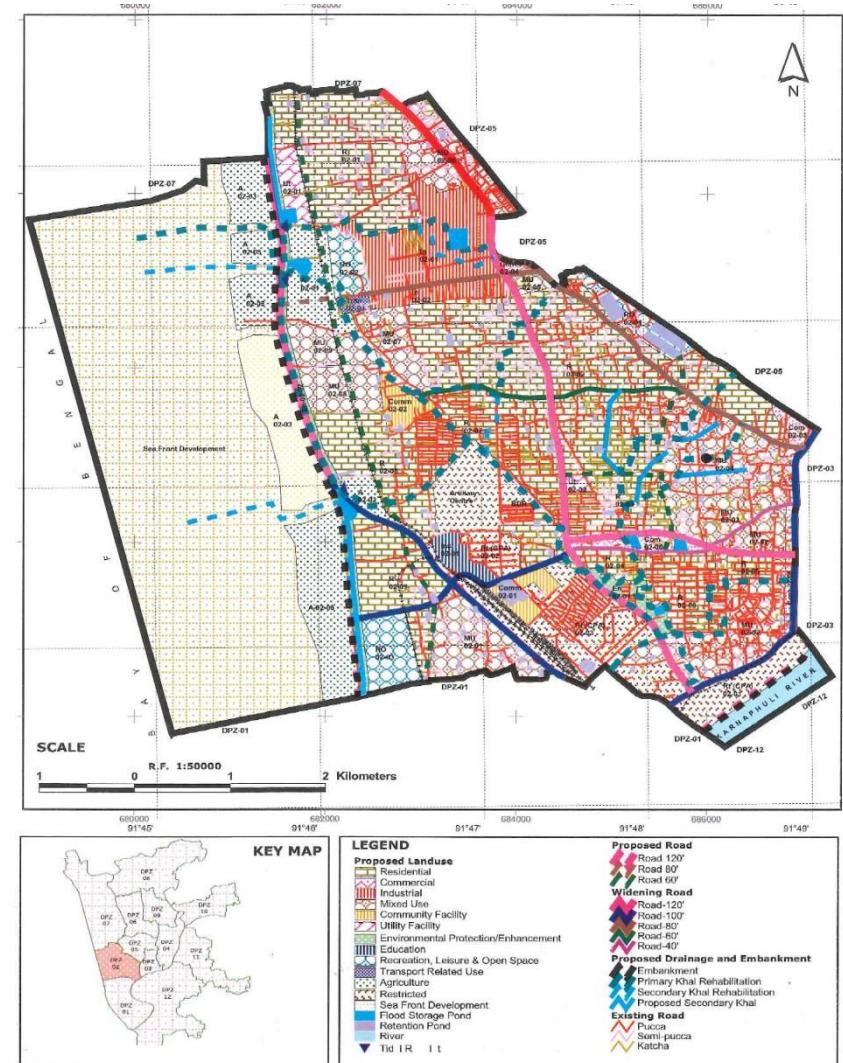


Zone 2 (Agrabad and Kattali)

A prominent development Zone of Chittagong

Zone 2, functions as one of the prominent activity node of the city. The Zone houses some of the key economic and employment centres. Proximity of the Zone with the identified land parcel draws significant influence

- ▶ The zone houses most of the government offices, and is also a key location for the BFSI sector
- ▶ The zone has gained development momentum due to the existence of the Chittagong Port
- ▶ Sagarika Industrial Estate, located in this zone is also one of the key traditional employment centre of the city
- ▶ The zone is witnessing a substantial influx of warehouses
- ▶ Most of the residential areas of the zone are allotted for government employees across all classes
- ▶ However, the zone is witnessing very limited interests from private developers for any new development, on account of its low lying land profile which makes the zone flood prone
- ▶ Apart from the Chittagong Port and the existing industrial area, acting as the key employment hubs, the CDA has plans to attract tourism to this part of the country by way of sea front development



Brief Profile of Existing, Planned and Upcoming Major Developments

Project Name	Sector	Value (USDm)	Size	Unit	Companies	Timeframe Start	Timeframe End	Status Select	Status Notes
Mongola Economic Zones development, PPP	Commercial Construction							At planning stage	September 2014 - Tender set to begin. Feasibility study has been completed
Rajuk Uttara Apartment Project	Residential Construction	1190.00	20160	units	Dung Ah[Construction], DDJ[Construction], ENA GROUP[Construction], Ministry of Housing and Public Works of Bangladesh{Bangladesh}	2011		Delayed	November 2014 - ENA Properties Ltd completed only 4% of the work in last two and a half years and Hamid Real Estate and its associate firms have completed around 20% work
Bangladesh-China friendship exhibition centre, Purbachal	Commercial Construction	35.40	50000	sqm				At planning stage	June 2014 - Location for the project finalised, the structure will be built on 20 acres of land
Shahjalal Fertiliser Factory, Fenchuganj, Sylhet	Industrial Construction	649.77			Government of China[Sponsor]{China}, China National Complete Plant Import & Export Corporation [Construction] {China}	2012	2015	Under construction	August 2014 - The factory would go into production at the end of next June
Satellite Townships, Kamrangirchar and Dhamrai	Residential Construction				Construction Industry Development Board of Malaysia[Operator] {Malaysia}			At planning stage	MoU signed between the governments of Bangladesh and Malaysia to build satellite towns at Dhamrai and Kamrangirchar in Dhaka district

Section 5:
Capturing and Assessing Real Estate Market
Opportunity



Organised Retail and Commercial Office Space Segment

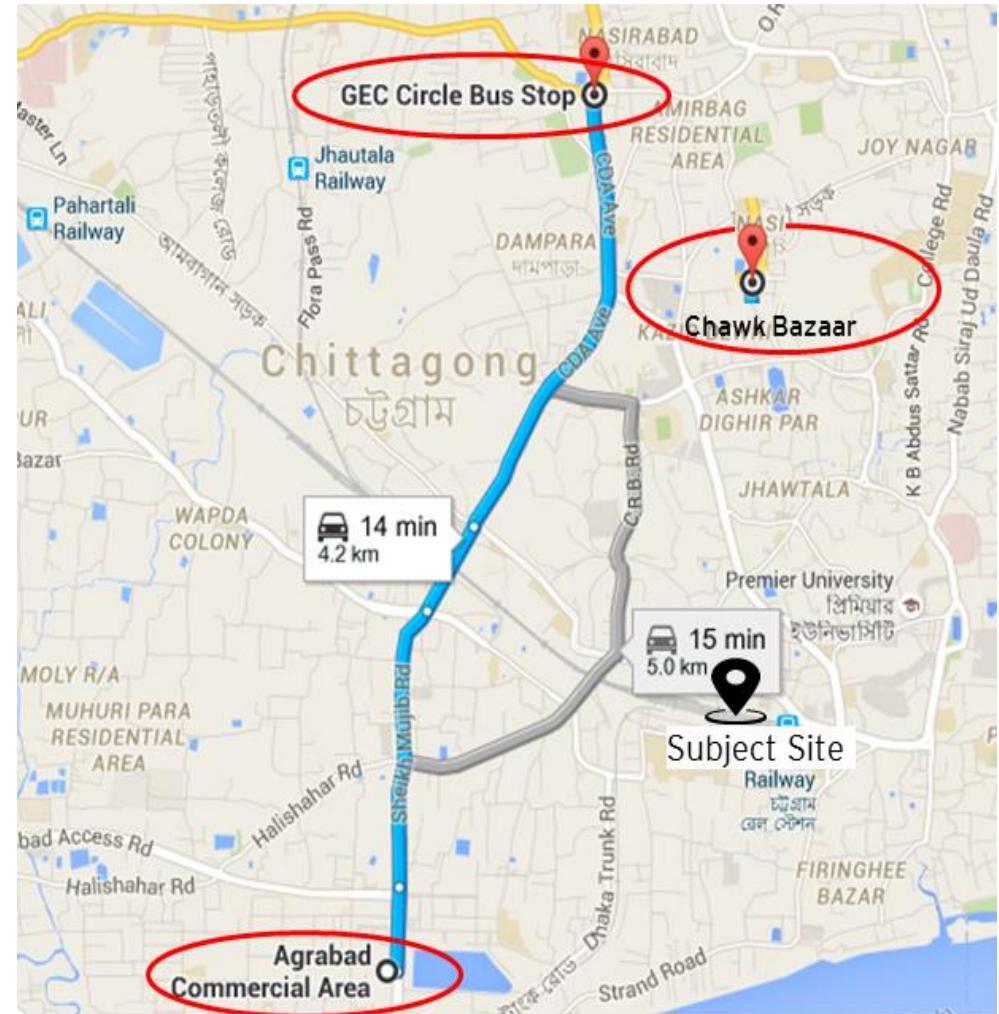


Development of Shopping Complex cum Guest House at Bangladesh Railway Land near Chittagong on PPP mode

Catchment Profile-

Commercial Retail Segment

- ▶ Chittagong Development Authority has developed Agrabad as a designated commercial area with Stock Exchange Center, office of the Chamber of Commerce and Industries, and corporate branches of nearly all major banks.
 - ▶ It is planned by CDA and has availability of good infrastructure
 - ▶ All commerce, trade, financial and even retail f, hospitality facilities are housed in the region
- ▶ Some other commercial activities are also spread across Lalkhan Bazar, Station Road, Dampara, Kattali, Bahaddarhat and older parts of the city.
- ▶ Traditional wholesale business centers of the city are at Chowk Bazar, Sadarghat, Khatunganj and Chakktai



Shopping Malls in Chittagong

- Basis the preliminary desktop study, EY understands that Chittagong encompasses some of the prominent retail malls and shopping complexes.
- However, it is also observed that large format Mall culture Is yet to see a substantial leap in terms of size and type, as compared to international benchmarks.
- With the given understanding, EY shall attempt to categorize the existing developments on the criteria of sizes, type of unit holders, location, formats of facilities planned.
- For the purpose of benchmarking the current trends in the retail segment will be analysed so as to establish a market understanding and hence project expectation from the proposed development format.

Preliminary Indicative List of Retail Malls and Shopping Complexes in Bangladesh	
Afmi Plaza Chittagong	Agrabad, Chittagong
Basuda Plaza, Chittagong	Bangkok Singapore Market, Agrabad, Chittagong
New Market, Chittagong	Singapore Market, Hazeepara, Agrabad, Chittagong
Mimi Super Market, Chittagong	Bay Shopping Center, EPZ, Chittagong
Chittagong Trade Centre, Chittagong	Shah Amanat Shopping Center, Chittagong
Sanmar Ocean City, Nasirabad, Chittagong	Chittagong Shopping Complex, 2No Gate, Chittagong
Zahur Hawkers' Market, Jubilee road, Chittagong	South Land Center, Agrabad, Chittagong
Amin Center, Lalkhan Bazar, Chittagong	Monni Plaza, Chittagong
Younusco City Center, GEC Circle, Chittagong	Aktaruzzaman Center, Chittagong
Central Plaza, Chittagong	VIP Tower, Chittagong
Moti Tower, Chawk Bazar, Chittagong	Apollo Shopping Center, Chittagong
Lucky Plaza, Agrabad, Chittagong	Stadium Market, Chittagong
Chittagong Computer City, Zohura Tower, Chowmuhony, Agrabad, Chittagong	F. Rahman AC Market, Feni
Mirza Ahmed Super Market, Chowmuhony, IFCO Center, Chittagong	New Market, Dollai Nawabpur Comilla
	Patiya, Suman Sharif Shoping Mall
	Keari Plaza, Chawkk Bazar, Chittagong

Upcoming Commercial Retail and Office Development in Chittagong

As the city of Chittagong plays a vital role in the commercial and tourism sectors of the country, it deserves adequate tourism facilities including residential hotels of international standard as well as sufficient office space equipped with all modern facilities at the proper place for ensuring uninterrupted commercial activities.

With this objective, Chittagong Development Authority (CDA) and Bangladesh Parjatan Corporation (BPC) has plans to **jointly construct a 20 storied Commercial Bhaban at the BPCs Motel Shoikat site on the Station Road in the city.**

A sum of BDT 800 Million is likely to be spent in implementing the project.

The proposed development is planned on a land parcel close to the Station Road in the City. Being built beside the Chittagong Railway Station, it would be convenient for the tourists to reach there.

The proposed Commercial Bhaban which is to be constructed over 0.9112 acres of land would have a hotel of international standard, restaurants, bar, conference hall, shopping complex, sufficient office-space for the local and foreign commercial establishments and all other amenities.

Some of the key upcoming and proposed developments in the city are Sanmar Avenue Tower, Sanmar Ocean City, World Trade Centre, City Centre, Makkah-Medina Trade Centre.

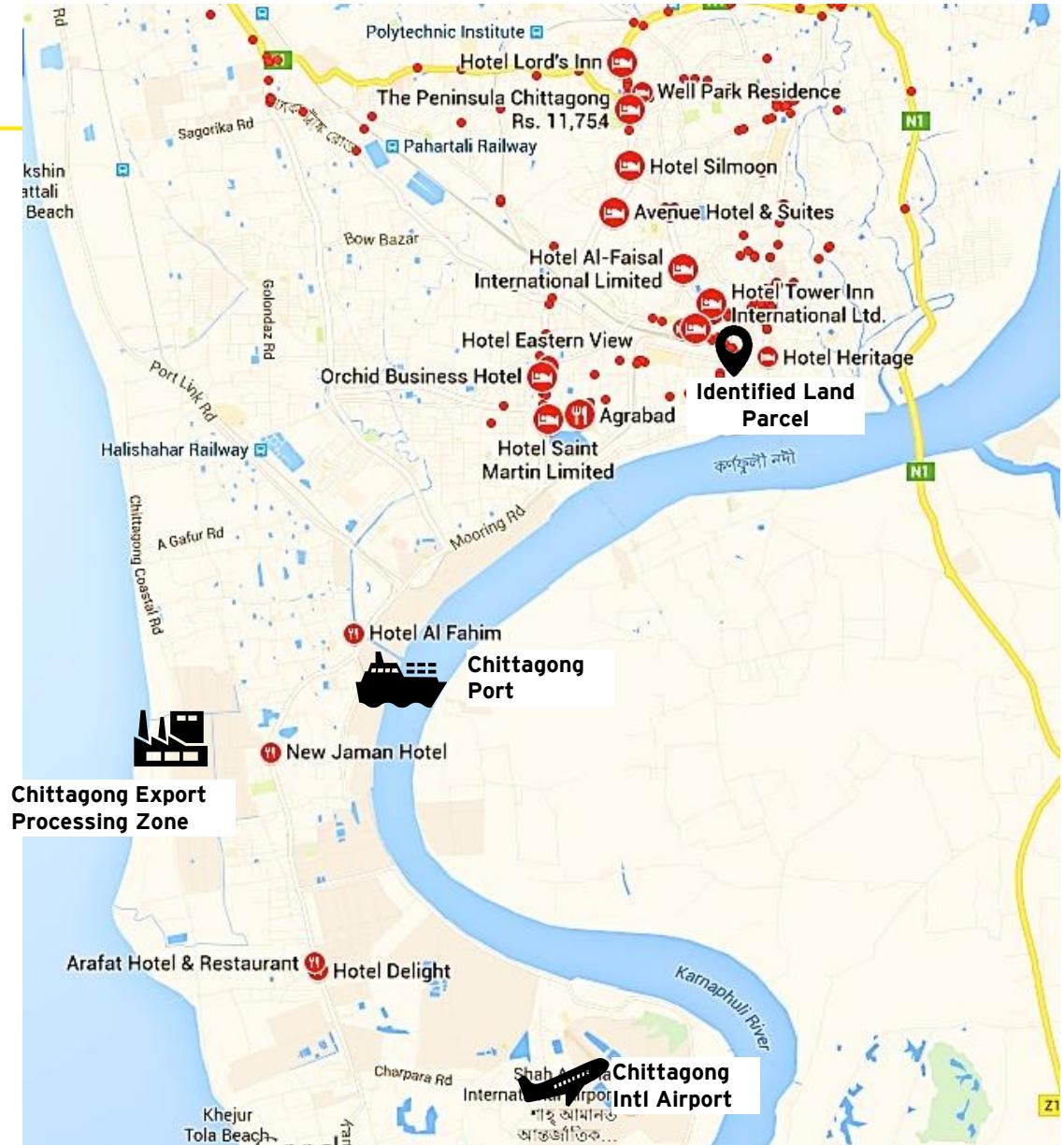
Hospitality Segment



Catchment Profile-

Hospitality Segment

- ▶ The city functions as a gateway to some of the key tourist destinations of the country, namely, beach tourist destination at Cox's Bazar and other traditional tourist locations such as Rangamati, Khagrachari and Bandarban districts
- ▶ Most of these tourist destinations are either connected by rail or by road, hence, accounting for a substantial number of hotels to be located near the railway station.
- ▶ The primary catchment of the identified site is dotted with almost all the major hotel properties of the city, namely:
 - ▶ Hotel Asian SR Hotel
 - ▶ Hotel Favour Inn
 - ▶ Hotel Golden Inn
 - ▶ Hotel Agrabad
 - ▶ Hotel Orchid
 - ▶ Hotel Peninsula
 - ▶ Hotel Radisson Blu View
- ▶ Hotels close to the railway station are 2 star and below
- ▶ Hotels in prime areas like Agrabad, GEC circle and Lalkhan Bazaar are 3 star and above



Impact of Tourism on Chittagong Growth Pattern

- ▶ A major commercial, industrial and financial hub in the south of Bangladesh, Chittagong has multiple advantages for investors.
- ▶ Its strategic location in close proximity to Myanmar and India, as well as active transport links, facilitates industrial development.
- ▶ Furthermore, a proposal to build road connectivity from Chittagong to Kunming, Southwest China, via Cox's Bazar and Myanmar, will create an economic corridor to strengthen industrial trade, tourism and, infrastructure in the region.
- ▶ These infrastructural developments, as well as the rapidly growing middle class in this region, makes it an increasingly attractive investment location.

Importance of Cox's Bazar on Chittagong Hospitality Segment

- ▶ Cox's Bazar town is a small port and health resort.
- ▶ Located at a distance of 152 km. South of Chittagong, Cox's Bazar is connected both by air and road with Dhaka and Chittagong.
- ▶ Chittagong acts as a gateway and transit destination for reaching the Cox's Bazar.

Detailed Inventory- Hotels

Hotel Inventory (For existing Hotels)							
Sr No	Name of Property	Distance of the property from the identified Site	Owner of Property (whether owned and operated by local player or operated by a well known brand)	Location advantage	Type of Property (Budget hotel/ residential hotel/ 3 star/ 5 star etc)	Number of Rooms	Average per night Tariff for each type of room (Peak and Non Peak Period)
1	Hotel Asian SR	0.5 km	Local Player	Near to rly station	2/3 star	65	USD 35
2	Hotel Favour Inn	0.5 km	Local Player	Near to rly station	2/3 star	67	USD 35
3	Hotel Tower Inn	2 km	Local Player	Near to rly station	3 star	88	70 USD
4	Hotel Agrabad	4 km	Local Player	Near to Agrabad Commercial area	4 star	101	USD 150
5	Hotel Peninsula	5 km	Local Player	Near GEC Circle	5 star	122	USD 190
6	Hotel Saint Martin	4 km	Well known brand	Near to Agrabad Commercial area	3 star	74	USD 50 for Single deluxe, USD 75 for Royal deluxe and USD 150 for Suite
7	Hotel Radisson	3 km	Well known brand	Near MA Aziz cricket stadium	5 star	241	USD 250
8	Hotel Orchid	4 km	Local Player	Near to Agrabad Commercial area	3 star	70	USD 50 for standard room

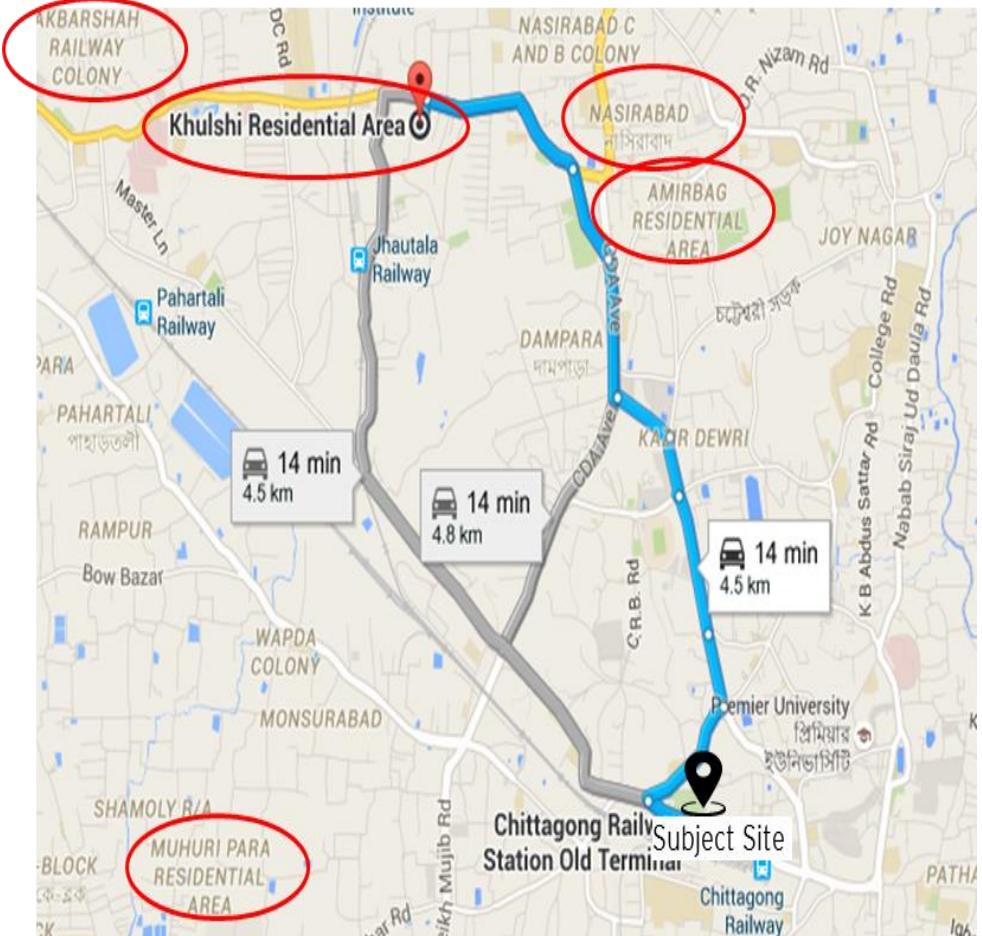
- Most of the hotels are located close to the railway station or in the Agrabad Commercial Area, owing to the proximity to the Chittagong Port and the other industrial zones in the immediate catchment
- Chittagong experiences peak tourist footfall from the month of November to March
- The tourist profile of Chittagong is a mix of business and leisure. This is on account of its importance as a key commercial node of the country as well as its significance on the international tourist circuit due to its proximity to Cox's Bazar (located around 100 km from Chittagong)
- The hotels in Chittagong mostly witness an absorption rate of around 70% during the peak period and around 50% during non peak period
- Most of the properties are owned, developed, operated and maintained by local developers. Although a few hotel majors, such as Radisson, Orchid etc are also present, mostly catering to the business traveler segment of the overall tourist footfall

Residential Segment



Catchment Profile- Residential Segment

- ▶ Preferred residential area is Khulshi hills being the most prestigious areas in Chittagong city
- ▶ Khulsi is close to the city centre. Most of the elites of the city has moved to this area in course of time.
- ▶ One of the major features of this area is that it has beautiful landscapes and proper arrangement of security along-with provision of good basic infrastructure
- ▶ Most of the prominent builders of the city are active here and are focusing on both sale as well as rented service accommodation.
- ▶ The area mostly houses high end, large size apartments, villas and bungalows.
- ▶ The area is witnessing high interests from expatriates of various countries such as Korea, China, Japan etc mostly for rented apartments.
- ▶ Other areas of the city witnessing residential development are Agrabad , Sugondha ,Mehedibag , Nasirabad, Jamalkhan and Lalkhan Bazaar



Overall Real Estate Market Outlook- Chittagong and Site Catchment



ORGANIZED RETAIL AND COMMERCIAL OFFICE SPACE SEGMENT

Basis the overall primary assessment, discussions with stakeholders, prominent developers of the city and the country and secondary research, about the city and site catchment area it is observed that Chittagong is closely following a similar development trend of Dhaka in terms of its interest in developing mixed use retail and commercial spaces.

The city of Chittagong is currently witnessing an upcoming high rise skyline of an array of stand alone as well as mixed use commercial cum retail buildings.

Owing to the prevailing FAR norms applicable in the CDA boundary, the buildings mostly range from 20 to 50 floors.



HOSPITALITY SEGMENT

Owing to its importance as a key tourism destination, the city also attracts the development of a substantial number of hotels. A high percentage of the existing hotel properties range in the budget to mid level segment. However, the city has recently starting witnessing the upsurge in the luxury and high end hotel segment



RESIDENTIAL SEGMENT

Residential segment is witnessing a slowdown in terms of new supply, limited demand and stagnant pricing trend. This is owing to the overall impact of global economic slowdown, affecting the interest of key buyers.

Premium residential segment is currently limited to areas such as Khulshi.

Site catchment is witnessing very limited supply and demand for residential segment, owing to the presence of city railway station as the primary influencing infrastructure

Overall Market Positioning: Chittagong and Site Catchment

Indicative Parameter Asset Class	Demand		Supply (Existing and New)		Pricing Escalation		Occupancy (%)		Developer Interest		Overall Outlook (Development Suitability)	
	Overall City	Site Catchment	Overall City	Site Catchment	Overall City	Site Catchment	Overall City	Site Catchment	Overall City	Site Catchment	Overall City	Site Catchment
Retail	High	High	High	Moderate	High	High	High	High	High	Moderate	High	High
Commercial Office	High	Moderate	High	Low	High	High	High	High	High	High	High	High
Hospitality	High	High	High	High	Moderate	Moderate	High	High	High	High	High	High
Residential	Moderate	Low	High	Low	Low	Low	Moderate	Low	Moderate	Low	Moderate	Low
Mixed Use Commercial Development (Retail + Commercial/Hospitality)	High	High	High	Moderate	High	High	High	High	High	High	High	High
Mixed Use (Residential cum Commercial Development)	Moderate	Low	Moderate	Low	Low	Low	Low	Low	Moderate	Low	Low	Low

Basis the overall city and catchment market assessment, it is understood that Chittagong, in similar lines with Dhaka, is witnessing a sluggish growth in residential segment. However, owing to its overall commercial and tourism importance, the city is fast picking up pace in retail, commercial and hospitality segment.

Section 6:

Decoding Site Usage and DCR Applicability: Overall Built Up Area Massing



Decoding DCR and Master Plan in Context of the Identified Site

Estimating Built Up Area

Applicable Development Control Regulations. Reference: Chittagong City Corporation Imarat Nirman Niyomaboli 8th October, 2008

Current designated Land Use	Project proposed Land Use	Road width of site (m)	Applicable FAR basis Road Width	Applicable Ground Coverage	Applicable Set back Norm	Height Restriction	Any special provision for proposed land use	Airport Funnel Zone radius	Height Restriction as per Airport Funnel zone
Transport Use	A1- Only Residential	26.84	6.5	50%	1. Front-1.5m, both sides-3m, back-3m for above 33m height or equal to 10 Storied	Depend on Civil Aviation Authority of Bangladesh	Please see the special provision below.	It has to be collected from CAAB by applying with mentioning and submitting the Mouza and the plot no.	It has to be collected from CAAB by applying with mentioning and submitting the Mouza and the plot no.
	A2- Only Hotel	26.84	No restriction		2. Front-1.5m, both sides-2m and back-1.5m above 20 Kathas (0.33 Acre)				
	A5- Mixed use	26.84	6.5						

If Hotel or Commercial spaces are mixed with residential building on the same site, it will be considered as mixed use. In that case Residential Floor Area Ratio (FAR) and Maximum Ground Coverage (MGC) will be used for the Site. According to : Rule 51 (1)

N.B.: Floor Area Ratio (FAR) will depend on land clearance from Chittagong Development Authority (CDA) after filling and submitting the certain form of Land use Clearance of CDA. They will mention the road width on the form because the existing road width and the width of the CDA's master plan may or may not be matched. They always mention the road width as they have on master plan.

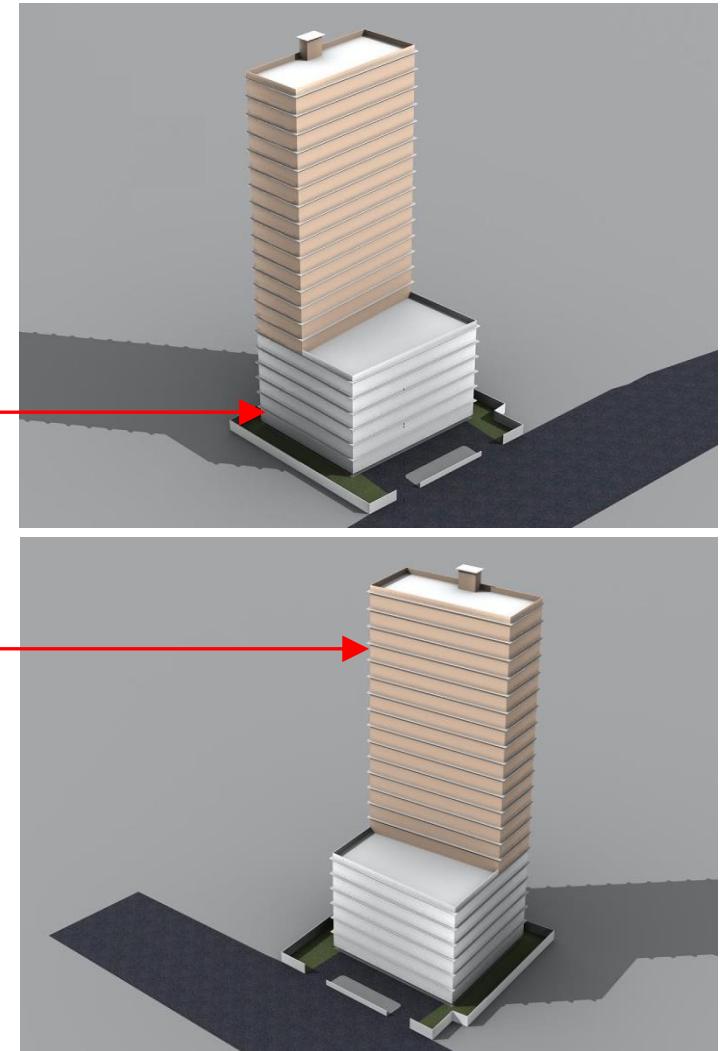
SPECIAL PROVISION: The project will be under Special provision if-

- A residential project is proposed over 40 nos. flats
- The project is more than 7500 Sqm FAR included area
- The floor of shopping is more than 5000 Sqm
- the project is connected directly with main/ local roads or national highways.
- Any heritage or important building within the radius of 250m of site
- The site within 250m of natural aristocratic area
- The site within 50m of Hill or hill resembled land
- Any kind of structures and developments within 250m of the shore of a river.

Allowable Built Up Area Calculations- Overall Development Quantum

Particulars	Value
Total area of identified land parcel	0.4555 Acres= 19,841.58 sqft
Total Allowable Built Area (As per FSI= 6.5)	128,970.27 Sqft
Maximum Allowable Floor Plate Area (as per Ground Coverage= 50%)	=19,841.58*50%= 9920.79 sqft
Total number of floors (Considering floor plate of 9920 sqft for G + 5 floors and 4,960 sqft for rest of the floors)	Upto 19 floors
Basement Area for Parking	
BASEMENT-1 (not accounted in BUA as per FAR)	11,500 Sqft
BASEMENT-2 (not accounted in BUA as per FAR)	11,500 Sqft
Total maximum allowable constructed area (Superstructure + basement)	128,970.27 + 23,000 = 151,970 Sqft

Schematic Layout Plan



Section 7:

Detailed Project Scoping: Estimating Preferred Product Mix, Type and Quantum



Preferred Product Mix: Site Suitability and Attractiveness

The site catchment primarily caters to the unorganized segments of commercial office and retail activities of the city. Most of the area is dotted with old wholesale retail markets, old commercial office buildings and hotel facilities with categories ranging from budget to mid segment properties.

The overall commercial character of the site catchment is accounted to the presence of railway station as a key infrastructure. As such the site and its catchment have a very low attractiveness for residential segment of premium or high end category.

The catchment has good potential to attract retail space. At the same time the demand for commercial space in the catchment is also substantially high and unmet.

Also since the catchment does not have much scope for large scale development due to unavailability of vacant land parcels, the project has been envisaged to attract greater occupancy / demand for commercial office, retail as well as hospitality segment.

Preferred Product Mix: Type of Development

With the given understanding of overall market demand, site attractiveness and site conditions (shape, size and allowable built up area) various product mix options have been worked out, with the following key considerations:

1. RESIDENTIAL has not been considered:

RATIONALE: Very limited demand for residential segment, and since the site is close to railway station, which can become a deterrent for attractiveness of residential segment

2. RETAIL segment has been considered for only lower floors:

RATIONALE: Even though the catchment offers high attractiveness for organized retail segment, considering the fact that footfalls of retail areas drop with higher floors, the allocation has been limited to a maximum of 4-5 floors.

3. HOSPITALITY segment has been considered for a maximum of 80-100 rooms:

RATIONALE: Considering the overall type and quantum of tourist footfall coupled with the location setting of the site, a mid segment business hotel may be feasible

4. COMMERCIAL OFFICE space has been considered for Grade A category

RATIONALE: Owing to the city's fast growing economic activities and its importance as an industrial and tourist base, grade A type commercial office space may see growth in demand

Preferred Product Mix: Quantum of Development

KEY CONSIDERATIONS

1. Total available BUA as per FAR norms= 128,970 sqft
2. Approx. Preferred Floor Plate Area/ User :

Organized Retail Space— 3,000 sqft; Commercial Office Space— 5,000 sqft; Hotel (Per Room Size) – 500 sqft

POSSIBLE PRODUCT MIX OPTIONS

Development Mix Options	ORGANIZED RETAIL SPACE	GRADE A COMMERCIAL OFFICE SPACE	MID SEGMENT- BUSINESS HOTEL
Option 1	30%	20%	50%
	(38,691 sqft BUA/ 13 users)	(25,794 sqft BUA/ 5 Users)	(64,485 sqft BUA/ 129 Rooms)
Option 2	40%	0%	60%
	(51,5888 sqft BUA/ 17 users)	-	(77,382 sqft BUA/ 155 Rooms)
Option 3	50%	10%	40%
	(64,485 sqft BUA/ 22 users)	(12,897 sqft BUA/ 3 Users)	(51,588 sqft BUA/ 103 Rooms)
Option 4 (most suitable)	40%	25%	35%
	(51,588 sqft BUA/ 17 users)	(32,243 sqft BUA/ 7 Users)	(45,140 sqft BUA/ 90 Rooms)
Exact BUA allocation as per site profile, floor plate size and number of floors	38%	27%	35%
	49,600 sqft, 5 floors	34,730 sqft, 6 floors	44,640 sqft, 9 floors/ 90 rooms

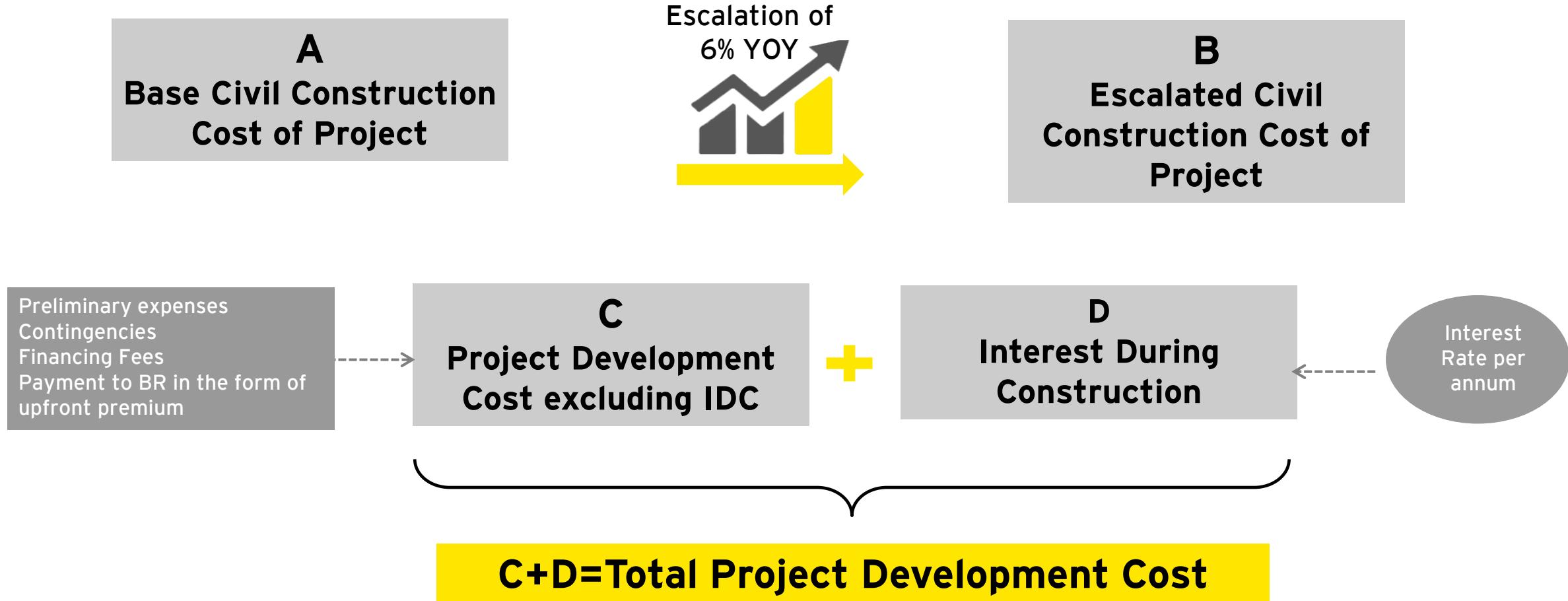
Approximate Provision for parking Space

Car Parks & parking space requirement	ORGANIZED RETAIL SPACE	GRADE A COMMERCIAL OFFICE SPACE	MID SEGMENT- BUSINESS HOTEL
Exact BUA allocation as per site profile, floor plate size and number of floors	38% 49,600 sqft, 5 floors	27% 34,730, 6 floors	35% 44,640, 9 floors/ 90 rooms
Provision of car parks per user	3 for visitors, 1 for owner	5 per user	20% of total no. of Rooms
No. of car parks	68	35	18
Space required per car park area	Parking space per car (2.5m x 5m) x 121 car parks = 1512.5 sqm (16280.4 sft)		
Total minimum required Basement space	Parking space + 40% of the parking space for drive way, ramps, etc. = 22,792.5 sft (11,396 sft per basement floor)		

Section 8:
Project Cost and Development Cost



Project Development Cost: Methodology



Detailed Cost Estimate: Cost assumptions and Component Wise Estimate

KEY COMPONENTS	INCLUSIONS	CONSIDERATIONS
Earthwork	Excavation, Backfilling, carting off the excavated soil, surface preparation	Considered two parking floors of 3.6m height
Shell and Core - RCC works including waterproofing	PCC, Raft foundation, Plum concrete, Retaining wall, waterproofing, anti-termite treatment, super structure RCC work	Considered Raft foundation of 1m thickness and Plum concrete filling of 2m depth
Block work and Plastering	Blockwork, internal plaster, external plaster	Considered blockwork for one staircase set, Lift lobby & common area on Ground Floor
Architectural Finishing & Mill works	Interior finishes, doors & windows	Interior finishes are considered only for Lift lobby, staircase & common area on Ground Floor
Façade Works	Glass façade	Considered glass façade on all four sides of the building
MEPF works	Electrical works high side & low side, Public Health Engineering, Fire protection system, diesel generators	Electrical fixtures and wiring inside the area occupied by users is not considered in scope
External Development	Soft scape, hard scape, compound wall, main gate	Included roads, pathway & drain lines in hard scape
Other miscellaneous works	IBMS & Security system, STP, elevators	Four elevators considered for the building

Key assumptions for Quantification

- Concrete - 0.03 cum/sft of constructed area
- Steel - 4.5 kg/sft of constructed area
- Shuttering - 9 sqm/cum of concrete

Detailed Cost Estimate:

Earthwork Cost - 66,21,461 BDT (1.9% of total Civil Construction Cost)

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	Excavation	12,022.40	cum	199	BDT/Cum	23,91,255	considered parking floors of 3.6m height, plum concrete of 2m and raft of 1m
2	Backfilling	428.20	cum	140	BDT/Cum	60,119	
3	Carting of excavated soil	11,594.20	cum	351	BDT/Cum	40,69,565	
4	Surface excavation & preparation - landscape area	343.66	cum	293	BDT/Cum	1,00,522	
	Earthwork - Total Cost					66,21,461	

Detailed Cost Estimate

Shell and Core Cost - 16,84,81,102 BDT (47.4% of total Civil Construction Cost)

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	PCC	167	cum	5,850	BDT/Cum	9,78,261	
2	1m thick raft - concrete	1,115	cum	8,190	BDT/Cum	91,30,435	Considered 1m thick raft of 12000 sft area
3	1m thick raft - steel	167	MT	76,050	BDT/MT	1,27,17,391	
4	Plum concrete	2,178	cum	4,680	BDT/Cum	1,01,93,040	considered 2m filling between basement B2 and Raft filled by plum concrete
5	PCC	109	cum	5,850	BDT/Cum	6,37,065	
6	Retaining wall - concrete	364	cum	8,190	BDT/Cum	29,83,781	
7	Retaining wall - shuttering	2,429	sqm	585	BDT/sqm	14,20,848	
8	Retaining wall - steel	55	MT	76,050	BDT/MT	41,55,980	
9	waterproofing - substructure	2,461	sqm	1,170	BDT/sqm	28,79,636	
10	Anti termite treatment	2,461	sqm	152	BDT/sqm	3,74,353	
11	RCC - beams, columns, slabs, shear walls	4,559	cum	8,190	BDT/Cum	3,73,39,029	
12	Steel - beams, columns, slabs, shear walls	684	MT	76,050	BDT/MT	5,20,07,933	
13	Shuttering	41,032	sqm	702	BDT/sqm	2,88,04,394	
14	waterproofing - toilets	3,000	sqm	1,404	BDT/sqm	42,12,000	
15	waterproofing - terrace	461	sqm	1,404	BDT/sqm	6,46,957	
Shell & Core including waterproofing - Total Cost						16,84,81,102	

Detailed Cost Estimate

Blockwork & Plaster Cost - 60,60,600 BDT (1.7% of total Civil Construction Cost)

Architectural Finishes & Mill works Cost - 1,52,45,770 BDT (4.3% of total Civil Construction Cost)

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	Blockwork	2,800	sqm	1,755	BDT/sqm	49,14,000	considered one staircase set & lift lobby
2	Internal Plaster	2,100	sqm	351	BDT/sqm	7,37,100	
3	external plaster	700	sqm	585	BDT/sqm	4,09,500	
Blockwork & Plaster - Total Cost						60,60,600	

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	interiors	1,400	sqm	5,038	BDT/sqm of interiors	70,52,573	50 sqm furnished area of lift lobby and other common area on each floor and 200 sqm on GF
2	interiors - staircase	2,400	sqm	2,519	BDT/sqm of interiors	60,45,062	100 sqm furnished area of staircase on each floor
3	flooring - VDF/Trimix - parking area - B2	1,068	sqm	176	BDT/sqm	1,87,500	
4	flooring - VDF/Trimix - parking area - B1	1,068	sqm	176	BDT/sqm	1,87,500	
5	OBD Paint - parking area ceiling, walls & beams	6,210	sqm	176	BDT/sqm	10,89,855	
6	doors	24	nos	11,700	BDT/no	2,80,800	
7	main entrance doors	4	nos	23,400	BDT/no	93,600	
8	windows & grill	44	sqm	7,020	BDT/sqm	3,08,880	
Architectural Finishing & Mill works - Total Cost						1,52,45,770	

Detailed Cost Estimate

Glass Façade Work Cost - 6,45,59,902 BDT (18.2% of total Civil Construction Cost)

MEPF Work Cost - 6,40,09,764 BDT (18% of total Civil Construction Cost)

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	Façade	5,518	sqm	11,700	BDT/sqm	6,45,59,902	considered glazing on all four sides of the building (excl. the external plaster area) with unit rate of 11,700 BDT/sqm
Façade works - Total Cost						6,45,59,902	

Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	Electrical Works Low & High Side Works	1,51,970	sft of CA	117	BDT/sft of CA	1,77,80,490	excluding electrical fixtures and wiring inside the occupied area
2	Public Health Engineering	1,51,970	sft of CA	211	BDT/sft of CA	3,20,04,882	
3	Diesel Generators	1,51,970	sft of CA	12	BDT/sft of CA	17,78,049	
4	Fire Protection System	1,51,970	sft of CA	82	BDT/sft of CA	1,24,46,343	
MEPF works - Total Cost						6,40,09,764	

Detailed Cost Estimate

External Development Cost - 48,13,119 BDT (1.4% of total Civil Construction Cost)

Other miscellaneous works Cost - 2,55,97,319 BDT (7.2% of total Civil Construction Cost)

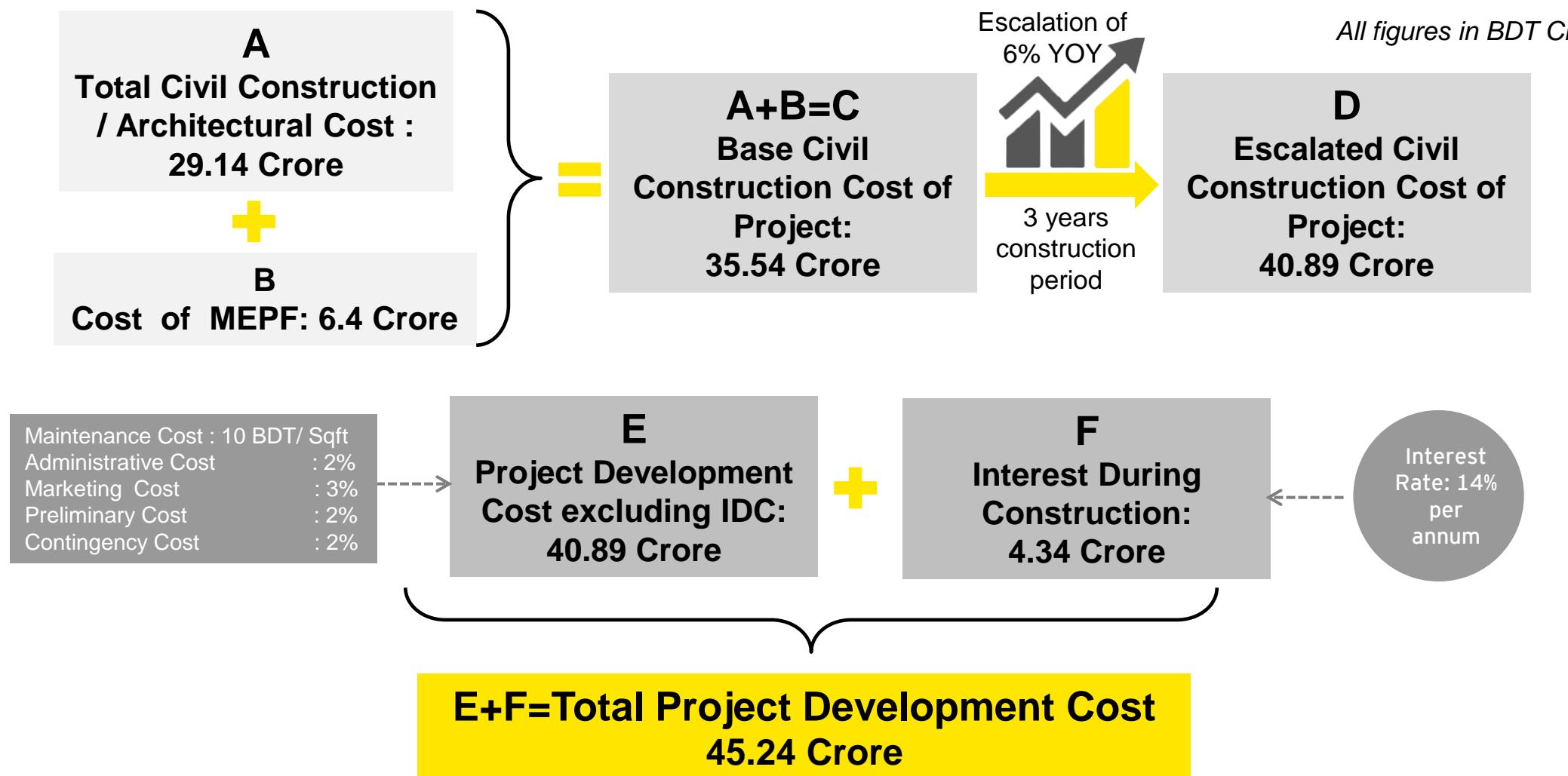
Sr No	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	Softscape	579	sqm	2,340	BDT/sft of CA	13,54,913	
2	Hardscape Works including External development cost	350	sqm	3,510	BDT/sft of CA	12,28,500	
3	Compound wall	189	rmt	9,945	BDT/rmt	18,78,706	
4	Main gate	1	nos	3,51,000	BDT/unit	3,51,000	
	External development - Total Cost					48,13,119	

Sr No .	Item	Quantity	Unit of quantity	Rate	Unit of rate	Amount	Remarks
1	IBMS & Security System.	1,51,970	sft of CA	59	BDT/sft of CA	88,90,245	
2	STP	1,51,970	sft of CA	18	BDT/sft of CA	26,67,074	
3	Vertical Transportation - Elevator	4	nos	35,10,000	BDT/nos	1,40,40,000	4 elevators considered; unit rate to be confirmed
	Other miscellaneous works - Total Cost					2,55,97,319	

Total Project Civil Construction Cost - Summary

Package	Cost (BDT)	Percentage of Total Construction Cost
Earthwork	66,21,461	1.9%
Shell and Core - RCC works including waterproofing	16,84,81,102	47.4%
Block work and Plastering	60,60,600	1.7%
Architectural Finishing & Mill works	1,52,45,770	4.3%
Façade Works	6,45,59,902	18.2%
MEPF works	6,40,09,764	18.0%
External Development	48,13,119	1.4%
Other miscellaneous works	2,55,97,319	7.2%
Total project Civil Construction Cost (un-escalated)	35,53,89,037 BDT 35.54 Crore	
Civil Construction Cost per sqft of total Built Up Area (Excluding basement)		BDT 2,756
Civil Construction Cost per sqft of total Constructed Area (including 2 levels of basement)		BDT 2,339

Project Development Cost- Summary



Section 9:
Project Revenue and Occupancy Assumptions

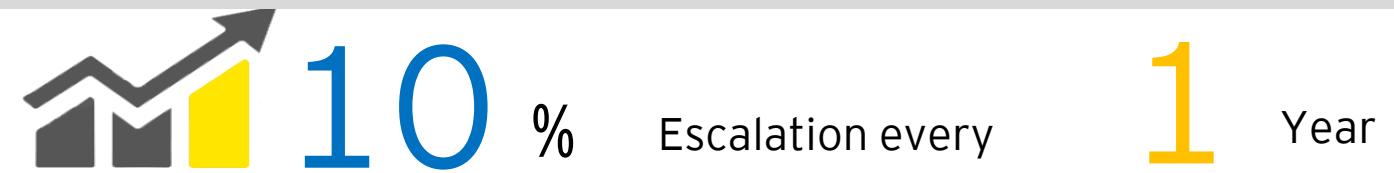


Component Wise Revenue Assumptions

S.No	Parameters	Revenue assumption (all rentals include O&M charges)
A	Retail space	Lease rentals: BDT 135 Sqft/ mnth Security deposit: rentals of 12 months
B	Commercial space	Lease rentals: BDT 50/ Sqft/ mnth Security deposit: rentals of 12 months
C	Hospitality	Lease rentals: BDT 50/ Sqft/ mnth Security deposit: rentals of 12 months
D	Advertisement	5% of revenue

Revenue Escalation Assumptions

Lease Escalation



Parking Charges Escalation



Advertisement Charges Escalation



Component Wise Occupancy Assumptions

Particulars	Years	FY19-21	FY22-26	FY27-31	FY32-36	FY37-41	FY42-46	FY47-3015
		Yr 3-5	Yr 6-10	Yr 11-15	Yr 16-20	Yr 21-25	Yr 26-30	Yr 31-99
Retail		40%	40%	50%	60%	75%	90%	95%
Commercial		0%	40%	50%	60%	75%	90%	95%
Hospitality		0%	0%	30%	50%	90%	90%	95%

Section 10:
Project Financial Returns Summary



Project Financial Summary and Sensitivity

Concession Period: 45 Years

COST SENSITIVITY	EQUITY		PROJECT	
	IRR	NPV in BDT Cr	IRR	NPV in BDT Cr
Actual estimated project development cost	20.07%	15.93	17.65%	39.38
90% of estimated project development cost	21.50%	18.39	18.58%	42.38
110% of estimated project development cost	18.89%	13.42	16.86%	36.34

Concession Period: 60 Years

COST SENSITIVITY	EQUITY		PROJECT	
	IRR	NPV in BDT Cr	IRR	NPV in BDT Cr
Actual estimated project development cost	20.32%	19.91	17.99%	55.29
90% of estimated project development cost	21.68%	22.37	18.86%	58.30
110% of estimated project development cost	19.21%	17.4	17.26%	52.26

Concession Period: 99 Years

COST SENSITIVITY	EQUITY		PROJECT	
	IRR	NPV in BDT Cr	IRR	NPV in BDT Cr
Actual estimated project development cost	20.40%	23.47	18.13%	82.21
90% of estimated project development cost	21.73%	25.93	18.96%	85.21
110% of estimated project development cost	19.32%	20.96	17.44%	79.17

Section 11:
Project Expectations



Principles/ Rationale for Minimum Project Expectation Sensitivity

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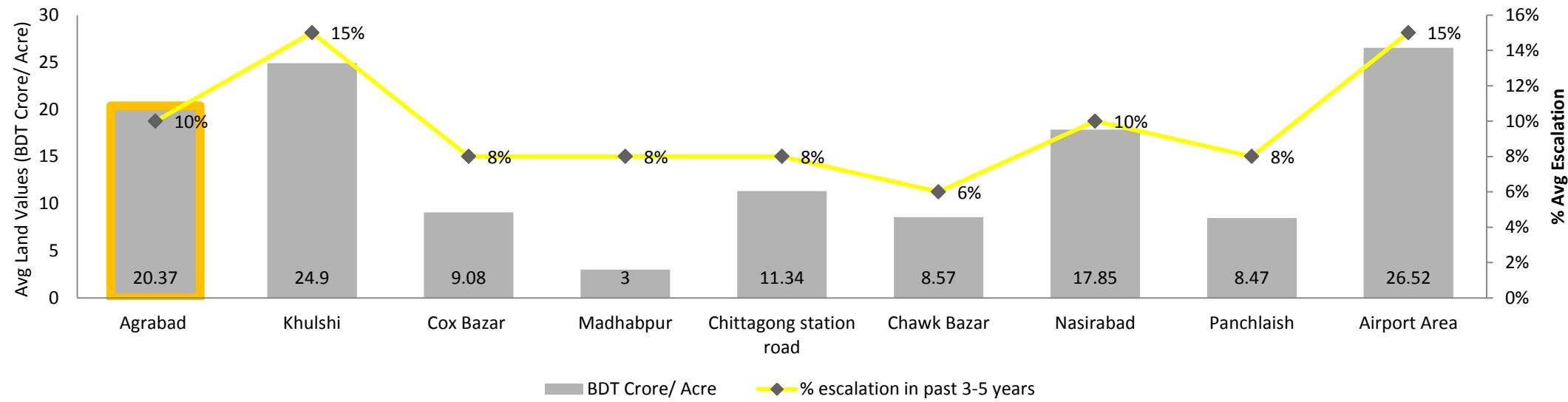


Sensitivity Analysis- Market Perception

Parameter	Effect	Estimated Quantum of effect (%)
Land For Free Hold	Upside	+5% to +10%
Leasing period a. 99 years- Close to sale value of Land is realisable b. 60 years- 70-80% of sale value of Land is realisable	Downside	(-5) % to (-30) %
Competitive Landscape Presence of similar real estate development formats in the catchment	Downside	(-10) %
Package Suitability Individual land bidding may fetch greater market returns-attraction and acceptability	Upside	+10% to +15%
Realization of Market rates Land put to various real estate development- residential, retail & commercial may fetch better returns as compared to other uses such as entertainment, hospital, industrial/ educational etc Within real estate also- depending on the supply side of each asset class would fetch different return	Upside	+10% to +20%
Price Escalation Normal y-o-y escalation till the Transaction completes	Upside	+5% to +10%

Considering the above factors, the overall variance in the leasing factor of Land Prices may range from +/- 20%.

Land pricing profile of Chittagong and Site Catchment area



- The Site, being located in Agrabad area, falls in the price bracket of BDT 15-25 Crore/acre
- Land deals in entire Chittagong city has seen a slow trend, and the enquires have been primarily limited to land deals of smaller parcels within individual buyers and sellers. No major land consolidation activity has taken place in the past 3-4 financial quarters
- Market study of land prices of adjacent land parcels show a range of BDT 5-15 Crore/ acre depending on the distance from highways and major roads and relative distance from commercial developments such as Chittagong Port Area, and upcoming residential areas such as Khulshi etc
- Within a distance of 3-4 km towards the Airport and areas close to Khulshi, the land prices are approximately BDT 50-60 Crore/acre
- Owing to the overall land market trend, maximum approximate land rate of the site may be assumed as BDT 24 crore/acre
- Average escalation assumed is 10% per annum

Project expectation: Basis Leasing Factor

- As per our secondary source and primary survey of Chittagong city and Agrabad region (Catchment area of identified land parcel), We understand that the previous land rates for this region varies from the range of BDT 16Cr to BDT 24 Cr. In this section We have analyzed the basic minimum and maximum project expenses/returns.

Particulars	(Market rate as on 2015 for Agrabad area)	
	Conservative Scenario	Optimistic Scenario
Total Land Area	0.4555 acres	0.4555 acres
Per Acre Land Sale Rate (as per demand Study)	BDT 16 Crore/ acre	BDT 24 Crore/ acre
Total Sale Value	BDT 7.288 crore	BDT 10.932 crore

Minimum Project Expectation Sensitivity								
Factor for Leasing (% of prevailing Sale Rate	60%		70%		80%		90%	
Concession Period	30 Years		45 Years		60 Years		90/ 99 Years	
Leasing rate (BDT Crore)- Minimum and Maximum	9.6	14.4	11.2	16.8	12.8	19.2	14.4	21.6
Minimum Project Expectation (BDT Crore)	4.37	6.55	5.10	7.65	5.83	8.72	6.55	9.83

Project Financial Summary and Return Expectation

Project Financial Summary	Project IRR	Equity IRR
Overall Project Returns	18.12%	20.4%

As per the leasing factor on sale value of land BR may expect a minimum of BDT 10 Crore (recoupment of basic land value) and a maximum of BDT 15 Crore (BDT 5 Crore over and above land value, considering that the land is being commercially exploited)

For purpose of sensitivity on overall return expectation we have considered BDT 15 Crore as repayment option to BR in lieu of commercial exploitation of land on PPP mode for 99 years.

UPFRONT PREMIUM PAYMENT MECHANISM

1. One time Payment
2. Staggered (Time Based) : 50% upon Signing of Agreement, 2 instalments of 25% within 1 calendar year
3. Staggered (Construction progress linked); 50% upon Signing of Agreement, 2 instalments of 25% post completion of construction within 1 year

Distribution of an Upfront Premium of BDT 15 Crores can be put forward as specified below to analyse the impact on overall project financials:

Suggested project structure	Upfront Payment	Project IRR	Equity IRR
2a	Upfront payment- One time, upon Signing of Agreement	15.76%	17.14%
2b	Consecutively across 3 years from Signing of Agreement	16.00%	17.28%

Stakeholder Consultation



Key Agenda of Initial Discussions with Potential Real Estate Players/contractors

S No	Key Discussion Points
1	What is the investment sentiment in Bangladesh towards the Real Estate Industry?
2	How is the current development trend and growth trend in terms of demand, new supply and pricing?
3	Which are the key asset classes which the market is preferring (users/ buyers/ investors/ banks etc)?
4	How has the land market been performing in the past 2-3 years? Has there been substantial escalation in prices?
5	How is the Chittagong Real Estate Market performing in the last 2-3 years?
6	Is the market oversupply or is there substantial demand to absorb upcoming and planned supply?
7	Which are the preferred locations in Chittagong? And what are the preferred asset classes?
8	Will you be interested in entering into a partnership for land development on Railway Land?
9	What are the key pre-requisites that you will look for in such a project?
10	What is your idea of an integrated development project? Is residential asset a preferred option for the identified land parcel?

List of Real Estate Players/ contractors of Chittagong contacted

- ▶ The Team has interacted with some of the key real estate developers/ contractors/ and real estate agents to understand the overall market scenario of Chittagong
- ▶ The interactions were conducted either through a one-to-one interview or telephonic conversation or through e-mails
- ▶ It is understood that most of the real estate developers in Chittagong are currently focusing on residential development format
- ▶ Very few developers have shown interests in integrated development of commercial formats
- ▶ Some of the well established developers have indicated that their decision to participate in the project shall depend on the final concession terms and conditions.
- ▶ Almost all interested players have confirmed that they will need to formulate a joint venture in order to be able to participate in the proposed opportunity
- ▶ A list of the key developers contacted and interacted with have been listed alongside for reference.

Sanmar Properties Limited
Epic Properties
Navana Real Estate
Ca property Development
Hiraman Associates limited
Excell Multibuilders Ltd
Saf Holdings
Pyramid Associates
Marine Homes development Limited
Building Technology and Ideas Ltd
Subashti Properties
Boshudha Builders
Praasad Nirman Limited
Lasco Real estate
Gowsia Properties & Builders
Green Delta Housing and Development pvt Ltd
Bonani Associates
Mishmak developments
Shahmanat land development
Intraco Properties
Imperial Development technology

Developers' Perception of Bangladesh Real Estate Market

LIMITED INVESTMENT INTERESTS IN TERMS OF GEOGRAPHICAL EXPNASE:

Investment interests in the country for establishment of new business is limited to Dhaka, the capital city, hence most of the premium and large scale real estate development is concentrated in Dhaka, with very limited exposure to other cities such as Chittagong

MARKET COMPRISES OF UNSOLD INVENTORY, SLOWER INVESTMENT IN NEW PROJECTS:

Global economic slow down has imposed an adverse impact on the overall buyer sentiment in Bangladesh, which has resulted in substantial stock of unsold inventory of launched projects as well as stalled inventory of planned projects.

LOWER ESCALATION TRENDS IN LAND MARET PRICING:

Land prices have not seen much escalation in past 2-3 years. Developers are focusing on utilizing existing land banks instead of fresh purchase.

Developers' Perception of Chittagong Real Estate Market and Proposed Project Concept

RESIDENTIAL ASSET CLASS, PREFERRED INVESTMENT FOR DEVELOPERS IN CHITTAGONG

Overall growth of real estate in Chittagong is still in a very nascent stage as the investors are still contemplating a more realistic scenario of the demand drivers and growth pattern

Most of the upcoming and planned construction in Chittagong is focused on residential asset class with a very few Grade A commercial development. Developer interest is limited to areas such as Khulshi

LIMITED INTERESTS BY DEVELOPERS TO INITIATE DEVELOPMENT ON RAILWAY LAND

The developer fraternity is not very keen on investing on Railway Land as they feel there could be issues of clear land title and encroachment.

However, the Developer fraternity also feels that joining hands with a Government agency may help them get faster project approvals

DEVELOPERS KEEN ON UNDERSTANDING PROJECT STRUCTURE AND BIDDING CONDITIONS

A few, well established, developers are keen on the project, however, they would like to understand the specific terms and conditions of partnership in terms of concession fee, expected premium/ project returns by BR, concession period, benefits available such as higher FSI, easy approvals etc

Bid Parameter and Project Structuring Options



Bidding Parameter- Option 1

Option 1

UPFRONT PREMIUM : Premium to be paid upfront either in one go or in a staggered manner

1 a) Highest Upfront Premium (Minimum Premium for the bid not specified)

1 b) Highest % over and above Minimum Fixed Reserve Price as Upfront Premium

PROS

- This option significantly reduces BR's risk in the project
- Financial interest of BR is satisfied in one instalment and is independent of the project performance
- As mentioned in case of 1 (b), specifying minimum limit on Upfront Premium to be quoted (benchmarked with current neighborhood market) assures a minimum level of returns irrespective of the extent of participation and level of competition in the bidding process

CONS

- Might result in reduced interest from developers due to high cash outflow in the initial stages of the project
- Reduction in risk (of future uncertainties) shared by BR would also result in reduced returns

Bidding Parameter- Option 2

Option 2

REVENUE SHARING: No Upfront premium; Receive periodic (monthly / quarterly / yearly etc.) returns calculated in terms of revenue generated during the concession period

PROS

- ▶ Opting for this method may help to increase returns to BR in the partnership model due to its higher exposure to risk, pertaining to revenue generation fluctuations over time.
- ▶ This model would help to increase participation and thus competition in the bidding process leading to better returns to BR, since there is no initial commitment required from the Private Player.

CONS

- ▶ Process of monitoring revenue generated by the developer during a particular period and assessing returns payable to BR can be cumbersome
- ▶ Returns to BR through this model would be uncertain and highly market dependent, exposing BR to the market demand and pricing risk
- ▶ Returns to BR will be in periodic instalments with no large one time payment

Bidding Parameter- Option 3

Option 3

BASE ANNUALISED LEASE RENTAL: No Upfront premium; Receive base annualised Lease Rentals as per the Rental finalized and escalated as per market trend over the concession period

3 a) Highest lease rental (Minimum rental for the bid not specified)

3 b) Highest % over and above minimum fixed annualised lease rental

PROS

- This model would help to increase participation and thus competition in the bidding procedure leading to better returns to BR, since there is no initial commitment required from the Private Player.
- This would provide BR a constant cash inflow for long period
- BR will be able to portray a sense of ownership on the land parcel

CONS

- In this mechanism, returns of long period in future is finalized upfront. Hence, actual valuation of the returns to BR would depend on inflation and escalation rates of market for the coming years, exposing BR to inflation risk.
- Since the bidders are also exposed to the inflation risk vice-versa, the returns to BR quoted by them would be also be lower compared to a risk free alternative for the bidders, despite of BR also being exposed to the same risk

Bidding Parameter- Option 4

Option 4

BUILT-UP AREA SHARING: a portion of developed BUA to be allotted to BR

- 4 a) Allotting unfurnished area in the developed building to BR; to be maintained and operated by BR
- 4 b) Allotting Hotel rooms to BR; Maintained and operation to be in scope of the developer

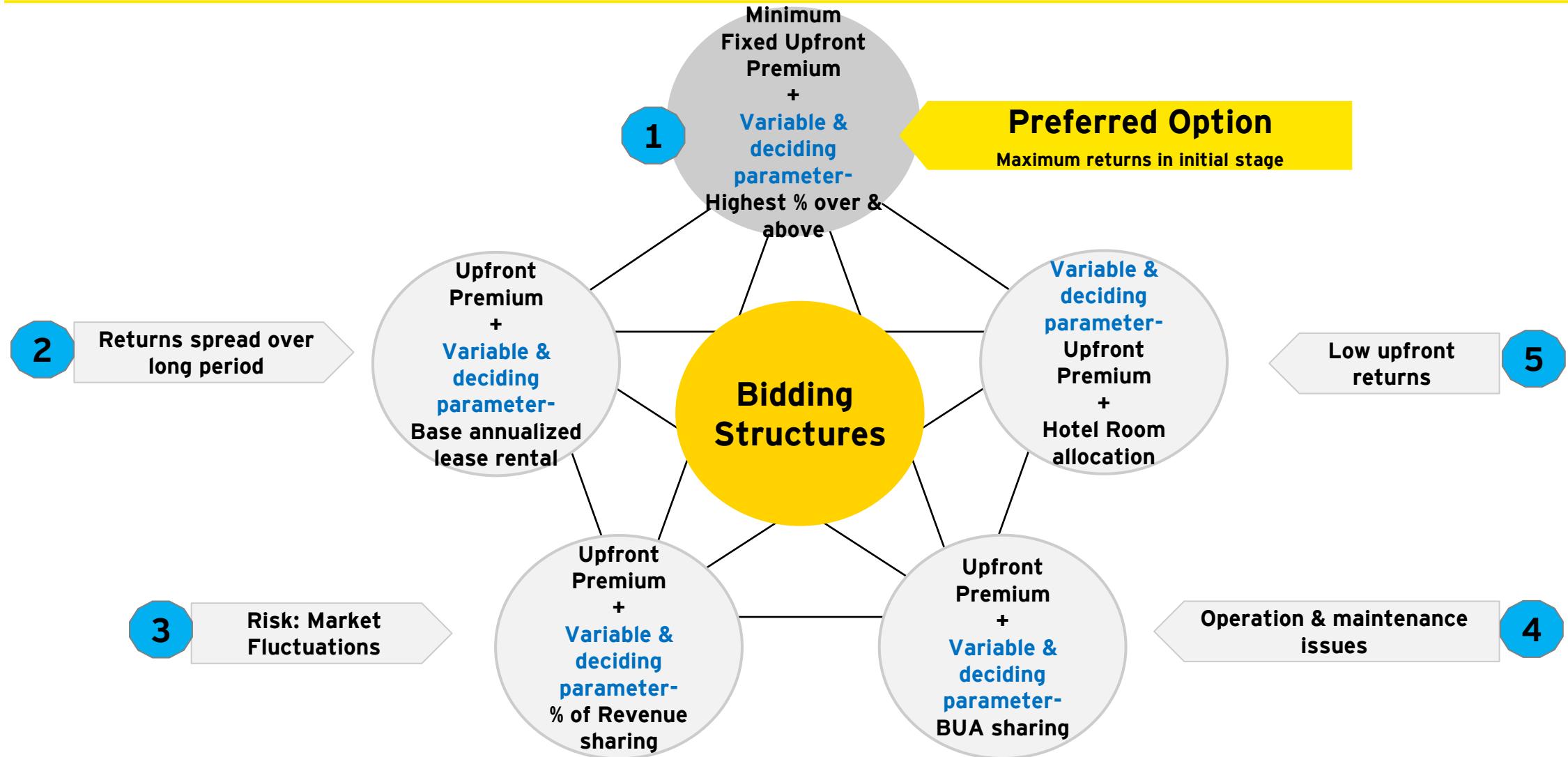
PROS

- This model would help to increase participation and thus competition in the bidding procedure leading to better returns to BR, since there is no initial commitment required from the Private Player.
- Consideration of option 4 (b) would fulfil BR's requirement of Guest House facility without any concerns of its operation and maintenance

CONS

- In this mechanism, monetary returns to BR may get limited.
- As mentioned in case of 4 (a) (allocation of undeveloped space in the building), issues of development, commercial / hospitality operations and maintenance would arise consuming management bandwidth of BR
- As mentioned in case of 4 (b) (allocation of hotel rooms), the agreed provision of rooms may not be utilized completely at all time

Project Structuring Options



Project Structuring Options

1 UPFRONT PREMIUM
+
HIGHEST % OVER & ABOVE

Fixed Parameter: Fixed Minimum Reserve Price
Variable & Deciding Parameter: Highest % of Upfront premium over and above the minimum fixed reserve price specified for bid

2 UPFRONT PREMIUM
+
BASE ANNUALIZED LEASE RENTAL

Fixed Parameters: (1) Upfront premium; (2) Minimum NPV of Base annualized lease rental; (3) Discount Rate
Variable & Deciding Parameter: Highest NPV of Base annualized lease rental
Bidding Evaluation Parameter: Option 1) bidder to quote % over and above with pre-decided annual escalation, Option 2) bidder to quote % over and above, alongwith annual escalation

3 UPFRONT PREMIUM
+
% OF REVENUE SHARING

Fixed Parameters: (1) Upfront premium; (2) Discount Rate
Variable & Deciding Parameter: Highest % of Revenue sharing
Bidding Evaluation Parameter: Option 1) % over and above with pre-decided annual Minimum Guaranteed Revenue sharing; Option 2) % over and above total pre-decided NPV of Minimum Guaranteed Revenue sharing

4 UPFRONT PREMIUM
+
BUA SHARING

Fixed Parameter: Upfront premium
Variable & Deciding Parameter: Highest BUA shared

5 UPFRONT PREMIUM
+
HOTEL ROOM ALLOCATION

Fixed Parameter: (1) Hotel room allocation; (2) Fixed Minimum Reserve Upfront premium
Variable & Deciding Parameter: Highest % of Upfront premium over and above the minimum fixed reserve price

Preferred Option 1: Upfront Premium

	Parameter	Description
1.	Rationale	To maximize overall transaction value while ensuring a minimum level of returns to BR
2.		Bidding Parameter
		Qualifying Criteria: Highest Upfront Premium
Option 1a	Single Parameter	Upfront Premium
Option 1b	Fixed Parameter	Fixed Minimum Reserve Price
	Variable Parameter or Deciding Parameter	Highest % over and above the minimum fixed Upfront premium specified for bid
	Payment Strategy	One time Payment; or Upfront Payment staggered in multiple installments over a period
4.		Key Highlights
	Advantages	<ul style="list-style-type: none"> ▶ Through this strategy BR would receive the returns at the initial stage itself ▶ BR may be able to ensure complete utilization of the funds as compared to other options ▶ This mechanism would also safeguard BR against all future market demand and pricing related uncertainties
	Disadvantages	<ul style="list-style-type: none"> ▶ Might result in reduced interest from developers due to high one time payment ▶ Reduction in risk (of future uncertainties) shared by BR would also result in reduced returns

Illustrative Bidding:

OPTION 1a	Bidder 1	Bidder 2	Bidder 3	Bidder 4
Quoted Price (BDT crore)	12	15	12.52	12.55
Winning Bidder		★		

OPTION 1b	Bidder 1	Bidder 2	Bidder 3	Bidder 4
% over and Above minimum reserve price of BDT 12 Crore	5%	4.5%	7%	7.25%
Winning Bidder				★

Suggestions on a Suitable Bidding Process



Suggested Procedure to be Adopted for Bid Process Management

The Authority may adopt one of the following processes to conduct the bid process management for selection of a Private Sector Player for the proposed project:

Single Stage Bid Process (RfQ cum RFP at one go):

- ▶ This procedure shall involve inviting the Technical and Financial Proposal in a single stage.
- ▶ The process shall involve evaluation of pre-qualification, shortlisting of bidders, (based on technical and financial capacity) and evaluation of financial proposal in a single stage.
- ▶ In this process, the Authority has only one chance to assess and evaluate the market interest at one go.

2 Stage Bid Process (RfQ and Rfp separately)

- ▶ This procedure shall involve inviting technical proposal at one stage, wherein the bidders shall be shortlisted based on technical and financial capacity
- ▶ Post shortlisting of bidders, second stage of Financial proposal shall be called for.

EY's suggestion

Based on past experience of such railway land development projects, developer perception gathered from stakeholders' consultation, Authority's interests and expectations from the project, EY understands that a 2 stage bidding process may be more suitable for ensuring the success of the project.

Inviting RfQ at the first stage may provide adequate time for overall project branding and positioning and understanding market expectations required to set out the key concession terms suitable to both parties (Authority and Developer).



STEP 1: Test of Compliance

- 1) Bid Document Fee
- 2) Bid Security
- 3) All required forms and supporting proofs/documents

STEP 2: Pre-qualification

Evaluation of Minimum Eligibility Requirement :

- 1) Technical capacity
- 2) Financial Capacity

STEP 3: Shortlisting of Applicants

(In case more than 5 applicants fulfil the minimum qualification criteria)

Shortlisting of Applicants shall be done based on:

Ranking of highest Financial capacity (in terms of Networth)

Bid Document Fee and Bid Security



- ▶ **BID VALIDITY PERIOD = 180/ 270 Days** (To be decided based on past experience of governmental approvals and procedures)



- ▶ **BID DOCUMENT FEE (Non Refundable)**

- ▶ Demand Draft

- ▶ Amount= BDT 50,000 (Can be kept as a high value to ensure participation by serious bidders, or can be kept as a lower value to ensure maximum visibility in the market)



- ▶ **BID SECURITY (Refundable)**

- ▶ Demand Draft or Bank Guarantee

- ▶ Amount (1% of estimated project cost)

Evaluation Parameter- Pre-qualification

TECHNICAL CAPACITY

- ▶ **DURATION OF EXPERIENCE:** Last last 10 (ten years) financial years experience to be eligible. Should have been in active business for last 5 years
- ▶ **TYPE OF EXPERIENCE:** Experience of having developed, paid for or received payments for construction and completion of **real estate projects-townships, commercial building, hotel or integrated land development project**
- ▶ **QUANTUM OF EXPERIENCE:** Should have the above type of experience for a sum total of built area in the project(s) equal to or more than **130,000 sqft**
 - ▶ **RATIONALE:** Equal to the estimated BUA quantum of proposed project
- ▶ **SPECIAL PROVISION:** Atleast one project should be more than **65,000 sqft**
 - ▶ **RATIONALE:** equal to 50% of the estimated BUA quantum of proposed project

Definition of "Development" shall mean conceptualize, design, finance, build and market

Definition of "Construction" shall mean responsibility for physical construction of an owned project or project of other companies / entities as a contractor.

Construction works shall not include supply of goods or equipment except when such goods or equipment form part of a turnkey construction contract / EPC contract for the project. Cost of land shall not be included

Evaluation Parameter- Pre-qualification Process

FINANCIAL CAPACITY- Pre Qualification Process

- ▶ **MINIMUM NETWORTH CRITERIA:** Networth of BDT 10 Crore in each of the last 3 Financial years
 - ▶ **RATIONALE:** 25% of estimated project cost
- ▶ **MINIMUM ANNUAL TURNOVER CRITERIA:** Annual turnover of BDT 40 crore in average of the last 3 financial years
 - ▶ **RATIONALE:** Equivalent to estimated project cost
- ▶ **ABILITY TO PROVIDE EQUITY/ RAISE DEBT OR SELF FINANCING:** ability to provide funding from its own source or raise a minimum equity contribution of at least BDT 20 Crore. ability to provide equity will be measured by using the aggregate Net Cash Accrual of the last 3 (three) completed financial years
- ▶ Applicant shall demonstrate that it has raised and has had at least BDT 20 Crore disbursed as debt for one or more similar type of projects, as defined in technical capacity, undertaken in the last 10 financial years
 - ▶ **RATIONALE:** Equivalent to 50% of estimated project cost
- ▶ **Computation of Financial Capacity in case of a Consortium:** total Net Worth/ Annual Turnover/ Ability to provide equity/ raise debt of the Consortium Members to be adjusted on a pro-rata basis their equity shareholding in the Project Company

Evaluation Parameter- Pre-qualification and Shortlisting Process

FINANCIAL CAPACITY- Shortlisting Process

- ▶ In case more than 5 applicants pre qualify, then the following method may be used:
 - ▶ **Ranking on the basis of highest networth criteria**
 - ▶ **Calculation of highest networth:**
 - ▶ **Highest Average networth of last three years**



Proofs and Documents to be enclosed

CERTIFICATES FROM STAUDARY AUDITOR

Proof of Incorporation

stating that the Bidder is in existence or incorporated on or before 1st April 2011 (last 5 years) and in operation of business (please fill the nature of relevant business) for the last three financial years

Proof of Annual Turnover

specifying the annual turnover from operations (please fill the nature of relevant business) of the Bidder, of preceding 3 financial years

Proof of Past Experience/ Projects Handled

stating the payments made / received and works commissioned for similar projects in the last ten years,
In case a particular job / contract has been jointly executed by the Applicant (as part of a Consortium), it should further support its claim for the share in work done for that particular job / contract

Proof of Annual Networth

specifying the networth of the Bidder as at the close of preceding 3 financial years

Tentative RFQ Process Schedule



Tentative RFQ Process Schedule

Activity	Cumulative days from the date of issue of RFQ
Issue of RFQ	0
Submission of queries for Pre-Application Meeting	14
Pre-Application Meeting	21
Authority response to Registered Entities' queries and queries submitted during Pre Application Meeting (<i>If Authority agrees on the same</i>)	28
Receipt of Applications by the Authority	49
Complete evaluation for pre-qualifying and shortlisting Applicants	56
Approval of Shortlisted Bidders	62
Notification of Shortlisted Bidders for RFP phase	65

Post completion of the RfQ process, EY estimates that the next stage of RfP can be conducted in a duration of 45 days, which shall include finalizing of the bidding criteria, concession terms, conducting a pre bid meeting, calling for financial proposal and final evaluation for selection of PSP

Way Forward



Way Forward

EY seeks Authority's consent and opinion on the following points, in order to finalize the bid documentation:

- ▶ Suitable bidding parameter (*only Upfront premium or a mix of Upfront Premium and Revenue sharing*)
- ▶ Preferred project structure (*fixed and variable parameter*)
- ▶ Process to be adopted for bid process management (*single or 2 stage*)
- ▶ Consent on evaluation criteria (*Financial and Technical Capacity*)
- ▶ Bid documentation requirements (*Proof of experience, Bid documentation fee, Bid Security, Bid validity etc*)
- ▶ Bidding Timeline (*RfQ and RfQ process schedule*)

Summary Report post presentation of Final Feasibility Report



Proposed Site & project overview

Preliminary overview of the Site

Preliminary overview of the Site	
Site location	Near Chittagong Old Railway Station Platform
Total site area	0.4432 acres
Site Boundary	Site boundaries undefined
Encroachments	Illegally occupied by shops, automobile garage, political party office, etc.
Shape	Almost square
Soil Type	Plain land, Elevation same as road
Usage	Currently used as parking lot for private cabs, portion of land also used as automobile garage, shops, and office of political party. A small portion of land is occupied by a small permanent structure operating as the office of Freedom Fighters' Club
Existing Structures	Shops, garage, semi-permanent structures

► Current Status:

- Activities completed: Topography Survey, Soil Survey, Assessment of Building Regulations, Discussion with Key Stakeholders, Preliminary Market Study, Preliminary Feedback from Potential Players, Broad Project Scoping and Massing, Preliminary Environmental Survey
- Ongoing task: Social Assessment; Key social group samples identified. Sample survey initiated at various levels

Project Feasibility Synopsis

- ▶ Key concerns for the plots proposed for development: encroachments, land use change, environmental clearance, high level of competition posed by existing large number of small and medium size retail and hotel establishments
- ▶ Owing to the presence of city railway station as the primary influencing infrastructure, site catchment is witnessing very limited supply and demand for residential segment, however, the catchment area has good potential to attract retail and commercial office space. Since the catchment does not have much scope for large scale development due to unavailability of vacant land parcels, the project has been envisaged to attract greater occupancy / demand for commercial office, retail as well as hospitality segment.
- ▶ Project Development cost: BDT 45.24 crores
- ▶ Owing to the overall land market trend, approximate land rate of the site may be considered to be in range of BDT 16 crore/acre to 24 crore/acre.
- ▶ Project returns and Sensitivity w.r.t. Lease period:

COST SENSITIVITY	Project Expectation (BDT Crore)	EQUITY		PROJECT	
		IRR	NPV in BDT Cr	IRR	NPV in BDT Cr
Concession Period: 45 years	5.10 to 7.65	20.07%	15.93	17.65%	39.38
Concession Period: 60 years	5.83 to 8.72	20.32%	19.91	17.99%	55.29
Concession Period: 99 years	6.55 to 9.83	20.40%	23.47	18.13%	82.21

- ▶ As per the leasing factor on sale value of land BR may expect a minimum of BDT 10 Crore (recoulement of basic land value) and a maximum of BDT 15 Crore (BDT 5 Crore over and above land value, considering that the land is being commercially exploited)

Proposed Development Mix

- ▶ As per the applicable DCR for mixed use development:
 - Maximum allowable ground coverage is up to 50%
 - FAR allowed 6.5 for mixed use development
 - Total available BUA as per FAR norms= 128,970 sqft (excluding basement floors for parking space)
- ▶ Proposed Product-Mix: (total scale of development - 128,970 sq ft + 23,000 sq ft = 151,970 sqft)
 - Organized Retail space - 49,600 sq ft, 5 floors (38%)
 - Grade A commercial office space - 34,730 sq ft, 6 floors (27%)
 - Mid segment Business Hotel - 44,640 sq ft, 9 floors / 90 rooms (35%)
 - Parking Space - 23,000 sq ft, 2 basement floors
- ▶ A building structure of 19 floors has been proposed. We understand a high rise structure would be a concern for Bangladesh Railway since it would lead to higher development cost and may not be equally remunerative. However, this would add value in terms of architectural aspect and create a brand which would help the project in creating greater market visibility and add a competitive edge for better saleability of the product.
- ▶ Since the development is being implemented through a PPP project structure, the developer would have entire freedom and discretion to design the structure and to decide the product mix on basis of the following:
 - Feedback of their own market assessment exercise
 - Understanding of the DCR
 - Business plan in terms of development, marketing & sale strategy

Bidding & Bid Evaluation Process

- ▶ **Preferred Bidding process: 2 stage bidding process may be more suitable**
 - Inviting RfQ in the first stage may provide adequate time for overall project branding, positioning and understanding market expectations
 - This understanding would help to set out the key concession terms suitable to both parties (Authority and Developer)
 - In case of single stage bidding process, the Authority would have only one chance to assess and evaluate the market interest at one go.
 - ▶ **Pre-qualification Evaluation : Proposed technical parameters**
 - Duration of eligible experience: Last 10 financial years
 - Type of experience: real estate projects-townships, commercial building, hotel or integrated land development project
 - Quantum of experience: more than or equal to 1,30,000 sq ft (estimated quantum of development for the project) with at least one project of more than 65,000 sq ft development
 - ▶ **Pre-qualification Evaluation : Proposed financial parameters**
 - Minimum Net Worth: more than BDT 10 crores in each of the last three financial years (25% of estimated project cost)
 - Minimum Annual Turnover: BDT 40 crores in average of last three financial years (equal to estimated project cost)
 - Ability to provide equity/ raise debt or self financing: at least BDT 20 Crore for one or more similar type of projects, from its own sources; to be measured by the aggregate Net Cash Accrual of the last three completed financial years (50% of estimated project cost)
 - Computation in case of a Consortium: to be adjusted on a pro-rata basis their equity shareholding in the Consortium
 - ▶ **Tentative timeline for RFQ Process:** 65 days from issuance of the RfQ to notify the shortlisted bidders for RFP phase
-

Proposed Project Structure

- ▶ **Preferred Bidding Parameter:** Highest Upfront Premium (with minimum fixed Reserve Price specified)
 - This project structure significantly reduces BR's risk in the project & provide maximum returns in initial stage among the various possible project structures
 - Reserve price shall be benchmarked with current neighbourhood market
 - Minimum Reserve Price would assure a minimum level of returns irrespective of the extent of participation and level of competition in the bidding process
 - High one time payment might result in reduced interest from developers. However, this concern can be addressed by allowing staggered payment of this Upfront Premium
- ▶ **Some of the possible alternatives for the Upfront premium Payment Mechanism:**
 - One time Payment
 - Staggered (Time Based) : 50% upon Signing of Agreement, 2 instalments of 25% within 1 calendar year
 - Staggered (Construction progress linked); 50% upon Signing of Agreement, 2 instalments of 25% post completion of construction within 1 year

Way Forward

- ▶ Going forward, in the next phase, the consultant will work out a detailed bidding strategy and the tender documents capturing various parameters of the bidding process such as lease period, concession terms & conditions, project structure, bidding format & bid process timelines, etc. in close consultation with the Bangladesh Railway. A pre-bid conference will also be conducted with the developers.
- ▶ Based on the feedback from the Bangladesh Railway and the developers, the bidding parameters such as lease period, concession terms & conditions, project structure, bidding format & bid process timelines, etc. along with the development options which include Retail, Commercial office space and Hotel, will be reaffirmed post consultation with Bangladesh Railway.

Thank You

