

# EXPANSION OF FRESH VEGETABLE GREENHOUSE

**Company: Mavas Group LLC**

**Location: Dzoraghbyur, Kotayk marz, Armenia**

**Project cost: USD 14M**

## GENERAL INFORMATION ABOUT THE INITIATOR OF THE PROJECT:

Established in 2005 as an international freight forwarding company, Mavas Group has gradually expanded to providing certification of food and nonfood products, customs brokerage and laboratory services. Since 2008 the Company started the production of fresh tomato and cucumber. Currently the Company operates 15 hectares of greenhouse constructed in accordance with the latest Dutch technology. All the production phases – heating, growing of



plants, fertilization, CO<sub>2</sub> enrichment, prevention of possible diseases – are managed through automated systems controlled by qualified international specialists. Greenhouses are constructed in six different blocks, which allows to have 2.5 hectares equipped with special lighting systems ensuring 24 hour “sunlight”, a very important factor especially for growing cucumbers, which are very sensitive to light.

The Company is one of the market leaders in Armenia for the production of fresh tomato and cucumber with monthly capacity of 600 tonnes of tomato and 50 tonnes of cucumber. It accounts for about 70% (as of 2014) of local production of fresh tomato and approximately 95% (Y2014) of fresh cucumber. The company’s production capacities are 95% and 5% for tomato and cucumber respectively. Mavas Group is also one of the major exporters of fresh tomato to the Russian market and is developing a distribution network in other Eurasian Economic Union member countries. Worth to mention that, with current capacities, the company is able to satisfy only 20% of the demand from Russian partners. Meanwhile, it’s important to point out that the Russian producers meet only 10-12% of Russia’s demand. Hence, there is a tangible gap to fill in. In parallel with growth in the Russian market, the company is considering expansion to Kazakhstan, Belarus and Middle East countries as well.

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## PROJECT DESCRIPTION:

The company is planning 6,5 ha of expansion on the already acquired land plot – on top of the existing production of 15 hectares with a total project cost of 14 M USD. The expansion will allow the company to increase export volumes to traditional export markets using the economies of scale and expand to new markets in a longer term. The excess demand from current offtakers gives the opportunity to increase the exports without any additional Sales efforts. The high quality products are highly demanded in different regions and new partners are eager to start cooperation with the Company. The expansion will be at a lower cost than the construction of the previous hectares of the greenhouse. Given the existing service area and other amenities the expansion project will take advantage of the economies of scale.

## PROJECT FINANCIAL INDICATORS:

<b>Investment</b>	21M
<b>Sales</b>	USD 11.7 M (first operational year) USD 11.8 M (second operational year) USD 11.9 M (third operational year) USD 12.0 M (fourth operational year) USD 12.2 M (fifth operational year)
<b>EBITDA</b>	USD 8.5 M (first operational year) USD 8.6 M (second operational year) USD 8.7 M (third operational year) USD 8.8 M (fourth operational year) USD 8.9 M (fifth operational year)
<b>Net Profit</b>	USD 1.0 M (first operational year) USD 1.7 M (second operational year) USD 2.3 M (third operational year) USD 3 M (fourth operational year) USD 3.7 M (fifth operational year)