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Company Case Study Form (WP3, Deliverable 3.1)

Explanation:

According to the Letters of Intent by the Associated Industry Partners, each university will be provided with **one practical company case study** for the courses which will start in the academic year 2019/2020.

Next steps:

- 1) Each university should **choose one course** for which it develops a case study together with a company representative (e.g. a practical problem/issue which companies in this area are facing and on which the students will work – supervised by their lecturer).
- 2) Please fill in the form below

Please note: In case a company case study is developed for a course, only one additional assignment is required (see course package form, section 8).

General information:

| | |
|--|--|
| Title of the course (as specified in the reformed curriculum) | Financial planning and budgeting of projects |
| Name of the teacher | Armine Schanyan |
| Title of the case study | Development and financial management of the construction project |
| Company with which the case study was developed | “Elite Group” CJSC |

Practical case study:

Explanation: Please outline the practical case study that the students are going to work on.

1. Introduction of the case / problem:

"Elite Group" CJSC was founded in September 2000 under the name "Elite Project Shin". In 2005 on January 25 it was renamed to "Elite Group". *The Company* manages the construction, interior design, design and service management of residential and public elite complexes. The company's multifunctional residential complexes are classified according to the clear standards set in the international new buildings market, which determine the class of the building: deluxe, premium, business and so on. *The Company* has undertaken extensive work in various parts of the city, offering residential and commercial spaces to different classes of society. This buildings are constructed in accordance with the latest requirements of engineering technologies, as the key principle for the company is the high seismicity of buildings. A number of special seismic protection systems are used to strengthen seismic resistance of buildings.

"Elite Group" CJSC is one of the largest reputable and trusted organizations in Armenian market of new buildings. *The Company* presents itself as a classical developer, that is, in collaboration with many contractors, organizes and coordinates the work of the latter. "Elite Group" CJSC is the company in Armenia to receive ISO 9001-2000 International Quality Management Certificate in the field of residential and public elite complexes construction, service and design management, as well as OHSAS 18001-2007 International Certificate in the field of occupational safety and security. *The Company* is a member of the International Association of Antiseismic Systems (ASSISi - Antiseismic Systems International Society).

In 2009, "Elite Group" CJSC and the European Bank for Reconstruction and Development signed a mid-term loan agreement, under which *the Company* was granted a \$ 5.5 million loan and a € 130,000 grant. In 2010, EBRD joined the World Bank's International Finance Corporation (IFC) to support *the Company*, assisting in the construction of the "Elite Plaza" in Yerevan. IFC and EBRD provided loans of \$ 5.4 and \$ 3.6 million respectively.

Adhering to the tradition of being the first everywhere, "Elite Group" CJSC was the first to enter the securities market, thereby making its activity transparent. Twice issued 2 billion AMD bonds and repaid early.

According to the company's director Armen Mkoyan:

It is important for us to invest for the future generations.

Development and financial management of the construction project

The share of construction in GDP decreases year by year in the RA. This is not a positive fact - 9.4 percent construction in 2015 slowly downs 7.8 percent in 2016, 7.7 percent in 2017, 6.6 percent in 2018. This indicator has been maintained in 2019, but in the current economic downturn and the emergency regime, this figure become worse. In April 2020, the volume of construction decreased by almost half, and housing prices rose.

The global challenges, the socio-economic, social life events of each country make the planned projects more vulnerable. As we mentioned, “**Elite Group**” CJSC is a distinct leader in Armenian real estate market with 15 completed and 1 ongoing projects. In the near future, the Company plans to implement medium price housing construction in Yerevan. It supposes the implementation of large scale works in the different parts of city. The quality of work is constrained by the project's budget, time and scope. For this reason, using the PMBoK standard makes it possible to secure the iron triangle by maintaining a qualitative component, as well as project closure to achieve success and positive change. Cost management can no longer be considered separately without the management of other components, especially in the case of a construction project. In this case, the students will do their research and explorative works with the help of different tools and techniques that enables the efficient use of resources through the rationalization of time. With the help of abovementioned standard, which led to successful implementation practices—particularly regarding development and financial management of the construction project.

Assignment / task for the students:

While estimating the efficiency of the project it is necessary to consider external environment of the project. Strategic considerations include market demand, organization demand, socio-economic development demand, etc. In general, a comprehensive analysis of the financial viability of the project is impossible for all stakeholders, including state, community and publicity. First of all, the students must justify the feasibility of construction project. It means they should evaluate the new project, especially the formation of the project charter which formally authorizes the existence of a project. **To organize the provision of appropriate offers (research target - possible real competitive price) to different segments of the population is the key issue of this case study.**

The pre-project work includes interrelationship between needs assessment and critical business project documents formation. This group work suggests these next steps but is not limited to.

1. To study housing construction programs offered by the private and state sector in the RA, if needed, taking also into account these programs in the level of regional and other countries.

2. To discover the gap between market price and demand through proper calculation using real estate valuation methodology and to conduct interviews, if needed.
3. To determine the possible real competitive price for project by combining the price received from above mentioned research result with the competitive price offered by the Company.

All students will participate in the study. They will be divided into groups and each group must nominate a team leader who will be the main contact person for the lecturer. Before preparing presentation slides, each group prepares information base as a report, supplementing it with appropriate theoretical part, conclusions and recommendations. The lecturer follows that in case of each part of the work implemented, the plagiarism is excluded, and the references are mentioned in the theoretical part. Otherwise, it will not be evaluated. It should be noted that non-acceptance of plagiarism refers to the entire course. After identifying problems and suggesting solutions for them, all participants discuss, analyze, argued and summarize whole results of their work implemented in presentation slides. There is no limitation presentation slides' number.

Learning outcomes

After completing case study students will be able to:

- identify and match information base with projects' requirements
- select comprehensive information
- apply knowledge to actual situations
- make judgments based on international experience
- analyze objectives from bottom up and vice versa
- demonstrate practical skills and capabilities related to the calculation of the indicators through the relevant methodology.

REFERENCES

1. www arils.am
2. www armstat.am
3. www banks.am
4. www cadastre.am
5. www estate.ameria.am
6. www proinfo.am
7. RA Law on Real Estate Evaluation Activity, 2005
8. Buzirev V. V., Fedoseev I. V., Management in Construction// textbook, Moscow, KNORUS, 2019, pp 320
9. Articles and others.

Examples of tables and questionnaire.

Appendix 1

Building and apartment from developer

| Description | | Price 1 sq m. | Price 2 sq m. | ... |
|-------------------------------|------------------|------------------|------------------|-----|
| | Example (AMD) | 450000 | | |
| 1.Decoration | | | | |
| a/all | | | | |
| b/ partially repaired | | | | |
| c/ no decoration /unrepaired/ | | x | | |
| d/ other | | | | |
| 2.Floor | | 7 | | |
| 3. Living area | | 80 | | |
| 4.Number of rooms | | 3 | | |
| 5.Floor to ceiling height | | 3 | | |
| 6.Seismicity | | | | |
| a/ high | | | | |
| b/ medium | | x | | |
| c/ low | | | | |
| d/ other | | | | |
| 7.Heating system | | | | |
| a/ centralized | | x | | |
| b/ local | | | | |
| c/ other | | | | |
| 8. Wall type | | | | |
| a/ monolithic | | x | | |
| b/ stone | | | | |
| c/ other | | | | |
| 9.Elevator | | | | |
| a/ passenger | | x | | |
| b/ freight | | x | | |
| 10.Balkony | | x | | |
| 11. Safety system | | x | | |
| 12.Fire system | | x | | |
| 13.Other opportunities | | ... | | |

Appendix 2

Credit conditions offered by the bank

| Description | Bank 1 | Bank 2 | ... |
|-------------------------|--------|--------|-----|
| 1. Mortgage loan amount | | | |
| 2. Loan interest rate | | | |
| 3. Prepayment | | | |
| 4. Term | | | |
| 5. Borrower's age | | | |
| 6. Other... | | | |

Appendix 3

The questions in the questionnaire will reveal the real opportunities for the public to obtain an apartment through a mortgage loan and without it. The population must answer the following questions:

| Questionnaire | Number of rooms | ... | ... |
|-----------------------------------|-----------------|-----|-----|
| Options | | | |
| 1. Prepayment and monthly payment | | | |
| 2. ... | | | |
| 3. ... | | | |