



Esfarayen Industrial Complex



Iranian Privatization Organization (IPO)
Marketing & SOEs Divesting Office

Esfarayen Industrial Complex (private joint-stock)



Base Value for 100% Shares: US\$ 367,520,211

(Exchange Rate: 29,563 IRR)

Assessment Date: July 2016

Assessment Method: Net Assets Market Value

Transferring Method: Tender

Part I: General Information

Esfarayen Industrial Complex as the largest manufacturer of parts and sections of alloy steel in Middle East has the capability to produce any kinds of bars up to weight of 100 tons. The company has been registered at March 1992 in Tehran Companies Registration Office & Industrial Property and is considered as a subsidiary company of Industrial Development and Renovation Organization of Iran (IDRO). The capital of the company is IRR 1,358 billion and the value of each share is IRR 1,000.

The company consists of 3 line productions: radial forging, pressing and melting. The radial forging section has been established officially at 1996 and after completion of melting and pressing lines; the operation has been started from 2005. During 1998, exploitation of radial forging unit with the capacity production of annual 49,000 tons of any kinds of steel sections in a 12-hour working shifts has been started. In 2009 also, the exploitation license for casting of steel sections with the capacity of 120,000 tons and forging steel sections with the capacity of 81,000 tons has been issued in 3 working shifts. To point some of the manufacturing products of the company we can refer to all kinds of axis parts with different shapes and sizes , any kinds of functional parts like rotator, forging mold, rings, drilling pipes, glass molds, heavy & light rollers, disks, flinch, planned pipelines molds, high pressure seamless pipes and power plants parts like turbine axis and generators.

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Part II: Main Information

Parent Company: Industrial Development and Renovation Organization of Iran (IDRO)

Shareholder: IDRO (100%) **Capital:** US\$ 45,935,798

Establishment Date: March 1992 **Launch Date:** 1998

Registration Location: Tehran **Chief Executive Officer:** Mr. Hasan Khaksar

Total Assets (evaluated): US\$ 512,532,558 (Machinery and equipments: US\$ 155,769,036- installations: US\$ 96,438,115- building: US\$ 47,559,449- land: 881 hectares, US\$ 11,737,645)

Total Liabilities (evaluated): US\$ 142,170,957 (Loans: US\$ 94,408,551- debts to IDRO: US\$ 4,904,780)

Net Profit (Loss): US\$ (1,961,912) **Retained Profit (Loss):** US\$ (21,207,252)

Location: Esfarayen city, North Khorasan Province

Tehran Office: No.7, Alvand alley, Qaem-maqam Ave.

Field of Activity: Production of steel parts

Nominal Production Capacity: **Steel bar:** 120,000 tons, **Round bar:** 81,000 tons

Number of Staff in 2015-2016: 829 (permanent & contractual: 695- daily-paid workers: 11- service companies: 123)

Part III: Financial Information

3-1-Main Items of Assets in US\$

(Exchange Rate: 29,563 IRR)

Title	Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Machinery and Equipments (3-1-1)	5,919,562	155,769,036
Complementary plan	98,941,244	123,160,708
Installations (3-1-2)	879,478	96,438,115
Buildings	5,209,214	47,559,449
Trade & non-trade accounts & notes receivables	25,843,115	25,640,158
Inventories	23,509,116	25,538,680
Intangible assets (water/electricity/industrial rights)	405,913	19,247,032
Land (3-1-3)	67,652	11,737,645
Other assets	5,750,431	7,441,735
Total assets	166,525,725	512,532,558

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3-1-1-Machinery and Equipments in US\$

Title	Book value	Evaluated by Independent Expert
Machinery and equipments of melting and casting unit	5,919,562	81,723,776
Machinery and equipments of pressing and forging unit		69,343,436
Machinery and equipments of de-dusting and scraping unit		4,701,823
Total	5,919,562	155,769,036

3-1-2-Installations in US\$

Title	Book value	Evaluated by Independent Expert
Machinery and equipments of electric installations	879,478	47,728,580
Mechanical machinery and equipments		34,502,588
Lateral and auxiliary machinery and equipments of production		10,621,385
Machinery and equipments of oxygen unit		3,585,563
Total	879,478	96,438,115

3-1-3-Land in US\$

Title	Area	Address	Book value	Evaluated by Independent Expert
Land of the factory (3-1-3-1)	873 Hectares	Esfarayen	67,652	6,765,213
Land of the training centre of the complex (3-1-3-2)	7/99 Hectares	Esfarayen		3,247,302
Land of the central office in Tehran (3-1-3-3)	560 m ²	Qaem Maqam St., Tehran		1,725,129
Land of the Golriz Building (3-1-3-4)	536.40 m ²	Golriz St., Tehran		0
Total	--	--	67,652	11,737,645

3-1-3-1- Land of the factory: is about 873 Hectares which is in the possession and ownership of the complex and is dedicated to casting and forging plan.

3-1-3-2- Area of the training centre: is about 8 Hectares that 6 hectares of it belong to Civil Urban Organization and in the near future, final transferring documents to Esfarayen Industrial Complex will be issued. About 1 hectare also belongs to Endowment Organization that is in rent of the complex.

3-1-3-3- The instructed building is consisted of 5 floors (including basement, ground floor and first to third floors) and the infrastructure equals to 1,728 m². This building is located at No.7, Alvand alley, below Motahhari St., Ghaem Magham Av., Tehran Province.

3-1-3-4- Golriz Building: is located at Golriz St., Qaem Maqam Ave., Tehran Province. As the ownership document of the building has not been issued to the complex, and the ownership is in the use of the Ministry of Industry, Mining and Trade, so the value of it has not been evaluated in the assessment report.

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3-2-Main Items of Liabilities and Capital in US\$

Title	Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Long – term loans (3-2-1)	89,334,641	89,706,728
Trade accounts and notes payable	29,428,678	29,394,852
Long-term accounts & notes payable	4,904,780	4,904,780
Pre-received	4,769,475	4,803,301
Short-term loans (3-2-1)	4,701,823	4,701,823
Other liabilities	8,659,473	8,659,473
Total liabilities	141,798,870	142,170,957
Capital	45,935,798	45,935,798
Legal reserve	101	101
Retained earnings(loss)	(21,207,252)	(21,207,252)
Revaluation difference	0	345,603,288
Owner’s equity	24,728,647	370,331,935

3-2-1- Loans in US\$

3-2-1-1- Base on Facilities Suppliers in US\$

Title	March 2016
Tehran Bank of Industry and Mine *	89,334,641
Melli Bank- Esfarayen central branch	4,194,432
Melli Bank- Boujnord central branch	676,521
Saderat Bank Esfarayen branch	575,043
Interest and commission of future financial period is deducted:	(744,173)
Total	94,036,464
Long-term Loans	(89,334,641)
Short-term Loans	4,701,823

*According to the finalized contract for financial supplying of complementary plan, the facilities of Bank of Industry and Mine is about Euro 89 million that up to March 2016, the amount of Euro 62.8 million has been received and its interest & commission rate up to March 2016 was Euro 15 million (the exchange rate IRR 33,935). Due to the difficulties resulted from sanctions, lack of exploitation of the plan in time and also not repaying the installments during 2016, the partnership period of foreign facilities has been extended up to September 2016.

3-2-1-2-Based on type of Interest Rate & Commission in US\$

Title	Amount
1 to 5 percent	89,706,728
24 & 27 percent	4,025,302
12 percent	676,521
Total	94,408,551

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3-3-Main Items of Income Statement in US\$

Title	March 2016	March 2015
Operating incomes (3-3-1)	45,462,233	53,242,228
Cost of operating incomes	(40,422,149)	(44,650,408)
Gross profit(loss)	5,040,084	8,591,821
Sales, administrative & general expenses	(4,498,867)	(4,566,519)
Net other operating revenues & expenses	(2,604,607)	(4,025,302)
Operating profit (loss)	(2,063,390)	0
Financial expenses	(338,261)	(304,435)
Net other non-operating revenues & expenses	439,739	507,391
Net profit (loss)	(1,961,912)	202,956

3-3-1- Operating incomes

Title	2016		2015	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Internal sales of steel parts (3-3-1-1)	37,575	41,132,497	42,621	45,225,451
Export sales of steel parts	5,629	4,769,475	8,327	7,881,473
Gross sales	43,204	45,901,972	50,948	53,106,924
Sale return & discounts	(246)	(473,565)	(64)	(135,304)
Net sales	42,958	45,428,407	50,884	52,971,620
Forging services income	168	33,826	297	270,609
Total	43,126	45,462,233	51,181	53,242,228

3-3-1-1- Internal Sales Separated by Purchasers

Title	2016		2015	
	Amount (US\$)	Percentage	Amount (US\$)	Percentage
House Chelik	1,420,695	30	1,150,086	15
Ak Chelik	1,082,434	23	2,029,564	26
Uomer Chelik	778,000	16	2,638,433	34
Tasi Ouyar	507,391	11	845,652	11
Thermo Technique	372,087	8	67,652	1
Nihat Ouyar	338,261	7	338,261	4
Other purchasers	270,609	5	811,826	9
Total	4,769,475	100%	7,881,473	100%

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Part IV: Other Information

4-1- Main Suppliers of Raw Materials Separated by Purchase Price:

Title		Seller	2016		2015	
			Amount (US\$)	Percentage	Amount (US\$)	Percentage
Internal purchase	Sponge iron	Khorasan Steel Co.	7,407,909	33	439,739	1
	Scrap	Ehya Shirkooh Steel Co.	1,488,347	6	6,697,561	17
	Ferro silicon	Khatoon Alloy Co.	744,173	3	1,082,434	3
	Scrap	Mehr Godaz Fireproof Products Co.	710,347	3	642,695	2
	Scrap	Armaghan Sabz Alloy Steel Co.	642,695	3	372,087	1
	Ferro periclas	Ariyan Fars Co.	507,391	2	541,217	1
	Ferro molybdenum	Naghshe Jahan Steel Co.	439,739	2	101,478	0
	Other internal purchases	--	7,306,430	31	24,490,072	63
Sum of Internal Purchases			19,247,032	83	34,367,283	88
External purchase	Nickel Metal	Turkey Ak Chelik Co.	1,826,608	8	1,420,695	5
	Graphite Electrode	Turkey House Metal Co.	541,217	2	1,048,608	3
	Graphite Electrode	Russian Energy prom Management Co.	405,913	2	0	0
	Other external purchases	--	1,116,260	5	1,522,173	4
Sum of External Purchases			3,889,998	17	3,991,476	12
Total of Internal/External Purchases			23,137,029	100	38,358,759	100

4-2-Comparison of Production with Nominal & Practical Capacity

Title	Measurement Unit	Nominal Capacity	Practical Capacity	Real Production	
				2016	2015
Billet	ton	120,000	105,000	51,887	70,533
Forging	ton	81,000	70,000	42,393	50,019
Total		201,000	175,000	94,280	120,552

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