



Esfarayen Industrial Complex



Iranian Privatization Organization (IPO)
Marketing & SOEs Divesting Office

Esfarayen Industrial Complex (private joint-stock)



Base Value for 100% Shares: US\$ 248,085,714

(Exchange Rate: 35,000 IRR)

Assessment Method: 80% of Net Assets Market Value by considering \$ 2/19 mn registered debts to Ministry of Science, Research & Technology

Assessment Date: July 2016

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 tones. 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 tones 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 tones and forging steel sections with the capacity of 81,000 tones 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.

IPO Address: No. 15, Mahestan St., Iran Zamin Ave., Shahrak-e Ghods , Tehran, Iran

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Part II: Main Information

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

Shareholder: IDRO (100%)

Capital: US\$ 38,800,000

Establishment Date: March 1992

Launch Date: 1998

Registration Location: Tehran

Chief Executive Officer: Mr. Hasan Khaksar

Total Assets (evaluated): \$ 432,914,286 (Machinery and equipments: \$ 131,571,429- installations: \$ 81,457,143- building: 40,171,429- land: 881 hectares, \$ 9,914,286)

Total Liabilities (evaluated): \$ 120,085,714 (Loans: \$ 79,742,858- debts to IDRO: \$ 4,142,857)

Net Profit (Loss): US\$ (1,657,143)

Retained Profit (Loss): US\$ (17,912,857)

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: 35,000 IRR)

Title	Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Machinery and Equipments (3-1-1)	5,000,000	131,571,429
Complementary plan	83,571,429	104,028,571
Installations (3-1-2)	742,857	81,457,143
Buildings	4,400,000	40,171,429
Trade & non-trade accounts & notes receivables	21,828,571	21,657,143
Inventories	19,857,143	21,571,429
Intangible assets (water/electricity/industrial rights)	342,857	16,257,143
Land (3-1-3)	57,143	9,914,286
Other assets	4,857,143	6,285,714
Total assets	140,657,143	432,914,286

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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	5,000,000	69,028,571
Machinery and equipments of pressing and forging unit		58,571,429
Machinery and equipments of de-dusting and scraping unit		3,971,429
Total	5,000,000	131,571,429

3-1-2-Installations in US\$

Title	Book value	Evaluated by Independent Expert
Machinery and equipments of electric installations	742,857	40,314,286
Mechanical machinery and equipments		29,142,857
Lateral and auxiliary machinery and equipments of production		8,971,429
Machinery and equipments of oxygen unit		3,028,571
Total	742,857	81,457,143

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	57,143	5,714,286
Land of the training centre of the complex (3-1-3-2)	7/99 Hectares	Esfarayen		2,742,857
Land of the central office in Tehran (3-1-3-3)	560 m ²	Qaem Maqam St., Tehran		1,457,143
Land of the Golriz Building (3-1-3-4)	536.40 m ²	Golriz St., Tehran		0
Total	--	--	57,143	9,914,286

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.

3-2-Main Items of Liabilities and Owner's Equity in US\$

Title		Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Liabilities	Long – term loans (3-2-1)	75,457,143	75,771,429
	Trade & non-trade accounts and notes payable	24,857,143	24,828,571
	Long-term accounts & notes payable	4,142,857	4,142,857
	Pre-received	4,028,571	4,057,143
	Short-term loans (3-2-1)	3,971,429	3,971,429
	Other liabilities	7,314,286	7,314,286
Total liabilities		119,771,429	120,085,714
Owner's equity	Paid-in capital	38,800,000	38,800,000
	Legal reserve	86	86
	Retained earnings(loss)	(17,912,857)	(17,912,857)
	Revaluation difference	0	291,916,286
Total Owner's equity		20,887,229	312,803,514

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 *	75,457,143
Melli Bank- Esfarayen central branch	3,542,857
Melli Bank- Boujnord central branch	571,429
Saderat Bank Esfarayen branch	485,714
Interest and commission of future financial period is deducted:	(628,571)
Total	79,428,571
Long-term Loans	(75,457,143)
Short-term Loans	3,971,429

*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	75,457,143
24 & 27 percent	3,400,000
12 percent	571,429
Modifications	314,286
Total	79,742,857

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

Title	March 2016	March 2015
Operating incomes (3-3-1)	38,400,000	44,971,429
Cost of operating incomes	(34,142,857)	(37,714,286)
Gross profit(loss)	4,257,143	7,257,143
Sales, administrative & general expenses	(3,800,000)	(3,857,143)
Net other operating revenues & expenses	(2,200,000)	(3,400,000)
Operating profit (loss)	(1,742,857)	0
Financial expenses	(285,714)	(257,143)
Net other non-operating revenues & expenses	371,429	428,571
Net profit (loss)	(1,657,143)	171,429

3-3-1- Operating incomes

Title	2016		2015	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Domestic sales of steel parts	37,575	34,742,857	42,621	38,200,000
Export sales of steel parts (3-3-1-1)	5,629	4,028,571	8,327	6,657,143
Gross sales	43,204	38,771,429	50,948	44,857,143
Sale return & discounts	(246)	(400,000)	(64)	(114,286)
Net sales	42,958	38,371,429	50,884	44,742,857
Forging services income	168	28,571	297	228,571
Total	43,126	38,400,000	51,181	44,971,429

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

Title	2016		2015	
	Amount (US\$)	Percentage	Amount (US\$)	Percentage
House Chelik	1,200,000	30	971,429	15
Ak Chelik	914,286	23	1,714,286	26
Uomer Chelik	657,143	16	2,228,571	34
Tasi Ouyar	428,571	11	714,286	11
Thermo Technique	314,286	8	57,143	1
Nihat Ouyar	285,714	7	285,714	4
Other purchasers	228,571	5	685,714	9
Total	4,028,571	100%	6,657,143	100%

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.	6,257,143	33	371,429	1
	Scrap	Ehya Shirkooh Steel Co.	1,257,143	6	5,657,143	17
	Ferro silicon	Khatoon Alloy Co.	628,571	3	914,286	3
	Scrap	Mehr Godaz Fireproof Products Co.	600,000	3	542,857	2
	Scrap	Armaghan Sabz Alloy Steel Co.	542,857	3	314,286	1
	Ferro periclas	Ariyan Fars Co.	428,571	2	457,143	1
	Ferro molybdenum	Naghshe Jahan Steel Co.	371,429	2	85,714	0
	Other internal purchases	--	6,171,429	31	20,685,714	63
Sum of Internal Purchases			16,257,143	83	29,028,571	88
External purchase	Nickel Metal	Turkey Ak Chelik Co.	1,542,857	8	1,200,000	5
	Graphite Electrode	Turkey House Metal Co.	457,143	2	885,714	3
	Graphite Electrode	Russian Energy prom Management Co.	342,857	2	0	0
	Other external purchases	--	942,857	5	1,285,714	4
Sum of External Purchases			3,285,714	17	3,371,429	12
Total of Internal/External Purchases			19,542,857	100	32,400,000	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