



Luleh Gostar Esfarayen Co.



Iranian Privatization Organization (IPO)
Marketing & SOEs Divesting Office

Luleh Gostar Esfarayen Company (private joint-stock)



Base Value for 100% Shares: US\$ 93,326,117

(Exchange Rate: 29,563 IRR)

Assessment Date: July 2016

Assessment Method: Net Assets Market Value

Transferring Method: Tender

Part I: General Information

Luleh Gostar Esfarayen Company is considered as the only producer of seamless pipes for oil and gas wells. The company has been registered on November 1991 at Tehran State Organization for Registration of Deeds and Properties under the title of “Mashhad Machine Sazi Complex” (private joint-stock). In 1996, with changing Article of Association, name of the company was changed to Luleh Gostar Esfarayen Company (private joint-stock) and in 2008; the center of the company was changed to Esfarayen, North Khorasan Province.

At the beginning of 2005, the factory of the company has been established and started its production from the beginning of 2007. The Operation License of the company to produce black steel and iron seamless pipes, using three working shifts and with annually production capacity of 23,800 tones has been issued in August 2008.

The needed raw materials of the company are provided by Esfarayen Industrial Complex which is considered as one of the strength points of the company. The main purchaser of the company’s productions is Petroleum Ministry.

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Part II: Main Information

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

Shareholder: IDRO (100%)

Capital: US\$ 61,191,354

Chief Executive Officer: Mr. Reza Barzin

Establishment Date: 1991

Launch Date: 2005

Total Assets (evaluated): US\$ 153,029,124 (Machinery and Equipments: US\$ 46,375,537- Land: 77 hectares, US\$ 4,938,606)

Total Liabilities: US\$ 58,654,399 (Debts to parent company: US\$ 24,117,985)

Net Profit (Loss): US\$ (1,725,129)

Retained Profit (Loss): US\$ (30,747,894)

Location: 10 km north of Esfarayen-Bojnord Rd., Esfarayen City, North Khorasan Province

Tel: +98585 7217301-5

Center Office Address: Ghaem Magham St., Tehran

Field of Activity: Production of seamless black steel tubes

Nominal Production Capacity: Rolling: 120,000 tons Transferring tubes: 50,000 tons

Heat treatment: 100,000 tons Casing tubes: 80,000 tons Coupling: 250,000 unit

Number of Staff: 642 (administrative: 61- supporting: 257- production: 324)

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	5,615,127	46,375,537
Buildings (3-1-1)	41,572,236	42,654,670
Inventories	17,420,424	18,807,293
Installations	1,116,260	16,101,208
Trade & non-trade receivables (3-1-2)	13,293,644	13,259,818
Land (77 hectares) (3-1-3)	4,194,432	4,938,606
Cash	4,498,867	4,498,867
Other assets (3-1-4)	2,401,651	6,393,127
Total assets	90,112,641	153,029,124

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3-1-1- Buildings:

Title	Area (m ²)	March 2016	July 2016
Factory's building	117,905	41,538,409	42,620,844
Building of Inn	278	33,826	33,826
Total	118,183	41,572,236	42,654,670

3-1-2- Trade & non-trade receivables in US\$:

Title	March 2016	July 2016
Trade:		
National Iranian Drilling Co.	4,262,084	4,262,084
Iranian Offshore Oil Co. (IOOC)	3,348,781	3,348,781
Iranian Central Oil Fields Co.	2,604,607	2,604,607
Others	2,164,868	2,164,868
Sum	12,380,340	12,380,340
Non-trade		
Interim deposits	744,173	744,173
Employees (loans)	135,304	135,304
Others	33,826	0
Sum	913,304	879,478
Total	13,293,644	13,259,818

3-1-3- Land:

Title	Area (m ²)	March 2016	July 2016
Factory's land *	767,360	3,923,824	4,667,997
Land of Inn	712.57	270,609	270,609
Total	768,073	4,194,432	4,938,606

*Factory's land is pledged for IDRO.

3-1-4-Others:

The amount of IRR 17 billion currency funds (including \$ 133/43 & Euro 497,050.18) are blocked at Belgium because of sanctions. With regard to agreements after Joint Comprehensive Plan of Action (Iran Nuclear Deal), in the near future the blocked account will be removed and it will transfer to the exchange account of the company.

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

Title	Details	Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Liabilities	Trade & non-trade payables (3-2-1)	47,153,537	47,153,537
	Provision for employees termination benefits	4,769,475	4,769,475
	Long – term loans (3-2-2)	3,450,259	3,450,259
	Long – term payables	3,044,346	3,044,346
	Other liabilities	236,782	236,782
Total liabilities		58,654,399	58,654,399
Capital		61,191,354	61,191,354
Retained earnings(loss)		(29,733,112)	(30,747,894)
Revaluation difference		0	62,916,483
Owner's equity		31,458,242	93,359,943

3-2-1- Trade & non-trade Payables in US\$:

Title	March 2016	July 2016
Esfarayen Industrial Complex (purchasing steel billet)	16,337,990	16,337,990
Dependents (IDRO)	15,323,208	15,323,208
Notes payable (IDRO)	8,794,777	8,794,777
Shafagh Kish Petrokaran Co. *	1,217,738	1,217,738
Khorasan Gas Co.	913,304	913,304
Insurance payable	879,478	879,478
Kala Naft Tehran Co. *	947,130	947,130
Others	2,739,911	2,739,911
Total	47,153,537	47,153,537

*Up to March 2016, IRR 7 billion of debts has been settled.

3-2-2- Long-term Loans in US\$:

Loans Suppliers	March 2016
Banks	3,551,737
Interest & commission of future years is deducted	(541,217)
Sum	3,010,520
Long-term portion is deducted	(236,782)
Current portion	2,773,737
Interest & outstanding commission reserve	676,521
Long-term Loans	3,450,259

US\$ 1 million of facilities is related to Mellat Bank within past years which has not been paid on deadline and has been asked a delay. For delay fines in payment of installments, US\$ 1 million delay fines were imposed by the company. In case of payment of the remaining installments on deadline, the fines will be forgiven.

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

Title	March 2016	March 2015
Operating revenues (3-3-1)	26,316,680	25,166,593
Cost of operating revenues	(23,813,551)	(21,039,813)
Gross profit(loss)	2,503,129	4,126,780
Sales, administrative & general expenses	(1,826,608)	(1,251,564)
Other operating items	(1,454,521)	(1,894,260)
Operating profit (loss)	(778,000)	980,956
Financial expenses	(980,956)	(1,183,912)
Net other non-operating revenues & expenses	33,826	33,826
Net profit (loss)	(1,725,129)	(169,130)

3-3-1- Operating Revenues

Title	2016		2015	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Productions	11,277	24,219,464	11,496	24,388,594
Income of services	1,289	2,097,216	481	778,000
Total	12,566	26,316,680	11,977	25,166,593

Part IV: Other Information

4-1- Production

Title	Measurement Unit	Nominal Capacity	Operational Capacity	Production of 2016	Production of 2015	Production of 2014
Rolling	Ton	120,000	50,000	13,680	11,770	1,792
Casing tubes	Ton	80,000	35,000	11,518	11,680	3,367
Heat Treatment	Ton	100,000	50,000	12,939	11,563	2,755
Couplings	Ton	250,000	250,000	14,119	9,904	12,252
Transfer tubes	Ton	50,000	15,000	--	--	--

*Lack of access to real production is as a result of lack of raw materials, needed tools & spare parts of production line and also the impossibility of providing semi - manufactured pipes because of economic sanctions & money shortage.

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4-2- Some strength points in Production and Selling:

Prosperity an exclusive market: Luleh Gostar Esfarayan is considered as the only producer of seamless steel tubes especially for Iran oil and gas wells.

Easy availability to raw materials: Existing Esfarayen Industrial Complex near to Luleh Gostar Esfarayen has made easy the company's availability to raw materials.

4-3- The Main Customers of Casing Tubes:

Title	2016		2015	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Iranian Offshore Oil Co. (IOOC)	2,947	6,832,865	1,950	4,194,432
National Iranian Drilling Co.	5,307	10,790,515	--	--
Petropars Co.	501	980,956	218	439,739
Energy Gostar Co.	807	1,725,129	--	--
Iranian Central Oil Fields Co.	1,588	3,585,563	--	--
Shafagh Kish Petrokaran Co.	127	304,435	--	--
National Iranian South Oilfields Co.	--	--	2,634	4,735,649
Others	--	--	6,694	15,052,600
Total	11,277	24,219,464	11,496	24,422,420

4-4- The Main Supplier of Raw Material: Esfarayen Industrial Complex

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