



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\$ 67,085,714

*(Exchange Rate:* 35,000 IRR)

*Assessment Date:* July 2016

*Assessment Method:* 85% of 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.

**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:** \$ 51,685,714

**Chief Executive Officer:** Mr. Reza Barzin

**Establishment Date:** 1991

**Launch Date:** 2005

**Total Assets (evaluated):** \$ 129,257,143 (Machinery and equipments: \$ 39,171,429, building & landscaping: \$ 36,028,571, Land: 77 hectares, \$ 4,171,428)

**Total Liabilities (evaluated):** \$ 49,542,857 (Debts to parent company: \$ 20,371,429)

**Net Profit (Loss):** \$ (1,457,143)

**Retained Profit (Loss):** \$ (25,971,429)

**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: 35,000 IRR)

<b>Title</b>	<b>Book value (March 2016)</b>	<b>Evaluated by Independent Expert (July 2016)</b>
Machinery and equipments	4,742,857	39,171,429
Building & landscaping (3-1-1)	35,114,286	36,028,571
Inventories	14,714,286	15,885,714
Installations	942,857	13,600,000
Trade & non-trade receivables (3-1-2)	11,228,571	11,200,000
Land (77 hectares) (3-1-3)	3,542,857	4,171,429
Cash	3,800,000	3,800,000
Other assets (3-1-4)	2,028,571	5,400,000
<b>Total assets</b>	<b>76,114,286</b>	<b>129,257,143</b>

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### 3-1-1- Buildings:

Title	Area (m <sup>2</sup> )	March 2016	July 2016
Factory's building	117,905	35,085,714	36,000,000
Building of Inn	278	28,571	28,571
<b>Total</b>	<b>118,183</b>	<b>35,114,286</b>	<b>36,028,571</b>

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

Title	March 2016	July 2016
<b>Trade:</b>		
National Iranian Drilling Co.	3,600,000	3,600,000
Iranian Offshore Oil Co. (IOOC)	2,828,571	2,828,571
Iranian Central Oil Fields Co.	2,200,000	2,200,000
Others	1,828,571	1,828,571
<b>Sum</b>	<b>10,457,143</b>	<b>10,457,143</b>
<b>Non-trade</b>		
Interim deposits	628,571	628,571
Employees (loans)	114,286	114,286
Others	28,571	0
<b>Sum</b>	<b>771,429</b>	<b>742,857</b>
<b>Total</b>	<b>11,228,571</b>	<b>11,200,000</b>

### 3-1-3- Land:

Title	Area (m <sup>2</sup> )	March 2016	July 2016
Factory's land *	767,360	3,314,286	3,942,857
Land of Inn	712.57	228,571	228,571
<b>Total</b>	<b>768,073</b>	<b>3,542,857</b>	<b>4,171,429</b>

\*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.

### 3-2- Main Items of Liabilities & Owner's equity in US\$

Title	Details	Book value (March 2016)	Evaluated by Independent Expert (July 2016)
Liabilities	Trade & non-trade payables (3-2-1)	39,828,571	39,828,571
	Provision for employees termination benefits	4,028,571	4,028,571
	Long – term loans (3-2-2)	2,914,286	2,914,286
	Long – term payables	2,571,429	2,571,429
	Other liabilities	200,000	200,000
<b>Total liabilities</b>		<b>49,542,857</b>	<b>49,542,857</b>
Owner's equity	Paid-in capital	51,685,714	51,685,714
	Retained earnings(loss)	(25,114,286)	(25,971,429)
	Revaluation difference	0	53,142,857
<b>Total Owner's equity</b>		<b>26,571,429</b>	<b>78,857,143</b>

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

Title	March 2016	July 2016
Esfarayan Industrial Complex (purchasing steel billet)	13,800,000	13,800,000
Dependents (IDRO)	12,942,857	12,942,857
Notes payable (IDRO)	7,428,571	7,428,571
Shafagh Kish Petrokaran Co. *	1,028,571	1,028,571
Khorasan Gas Co.	771,429	771,429
Insurance payable	742,857	742,857
Kala Naft Tehran Co. *	800,000	800,000
Others	2,314,286	2,314,286
<b>Total</b>	<b>39,828,571</b>	<b>39,828,571</b>

\*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	3,000,000
Interest & commission of future years is deducted	(457,143)
<b>Sum</b>	<b>2,542,857</b>
Long-term portion is deducted	(200,000)
Current portion	2,342,857
Interest & outstanding commission reserve	571,429
<b>Long-term Loans</b>	<b>2,914,286</b>

\$ 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, \$ 1 million delay fines were imposed by the company. In case of payment of the remaining installments on deadline, the fines will be waived.

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

Title	March 2016	March 2015
Operating revenues (3-3-1)	22,228,571	21,257,143
Cost of operating revenues	(20,114,286)	(17,771,429)
<b>Gross profit(loss)</b>	<b>2,114,286</b>	<b>3,485,714</b>
Sales, administrative & general expenses	(1,542,857)	(1,057,143)
Other operating items	(1,228,571)	(1,600,000)
<b>Operating profit (loss)</b>	<b>(657,143)</b>	<b>828,571</b>
Financial expenses	(828,571)	(1,000,000)
Net other non-operating revenues & expenses	28,571	28,571
<b>Net profit (loss)</b>	<b>(1,457,143)</b>	<b>(142,857)</b>

#### 3-3-1- Operating Revenues

Title	2016		2015	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Productions	11,277	20,457,143	11,496	20,600,000
Income of services	1,289	1,771,429	481	657,143
<b>Total</b>	<b>12,566</b>	<b>22,228,571</b>	<b>11,977</b>	<b>21,257,143</b>

### 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.

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

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

**Easy availability to raw materials:** Existing Esfaryen Industrial Complex near to Luleh Gostar Esfaryen 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	5,771,429	1,950	3,542,857
National Iranian Drilling Co.	5,307	9,114,286	--	0
Petro Pars Co.	501	828,571	218	371,429
Energy Gostar Co.	807	1,457,143	--	0
Iranian Central Oil Fields Co.	1,588	3,028,571	--	0
Shafagh Kish Petrokaran Co.	127	257,143	--	0
National Iranian South Oilfields Co.	--	0	2,634	4,000,000
Others	--	0	6,694	12,714,286
<b>Total</b>	<b>11,277</b>	<b>20,457,143</b>	<b>11,496</b>	<b>20,628,571</b>

#### **4-4- The Main Supplier of Raw Material:** Esfaryen Industrial Complex