



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.

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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): \$ 2,971,429

Retained Profit (Loss): \$ (22,142,857)

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: 676 (administrative: 61- supporting: 249- production: 322- cooperative: 44)

Part III: Financial Information

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

(Exchange Rate: 35,000 IRR)

Title	Book value (March 2017)	Book value (March 2016)	Evaluated by Independent Expert based on financial statements of March 2016 (July 2016)
Machinery and equipments	4,257,143	4,742,857	39,171,429
Building & landscaping (12 hectares) (3-1-1)	32,057,143	35,114,286	36,028,571
Inventories	24,857,143	14,714,286	15,885,714
Installations	457,143	942,857	13,600,000
Trade & non-trade receivables (3-1-2)	28,457,143	11,228,571	11,200,000
Land (77 hectares) (3-1-3)	3,542,857	3,542,857	4,171,429
Cash	1,285,714	3,800,000	3,800,000
Other assets (3-1-4)	2,428,571	2,028,571	5,400,000
Total	97,342,857	76,114,286	129,257,143

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3-1-1- Buildings:

Title	Area (m ²)	March 2017	March 2016	July 2016
Factory's building	117,905	32,057,143	35,085,714	36,000,000
Building of Inn	278		28,571	28,571
Total	118,183	32,057,143	35,114,286	36,028,571

3-1-2- Trade & Non-Trade Receivables in US\$:

Title	March 2017	March 2016
Trade:		
National Iranian South Oilfields Co. *	26,542,857	0
National Iranian Drilling Co.	0	3,600,000
Iranian Offshore Oil Co. (IOOC)	0	2,828,571
Iranian Central Oil Fields Co.	28,571	2,200,000
Others	457,143	1,828,571
Sum	27,028,571	10,457,143
Non-trade		
Interim deposits	1,314,286	628,571
Employees (loans)	28,571	114,286
Others	85,714	28,571
Sum	1,428,571	771,429
Total	28,457,143	11,228,571

* Trade receivables increasing is resulted from raising sales in 2017 and selling contracts of 31,400 tons steel pipes.

3-1-3- Land:

Title	Area (m ²)	March 2017	March 2016	July 2016
Factory's land *	767,360	3,314,286	3,314,286	3,942,857
Land of Inn	712.57	228,571	228,571	228,571
Total	768,073	3,542,857	3,542,857	4,171,429

*Factory's land is pledged for IDRO.

3-1-4-Others:

The amount of IRR 17 billion currency funds (including \$ 133/43 & Euro 497,050/180) 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 2017)	Book Value (March 2016)	Evaluated by Independent Expert based on financial statement of 2016 (July 2016)
Liabilities	Trade & non-trade payables (3-2-1)	59,600,000	39,828,571	39,828,571
	Provision for employees termination benefits	5,057,143	4,028,571	4,028,571
	Short – term loans (3-2-2)	3,114,286	2,914,286	2,914,286
	Long – term payables	0	2,571,429	2,571,429
	Long – term loans (3-2-2)	0	200,000	200,000
	Pre-received	28,571	0	0
Total liabilities		67,800,000	49,542,857	49,542,857
Owner's equity	Paid-in capital	51,685,714	51,685,714	51,685,714
	Retained earnings(loss)	(22,142,857)	(25,114,286)	(25,971,429)
	Revaluation difference	0	0	53,142,857
Total owner's equity		29,542,857	26,571,429	78,857,143

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

Title	March 2017	March 2016
Esfarayen Industrial Complex (purchasing steel billet)	30,400,000	13,800,000
Dependents (IDRO)	12,942,857	12,942,857
Notes payable (IDRO)	10,000,000	7,428,571
Shafagh Kish Petrokaran Co.	200,000	1,028,571
Khorasan Gas Co.	1,257,143	771,429
Insurance payable	828,571	742,857
Kala Naft Tehran Co.	0	800,000
Others	3,971,429	2,314,286
Total	59,600,000	39,828,571

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

Loans Suppliers	March 2017	March 2016
Tejarat Bank	2,828,571	3,000,000
Interest & commission of future years is deducted	0	(457,143)
Sum	2,828,571	2,542,857
Long-term portion is deducted	0	(200,000)
Current portion	2,828,571	2,342,857
Interest & outstanding commission reserve (18%)	285,714	571,429
Short-term Loans	3,114,286	2,914,286

Bill is type of collateral.

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

Title	March 2017	March 2016
Operating revenues (3-3-1)	37,542,857	22,228,571
Cost of operating revenues	(30,571,429)	(20,114,286)
Gross profit(loss)	6,971,429	2,114,286
Sales, administrative & general expenses	(1,914,286)	(1,542,857)
Other operating items	(1,228,571)	(1,228,571)
Operating profit (loss)	3,828,571	(657,143)
Financial expenses	(914,286)	(828,571)
Net other non-operating revenues & expenses	57,143	28,571
Net profit (loss)	2,971,429	(1,457,143)

3-3-1- Operating Revenues

Title	2017		2016	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
Productions	18,487	37,371,429	11,277	20,457,143
Income of services	173	171,429	1,289	1,771,429
Total	18,660	37,542,857	12,566	22,228,571

Part IV: Other Information

4-1- Production

Title	Measurement Unit	Nominal Capacity	Operational Capacity	Normal Capacity Expected	Production of 2017	Production of 2016
Rolling	Ton	120,000	50,000	24,000	27,881	13,680
Casing tubes	Ton	80,000	35,000	24,000	25,328	11,518
Heat Treatment	Ton	100,000	50,000	24,000	25,796	12,939
Couplings	Number	250,000	250,000	24,000	28,118	14,119
Transfer tubes	Ton	50,000	15,000	24,000	0	0

*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	2017		2016	
	Quantity (ton)	Amount (US\$)	Quantity (ton)	Amount (US\$)
National Iranian South Oilfields Co.	15,466	31,714,286	--	0
Iranian Offshore Oil Co. (IOOC)	2,278	4,114,286	2,947	5,771,429
Iranian Offshore Engineering & Construction Co.	274	771,429	0	0
Shafagh Kish Petrokaran Co.	337	514,286	127	257,143
Iranian Central Oil Fields Co.	126	228,571	1,588	3,028,571
National Iranian Drilling Co.	6	28,571	5,307	9,114,286
Petro Pars Co.	0	0	501	828,571
Energy Gostar Co.	0	0	807	1,457,143
Total	18,487	37,371,429	11,277	20,457,143

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

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