

Gohar Spiral Pipe Company

By:

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Description

Gohar spiral steel pipe company,

- ❖ Is a manufacturer of thick spiral pipes with 2m diameter, 20mm thickness and length of 8-18 m
- ❖ the products are applicable for petroleum ,natural gas and water transportation, and also industrial applications.



Market Analysis

- ❖ Iran is one of the largest producer and exporter of oil and gas in the world.
- ❖ By considering the necessity of providing spiral pipes, as the main tools for transferring gas and oil, pipe production has a great importance.
- ❖ Domestic demand of spiral steel pipe is 1,08 million tone Per year.
- ❖ in long term, when the domestic consumption is fulfilled, pipe export to neighbor countries can be considered as one of the main priority of the company.

Market Analysis

❖ Main competitors:

- Iran Spiral Co. 180.000 tone/year
- Ahvaz Pipe Mills Co. 100.000 tone/year
- Sadid Pipe & Equipment Co. 250.000 tone/year
- Safa Toos Rolling and Pipe Mills Co. 160.000 tone/year

❖ Final price is severely dependent on:

- The market for spiral steel pipes (supply and demand)
- Cost of raw material

❖ Price for consumers:

- for inner consumers 960 \$/ton
- For export 1200\$/ton

Description of Production

❖ Coil Feed in & Pre-Forming Section

Coils are loaded on the decoiler of the Spiral Pipe machine. The strip is straightened, then the irregular opening of the strip is cut, and edges are milled to desired joint geometry.

❖ Pipe Forming Section

The strip is guided into a forming station, where it is formed to produce a cylindrical hollow body at a predetermined forming angle, ensuring proper welding gap between the abutting edges. Inside, and later, outside welding is performed by an automatic submerged arc process.

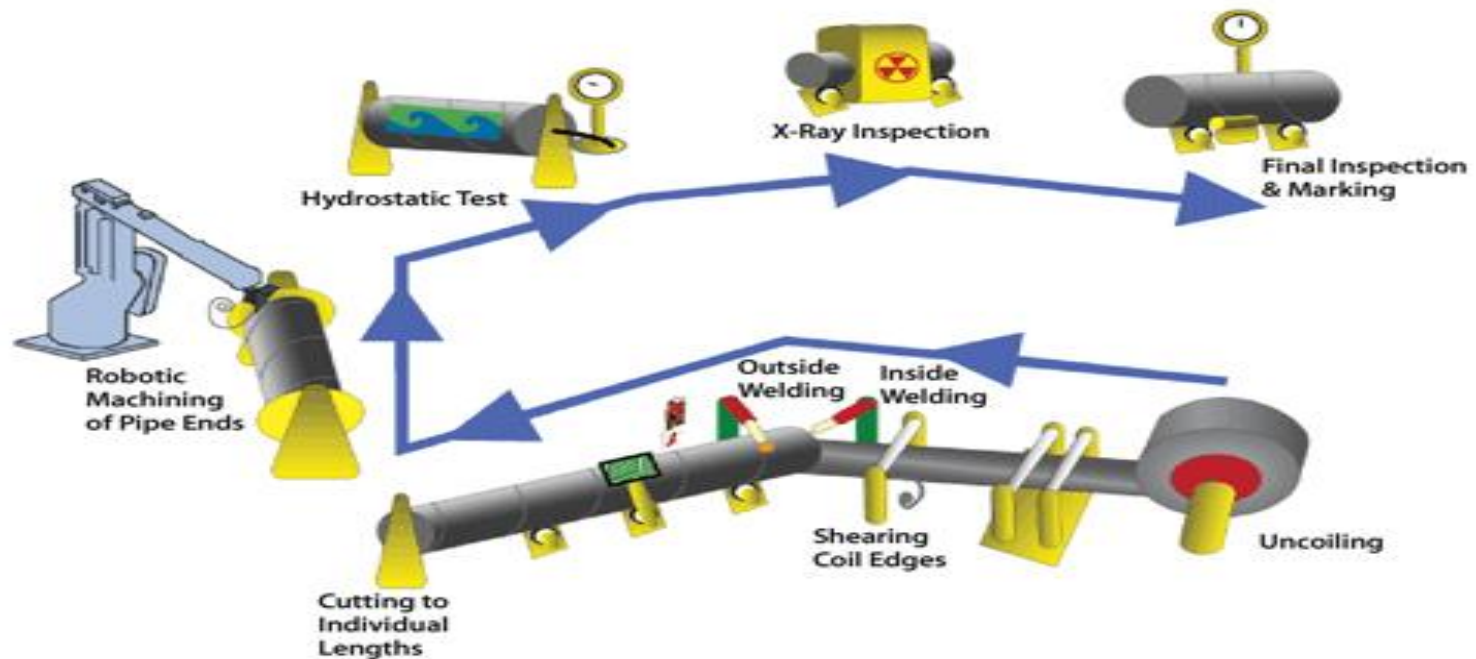
❖ Pipe Pay-off Section

Pipes are cut to a predetermined length by an automatic plasma arc cutting device. After that, Flux and slag from inside the pipes is cleaned. Pipes are inspected for any visual defects. Fluoroscopic inspection of pipes presents the entire spiral seam on visual display for analysis of all the ultrasonic indications for defects, if any, in the weld seam.

Description of Production

❖ Pipe Finishing Process

At the end facing machine both ends of pipes are machined to suit the joint to be used on the pipe line. Each end is worked separately. Each pipe is hydrostatically tested to a given pressure as per API 5L specification or other desired standard. At the end X-ray station radiographs are taken at weld seam for each pipe end to a distance of 4". Every length of pipe is subjected to a rigorous check at the final stand - before it is accepted by the quality control department.



Licenses and State

❖ Licenses

We should achieve ISO14001 OHSAS18001 HSE IMS certificates and also, in order to enter the market of oil and gas pipe the company have to obtain the essential international API 5L and ISO3183 certificate.

❖ **This company will be found in Iran, Kashan-Ghom Road.**

The advantages of selecting this location for the company:

- Close to MOBARAHEH STEEL COMPLEX, which is the only supplier of hot rolled steel coils in Iran, therefore we will be able to minimize transportation charges of raw materials.
- Its location in the center of IRAN ensures most economic logistics charges for deliveries to customers throughout the country.

Definition of Capacities

- **Our company has 130 employees.**
- **Annual production capacity is equal to 30,000 tons/year or 110 tons/day.**
- **Work time/production time: 280 days / year, one shift of 8 hours.**



Financing the Company

- ❖ Providing financial resources are one of the most important parts of foundation a company.
- ❖ In this regard it was felt that obtaining finance and Rial credits are essential for purchasing industrial machines and equipments, providing raw materials and signing appropriate contracts.
- ❖ 25 million dollars in form of finance from Iran Saderat Bank will be obtained, a finance over a period of 5 years with constant annual loan redemption and a 24% interest rate.

Calculation of the Investments

Investment costs	Amounts of investment in \$
Investment for the Ground	1,300,000
Buildings	1,000,000
Investment for machinery	15,000,000
Raw material	13,500,000
Additional expenses *	330,000
Energy cost	1,260,000
Transportation cost of raw material	600,000
Salary & benefits	630,880
5 Passenger cars	125,000
3 Trucks	300,000
Informatics	22,000
Furniture	40,000
Overhead	100,000
Overall	34,207,880

Buildings

- ❖ Three different buildings are needed:

Area	m ²
Covered area (production hall)	11,000
Building as warehouse (raw materials and products)	5,000
Administration building	450
Total area	19,000

Raw material Costs

- Hot rolled steel coil consumption 30,000 tons/year
- Hot rolled steel coil price 450\$/tone

❖ **Additional expenses**

- Submerged arc welding flux
- Submerged arc welding wire
- Industrial lubricants
- EPOXY EX4413L300

Labor Costs

- ❖ About 130 personnel will be working in the factory:
 - 23 persons in official department,
 - 34 persons in production department and,
 - 76 persons in production services.

- ❖ That:
 - 6 persons have PHD and Master degree,
 - 48 persons have Bachelor degree and,
 - 76 persons are under graduated.

Labor Costs in First Year

Persons in cost centre	Number	Wages/ month	Paid benefits	Insurance & other benefits	salaries /month	Total salaries / year
Under graduated	76	230 \$	20 \$	120 \$	370 \$	337,440 \$
Bachelor Degree	48	280 \$	20 \$	120 \$	420 \$	241,920 \$
Master Degree	4	320 \$	20 \$	120 \$	460 \$	22,080 \$
Ph.D Degree	2	480 \$	20 \$	120 \$	620 \$	14,880 \$
Sum of Salaries						616,320 \$
Food Expenses		1213 \$				14,560 \$
Sum of personnel expenditure (1 Shift)						630,880 \$

Labor Costs

- In regard to high inflation rate in Iran, salaries should increase 15% each year.

Year	Total Salaries Paid p.a. In \$
1 st	630.880
2 nd	725.512
3 rd	834.338
4 th	959.489
5 th	1.103.413
6 st	1.268.925
7 nd	1.459.264
8 rd	1.678.153
9 th	1.929.876
10 th	2.219.358

Depreciation Rates & Costs

Description	Investment in \$	Depreciation rate	Depreciation in \$ /year
Machines	15,000,000	20%	3,000,000
Buildings	1,000,000	10%	100,000
license	80,000	10%	8,000
Informatics	22,000	25%	5,500
Passenger cars	125,000	20%	25,000
Trucks	300,000	20%	60,000
Furniture	40,000	10%	40,000
Total investment	16,567,000	Total depreciation cost	3,202,500

Financing Costs

Year	Balance of debt \$	Interest rate	Interest cost paid p.a. in \$	Paying back finance p.a. in \$	Total payment p.a. in \$
1 st	25.000.000	24%	6.000.000	5.000.000	11.000.000
2 nd	20.000.000	24%	4.800.000	5.000.000	9.800.000
3 rd	15.000.000	24%	3.600.000	5.000.000	8.600.000
4 th	10.000.000	24%	2.400.000	5.000.000	7.400.000
5 th	5.000.000	24%	1.200.000	5.000.000	6.200.000
Total Interest Paid			18.000.000\$		
	Total Payment in \$			25.000.000\$	

Selling Prices & Costs

- The prices of raw materials, energy and transportation costs and also selling prices will be increased by the rate of 3% per year, due to inflation rate in Iran.

Year	Costs in \$	Selling price/ton in \$	Sales per year in \$
1 st	15.790.000	960	28.800.000
2 nd	16.263.700	989	29.664.000
3 rd	16.751.611	1.018	30.553.920
4 th	17.254.159	1.049	31.470.538
5 th	17.771.784	1.080	32.414.654
6 st	18.304.937	1.113	33.387.093
7 nd	18.854.085	1.146	34.388.706
8 rd	19.419.708	1.181	35.420.367
9 th	20.002.299	1.216	36.482.978
10 th	20.602.368	1.253	37.577.468

Profit Calculation

Year	Costs + Salaries p.a. in \$	Depreciation costs p.a. in \$	Sales p.a. in \$	Profit before tax in \$	Corporate tax (10%)	Profit after tax in \$
1 st	17.640.880	3.202.500	28.800.000	7.956.620	795.662	7.160.958
2 nd	16.989.212	3.202.500	29.664.000	9.472.288	947.229	8.525.059
3 rd	17.585.950	3.202.500	30.553.920	9.765.470	976.547	8.788.923
4 th	18.213.649	3.202.500	31.470.538	10.054.389	1.005.439	9.048.950
5 th	18.875.197	3.197.000	32.414.654	10.342.457	1.034.246	9.308.211
6 st	19.573.863	112.000	33.387.093	13.701.231	1.370.123	12.331.108
7 nd	20.313.350	112.000	34.388.706	13.963.357	1.396.336	12.567.021
8 rd	21.097.862	112.000	35.420.367	14.210.506	1.421.051	12.789.455
9 th	21.932.176	112.000	36.482.978	14.438.802	1.443.880	12.994.922
10 th	22.821.726	112.000	37.577.468	14.643.741	1.464.374	13.179.367

Cash Flow & Dividend

Year	Profit after tax in \$	Depreciation costs p.a. in \$	Cash flow (net profit+ depreciation) in \$	Repayment in \$	Dividend in \$
1 st	7.160.958	3.202.500	10.363.458	11.000.000	-636.542
2 nd	8.525.059	3.202.500	11.727.559	9.800.000	1.927.559
3 rd	8.788.923	3.202.500	11.991.423	8.600.000	3.391.423
4 th	9.048.950	3.202.500	12.251.450	7.400.000	4.851.450
5 th	9.308.211	3.197.000	12.505.211	6.200.000	6.305.211
6 st	12.331.108	112.000	12.443.108	0	12.443.108
7 nd	12.567.021	112.000	12.679.021	0	12.679.021
8 rd	12.789.455	112.000	12.901.455	0	12.901.455
9 th	12.994.922	112.000	13.106.922	0	13.106.922
10 th	13.179.367	112.000	13.291.367	0	13.291.367

LONG TERM GOAL

- ❖ Increasing the variety of steel products and entering new internal and global markets and increasing the market share of the depending companies through creating new capacities and improving the current capacities.



Thank You !