



Dost Steels Limited

3rd Quarter Report
March 31, 2008



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COMPANY INFORMATION

Board of Directors

Mr. Jamal Iftakhar	Chairman/Chief Executive Officer
Mr. Zahid Iftakhar	Director
Mr. Raees Iftakhar	Director
Mr. Faisal Zahid	Director
Mr. Bilal Zahid	Director
Mr. Hamza Raees	Director
Mr. M. Seraj ul Haque	Director

Audit Committee

Mr. Raees Iftakhar	Chairman of Committee
Mr. Zahid Iftakhar	Member
Mr. M. Seraj ul Haque	Member
Mr. Athar A. Khan	Secretary

Chief Financial Officer

Mr. M. Seraj ul Haque

Company Secretary

Mr. Athar Ali Khan

Bankers

Askari Commercial Bank Limited
Faysal Bank Limited
National Bank of Pakistan
United Bank Limited
ABN Amro Bank Limited

Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

M/s. Tax Haven
114-Business Arcade
Shahrah-e-Faisal
Karachi

Shares Registrar

Noble Computer Services (Private) Limited
2nd Floor, Sohni Centre,
BS 5 & 6 Main Karimabad, Block – 4,
Federal 'B' Area, Karachi ---75950
Phone Nos. 6801880 – 6802326

Registered/Head Office

101 - Chapal Plaza,
Hasrat Mohani Road,
Karachi -- 74000

Mills

Bhai Pheru, 52 Km Lahore
Multan Road,

Web Presence

www.doststeels.com

DIRECTORS' REVIEW

I am pleased to place before you the un-audited financial results of your company for the nine months ended 31st March 2008.

Economy & Industry

Steel consumption is the universal indicator of the industrial development of a country and accordingly the Steel Sector being a back-bone of the industry needs an equally important significant in the Government Policies for industrial development. It is good to see that not only the per capita steel consumption in the country has gone up from 14.3 Kgs. in 2003 to 35 Kg in 2007, but also Engineering Development Board has prepared a plan to take the steel production up to 15 million tons per annum by the year 2020.

Currently demand for steel in Pakistan is over 6.5 million tons per annum. Demand for reinforced bars is at 4.3 million tons with a growth rate of 15% per annum. Presently there is negligible production of ASTM high strength deformed Grade 60 steel bars in the country. Almost half a million tons of this grade is being imported into the country.

Tremendous growth is expected in the demand of deformed steel as International Developers like EMAAR, ENSHA & Al Ghurair Giga have entered the construction market who will consume world class rebars for their projects in Pakistan.

Public sector Development projects by Govt. are also very encouraging. The Govt. has promulgated the revised building code in 2007 initially for the northern earthquake affected region and later for enforcement all over the country, making it mandatory to use deformed steel. The real Estate boom in Middle East has opened new horizons for Export of rebar to this region and adjoining Afghanistan.

Company's Review

The cold commissioning stage has been completed with the guidance of Italian Engineers, but the delay in the operation of mill was initially due to the geopolitical condition and security situation in the country. Our approach to the Italian to come over to complete their contractual jobs was not acceded to because of the prevailing political turmoil in the country and this caused the delay and thus the cost over run.

To overcome the cost overrun, we approached our existing banking syndicate for an additional funding of Rs. 200 million, which was refused. We then had to approach another bank and initiate a new banking syndicate. This new banking syndicate had been mandated by us to provide additional funding to enable the company to hot commission the bar mill, raise funds for working capital and steel billet procurement. Financial arrangements are in place in association with the Arif Habib Ltd. and Arif Habib Bank Ltd. to take care of these funds requirements. Mandates for rights issue and underwritings have already been negotiated and signed. The three Italian principals are mobilizing their commissioning engineers and are expected to intimate us their arrival schedule. A meeting with the machinery suppliers and technology providers is scheduled for first week May 2008 to deputize the commissioning engineers' team to the project site for the mill commissioning and subsequent commercial production. Past experience indicates that it will take anywhere from three weeks time to eight weeks time to accomplish this task.

Future Outlook

In spite of the difficulties as explained above, it is expected that your company will go in full production by the end of the financial year. It is also envisaged that the company will approach the capital markets by way of a rights issue for which steps have been initiated.

Acknowledgement

The Board of Directors takes this opportunity to thank to all our project partners, bankers, shareholders, suppliers, insurance companies and specially our staff members for their continuous support to the ongoing bar mill project.

On behalf of the Board of Directors

Jamal Iftakhar
Chief Executive Officer

Karachi : 25th April 2008

FINANCIAL STATEMENTS

**3rd Quarter Report
March 31, 2008**

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2008

		(UN-AUDITED) March 31, 2008 Rupees	(AUDITED) June 30, 2007 Rupees
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	4	1,503,237,238	1,291,267,373
Long term security deposits		13,826,445	13,579,445
Deferred Cost	5	19,320,663	-
CURRENT ASSETS			
Advances, deposit and other receivable		192,598,551	221,929,397
Cash and bank balances		2,221,018	23,710,876
		194,819,569	245,640,273
TOTAL ASSETS		1,731,203,915	1,550,487,091
CAPITAL AND LIABILITIES			
Share capital			
Authorised capital			
70,000,000 ordinary shares of Rs. 10/- each		700,000,000	700,000,000
Issued, subscribed and paid up capital	6	675,000,000	400,000,000
Accumulated loss		(11,777,819)	(7,839,682)
SHAREHOLDERS' EQUITY		663,222,181	392,160,318
NON-CURRENT LIABILITIES			
Long term loans	7	931,308,237	931,308,237
CURRENT LIABILITIES			
Short term loan	8	15,000,000	178,861,468
Trade and other payables		87,900,357	44,204,296
Markup accrued on secured loans		32,700,596	3,002,894
Provision for taxation		1,072,544	949,878
		136,673,497	227,018,536
COMMITMENTS	9	-	-
TOTAL CAPITAL AND LIABILITIES		1,731,203,915	1,550,487,091

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008

		For the Nine Months ended March 31, 2008	For the Nine Months ended March 31, 2007	For the Quarter ended March 31, 2008	For the Quarter ended March 31, 2007
	Note	Rupees	Rupees	Rupees	Rupees
Sales	10	24,831,021	131,065,911	-	46,108,071
Sales tax		(297,835)	(14,178,220)	-	(3,096,762)
		<u>24,533,186</u>	<u>116,887,691</u>	<u>-</u>	<u>43,011,309</u>
Cost of sales		(20,839,366)	(114,685,727)	-	(39,488,148)
Gross profit / (loss)		<u>3,693,820</u>	<u>2,201,964</u>	<u>-</u>	<u>3,523,161</u>
Administrative and financial expenses		5,703,509	4,445,387	2,100,854	2,643,565
Selling and distribution expenses		1,937,407	1,137,815	-	565,760
		<u>(7,640,916)</u>	<u>(5,583,202)</u>	<u>(2,100,854)</u>	<u>(3,209,325)</u>
Operating profit / (Loss)		<u>(3,947,096)</u>	<u>(3,381,238)</u>	<u>(2,100,854)</u>	<u>313,836</u>
Other Income		<u>131,625</u>	<u>-</u>	<u>43,875</u>	<u>-</u>
Profit / (Loss) before taxation		(3,815,471)	(3,381,238)	(2,056,979)	313,836
Taxation - current:		(122,666)	(584,438)	-	(294,441)
Profit / (Loss) after taxation		<u>(3,938,137)</u>	<u>(3,965,676)</u>	<u>(2,056,979)</u>	<u>19,395</u>
Earning/(Loss) per share - basic and diluted	11	<u>(0.075)</u>	<u>(0.122)</u>	<u>(0.030)</u>	<u>0.001</u>

The annexed notes form an integral of these financial statements

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOW (USED IN) / GENERATED FROM WORKING CAPITAL			
Cash (used in) / generated from working capital	12	71,149,060	52,071,278
Long term security deposits		(247,000)	(21,791,887)
Taxes paid		(721,870)	(7,730,311)
Net cash flow from operating activities		70,180,190	22,549,080
CASH FLOW FROM INVESTING ACTIVITIES			
Capital work in progress		(179,632,742)	(809,775,287)
Deferred Cost		(19,320,663)	-
Fixed Asset		(3,855,175)	(1,772,690)
Net cash used in investing activities		(202,808,580)	(811,547,977)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Shares		275,000,000	-
Long term financing		-	636,615,930
Short term Financing		(163,861,468)	129,155,628
Net cash flow from financing activities		111,138,532	765,771,558
Net increase/(decrease) in cash and cash equivalents		(21,489,858)	(23,227,339)
Cash and cash equivalents at beginning of the period		23,710,876	29,016,309
Cash and cash equivalents at end of the period		2,221,018	5,788,970

The annexed notes form an integral of these financial statements

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008

Description	Issued, subscribed and paidup capital	Accumulated loss	Total
	R U P E E S		
Balance as at June 30, 2006	325,000,000	(5,257,990)	319,742,010
Loss for the period after tax	-	(3,965,676)	(3,965,676)
Balance as at March 31, 2007 (Audited)	<u>325,000,000</u>	<u>(9,223,666)</u>	<u>315,776,334</u>
Balance as at June 30, 2007	400,000,000	(7,839,682)	392,160,318
Issue of share capital	275,000,000	-	275,000,000
Loss for the period after tax	-	(3,938,137)	(3,938,137)
Balance as at March 31, 2008 (Un-Audited)	<u>675,000,000</u>	<u>(11,777,819)</u>	<u>663,222,181</u>

The annexed notes form an integral of these financial statements

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2008

1. THE COMPANY AND ITS OPERATIONS

Dost Steels Limited was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984. The company was converted into public limited company as on May 20, 2006 and then listed on the Karachi Stock Exchange (Guarantee) Limited with effect from November 26, 2007. The registered office of the Company is situated at 101 Chapal Plaza, Hasrat Mohani Road, Karachi - 74000. The Principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron and special alloy steel in different forms.

2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with the International Accounting Standard 34 Interim Financial Reporting and the section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of the nine months statements are the same as those of the published annual financial statements for the year ended June 30, 2007.

4. PROPERTY, PLANT AND EQUIPMENTS

	Nine months period ended	
	March 2008 Rupees	March 2007 Rupees
Operating fixed assets	3,855,175	1,772,690
Capital work in progress	209,330,444	811,566,875
5. Deferred Cost	19,320,663	-

These expenses incurred on the issuance of shares to the general public and are not charged to the profit and loss account because of the fact that the production of steel has not been started yet.

	UN-AUDITED March 31 2008 Rupees	AUDITED June 30 2007 Rupees
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
67,500,000 (June 2007: 40,000,000) ordinary shares of Rs. 10 each fully paid in cash	<u>675,000,000</u>	<u>400,000,000</u>
7. LONG TERM LOANS		
Secured-from banking companies		
Faysal Bank Limited	143,948,806	193,948,806
Saudi Pak Industrial And Agriculture Investment Company (Private) Limited	50,000,000	-
Syndicate loan	737,359,431	737,359,431
	<u>931,308,237</u>	<u>931,308,237</u>
8. Short term loans		
Bridge Loan	-	157,350,000
Book overdraft	-	21,511,468
Loan from Directors	15,000,000	-
	<u>15,000,000</u>	<u>178,861,468</u>

9. COMMITMENTS

The Company is committed to capital expenditure amounting to Rs. 105 million as at the balance sheet date.

10. SALES

Company has not yet commenced production, however, during nine months, the Company has traded in purchase and sale of local steel bars.

	UN-AUDITED March 31 2008 Rupees	AUDITED March 31 2007 Rupees
11. LOSS PER SHARE - BASIC AND DILUTED		
Loss attributable to ordinary shareholders	<u>(3,938,137)</u>	<u>(3,965,676)</u>
Weighted average number of ordinary shares in issue	<u>52,700,000</u>	<u>32,500,000</u>
Loss per share - basic and diluted	<u>(0.075)</u>	<u>(0.122)</u>
12. CASH (USED IN) / GENERATED FROM WORKING CAPITAL		
Loss before taxation	(3,815,471)	(3,381,238)
Adjustment for Depreciation	<u>1,215,754</u>	<u>660,717</u>
	(2,599,717)	(2,720,521)
Effect of changes in working capital (Increase) / decrease in current assets		
Advances, deposits and other receivable	30,052,716	(3,592,337)
Construction material stock	-	88,252,914
Increase / (decrease) in current liabilities		
Trade and other payables	<u>43,696,061</u>	<u>(29,868,778)</u>
	<u>71,149,060</u>	<u>52,071,278</u>

13. CYCLE OF OPERATION

Bar manufacturing is year round operation. The basic raw material in Billets which is converted into bar of required sizes.

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 25, 2008 by the Board of Directors of the Company.

15. GENERAL

The figures have been round off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR



Dost Steels Limited

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