

Quarterly Report  
March 31, 2014



Dost Steels Limited

---

Registered office: 101, Chapal Plaza, Hasrat Mohani Road, Karachi-74000.

Phone: (92 21) 32419820 E-mail: [ho@doststeels.com](mailto:ho@doststeels.com)

[www.doststeels.com](http://www.doststeels.com)

## **CONTENTS**

COMPANY INFORMATION

DIRECTORS' REVIEW

FINANCIAL STATEMENTS OF DOST STEELS LIMITED

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

STATEMENT OF COMPREHENSIVE INCOME

CASH FLOW STATEMENT

STATEMENT OF CHANGES IN EQUITY

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

## **COMPANY INFORMATION**

### **Board of Directors**

Mr. Jamal Iftakhar	Chief Executive Officer
Mr. Zahid Iftakhar	Director / Company Secretary
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Saad Zahid	Director
Mr. Mustafa Jamal	Director
Mr. Afzal Shahzad	Director

### **Audit Committee**

Mr. Faisal Zahid	Chairman of Committee
Mr. Bilal Jamal	Member
Mr. Saad Zahid	Member
Mr. Zahid Iftakhar	Company Secretary

### **Chief Financial Officer**

Mr. Sajid Ahmed Ashrafi

### **Company Secretary**

Mr. Zahid Iftakhar

### **Bankers**

Faysal Bank Limited  
National Bank of Pakistan  
Askari Commercial Bank Limited  
NIB Bank Limited  
Bank of Khyber  
Pak Kuwait Investment Co. (Pvt) Ltd  
Faysal Bank Limited (RBS)  
Saudi Pak Industrial & Agricultural Investment Co. Ltd.  
United Bank Limited

### **Auditors**

Haroon Zakaria & Company  
Chartered Accountants

### **Legal Advisor**

Mr. Zahoor Shah (Advocate High Court)  
Suit # 509, 5<sup>th</sup> Floor, Panorama Centre No. 2,  
Raja Ghazanfar Ali Road, Saddar,  
Karachi

### **Shares Registrar**

M/s. Your Secretary (Pvt.) Ltd.,  
Suit no. 1020, 10<sup>th</sup> Floor, Uni Plaza, I. I. Chundrigar Road,  
Karachi-74200.  
Ph: 92 021-32428842, 32416957 / Fax: 92 021-32427790  
E mail: ysecr@hotmail.com

### **Registered/Head Office**

101, Chapal Plaza,  
Hasrat Mohani Road,  
Karachi – 74000  
Ph # 021-32419820

### **Mills**

Bhai Pheru, 52 Km Lahore  
Multan Road

### **Web Presence**

[www.doststeels.com](http://www.doststeels.com)



## DOST STEELS LIMITED

### Directors review:

Un-audited financial statements of the company for the nine months ending on March 31, 2014 are hereby being presented.

### General Review

It is my immense pleasure to give an update on concrete developments achieved so far, for start up of commercial operations of your Company. The management is taking 2014 as a fresh beginning and exploring every opportunity to bring the company in operation. In order to speed up the rehabilitation process, after due process of evaluation and consideration, a fresh mandate has been granted to Invest Capital Market Limited for restructuring of Company's debt and equity structure. Faysal Bank Limited in its capacity of Syndicate Leader and three other syndicate member banks, have given In-Principle Approval with respect to the restructuring proposal, thus the majority banks have already approved the proposal whereas approvals from remaining banks are also in the process and we expect to receive them very soon.

As part of the restructuring proposal and subject to its successful approval by the lenders s, the Company shall offer right issue of PKR 300 million and M/s Crescent Star Insurance Limited (CSIL) has agreed to underwrite the right Issue for which your Board of Directors has given its consent subject to relevant corporate, statutory and legal approvals. The management is committed and will continue its efforts to bring the unit in commercial production as early as possible.

### Performance Highlights

	<u>March 2014</u>	<u>March 2013</u>
Loss before Tax	(9,016,976.00)	(4,400,839.00)
Loss after Tax	(9,016,976.00)	(4,400,839.00)
<b>EPS</b>	<b>(0.134)</b>	<b>(0.065)</b>

### Future Outlook

With the start of commercial production, Dost Steels Limited will be counted among very few grade compliant rebar producers in Pakistan. The emerging development projects of public and private sectors will provide enormous room of opportunity to the Company. It is also worth mentioning here that the new and emerging construction trends in the Country have become quality compliant and the graded rebar will be the future of the Country. Therefore your Company will be able to capture replacement market as well as new market in this era of development of the country. Dost Steels Limited will be fully capable of producing ASTM, BS and EURO standards compliant rebar.

### Acknowledgement

The Board of Directors would like to express their appreciation for the assistance and co-operation received from the banks, Government authorities, vendors and above all, the shareholders of the Company for placing trust on their Company and also wish to place on record their deep sense of appreciation for the committed services by the executives and staff of the company.

For and on behalf of the Board of Directors

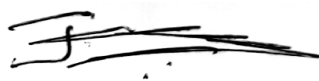
Jamal Iftakhar  
Chief Executive Officer

Karachi: April 24, 2014

**DOST STEELS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT MARCH 31, 2014**

	<i>Note</i>	<i>(Unaudited)</i> <i>March 31,</i> <i>2014</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2013</i> <i>Rupees</i>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,023,894,789	2,022,402,209
Long term security deposits		17,696,345	19,333,345
		2,041,591,134	2,041,735,554
<b>Current assets</b>			
Advances		905,589	4,632,607
Tax refund due from government		667,317	581,995
Other receivable		21,637	52,217
Cash and bank balances		531,948	958,709
		2,126,491	6,225,528
<b>Total assets</b>		2,043,717,625	2,047,961,082
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share capital and reserves</b>			
<b>Authorized capital</b>			
70,000,000 Ordinary shares of Rs. 10 each		700,000,000	700,000,000
<b>Issued, subscribed and paid-up capital</b>			
67,464,500 Ordinary shares of Rs. 10 each fully paid in cash		674,645,000	674,645,000
<b>Accumulated losses</b>		(97,989,788)	(88,972,813)
<b>Shareholders' equity</b>		576,655,212	585,672,187
<b>Non-current liabilities</b>			
Provision for Gratuity	7	586,174	4,745,486
<b>Current liabilities</b>			
Current and overdue portion of long term loans	8	931,308,237	931,308,237
Short term borrowings		291,265,694	285,638,955
Trade and other payables		243,902,308	240,596,217
		1,466,476,239	1,457,543,409
<b>Contingency and commitment</b>	9	-	-
<b>Total capital and liabilities</b>		2,043,717,625	2,047,961,082

The annexed notes form an integral part of these financial statements



*Chief Executive*




*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2014</i>	<i>March 31, 2013</i>	<i>March 31, 2014</i>	<i>March 31, 2013</i>
	----- <i>Rupees</i> -----			
Administrative expenses	<b>(9,059,052)</b>	(5,120,823)	<b>(3,387,111)</b>	(1,666,016)
Financ Cost	<b>(27,152)</b>	(8,126)	-	-
(Loss)/Gain on Disposal	<b>(6,420)</b>	-	-	-
Other income	<b>75,649</b>	728,110	<b>21,968</b>	221,601
<b>Recognized (loss) / profit before taxation</b>	<b>(9,016,975)</b>	(4,400,839)	<b>(3,365,143)</b>	<b>(1,444,415)</b>
<b>Recognized (loss) / profit after taxation</b>	<b>(9,016,975)</b>	(4,400,839)	<b>(3,365,143)</b>	<b>(1,444,415)</b>
(Loss) / profit per share - basic and diluted	<b>(0.134)</b>	(0.065)	<b>(0.050)</b>	(0.021)

The annexed notes form an integral part of these financial statements



*Chief Executive*

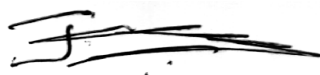


*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	<i>Nine months ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2014</i>	<i>March 31, 2013</i>	<i>March 31, 2014</i>	<i>March 31, 2013</i>
	----- <i>Rupees</i> -----			
(Loss) / profit after tax for the period	<b>(9,016,975)</b>	(4,400,839)	<b>(3,365,143)</b>	(1,444,415)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss) / profit for the period</b>	<b>(9,016,975)</b>	(4,400,839)	<b>(3,365,143)</b>	(1,444,415)

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



\_\_\_\_\_  
*Chief Executive*

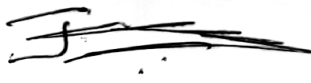



\_\_\_\_\_  
*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

	<i>March 31, 2014 Rupees</i>	<i>March 31, 2013 Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(9,016,975)	(4,400,839)
<b>Adjustments for non cash items</b>		
Loss on Disposal	6,420	-
Gratuity	-	-
	(9,010,555)	(4,400,839)
<b>Working capital changes</b>		
<b>Decrease / (increase) in current assets:</b>		
Advances	3,727,018	(264,220)
Other receivable	30,580	32,604
<b>Increase in current liabilities:</b>		
Trade and other payables	(568,072)	4,815,984
Cashflows after working capital changes	(5,821,029)	183,529
Taxes paid	(85,322)	(54,402)
Gratuity paid	(285,149)	(4,167,109)
Security deposit - net	1,637,000	1,170,000
<b>Net cash used in operating activities</b>	<b>(4,554,500)</b>	<b>(2,867,982)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	(1,689,000)	(3,755,000)
Proceeds from disposal of fixed asset	190,000	-
<b>Net cash used in investing activities</b>	<b>(1,499,000)</b>	<b>(3,755,000)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term Financing	5,626,739	6,248,804
<b>Net cash generated from financial activities</b>	<b>5,626,739</b>	<b>6,248,804</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(426,761)</b>	<b>(374,178)</b>
<b>Cash and cash equivalents at beginning of the nine months period</b>	<b>958,709</b>	<b>528,755</b>
<b>Cash and cash equivalents at end of the nine months period</b>	<b>531,948</b>	<b>154,577</b>

The annexed notes form an integral part of these financial statements

  
 \_\_\_\_\_  
 Chief Executive


  
 \_\_\_\_\_  
 Director



**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

<i>Description</i>	<i>Issued, subscribed and paid up capital</i>	<i>Accumulated loss</i>	<i>Total</i>
	----- <i>Rupees</i> -----		
<b>Balance as at July 01, 2012</b>	674,645,000	(82,779,212)	591,865,788
Loss for the nine months period	-	(4,400,839)	(4,400,839)
<b>Balance as at March 31, 2013</b>	<b>674,645,000</b>	<b>(87,180,051)</b>	<b>587,464,949</b>
<b>Balance as at July 01, 2013</b>	674,645,000	(88,972,813)	585,672,187
Loss for the nine months period	-	<b>(9,016,975)</b>	<b>(9,016,975)</b>
<b>Balance as at March 31, 2014</b>	<b>674,645,000</b>	<b>(97,989,788)</b>	<b>576,655,212</b>

The annexed notes form an integral part of these financial statements



*Chief Executive*



*Director*

**DOST STEELS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2014**

**1 THE COMPANY AND ITS OPERATIONS**

Dost Steels Limited (the Company) was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (The Ordinance). The Company was converted into public limited company with effect from 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 Plot No. 222, Sector - 39, Korangi Creek Industrial Area, Karachi 74900. 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. GOING CONCERN ASSUMPTION**

The Company has incurred a net loss of Rs. 9.017 (June 2013: Rs.6.194) million and its accumulated losses are Rs. 97.989 (June 2013: Rs.88.972 ) million. Its current liabilities exceeds its current assets by Rs. 1,464.35 (June 2013: Rs 1,451.31) million. Further, the Company has insufficient funds to repay its overdue liabilities, owed to banking companies amounting to Rs 931.308 (June 2013: Rs.931.308) million.

Further, the Company is defendant in a law suit filed by one of the trade creditors of the Company for winding up as the Company is unable to discharge its outstanding balance as well as the Company has failed to commence its commercial production. Due to these factors material uncertainty arises which may create doubts regarding the Company's ability to continue as going concern and accordingly the Company may not be able to realize its assets and discharge its liabilities at the stated amounts.

The Company is still maintaining positive relationship with the lenders and a fresh mandate for restructuring and rehabilitation has been granted to Invest Capital Markets Limited. Resultantly majority of the lenders have given approval for restructuring and rehabilitation plan. The Company is expecting further positive developments on the front in near future, consequently the overdue will be settled and the future cash flow requirements will also be met. As the concrete advancement has already been made and expectations of its accomplishment in near future are very high therefore these financial statements have been prepared on the basis of going concern assumption.

### **3. BASIS OF PREPARATION**

This condensed interim financial report of the company for the nine months period ended March 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements are unaudited but subject to limited scope review by auditors. These condensed interim financial statements do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.

These condensed interim financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and the figures are rounded off to the rupees.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013.

#### **4.1. Staff retirement benefit**

Certain standards, amendments and interpretations to the approved accounting standards are effective for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or have any significant effect on the Company's operation and are therefore not detailed in this condensed interim financial report.

### **5. ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2013 except as a result of introduction of define benefit plan, the estimate of staff retirement benefit is made as product of last drawn salary and number of years of service.

	<i>(Unaudited)</i> <i>March 31,</i> <i>2014</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2013</i> <i>Rupees</i>
--	--	---

## 6. *PROPERTY, PLANT AND EQUIPMENT*

### **Operating fixed assets - tangible**

Opening book value	164,466,240	164,466,240
Addition	539,000	-
Disposal	(196,420)	-
Depreciation for the period / year	-	-
	<u>164,808,820</u>	<u>164,466,240</u>
Capital work-in-progress	<u>1,859,085,969</u>	<u>1,857,935,969</u>
	<u><u>2,023,894,789</u></u>	<u><u>2,022,402,209</u></u>

## 7. *PROVISION FOR GRATUITY*

Employee retirement benefits - gratuity	7.1	<u>586,174</u>	<u>4,745,486</u>
---	-----	----------------	------------------

7.1. The Company has introduced the staff retirement benefit - unfunded gratuity for its employees. The benefits that are vested at the introduction of define benefit plan are recognised immediately.

## 8. *CURRENT AND OVER DUE PORTION OF LONG TERM LOANS*

### **Secured - from banking companies**

Faysal Bank Limited	8.1	143,948,806	143,948,806
Saudi Pak Industrial and Agriculture Investment Company (Private) Limited	8.2	50,000,000	50,000,000
Syndicate loan	8.3	<u>737,359,431</u>	<u>737,359,431</u>
		<u>931,308,237</u>	<u>931,308,237</u>
Current maturity		<u>-</u>	<u>5,555,552</u>
Overdue portion		<u>931,308,237</u>	<u>925,752,685</u>
Current and overdue portion of long term loan		<u>931,308,237</u>	<u>931,308,237</u>
		<u>-</u>	<u>-</u>

8.1 The Company has arranged a Murabaha Finance facility aggregating to Rs. 150 million from Faysal Bank Limited for setting up the project and repayment of letter of credit facility. The facility is secured against first pari passu charge by way of mortgage of movable and immovable properties of the Company, personal guarantees of sponsors and demand promissory note in favor of the Faysal Bank Limited. The facility is repayable in 8 semi-annual installments of Rs.18.75 million commencing from after two years grace period from the final drawdown date being a date not later then 31st July 2006 or any later date as may be mutually agreed. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis.

8.2 The Company has arranged finance facility of Rs.50 million from Saudi Pak Industrial and Agricultural Investment Company Limited. The loan is secured against First Equitable Mortgage on all immovable assets of the Company plus 25% margin. The loan is repayable in 9 semi annual installments of Rs. 5.56 million commencing from December 2008.

8.3 The Company has arranged an aggregate finance facility of Rs. 775 million from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber, Pakistan Kuwait Investment Company (Private) Limited and The Royal Bank of Scotland Limited as syndicate loan, whereby Faysal Bank Limited is acting as agent of the syndicate. The loan is secured against first pari passu charge by way of mortgage over the mortgaged property of the Company, first pari passu charge over the hypothecated assets of the Company, personal guarantees of sponsors and demand promissory note in favor of the syndicate. The facility is repayable in 9 semi-annual installments of Rs.86.111 million commencing after two years grace period from the final drawdown date being a date not later than 31st July 2006. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

There were no change in contingencies since the last audited financial statements.

<i>March 31,</i>	<i>June 30,</i>
<i>2014</i>	<i>2013</i>
<i>Rupees</i>	<i>Rupees</i>

### 9.2 Commitments

For capital expenditure	<u><u>59,579,805</u></u>	<u><u>56,596,000</u></u>
-------------------------	--------------------------	--------------------------

## 10. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, associates, directors and key management personnel.

During nine months, following transactions with related parties are carried out: -

<i>(Unaudited)</i>	<i>(Audited)</i>
<i>March 31,</i>	<i>June 30,</i>
<i>2014</i>	<i>2013</i>
<i>Rupees</i>	<i>Rupees</i>

**Entities over which directors have significant influence**

Receipt of short term loan	<b>5,626,739</b>	8,432,174
----------------------------	------------------	-----------

**Loans from directors**

Receipt of short term loan	-	9,868,000
----------------------------	---	-----------

Loan payable to related parties at the end of nine months is Rs.58.754 (June 30, 2013: Rs.53.13) million.

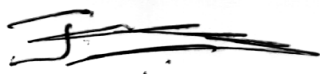
Loan payable to director at the end of nine months is Rs.232.51 (June 30, 2013 : Rs.232.51) million.

**11. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on April 24, 2014 by the Board of Directors of the Company.

**12. GENERAL**

The figures have been round off to the nearest rupee.



*Chief Executive*



*Director*