



DOST STEELS LIMITED

QUARTERLY REPORT
MARCH, 31, 2016



The Next Generation Steel

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COMPANY'S INFORMATION

Board of Directors

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

Audit Committee

Mr. Zahid Iftakhar	Chairman of Committee
Mr. Bilal Jamal	Member
Mr. Afzal Shahzad	Member

Human Resource & Remuneration Committee

Mr. Faisal Zahid	Chairman of Committee
Mr. Jamal Iftakhar	Member
Mr. Afzal Shahzad	Member

Chief Financial Officer

Mr. Sajid Ahmed Ashrafi

Company Secretary

Mr. Zia ur Rahim Khan

Bankers

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

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisor

Mr. Ahmed Bilal
Suite No. 3, Musa Mansion,
5 Fane Road, Behind Punjab Bar Council Building,
Lahore.
Ph No. +92 (0)42 37363718

Shares Registrar

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2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road,
Karachi-75530
Ph: 92 21 111-000-322, 35693094-95
Fax Nos.:92 21 35655595
E-mail : secretariat@thk.com.pk

Registered/Head Office

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Hasrat Mohani Road,
Karachi – 74000
Ph # 021-32412200, 32419820
Fax# 021-32412211
E mail: ho@doststeels.com

Plant Address

52 Km Lahore Multan Road
Phool Nagar, Distt Kasur, Punjab

Web Presence

www.doststeels.com



DOST STEELS LIMITED

Directors review:

We are pleased to present un-audited financial statements of the company for the nine months ending on March 31, 2016.

General Review

The Directors are pleased to inform the shareholders that by the time of preparation of this report. A total of 5 out of the 7 members of the syndicate has signed the Restructuring Agreement based on the Restructuring and Rehabilitation proposal presented by the Company to reschedule the outstanding debt. The other two members of the syndicate are in the final stages of getting their respective in-house approvals and is expected to sign the restructuring agreement in very near future.

Consequently, the first installment of the principal payment of Rs 23,287,741/- has been paid by the company towards the outstanding syndicated liability.

Thus the above mentioned signing – as soon as it is completed– shall trigger a series of events which shall lead us to the commissioning of the plant for which the Directors and Management has already prepared a complete plan.

Performance Highlights	<u>March 2016</u>	<u>March 2015</u>
Loss before Tax	(23,239,606.00)	(6,567,867.00)
Loss after Tax	(23,239,606.00)	(6,567,867.00)
EPS	(0.344)	(0.097)

Future outlook

Keeping in view country's existing annual demand of 6.5 million tons plus and government's commitments toward upcoming infrastructure projects including but not limited to highways, dams and industrial undertakings in relation to China Pakistan Economic Corridor. The DSL is in takeoff position to capture a fair portion of steel sector's canvas soon after it restructuring process.

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 26, 2016

DOST STEELS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2016

	<i>Note</i>	<i>(Un-Audited)</i> <i>March 31,</i> <i>2016</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2015</i> <i>Rupees</i>
<u>ASSETS</u>			
Non-Current Assets			
Property, plant and equipments	7	2,395,764,945	2,028,556,530
Long term deposits		15,666,345	16,416,345
Total Non-Current Assets		2,411,431,290	2,044,972,875
Current Assets			
Advances		3,255,000	3,755,250
Tax refund due from government		877,482	736,175
Other receivable		13,126	774,882
Cash and bank balances		22,993,447	66,999
Total Current Assets		27,139,055	5,333,306
TOTAL ASSETS		2,438,570,345	2,050,306,181
<u>EQUITY AND LIABILITIES</u>			
Share Capital and Reserves			
Authorized Share Capital			
320,000,000 (June 30, 2015: 70,000,000)		3,200,000,000	700,000,000
Issued, subscribed and paid up capital		674,645,000	674,645,000
Reserves		(490,279,917)	(467,040,311)
TOTAL EQUITY		184,365,083	207,604,689
<u>LIABILITIES</u>			
Non-Current Liabilities			
Provision for gratuity		152,309	631,559
Advance for issuance of shares-unsecured	8	390,579,066	-
Long term loans	9	836,051,887	838,188,237
Markup accrued on secured loans		596,362,975	546,235,608
Total Non-Current Liabilities		1,823,146,237	1,385,055,404
Current Liabilities			
Current portion of long term loans		72,170,000	93,120,000
Short term borrowings		307,886,294	337,190,367
Other creditors and accruals		51,002,731	27,335,721
Total Current Liabilities		431,059,025	457,646,088
Total Liabilities		2,254,205,262	1,842,701,492
Contingencies and Commitments	10	-	-
Total Equity & Liabilities		2,438,570,345	2,050,306,181

The annexed notes form an integral part of these condensed interim financial statements



 Chief Executive

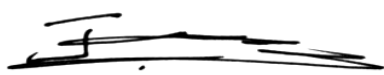


 Director

DOST STEELS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2016

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2016</i>	<i>March 31, 2015</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>
	----- Rupees -----			
Administrative and financial expenses	(23,244,352)	(6,605,957)	(3,518,297)	(2,314,215)
Finance cost	(86,771)	(28,173)	(28,555)	-
Other income	91,517	66,263	34,511	13,859
Recognized loss before taxation	(23,239,606)	(6,567,867)	(3,512,341)	(2,300,356)
Recognized loss after taxation	(23,239,606)	(6,567,867)	(3,512,341)	(2,300,356)
Loss per share - basic and diluted	(0.344)	(0.097)	(0.052)	(0.034)

The annexed notes form an integral part of these condensed interim financial statements



Chief Executive




Director

DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2016

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2016</i>	<i>March 31, 2015</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>
	----- <i>Rupees</i> -----			
Loss after tax for the period	(23,239,606)	(6,567,867)	(3,512,341)	(2,300,356)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(23,239,606)	(6,567,867)	(3,512,341)	(2,300,356)

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



Chief Executive




Director

DOST STEELS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016

	<i>March 31, 2016 Rupees</i>	<i>March 31, 2015 Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(23,239,606)	(6,567,867)
Adjustments for non cash items		
Depreciation	1,160,460	-
Loss on disposal	-	(3,741)
Interest income	(91,517)	-
	(22,170,663)	(6,571,608)
Working capital changes		
Decrease/ (increase) in current assets:		
Advances	500,250	(1,000,041)
Other receivable	740,070	26,204
Increase/(decrease) in current liabilities:		
Other creditors and accruals	23,667,010	746,177
Cash inflow/(outflow) from working capital	2,736,667	(6,799,268)
Taxes paid	(141,307)	(45,065)
Long term security deposits paid	(420,000)	-
Gratuity paid	(479,250)	-
Net cash generated/(used) from operating activities	1,696,110	(6,844,333)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(368,368,875)	-
Proceeds from disposal of vehicle	-	130,000
Long term security deposit matured	1,170,000	1,170,000
Interest received	113,203	-
Net cash generated/(used) in investing activities	(367,085,672)	1,300,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance received against issuance of shares	390,579,066	-
Accrued markup	50,127,367	-
Receipt/(repayment) of term & murabaha finance-interest bearing	(23,086,350)	-
Receipt/(repayment) of short term borrowings-interest free	(29,304,073)	5,275,345
Net cash generated from financing activities	388,316,010	5,275,345
Net increase / (decrease) in cash and cash equivalents	22,926,448	(268,988)
Cash and cash equivalents at beginning of the period	66,999	373,956
Cash and cash equivalents at end of the period	22,993,447	104,968

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Chief Executive

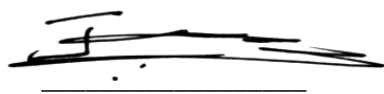


Director

DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016

	<i>Issued, subscribed and paid up capital</i>	<i>Accumulated loss</i>	<i>Total</i>
----- <i>Rupees</i> -----			
Balance as at 1 July 2014 - (audited)	674,645,000	(101,949,688)	572,695,312
Loss for the nine months period	-	(6,567,867)	(6,567,867)
Balance as at March 31, 2015 - (un-audited)	<u>674,645,000</u>	<u>(108,517,555)</u>	<u>566,127,445</u>
Balance as at 1 July 2015 - (audited)	674,645,000	(467,040,311)	207,604,689
Loss for the Nine months period	-	(23,239,606)	(23,239,606)
Balance as at March 31, 2016 - (un-audited)	<u>674,645,000</u>	<u>(490,279,917)</u>	<u>184,365,083</u>

The annexed notes form an integral part of these condensed interim financial statements



Chief Executive



Director

DOST STEELS LIMITED
SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016

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 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 includes 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.23.239 (2015 : Rs. 6.567) million and its accumulated losses are Rs.490.279 (2015:Rs.467.040) million. Its current liabilities exceeds its current assets by Rs.403.919 (2015 : Rs.452.312) million.

Further, the Company is still maintaining a positive relationship with the lead agent of syndicated and Murabah finance and has also given a mandate to Invest Capital Markets Limited to make adequate plans and take necessary actions that are required for commencement of Company's commercial operations. Therefore the company expects that adequate inflows will be generated in the future years which will wipe out these losses. Due to strong chances of success of these plans, the financial statements are prepared on the basis of going concern assumption.

3. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months period ended March 31, 2016 is un-audited and 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 requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange Limited vide section 245 of the Companies Ordinance, 1984.

This condensed interim financial information is presented in Pakistan Rupees(Rs.) which is also the Company's functional currency.

The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter and nine months period ended March 31, 2016 are also included in this condensed interim financial information.

This condensed interim financial information of the Company does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2015.

4. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended June 30, 2015, except for the changes resulting from initial application of standards, amendments or interpretations to existing standards. However, amendments/improvements and new interpretations of approved accounting standards effective during the period, if any, were not relevant to the company's operations and do not have any material impact on the accounting policies of the company and hence not disclosed.

5. ESTIMATES

The preparation of this condensed interim financial information in conformity with approved accounting standards 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 key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for year ended June 30, 2015.

6. RISK MANAGEMENT

The Company's risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2015.

		<i>(Unaudited)</i> <i>March 31,</i> <i>2016</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2015</i> <i>Rupees</i>
7	PROPERTY, PLANT AND EQUIPMENTS		
	Operating assets	7.1 165,700,251	164,682,561
	Capital work-in-progress	7.2 2,230,064,694	1,863,873,969
		2,395,764,945	2,028,556,530
7.1	Operating Assets		
	Opening net book value	164,682,561	164,808,820
	Additions during the period/year:		
	Furniture & fittings	93,000	-
	Computer Equipments	423,150	-
	Vehicle	1,662,000	-
		2,178,150	-
	Disposals during the period/year:		
	Vehicle	-	(126,259)
	Depreciation charged during the period	(1,160,460)	-
	Closing net book value	165,700,251	164,682,561
7.2.	CAPITAL WORK IN PROGRESS		
	Land development	14,223,230	13,212,712
	Civil works	209,086,558	207,083,362
	Plant and Machinery	1,528,938,053	1,219,142,419
	Unallocated borrowing cost	477,816,853	424,435,476
		2,230,064,694	1,863,873,969
8.	ADVANCE FOR ISSUANCE OF SHARES - Unsecured	390,579,066	-

The Company has obtained underwriting advance against issuance of shares from the Crescent Star Insurance Company Ltd (CSIL). The advance is un-secured and interest free.

9. LONG TERM LOANS

Secured - from banking companies

Syndicate Term Finance	9.1	859,471,887	881,308,237
Murahaba Finance	9.2	48,750,000	50,000,000
		908,221,887	931,308,237
Current portion		72,170,000	93,120,000
		836,051,887	838,188,237

9.1

The Company has arranged Term Finance facility of Rs. 881,509,628/- from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber, Pak Kuwait Investment Company (Private) Limited and Faysal Bank Limited (former Royal Bank of Scotland Limited) as Syndicated loan, whereby Faysal Bank Limited is acting as agent of the syndicate. Due to absence of cash flow and non-commissioning of the project, DSL was and is unable to meet its repayment obligations towards the Financiers. All the syndicate banks have given their in-principle approval to the rescheduling and restructuring of the debts and obligations. All the syndicate banks except Pak Kuwait and NBP have signed the rescheduling and restructuring agreement. Pak Kuwait and NBP are expected to sign these agreements in the next quarter.

9.2

The Company has arranged Murahaba finance facility of Rs.50 million from Saudi Pak Industrial and Agricultural Investment Company Limited, whereby Faysal Bank Limited is acting as Murabaha Agent of the financier.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Two suits are pending against company in the High Court for the recovery of Rs.1,299,588,534 and Rs.122,197,136 respectively filed by Faysal bank and others and Pakistan Kuwait Investment Company Limited. Currently outcome could not be determined with certainty.

10.2 Commitments

	<i>March 31, 2016 Rupees</i>	<i>June 30, 2015 Rupees</i>
Capital commitments	<u>51,923,932</u>	<u>50,015,000</u>
Non-capital commitments	<u>10,826,569</u>	<u>-</u>

11. TRANSACTIONS WITH RELATED PARTIES

Related parties include associated companies, directors of the company, companies where directors also hold directorship, related group companies, key management personnel, staff retirement funds and entities over which directors are able to exercise influence. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except short term loan which are unsecured and interest free. There are no transactions with the key management personnel other than under their terms of employment / entitlements.

Transactions with related parties and associated undertakings, other than those disclosed elsewhere in these financial statements, are follows: -


Receipt of short term loan from directors	21,663,302	6,829,621
Repayment of short term loan to directors	37,000,000	-

12. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 26th April 2016 by the Board of Directors of the Company.

13. GENERAL

The figures have been round off to the nearest rupee.



Chief Executive



Director