

Quarterly Report  
September 30, 2012



Dost Steels Limited

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Registered Office: Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900  
Phone: (92-21) 35110421-2 Fax: (92-21) 5110423 E-mail: 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

CASH FLOW STATEMENT

STATEMENT OF CHANGES IN EQUITY

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

## **COMPANY INFORMATION**

### **Board of Directors**

Mr. Jamal Iftakhar	Chairman/Chief Executive Officer
Mr. Zahid Iftakhar	Director
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Hamza Raees	Director
Mr. Saad Zahid	Director
Mr. Mustafa Jamal	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**

Plot # 222, Sector – 39,  
Korangi Creek Industrial Area,  
Karachi – 74900  
Ph # 021-35110421-22 / Fax # 021-35110423

### **Mills**

Bhai Pheru, 52 Km Lahore  
Multan Road

### **Web Presence**

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



## **DOST STEELS LIMITED**

### **Directors review:**

It is my pleasure to present the un-audited financial statements of the company for the three months ending on September, 2012.

### **Company's review**

The management is pursuing a financial restructuring with the National Bank of Pakistan in pursuance of the mandate given to the ARG. The company also received a facility letter on the 9th September 2012 in this respect. The next expected stage is the development of the DSL Concept paper by the NBP for presentation at the DSL bank syndicate meeting. The approval by all the bank syndicate members will move the approval process in the next stage.

### **Future outlook**

Presently there is a deficiency in the quality and quantity of the ASTM, BS and EURO standards compliant rebar produced under these standards. The defense and allied sectors require grade compliant rebar. There is demand for high strength deformed steel bars from this sector for special grades that have hitherto been imported from abroad and can now be catered to by DSL from its range of production. There is a need to bring DSL into production to be able to start catering to the demand.

For and on behalf of the Board of Directors

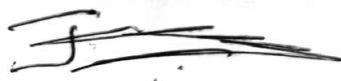
Jamal Iftakhar  
Chief Executive Officer

Karachi: October 24, 2012

**DOST STEELS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT SEPTEMBER 30, 2012**

		(UN-AUDITED)	(AUDITED)
	<i>Note</i>	September 30, 2012 <i>Rupees</i>	<i>June 30,</i> 2012 <i>Rupees</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipments	5	2,020,296,584	2,019,541,584
Long term deposits	6	20,503,345	20,503,345
Deferred tax asset	7	-	-
<b>Current assets</b>			
Advances	8	1,288,460	970,780
Short term prepayment	9	-	-
Tax refund due from government	10	527,521	514,173
Other receivable	11	(10,467)	58,568
Cash and bank balances	12	103,087	528,755
		<b>1,908,601</b>	<b>2,072,276</b>
<b>Total assets</b>		<b>2,042,708,530</b>	<b>2,042,117,205</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital 70,000,000 ordinary shares of Rs. 10/- each		<b>700,000,000</b>	<b>700,000,000</b>
Issued, subscribed and paid up capital	13	674,645,000	674,645,000
Reserves		(84,468,217)	(82,779,212)
<b>Shareholders' Equity</b>		<b>590,176,783</b>	<b>591,865,788</b>
<b>Non-current liabilities</b>			
Provision for Gratuity		4,749,409	4,749,409
Long term loans	14	-	-
<b>Current liabilities</b>			
Current and overdue portion of long term loans	14	931,308,237	931,308,237
Short term borrowings	15	270,113,890	267,338,781
Trade and other payables	16	246,360,211	246,854,990
Provision for taxation		-	-
		<b>1,447,782,338</b>	<b>1,445,502,008</b>
<b>Contingencies and Commitments</b>	17		
<b>Total equity and liabilities</b>		<b>2,042,708,530</b>	<b>2,042,117,205</b>

The annexed notes form an integral part of these financial statements



*Chief Executive*



*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012**

		(UN- AUDITED)	(UN- AUDITED)
		September, 30	September, 30
		2012	2011
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
Administrative expenses	18	(1,720,259)	(1,943,893)
Other operating income	19	<u>31,254</u>	<u>35,628</u>
<b>Loss before taxation</b>		<b>(1,689,005)</b>	<b>(1,908,265)</b>
Taxation	20	-	-
<b>Loss after taxation</b>		<b><u>(1,689,005)</u></b>	<b><u>(1,908,265)</u></b>
<b>Loss per share</b>	21	<b><u>(0.03)</u></b>	<b><u>(0.03)</u></b>

The annexed notes form an integral part of these financial statements



*Chief Executive*

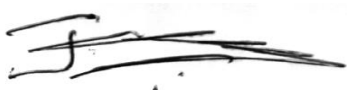


*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012**

	(UN-AUDITED) September 30, 2012 Rupees	(UN-AUDITED) September 30, 2011 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(1,689,005)	(1,908,265)
<b>Adjustment for:</b>		
Provision for gratuity	-	(16,810)
Operating loss before working capital changes	(1,689,005)	(1,925,075)
<b>(Increase) / Decrease in operating assets:</b>		
Advances	(317,680)	101,431
Other receivable	69,035	(35,388)
<b>Decrease in current liabilities:</b>		
Trade and other payables	(494,779)	(325,002)
Cash outflow from working capital	(2,432,429)	(2,184,034)
Taxes paid	(13,348)	(10,847)
<b>Net cash used in operating activities</b>	(2,445,777)	(2,194,881)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital work in progress	(755,000)	(459,391)
<b>Net cash used in investing activities</b>	(755,000)	(459,391)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term Financing	2,775,109	3,259,000
<b>Net cash generated from financial activities</b>	2,775,109	3,259,000
<b>Net increase in cash and cash equivalents (A+B+C)</b>	(425,668)	604,728
<b>Cash and cash equivalents at beginning of the nine months period</b>	528,755	129,420
<b>Cash and cash equivalents at end of the nine months period</b>	103,087	734,148

The annexed notes form an integral part of these financial statements



*Chief Executive*



*Director*

**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012**

	<i>Share Capital Issued, subscribed and paid up</i>	<i>Revenue Accumulated loss</i>	<i>Shareholders' Equity</i>
	----- Rupees -----		
<b>Balance as at June 30, 2011</b>	674,645,000	(74,182,489)	600,462,511
		-	-
Loss for the period	-	(1,908,265)	(1,908,265)
<b>Balance as at September 30, 2011</b>	674,645,000	(76,090,754)	598,554,246
<b>Balance as at June 30, 2012</b>	674,645,000	(82,779,212)	591,865,788
Loss for the period	-	(1,689,005)	(1,689,005)
<b>Balance as at September 30, 2012</b>	<b>674,645,000</b>	<b>(84,468,217)</b>	<b>590,176,783</b>

The annexed notes form an integral part of these financial statements



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



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*Director*



## **DOST STEELS LIMITED**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012**

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

These interim condensed financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 'Interim Financial Reporting'. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2012.

These condensed interim financial statements have been presented in Pak Rupees, which is the functional currency of the Company.

#### **3. ACCOUNTING POLICIES**

The accounting policies and methods of computation followed in the preparation of the quarterly statements are the same as those of the published annual financial statements for the year ended June 30, 2012.

#### **4 *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, 2012.

5 **PROPERTY, PLANT AND EQUIPMENTS**

	Note	September 30, 2012 Rupees	June 30, 2012 Rupees
Operating assets	5.1	164,466,240	164,466,240
Capital work-in-progress	5.2	1,855,830,344	1,855,075,344
		<b>2,020,296,584</b>	<b>2,019,541,584</b>

5.1. **Operating Assets**

Particulars	OWNED						Total
	Freehold land	Furniture & fittings	Electric Equipments	Computers equipments	Office equipments	Vehicles	
	----- Rupees -----						
<b>Year ended September 30, 2012</b>							
Opening net book value	157,876,220	1,848,943	2,136,490	807,448	57,191	1,739,948	164,466,240
Additions	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-
<b>Net book value as at Sep 30, 2012</b>	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
<b>As at Sep 30, 2012</b>							
Cost	157,876,220	2,855,829	3,557,310	2,341,448	117,252	4,730,575	171,478,634
Accumulated depreciation	-	1,006,886	1,420,820	1,534,000	60,061	2,990,627	7,012,394
	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
<b>Year ended June 30, 2012</b>							
Opening net book value	157,876,220	1,848,943	2,136,490	635,448	57,191	1,739,948	164,294,240
Additions	-	-	-	172,000	-	-	172,000
Transfers	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-
<b>Net book value as at June 30, 2012</b>	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
<b>As at June 30, 2012</b>							
Cost	157,876,220	2,855,829	3,557,310	2,341,448	117,252	4,730,575	171,478,634
Accumulated depreciation	-	1,006,886	1,420,820	1,534,000	60,061	2,990,627	7,012,394
	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
Rate of Depreciation	-	15%	15%	30%	15%	20%	

	(UN-AUDITED) September 30, 2012 Rupees	(AUDITED) June 30, 2012 Rupees
<b>5.2 CAPITAL WORK IN PROGRESS</b>		
Land development	11,012,712	11,012,712
Civil works	207,083,362	207,077,462
Plant and machinery	1,213,298,794	1,204,929,763
Unallocated Expenditure-Markup	424,435,476	426,935,476
	<b>1,855,830,344</b>	<b>1,849,955,413</b>

## 6 CONTINGENCIES AND COMMITMENTS

The Company is committed to capital expenditure amounting to Rs. 53.723 (2011: Rs. 51.889 million) as at the balance sheet date.

The contingent liabilities are the same as disclosed in the published annual financial statements for the year ended June 30, 2012.

## 7 CASH USED IN OPERATING ACTIVITIES

	(UN-AUDITED) September 30, 2012 Rupees	(UN-AUDITED) September 30, 2011 Rupees
Loss before taxation	(1,689,005)	(1,908,265)
<b>Adjustment for :</b>		
Provision for Gratuity		
Depreciation	-	(16,810)
	<b>(1,689,005)</b>	<b>(1,925,075)</b>
<b>Effect of changes in working capital</b>		
<b>Decrease in current assets</b>		
Advances, deposit and other	(261,993)	55,196
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(494,779)	(325,002)
	<b>(756,772)</b>	<b>(269,806)</b>
Cash used in operating activities	<b>(2,445,777)</b>	<b>(2,194,881)</b>

## 8 CYCLE OF OPERATION

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

## 9 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24th October, 2012 by the Board of Directors of the Company

## 10 PRESENTATION

Figures in the financial statements have been rounded-off to the nearest rupee.

  
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**CHIEF EXECUTIVE**

  
\_\_\_\_\_  
**DIRECTOR**