

Quarterly Report

March 31, 2015



Dost Steels Limited

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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, 2015 are hereby being presented.

### General Review

The Supreme Court has passed orders to the effect that our appeal against Sindh High Court winding up order has been accepted and the earlier orders passed by the Sindh High Court under JM34/2009 have been set aside.

The Board of Directors are pleased to announce that the company at an advanced stage of final negotiations to restructure its debt with the lenders of the company, all of whom have positively agreed with the restructuring plan and were in the process of issuing their respective formal approvals.

The company is also considering issuance of a hybrid Debt/Equity instrument to raise enough funding for the start of the commercial operations of the company as envisaged in the above mentioned restructuring and rehabilitation proposal.

Your directors are confident that subject to the approvals by the respective lenders and successful issuance of further Capital etc., the Company shall start its Commercial Operations in the foreseeable future.

### Performance Highlights

	<u>March 2015</u>	<u>March 2014</u>
Loss before Tax	(6,567,867.00)	(9,016,975.00)
Loss after Tax	(6,567,867.00)	(9,016,975.00)
<b>EPS</b>	<b>(0.097)</b>	<b>(0.134)</b>

### 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 27, 2015

**DOST STEELS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT MARCH 31, 2015**

		(Unaudited) March 31, 2015 Rupees	(Audited) June 30, 2014 Rupees
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,023,518,530	2,023,644,789
Long term security deposits		<u>16,526,345</u>	<u>17,696,345</u>
		<b>2,040,044,875</b>	<b>2,041,341,134</b>
<b>Current assets</b>			
Advances		<u>6,755,250</u>	5,755,209
Tax refund due from government		<u>725,930</u>	680,865
Other receivable		<u>17,310</u>	43,514
Cash and bank balances		<u>104,968</u>	373,956
		<u>7,603,458</u>	6,853,544
<b>Total assets</b>		<b><u>2,047,648,333</u></b>	<b><u>2,048,194,678</u></b>
<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		<u>700,000,000</u>	<u>700,000,000</u>
<b>Issued, subscribed and paid-up capital</b>			
67,464,500 Ordinary shares of Rs. 10 each fully paid in cash		<u>674,645,000</u>	674,645,000
<b>Accumulated losses</b>		<u>(108,517,555)</u>	(101,949,688)
<b>Shareholders' equity</b>		<u>566,127,445</u>	572,695,312
<b>Non-current liabilities</b>			
Provision for Gratuity	7	586,174	586,174
<b>Current liabilities</b>			
Current and overdue portion of long term loans	8	<u>931,308,237</u>	931,308,237
Short term borrowings		<u>321,668,716</u>	316,393,371
Trade and other payables		<u>227,957,761</u>	227,211,584
		<u>1,480,934,714</u>	1,474,913,192
<b>Contingency and commitment</b>	9	-	-
<b>Total capital and liabilities</b>		<b><u>2,047,648,333</u></b>	<b><u>2,048,194,678</u></b>

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, 2015**

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2015</i>	<i>March 31, 2014</i>	<i>March 31, 2015</i>	<i>March 31, 2014</i>
	----- Rupees -----			
Administrative expenses	<b>(6,605,957)</b>	(9,059,052)	<b>(2,314,215)</b>	(3,387,111)
Financ Cost	<b>(28,173)</b>	(27,152)	-	-
(Loss)/Gain on Disposal	<b>3,741</b>	(6,420)	-	-
Other income	<b>62,522</b>	75,649	<b>13,859</b>	21,968
<b>Recognized (loss) / profit before taxation</b>	<b>(6,567,867)</b>	(9,016,975)	<b>(2,300,356)</b>	<b>(3,365,143)</b>
<b>Recognized (loss) / profit after taxation</b>	<b>(6,567,867)</b>	(9,016,975)	<b>(2,300,356)</b>	<b>(3,365,143)</b>
(Loss) / profit per share - basic and diluted	<b>(0.097)</b>	(0.134)	<b>(0.034)</b>	(0.050)

The annexed notes form an integral part of these financial statements

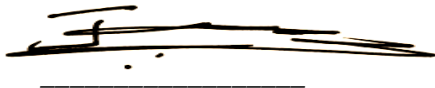
  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

	<i>Nine months ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2015</i>	<i>March 31, 2014</i>	<i>March 31, 2015</i>	<i>March 31, 2014</i>
	----- <i>Rupees</i> -----			
(Loss) / profit after tax for the period	<b>(6,567,867)</b>	(9,016,975)	<b>(2,300,356)</b>	(3,365,143)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss) / profit for the period</b>	<b>(6,567,867)</b>	(9,016,975)	<b>(2,300,356)</b>	(3,365,143)

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, 2015**

	<i>March 31, 2015 Rupees</i>	<i>March 31, 2014 Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,567,867)	(9,016,975)
<b>Adjustments for non cash items</b>		
Loss on Disposal	(3,741)	6,420
	(6,571,608)	(9,010,555)
<b>Working capital changes</b>		
<b>Decrease / (increase) in current assets:</b>		
Advances	(1,000,041)	3,727,018
Other receivable	26,204	30,580
<b>Increase in current liabilities:</b>		
Trade and other payables	746,177	(568,072)
Cashflows after working capital changes	(6,799,268)	(5,821,029)
Taxes paid	(45,065)	(85,322)
Gratuity paid	-	(285,149)
Security deposit - net	1,170,000	1,637,000
<b>Net cash used in operating activities</b>	(5,674,333)	(4,554,500)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	130,000	(1,689,000)
Proceeds from disposal of fixed asset	-	190,000
<b>Net cash used in investing activities</b>	130,000	(1,499,000)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term Financing	5,275,345	5,626,739
<b>Net cash generated from financial activities</b>	5,275,345	5,626,739
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(268,988)	(426,761)
<b>Cash and cash equivalents at beginning of the nine months period</b>	373,956	958,709
<b>Cash and cash equivalents at end of the nine months period</b>	104,968	531,948

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, 2015**

<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, 2013</b>	674,645,000	(88,972,813)	585,672,187
Loss for the nine months period	-	(9,016,975)	(9,016,975)
<b>Balance as at March 31, 2014</b>	<b>674,645,000</b>	<b>(97,989,788)</b>	<b>576,655,212</b>
<b>Balance as at July 01, 2014</b>	674,645,000	(101,949,688)	572,695,312
Loss for the nine months period	-	(6,567,867)	(6,567,867)
<b>Balance as at March 31, 2015</b>	<b>674,645,000</b>	<b>(108,517,555)</b>	<b>566,127,445</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, 2015***

***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 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. 6.516 (June 2014: Rs.12.976) million and its accumulated losses are Rs. 108.465 (June 2014: Rs.101.949 ) million. Its current liabilities exceeds its current assets by Rs. 1,473.27 (June 2014: Rs.1,468.06) million. Further, the Company has insufficient funds to repay its overdue liabilities, owed to banking companies amounting to Rs 931.308 (June 2014: Rs.931.308) million.

Further, the Company is defendant in a law suit filed by one of the trade creditors of the Company during the year 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 to date. 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. However decree has been obtained by the creditors to winding up the company.

However, the Company is still maintaining a positive relationship with the lead agent of syndicated loan. Further, the Company 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 report of the company for the nine months period ended March 31, 2015 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, 2014.

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, 2014.

#### **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, 2014 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, 2014 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>(Audited)</i>
	<i>March 31,</i>	<i>June 30,</i>
	<i>2015</i>	<i>2014</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>

## 6. *PROPERTY, PLANT AND EQUIPMENT*

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

Opening book value	<b>164,808,820</b>	164,808,820
Addition	-	-
Disposal	<b>(126,259)</b>	-
Depreciation for the period / year	-	-
	<b>164,682,561</b>	164,808,820
Capital work-in-progress	<b>1,858,835,969</b>	1,858,835,969
	<b>2,023,518,530</b>	2,023,644,789

## 7. *PROVISION FOR GRATUITY*

Employee retirement benefits - gratuity	7.1	<b>586,174</b>	3,874,163
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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	<b>143,948,806</b>	143,948,806
Saudi Pak Industrial and Agriculture Investment Company (Private) Limited	8.2	<b>50,000,000</b>	50,000,000
Syndicate loan	8.3	<b>737,359,431</b>	737,359,431
		<b>931,308,237</b>	931,308,237
Current maturity		-	5,555,552
Overdue portion		<b>931,308,237</b>	925,752,685
Current and overdue portion of long term loan		<b>931,308,237</b>	931,308,237
		-	-

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 than 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 Faysal Bank Limited (former name 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 then 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>2015</i>	<i>2014</i>
<i>Rupees</i>	<i>Rupees</i>

### 9.2 Commitments

For capital expenditure	<u><b>48,262,000</b></u>	<u>63,419,000</u>
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## 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>2015</i>	<i>2014</i>
<i>Rupees</i>	<i>Rupees</i>

**Entities over which directors have significant influence**

Receipt of short term loan

<b>215,930</b>	-
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**Loans from directors**

Receipt of short term loan

<b>5,059,415</b>	83,881,807
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Loan payable to related parties at the end of half year is Rs.215,000 (June 30, 2014 : Rs.0) million.

Loan payable to director at the end of half year is Rs.319.305 (June 30, 2014 : Rs.316.393) million.

**11. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on April 27, 2015 by the Board of Directors of the Company.

**12. GENERAL**

The figures have been round off to the nearest rupee.

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

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