

Quarterly Report  
September 30, 2010



Dost Steels Limited

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Registered Office: Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900  
Phone: (92-21) 111 STEELS (783 357) Fax: (92-21) 5110423 [www.doststeels.com](http://www.doststeels.com)

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## **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  
The Royal Bank of Scotland  
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 30, 2010.

### **Company's review**

During quarter under review we have been expecting an interest from the strategic equity investors with whom discussions have been in progress. Perhaps the next quarter may lead to some progress. The company needs funds of PKR.400 million to repeat cold commissioning and achieve commercial production.

We have focused all our energies toward a suitable financing arrangement for the company.

### **Future outlook**

We are foreseeing economic growth in the country which led to simultaneous growth in construction sector and engineering sectors. We are confident that increasing demand of deformed bars and wire rod will have positive an impact on the profitability of the company.

For and on behalf of the Board of Directors

Jamal Iftakhar  
Chief Executive Officer

Karachi: October 28, 2010

**DOST STEELS LIMITED****CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT SEPTEMBER 30, 2010**

		(UN-AUDITED) September 30, 2010 Rupees	(AUDITED) June 30, 2010 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipments	5	2,010,942,565	2,011,228,819
Long term security deposits		22,807,345	22,807,345
<b>CURRENT ASSETS</b>			
Advances, deposit and other receivable		1,158,520	1,176,520
Cash and bank balances		221,920	175,376
		1,380,440	1,351,896
<b>TOTAL ASSETS</b>		<u>2,035,130,350</u>	<u>2,035,388,060</u>
		-	-
<b>CAPITAL AND LIABILITIES</b>			
Share capital			
Authorised capital			
70,000,000 ordinary shares of Rs. 10/- each		<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid up capital		674,645,000	674,645,000
Accumulated loss		(65,896,778)	(63,674,856)
<b>SHAREHOLDERS' EQUITY</b>		<u>608,748,222</u>	<u>610,970,144</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans		166,972,721	166,972,721
<b>CURRENT LIABILITIES</b>			
Current & overdue portion of long term loans		764,335,516	764,335,516
Short term loan		250,851,508	249,061,508
Trade and other payables		40,372,363	40,198,151
Markup accrued on secured loans		203,850,020	203,850,020
		1,259,409,407	1,257,445,195
<b>COMMITMENTS</b>	4	-	-
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u>2,035,130,350</u>	<u>2,035,388,060</u>

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, 2010**

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	(UN-AUDITED) First Quarter ended September 30, 2010	(UN-AUDITED) First Quarter ended September 30, 2009	
	Note	Rupees	Rupees
Administrative & Financial expenses		2,221,922	1,683,555
Other Income - Interest Income		-	44,463
<b>Loss before taxation</b>		<u>(2,221,922)</u>	<u>(1,639,092)</u>
Taxation		-	-
<b>Loss after taxation</b>		<u><u>(2,221,922)</u></u>	<u><u>(1,639,092)</u></u>
Loss per share - basic and diluted		<u><u>(0.03)</u></u>	<u><u>(0.024)</u></u>

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**CHIEF EXECUTIVE**

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**DIRECTOR**

**DOST STEELS LIMITED****CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

		(UN-AUDITED) First quarter ended September 30, 2010 Rupees	(UN-AUDITED) First quarter ended September 30, 2009 Rupees
<b>CASH FLOW (USED IN) / GENERATED FROM WORKING CAPITAL</b>	<b>Note</b>		
Cash (used in) / generated from working capital	6	(1,743,456)	22,196,547
Taxes (paid)/refunded		-	10,836,930
Net cash flow from operating activities		(1,743,456)	33,033,477
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property, plant, equipment and Capital work in progress		-	(13,949,863)
Net cash used in investing activities		-	(13,949,863)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term financing			(55,208,334)
Short term Financing		1,790,000	59,231,720
Net cash flow from financing activities		1,790,000	4,023,386
Net increase/(decrease) in cash and cash equivalents		46,544	23,107,001
Cash and cash equivalents at beginning of the year		175,376	1,967,390
Cash and cash equivalents at end of the year		221,920	25,074,391

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

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DIRECTOR

**DOST STEELS LIMITED**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	← RUPEES →		
<b>Balance as at June 30, 2009 (AUDITED)</b>	674,645,000	(52,888,092)	621,756,908
Loss for the period after tax	-	(1,639,092)	(1,639,092)
<b>Balance as at September 30, 2009 (UN-AUDITED)</b>	<u>674,645,000</u>	<u>(54,527,183)</u>	<u>620,117,817</u>
<b>Balance as at June 30, 2010 (AUDITED)</b>	674,645,000	(63,674,856)	610,970,144
Issue of share capital	-	-	-
Loss for the period after tax	-	(2,221,922)	(2,221,922)
<b>Balance as at September 30, 2010 (UN-AUDITED)</b>	<u>674,645,000</u>	<u>(65,896,778)</u>	<u>608,748,222</u>

The annexed notes form an integral part of these financial statements

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

**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 # 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 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 quarterly statements are the same as those of the published annual financial statements for the year ended June 30, 2010.

**4. CONTINGENCIES AND COMMITMENTS**

The Company is committed to capital expenditure amounting to Rs. 40.067 (2009: Rs. 50.893 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, 2010.

**5. PROPERTY, PLANT AND EQUIPMENTS**

Operating assets	5.1	Note	Sept 30, 2010 Rupees	June 30, 2010 Rupees
			164,007,986	164,294,240
Capital work-in-progress	5.2		1,846,934,579	1,846,934,579
			<u>2,010,942,565</u>	<u>2,011,228,819</u>

**5.1 OPERATING FIXED ASSETS - TANGIBLE**

Description	As at July 1, 2010		Cost Addition		As at Sep 30, 2010		Rate %	Accumulated depreciation		Written down Value as at Sept 30, 2010
	Rupees		Rupees		Rupees			Rupees		
	As at July 1, 2010	As at Sep 30, 2010	As at July 1, 2010	For the period	As at Sep 30, 2010	For the period		As at Sep 30, 2010		
a Freehold land	157,876,220	-	-	-	157,876,220	-	-	-	-	157,876,220
b Furniture & fittings	2,855,829	-	-	2,855,829	2,855,829	15	1,006,886	69,335	1,076,221	1,779,608
c Electric Equipments	3,557,310	-	-	3,557,310	1,420,820	15	1,420,820	80,118	1,500,938	2,056,372
d Computers equipments	2,169,448	-	-	2,169,448	1,534,000	30	1,534,000	47,659	1,581,659	587,789
e Office equipments	117,252	-	-	117,252	60,061	15	60,061	2,145	62,206	55,046
f Vehicles	4,730,575	-	-	4,730,575	2,990,627	20	2,990,627	86,997	3,077,624	1,652,951
<b>Sept 30, 2010</b>	<b>171,306,634</b>	<b>-</b>	<b>-</b>	<b>171,306,634</b>	<b>7,012,394</b>		<b>7,012,394</b>	<b>286,254</b>	<b>7,298,648</b>	<b>164,007,986</b>
<b>June 30, 2010</b>	<b>171,306,634</b>	<b>-</b>	<b>-</b>	<b>171,306,634</b>	<b>5,591,668</b>		<b>5,591,668</b>	<b>1,420,726</b>	<b>7,012,394</b>	<b>164,294,240</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

<b>5.2 CAPITAL WORK IN PROGRESS</b>			
a Land development			
b Civil works			
c Plant and machinery			
d Unallocated Expenditure-Markup			
		September 30 2010	June 30 2010
		Rupees	Rupees
		11,012,712	11,012,712
		206,813,057	206,813,057
		1,204,673,334	1,204,673,334
		424,435,476	424,435,476
		<u>1,846,934,579</u>	<u>1,846,934,579</u>

<b>6. CASH (USED IN) / GENERATED FROM WORKING CAPITAL</b>			
		(UN-AUDITED) First quarter ended September 30, 2010	(UN-AUDITED) First quarter ended September 30, 2009
		Rupees	Rupees
Loss before taxation	(2,221,922)		(1,639,092)
Adjustment for			
Depreciation	286,254		355,181
<b>Effect of changes in working capital</b>	<u>(1,935,668)</u>		<u>(1,283,911)</u>

<b>(Increase) / decrease in current assets</b>			
Receivable against trading			
Advances, deposit and other receivable	18,000		(43,875)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables	174,212		23,524,333
	<u>192,212</u>		<u>23,480,458</u>

<b>7. CYCLE OF OPERATION</b>			
		(UN-AUDITED) First quarter ended September 30, 2010	(UN-AUDITED) First quarter ended September 30, 2009
		Rupees	Rupees
Bar manufacturing is year round operation. The basic raw material in Billets which is converted into bar of required sizes.			
<b>8. DATE OF AUTHORIZATION FOR ISSUE</b>			
These financial statements were authorized for issue on 28 October, 2010 by the Board of Directors of the Company			

<b>9. PRESENTATION</b>			
Figures in the financial statements have been rounded-off to the nearest rupee.			

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**CHIEF EXECUTIVE**

**DIRECTOR**