



**DOST STEELS LTD.**

# **HALF YEARLY REPORT**

## **31st December 2018**

**RAISING THE BAR**

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**Our Vision**

- To recognize globally as a leading supplier of steel large bar of the highest quality standards, with market leading standards of customer service.
- Business development by adoption of emerging technologies, growth in professional competence, support to innovation. Enrichment of human resources and performance recognition.

**Our Mission**

- To manufacture and supply high quality steel large bar to the construction sector whilst adopting safe and environmentally friendly practices.
- To remain the preferred and consistent supply source for various steel products in the country.
- Offer products that are not only viable in terms of desirability and price but most importantly give true and lasting value to our customers.
- To fulfill social obligation and compliance of good governance.
- Ensure that the business policies and targets are in conformity with national goals.
- Deliver strong returns on investments of our stakeholders by use of specialized and high quality corporate capabilities with the combined use of modern bar mill practices, enterprise class software on a web based solution and targeted human resource support.

**Corporate Strategies**

- Ensure that the business policies and targets are in conformity with national goals.
- Establish a better and safer work environment for all employees
- Contribute in National efforts towards attaining sustainable self-efficiency in steel products,
- Customer's satisfaction by providing best value and quality products.
- Maintain modern management system conforming to international standards needed for an efficient organization.
- Ensure to foster open communications, listen, and understand other perspectives.
- Acquire newer generation technologies for effective and efficient operations.

## COMPANYS INFORMATION

**Board of Directors**

Mr. Naim Anwar	Director/Chairman
Mr. Jamal Iftakhar	Director
Mr. Zahid Iftakhar	Director
Mr. Amir Mahmood	Director/CEO
Mrs. Mona Zahid	Director
Mr. Mustafa Jamal Iftakhar	Director
Mr. Syed Adnan Ali Zaidi	Director
Mr. Abdul Wajid	Nominated by NBP* Director
Mr. Asim Jilani	Nominated by FBL* Director

**Audit Committee**

Mr. Syed Adnan Ali Zaidi	Chairman
Mr. Naim Anwar	Member
Mr. Mustafa Jamal Iftakhar	Member

**Human resource & Remuneration Committee**

Mr. Syed Adnan Ali Zaidi	Chairman
Mr. Amir Mahmood	Member
Mrs. Mona Zahid	Member

**Chief Financial Officer**

Mr. Rana Rehan Ali Khan

**Company Secretary**

Mr. Tariq Majeed

**Bankers**

Bank Alfalah Islamic  
Faysal Bank Limited\*  
National Bank of Pakistan\*  
Askari Commercial Bank Limited  
Habib Metropolitan Bank  
Meezan Bank  
Bank of Khybar  
Pak Kuwait Investments Co. (Pvt.) Limited  
Saudi Pak Industrial & Agricultural  
Investment Co. Ltd  
United Bank Limited  
Silk Bank Limited  
MCB Bank Limited (NIB)

**Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

**Legal Advisor**

Mr. Ahsan Masood  
Advocate  
Masood & Masood  
Corporate & Legal Consultants  
102 Upper Mall Scheme, Lahore  
Ph # 042-35779628

**Shares Registrar**

THK Associates (Pvt.) Limited  
1<sup>st</sup> Floor, 40-C, P.E.C.H.S  
Karachi. P.O Box No. 8533  
UAN +92 (021) 111-000-322  
Fax No. +92 (021) 34168271  
E-mail: secretariat@thk.com.pk

**Registered Office**

101, Chapal Plaza,  
Hasrat Mohani Road,  
Karachi-74000  
Ph: # 021-32412200, 32419820  
Fax # 021-32412211

**Head Office**

4<sup>th</sup> Floor, Ibrahim Trade Centre  
1-Aibak Block, Barkat Market  
New Garden Town  
Lahore-54700, Pakistan  
Ph: # 042-111-375-000

**Plant Address**

52 Km Lahore Multan Road  
Phool Nagar, Distt Kasur Punjab

**Web Presence**

www.doststeels.com  
e mail: Info@doststeels.com

## DIRECTORS' REPORT

### Dear Members Assalam-o-Alaikum

The Directors of Dost Steels Limited ("DSL" or the "Company") are pleased to present their review on the financial performance of the Company for the half year ended December 31, 2018.

Despite the fact that the country faced considerable economic and political challenges during the period under review, it is expected that the Government will continue to take pro industry measures allowing the domestic industry to remain competitive vis-à-vis imports allowing further industrial growth which will result in the steel industry becoming self-sufficient. Keeping in view the gap between supply and demand, there are bright chances for the Company to increase its production and sale volume. The adjusted exchange rate has contributed positively towards better exports and we expect this trend to continue in the months ahead. We are hopeful that significant infrastructure development projects as planned under CPEC, construction of new Dams, high PSDP spending and construction of mega housing schemes is expected to keep demand outlook healthy over the near future.

During the first half year of the current financial year, the Company has continued its production at a steady pace despite shortage of working capital. Financial performance of the Company for the half year ended December 31, 2018 was as under:

Description	December 31, 2018 (PKR)	December 31, 2017 (PKR)
Sales	514,115,832	-
Cost of sales	(583,626,662)	-
Gross Loss	(69,510,830)	-
Administrative and selling expenses	(67,387,743)	(54,818,501)
Finance costs	(34,328,291)	(155,734)
Other operating income	659,872	19,244,800
Loss before taxation	(170,566,992)	(35,729,435)
Taxation	24,351,421	-
Loss after taxation	(146,215,571)	(35,729,435)
Loss per share	(0.46)	(0.11)

Earnings per share for the half year was Rupees (0.46) as compared to Rupees (0.11) in corresponding period last year. Loss after tax for the period was Rupees 146.216 million as compared to Rupees 35.729 million in corresponding period last year. The losses are essentially owing to lower level of production and sales in last six months. So far, The Company has not been able to achieve desired production levels due to shortage of working capital, sudden decline in the market due to change of Government. Now, gradually the market is improving, and we expect that the production and sales will start improving in next quarter and subsequently in next financial year.

In order to meet working capital requirements and operations of the Company, the Board of Directors (the "Board") has authorized the Company to dispose-off un-surveyed surplus freehold land of 206 acres and 68 square yards at Deh Kalo Kohar, Taluka Thano Bula Khan, District Dadu, Sindh, subject to release of the charge from the lenders consortium. The Board has also approved that the Company is authorized to explore various options and feasibilities for achieving capacity enhancement including backward integration, market reach and/or performance improvement for its business including but not necessarily limited to by way of seeking potential investments, joint venture, strategic alliance / partnership etc.

The interim financial statements of the Company have been reviewed by the auditors of the Company, M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants (the "Auditors") and

their review report is attached with the interim financial statements. The auditors of the Company have expressed certain reservations in their review report for the period ended 31 December 2018. Our para wise comments on these reservations are as follows:

- a) Note 12 and 13.1.1 to the interim financial statements regarding Restructured Term Finance Facilities as Syndicated Loan.

**Our response:** The Company is making all its efforts to strengthen relationship with banking partners for amicable resolution of the matter to align the conditions agreed with the other banking partner in Syndicate and it is hoped that matter shall be settled in due course.

- b) Note 13.1.2 to the interim financial statements regarding mark up of Rupees 106,348,543 claimed unilaterally by Crescent Star Insurance Company Limited on advance against issue of shares.


**Our response:** Crescent Star Insurance Limited had unilaterally claimed mark up of Rupees 106,349 million on "advance for issuance of shares" received by the Company in 2016 which has not been accepted by the Company since it was not agreed. Subsequent to reporting date; the Board has approved assignment of advance for issuance of shares received from Crescent Star Insurance Limited (the "CSIL") in favor of third parties/assignees to the extent of Rupees 305.763 million (out of its total amount of Rupees 354.279 million as appearing in the audited financial statements of the Company for the year ended 30 June 2018) under an assignment arrangement as per the specific request/instructions of CSIL. The Board has also resolved that no profit/markup or any other compensation by whatsoever name called is payable to CSIL and/or its assignees by the Company whether related to the past, present or future.

The Board also resolved that the Company may apply to SECP for approval of issuance of shares 'Other than right' under section 83(1)(b) of the Companies Act, 2017 (the "Act") and further subject to provisions of section 82 of the Act in respect of aggregate 'Advance for issuance of shares' amounting to Rupees 358.100 million (which includes the amount assigned to third parties/assignees as stated in earlier paragraph) and unsecured / interest free short term borrowing from sponsors/directors amounting to Rupees 94.481 million (as already appearing in audited financial statements of the Company for the year ended 30 June 2018), at such pricing/terms that may be approved by the Board in due course, subject to the completion of necessary corporate and regulatory formalities.

During the period, the Board accepted the resignation of Mr. Zahid Anjum being the nominee director of Faysal Bank Limited from the office of directorship w.e.f. 27 February 2019 and approved the appointment of Mr. Asim Jilani being the new nominee of Faysal Bank Limited in his place. The Board placed on record their appreciation for the services rendered and contributions made by Mr. Zahid Anjum during the tenure of his directorship of the Company.

We extend our gratitude to all our stakeholders for their continued support and look forward to a productive forthcoming quarter.

On behalf of the Board of Directors

  
**Amir Agha**  
Chief Executive Officer  
Lahore: February 27, 2019

  
**Jamil Iqbal**  
Director

تعلقہ تھا بلکہ خان، ضلع دادو سندھ فروخت کرنے کی منظوری دی ہے۔ جو قرض خواہ کے کنسورٹیم سے چارج کی آزادی سے مشروط ہے۔ بورڈ نے یہ منظوری بھی دی ہے کہ کمپنی نے کئی وسائل کو دریافت کرنے اور اصلاحیت میں اضافہ کے لئے عمل پنداری میں بیرونی انضمام، منڈی تک رسائی اور ایس کے کاروبار کے لئے کارکردگی میں بہتری کی منظوری دی ہے۔ لیکن یہ ممکنہ سرمایہ داری کے حصول، جو انٹ وینچر، سٹریٹجک اتحاد/شرکت داری وغیرہ تک محدود نہیں۔

کمپنی کے آڈیٹر میسرز سرفراز رحیم اقبال رفیق چارٹرڈ اکائونٹنٹس ("آڈیٹرز") نے کمپنی کی عبوری مالیاتی اسٹیٹمنٹس پر نظر ثانی کی ہے اور ان کی نظر ثانی رپورٹ عبوری مالیاتی اسٹیٹمنٹس کے ساتھ منسلک ہے۔ کمپنی کے آڈیٹرز نے 31 دسمبر 2018ء کو اختتام پذیر مدت کے لئے اپنی جائزہ رپورٹ میں کچھ تحفظات کا اظہار کیا ہے۔ ان تحفظات پر ہمارے پیراؤں میں بیانات حسب ذیل ہیں:

(a) ری سٹرکچرڈ ٹرم فنانس سہولت کے سنڈیکیٹ لون کے طور پر اظہار سے متعلق عبوری مالیاتی اسٹیٹمنٹس کے نوٹ 12 اور 13.1.1 ہمارا جواب: کمپنی سنڈیکٹ میں دیگر بینکنگ پارٹنرز کے ساتھ طے شدہ شرائط پر معاملات کو خوش اسلوبی سے حل کرنے کے لئے بینکنگ پارٹنرز کے ساتھ تعلقات کو مضبوط کرنے کی تمام کوششیں بروئے کار لارہی ہے۔ اور امید کی جاتی ہے کہ مناسب وقت میں یہ معاملات حل کر لئے جائیں گے۔

(b) حصص کے اجراء کی مد میں پیشگی زر پر کرپسٹ سٹار انشورنس کمپنی لمیٹڈ کی جانب سے ایک طرفہ طور پر 106,348,543 روپے مارک اپ کے دعویٰ سے متعلق عبوری مالیاتی اسٹیٹمنٹس کا نوٹ نمبر 13.1.2:


ہمارا جواب: کرپسٹ سٹار انشورنس لمیٹڈ نے "حصص کے اجراء پر پیشگی زر" کی مد میں ایک طرفہ طور پر 106.349 ملین روپے کے مارک اپ کا دعویٰ کیا ہے جسے کمپنی نے سال 2016ء میں وصول کیا تھا۔ چونکہ یہ طے شدہ نہیں تھا اس لئے کمپنی نے اس کو قبول نہ کیا۔ رپورٹنگ تاریخ کے بعد، بورڈ نے حصص کے اجراء کے لئے کرپسٹ سٹار انشورنس لمیٹڈ ("CSIL") سے حاصل پیشگی زر سے فریق ثالث/اساسی کے حق میں 305.763 ملین روپے تک (جیسا کہ 30 جون 2018ء کو اختتام پذیر سال کے لئے کمپنی کی مالیاتی اسٹیٹمنٹ میں بیان کردہ 354.279 ملین روپے کل مالیت میں سے) تفویض کرنے کی منظوری دی ہے۔ یہ معاہدہ CSIL کی مخصوص درخواست/بدایات کے عین مطابق طے پایا۔ بورڈ نے اقرار کیا ہے کہ ماضی، حال یا مستقبل میں CSIL یا کمپنی کی جانب سے اس کے اساسی کو کسی بھی نام سے کسی بھی قسم کے ہرجانہ یا نفع/مارک اپ کی ادائیگی مطلوب نہ ہے۔

بورڈ نے یہ اقرار بھی کیا کہ کمپنی "رائٹ کے علاوہ" حصص کے اجراء کی منظوری کے لئے ایکٹیویٹرز ایکٹ 2017ء کے سیکشن 83(b)(1) ("ایکٹ") کے تحت SECPR سے مطالبہ کر سکتی ہے اور مزید یہ کہ 358.100 ملین روپے (جس میں سابقہ پیراگراف میں بیان کردہ فریق ثالث/اساسی کو تفویض شدہ رقم شامل ہے) مالیت کے "حصص کے اجراء پر پیشگی زر" کی مد میں ایکٹ کے سیکشن 82 کے قواعد سے مشروط اور 94.48 ملین روپے مالیت کے سانسرز/ڈائریکٹرز سے غیر محفوظ/سود سے پاک قلیل مدتی قرضہ جات (30 جون 2018ء کو اختتام پذیر سال کے لئے کمپنی کی پرنٹل شدہ مالیاتی اسٹیٹمنٹس میں بیان کردہ) مخصوص وقت میں بورڈ کی جانب سے منظور شدہ شرائط/قیمت پر جو مطلوب کارپوریٹ اور ریگولیٹری ضوابط کی تعمیل سے مشروط ہیں۔

زیر جائزہ مدت کے دوران، فیصل بینک لمیٹڈ کے لئے نامزد ڈائریکٹر کی حیثیت سے ڈائریکٹر شپ کے عہدہ سے محترم زاہد انجم کا استعفیٰ قبول کر لیا ہے۔ جو 27 فروری 2019ء سے مؤثر ہے۔ اور ان کی جگہ فیصل بینک لمیٹڈ کے نئے نامزد ڈائریکٹر کے لئے محترم عاصم جیلانی کی تقرری کی منظوری دی ہے۔ کمپنی میں اپنی ڈائریکٹر شپ کے دورانیہ میں بورڈ محترم زاہد انجم کی فراہم کردہ خدمات اور کردار کو سراہتا ہے۔ ہم مسلسل حمایت کے لئے اپنے تمام سٹیک ہولڈرز کا شکریہ ادا کرتے ہیں اور آئندہ سہ ماہی میں ان کے مثبت کردار کے خواہاں ہیں۔

منجانب/برائے بورڈ آف ڈائریکٹرز

  
جمال انجم  
ڈائریکٹر

  
عامر محمود  
چیف ایگزیکٹو آفیسر

لاہور: 27 فروری 2019ء



## ڈائریکٹرز کی جائزہ رپورٹ

معزز اراکین السلام علیکم!

دوست اسٹیل ملز ("DSL"، "کمپنی") کے ڈائریکٹرز 31 دسمبر 2018ء کو اختتام پذیر نصف سال کے لئے کمپنی کی مالیاتی کارکردگی کا جائزہ پیش کرنے میں خوش محسوس کرتے ہیں۔

زیر جائزہ مدت کے دوران ملک کو درپیش معاشی و سیاسی چیلنجز کے باوجود یہ توقع کی جاتی ہے کہ حکومت صنعت کے لئے موافق اقدامات جاری رکھے گی تاکہ ملکی صنعت درآمدات کا بھرپور مقابلہ کر سکے اور صنعتی نمو میں مزید اضافہ ہو اور اسٹیل انڈسٹری اپنے پاؤں پر کھڑی ہو سکے۔ طلب و رسد میں فاصلہ کو مد نظر رکھتے ہوئے پیداوار اور فروخت کے حجم میں اضافہ کے لئے کمپنی کے پاس روشن مواقع موجود ہیں۔ موافق شرح تبادلہ کی وجہ سے برآمدات میں مثبت رجحان دیکھنے میں آیا اور ہم امید رکھتے ہیں کہ یہ رجحان آئندہ مہینوں میں برقرار رہے گا۔ ہم پر امید ہیں کہ CPEC کے تحت بنیادی ڈھانچہ کی ترقی کے نمایاں منصوبے، نئے ڈیموں کی تعمیر، PSDP پر اخراجات اور بڑی ہاؤسنگ سکیموں کی تعمیر جیسے عوامل مستقبل قریب میں طلب میں نمایاں اضافہ کا باعث بنیں گے۔

حالیہ مالیاتی سال کے پہلے نصف حصہ کے دوران ورکنگ کیپٹل میں کمی کے باوجود کمپنی کی پیداوار یکساں رفتار سے جاری ہے۔ 31 دسمبر 2018ء کو اختتام پذیر نصف سال کے لئے کمپنی کی مالیاتی کارکردگی حسب ذیل ہے:

تفصیلات	31 دسمبر 2018 (روپے)	31 دسمبر 2017 (روپے)
فروخت	514,115,832	-
فروخت پر لاگت	(583,626,662)	-
مجموعی خسارہ	(69,510,830)	-
انتظامی اور بائع اخراجات	(67,387,743)	(54,818,501)
قرضوں پر لاگت	(34,328,291)	(155,734)
دیگر آپریٹنگ آمدنی	659,872	19,244,800
نقصان بمع ٹیکسیشن	(170,566,992)	(35,729,435)
ٹیکسیشن	24,351,421	-
نقصان بعد از ٹیکسیشن	(146,215,571)	(35,729,435)
نقصان فی حصص	(0.46)	(0.11)

گزشتہ سال کی اسی مدت میں (0.11) روپے فی حصص نقصان کے مقابلہ میں رواں مدت (0.46) روپے فی حصص ربا گزشتہ سال کی اسی مدت میں 35.729 ملین روپے خسارہ علاوہ ٹیکس کے مقابلہ میں رواں برس 146.216 ملین روپے علاوہ ٹیکس خسارہ درج کیا گیا۔ کمپنی کے اپنے مطلوبہ پیداواری اہداف حاصل نہ کرنے کی بڑی وجہ ورکنگ کیپٹل میں کمی اور حکومت کی تبدیلی کی وجہ سے مارکیٹ میں آنے والا اچانک زوال ہے۔ اب، مارکیٹ آہستہ آہستہ بہتر ہو رہی ہے اور ہم امید رکھتے ہیں کہ اگلی سہ ماہی اور نتیجتاً آئندہ مالی سال میں پیداوار اور فروخت میں بہتری آنا شروع ہوگی۔

ورکنگ کیپٹل ضروریات کو پورا کرنے اور کمپنی کے آپریشنز کے لئے بورڈ آف ڈائریکٹرز ("بورڈ") نے 206 ایکڑ اور 68 مربع گز واقع دیہہ کالو کوہر،

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION-(UN-AUDITED)  
AS AT DECEMBER 31, 2018**

	Note	(Un-Audited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	2,605,836,227	2,623,317,967
Long term security deposits		40,881,345	40,881,345
Deferred tax assets		-	-
		<b>2,646,717,572</b>	2,664,199,312
<b>Current Assets</b>			
Stores and spares		29,699,328	8,852,127
Stock in trade	7	89,638,011	256,501,970
Trade debtors		139,301,509	112,743,907
Current portion of Long term security deposits		1,170,000	1,170,000
Advances		15,743,291	52,542,030
Short term prepayments		542,682	764,019
Interest accrued		17,551	8,703
Taxes refundable/adjustable		5,792,678	5,971,520
Cash and bank balances	8	23,422,596	31,491,873
		<b>305,327,646</b>	470,046,149
<b>TOTAL ASSETS</b>		<b>2,952,045,218</b>	3,134,245,461
<b>EQUITY</b>			
<b>Share Capital and Reserves</b>			
Authorized Share Capital 360,000,000 (June 30, 2018 : 320,000,000)		3,600,000,000	3,200,000,000
Issued, subscribed and paid up capital	9	3,157,338,600	3,157,338,600
Discount on issue of right shares	10	(1,365,481,480)	(1,365,481,480)
Accumulated losses		(831,322,645)	(685,107,074)
<b>Total Equity</b>		<b>960,534,475</b>	1,106,750,046
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Advance for issuance of shares-unsecured	11	358,100,019	358,100,019
Long term financing - secured	12	757,738,059	783,125,777
Markup accrued on secured loans		614,940,264	614,940,264
Deferred Liabilities		8,043,373	37,263,201
		<b>1,738,821,715</b>	1,793,429,261
<b>Current Liabilities</b>			
Trade & other payables		84,783,205	85,226,679
Accrued Markup		10,952,990	8,318,854
Short term borrowings - unsecured		94,481,181	94,481,181
Current and overdue portion of long term borrowings		56,045,204	41,344,120
Provision for Taxation		6,426,448	4,695,320
		<b>252,689,028</b>	234,066,154
<b>Contingencies and Commitments</b>	13		
<b>Total Liabilities</b>		<b>1,991,510,743</b>	2,027,495,415
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,952,045,218</b>	3,134,245,461

The annexed notes 01 to 19 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS-(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

Note	Half year Ended		Quarter Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	-----Rupees-----			
Sales	514,115,832	-	91,361,154	-
Cost of sales	14 (583,626,662)	-	(128,675,201)	-
Gross loss	(69,510,830)	-	(37,314,047)	-
Administrative and selling expenses	(67,387,743)	(54,818,501)	(38,372,186)	(35,970,952)
Finance cost	(34,328,291)	(155,734)	(17,681,798)	(55,449)
Other operating income	15 659,872	19,244,800	658,984	19,244,800
Loss before taxation	(170,566,992)	(35,729,435)	(92,709,047)	(16,781,601)
Taxation - current	(6,426,448)	-	(1,142,015)	-
Taxation - Deferred	30,777,869	-	30,777,869	-
Loss after taxation	(146,215,571)	(35,729,435)	(63,073,193)	(16,781,601)
Loss per share - basic & diluted	(0.46)	(0.11)	(0.20)	(0.05)

The annexed notes 01 to 19 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME -  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	Half year Ended		Quarter Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	-----Rupees-----			
Loss after tax for the period	(146,215,571)	(35,729,435)	(63,073,193)	(16,781,601)
<b>Other comprehensive income for the period</b>				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified to profit or loss	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(146,215,571)</b>	<b>(35,729,435)</b>	<b>(63,073,193)</b>	<b>(16,781,601)</b>

The annexed notes 01 to 19 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY -  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	Issued, subscribed and paid up capital	Discount on issue of right shares	Revenue Reserve Accumulated losses	Total
	----- Rupees -----			
<b>Balance as at July 01, 2017</b>	3,157,338,600	(1,365,481,480)	(582,011,667)	1,209,845,453
Loss for the half year ended December 31, 2017	-	-	(35,729,435)	(35,729,435)
<b>Balance as at December 31, 2017</b>	<b>3,157,338,600</b>	<b>(1,365,481,480)</b>	<b>(617,741,102)</b>	<b>1,174,116,018</b>
Loss for the half year ended June 30, 2018	-	-	(67,365,972)	(67,365,972)
<b>Balance as at June 30, 2018</b>	<b>3,157,338,600</b>	<b>(1,365,481,480)</b>	<b>(685,107,074)</b>	<b>1,106,750,046</b>
Loss for the half year ended December 31, 2018	-	-	(146,215,571)	(146,215,571)
<b>Balance as at December 31, 2018</b>	<b>3,157,338,600</b>	<b>(1,365,481,480)</b>	<b>(831,322,645)</b>	<b>960,534,475</b>

The annexed notes 01 to 19 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS - (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	Note	(Un-Audited) December 31, 2018 Rupees	(Un-Audited) December 31, 2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(170,566,992)	(35,729,435)
<b>Adjustments for non cash items:</b>			
Depreciation		14,351,973	588,535
Finance cost		34,328,291	155,734
Provision for gratuity		1,558,041	1,184,860
Bad debts provision		-	17,913,835
One time special grant from Directors		-	(17,913,835)
Interest income		(657,414)	(1,330,965)
		<b>49,580,891</b>	<b>598,164</b>
<b>Operating cash flow before working capital changes</b>		<b>(120,986,101)</b>	<b>(35,131,271)</b>
<b>Working capital changes:</b>			
(Increase)/Decrease in current assets:			
Stores and spares		(20,847,201)	-
Stock in trade		166,863,959	(135,023,099)
Trade debtors		(26,557,602)	-
Advances		37,389,164	(3,287,856)
Short term prepayments		221,337	(473,800)
Tax refund due from government		178,842	(504,404)
Increase/(Decrease) in current liabilities:			
Trade and other payables		19,876	6,968,088
<b>Cash Inflow/(outflow) from working capital</b>		<b>157,268,375</b>	<b>(132,321,071)</b>
<b>Cash generated from/(used in) operations</b>		<b>36,282,274</b>	<b>(167,452,342)</b>
Taxes Paid		(4,695,320)	-
Gratuity Paid		(463,350)	-
Finance cost paid		(31,694,155)	(24,267,266)
<b>Net cash used in operating activities</b>		<b>(570,551)</b>	<b>(191,719,608)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		2,539,342	(77,809,869)
Long term security deposits		-	(29,141,000)
Interest received		648,566	1,314,040
<b>Net cash generated from/(used in) investing activities</b>		<b>3,187,908</b>	<b>(105,636,829)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing - secured		(10,686,634)	(4,293,318)
(Repayment) / Receipt of short term borrowings- unsecured		-	(17,913,835)
<b>Net cash used in financing activities</b>		<b>(10,686,634)</b>	<b>(22,207,153)</b>
Net decrease in cash and cash equivalents during the period		<b>(8,069,277)</b>	<b>(319,563,590)</b>
Cash and cash equivalents at beginning of the period		<b>31,491,873</b>	<b>781,199,806</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>23,422,596</b>	<b>461,636,216</b>

The annexed notes 01 to 16 form an integral part of these financial statements.

  
**Chief Executive Officer**
  
**Chief Financial Officer**
  
**Director**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS-(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Dost Steels Limited (the Company) was incorporated & domiciled in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (The Ordinance), now the Companies Act, 2017. The Company was converted into public limited company with effect from May 20, 2006 and then listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) with effect from November 26, 2007.

The principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron, special alloy steel in different forms, shapes and sizes and any other product that can be manufactured with existing facilities.

Geographical location and address of business units/plants.

<u>Purpose</u>	<u>Location</u>	<u>Address</u>
Head Office & Registered Office	Lahore	4th Floor Ibrahim Trade Centre, 1-Aibak Block, Barkat Market, New Garden Town.
Regional Office	Karachi	101, Chapal Plaza, Hasrat Mohani Road.
Mill/Plant Site	Phoolnagar	52 Km, Multan Road.

**2 BASIS OF PREPARATION**

**2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** The cumulative figures for the half year ended December 31, 2018 presented in these condensed interim financial statements are unaudited but have been subjected to limited scope review by the auditors of the Company, as required under section 237 of the Companies Act, 2017 ("the Act") and Code of Corporate Governance.

**2.3** These condensed interim financial statements comprise of the Statement of Financial Position as at December 31, 2018, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows together with the selected notes for the half year ended December 31, 2018.

**2.4** The comparative Statement of Financial Position presented in these condensed interim financial statements as at December 31, 2018 has been extracted from the audited Financial

Statements of the Company for the year ended June 30, 2018, whereas the comparative Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the half year ended December 31, 2018 have been subjected to review but not audited.

- 2.5** These interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the company's annual financial statements for the year ended June 30, 2018.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018, except for adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers". Applicability of IFRS-9 has been deferred by SECP for the time being.

- 3.2** New standards, amendments and interpretation to published approved accounting and reporting standards which are effective during the half year ended December 31, 2018.

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to that two new standards (i.e. IFRS 9 and IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made in light of the following paragraphs:

- IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.
- IFRS 15 introduces a five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standard do not have any significant impact on these condensed interim financial statements of the Company.

- 3.3** Previous periods' figures are re-arranged/re-classified where necessary to facilitate comparison and are rounded off to the nearest rupee; appropriate disclosure is given in relevant note in case of material rearrangement.



**4 ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgements, 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 judgements 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, 2018.

**5 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 June 30, 2018.



	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
Note	-----Rupees-----	
<b>6.2 Capital work in progress</b>		
Plant and machinery	-	4,022,467
Advances for plant and machinery - net	-	-
	<u>-</u>	<u>4,022,467</u>
Advances for plant and machinery	17,913,835	17,913,835
Additions	-	-
Advances adjusted/received back	-	-
Provision against doubtful advances	6.2.1 (17,913,835)	(17,913,835)
	<u>-</u>	<u>-</u>

**6.2.1** Provision of Rs. 17,913,835/- had been made against unrecoverable advances paid for purchase of plant & machinery in the comparative period. The company had recovered and adjusted advances of Rs. 213,184,150/- from suppliers against advances paid for purchase of plant and machinery due to quality issues in the year 2016. The management had decided to create provision for doubtful debts in respect of the remaining amount of Rs. 17,913,835/- refer note 15.

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
Note	-----Rupees-----	
<b>7 STOCK IN TRADE</b>		
Raw material	5,537,471	120,912,804
Work in process	16,889,410	19,428,785
Finished goods	67,211,130	116,160,381
	<u>89,638,011</u>	<u>256,501,970</u>

**8 CASH AND BANK BALANCES**

Cash in hand	110,304	72,834
Cash at banks:		
- current accounts	775,971	12,530,014
- deposit accounts	22,536,321	18,889,025
	<u>23,312,292</u>	<u>31,419,039</u>
	<u>23,422,596</u>	<u>31,491,873</u>

**8.1** It includes balances pertaining to repayment account for long term loans amounting to Rs. 20,422,714/- (30 June 2018: Rs. 17,060,138/-), could not be withdrawn once deposited.

**9 ISSUED, SUBSCRIBED AND PAIDUP CAPITAL**

December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
Number of shares		Rupees	
315,733,860	315,733,860	3,157,338,600	3,157,338,600

Ordinary share of Rs.10 each  
fully paid in cash

Reconciliation of number of shares at beginning and at end of the period is as under :

December 31, 2018	June 30, 2018		December 31, 2018	June 30, 2018
Rupees				
315,733,860	315,733,860	At beginning of the period	3,157,338,600	3,157,338,600
315,733,860	315,733,860	At end of the period	3,157,338,600	3,157,338,600

9.1 It includes 84,142,465 ordinary shares of Rs.10 each amounting to Rs. 841,424,650/- held by related parties.

9.2 The company has only one class of ordinary shares. The holder of ordinary shares have equal right to receive dividend, bonus and right issue as declared, vote and block voting at meetings, board selection and right of first refusal of the Company.

9.3 The company has not reserved shares for issue under options or sale contracts.

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
<b>10 DISCOUNT ON ISSUE OF RIGHT SHARES</b>	<b>1,365,481,480</b>	<b>1,365,481,480</b>

The Company has issued right shares with the approval of board of directors, SECP and PSX with face value of Rs. 2,482,693,600/- comprising of 248,269,360/- ordinary shares of Rs. 10/- each at a discount of Rs. 5.5/- per share in year 2017.

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
<b>11 ADVANCE FOR ISSUANCE OF SHARES-UNSECURED</b>		
From Crescent Star Insurance Limited (Associated Company)	354,279,066	354,279,066
From directors	3,820,953	3,820,953
	<b>358,100,019</b>	<b>358,100,019</b>

The Company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL) and directors of the company which will be adjusted against shares in capital of the company whenever there is next issue. The advances are un-secured and interest free. CSIL has unilaterally after the right issue started claiming mark up @ 1 year KIBOR + 3% which directors of the company don't accept being against the agreed terms.

	Note	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		-----Rupees-----	
<b>12 LONG TERM FINANCING - SECURED</b>			
Term Finance - Restructured Facilities	12.1		
<b>From banking companies and financial institutions</b>			
Opening balance		824,469,897	837,349,851
Additions during the period		-	-
		<b>824,469,897</b>	837,349,851
Paid during the period		(10,686,634)	(12,879,954)
		<b>813,783,263</b>	824,469,897
Less: Current portion		(46,575,480)	(32,602,836)
Less: Overdue portion	12.1.1	(9,469,724)	(8,741,284)
		<b>(56,045,204)</b>	(41,344,120)
		<b>757,738,059</b>	<b>783,125,777</b>

**12.1** The Company has arranged Restructured Term Finance facilities of Rs. 931,509,627/- from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber, Pak Kuwait Investment Company (Private) Limited, Saudi Pak Industrial and Agricultural Investment Company 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 Investment Company (Private) Limited have signed the rescheduling and restructuring agreement. Pak Kuwait is expected to sign this agreements in due course.

Terms of rescheduled and restructured agreement are as follows:

- a)** For the repayment of the unpaid markup, mark up has been calculated on the total outstanding amount from the date of last payment till 30 June 2016 - the assumed date of commissioning @ 8% per annum. The total Mark up calculated will be converted into a "Zero Coupon TFC convertible into ordinary shares". All the TFCs issued will be completely converted into equity/ordinary shares by 2027 as per the following schedule:

	Year 9th 2024	Year 10th 2025	Year 11th 2026	Year 12th 2027
Percentage of TFC converted	25%	25%	25%	25%

The Conversion shall be held on the 20th Day of December each year at a discount of 5% to the last six months weighted average price of the company shares at Karachi Stock Exchange Limited (Now Pakistan Stock Exchange Limited).

- b)** The Mark-up rate effective from the date of Commissioning is 3 Month KIBOR payable in quarterly arrears.
- c)** The principal repayment is made in 41 quarterly instalments commencing from 31 March 2016 and ending on 31 December 2025 as per repayment schedule.
- d)** The loan is secured by a mortgage by deposit of title deeds of the Mortgaged Properties, a charge by way of hypothecation over Hypothecated Assets, pledge of the pledged shares, and personal guarantees of the sponsors.

**12.1.1** Overdue portion of liability represents the instalments duly deposited by company as per arrangement in a designated bank accounts maintained with Faysal Bank Limited for the purpose but Pak Kuwait Investment Company (Private) Limited has not accepted the payment. Management of the company as per arrangement can't withdraw amounts once deposited in the designate bank account.

## **13 CONTINGENCIES AND COMMITMENTS**

### **13.1 Contingencies**

**13.1.1** The company is not exposed to any contingent liability in respect of syndicated loan at the Statement of Financial Position date, in view of restructuring agreement - Note 12.

In the year ended June 30, 2015, two suits were 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 (Private) Limited.

**13.1.2** The company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL) as described in note 11. The advance was interest free and the fact was confirmed in the last year's confirmation. The CSIL after the right issue unilaterally started claiming mark up @ 1 year KIBOR + 3% which directors of the company don't accept being against the agreed terms and is apparently illegal demand. The amount of disputed markup calculates to Rs. 106,348,543/-.

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
<b>13.2 Commitments</b>		
Capital commitments	<u>61,027,621</u>	<u>53,349,811</u>
Non-capital commitments	<u>5,017,186</u>	<u>5,565,624</u>

	Note	(Un-Audited) December 31, 2018	(Un-Audited) December 31, 2017
		-----Rupees-----	
<b>14 COST OF SALES</b>			
<b>Raw material consumed</b>			
Add: Opening stock of raw material		120,912,804	-
Purchased during the period		326,965,675	-
Less: closing stock of raw material		(5,537,471)	-
		<u>442,341,008</u>	-
<b>Manufacturing overheads</b>			
Salaries, Wages and other benefits		39,099,521	-
Stores and spares consumed		2,441,057	-
Fuel, power and water		26,027,835	-
Travelling and conveyance		1,996,550	-
Rent, rates and taxes		188,203	-
Mess expenses		186,886	-
Entertainment		147,283	-
Repair and maintenance		4,497,855	-
Printing and stationery		32,020	-
Internet charges		143,950	-
Insurance		966,864	-
Depreciation	6.1.1	14,038,503	-
Others		30,501	-
		<u>89,797,028</u>	-
Add: Opening stock- work in progress		19,428,785	-
Less: Closing stock- work in progress		(16,889,410)	-
		<u>2,539,375</u>	-
Cost of goods manufactured		<u>534,677,411</u>	-
Add: opening stock of finished goods		116,160,381	-
Less: Closing stock of finished goods		(67,211,130)	-
		<u>48,949,251</u>	-
		<u>583,626,662</u>	-
<b>15 OTHER OPERATING INCOME</b>		<u>659,872</u>	<u>19,244,800</u>

It includes Rs. NIL (2017: Rs. 17,913,835/-) as one time special grant from directors to compensate for the unrecoverable advances as mentioned in note 6.2.1.

#### 16 TRANSACTIONS WITH RELATED AND ASSOCIATED 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: -

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
<b>Associated undertakings:</b>		
<b>Key management personnel:</b>		
<b>Short term borrowings - Unsecured/Interest free</b>		
Adjustment against Special grant received	-	(17,913,835)
<b>Other operating income</b>		
Special Grant from directors	-	17,913,835
<b>Salaries &amp; benefits paid</b>		
Remuneration to Chief Executive & directors	<b>21,512,904</b>	-
Meeting fee paid	<b>130,000</b>	210,000

Advance for issuance of shares - unsecured of Rs. 358,100,019/-. Remuneration payable to Chief Executive & Directors of Rs. 6,286,830/- and Short term borrowings - unsecured of Rs. 94,481,181/- is due to associated undertakings and related parties. Shares held by related parties are disclosed in note 9.1.

#### 17 SUBSEQUENT MATERIAL EVENTS

There are no significant activities since December 31, 2018 affecting the condensed interim financial information apart from those disclosed in the condensed interim information.

**18 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on February 27, 2019 by the board of directors of the company.

**19 GENERAL**

Figures in the financial statements have been rounded-off to the nearest rupees except where stated otherwise.

  
Chief Executive Officer  
Chief Financial Officer  
Director



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