

Quarterly Report September 30, 2016



<u>C O N T E N T S</u>

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COMPANY'S INFORMATION

Chairman Chief Executive Director Director Director Director Director Director Director

Board of Directors

Mr. Naim Anwar
Mr. Jamal Iftakhar Ahmad
Mr. Amir Mahmood
Lt. General (R) Syed Parwez Shahid
Mr. Mian Nasser Hyatt Maggo
Mr. Zahid Iftakhar
Mr. Mustafa Jamal Iftakhar
Mr. Saad Zahid
Mr. Syed Adnan Ali Zaidi

Audit Committee

Mr. Amir Mahmood	Chairman
Mr. Zahid Iftakhar	Member
Mr. Syed Adnan Ali Zaidi	Member

Human Resource & Remuneration Committee

Mr. Syed Parwez Shahid	Chairman
Mr. Jamal Iftakhar	Member
Mr. Syed Adnan Ali Zaidi	Member

Chief Financial Officer

Mr. Muddessar Ramzan

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

THK Associates (Pvt) Limited. 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

101, Chapal Plaza, Hasrat Mohani Road, <u>Karachi – 74000</u> 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



Directors review:

The Directors of Dost Steels Limited are pleased to submit to its shareholders, the quarterly report along with the condensed interim un-audited financial statements of the Company for the three months ended September 30, 2016.

General Review

We are pleased to inform the shareholders that the loans restructuring agreement based on the proposed rehabilitation and restructuring plan presented to the lenders of the Company has been signed by all the syndicate lender banks excepting Pak Kuwait Investment Company Limited (PKIC). However, PKIC has given its consent with some minor changes to the restructuring agreement, these changes are under process of incorporation in the restructuring agreement as an addendum, and the Directors are hopeful that the restructuring agreement shall be completed before the end of December 2016.

As part of the above mentioned restructuring agreement your company Dost Steels Limited (DSL) is in process of raising its capital by Rs.1,117,212,120 through a Right Issue which is currently in process and is expected to be completed before the end of December 2016.

The funds available on the completion of the Right Issue shall enable your company to complete its hot commissioning, and together with other working capital arrangements, it will enable the company to start its commercial operations, IshaAllah by the third quarter of the current financial year.

Performance Highlights	September 2016	September 2015
Loss before Tax (PKR)	(5,636.911)	(2,786,492)
Loss after Tax (PKR)	(5,636.911)	(2,786,492)
LPS	(0.08)	(0.04)

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: December 6, 2016

DOST STEELS LIMITED INTERIM CONDENSED BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2016

ASSETS	Note	September2016 Un-audited Rupees	June 2016 Audited Rupees
Non-Current Assets	-		
Property, plant and equipment	5	2,433,993,664	2,409,547,478
Long term security deposits		14,320,345	14,320,345
Deferred tax assets		-	-
		2,448,314,009	2,423,867,823
Current Assets	г	1 150 000	1 170 000
Current portion of Long term security deposits		1,170,000	1,170,000
Advances		1,824,560	2,895,415
Short term prepayments		24,813,789	3,446,500
Interest accrued Tax refund due from government		39,523 1,005,114	521,620
Cash and bank balances		7,178,693	915,923 6,505,449
Cash and bank balances	L	36,031,679	15,454,907
TOTAL ASSETS	-	2,484,345,688	2,439,322,730
	=	2,101,212,000	2,137,322,730
<u>EQUITY</u> Shore Conital and Become			
Share Capital and Reserves Authorized Share Capital			
320,000,000 (June 30,2016 : 320,000,000)		3 200 000 000	3 200 000 000
520,000,000 (Julie 50,2010 : 520,000,000)	-	3,200,000,000	3,200,000,000
Issued, subscribed and paid up capital	ſ	674,645,000	674,645,000
Accumulated losses		(506,629,979)	(500,993,968)
Total Equity	L	168,015,021	173,651,032
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<u>LIABILITIES</u>			
Non-Current Liabilities			
Advance for issuance of shares-unsecured	ſ	686,603,186	686,603,186
Long term financing - secured	6	828,372,344	831,701,117
Markup accrued on secured loans		614,940,264	614,940,264
Deferred Liabilities		2,165,561	1,873,561
	L	2,132,081,355	2,135,118,128
Current Liabilities			
Other payables		43,947,842	29,985,993
Short term borrowings - unsecured		72,315,239	45,692,239
Accrued mark up		14,424,427	-
Current and overdue portion of long term borrowings		53,561,804	54,875,338
		184,249,312	130,553,570
Contingencies and Commitments	7		
Contingencies and Commitments Total Liabilities	7 -	2,316,330,667	2,265,671,698

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

Chief Executive

Director

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DOST STEELS LIMITED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

		September2016 Un-audited Rupees	September'2015 Un-audited Rupees
Administrative expenses		(8,943,913)	(2,804,419)
Finance cost		(16,896)	-
Other income	-	3,324,798	17,927
Loss before taxation		(5,636,011)	(2,786,492)
Taxation		-	-
Loss after taxation	-	(5,636,011)	(2,786,492)
Loss per share	8	(0.08)	(0.04)

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

Chief Executive

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Director

DOST STEELS LIMITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	September2016 Un-audited	September'2015 Un-audited
Loss for the period	(5,636,011)	(2,786,492)
Other comprehensive income	-	-
Total comprehensive loss for the period	(5,636,011)	(2,786,492)

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

Chief Executive

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Director

DOST STEELS LIMITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Share Capital	Revenue Reserve			
	Issued, subscribed and paid up	Accumulated losses	Shareholders' Equity		
		Rupees			
Balance as at June 30, 2015	674,645,000	(467,040,311)	207,604,689		
Total comprehensive loss for the year - restated	-	(2,786,492)	(2,786,492)		
Balance as at September 30, 2015	674,645,000	(469,826,803)	204,818,197		
Balance as at June 30, 2016	674,645,000	(500,993,968)	173,651,032		
Total comprehensive loss for the period	-	(5,636,011)	(5,636,011)		
Balance as at September 30, 2016	674,645,000	(506,629,979)	168,015,021		

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

Chief Executive

Director

DOST STEELS LIMITED INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	September2016 Un-audited	September'2015 Un-audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(5,636,011)	(2,786,492)
Adjustments for non cash items:		
Depreciation	297,212	-
Finance cost	16,896	-
Provision for gratuity	292,000	-
Other income	(3,324,798)	-
One wetting each flow before working conital changes	(2,718,690)	-
Operating cash flow before working capital changes	(8,354,701)	(2,786,492)
Working capital changes:		
(Increase) / Decrease in current assets:		
Advances	570,855	-
Short term payments	(21,367,289)	-
Other receivable	-	722,376
Tax refund due from government	(89,191)	-
Increase / (Decrease) in current liabilities:		
Trade and other payables	17,773,376	41,831,475
Cash inflow/(outflow) from working capital	(3,112,249)	42,553,851
Cash generated from/(used in) operations	(11,466,950)	39,767,359
Taxes Paid	-	(28,264)
Finance cost paid	(313,771)	-
Net cash generated from / (used in) from operating activities	(11,780,721)	39,739,095
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(10,022,096)	(13,539,213)
Interest received	495,368	
Net cash generated from / (used in) investing activities	(9,526,728)	(13,539,213)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Short Term Financing	-	(24,557,445)
Repayment of long term financing - secured	(4,642,307)	-
(Repayment) Receipt of short term borrowings- unsecured	26,623,000	-
Net cash generated from / (used in) financing activities	21,980,693	(24,557,445)
Net (decrease)/increase in cash and cash equivalents during the year	673,244	1,642,437
Cash and cash equivalents at beginning of the year	6,505,449	66,999
Cash and cash equivalents at the end of the year	7,178,693	1,709,436
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 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

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. 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, 2016.

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, 2016.

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, 2016.

5 PROPERTY, PLANT AND EQUIPMENT	Note	September2016 Rupees	June 2016 Rupees
Operating assets	5.1	164,260,972	163,678,810
Capital work-in-progress	5.2	2,269,732,692	2,245,868,668
		2,433,993,664	2,409,547,478

5.1 Operating Assets

		OWNED						
Particulars	**	Free hold land	Furniture & fittings	Vehicles	Office Equipments	Electric Equipments	Computers Equipments	Total
					Rupees			
Period ended September 30, 2016								
Opening net book value		157,876,220	1,471,530	1,662,070	213,444	1,740,614	714,932	163,678,810
Additions		-	18,298	-	-	540,296	320,780	879,374
Revaluation		-	-	-	-	-	-	-
Depreciation charged		-	(55,640)	(90,209)	(8,004)	(78,940)	(64,419)	(297,212)
Net book value as at September 30, 2016		157,876,220	1,434,188	1,571,861	205,440	2,201,970	971,293	164,260,972
As at September 30, 2016								
Cost		157,876,220	3,672,399	5,601,035	316,602	5,241,499	3,338,038	176,045,793
Accumulated depreciation		-	2,238,211	4,029,173	111,163	3,039,529	2,366,745	11,784,821
		157,876,220	1,434,188	1,571,862	205,439	2,201,970	971,293	164,260,972
Year ended June 30, 2016								
Opening net book value		157,876,220	820,387	311,711	25,376	1,309,222	148,097	160,491,013
Additions		-	798,270	1,662,000	199,350	643,892	675,810	3,979,322
Revaluation		-	-	-	-	-	-	-
Depreciation charged		-	(147,127)	(311,641)	(11,282)	(212,500)	(108,975)	(791,525)
Disposal		-	-	-	-	-	-	-
Net book value as at June 30, 2016		157,876,220	1,471,530	1,662,070	213,444	1,740,614	714,932	163,678,810
As at June 30, 2016								
Cost		157,876,220	3,654,099	5,601,035	316,602	4,701,202	3,017,258	175,166,416
Accumulated depreciation		-	2,182,569	3,938,965	103,158	2,960,588	2,302,326	11,487,606
-		157,876,220	1,471,530	1,662,070	213,444	1,740,614	714,932	163,678,810
Rate of Depreciation		-	15%	20%	15%	15%	30%	

		Note	September2016 Rupees	June 2016 Rupees
5.2	Capital work in progress			
	Land development		14,429,630	14,314,430
	Civil works		209,403,673	209,231,543
	Plant and machinery		1,303,685,960	1,294,830,568
	Advance for Plant and Machinery		231,097,985	231,097,985
	Unallocated borrowing costs		511,115,444	496,394,142
			2,269,732,692	2,245,868,668

6 LONG TERM FINANCING - SECURED

Term Finance - Restructured Facilities		
From banking companies and financial institutions		
Opening balance	886,576,455	931,308,237
Service charges accrued during the year	-	201,390
	886,576,455	931,509,627
Paid during the year	(4,642,307)	(44,933,172)
	881,934,148	886,576,455
Less: Current portion	(30,274,063)	(51,233,030)
Less: Overdue portion	(23,287,741)	(3,642,308)
	(53,561,804)	(54,875,338)
	828,372,344	831,701,117

7 CONTINGENCIES AND COMMITMENTS

The contigents Liabilities are same as disclosed in the published annual financial statements for the year ended 30th June, 2016

8	LOSS PER SHARE		September2016	September'2015
	Loss attributable to ordinary shareholders	Rupees	(5,636,011)	(2,786,492)
	Weighted average number of ordinary shares in		67,464,500	67,464,500
	Loss per share - basic and diluted	Rupees	(0.08)	(0.04)

9 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on <u>December 6, 2016</u> by the board of directors of the company.

10 GENERAL

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

Chief Executive

Director



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