



DOST STEELS LTD.

QUARTERLY
REPORT
SEPTEMBER 30
2017

C O N T E N T S

Vision / Mission and Corporate Strategies	02
Company Information	03
Directors' Report	04
Balance Sheet	06
Profit and Loss Account	07
Statement of Comprehensive Income	08
Cash Flow Statement	09
Statement of Changes in Equity	10
Notes to the Accounts	11

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

Chairman
Director/CEO
Director
Director
Director
Director
Director
Director
Director

Audit Committee

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

Chairman
Member
Member

Human resource & Remuneration Committee

Lt. General (R) Syed Parwez Shahid
Mr. Jamal Iftakhar
Syed Adnan Ali Zaidi

Chairman
Member
Member

Company Secretary & CFO

Mr. Muddassar Ramzan

Associated Company

The Crescent Star Insurance Co. Ltd.

Bankers

Faysal Bank Limited
National Bank of Pakistan
Askari Commercial Bank Limited
Bank of Khybar
Pak Kuwait Investments Co. (Pvt.) Limited
Saudi Pak Industrial & Agricultural Investment Co. Ltd
United Bank Limited
Silk Bank
Soneri Bank Limited
Summit Bank Limited
Habib Bank Limited
MCB Bank Limited

Auditors

Rehman 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
1st 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

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

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 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, 2017.

General Review

We are please to inform the shareholders of the company of the progress made by your company during the first quarter of financial year.

With the proceeds of the rights issue concluded during the last financial year, the company has been able to revitalize the plant, in order to be ready for the commencement of Hot Commissioning. During this time, each part and component has been extensively examined, analyzed and checked multiple times. All defective and outdated parts have been identified and removed. All of the automation hardware and corresponding software are up to date, as per the best international practice and all auxiliary functions such as cranes and workshop equipment are also in place and operational.

The Marketing and Sales teams are in place and have devised extensive plans in anticipation of commercial production.

The management has revised the expected time of commercial production twice, due to delays in the attainment of the bulk electric connection from LESCO. Currently the management is confident of fulfillment of the latest schedule given to the shareholders.

All major hurdles for electric connection have been cleared and energization is expected shortly. Subsequent to acquiring the electric connection, Hot Commissioning will commence and is expected to be completed by the end of November 2017.

Performance Highlights	<u>September 2017</u>	<u>September 2016</u>
Loss before Tax (PKR)	(18,947,834)	(5,636.911)
Loss after Tax (PKR)	(18,947,834)	(5,636.911)
LPS	(0.06)	(0.08)

Future outlook

Keeping in view country's expanding annual demand and the 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 its commencement of commercial operations

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.

On behalf of the Board of Directors



Jamal Iftakhar
Chief Executive Officer
Karachi: October 28, 2017

کارکردگی کا خلاصہ

تفصیلات	ستمبر 2017ء	ستمبر 2016ء
نقصان بمع ٹیکس (روپے)	(18,947,834)	(5,636.911)
نقصان علاوہ ٹیکس (روپے)	(18,947,834)	(5,636.911)
نقصان فی حصص	(0.06)	(0.08)

مستقبل کا منظر نامہ

ملک میں بڑھتی ہوئی سالانہ طلب اور آئندہ بنیادی ڈھانچے کے منصوبوں بشمول ہائی ویز، ڈیمز اور پاک چائنا اقتصادی راہداری سے متعلق تجارتی معاہدوں پر حکومت کے عزم کو مد نظر رکھتے ہوئے سٹیل کے شعبہ کے بڑے حصے پر قبضہ کرنے کے لئے تجارتی سرگرمیوں کے آغاز کے فوراً DSL کی شروعات بہت جلد ہو رہی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز بنکوں، حکومتی اداروں، وینڈرز کی رہنمائی اور تعاون کے لئے اور سب سے اہم کمپنی کے شیئرز ہولڈرز کے اپنی کمپنی پر اعتماد کے بہت شکر گزار ہیں۔ ہم کمپنی کے ایگزیکٹو اور سٹاف کی وفا شعار خدمات کو بھی قدر کی نگاہ سے دیکھتے ہیں۔

بورڈ (کے لئے/کی جانب سے)



جمال افتخار

چیف ایگزیکٹو آفیسر

کراچی: 28 اکتوبر 2017ء

ڈائریکٹرز کی جائزہ رپورٹ

دوست سٹیل لمیٹڈ کے ڈائریکٹرز 30 ستمبر 2017ء اختتام پذیر سہ ماہی کے لئے اپنے شیئر ہولڈرز کو کمپنی کی غیر پڑتا شدہ مجموعی عبوری مالیاتی اسٹیٹمنٹس بمعہ سہ ماہی رپورٹ پیش کرنے پر فخر محسوس کرتے ہیں۔

عمومی جائزہ

ہم کمپنی کے شیئر ہولڈرز کو مالی سال کی پہلی سہ ماہی کے دوران آپ کی کمپنی کی پیش قدمی پر آگاہ کرنے میں فخر محسوس کرتے ہیں۔ گذشتہ مالی سال کے دوران رائٹس اجراء کی آمدنی کی وجہ سے کمپنی اپنے پلانٹ کو مزید وسیع کرنے کے قابل ہوئی ہے تاکہ ہاٹ کمیشننگ کے آغاز کے لئے تیاری کی جاسکے۔ اس مدت کے دوران، ہر جزو اور حصے کا اچھی طرح جائزہ لیا گیا ہے اور متعدد بار چیک کیا گیا ہے۔ تمام خراب اور پرانے پرزوں کی شناخت کی گئی ہے اور انہیں نکال دیا گیا ہے۔ تمام آٹومیشن ہارڈ ویئر اور متعلقہ سافٹ ویئر اور ذیلی اجزاء جیسا کہ کریز اور ورک شاپ کے ساز و سامان کی بین الاقوامی معیار کے مطابق تجدید کردی گئی ہے اور انہیں کام کے قابل بنادیا گیا ہے۔ مارکیٹنگ اور سیلز ٹیمیں اپنے کام پر معمور ہیں اور تجارتی پیداوار کے آغاز کے لئے وسیع منصوبوں کا مشورہ دیا ہے۔

انتظامیہ نے LESCO سے بھاری الیکٹرک کنکشن کے حصول میں تاخیر کی وجہ سے تجارتی پیداوار کی متوقع مدت کا کئی مرتبہ جائزہ لیا ہے۔ حال ہی میں انتظامیہ شیئر ہولڈرز کو فراہم کئے گئے تازہ ترین شیڈول پر عمل درآمد کرنے کے لئے پرعزم ہے۔

بجلی کے کنکشن میں تمام رکاوٹیں دور کردی گئی ہیں توانائی کی فراہمی کا عمل جلد ہی شروع ہو جائے گا۔ اور الیکٹرک کنکشن کے حصول کے ساتھ ہی ہاٹ کمیشننگ کا آغاز ہو جائے گا اور ماہ نومبر 2017ء کے اختتام پر کام مکمل ہو جائے گا۔

BALANCE SHEET AS AT 30 SEPTEMBER 2017

	September 2017 Un-audited Rupees	June 2017 Audited Rupees
Note		
<u>ASSETS</u>		
Non-Current Assets		
Property, plant and equipment	5 2,429,229,899	2,363,043,780
Long term security deposits	14,910,345	13,910,345
	2,444,140,244	2,376,954,125
Current Assets		
Current portion of Long term security deposits	1,170,000	1,170,000
Advances	4,243,857	3,386,543
Interest accrued	17,406	17,406
Taxes refundable/adjustable	1,658,872	1,595,033
Cash and bank balances	690,814,356	781,199,806
	697,904,491	787,368,788
TOTAL ASSETS	3,142,044,735	3,164,322,913
<u>EQUITY</u>		
Share Capital and Reserves		
Authorized Share Capital		
320,000,000 (June 30, 2017 : 320,000,000)	3,200,000,000	3,200,000,000
Issued, subscribed and paid up capital	3,157,338,600	3,157,338,600
Discount on issue of right shares	(1,365,481,480)	(1,365,481,480)
Accumulated losses	(600,959,501)	(582,011,667)
Total Equity	1,190,897,619	1,209,845,453
<u>LIABILITIES</u>		
Non-Current Liabilities		
Advance for issuance of shares-unsecured	358,100,019	358,100,019
Long term financing - secured	6 811,071,035	815,728,583
Markup accrued on secured loans	614,940,264	614,940,264
Deferred Liabilities	4,835,705	4,243,275
	1,788,947,023	1,793,012,141
Current Liabilities		
Trade & other payables	16,120,156	17,896,271
Accrued mark up	9,552,764	9,552,764
Short term borrowings - unsecured	112,395,016	112,395,016
Current and overdue portion of long term borrowings	24,132,157	21,621,268
	162,200,093	161,465,319
Contingencies and Commitments	7	
Total Liabilities	1,951,147,116	1,954,477,460
TOTAL EQUITY AND LIABILITIES	3,142,044,735	3,164,322,913

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


Chief Executive


Director


Chief Financial Officer

**PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	<i>Note</i>	<i>September 2017</i> <i>Un-audited</i> <i>Rupees</i>	<i>September 2016</i> <i>Un-audited</i> <i>Rupees</i>
Administrative expenses		(18,847,549)	(8,943,913)
Finance cost		(100,285)	(16,896)
Other operating income			3,324,798
Loss before taxation		(18,947,834)	(5,636,011)
Taxation		-	-
Loss after taxation		(18,947,834)	(5,636,011)
Loss per share	9	(0.06)	(0.08)

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


Chief Executive

Director

Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	September 2017 Un-audited Rupees	September 2016 Un-audited Rupees
Loss for the year	(18,947,834)	(5,636,011)
Other comprehensive income	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total comprehensive loss for the year	(18,947,834)	(5,636,011)

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


 Chief Executive


 Director


 Chief Financial Officer

CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	September 2017 Un-audited Rupees	September 2016 Un-audited Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(18,947,834)	(5,636,011)
Adjustments for non cash items:		
Depreciation	293,469	297,212
Finance cost	100,285	16,896
Provision for gratuity	592,430	292,000
Interest income	-	(3,324,798)
	986,184	(2,718,690)
Operating cash flow before working capital changes	(17,961,650)	(8,354,701)
Working capital changes:		
(Increase) / Decrease in current assets:		
Advances	(857,314)	570,855
Short term prepayments	-	(21,367,289)
Taxes refundable/adjustable	(63,839)	(89,191)
Increase / (Decrease) in current liabilities:		
Trade and other payables	(1,776,115)	17,773,376
Cash inflow/(outflow) from working capital	(2,697,268)	(3,112,249)
Cash generated from/(used in) operations	(20,658,918)	(11,466,950)
Finance cost paid	(100,285)	(313,771)
Net cash generated from / (used in) from operating activities	(20,759,203)	(11,780,721)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(66,479,588)	(10,022,096)
Long term security deposits	(1,000,000)	-
Interest received	-	495,368
Net cash generated from / (used in) investing activities	(67,479,588)	(9,526,728)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing - secured	(2,146,659)	(4,642,307)
(Repayment) / Receipt of short term borrowings- unsecured	-	26,623,000
Net cash generated from / (used in) financing activities	(2,146,659)	21,980,693
Net (decrease)/increase in cash and cash equivalents during the year	(90,385,450)	673,244
Cash and cash equivalents at beginning of the year	781,199,806	6,505,449
Cash and cash equivalents at the end of the year	690,814,356	7,178,693

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


Chief Executive

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY **FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	<i>Issued, subscribed and paid up capital</i>	<i>Discount on issue of right shares</i>	<i>Accumulated losses</i>	<i>Total</i>
	----- Rupees -----			
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
Balance as at JUNE 30, 2017	3,157,338,600	(1,365,481,480)	(582,011,667)	1,209,845,453
Total comprehensive loss for the year	-	-	(18,947,834)	(18,947,834)
Balance as at September 30, 2017	3,157,338,600	(1,365,481,480)	(600,959,501)	1,190,897,619

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


Chief Executive

Director

Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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 Pakistan Stock Exchange Limited (formerly 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 condensed interim financial statements comprise of the condensed interim balance sheet of the Company, as at 30 September 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with notes forming part thereof.

These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 237 of the Companies Act, 2017 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, 2017.

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, 2017.

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, 2017.

5 PROPERTY, PLANT AND EQUIPMENT

Operating assets	Note	September-17 Rupees	June-17 Rupees
Capital work-in-progress	5.1	164,016,316	164,217,785
	5.2	2,265,213,583	2,198,825,995
		2,429,229,899	2,363,043,780

5.1 Operating Assets

Particulars	OWNED						Total
	Free hold land	Furniture & fittings	Vehicles	Office Equipments	Electric Equipments	Computers Equipments	
As at September 30, 2017							
Cost	157,876,220	3,689,799	5,601,035	596,602	5,740,299	3,572,048	177,076,003
Accumulated depreciation	-	2,455,859	4,337,863	167,001	3,406,575	2,692,389	13,059,687
	157,876,220	1,233,940	1,263,172	429,601	2,333,724	879,659	164,016,316
As at June 30, 2017							
Cost	157,876,220	3,689,799	5,601,035	596,602	5,685,299	3,535,048	176,984,003
Accumulated depreciation	-	2,407,784	4,271,379	150,263	3,315,715	2,621,077	12,766,218
	157,876,220	1,282,015	1,329,656	446,339	2,369,584	913,971	164,217,785
Period ended September 30, 2017							
Opening net book value	157,876,220	1,282,015	1,329,656	446,339	2,369,584	913,971	164,217,785
Additions	-	-	-	-	55,000	37,000	92,000
Depreciation charged	-	(48,075)	(66,484)	(16,738)	(90,860)	(71,312)	(293,469)
Net book value as at September 30, 2017	157,876,220	1,233,940	1,263,172	429,601	2,333,724	879,659	164,016,316
Year ended June 30, 2017							
Opening net book value	157,876,220	1,471,530	1,662,070	213,444	1,740,614	714,932	163,678,810
Additions	-	35,700	-	280,000	984,097	517,790	1,817,587
Depreciation charged	-	(225,215)	(332,414)	(47,105)	(355,127)	(318,751)	(1,278,612)
Net book value as at June 30, 2017	157,876,220	1,282,015	1,329,656	446,339	2,369,584	913,971	164,217,785
Rate of Depreciation	-	15%	20%	15%	15%	30%	

	September-17 Rupees	June-17 Rupees
5.2 Capital work in progress		
Land development	14,677,572	14,314,430
Civil works	212,887,350	212,049,809
Plant and machinery	1,468,075,955	1,415,672,085
Unallocated borrowing costs	569,572,707	556,789,671
	2,265,213,583	2,198,825,995
6 LONG TERM FINANCING - SECURED		
Term Finance - Restructured Facilities		
From banking companies and financial institutions		
Opening balance	837,349,851	886,576,455
Service charges accrued during the period	-	-
	837,349,851	886,576,455
Paid during the period	(2,146,659)	(49,226,604)
	835,203,192	837,349,851
Less: Current portion	(16,301,418)	(13,972,644)
Less: Overdue portion	(7,830,739)	(7,648,624)
	(24,132,157)	(21,621,268)
	811,071,035	815,728,583

7 CONTINGENCIES AND COMMITMENTS

The Contingencies Liabilities are same as disclosed in the published annual financial statement for the year ended on 30th June 2017.

8 TRANSACTIONS WITH RELATED/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. There are no transactions with 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 as follows:

	September 2017	September 2016
Relationship	-----Rupees-----	
Key Management personnel		
Nature of transaction		
(Paid to) Received from directors/sponsors	-	26,623,000

September'2016 September'2015

9 LOSS PER SHARE

Loss attributable to ordinary shareholders	Rupees	(18,947,834)	(5,636,011)
Weighted average number of ordinary shares in issue		320,000,000	67,464,500
Loss per share - basic and diluted	Rupees	<u>(0.06)</u>	<u>(0.08)</u>

10 CORRESPONDING FIGURES

The corresponding figures have been rearranged wherever necessary to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangements.

11 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 28, 2017 by the board of directors of the company.

12 GENERAL

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



Chief Executive



Director



Chief Financial Officer

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk @jamapunji_pk

*Mobile apps are also available for download for android and ios devices

 /DostSteels

 /DostSteels

 /company/dost-steels-ltd

Printed by: 3Eye Graphics, +92-42-3637 2233, 0322-800 2233

Head Office

4th Floor Ibrahim Trade
Centre, 1-Albak Block,
Barkat Market, New
Garden Town, Lahore

Registered Office

101, Chapal Plaza,
Hasrat Mohani Road,
Off II, Chundrigarh Road,
Karachi 74000, Pakistan

Plant Address

52 km, Multan Road,
Phoolnagar,
55260, Pakistan

 www.doststeels.com

 info@doststeels.com

 +92(42)111 DSL (375) 000