

Quarterly Report  
March 31, 2009



**Dost Steels Limited**

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## **COMPANY INFORMATION**

### **Board of Directors**

Mr. Jamal Iftakhar	Chairman/Chief Executive Officer
Mr. Zahid Iftakhar	Director
Mr. Raees Iftakhar	Director
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Hamza Raees	Director
Mr. Saad Zahid	Director

### **Audit Committee**

Mr. Reees Iftakhar	Chairman of Committee
Mr. Faisal Zahid	Member
Mr. Saad Zahid	Member
Mr. Zahid Iftakhar	Secretary

### **Chief Financial Officer**

Mr. Farukh Jamil

### **Company Secretary**

Mr. Zahid Iftakhar

### **Bankers**

Askari Commercial Bank Limited  
Faysal Bank Limited  
National Bank of Pakistan  
United Bank Limited  
The Royal Bank of Scotland

## **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**

Noble Computer Services (Private) Limited  
2<sup>nd</sup> Floor, Sohni Centre,  
BS 5 & 6, Main Karimabad, Block – 4,  
Federal ‘B’ Area, Karachi – 75950  
Phone Nos. 6801880 – 6802326

## **Registered/Head Office**

Plot # 222, Sector – 39,  
Korangi Creek Industrial Area,  
Karachi – 74900

## **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 statement of the company for the nine months ended on 31<sup>st</sup> March 2009.

### **Company's Review**

As informed earlier in the previous quarter that the Italian engineers have completed the final checking prior to hot commissioning of the plant and the successful hot commissioning of the plant will be followed by commercial production, all this is subject to timely support from the syndicate banks who are constantly in touch with us.

The company needs additional funds to the extent of PKR.300 million that will be utilized for making balance payments to the Italian suppliers under the original LC's opened from Faysal Bank Ltd., for site preparation prior to commercial production and for achieving commercial production. Faysal Bank Ltd. has been mandated by the Dost Steels Ltd. sponsors to get equity investors and for additional term loans. Initial contacts have been made with some interested parties and meetings have been held in the direction where the project can be commissioned by way of a joint venture with equity financial support from venture capitalists.

The term loan bank syndicate held their meeting in end December 2008 and was inclined to extend working capital banking facilities to the company. Negotiations and meetings are taking place with the syndicates bankers for the resolutions of these issues. However the overall country and global situation has affected the company's progress. It is now expected that with global financial storm mostly being blown over, and with slow progress being made with the venture capital funds in the ensuing quarter of 2009.

Out of the three main suppliers, the main Siemens Vai Metal Technology srl has been paid in full while others could not be paid due to non availability of fund. The project is complete except utility connections for power and gas are to be effected. We are making efforts to commission the mill as early as possible, subject to the conclusion of the joint venture.

For and on behalf of the Board of Directors

Jamal Iftakhar  
Chief Executive Officer

Karachi: April 27, 2009

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March 31, 2009

**DOST STEELS LIMITED**

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT MARCH 31, 2009**

		(UN-AUDITED) March 31, 2009 Rupees	(AUDITED) June 30, 2008 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipments	5	1 943 084 565	1 758 114 628
Long term security deposits		13 886 445	13 886 445
Deferred tax asset		155 648	873 907
<b>CURRENT ASSETS</b>			
Receivable against trading		1 013 468	1 152 490
Advances, deposit and other receivable		50 284 664	52 084 479
Cash and bank balances		933 276	1 967 390
		52 231 408	55 204 359
<b>TOTAL ASSETS</b>		<u>2 009 358 066</u>	<u>1 828 079 339</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	6	674 645 000	675 000 000
Accumulated loss		(44 195 972)	(39 234 168)
<b>SHAREHOLDERS' EQUITY</b>		<u>630 449 028</u>	<u>635 765 832</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	7	495 197 124	605 613 792
<b>CURRENT LIABILITIES</b>			
Current portion of long term loan		436 111 114	325 694 445
Short term loan	8	192 583 177	188 458 121
Trade and other payables		90 440 276	39 557 625
Markup accrued on secured loans		164 454 682	32 866 858
Provision for taxation		122 666	122 666
		883 711 915	586 699 715
<b>COMMITMENTS</b>	9	-	-
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u>2 009 358 066</u>	<u>1 828 079 339</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 NINE MONTHS PERIOD ENDED MARCH 31, 2009**

		<b>For the Nine Months ended March 31, 2009</b>	<b>For the Nine Months ended March 31, 2008</b>	<b>For the Quarter ended March 31, 2009</b>	<b>For the Quarter ended March 31, 2008</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Administrative and financial expenses		(4 402 527)	(5 703 509)	(722 553)	(2 100 854)
(Loss)/Gain on Sale of Construction Materials	10	-	1 756 413	-	-
Other Income		158 983	131 625	44 655	43 875
<b>Loss before taxation</b>		<u>(4 243 544)</u>	<u>(3 815 471)</u>	<u>(677 898)</u>	<u>(2 056 979)</u>
Taxation - current		(718 259)	(122 666)	6 824	-
<b>Loss after taxation</b>		<u>(4 961 803)</u>	<u>(3 938 137)</u>	<u>(671 074)</u>	<u>(2 056 979)</u>
Loss per share - basic and diluted	11	<u>(0.074)</u>	<u>(0.075)</u>	<u>(0.010)</u>	<u>(0.030)</u>

The annexed notes form an integral part of these financial statements

\_\_\_\_\_  
**CHIEF EXECUTIVE**

\_\_\_\_\_  
**DIRECTOR**



**DOST STEELS LIMITED****CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2009**

	Note	2009 Rupees	2008 Rupees
<b>CASH FLOW (USED IN) / GENERATED FROM WORKING CAPITAL</b>			
Cash (used in) / generated from working capital	12	49 941 857	71 149 060
Long term security deposits		-	(247 000)
Taxes paid		(208 474)	(721 870)
Net cash flow from operating activities		<u>49 733 383</u>	<u>70 180 190</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital work in progress		(53 927 293)	(179 632 742)
Deferred Cost		-	(19 320 663)
Fixed Asset		(610 260)	(3 855 175)
Net cash used in investing activities		<u>(54 537 553)</u>	<u>(202 808 580)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of Shares		(355 000)	275 000 000
Short term Financing		4 125 056	(163 861 468)
Net cash flow from financing activities		<u>3 770 056</u>	<u>111 138 532</u>
Net increase/(decrease) in cash and cash equivalents		(1 034 114)	(21 489 858)
Cash and cash equivalents at beginning of the period		1 967 390	23 710 876
Cash and cash equivalents at end of the period		<u><u>933 276</u></u>	<u><u>2 221 018</u></u>

The annexed notes form an integral part of these financial statements

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

**DOST STEELS LIMITED**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2009**

Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	← RUPEES →		
<b>Balance as at June 30, 2007</b>	400 000 000	(7 839 682)	392 160 318
Issue of share capital	275 000 000	-	275 000 000
Loss for the period after tax	-	(3 938 137)	(3 938 137)
<b>Balance as at March 31, 2008 (Un-Audited)</b>	<u>675 000 000</u>	<u>(11 777 819)</u>	<u>663 222 181</u>
<b>Balance as at June 30, 2008</b>	675 000 000	(39 234 170)	635 765 830
Forfeit of 35,500 shares	(355 000)	-	(355 000)
Loss for the period after tax	-	(4 961 803)	(4 961 803)
<b>Balance as at March 31, 2009 (Un-Audited)</b>	<u>674 645 000</u>	<u>(44 195 972)</u>	<u>630 449 028</u>

The annexed notes form an integral part of these financial statements

\_\_\_\_\_  
**CHIEF EXECUTIVE**

\_\_\_\_\_  
**DIRECTOR**

**DOST STEELS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2009**

**1. THE COMPANY AND ITS OPERATIONS**

Dost Steels Limited was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984. The company was converted into public limited company as on May 20, 2006 and then listed on Karachi Stock Exchange (Guarantee) Limited with effect from November 26, 2007. The registered office of the Company is situated at Plot no. 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 as applicable in Pakistan 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 nine months statements are the same as those of the published annual financial statements for the year ended June 30, 2008.

**4. CYCLE OF OPERATION**

Bar manufacturing is year round operation. The basic raw material in Billets which is converted into bar of required sizes.

		(UN-AUDITED)			(AUDITED)				
		March 31, 2009			June 30, 2008				
		Rupees			Rupees				
		Note							
<b>5.</b>	<b>PROPERTY, PLANT AND EQUIPMENTS</b>								
	Operating fixed assets - tangible	5.1	164,876,310		165,421,490				
	Capital work-in-progress	5.2	1,778,208,255		1,592,693,137				
			1,943,084,565		1,758,114,627				
<b>5.1</b>	<b>OPERATING FIXED ASSETS - TANGIBLE</b>								
	Description	Cost			Rate %	Accumulated depreciation			Written down Value as at Mar 31, 2009
		As at July 1, 2008	Addition	As at Mar 31, 2009		As at July 1, 2008	For the period	As at Mar 31, 2009	
		Rupees				Rupees			
<b>a</b>	Freehold land	157,876,220	-	157,876,220	-	-	-	-	157,876,220
<b>b</b>	Furniture & fittings	1,479,250	9,280	1,488,530	15	296,739	134,076	430,815	1,057,715.00
<b>c</b>	Electric Equipments	3,400,810	156,500	3,557,310	15	600,230	332,672	932,902	2,624,408.00
<b>d</b>	Computers equipments	1,685,148	396,300	2,081,448	30	872,615	271,987	1,144,602	936,846
<b>e</b>	Office equipments	105,072	12,180	117,252	15	38,095	8,905	47,000	70,252.00
<b>f</b>	Vehicles	4,694,575	36,000	4,730,575	20	2,011,906	407,800	2,419,706	2,310,869
	<b>Mar 31, 2009</b>	169,241,075	610,260	169,851,335		3,819,585	1,155,440	4,975,025	164,876,310
	<b>June 30, 2008</b>	164,638,675	4,602,400	169,241,075		2,085,972	1,733,613	3,819,585	165,421,490

	(UN-AUDITED) March 31, 2009 Rupees	(AUDITED) June 30 2008 Rupees
<b>5.2 CAPITAL WORK IN PROGRESS</b>		
Land development	11 012 712	11 012 712
Civil works	206 987 571	205 000 338
Plant and machinery	1 175 110 719	1 123 227 774
Furniture, fitting & equipments	57 114	-
Unallocated Expenditure-Markup	385 040 138	253 452 314
	<u>1 778 208 255</u>	<u>1 592 693 137</u>

**6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

67,464,500 (June 2008: 67,500,000) ordinary shares of Rs. 10 each fully paid in cash.

674 645 000	675 000 000
<u>674 645 000</u>	<u>675 000 000</u>

**7. LONG TERM LOANS**

**Secured - from banking companies**

Faysal Bank Limited	143 948 806	143 948 806
Saudi Pak Industrial And Agriculture Investment Company (Private)	50 000 000	50 000 000
Syndicate loan	737 359 431	737 359 431
	<u>931 308 237</u>	<u>931 308 237</u>
<b>less: Current portion of long term loan</b>	436 111 114	325 694 445
	<u>495 197 124</u>	<u>605 613 792</u>

**8. SHORT TERM LOANS**

Book overdraft	8.1	125 056	-
Loan from Directors	8.2	192 458 121	188 458 121
		<u>192 583 177</u>	<u>188 458 121</u>

8.1 This represents negative balance of bankbook which is outcome of cheques issued at the balance sheet date.

8.2 This is loan payable to director upto the end of third quarter Rs. 192.46 (June 30, 2008: Rs.188.46) million.

**9. COMMITMENTS**

The Company is committed to capital expenditure amounting Rs.45 (June 30, 2008: Rs.81.822) million as at the balance sheet date.

**10. SALES**

Although commercial production has not yet commenced , however, during nine months of 2007-08 there were some trade in steel bars.

	(UN-AUDITED) March 31, 2009 Rupees	(UN-AUDITED) March 31, 2008 Rupees
<b>11. LOSS PER SHARE - BASIC AND DILUTED</b>		
Loss attributable to ordinary shareholders	(4 961 803)	(3 938 137)
Weighted average number of ordinary shares in issue	67 464 500	52 700 000
Loss per share - basic and diluted	<u>(0.074)</u>	<u>(0.075)</u>

**12. CASH (USED IN) / GENERATED FROM WORKING CAPITAL**

Loss before taxation	(4 243 544)	(3 815 471)
Adjustment for Depreciation	<u>1 155 440</u>	<u>1 215 754</u>
	(3 088 104)	(2 599 717)
<b>Effect of changes in working capital</b> (Increase) / decrease in current assets		
Advances, deposits and other receivable	2 147 310	30 052 716
Increase / (decrease) in current liabilities		
Trade and other payables	<u>50 882 651</u>	<u>43 696 061</u>
	<u>49 941 857</u>	<u>71 149 060</u>

**13. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 27, 2009 by the Board of Directors of the Company.

**14. PRESENTATION**

Figures in the financial statements have been rounded-off to the nearest rupee.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR