

DSL/PSX/03/2018/

12 March 2018

Mr. Hafiz Maqsood Munshi,  
Manager  
Companies & Securities Compliance-RAD  
Pakistan Stock Exchange Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi

**RE: MATERIAL INFORMATION REGARDING COMMENCEMENT OF THE COMMERCIAL OPERATIONS OF THE COMPANY.**

Dear Sir,

We refer to your letter No.PSX/C-1118-1184 dated March 2, 2018 regarding the above-mentioned subject.

We have noted your observation regarding the qualifications by the Company's Auditors observed for the financial statements submitted for the year ended 30<sup>th</sup> June 2017 and for the half year ended 31<sup>st</sup> December 2017. We understand that the primary reason for the qualifications was non-commercial operations of the Company till the signing of the report which was subsequently rectified.

We are confident that based on the current scenario and in particular the fact that the Company has achieved its Commercial Operations starting from 28<sup>th</sup> February 2018 and has already achieved its first sale, these qualifications shall be removed during the course of the annual audit of the Company's financial statements for the year ending 30<sup>th</sup> June 2018 and we shall comfortably comply with the above mentioned PSX regulation.

We also enclose herewith our estimates/projections for the subsequent period of the current year and the next four years. We therefore, request you not to take any action on going concern assumption till the submission of the financial statements for the year ending 30<sup>th</sup> June 2018, as the financial position is expected to be very positive.

Thank you.

Yours Sincerely,  
for Dost Steels Limited



**Saad Zahid**  
Director

c.c.to:-  
The Additional Director (AD-SMD)-SECP  
The Acting Chief Regulatory Officer-PSX  
The DGM Operations-PSX

**Head Office:**

4th Floor Ibrahim Trade Centre,  
1-Aibak Block, Barkat Market,  
New Garden Town, Lahore -  
54700, Pakistan.

**Regional Office:**

101 Chapal Plaza,  
Hasrat Mohani Road,  
Karachi - 74000

**Mill Site:**

52 km, Multan Road,  
Phoolnagar - 55260,  
Pakistan.

**Dost Steels Limited**  
**Financial Projections**  
Balance Sheet  
PKR million

	30-Jun-2018	30-Jun-2019	30-Jun-2020	30-Jun-2021	30-Jun-2022
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Operating Fixed Assets	2,341.68	2,073.03	1,852.39	1,667.96	1,510.33
Long Term Security Deposits	43.05	43.05	43.05	43.05	43.05
<b>Current Assets</b>					
Stores and spares	14.90	14.90	15.15	15.45	15.75
Inventory	457.22	831.10	840.28	947.72	991.73
Trade debtors	473.20	936.69	953.62	1,074.98	1,128.65
Advances, deposits and other receivables	54.35	107.59	111.05	125.19	131.44
Cash and bank balances	118.80	178.83	265.76	287.20	453.11
	<b>1,118.47</b>	<b>2,069.11</b>	<b>2,185.87</b>	<b>2,450.53</b>	<b>2,720.68</b>
<b>TOTAL ASSETS</b>	<b>3,503.20</b>	<b>4,185.19</b>	<b>4,081.31</b>	<b>4,161.55</b>	<b>4,274.06</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>Equity</b>					
Ordinary Share capital	3,157.34	3,515.44	3,515.44	3,515.44	3,515.44
Discount on issue of right shares	(1,365.48)	(1,365.48)	(1,365.48)	(1,365.48)	(1,365.48)
Unappropriated Profit	(693.57)	(476.78)	(21.60)	288.83	493.45
<b>Total Equity</b>	<b>1,098.29</b>	<b>1,673.18</b>	<b>2,128.36</b>	<b>2,438.78</b>	<b>2,643.41</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Term Loan Syndicate	814.43	763.21	702.67	609.54	493.13
Advance for issuance of shares	358.10	-	-	-	-
Mark-up accrued on syndicate loan	614.94	614.94	614.94	614.94	614.94
Directors' Loan	94.48	94.48	94.48	94.48	94.48
Deferred Liabilities	5.43	5.43	5.43	5.43	5.43
	<b>1,887.38</b>	<b>1,478.06</b>	<b>1,417.52</b>	<b>1,324.39</b>	<b>1,207.98</b>
<b>Current Liabilities</b>					
Current Portion: Term Loan Syndicate	13.97	32.60	46.57	69.85	93.13
Short Term Borrowings	182.67	668.66	161.36	-	-
Short term Pledge Line (Rs. 300mn)	275.00	275.00	275.00	275.00	275.00
Trade & other payables	39.68	51.48	52.50	53.52	54.54
Accrued markup	6.21	6.21	-	-	-
	<b>517.53</b>	<b>1,033.95</b>	<b>535.43</b>	<b>398.37</b>	<b>422.67</b>
<b>Total Liabilities</b>	<b>2,404.91</b>	<b>2,512.01</b>	<b>1,952.95</b>	<b>1,722.76</b>	<b>1,630.65</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>3,503.20</b>	<b>4,185.19</b>	<b>4,081.31</b>	<b>4,161.55</b>	<b>4,274.06</b>

**Dost Steels Limited**  
**Financial Projections**  
**Profit & Loss Account**  
PKR million

	30-Jun-2018	30-Jun-2019	30-Jun-2020	30-Jun-2021	30-Jun-2022
Gross sales	1,857.60	13,201.17	16,658.19	18,778.05	19,715.66
Brokerage & commission	(9.29)	(66.01)	(83.29)	(93.89)	(98.58)
<b>Net Sales</b>	<b>1,848.31</b>	<b>13,135.16</b>	<b>16,574.90</b>	<b>18,684.16</b>	<b>19,617.08</b>
Cost of goods sold	(1,807.05)	(12,284.22)	(15,425.04)	(17,307.16)	(18,126.30)
<b>Gross Profit</b>	<b>41.26</b>	<b>850.94</b>	<b>1,149.86</b>	<b>1,376.99</b>	<b>1,490.78</b>
Administration expenses	(56.54)	(69.36)	(69.36)	(69.36)	(69.36)
Selling expenses	(38.42)	(159.73)	(194.30)	(215.50)	(224.88)
Other Income	2.58	2.58	2.58	2.58	2.58
	(92.38)	(226.51)	(261.08)	(282.28)	(291.65)
Profit before Interest & Taxes	(51.12)	624.43	888.78	1,094.71	1,199.13
Financial Charges	(62.84)	(150.44)	(98.35)	(76.30)	(73.07)
<b>Profit before Taxes</b>	<b>(113.96)</b>	<b>473.99</b>	<b>790.43</b>	<b>1,018.42</b>	<b>1,126.06</b>
Taxation - net	(18.48)	(257.20)	(335.24)	(356.45)	(394.12)
<b>Profit After Tax</b>	<b>(132.44)</b>	<b>216.79</b>	<b>455.18</b>	<b>661.97</b>	<b>731.94</b>
EPS	(0.42)	0.62	1.29	1.88	2.08

**Dost Steels Limited**  
**Financial Projections**  
Cash Flow Statement  
PKR million

	30-Jun-2018	30-Jun-2019	30-Jun-2020	30-Jun-2021	30-Jun-2022
<b>Cash Flows from Operating Activities</b>					
Profit before tax	(113.96)	473.99	790.43	1,018.42	1,126.06
Adjustments for non-cash charges:					
Depreciation	125.50	272.10	257.65	228.92	204.63
Financial charges	62.84	150.44	98.35	76.30	73.07
Profit before working capital changes	74.38	896.53	1,146.42	1,323.64	1,403.76
Change in current assets					
Stores & spares	(14.90)	-	(0.25)	(0.30)	(0.30)
Inventory	(457.22)	(373.88)	(9.18)	(107.45)	(44.00)
Trade debtors	(473.20)	(463.49)	(16.94)	(121.35)	(53.68)
Advances, deposits and other receivables	(54.35)	(53.24)	(3.47)	(14.13)	(6.25)
	(999.67)	(890.60)	(29.83)	(243.23)	(104.23)
Change in current liabilities					
Trade Creditors	11.72	11.80	1.02	1.02	1.02
Accrued Markup	(540.02)	-	(6.21)	-	-
	(528.30)	11.80	(5.19)	1.02	1.02
Taxes paid	(18.48)	(257.20)	(335.24)	(356.45)	(394.12)
<b>Net cash from operating activities</b>	<b>(1,472.08)</b>	<b>(239.47)</b>	<b>776.16</b>	<b>724.98</b>	<b>906.43</b>
<b>Cash Flows from Investing Activities</b>					
Fixed capital expenditure	(58.09)	-	(37.00)	(44.50)	(47.00)
Long term security deposits	(26.64)	-	-	-	-
Net cash from investing activities	(84.72)	-	(37.00)	(44.50)	(47.00)
<b>Cash Flows from Financing Activities</b>					
Share capital	-	358.10	-	-	-
Advance against Rights Issue	(328.50)	(358.10)	-	-	-
Term Loan Syndicate	(56.34)	(32.60)	(46.57)	(69.85)	(93.13)
Accrued mark-up Syndicate	614.94	-	-	-	-
Pledge line 300mn	275.00	-	-	-	-
Director's Loan	2.12	-	-	-	-
Dividend paid	-	-	-	(351.54)	(527.32)
Increase/(Decrease) in Short Term Borrowing	182.67	482.54	(507.30)	(161.36)	-
Financial Charges paid	(48.96)	(150.44)	(98.35)	(76.30)	(73.07)
	640.93	299.50	(652.22)	(659.05)	(693.52)
Net Increase/(Decrease) in Cash	(1,015.15)	60.03	86.93	21.43	165.91
Opening Balance	1,133.95	118.80	178.83	265.76	287.20
Cash at year end	118.80	178.83	265.76	287.20	453.11