



# HI-TECH LUBRICANTS LIMITED

1-A Danepur Road, GOR-1 Lahore 54000.

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E-mail: info@hitechlubricants.com, Web: www.hitechlubricants.com



Ref. No. HTLL/Corporate/01-2017/003  
January 13, 2017

THROUGH PUCARS AND COURIER

The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi.

**Subject: QUARTERLY PROGRESS REPORT NUMBER 04 ON IMPLEMENTATION OF PROJECT FOR THE QUARTER ENDED DECEMBER 31, 2016**

Dear Sir,

With reference to SECP letter No. SMD/SA-88/12/2015 dated November 30, 2015 regarding Approval to Issue, Circulate and Publish Prospectus for issue of 29.00 Million Ordinary Shares by Hi-Tech Lubricants Limited (HTL), enclosed please find **Quarterly Progress Report Number 04** on implementation of projects for the quarter ended December 31, 2016 under compliance of Special Condition No 5 of the aforesaid approval. **(Annexure-A)**.

Moreover, also enclosed please find copy of **Quarterly Confirmation from the Auditors** of the Company regarding Utilization of Proceeds of IPO for Purposes Mentioned in Prospectus for the Quarter Ended December 31, 2016 (the Auditors Quarterly Confirmation) under compliance of clause 3 of our letter of undertaking bearing reference number HTLL/Corporate/03-2016/001 dated March 01, 2016 under the subject "Undertaking in Relation to Initial Public Offering of HTL. **(Annexure-B)**.

Please acknowledge receipt of the above and oblige.

Yours Sincerely,

For and on behalf of **Hi-Tech Lubricants Limited**

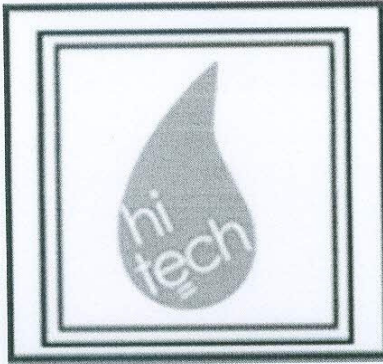
**Muhammad Imran**  
Company Secretary

Enclosures: As above

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Hi-Tech Lubricants Limited

**Quarterly Progress Report No. 4  
on  
Implementation of the Projects**

**For the Quarter ended December 31, 2016**

**Hi-Tech Lubricants Limited**

## **PROGRESS UPDATE**

Out of the total funds received Rs 1,812,562,500 the company to date has invested Rs. 1,200,000,000 in term deposits ranging from 1 to 12 months.

The chronological detail of activities undertaken is as follows:

### **EXPANSION THROUGH RETAIL OUTLET**

#### **OWNED SERVICE CENTER**

##### **Lahore, Zafar Ali Road Jail Road, Lahore**

The company has purchased a land measuring 1 Kanal 5 marlas at Zafar Ali Road, Jail Road, Lahore after complete due diligence by company's legal advisor and valuation by Pakistan Banks Association approved valuer.

The layout and designing is complete and commercialization applied to LDA. Construction would start soon after approval.

As we were in pursuit of suitable land for owned service centers meanwhile an application was made by the company to establish an oil marketing company which after due approval of its member in EOGM held on 16 June 2016 granted by Oil and Gas Regulatory Authority (OGRA).

Based on the aforementioned, the investment in owned centers is carefully reviewed and company planned to invest these in such centers which would cover oil marketing business as well to substantiate lubricants, services and fuel sales.

#### **RENTED SERVICE CENTERS**

The following rented service centers contracts have been entered.

- 1) Lahore DahramPura (Mustafabad)
- 2) Lahore Johar Town
- 3) Lahore Gulshan -e- Ravi
- 4) Lahore Walton Road
- 5) PECHS Karachi
- 6) DHA Karachi

### **STATUS OF RENTED SERVICE CENTERS**

##### **Lahore, Johar Town, Lahore**

The following milestones covered:

- The lease agreement was entered on 15th day of July 2016 between Company and owner.
- The agreement is for 5 years
- Architectural design completed alongwith structural stability certificate obtained
- Application to build applied to LDA Town Planning. Approval still to receive.

#### **Lahore, Allama Iqbal Road, DahramPura (Mustafabad), Lahore**

The following milestones covered:

- The lease agreement was entered on September 09, 2016 between Company and owner
- The agreement is for 5 years
- Architectural design completed alongwith structural stability certificate obtained
- Site construction started
- TMA letter received for reconstruction of commercial building and site construction underway.

#### **Lahore, Gulshan Ravi, Lahore**

The following milestones covered:

- The lease agreement was entered on September 09, 2016 between Company and owner
- The agreement is for 7 years
- Architectural design completed
- Application to build applied to LDA Town Planning. Approval still to receive.

#### **Lahore, Zaman Colony, Lahore**

The following milestones covered:

- The lease agreement was entered on October 01, 2016 between Company and owner.
- The agreement is for 5 years
- Architectural design completed and attached
- Application to renovate applied to Cantonment Walton and approval is in process.

#### **Karachi, PECHS Karachi**

The following milestones covered:

- The lease agreement was signed in December 2016 between owner and company.
- Agreement is for 10 years.
- Application applied to local authorities for approval to build.

### **Karachi, DHA**

The following milestones covered:

- The agreement entered between Company and owner.
- The agreement is for 10 years.
- Application applied to local authorities for approval to build.

We are hopeful that above centers would start commercial operations till June 30, 2017 subject to approvals from regulatory authorities.

### **Investment in Blending plant for additional filing lines**

The plant has successfully started its production in August 2016 and has produced around 5 million liters as on December 31, 2016.

The status of investment in Hi-Tech Blending (Pvt.) Limited as at December 31, 2016 is as follows:

The additional filing line for drum unit has already been installed through company own funds without using the IPO funds.

The cost of additional filing lines for 20L pails are under negotiation with international vendors as the bids expired and new models are available. The new models cost escalated and company is negotiating to manage at the cost beneficial to the company. This additional filling line has certain pre-requisites which include availability of air conditioning system, water drainages and fire management. These systems are also under implementation.

The Company is under negotiation with vendors for supply of additional equipment for blending plant as the fresh negotiations are underway.

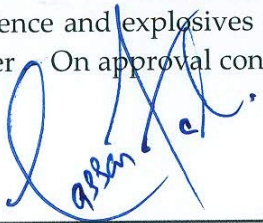
### **Working capital**

The company has utilized PKR 56 million for payment of short term borrowing facilities availed from banks against import of inventory and its clearance from customs.

### **Further developments**

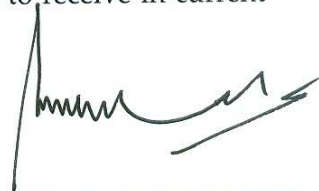
The design phase of storage location at Sahiwal in OMC project is complete and

tenders has been called for construction. No objection certificates especially ministry of defence and explosives are being pursued and are expected to receive in current quarter. On approval construction would start.



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Chief Executive Officer



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Company Secretary

## **HI-TECH LUBRICANTS LIMITED (HTLL)**

**AUDITORS' REPORT ON AGREED-UPON PROCEDURES TO THE  
CHIEF EXECUTIVE OF HTLL WITH RESPECT TO UTILIZATION OF  
THE PROCEEDS OF THE INITIAL PUBLIC OFFER OF 29,001,000  
ORDINARY SHARES AT A PRICE OF RUPEES 62.5 PER  
ORDINARY SHARE FOR THE PURPOSES MENTIONED IN  
PROSPECTUS DATED 28 DECEMBER 2015**

**FOR THE PERIOD ENDED 31 DECEMBER 2016**

# Riaz Ahmad & Company

Chartered Accountants

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Chief Executive  
Hi-Tech Lubricants Limited  
1-A, Danepur Road  
GOR-1  
LAHORE – 54000

14 January 2017  
Our ref:G-1-225

Dear Sir

**HI-TECH LUBRICANTS LIMITED (HTLL) – AUDITORS’ REPORT ON AGREED-UPON PROCEDURES TO THE CHIEF EXECUTIVE OF HTLL WITH RESPECT TO UTILIZATION OF THE PROCEEDS OF THE INITIAL PUBLIC OFFER OF 29,001,000 ORDINARY SHARES AT A PRICE OF RUPEES 62.5 PER ORDINARY SHARE FOR THE PURPOSES MENTIONED IN PROSPECTUS DATED 28 DECEMBER 2015 FOR THE PERIOD ENDED 31 DECEMBER 2016**

We have performed the procedure agreed with you through engagement letter number G-1-539 dated 20 February 2016 and enumerated below with respect to utilization of the proceeds of the initial public offer of 29,001,000 ordinary shares at a price of Rupees 62.5 per ordinary share for the purposes mentioned in prospectus dated 28 December 2015 for the period ended 31 December 2016.

Our engagement was carried out in accordance with International Standard on Related Services (ISRS) 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” applicable to agreed-upon procedures engagements. The procedure was performed solely to assist HTLL in ensuring compliance with Special Condition A.7 contained in Annexure – I ‘Conditions for Initial Public Offering of 29.00 Million Ordinary Shares of Hi-Tech Lubricants Limited’ under section 88(1) read with section 87(2) of the Securities Act, 2015’ to the letter No. SMD/SA-88/12/2015 dated 30 November 2015 of Director (CI) of the Securities and Exchange Commission of Pakistan and is summarized as follows:

**Procedure performed**

- Check that HTLL has utilized the proceeds of the initial public offer of 29,001,000 ordinary shares for the purposes mentioned under heading 5.5 ‘Expansion Plan’ in prospectus dated 28 December 2015 for the period ended 31 December 2016. Detail is as follows:

*Riaz*

# Riaz Ahmad & Company

Chartered Accountants

Purposes Mentioned Under Heading 5.5 'Expansion Plan' In Prospectus Dated 28 December 2015	Total amount (Rupees)	Total amount utilized till 31 December 2016 (Rupees)
<b>Investment in HTLL</b>		
Land	470,000,000	60,618,100
Building	128,000,000	100,000
Plant, machinery and equipment	139,000,000	-
Pre-operating costs	33,000,000	-
Working capital	842,562,500	534,853,079
<b>Sub-total</b>	<b>1,612,562,500</b>	<b>595,571,179</b>
<b>Investment in 100% owned subsidiary</b>		
Additional filling lines for blending plant, Hi-Tech Blending (Private) Limited	200,000,000	-
<b>Total</b>	<b>1,812,562,500</b>	<b>B 595,571,179</b>
<b>IPO proceeds</b>	<b>A</b>	<b>1,812,562,500</b>
<b>Amount un-utilized</b>	<b>(A-B)</b>	<b>1,216,991,321</b>

## Our findings

Based on the procedures performed, we report that un-utilized proceeds of the initial public offer as at 31 December 2016 are being kept as follows:

Bank / Mutual Fund	Account / Deposit Number	Amount (Rupees)
Habib Metropolitan Bank Limited	Hi Tech Lubricants Ltd (Development Account) Account No. 6-2-84-20614-714-123961	14,915,966
Bank Alfalah Limited	Hi Tech Lubricants Ltd – Spe Prps Account No. 0044-001005058732	2,998,147
JS Bank Limited	Hi Tech Lubricants Ltd Account No. 0000739341	4,544,073
United Bank Limited	Hi Tech Lubricants Limited Account No. 000231076986	402,785
JS Bank Limited*	Term Deposit Receipt No. 0000848744	201,031,917
JS Bank Limited	Term Deposit Receipt No. 0000836696	50,000,000
JS Bank Limited	Term Deposit Receipt No. 0000836693	200,000,000
Habib Metropolitan Bank Limited	PLS Term Deposit No. 2-84/1064	300,000,000
Habib Metropolitan Bank Limited	PLS Term Deposit No. 2-84/979	200,000,000
Bank Alfalah Limited	Term Deposit No. MM1636100036	200,000,000

*Riaz*

# Riaz Ahmad & Company

Chartered Accountants

Bank / Mutual Fund	Account / Deposit Number	Amount (Rupees)
United Bank Limited*	Term Deposit No. 231341086	50,000,000
Alfalah GHP Stock Fund**	B Growth Units - 6547	50,000,000
		<u>1,273,892,888</u>

\*HTLL have running finance facilities from JS Bank Limited and United Bank Limited against lien on term deposit receipts.

\*\*The value of Alfalah GHP Stock Fund B Growth Units as on 31 December 2016 was Rupees 54,670,651 based on Net Asset Value (NAV) of Rupees 158.0218 per unit.

Reconciliation between un-utilized amount of the initial public offer amounting to Rupees 1,216,991,321 and balance as on 31 December 2016 of term deposit receipts, bank accounts and mutual funds is as follows:

Description	Amount (Rupees)	Amount (Rupees)
Un-utilized amount of the initial public offer		1,216,991,321
Add: Profit on term deposits	60,807,985	
Add: Cash deposited at the time of opening of bank accounts	20,500	
Add: Amount deposited by HTLL from its own sources	<u>5,608,097</u>	66,436,582
Less: Commission, charges and out-of-pocket expenses deducted by bankers to the issue	6,134,434	
Less: Income tax deducted on profit on term deposits	3,387,272	
Less: Bank charges and commission	13,158	
Less: FED deduction	92	
Less: Punjab sales tax on services charged by bank	<u>59</u>	9,535,015
Balance of term deposit receipts, bank accounts and mutual funds		<u>1,273,892,888</u>

## General

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the utilization of the proceeds of the initial public offer of 29,001,000 ordinary shares at a price of Rupees 62.5 per ordinary share for the purposes mentioned in prospectus dated 28 December 2015 for the period ended 31 December 2016.

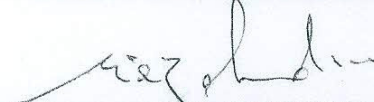
*Per*

# Riaz Ahmad & Company

Chartered Accountants

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and submission to the Securities and Exchange Commission of Pakistan and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of Hi-Tech Lubricants Limited, taken as a whole.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Name of engagement partner:**  
**Mubashar Mehmood**

**Date: 14 January 2017**

**LAHORE**