



## MATCO FOODS LIMITED

L-24/1, Block 21, Federal 'B' Industrial Area  
Karachi-75950, Pakistan  
Tel : +92 21 36315099, 36314945, 36320779  
Cell : +92 301 8250969  
Fax : +92 21 36320509  
Email: contact@matcofoods.com

July 23, 2018

Mr. Amir Muhammad Khan Afridi  
Director  
Licensing and Regulatory Approval Department  
Securities Market Division  
Securities and Exchange Commission of Pakistan  
NIC Building, Jinnah Avenue,  
Islamabad

**Subject: Submission of Progress Report for the Q.E June 30, 2018 and Auditors Certificate.**

Dear Sir,

Please find the Progress Report for the Quarter Ended June 30, 2018 along with the Auditors Certificate.

Yours Sincerely

For Matco Foods

Copy to: Pakistan Stock Exchange



Ati Akbar  
Pis circulate

BAS/C145/2018/0720

July 20, 2018

**The Board of Directors**  
Matco Foods Limited  
L-24/1, Block-21  
Federal 'B' Industrial Area  
Karachi

Gentlemen

**GRANT THORNTON ANJUM RAHMAN**

1st & 3rd Floor,  
Modern Motors House  
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Karachi 75530

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## **AUDITORS' CERTIFICATE IN RESPECT OF QUARTERLY PROGRESS REPORT**

We have been requested to provide you with the certificate on annexed quarterly progress report for the quarter ended June 30, 2018 as per the requirement of clause 2.3.13 of the prospectus issued at the time of Initial Public Offer (IPO).

### **Scope of certificate**

Our engagement was undertaken on the request of the Company to provide a certificate for onward submission as per the requirement of clause 2.3.13 of the prospectus.

### **Management responsibility**

It is the responsibility of the Company's management to ensure compliance with all the requirements of the clause 2.3.13 of the prospectus. The primary responsibility for providing us the information and its adequate disclosure is that of the Company's management. The responsibilities of the Company's management include causing the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certificate does not relieve the Company's management of its responsibilities.

### **Auditors' responsibility**

Our responsibility is to provide certificate on quarterly progress report made by management as required by clause 2.3.13 of the prospectus. Our report is being issued in accordance with the 'Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

- Obtained the progress report from the management;
- Obtained purchase orders and letter of credit for purchase of:
  - Pre-Cleaner and Drum Sieve
  - 06 quantities of EH-15318 Commercial Bin E-Series 15ft 18 rings 45 hoper
  - 04 sets of Bucket Elevators
  - Rice Glucose Plant with other incidental equipment
- Obtained invoices and letter of credit for purchase of:
  - Boiler
  - Chemicals
- Obtained certificate of term deposit receipt with Habib Bank Limited amounting to Rs. 297 million which has been deposited against the letter of credit of rice glucose plant and boiler amounting to Rs. 270 million and Rs. 27 million respectively;
- Obtained the resolution made in the board meeting held on May 26, 2018 for the relocation of new project to G-205, S.I.T.E, Super Highway, Karachi due to non-availability of water connection at Plot # G-06, Eastern Industrial Zone, Port Qasim Authority, Karachi. We have reported in previous certificate, 10 acre land of Port Qasim Authority has acquired by the Company in September 2006 for the purpose of Rice Husking Processing Plant, and subject to prior written consent by Port Qasim Authority for using the land other than for Rice Husking Processing Plant;
- Obtained the application to S.S.G.C for transfer of existing quota for 3240 MCF/month for captive power generation to proposed rice glucose site;
- Obtained the report on soil testing which was conducted by M/S A.A Associates in 2016;
- Obtained the correspondence between M/S A.A Associates and Matco Foods Limited for consultancy and preliminary drawings for the construction of new building at Plot # G-205, S.I.T.E, Super Highway, Karachi;
- Verified IPO related expenses and advances through invoices and traced them from bank statements; and
- Verified bank balance as at June 30, 2018 by obtaining bank certificate.

### **Certificate**

Based on the procedures performed as mentioned in the above paragraphs, we confirmed that the progress report is stated truly and fairly in all material respects.

**Restriction on use and distribution**

This certificate is being issued on the specific request of the Company's management for further submission to Pakistan Stock Exchange (PSX) and Security Exchange Commission of Pakistan (SECP) and may not be used for any other purpose without our prior written consent.

Yours faithfully

*Grant Thornton Anjum Kale*

Encl: Progress Report



**MATCO FOODS LIMITED**  
**Quarterly Progress Report**  
**Expansion of Rice Glucose Project**  
**As on June 30, 2018**

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This Progress Report is further to our submission of progress report for the quarter ended March 31, 2018 in pursuance of the requirement specified in the clause 2.3.13 of the prospectus of the Company. In our previous report we had updated that:

- Matco has entered into a contract with Beijing Meckey Engineering Company on March 3, 2018. The contract number of the said arrangement is MKCE17249.
- Matco has made arrangement with Habib Bank Limited to open a Letter of Credit (LC) – at sight of an amount up to the equivalent of PKR 300 million. In this respect, Habib Bank Limited has offered the LC opening confirmation in their letter dated April 13, 2018.
- Matco has deposited IPO funds in a separate bank account in MCB Islamic Bank bearing account number 0131000533310001. The balance amount as at March 31, 2018 is PKR 721,962,202.19 net off IPO expense.
- As mentioned in the clause 2.3.13 of the prospectus, the Company has already acquired 10 acre land of the project in Port Qasim Industrial Area.

**We would like to update the following progress has been achieved on the implementation of the expansion of the Rice Glucose Project during March-June 2018 quarter:**

- The Company has opened an irrevocable Letter of Credit at sight of USD 2,070,000 on April 30, 2018 which is equivalent to PKR 251,712,000 against the contract with Beijing Meckey Engineering Company for the purchase of Rice Glucose plant with other incidental equipment. In this connection, the Company has deposited PKR 270 million in the term deposit receipt with Habib Bank Limited.
- Order for Pre-Cleaner and Drum Sieve has been placed to Fowler Westrup (India) Private Limited. The costs of the equipment are USD 27,500 equivalent to PKR 3,344,000. An irrevocable Letter of Credit at sight has been opened on June 21, 2018.
- The Company has raised Purchase Order for 6 quantities of EH-15318 Commercial Bin E-Series 15ft 18 rings 45 hoper on the name of Brock Grain Systems. The cost of these Bins is USD 122,573. The Letter of Credit at sight against this PO has opened on July 04, 2018. The equivalence amount of this LC in PKR is 14,904,877.
- The Company has ordered 04 sets of bucket elevators with Famsun Storage Engineering Co. Ltd. An irrevocable Letter of Credit at sight of USD 46,000 has been opened on July 03, 2018 which is equivalent to PKR 5,593,600.



**MATCO FOODS LIMITED**  
**Quarterly Progress Report**  
**Expansion of Rice Glucose Project**  
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- Boiler for new project has been purchased from SKF Boilers and Driers Private Limited. The cost of Boiler is USD 205,000 equivalent to PKR 24,928,000, and an unconditional irrevocable Letter of Credit at sight of the said amount has been opened on June 12, 2018. In this connection, the Company has deposited PKR 27 million in the term deposit receipt with Habib Bank Limited.
- The Company has applied for water connection of 900 cubic meters / 200,000 gallons per day at the Plot No. G-06, Eastern Industrial Zone, Port Qasim Authority, Karachi. However, there has not any positive response received against the said letter. The rice glucose production requires abundance supply of water, in the absence of which the projected benefits of the project may not be achieved. Considering the above fact, the management has decided to relocate the new project location to our existing Rice Glucose project situated at Plot No. G-205, S.I.T.E, Super Highway, Karachi. The relocation site already has adequate supply of water from main line of Karachi Water and Sewerage Board which will meet the additional new project requirements.
- The relocated location will also accrue benefits from synergies through shared infrastructure and common utilities resources.
- The dismantling/relocation work of warehouses at Plot No. G-205, S.I.T.E, Super Highway, Karachi has been completed. The new rice glucose project will be installed on this location. The pictures of dismantling work has been attached in the Annexure – A.
- The Company has also applied to S.S.G.C. for transfer of our existing gas quota for 3240 MCF/month for captive power generation to our proposed rice glucose site. S.S.G.C. planning department has completed survey of the premises and the Company expect that the arrangements will be finalized soon.
- Soil testing on the above purpose site was already carried out which comprised of drilling bore holes up to the depth of required level. The degree of compactness of soil was determined by performing Standard Penetration Tests (SPTs) at depth intervals were found feasible. Core samples were extracted using double tube core barrel.

Selected soil samples were tested in laboratory for evaluation of geotechnical characteristics of subsoil materials. The soil bearing capacity was found satisfactory, sulphate content has been found negligible and no subsoil water found up to the depth of 15 meter.

- The consultancy and preliminary drawings for the construction of new building at Plot No. G-205, S.I.T.E, Super Highway has been finalized with M/s. A.A. Associates.



**MATCO FOODS LIMITED**  
**Quarterly Progress Report**  
**Expansion of Rice Glucose Project**  
**As on June 30, 2018**

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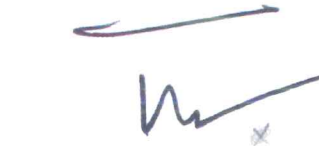
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- Other civil works will be started in the upcoming days and will be updated in the next quarter.
- The Company has also opened a Letter of Credit at sight of USD 189,050 equivalent to PKR 22,988,480 for import of necessary chemicals from M/s. Sunresin New Materials Company Limited. The Letter of Credit at sight against this PO has opened on July 04, 2018
- We would like to update that the our existing 10,000 tons Rice Glucose production line is operating at its full capacity and we are unable to meet our customers' requirements because of high product demands in local and export markets. Management is keenly interested in completion of the project in the best possible shortest time.
- The Summary of IPO proceeds and Utilization is as follows:

	PKR
Proceeds from IPO	757,718,000
IPO related expenses	(45,300,364)
Deposited with HBL against LCs	(297,000,000)
Other expenses / Advances	(65,943,879)
Cash at bank	349,473,757

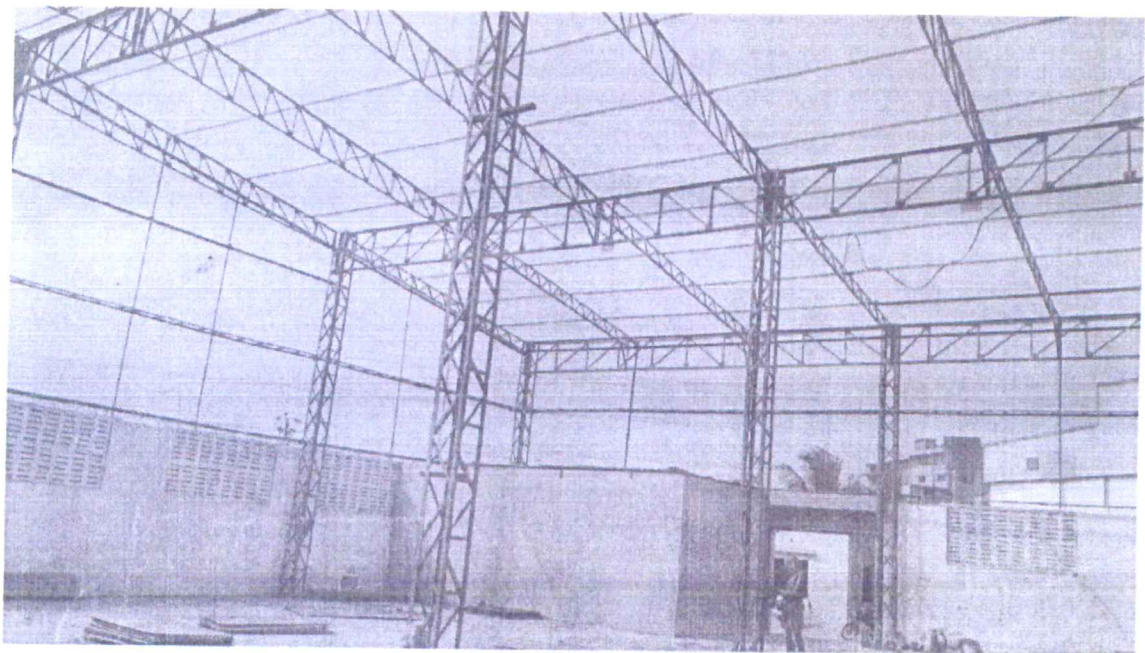
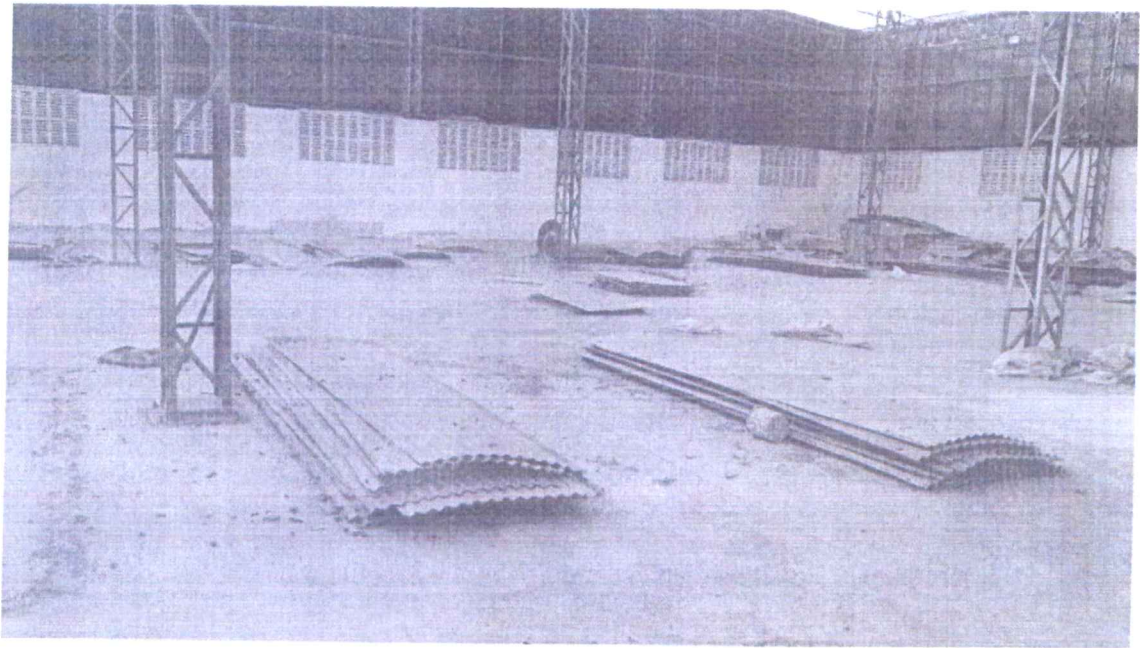


Director



Director

Annexure-A



Annexure-A

