



# 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/04-2017/011

April 14, 2017

Securities and Exchange Commission of Pakistan  
NIC Building, 63 Jinnah Avenue,  
Islamabad

**Subject: QUARTERLY PROGRESS REPORT NUMBER 05 ON IMPLEMENTATION OF PROJECT FOR THE QUARTER ENDED MARCH 31, 2017**

Dear Sir,

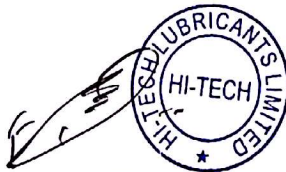
With reference to SECP letter No. SMD/SA-88/12/2015 dated November 30, 2015 regarding Approval to Issue, Circulate and Publish Prospectus for issue of 29.00 Million Ordinary Shares by Hi-Tech Lubricants Limited (HTL), enclosed please find **Quarterly Progress Report Number 05** on implementation of projects for the quarter ended March 31, 2017 under compliance of Special Condition No 5 of the aforesaid approval. **(Annexure-A).**

Moreover, also enclosed please find copy of **Quarterly Confirmation by the Auditors** of the Company regarding Utilization of Proceeds of IPO for Purposes Mentioned in Prospectus for the Quarter Ended March 31, 2017 (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

  
(Fraz Amjad Khawaja)  
Company Secretary

Enclosures: As above

**KARACHI:** C-6/1, Street No. 3, Bath Island, Clifton Karachi. Tel: +92- 21-111-645-942, Fax +92-21-35290672

**ISLAMABAD:** Suite # 1402, 14th Floor Green Trust Tower, Jinnah Avenue Blue Area Islamabad Tel: +92-51-111-645-942, Fax: +92-51-2813057

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Hi-Tech Lubricants Limited

# **Quarterly Progress Report No. 5 on Implementation of the Projects**

**For the Quarter ended March 31, 2017**

**Hi-Tech Lubricants Limited**

## **PROGRESS UPDATE**

Out of the total funds Rs 1,812,562,500 received in IPO, the Company has, to date, invested Rs. 1,282,000,000 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 as approved valuer.

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

#### **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 received. Construction would start in current quarter.

**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;
- The construction work is completed. Machinery is being installed and the center would be operational in May, 2017.

**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, Walton Road, Lahore**

The following milestones covered:

- The lease agreement cancelled due to certain legal issues arised subsequently.

**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 which is pending.

**Karachi, DHA, Karachi**

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 which is pending.



We are hopeful that 10 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 6 million liters as on March 31, 2017.

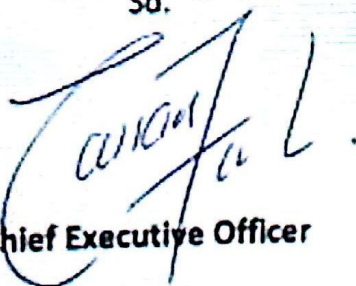
The cost of additional filing lines are still under negotiation with international vendors. The company is negotiating to manage at the cost beneficial to the company. This additional filling line has certain pre-requisites which include availability of air conditioning system, water drainages and fire management. These systems have been implemented.

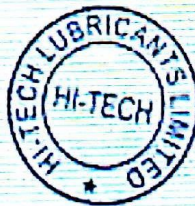
The Company is under negotiation with vendors for supply of additional equipment for blending plant as the fresh negotiations are underway.

### **FURTHER DEVELOPMENTS**

In OMC project, the tender for construction of tanks and building for storage facility has been under negotiation. No objection certificates are expected to receive soon. On approval, construction would start.

Sd.

  
Chief Executive Officer



Sd.

  
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 MARCH 2017**



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

14 April 2017  
Our ref: G-1-538

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 MARCH 2017**

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 March 2017.

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 March 2017. Detail is as follows:

Purposes Mentioned Under Heading 5.5 'Expansion Plan' In Prospectus Dated 28 December 2015	Total amount (Rupees)	Total amount utilized till 31 March 2017 (Rupees)
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**Investment in HTLL**

Land	470,000,000	60,618,100
Building	128,000,000	3,719,646
Plant, machinery and equipment	139,000,000	1,645,215
Pre-operating costs	33,000,000	-
Working capital	842,562,500	535,910,466
<b>Sub-total</b>	<b>1,612,562,500</b>	<b>601,893,427</b>

for

# 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 March 2017 (Rupees)
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## Investment in 100% owned subsidiary

Additional filling lines for blending plant, Hi-Tech  
Blending (Private) Limited

		200,000,000	-
<b>Total</b>		<u>1,812,562,500</u>	<b>B 601,893,427</b>
<b>IPO proceeds</b>	<b>A</b>	<u>1,812,562,500</u>	
<b>Amount un-utilized</b>	<b>(A-B)</b>	<u>1,210,669,073</u>	

## Our findings

Based on the procedures performed, we report that un-utilized proceeds of the initial public offer as at 31 March 2017 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	33,077,630
Bank Alfalah Limited	Hi Tech Lubricants Ltd – Spe Prps Account No. 0044-001005058732	3,485,599
JS Bank Limited	Hi Tech Lubricants Ltd Account No. 0000739341	49,415
United Bank Limited	Hi Tech Lubricants Limited Account No. 000231076986	-
JS Bank Limited	Term Deposit Receipt No. 0000848744	201,031,917
JS Bank Limited	Term Deposit Receipt No. 0000889073	20,000,000
JS Bank Limited	Term Deposit Receipt No. 0000889074	30,000,000
JS Bank Limited	Term Deposit Receipt No. 0000889079	200,000,000
Habib Metropolitan Bank Limited	PLS Term Deposit No. 2-84/13523	200,000,000
Habib Metropolitan Bank Limited	PLS Term Deposit No. 2-84/13524	75,000,000
Habib Metropolitan Bank Limited	PLS Term Deposit No. 2-84-979	200,000,000
Bank Alfalah Limited	Term Deposit No. MM1709000062	200,000,000
United Bank Limited*	Term Deposit Receipt No. 231341086	50,000,000
Alfalah GHP Stock Fund**	B Growth Units – 6547	70,000,000
		<u>1,282,644,561</u>

\*HTLL has running finance facility from United Bank Limited against lien on term deposit receipts.

\*\*The value of Alfalah GHP Stock Fund B Growth Units as on 31 March 2017 was Rupees 76,526,444 based on Net Asset Value (NAV) of Rupees 163.4476 per unit.

*for*



# Riaz Ahmad & Company

Chartered Accountants

Reconciliation between un-utilized amount of the initial public offer amounting to Rupees 1,210,669,073 and balance as on 31 March 2017 of term deposit receipts, bank accounts and mutual fund is as follows:

Description	Amount (Rupees)	Amount (Rupees)
Un-utilized amount of the initial public offer		1,210,669,073
Add: Profit on term deposits	76,684,133	
Add: Cash deposited at the time of opening of bank accounts	20,500	
Add: Amount deposited by HTLL from its own sources	5,608,097	82,312,730
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	4,186,013	
Less: Bank charges and commission	16,524	
Less: FED deduction	212	
Less: Punjab sales tax on services charged by bank	59	10,337,242
Balance of term deposit receipts, bank accounts and mutual fund		<u>1,282,644,561</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 March 2017.

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 April 2017**

**LAHORE**