

Panther Tyres Limited

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May 11, 2023

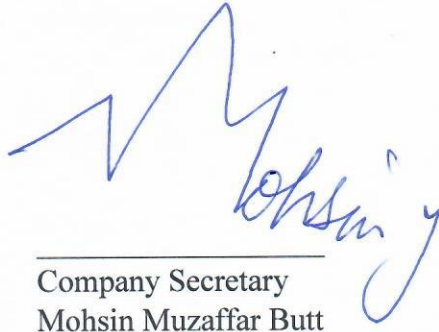
The General Manager
Pakistan Stock Exchange
Stock Exchange Building
Stock Exchange Road
Karachi,

Dear Sir,

Annual Reviewed Progress Report For the Period from 01 March 2022 to 28 February 2023

This progress report is being submitted in compliance with the requirement of Clause 16(i)(ii) of post-issue reporting and disclosures of the “**Public Offering Regulations, 2017**” and in pursuance of the requirement specified in Clause 4.1.10 of the prospectus issued by the Company. Please see attached herewith the 2nd annual progress report for the period starting from March 01, 2022, to February 28, 2023, duly reviewed by our External Auditors, M/S EY Ford Rhodes, Chartered Accountants.

Yours truly,



Company Secretary
Mohsin Muzaffar Butt

AGREED UPON PROCEDURES ON PROGRESS REPORT OF PANTHER TYRES LIMITED FOR THE PERIOD FROM 1 MARCH 2022 TO 28 FEBRUARY 2023

The Chief Executive Officer
Panther Tyres Limited
Panther House, 97 B, Aziz Avenue
Canal Bank, Jail Road
Lahore

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the Securities and Exchange Commission of Pakistan (SECP) in determining whether Panther Tyres Limited's Progress Report is compliant with Clause 16 (ii) of the Public Offering Regulations, 2017 and may not be suitable for another purpose. This report is intended solely for Panther Tyres Limited and the SECP, and should not be used by, or distributed to, any other parties.

Responsibilities of Panther Tyres Limited

Panther Tyres Limited has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Panther Tyres Limited (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Panther Tyres Limited, and reporting the findings, which are the factual results of the agreed-upon procedures performed.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Panther Tyres Limited in the terms of engagement dated 15 March 2023, on the Progress Report containing implementation status of the project, disclosed in prospectus, till 28 February 2023 ('the Progress Report').

Sr. No.	Procedure	Finding
1	Obtain following from management: <ul style="list-style-type: none"> The Progress Report. Books and accounts of the Company for period from 1 March 2022 to 28 February 2023. Prospectus for issue of shares dated 18 January 2021 ('the Prospectus'). 	We have obtained: <ul style="list-style-type: none"> The Progress Report; Books and accounts of the Company for period from 1 March 2022 to 28 February 2023; and Prospectus for issue of shares dated 18 January 2021.
2	Match the amount shown as funds required under the heading of 'Implementation status' on page 4 of the Progress Report with the Prospectus.	We have matched the amount shown as funds required under the heading of 'Implementation status' on page 4 of the Progress Report with the Prospectus and no difference was found.
3	Match actual expenditure incurred till 28 February 2023 under the heading of 'Implementation status' on page 4 of the Progress Report with books and accounts of the Company.	We have matched actual expenditure incurred till 28 February 2023 under the heading of 'Implementation status' on page 4 of the Progress Report with books and accounts of the Company and no difference was found.
4	Recalculate the allocation percentage as shown under the heading of 'Implementation status' by dividing 'Funds required' against each category with the Total Funds required for completion of project.	We have recalculated the allocation percentage as shown under the heading of 'Implementation status' by dividing 'Funds required' against each category with the Total Funds required for completion of project and no difference was found.

EY Ford Rhodes

Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 11 May 2023

PANTHER TYRES LIMITED
ANNUAL PROGRESS REPORT
FOR THE PERIOD FROM March 01, 2022 to
February 28, 2023
AS REQUIRED BY REGULATION 16 OF THE PUBLIC
OFFERING REGULATIONS 2017.

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PREAMBLE

We are pleased to share the 2nd annual progress report for the period starting from March 01, 2022 to February 28, 2023 along with Agreed Upon Procedures Report as issued by our External Auditors, M/S EY Ford Rhodes, Chartered Accountants, on the implementation status of the project. This progress report is being submitted in compliance with the requirement of Clause 16(i)(ii) of post issue reporting and disclosures of the “**Public Offering Regulations, 2017**” and in pursuance of the requirement specified in the clause 4.1.10 of the prospectus to the issue of the Company.

The Company carried out IPO in February 2021, to partially finance its major expansion plan at estimated costs of Rs. 3.066 billion as per clause 2.1.2 of the prospectus to the issue. A sum of Rs.1.410 billion was allocated to this expansion from IPO proceeds, rest of the amount was either arranged from banks or funded through internal cash flows of the Company.

Following is the detail of capital expenditures which were planned to be funded through IPO proceeds of Rs.1.410 billion:

Description	Funds Required (PKR)	Allocation %
Plant and Machinery		
4 Roll Calendar Line Comerio Italy	586,310,100	41.6%
Banbury Tangential Mixer – Dalian China	328,629,670	23.3%
Freehold Land & Development Expenses	100,000,000	7.1%
Building and Civil Works		
Building for Calendar Department	166,780,230	11.8%
Building for Mixing Department	167,880,000	11.9%
Building for Tube Department	60,400,000	4.3%
Total	1,410,000,000	100.0%

The detail of utilization of IPO proceeds and progress status of the expansion project as on February 28, 2023 is herein under:

NET IPO PROCEEDS

The Company had raised funds through issuance of 30 million ordinary shares at strike price of Rupees 65.80 per share. The net IPO proceeds generated through this transaction is detailed below:

Description	Amount (PKR)
Issuance of 30,000,000 ordinary shares at floor price of Rs. 47 per share	1,410,000,000
Excess funds received - share premium at Rs 18.80	564,000,000

Less: IPO expenses	(99,566,342)
Net IPO proceeds	1,874,433,658
Less: Funds Utilized to pay off Working Capital Loan (Ref clause 4.1.8)	*(464,433,658)
Net Funds available for expansion	1,410,000,000

*The excess funds amounting to Rupees 464.43 million received through IPO were utilized to reduce the short-term working capital lines as per clause 4.1.8 of the prospectus.

IMPLEMENTATION STATUS

The status of the expansion project as of the close of February 2023 is given below on prescribed format:

Description	Funds Required (PKR)	Allocation %	Actual Expenditures 28 Feb-2023 (PKR)
Freehold Land & Development Expenses	100,000,000	7.10%	101,021,403
Building and Civil Works			
Building for Tube Department	60,400,000	4.30%	60,810,689
Building for Calendar Department	166,780,230	11.80%	173,973,475
Building for Mixing Department	167,880,000	11.90%	357,066,509
Plant and Machinery			
4 Roll Calendar Line Comerio Italy	586,310,100	41.60%	763,002,644
Banbury Tangential Mixer	328,629,670	23.30%	906,800
Total	1,410,000,000	100%	1,456,781,520

Brief detail of every project as mentioned above is given here below:

LAND AND DEVELOPMENTS

Land measuring 21.4 Kanals has been acquired by the company. This land is located adjacent to existing land of factory located at 29.4 KM Sheikhpura Road.

Commitment made in the prospectus	Start date (disclosed in the prospectus)	Completion date (disclosed in the prospectus)	Current status	Rationale for delay, if any
Acquisition of land	1Q FY 2021	3Q FY 2021	100% Complete	Project completed

Please refer 'Annexure – I' for pictorial representation of the new land acquired.

BUILDING AND CIVIL WORKS

Building and civil work consist of buildings for MC Tube department, Calendar department and Mixing department as per detail below:

Commitment made in the prospectus	Start date (disclosed in the prospectus)	Completion date (disclosed in the prospectus)	Current status	Rationale for delay, if any
Tube department Building	3Q FY 2021	4Q FY 2021	100% Complete	Refer to sub section 'a'
Calendar department Building	4Q FY 2021	2Q FY 2022	100% Complete	Refer to sub section 'b'
Mixing department Building	3Q FY 2021	2Q FY 2022	95% Work Complete	Refer to sub section 'c'

a) MC Tube Building

This building project has been 100% completed. This is actually the extension of existing production building of the motorcycle tube section and it is being utilized for installation of new machines.

b) Calendar Building

This building comprised of two components; a pre-fabricated imported structure along with side walls and civil work for floors and low-height walls to rest the imported structure. The actual expenditures incurred slightly exceeded the estimated funds due to rise in cost of building materials. The additional cost has been funded through internal cash flow. This building project has been 100% completed and the newly imported Calendar Line is currently in the testing phase of operation after the successful installation.

c) Mixing Building

Civil work including foundation work, construction of the first, second, and third floors along with PCC concrete flooring has been completed. Finishing work on external walls of the building including windows border plaster has also been completed. Currently, the process of fixing the windows glass and installing the elevators is under progress which is expected to be completed by the end of financial year 2023. One mixing line has already been installed in this new building.

As per initial layout finalized prior to IPO, the building was planned to accommodate 2 mixing lines and the construction cost was estimated at Rs.167 million. Subsequently, on the advice of technical team, the building design was adjusted to accommodate the 4 mixing lines. This resulted into increase in scope and

cost of the building. The matter then presented to the board meeting for formal approval and accordingly was approved by the board of directors.

Now, as per revised estimate, the total cost of the building would be around Rs.400 million out of which Rs.167 million was financed through IPO proceeds whereas rest of the amount is being funded through in-house cash generation. The revised estimate also includes the effect of escalation in construction material prices due to change in exchange rate and inflation in the country.

PLANT AND MACHINERY

Over the period of time, operational capacity of the company reached its optimal level in all segments and some more products were also required to be added in portfolio. Accordingly, the company planned to expand its production capacities and also to bring in the new state of the art tyre manufacturing technology in the back-end process.

The first phase of this expansion as earlier communicated was completed on September 30, 2021, which mainly includes installations of machineries of front end sections like tyre building machines, curing presses, tube splicers, PCI units, building drums, molds etc. The source of finance for these additions in Plant and Machinery was long term loans from banks in the form of TERF & LTFF facilities.

Further detail of the progress of projects financed through IPO is given here below:

Commitment made in the prospectus	Start date (disclosed in the prospectus)	Completion date (disclosed in the prospectus)	Current status	Rationale for delay, if any
Purchase and installation of 4 Roll Calendar line	3Q FY 2021	3Q FY 2022	Calendar line has been installed and under testing phase	Refer to Sub section 'a'
Purchase and installation of Banbury Tangential Mixer	3Q FY 2021	2Q FY 2022	Shipment of machinery by end of Mar 2023	Refer to Sub section 'b'

a) 4 Roll Calendar Line

The machinery was shipped by the supplier in the last week of June 2022 and reached at factory in the first week of August 2022. The machinery has been installed successfully and is currently undergoing through testing and trial run phase. Foreign technicians are remotely monitoring its operational efficiency. It is expected that the complete equipment will become operational during the 4th quarter of FY 2023.

The delay in the project timeline occurred due to couple of reasons. In November 2020, the company originally estimated its 'completion date' as mentioned in the above table while preparing for the IPO,

whereas the listing process took more than expected time due to second wave of Covid, and LC was established 6 months later. Moreover, Covid restrictions in source country, Italy, caused the delay in manufacturing and shipment of machine. The actual expenditures incurred surpassed the estimated cost determined at the time of IPO mainly due to PKR depreciation against the euro and surge in the prices of steel material used in the project.

b) Banbury Tangential Mixer

Originally, the mixing machinery was proposed to be imported from Farrel Limited, UK. But, subsequently the cost of the machine surged by a significant amount due to super cycle of commodity prices. Since, the available funds were scarce therefore management decided to change the source from UK to China. Accordingly the matter was presented to the shareholders of the Company in Annual General Meeting, the same was approved by them. The process consumed lot of time and affected the original time line of the project. However, this did not affect the production of the company as one of the same kind machinery was already imported and installed by the company in September 2022.

In this regard, letter of credit (LC) for the import of mixing machinery amounting to USD 1.718 million was established with new supplier vide LC#22INSU002800452 dated January 19, 2022 and machinery is expected to be shipped by the end of May 2023. It is expected that this machinery will be available for use after its installation and testing by the end of 1st quarter of FY 2024.

Please refer 'Annexure – I' for pictorial representation of the under-process civil works.



Mohsin Muzaffar Butt
Company Secretary



Ghulam Abbas
Chief Financial Officer

ANNEXURE – I

Land & Developments



MC Tube Building



Calendar Building





Mixing Building





Calendar Line



