



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Primary Market Approvals and Development Department

No: SMD/PMADD/TCL/CI/97/2023 /188

October 10, 2023

Syed Sheharyar Ali

Chief Executive Officer

Treet Corporation Limited

72-B, Industrial Area, Kot Lakhpat,
Lahore.

Subject: COMMENTS ON OFFER DOCUMENT BY TREET CORPORATION LIMITED IN COMPLIANCE WITH REGULATION 3(3)(v) OF THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020

Dear Sir,

Please refer to Offer Document submitted by Treet Corporation Limited ("the Company") vide letter dated September 15, 2023, in the matter of 107.602% right issue amounting to Rs. 2,499,999,996 at an offer price of Rs 13/- each.

2. In this regard, I am directed to communicate that the Securities & Exchange Commission of Pakistan, in exercise of its powers under regulation 3(3)(v) of the Companies (Further Issue of Shares) Regulations, 2020 ("the Regulations") has provided its comments on the above-referred right offer document as attached at Annexure A.

3. You are accordingly advised to ensure compliance with the requirements of Regulation 3 of the Regulations.

Regards,

Shuaib Ahmed

Additional Joint Director

Cc: The Managing Director, Pakistan Stock Exchange, Stock Exchange Building, Stock Exchange Road,
Karachi

Comments on offer document of Treet Corporation Limited in compliance with regulation 3 (3)(v) of the Companies (Further Issue of Shares) Regulations, 2020 (the Regulations)

1. Cover Page

- i. Details pertaining to the right issue need to be reworded as follows for clarity;
“Issue Size: The Issue consists of 192,307,692 ordinary shares of Rs. 10 each at an offer price of PKR 13/- each (i.e. including a premium of PKR 3/- per share). The total amount to be raised through the right issue is PKR 2,499,999,996/- which is 107.602% of the existing paid-up capital of Treet Corporation Limited).”
- ii. Add dates of final offer letter, book closure, subscription amount payment dates and trading dates for Letter of Rights in the final Offer Document.
- iii. In section *“Details of the relevant contact person;”* provide valid landline number of the contact person, i.e. Group Chief Financial Officer.
- iv. Provide details of underwriter in the final Offer Document.
- v. Provide complete URL at which Offer Document can be accessed.

2. Inside Cover Page

- i. In the Undertaking by Board of Directors (BOD), add point (viii) from Schedule-I of the Regulations.
- ii. In point viii of BOD undertaking remove the words *“if the issuance proceeds exceed Rs. 750 million or 50% of the paid-up capital of the listed company issuing right shares, whichever is higher”*.
- iii. In the Disclaimer, the words *“Securities and Exchange”* shall be replaced with *“Securities Exchange”*.

3. In section 1, Salient Features of the Right Issue:

- i. In section 1.1 (i);
 - a) In clause (b) separately indicate the amounts along with relevant percentage to be financed through right issue.
 - b) In clause (c) separately indicate the amounts along with relevant percentage to be financed through other sources;
 - c) assign the bullet *“d”* to *“Time of Completion”* and existing (d) be renumbered.
 - d) In clause (d) under the heading *“time of completion”*, also clearly disclose how much time it will take to actually start manufacturing the existing and new product lines from the date of receipt of the machinery and equipment.
- ii. In section 1.2, in table related to breakup of utilization of right issue proceeds, insert column to provide completion status in terms of percentage (%) as per 7(ii)(A)(a) of Schedule 1 of the Regulations.
- iii. In section 1.2 (a), mention *“PKR in millions”* at the top of the table.
- iv. In section 1.2 (a) provide details related to loan being pledged against asset, if any.
- v. In section 1.2 (b), under heading *“Capacity Enhancement - Razor”*;

- a) Clarify whether new or second-hand machinery will be purchased for the capacity enhancement and, if second-hand machinery is to be purchased, then comply with disclosure requirements of 7(ii)(B)(c) of Schedule 1 of the Regulations.
 - b) In table further clarity may be added in "expected date of supply".
 - c) Percentage mentioned in "The percentage and value terms of the plant and machinery for which orders are yet to be placed", to be clarified in light of the status provided that some LCs are already opened.
- vi. As per section 1.2 (i), it is indicated that total funds required for the project are Rs. 882,120,243/-. Accordingly, the figures of the total cost of the project, including the funds obtained from right issue and from other sources, be indicated separately in the tables under section 1.2 (b) & (c).
 - vii. In section 1.3, add source/reference from which market share is quoted.
 - viii. Foot notes 5, 6 and 7 at page 12 and 13 are missing and may be provided or renumber the existing footnotes.
 - ix. In section 1.4
 - a) "Banker's Commission" and "Bankers to the Issue – Out of Pocket" needs to be added prior to final publication.
 - b) "CDC – Fresh Issue Fee" needs to be rechecked for accuracy.
 - x. In Section 1.5, details of underwriters to be added prior to final publication.
 - xi. In Section 1.8, important dates to be added prior to final publication.
4. In section 2, Subscription Amount Payment Procedure
 - i. Dates in section 2 (a), 2(e) and 2(f) to be provided in the final document.
 - ii. In 2(b) provide the complete URL of the final document.
5. In section 3, Profiles of the Board of Directors of the Company and Sponsors
 - i. In section 3.1, disclose the tenure of directorship held, for all the directors.
 - ii. In section 3.1, first para of the profile of Mr. Munir Karim Bana, please clarify whether he is currently CEO of the Company.
6. In section 4, Financial Details of the Issuer
 - i. In section 4.1, provide financial highlights on unconsolidated basis for past three years as per clause 10(i) of schedule 1 of the Regulations.
 - ii. In section 4.4, mention the average market price of share based on the past six months as required under clause 10(iv) of schedule 1 of the regulations.
 - iii. Company group structure along with respective shareholding in subsidiaries and associates to be added in section 4.
7. In section 5, Risk Factors
 - i. Risk factors may be modified to make the same specific to the operations of the Company and how they may impact the performance and profitability of the Company.
 - ii. Section 5.2 may be amended to properly cover all risks as per Clause 11 (v) of Schedule I of the Regulations.
 - iii. Make 'Procurement Risk' more specific by highlighting specific factors that may result in disruption of the supply chain.

- iv. In 'Liquidity Risk', disclose latest outstanding financial obligation of the Company, ability of the Company to honor the obligation and effect on performance of the Company if obligations are not met.
 - v. In 'Credit Risk', disclose details of advances or other receivables, if any, that have defaulted in past three years. Also specify how these can impact performance of the Company.
 - vi. In covering risks pertaining to pending litigations, disclose net contingent liability in case the outcome of pending litigations is not in favor of the Company.
 - vii. In 'Interest Rate Risk', elaborate the risk that could arise due to interest rate fluctuations which may cause delay in meeting the timelines for capacity enhancement of existing products or launching of new product. Moreover, provide the finance cost on the interest-bearing liabilities.
 - viii. In the 'Foreign Exchange Risk', provide the impact of foreign exchange volatility on the Company.
 - ix. In 'Global Economic and Financial Market Risk' specific risk factor that affect the Company may be highlighted.
8. In section 6, Legal Proceedings; in section 6.1 "*outstanding legal proceedings of the Company*", management stance in the table may be clearly described as the word 'probable' does not provide clarity.
 9. Offer Document to be reviewed for any grammatical and editorial changes prior to final publication.