



HIRA TEXTILE MILLS

L I M I T E D



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Ref No. CLA/16/2020
January 16, 2020

Hafiz Maqsood Munshi,
Manager,
Companies & securities Compliance - RAD,
Pakistan Stock Exchange (Guarantee) Limited.
Stock Exchange Building,
Karachi.

SUBJECT: INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED JUNE 30, 2019

Dear Sir,

We refer to your letter # PSX/GEN-147 dated January 13, 2020 on the captioned subject and wish to state that Independent Auditors of the Company have given an adverse opinion on the following;

The Company has incurred gross loss of Rs. 1,061.512 million and loss after tax of Rs. 2,015.842 million during the year ended June 30, 2019. As at the reporting date, the Company has accumulated losses of Rs. 1,510.775 million. Its current liabilities exceed current assets by Rs. 186.364 million. The Company has not been able to make timely repayments of its debt finances and interest/mark-up thereon. The providers of debt finances have filed recovery suits against the Company for Rs. 706 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. Further, a related party has claimed an amount of Rs. 420 million as due from the Company as at the reporting date on account of temporary loans, sales and expenses, which the Company has denied. We consider that in the absence of any favorable settlement with the providers of debt finances/related party, ability to obtain further financing and revival of its operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business.

We give below our opinion on the subject matter;

Continued on next page



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The annexed financial statements have been prepared on going concern basis based on the following:

- a. The management of the company has entered into negotiation with the providers of debt finances for restructuring of long term and short term debt including accrued interest/mark-up thereon. The Company has proposed a re-structuring plan to enable the Company to maintain its going concern status, which is the only WIN-WIN situation for all of the stake holders. The management is confident that it will be able to secure a reasonable arrangement with bank of principal repayment in 20 semi-annual installment with three (3) years grace period, which will relieve the Company of its liquidity crises and ultimately the profitability of the Company will increase.
- b. The Company has continued financial support of its directors and sponsors in the form of loans. Upto June 30, 2019, the directors and sponsors of the Company has provided financial support amounting to Rs. 531.58 million in the form of long term and short term loans. The lenders have always waived entire interest/mark-up on these loans.
- c. The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as upto 60% savings in labor costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity.

The above facts are indicated in note # 2.2 of financial statements for the year ended June 30, 2019.

Thanking you and assuring our best cooperation all times.

For Hira Textile Mills Limited.

Muhammad Mahboob
(Chief Executive Officer)