



KHALID SIRAJ TEXTILE MILLS LIMITED

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Ref: 2019/10/010

October 11, 2019

Mr. Hafiz Maqsood Munshi

Manager,
Companies & Securities Compliance-RAD,
The Pakistan Stock Exchange,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Independent Auditor's Report for the year ended June 30, 2019

Dear Sir,

Reference to your letter no Gen-5074 dated October 08, 2019 on the subject matter in the Financial Statements has issued an adverse Opinion. In response to such letter, we are submitting a brief explanation as under.

As you are well aware, we have tried to restart business in the past but unfortunately, market and government policies don't support textile sector in a proficient way, resulting in heavy losses. Businesses can't even meet fixed cost, so had to shut down our business activity.

Under the current Government Commitments, As APTMA has started pursuing on the subject matter of REVIVAL OF SICK UNITS whereby they have asked us to provide information /facts and figures of our sick units to compile a comprehensive report, for concrete negotiation with Government so as to formulate a clear TEXTILE POLICY for the revival of Textile industry, it's a an encouraging move at the end of APTMA , that most probably in the light of the efforts made by APTMA an era of revival of sick units will begin and we will be one of such Units as well.

Recently, The Finance Bill 2019 has levied 17% sales tax on textile industry, increase in turnover tax to 1.5%, Rupee devaluation and seeking CNIC of all sales through registered, that has enhanced further severe liquidity crunch and cash drain, which is an unnecessary increase in the cost of production, as hundreds of billions of rupees are already stuck up with the government. Further, Government has imposed increased rate of electricity Units, which burdened heavy cost in business operations.

Under current Government policies, Market is even more depressed due to uncertain political climate, refrained the Sponsors to invest in company's proposed BMR plans. However, the management of the Company is putting its best professional efforts for turnaround of the project and to get it operational in 6 to 9 months. The sponsors and the management have faith and belief in the textile business.

In this regard, we request to gain 6/9 months to get the business in operational form. We hope that above mentioned explanations/clarifications will suffice to allow us more time for compliance of Clause 5.11.1 of PSX Regulations.

Thanking You

Mian Tayyab Iqbal
Chief Executive Officer