

## **Bismillahir Rahmanir Rahim**

### **Directors' Report to Shareholders for the year ended on 30<sup>th</sup> June, 2016**

Dear Shareholders,

Assalamu Alaikum,

I am pleased to welcome you to the 39<sup>th</sup> Annual General Meeting of the company being held at this pleasant morning, at the Auditorium of Muktijuddha Shmritee Milonayaton, Institution of Diploma Engineers Bangladesh, Kakrail, Dhaka. In terms of section 184 of the Companies, Act, 1994 and the Rule 12 (and the schedule there under) of the Bangladesh Securities and Exchange Rules 1987, I am pleased to present, on behalf of the Board of Directors, the Report of the Directors on the activities of the company together with the Auditors' Report thereon for the year ended on 30<sup>th</sup> June, 2016 for your kind consideration and approval.

#### **INDUSTRY OUTLOOK:**

Ready Made Garments Industry (RMGI) is the main stay of Bangladesh economy at present. This sector is the highest export earner accounting for more than 88% (2014-15) of Bangladesh's export earnings and highest employer providing employment to over four million persons of which 80% are women. Export earnings from RMGI sector rose from US\$12.496 billion in 2009-10 to US \$28.094 billion in 2015-16, registering a growth of 125% in seven years, average annual growth of 17.9%. The export of shirts, which is the main export item of Desh Garments registered a sharp increase from \$0.99 billion in 2009-10 to \$2.32 billion in 2015-16, growth in seven years was 134% and average annual growth of 19.14%. Further, the government has said and export target of 50 billion by 2020-21 indicating 78% growth in five years that is 15.6% per year. All these figures indicate existence of very good opportunities for investment and expansion in this sector. We have planned to expand our production capacities from ten lines to twenty lines in future.

#### **CURRENCY RISK:**

The Company is exposed to foreign currency exchange rate fluctuation for its upcoming export of RMG products. Any major depreciation in foreign currency exchange rate will affect the company adversely; however, no exchange rate fluctuation risk is assumed by the company considering the past trend and current foreign exchange market condition.

**INTEREST RATE RISK:**

The company has no foreign currency loan in its balance sheet and hence, it's not exposed to any foreign currency interest rate risk. The company has taken local working capital loan at a reasonable interest rate which is also in declining trend at this point in time.

**OPERATION:**

We have successfully completed another year of operation. During this year, we concentrated on increasing the efficiency in the production and financial side, strictly enforcing cost control measures. However, because of not getting higher prices our total export was Tk.41.05 crore as against Tk.43.75 crore during previous year. At the beginning of FY 2015-2016, cost control measures were planned and gradually implemented. One internal Auditor and one Budget Officer were appointed for close monitoring of cost control measures. These efforts ultimately started giving result during second half of FY 2015-2016. Cost of production and selling & administrative expenses came down to Tk.37.28 crore in FY 2015-16 from Tk.41.92 crore in FY 2014-15, i.e. improvement of 11% while exports declined by 6% to Tk.41.04 crore from Tk.43.78 crore of previous year. As the cost control measures were introduced at the beginning of the FY, its result became visible during second half of the year.

Statement of related parties to operating expenses have been disclosed in the Annual Report. Basis of all party transactions is the funds received and funds paid only related to the business of exporting RMGs and importing related raw materials and payment of salaries/wages etc.

**FINANCIAL RESULT:**

Summarized comparative results for the years 2015-2016 and 2014-2015 are given below:

	<u>2015-2016 (Taka)</u>	<u>2014-2015(Taka)</u>
Turnover (Exports)	410,453,025	437,540,598
Gross Profit/(Loss)	58,944,812	34,631,338
Operating Profit	37,569,189	18,445,554
Other income	2,673,495	1,993,703
Net Profit before tax	32,718,664	11,065,852
Net Profit after tax	26,112,654	8,370,786
Earning Per Share (EPS)	6.46	2.07
Net Assets Value (NAV)	17.90	12.27
Face Value of share (Tk.)	10.00	10.00
Operating Cash Flow per share	2.90	16.09

**Board Meeting and Attendance:**

Seven (7) board meetings were held during the year under review (2015-2016). The attendance record of the directors is as follows:

<b>Name of Directors</b>	<b>Position</b>	<b>Meetings held</b>	<b>Attended</b>
Mrs. Rokeya Quader	Chairman	07	07
Mr. Omar Quader Khan	Managing Director	07	07
Miss Vidiya Amrit Khan	Director	07	07
Mr. B.M. Nurul Azim	Independent Director	07	6
Mr. Ranjit Chakraborty	Independent Director	01	01
Mr. Subash Chandra Bose	Independent Director	06	06

The tenure as Independent Director of Mr. Ranjit Chakraborty expired on 20.09.2015.

**Shareholding**

The Pattern of shareholding as on 30.06.2016 is as follows:

Sl.No.	Name-wise details	No. of Shareholding	Percentage %	Remarks
	Parent/Subsidiary/Associate Company			
i)	Directors, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:			
	<b>Director:</b>			
	Mrs. Rokeya Quader	328,944	8.13	
	Mr. Omar Quader Khan	1407,480	34.80	
	Miss Vidiya Amrit Khan	608,196	15.03	
	Mr. B.M. Nurul Azim, FCA	Independent Director		
	Mr. Subash Chandra Bose	Independent Director		
	Company Secretary (CS)	120		
	Chief Financial Officer (CFO)	-	-	
	Head of Internal Audit (HIA)	-	-	
ii)	Executives (Top five salaried persons) other than CEO, CS, CFO, HIA)	-	-	
	Mrs. Jolly Hassan	-	-	
	Mr. Alauddin Ahamed	-	-	
	Mr. Imam Hossain	-	-	
	Mr. Modasser Ahmed	-	-	
	Mr. Md. Zafrul Enayet Ullah	-	-	

**Shareholders holding 10% or more voting right**

1.	Mr. Omar Quader Khan	1,407,480	34.80	
2.	Miss Vidiya Amrit Khan	6,08,196	15.03	

The Directors also report that:

The financial statement of the company presented here reflects true and fair view of the company's state of affairs, result of its operations, cash flows, and changes in equity.

Proper Books of Accounts as required by the law have been maintained. Appropriate accounting policies have been followed in formulating the financial statements and the accounting estimates were reasonable and prudent. The financial statements were prepared in accordance with international Accounting Standard (IAS) as applicable in Bangladesh. The internal control system is sound in design and it's effectively implemented and monitored. There are no significant doubts upon the company's ability to continue as a going concern.

**ACCUMULATED LOSS**

As it was reported earlier several times, the devastating cyclone and tidal bore that lashed the south-east coast of Bangladesh on the night of 29-30 April 1991 badly damaged our factory. The salty water from the tidal bore rushed into the factory with the tremendous force and inundated upto an average height of 5 ft. inside the factory. Entire machinery, fabrics, accessories, export ready goods stored in the godown and lying on the floor, and the fabrics awaiting clearance from the customs at Chittagong port were damaged beyond recovery. As a result of such unusual damages, we had suffered a net loss of Tk.6.56 crore in 1991-92. However, after restarting of the factory in 1994-95 with the new machineries, we have been earning profit in most of the years; however, the accumulated profit is still inadequate to offset the loss of 1991 cyclones. Our accumulated profit net of losses and the dividends paid till 2015-16 have been shown under the "Retained Earnings" section of the Balance Sheet.

### **REVALUATION OF ASSETS**

The cost valuation of the assets of the company was calculated on the basis of actual costs incurred during 1978 to 1980. Since then the average price levels of the company assets had increased substantially. In order to find the real asset value of the company, the lands, factory building, electrical installation, and road, bridges, and fencing were revalued during 1994-95 and the balance sheet was reconstructed on that basis of the asset revaluation resulting in appreciation of the lands factory building, and electrical installation and depreciation of road, bridges, and fencing. However, depreciation on the incremental value of the factory building and the electrical installation were not charged considering the shareholders interest.

### **FIXED ASSET REGISTER**

Fixed asset ledger was maintained properly throughout the year. Beside this, a fixed asset register is being maintained currently mentioning the code, location, and quantity of the company property, plant, and equipment.

### **DIVIDEND**

The Profit after Tax earned during the financial year under the report is Tk.26,112,654.00 which is not enough to set off the aforesaid cyclone loss considering the previous years' accumulated profits. The directors, however, recommend 30% stock dividend to all shareholders of the company from the current year's profit.

### **MANAGING DIRECTOR'S REMUNERATION**

The Managing Director didn't draw any remuneration during the year under the report. Independent Directors are given allowance of Tk.5,000.00 per meeting.

### **RETIREMENT OF DIRECTOR BY ROTATION**

Miss Vidiya Amrit Khan due to retire by rotation as per Article 122 of the Articles of Association of the Company and being eligible, she seeks re-election as per Article 124.

### **APPOINTMENT OF AUDITORS**

M/s. MABS & J Partners, Chartered Accountants, retire at this Annual General Meeting and M/s. MABS & J Partners have expressed their willingness for reappointment as auditor as per their offer letter dated 27.10.2016. Auditors are required to be appointed at this Annual General Meeting and their remuneration to be fixed too.

### **MANAGEMENT APPRECIATION**

The Management takes this opportunity to thank all the shareholders, well wishers, banks, and business associates for their sincere co-operation and understanding.

The Management also thanks the workers, staff, and officers of the company for their hard work and sincere efforts rendered which enabled the company to achieve a substantial growth during the reporting year.

The status of compliance as required in pursuance of notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 as amended by notification No.SEC/CMRRCD/2006-158/147/Admin/48 dated July 21, 2013 of Bangladesh Securities and Exchange Commission is given in Annex-02 and the audit committee report for the year 2015-2016 is also enclosed vide Annex-03.

Thanking you,

**Rokeya Quader**  
Chairman

Dated : **27/10/2016**

