

DIRECTORS' REPORT

Bismillahir Rahmanir Rahim

Dear Shareholders

Assalamualaikum

On behalf of the Board of Directors of Simtex Industries Limited, I welcome you all to the 12th Annual General Meeting. It is a pleasure to present to you the Audited Financial Statements of the Company for the year ended June 30, 2019, Auditors' Report and the Directors' Report thereon along with Company's performance and other matters in terms of Companies Act 1994, Listing regulations of DSE and CSE, the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC), International Financial Reporting Standards, International Accounting Standards, and other applicable rules & regulations.

Background

Simtex Industries Limited was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) on May 29, 2007 and was converted to a Public Limited Company on November 15, 2012 under the Companies Act, 1994. The Company floated for Initial Public Offering of shares in July 2015 which was fully subscribed and issued. The Company was listed with Dhaka Stock Exchange Limited (DSE) on November 03, 2015 and Chittagong Stock Exchanges Limited (CSE) on 29 October 2015. The Authorized capital of the company is Tk. 1,000 million and paid-up capital 758.05 million.

Revenue

You are aware that the Company is a 100% deemed exporter, engaged solely in the business of manufacturing of Sewing Thread, used in the export-oriented garments industry. The turnover of the Company stood at Taka 144.85 Crore in 2018-19. The textile sector is passing through hard time in recent era internationally. Yet the efficient and prudent management has enabled the company to avoid financial adversity and has earned profit.

The operating financial results of the Company for the year 2018-2019 as compared to previous year are summarized hereunder:

Particulars	2018-2019	2017-2018
Turnover	1,448,580,502	1,402,761,909
Gross Profit	313,844,087	304,314,288
Financial Expenses	57,550,261	57,110,897
Other Income	2,415,226	9,943,391
Net Profit Before Tax (NPBT)	172,735,170	178,409,179
Provision for Taxation	20,671,701	32,154,411
Net Profit After Tax (NPAT)	152,063,469	146,254,768
Gross Margin (Turnover)	21.67%	21.69%
Net Margin Before Tax	11.92%	12.72%
Net Margin After Tax	10.50%	10.43%
Earnings Per Share (EPS) BDT.	2.01	1.93
Number of Shares used to compute EPS	75,805,125	75,805,125

The company has been operating in the market for a long time with reputation and commitment. With long experience in sewing thread manufacturing, we are confident and believe that we can hold on our reputation as a quality manufacturer. We have plans to add other items of sewing thread in our product line.

Segment Reporting

The company operates only in one segment, which is the manufacturing through the process of Dyeing & Conning/winding of Sewing Thread.

Risk and concerns

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any scarcity or price hike of raw materials due to change in strategy in the international market might hamper the production and profitability. Changes in forex rates might also affect the pricing and thereby the profitability of the Company.

The performance of the company may also be affected negatively by the political and economic instability both in Bangladesh and worldwide.

Similarly, risks factors of the industry depend on the Government policies as well. However, garments being the major foreign currency earner have always enjoyed special consideration from all the successive Governments and expectation is that it will continue to enjoy similar care and consideration from policymakers in the future. In the same way, sewing thread industry also will enjoy this benefit. Unless any policy change that may negatively and materially affect the industry as a whole, the business of the company is expected not to be affected in the short run.

A position on cost of goods sold, gross margin and net profit margin

Profit from Operation	2018-2019		2017-2018	
	Amount	Percentage	Amount	Percentage
Turnover	1,448,580,502	100%	1,402,761,909	100%
Cost of Goods Sold	1,134,736,415	78.33%	1,098,447,621	78.31
Gross Profit	313,844,087	21.67%	304,314,288	21.69%
Net Profit for the year	152,063,469	10.50%	146,254,768	10.43%

Discussion on continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. As for the Company, there was no such gain or loss during the year under reporting.

Related party transactions

Related party transactions are presented in note no. 2.16 of the notes to the financial statements.

Significant variance of financial statements

No significant variation occurred between quarterly and final results of the Company during the year ended 30 June 2019.

Investment Planning

Company is pursuing with a prudent plan for investment in capital assets and working capital in line with the goal of the company.

Compliance of Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018:

Board Size:

The number of members in the Board of Directors of the Company is five including two Independent Directors in line with notification given by BSEC.

Independent Directors

In terms of the provision under CGG, the Board of Directors had appointed Mr. Md. Yunus Ali and Mr. Md. Akram Hossain as the Independent Directors of the company for a period of three years till 29 July 2021 and 14 April 2022 respectively. They are well versed and experienced persons.

Qualification of Independence Director

Mr. Md. Yunus Ali is a professional experienced in the corporate industry. He completed M.Com. and B.Com.(Hon's) majoring in Management from the University of Rajshahi. Mr. Md. Akram Hossain is also a retired banker and specialist in the field of credit management, documentary credit etc. They are vast experienced in Banking, Accounting, Company Law and other matters.

Chief Financial Officer, Company Secretary, Head of Internal Audit

As per corporate governance guidelines of BSEC, the company has allocated the responsibilities of the officials as follows:

Chief Financial Officer : Mr. Zafran Tareque Chowdhury, ACA

Company Secretary : Mr. Ashis Kumar Saha

Head of Internal Audit : Mr. Kobirul Islam (CA CC)

Audit Committee

The Audit Committee, as a sub-committee of the Board has been constituted with an Independent Director as Chairman and two other Directors as members. The Company Secretary acts as Secretary to the Audit Committee. This committee assists the Board of the company in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company. Audit Committee is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. The roles and functions of the Audit Committee have been stated in the annual audit committee report and it is annexed herewith.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, as a sub-committee of the Board of Director has been constituted with three board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Committee. The Nomination and Remuneration Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive of the company. NRC is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. Since the corporate governance code has been adopted on 3 June, 2018, we have been taking necessary steps to comply it.

External Statutory Auditors

The BSEC guidelines are being strictly followed in engaging statutory Auditors for the Company.

Maintaining a website

The company has been maintaining an official website www.simtexgroup.com which is linked with the website of the stock exchange.

Subsidiary Company

The company has no subsidiary company whatsoever.

Duties of CEO & CFO

The provision of BSEC regulations have been compiled in the Annual Report.

Directors' Appointment and Re-Appointment

With regard to the appointment, retirement and re-appointment of directors, the company is governed by its Articles of Association, the Companies Act. 1994 and other related legislation. Accordingly, the following retired Directors and appointment of new directors will be approved in the annual general meeting:

Retired Directors:

- 1) Mr. Md. Siddiqur Rahman
- 2) Ms. Mahfuza Rahman Baby

Newly Appointed Directors:

- 1) Mr. Neaz Rahman Shaqib
- 2) Mr. Md. Akram Hossain

Shareholding pattern

The shareholding of directors at the end of 30 June, 2019 is shown as below:

	Name of Shareholders	Position	Shares Held	%
a.	Parent/Subsidiary/Associated companies and other related parties	Nil	Nil	Nil
b.	Directors, Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their Spouse and Minor Children: Ms. Hafiza Khanam Mr. Neaz Rahman Shaqib Mr. Md. Ensan Ali Sheikh Mr. Md. Yunus Ali Mr. Md. Akram Hossain Mr. Zafran Tareque Chowdhury, ACA Mr. Ashis Kumar Saha Mr. Kobirul Islam	Chairman Managing Director Director Independent Director Independent Director Chief Financial Officer Company Secretary Head of Internal Audit	1,419,330 2,275,000 1,419,330 Nil Nil Nil Nil Nil Nil	2.15% 3.00% 2.15% Nil Nil Nil Nil Nil Nil
c.	Executives	-	Nil	Nil
d.	Shareholders holding 10% or more voting interest in the company	Mr. Md. Siddiquir Rahman	16,728,739	25.38%

Directors involved in other Companies:

Name	Position in SIL	Involved in Other Company	Position
Ms. Hafiza Khanam	Chairman	-	-
Mr. Neaz Rahman Shaqib	Managing Director	-	-
Mr. Md. Ensan Ali Sheikh	Director	-	-
Mr. Md. Yunus Ali	Independent Director	-	-
Mr. Md. Akram Hossain	Independent Director	-	-

Board Meeting and Attendance

During the year, 11 (Eleven) nos. Board of Directors Meeting were held. The attendance record of the directors is as given below:

Name of Directors	Meeting Held During His/Her Duration	Attendance
Ms. Mahfuza Rahman Baby	07	07
Mr. Md Siddiquir Rahman	07	07
Ms. Hafiza Khanam	11	11
Mr. Neaz Rahman Shaqib	04	04
Mr. Md. Ensan Ali Sheikh	11	11
Mr . Md. Yunus Ali	11	11
Mr . Md. Akram Hossain	04	04

Director's remuneration

Directors' remuneration is shown in the note no. 21 of the notes to the Financial Statements.

Statement of Directors on Financial Reports

In accordance with the Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018, the Directors are also pleased to confirm the following:

- a) The financial statements together with notes thereon have been drawn up in conformity with the Companies Act., 1994 and The Securities and Exchange Rules, 1987. These statements present fairly the company's state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- e) Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- f) The system of internal control is sound and has been implemented and monitored effectively.
- g) No bonus shares or stock dividend has been or shall be declared as interim dividend.
- h) Management discussion and analysis signed by MD presenting detailed analysis of the company's position and operations along with a brief discussion on changes in the financial statements.
- i) The key operating and financial data for the last five years.

Going Concern

While approving the financial statements, the directors have made appropriate inquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the Company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Therefore, the company adopted the going concern basis in preparing the financial statements.

Significant deviation of Operating Result

There is no significant deviation from the last year's operating result of the Company.

Dividend

The Board of Directors has recommended 9% cash dividend for shareholders excluding Directors and Sponsors and 5% stock dividend for all shareholders.

Particulars	2018-2019	2017-2018
Profit available for appropriation:	Amount in Taka	Amount in Taka
Profit/loss after Tax	152,063,469	146,254,768
Un-appropriated profit brought forward from previous year	360,937,434	346,517,666
Prior Adjustment (over provision of Tax)	-	-
Total Amount available for appropriation	513,000,903	492,772,434
Appropriation		
Closing Retained Earning at year end (Before proposed final dividend)	513,000,903	492,772,434
Proposed Dividend for the year 2019 (9% cash for shareholders excluding Directors and Sponsors and 5% stock for all shareholders) (in 2018: 5% cash and 15% stock)	85,189,034	131,835,000
Retained Earnings after proposed dividend	427,811,869	360,937,434

Statutory Auditors

The Auditors of the Company, Ahmed Zaker & Company, Chartered Accountants 89, Kakrail, Green City Edge (Level 10), Dhaka 1000 has carried out the audit of the company for the year ended 30 June 2019. They were appointed as Statutory Auditor in 11th AGM. As per regulation 15 (2) & (3) of DSE and CSE (listing) regulations, 2015 existing auditor is eligible for re-appointment. Accordingly, the Board of Directors has recommended re-appointment of Ahmed Zaker & Company, Chartered Accountants 89, Kakrail, Green City Edge (Level 10), Dhaka 1000. A proposal for appointment of M/S Ahmed Zaker & Company, Chartered Accountants as auditor for the year 2019-20 of the Company will be placed in the forthcoming 12th AGM for shareholder's approval and fixation of their fees.

Professionals for Compliance of Corporate Governance Code

The Board has appointed Podder & Associates, Cost and Management Accountants 6/A/1, Segunbagicha (Ground Floor), Dhaka 1000 as professional for report on Compliance Governance Code for the year 2019-20 and will be placed in the forthcoming 12th AGM for shareholder's approval and fixation of their fees.

Acknowledgment

The Company express its sincere thanks and gratitude to the respected shareholders, valued clients, Banks and well-wishers home and aboard for their wholehearted co-operation and active support.

We are thankful to the Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Registrar of Joint Stock Companies & Firms (RJSC), Central Depository Bangladesh Limited (CDBL), Government and private sector Organization and many others for extending co-operation and support to our company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of the executives, officers and employees of the company at all levels without which we could not have achieved this result.

Thanks are also due to all directors, all executives, officers, staff and workers of the company for their excellent, sincere, dedicated efforts in achieving company's target during the year.

I, on behalf of the board of the directors, take the opportunity to inform you that we welcome any suggestions and opinion to improve our Company performance and financial stability.

Thanking you.

On behalf of the Board of Directors

Sd/-
Ms. Hafiza Khanam
Chairman