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 13th Annual General Meeting. It is a pleasure to present you the Audited Financial Statements of the Company for the year ended June 30, 2020, 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 and 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 795.9 5 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 decreased compared to previous years as explained before, finally standing at Taka 119.08 Crore for the year ended on 30 June, 2020. Yet the efficient and prudent management has enabled the company to earn a moderate profit.

The operating financial results of the Company for the year 2019-2020 as compared to previous year are summarized hereunder:

Particulars	2019-2020	2018-2019
Turnover	1,190,877,276	1,448,580,502
Gross Profit	199,902,681	313,844,087
Financial Expenses	69,956,863	57,550,261
Other Income	1,388,841	2,415,226
Net Profit Before Tax (NPBT)	63,646,636	172,735,170
Provision for Taxation	19,178,355	20,671,701
Net Profit After Tax (NPAT)	44,468,281	152,063,469
Gross Margin (Turnover)	16.79%	21.67%
Net Margin Before Tax	5.34%	11.92%
Net Margin After Tax	3.73%	10.50%
Earnings Per Share (EPS) BDT.	0.56	1.91
Number of Shares used to compute EPS	79,595,381	79,595,381

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 in only 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 affects 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, risk factors of the industry depend on the Government polices 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 policy makers 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 beaffected in the short run.

In addition to the above conventional risk, we are going through most deadly risk that has ever been experienced before worldwide, i.e. the risk of Covid-19. Unless the researchers around the world find atruly useful vaccine against Covid-19, huge catastrophes are to be faced by humanity and we are also part of the group. However, we are hopeful about finding solution to fight back Covid-19 as done before for centuries against pandemics.

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

Profit from Operation	2019-2020		2018-2019	
	Amount	Percentage	Amount	Percentage
Turnover	1,190,877,276	100%	1,448,580,502	100%
Cost of Goods Sold	990,974,595	83.21%	1,134,736,415	78.33%
Gross Profit	199,902,681	16.79%	313,844,087	21.67%
Net Profit for the year	44,468,281	3.73%	152,063,469	10.50%

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

During the year 2019-2020 our sales has been reduced due to worldwide effect of COVID-19. As a result, Net profit after tax, Earnings per share (EPS), Net Assets Value (NAV) per share has been reduced as compared to previous years. Net Operating Cash Flows per Share (NOCFPS) has also reduced from the comparative period due to higher proportion of payments to the suppliers, employees and others as against cash collection from turnover and others.

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 03 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 CGC, the Board of Directors had appointed Mr. Md. Yunus Ali and Mr. 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 being a retired banker gathers experience in the corporate industry. He completed M.Com. and B.Com.(Hon's) majoring in Management from the University of Rajshahi. Mr. Akram Hossain is also a retired banker and specialist in the field of credit management, documentary credit etc. Both of them have vast experience in Banking, Accounting, Company Law and other matters.

Chief Financial Officer, Company Secretary, Head of Internal Audit

As per Corporate Governance Code of BSEC, the company has allocated the responsibilities of the officials as follows:

Chief Financial Officer	: Mr. M A Shahjahan
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 including one Independent Director. 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 including two Independent Directors among them one Independent director play roles 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 03 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 and 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 Director of the Board will retire at the annual general meeting and be eligible to offer them for re-election:

1) Ms. Hafiza Khanam

Shareholding pattern

The shareholding of directors at the end of 30 June, 2020 is shown as below:

	Name of the 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	Chairman	1,713,840	2.15%
	Mr. Neaz Rahman Shaqib	Managing Director	5,420,955	6.81%
	Mr. Md. Ensan Ali Sheikh	Director	1,713,840	2.15%
	Mr. Md. Yunus Ali	Independent Director	Nil	Nil
	Mr. Md. Akram Hossain	Independent Director	Nil	Nil
	Mr. M A Shahjahan	Chief Financial Officer	Nil	Nil
	Mr. Ashis Kumar Saha	Company Secretary	Nil	Nil
	Mr. Kobirul Islam	Head of Internal Audit	Nil	Nil
c.	Executives	-	Nil	Nil
d.	Shareholders holding 10% or more voting interest in the Company	Mr. Md. Siddiqur Rahman	14,778,996	18.57%

Directors involved in other Companies:

Sl.	Name	Position in SIL	Involved in Other Company	Position
1	Ms. Hafiza Khanam	Chaiman	-	-
2	Mr. Neaz Rahman Shaqib	Managing Director	-	-
3	Mr. Md. Ensan Ali Sheikh	Director	-	-
4	Mr. Md. Yunus Ali	Independent Director	-	-
5	Mr. Md. Akram Hossain	Independent Director	-	-

Board Meeting and Attendance

10 (Ten) nos. of Board of Directors Meeting were held during the year. The attendance record of the directors is as given below:

Name of Directors	Meeting Held During His/Her Duration	Attendance
Ms. Hafiza Khanam	10	10
Mr. Neaz Rahman Shaqib	10	09
Mr. Md. Ensan Ali Sheikh	10	10
Mr . Md. Yunus Ali	10	10
Mr . Md. Akram Hossain	10	10

Director's remuneration

Directors' remuneration is shown in the note no. 24 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 03 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. Page No. 19.

i) The key operating and financial data for the last five years. Page No. 20.

Going Concern

While approving the financial statements, the directors have made appropriate inquiries and analysis 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 are significant deviation from the last year's operating result like sales, net profit, NAV and NOCPS due to Covid-19 pandemic.

Dividend

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

Particulars	2019-2020	2018-2019
Profit available for appropriation:	Amount in Taka	Amount in Taka
Profit/loss after Tax	44,468,281	152,063,469
Un-appropriated profit brought forward from previous year	427,811,871	360,937,434
Prior Adjustment	113,819	-
Total Amount available for appropriation	472,166,333	513,000,903
Appropriation		
Closing Retained Earning at year end (Before proposed final dividend)	472,166,333	513,000,903
Proposed Dividend for the year 2020 (5% cash for General shareholders excluding Directors and Sponsors) and in 2019 (9% cash for General shareholders excluding Directors and Sponsors and 5% stock for all shareholders)	27,583,776	85,189,032
Retained Earnings after proposed dividend	444,582,557	427,811,871

Basis for Qualified Opinion:

As disclosed in Note # 3.00 to the financial statements,the company recognized property, plant and equipment of BDT 1,331,884,307 in the statement of financial position. The company did not maintain fixed assets register properly with details containing information such as identification number of assets held, date of acquisition, cost of purchase, category of assets, accumulated depreciation, etc. Due to lack of such update records, completeness and accuracy of the said fixed assets was not traceable.

As disclosed in Note # 17.00, during the year 2016 the company was granted short-term loan facilities of BDT 300,000,000 from the International Leasing and Financial Services Limited against which BDT 185,800,000 was disbursed during the year 2017. The said amount of loan and interest left unrecognized in the financial statements from year ended June 30, 2017 onwards. However, the company recognized the above amount of loan along with corresponding assets bought, during the current financial year ended 30 June 2020.

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 2020. They were appointed as Statutory Auditor in 11th AGM and has completed 2nd year audit. Upon our mutual understanding, they will not continue further. As such, we received expression of interest from M/S Pinaki & Company, Chartered Accountants, Ahsandell, 2/A Mymensingh Road (2nd Floor), Shahbagh, Dhaka-1000. The Board of Directors has recommended to appoint M/S Pinaki & Company, Chartered Accountants, Ahsandell, 2/A Mymensingh Road (2nd Floor), Shahbagh, Dhaka-1000 as Auditor for the year 2020-2021.Accordingly, a proposal is being placedfor Shareholder's approval and fixation of their fees, subject to the approval by the Shareholders in 13th AGM.

Professionals for Compliance of Corporate Governance Code

The Board of Directors has recommended the re-appointment of Podder and Associates, Cost and Management Accounts, 6/A/1, Segunbagicha (Ground Floor), Dhaka-1000 as professional for Report on Compliance Governance Code for the year 2020-2021 on their willingness to certify the compliance of Corporate Governance Code as issued by the Bangladesh Securities and Exchange Commission, subject to the approval by the shareholders in the13th AGM.

Acknowledgment

The Company expresses its sincere thanks and gratitude to the respected shareholders, valued clients, banks and well-wishers home and aboardfor 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 of the Company for their excellent, sincere and dedicated efforts in achieving Company's result.

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's performance and financial stability.

Thanking you.

On behalf of the Board of Directors

Ms. Hafiza Khanam
Chairman