



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 14th Annual General Meeting. It is a pleasure to present you the Audited Financial Statements of the Company for the year ended June 30, 2021, 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 795.95 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 Tk.133.06 Crore for the year ended on 30 June 2021. The textile sector is passing through hard time in recent era internationally. 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 2020-2021 as compared to previous year are summarized hereunder:

Particulars	2020-2021	2019-2020
Turnover	1,330,609,019	1,190,877,276
Gross Profit	222,035,767	199,902,681
Financial Expenses	61,156,297	69,956,863
Other Income	1,889,739	1,388,841
Net Profit Before Tax (NPBT)	79,295,297	63,646,636
Provision for Taxation	6,227,853	19,178,355
Net Profit After Tax (NPAT)	73,067,444	44,468,281
Gross Margin (Turnover)	16.69%	16.79%
Net Margin Before Tax	5.96%	5.34%
Net Margin After Tax	5.49%	3.73%
Earnings Per Share (EPS) BDT.	0.92	0.56
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 raise production cost and reduction of profitability.

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 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.

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 menaces. The researchers around the world have in the meantime found effective vaccine against Covid-19, but still it is a gigantic task to cover peoples to a acceptable level. Therefore the risk will be prevailing.

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

Profit from Operation	2020-2021		2019-2020	
	Amount	Percentage	Amount	Percentage
Turnover	1,330,609,019	100%	1,190,877,276	100%
Cost of Goods Sold	1,108,573,252	83.31%	990,974,595	83.21%
Gross Profit	222,035,767	16.69%	199,902,681	16.79%
Net Profit for the year	73,067,444	5.49%	44,468,281	3.73%

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. 2.20 of the notes to the financial statements.

Significant variance of financial statements

Over all COVID-19 situation has been improved worldwide. In Bangladesh the COVID-19 situation has also improved as well. World business and economy is improving as compared to the initial stage of COVID-19 scenario. As a result, RMG and related business has regained the pace of improvement. During the financial year 2020-21, our sewing thread sales has been increased compared to financial year 2019-20. Due to increase of sales, Net profit After Tax, Earnings per Share (EPS), Net Assets Value per share has increased compared to previous year. While Net operating Cash Flow per Share has also been increased compared to previous year due to increase of collection from customers. Besides, there has been lesser proportion of payments to the supplier and others in the ordinary course of business.

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 six including two Independent Directors in line with notification given by BSEC.



Independent Directors

In terms of the provision under CGC, the Board of Directors appointed Mr. Md Yunus Ali and Mr. Akram Hossain as Independent Directors of the company for a period of three years till 29th July 2021 and 14th April 2022 respectively. Upon end of his tenor Mr. Md. Yunus Ali retired from the Board on 30 July 2021 and in the vacant position Mr. Shah Md. Asad Ullah joined in the Board in his place on October 07, 2021 as an independent Director.

Qualification of Independent Director

Mr. Akram Hossain is a retired banker and specialist in the field of credit management, documentary credit etc. He has vast experience in Banking, Company Law and other matters. Mr. Akram Hossain retired from Janata Bank Limited as General Manager. Mr. Shah Md Asad Ullah obtained his Honors and Masters in Philosophy from the University of Dhaka. He is a retired banker and earned his professional qualification from Diplomaed Associates of the Institute of Bankers Bangladesh (DAIBB) from the Institute of Bankers Bangladesh Mr. Shah Md Asad Ullah retired as a General Manager from Janata Bank Limited.

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 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 executives as well as a policy for formal process of considering remuneration of directors, top level executives 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 provisions 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) Mr. Md. Ensan Ali Sheikh



Shareholding pattern

The shareholding of directors at the end of 30 June, 2021 is shown 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:			
	Lt Col Md Anisur Rahman (Retd.)	Chairman	1,594,961	2.00%
	Mr. Neaz Rahman Shaqib	Managing Director	5,420,955	6.81%
	Ms. Hafiza Khanam	Director	1,713,840	2.15%
	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. MA 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	Lt Col Md Anisur Rahman (Retd.)	Chairman	-	-
2	Mr. Neaz Rahman Shaqib	Managing Director	-	-
3	Ms. Hafiza Khanam	Director	-	-
4	Mr. Md. Ensan Ali Sheikh	Director	-	-
5	Mr. Md. Akram Hossain	Independent Director	-	-
6	Mr. Md. Yunus Ali	Independent Director	-	-

Board Meeting and Attendance

9 (Nine) 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
Lt Col Md Anisur Rahman (Retd.)	3	3
Mr. Neaz Rahman Shaqib	9	9
Ms. Hafiza Khanam	9	6
Mr. Md. Ensan Ali Sheikh	9	9
Mr. Md. Yunus Ali	9	9
Mr. Md. Akram Hossain	9	9

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:

- 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.
- 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. 22.
- i) The key operating and financial data for the last five years. Page No. 23.

Going Concern

While approving the financial statements, the directors have made appropriate inquiries and analysis of the significant financial result 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 positive deviation from the last year's operating result like sales, net profit, NAV and NOCF PS. Especially in the Net Operating Cash Flows per Share (NOCFPS) has increased due to better cash collection from turnover and others while lesser proportion of payments to the suppliers and others.

Dividend Policy

The Board of Directors has established a dividend policy, which forms the basis for the proposals on dividend payments that it makes to the Shareholders taking into consideration the business performance of the Company and its strategic initiatives. The Board believes that it is in the best interest of Simtex Industries Limited (SIL) to draw up a long-term and predictable dividend policy. The Board has approved the following dividend policy:

Important highlights of the Dividend Distribution Policy are as follows:

Procedure for payment of dividends

Dividend would be recommended by the Board of Directors based on the Audited Financial Statements of the company. All requisite approvals and clearances, where necessary shall be obtained before the declaration of dividend. Dividend shall be approved by the Shareholders at an Annual General Meeting (AGM) on the basis of recommendation of the Board of Directors but no dividend shall exceed the amount recommended by the Directors. No dividend shall be paid other than out of profits of the year or any other undistributed profits. No dividend shall be declared out of the capital reserve account or the revaluation reserve account or any unrealized gain or out of profit earned prior to the incorporation of the company, if any, or through reducing paid-up capital or through doing anything so that the post-dividend retained earnings become negative or a debit balance.

Final dividend

The Board of Directors of the company shall recommend final dividend for the shareholders on the basis of annual audited financial statements and declare the shareholders who shall be entitled to such dividend. The decision about recommending or not recommending final dividend and entitlement for such dividend, if recommended, shall be taken after considering the interim dividend already distributed and cannot be changed prior to holding of the AGM. In case of declaration of stock dividend for the year, the company shall explain the reason for declaring stock dividend and utilization of such retained amount as capital (stock dividend) shall be disclosed in the annual report.



Entitlement to dividend

The Shareholders whose names would appear in the Register of the company and/or in the Depository on the 'Record Date' would be entitled to receive the dividend and would be eligible to join the AGM and entitled to receive the annual/final dividend.

Payment of dividend

SIL shall pay off the final dividend to the entitled shareholders, within 30 (thirty) days from the date of approval by shareholders in AGM.

Cash dividend

Cash dividend shall be distributed in the following manner and procedures:

- Within 10 (ten) days of declaration of cash dividend by the Board of Directors, an amount equivalent to the declared cash dividend payable for the concerned year shall be kept in a separate bank account of SIL.
- SIL shall pay off cash dividend directly to the bank account of the entitled shareholders as available in the BO account maintained with the depository participant (DP), or the bank account as provided by the shareholders in paper form, through Bangladesh Electronic Funds Transfer Network (BEFTN).
- SIL may pay off such cash dividend through bank transfer or any electronic payment system as recognized by the Bangladesh Bank, if not possible to pay off through BEFTN.
- Upon receiving the claim on cash dividend from a stock broker or a merchant banker or a portfolio manager for the margin client or customer who has debit balance or margin loan, or as per intention of the client of stock broker or merchant banker or portfolio manager, SIL shall pay off such cash dividend to the Consolidated Customers' Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager through BEFTN.
- In case of non-availability of bank account information or if not possible to distribute cash dividend through BEFTN or electronic payment system, SIL shall issue cash dividend warrant and shall send it by post to the shareholders.

SIL shall maintain detailed information of unpaid or unclaimed cash dividend and rationale thereof, as per BO account (number-wise or name-wise or folio number-wise) of the shareholders, and shall also disclose the summary of aforesaid information in the annual report and shall also report in the statements of financial position (Quarterly/annually) as a separate line item 'Unclaimed Dividend Account'. SIL shall publish the year-wise summary of its unpaid or unclaimed cash dividend in the website.

Stock dividend

SIL shall credit stock dividend directly to the BO account or issue the bonus share certificate of the entitled shareholders, as applicable, within 30 (thirty) days of declaration or approval or record date, as the case may be, subject to clearance of the exchange(s) and the Central Depository Bangladesh Limited (CDBL). SIL shall follow the provisions of Regulation 46 of the Depository Regulation, 2003 for issuance of bonus shares. SIL shall maintain a Suspense BO Account for undistributed or unclaimed stock dividend or bonus shares and shall also follow the under mentioned procedures for ensuring the rightful ownership:

- SIL shall send at least 3 (three) reminders to the entitled shareholders.
- The Suspense BO Account shall be held under Block Module and such undistributed or unclaimed stock dividend or bonus shares shall not be transferred in any manner except for the purpose of allotting the bonus shares as and when the allottee approaches to the issuer.
- Any corporate benefit in terms of shares accrued on such undistributed or unclaimed stock dividend or bonus shares shall be credited to the Suspense BO Account.
- SIL shall, upon receiving application from the allottee and after proper verification of identity and his entitlement, credit the bonus shares lying with the Suspense BO Account to the BO account of the allottee, or issue bonus shares to the allottee, as applicable, within 15 (fifteen) days of receiving application with an intimation to the Bangladesh Securities and Exchange Commission (BSEC) and Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).
- Any voting rights on such undistributed or unclaimed stock dividend or bonus shares shall remain suspended till the rightful ownership claim of the shareholders is established.



Payment of unclaimed or unpaid cash dividend and stock dividend

SIL shall not forfeit any unclaimed cash dividend or stock dividend till the claim becomes barred by the law of land in force. SIL shall follow the rules & regulations of the regulators issued from time to time regarding payment of unclaimed or unpaid cash dividend and stock dividend to the entitled shareholders.

Submission of dividend distribution compliance report

SIL shall submit a dividend distribution compliance report to BSEC, DSE & CSE in a specified format issued by the regulator(s) within stipulated time of completion of dividend distribution to the entitled shareholders.

Dividend

The Board of Directors has recommended 4% cash dividend for all ordinary shareholders including Sponsors and Directors.

Particulars	2019-2020	2018-2019
Profit available for appropriation:	Amount in Taka	Amount in Taka
Profit/loss after Tax	73,067,444	44,468,281
Un-appropriated profit brought forward from previous year	444,582,557	427,811,871
Prior Adjustment	19,500,889	(113,819)
Total Amount available for appropriation	537,150,890	472,166,333
Appropriation	-	-
Closing Retained Earning at year end (Before proposed final dividend)	537,150,890	472,166,333
Proposed Dividend for the year 2021 (4% cash for all ordinary shareholders including Directors and Sponsors) and in 2020 (5% cash for General shareholders excluding Directors and Sponsors)	31,838,152	27,583,776
Retained Earnings after proposed dividend	505,312,738	444,582,557

Basis for Qualified Opinion;

1. Maximum payments against purchase & expenses (except import purchase) has been incurred in cash instead of A/C payee cheque or bank transfer. During the year total withdraw from Bank is BDT 488,302,294.00 in which BDT 279,903,940.00 has been incurred in cash. This may lose the control of fund flow of the company and indicates the noncompliance with Income tax ordinance 1984 guideline.
2. An amount of Tk. 844,004,658.00 has been shown in accounts as purchase. But purchase amount in Musak-9.1 (Vat Return) is **Tk. 640,311,461.00** and Goods in transit **Tk. 30,643,265.00** Total **Tk. 670,954,726.00** (Difference amount of Tk. 173,049,932.00 ± includes other incidental charges as reported).
3. As disclosed in Note-17.00, Short term loan of Tk. **161,610,717.00** from the International Leasing and Financial Services Limited has fully been settled off by **Tk. 141,979,700.00** crore, balancing an amount of Tk. **19,631,017.00** crore has been adjusted with retained earnings.

Statutory Auditors

The Auditors of the Company, M/S Pinaki & Company, Chartered Accountants 2/A, Ahsandell, Mymensingh Road (2nd Floor), Shahbagh, Dhaka-1000 has carried out the audit of the company for the year ended 30 June 2021. They were appointed as Statutory Auditor in 13th 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 to re-appoint M/S Pinaki & Company, Chartered Accountants 2/A, Ahsandell, Mymensingh Road (2nd Floor), Shahbagh, Dhaka-1000 as Auditor for the year 2021-2022. Accordingly, a proposal is being placed for Shareholder's approval and fixation of their fees, subject to the approval by the Shareholders in 14th AGM.

Professionals for Compliance of Corporate Governance Code

The Board of Directors has recommended for re-appointment M/S 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 2021-2022 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 the 14th AGM.



Acknowledgment

The Company expresses 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 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

A handwritten signature in black ink, appearing to read "Md Anisur Rahman".

Lieutenant Colonel Md Anisur Rahman (Retd),te,MBA,PhD
Chairman