



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 15th Annual General Meeting. It is a pleasure to present you the Audited Financial Statements of the Company for the year ended June 30, 2022, 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 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 is Tk.795.95 million.

Revenue

You are aware that the Company is a 100% deemed exporter, engaged solely in the business of manufacturing Sewing Thread used in the export-oriented garments factories. The turnover of the Company stood at Tk. 138.76 Crore for the year ended on 30 June 2022 positively raised by 4.29% compared to the previous year. The textile sector is passing through hard time in recent years internationally due to recession caused by COVID and war between Russia and Ukraine. 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 2021-2022 as compared to previous year are summarized hereunder:

Particulars	2021-2022	2020-2021
Turnover	1,387,655,587	1,330,609,019
Gross Profit	248,933,094	222,035,767
Financial Expenses	75,609,922	61,156,297
Other Income	1,912,855	1,889,739
Net Profit Before Tax (NPBT)	92,038,554	79,295,297
Provision for Taxation	14,792,085	6,227,853
Net Profit After Tax (NPAT)	77,246,469	73,067,444
Gross Margin (Turnover)	17.94%	16.69%
Net Margin Before Tax	6.63%	5.96%
Net Margin After Tax	5.57%	5.49%
Earnings Per Share (EPS) BDT.	0.97	0.92
Number of Shares used to compute EPS	79,595,381	79,595,381

Segment Reporting

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

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 risks, 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 an acceptable level also we have business risk due to the overall impact of the Russia-Ukraine war. Therefore the risk will be persist.

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

Profit from Operation	2021-2022		2020-2021	
	Amount	Percentage	Amount	Percentage
Turnover	1,387,655,587	100%	1,330,609,019	100%
Cost of Goods Sold	1,138,722,493	82.06%	1,108,573,252	83.31%
Gross Profit	248,933,094	17.94%	222,035,767	16.69%
Net Profit for the year	77,246,469	5.57%	73,067,444	5.49%

Discussion on scope 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. 2.19 of the notes to the financial statements.

Significant variance of financial statements

Over all COVID-19 situation has improved worldwide. In Bangladesh Covid-19 situation has also improved as well. But due to the impact of Russia-Ukraine war, world business and economy is suffering in the recent times. As a result, RMG and related business has been suffering due to the same issues and hampering the RMG export business of our Country. Although having huge barriers during the financial year 2021-22, our sewing thread sale has increased compared to financial year 2020-21. Due to increase of sales, Net profit After Tax, Earnings per Share (EPS), Net Assets Value per share increased compared to previous year. While Net operating Cash Flow per Share has decreased compared to previous year due to slow recovery from receivables.

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 Major General (ret'd) Dr. Md Sarwar Hossain as Independent Director of the company for a period of three years in place of Mr. Akram Hossain upon his resignation from the Board of Directors dated August 17, 2022.

Qualification of Independent Directors

Major General (ret'd) Dr. Md Sarwar Hossain obtained a Master in Management Studies from Hyderabad University, India, and a Doctor of Philosophy from the University of Dhaka. He has varied experience serving in the Armed force of Bangladesh within and outside the country. He was the former Military Secretary to the honourable President of Bangladesh. After retirement, General Sarwar joined a Faculty at NSU (Department of History & Philosophy). He is also the Chairman of AFC Health Ltd, Chief Advisor of Premium Sweets and Third House International. Mr. Shah Md Asad Ullah obtained his BA Honors and Masters in Philosophy from the University of Dhaka. He is a retired banker and earned his professional qualification from Diplomaed Associate of the Institute of Bankers Bangladesh (DAIBB). 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. 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 picture 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 Directors has been constituted with three Non-Executive Directors among them one Independent director plays role as Chairman of the Committee. 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 with 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.

Elect/Re-Elect of Directors

In regards 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, Lt. Col. Md. Anisur Rahman (ret'd.), Director of the Board will retire at the annual general meeting and is eligible for re-election to the same position.



This is to be mentioned that, the Board of Directors of Simtex Industries Limited, in its meeting held on October 27, 2022, advised that Expression Of Interest (EOI) should be obtained from Lt. Col. Md. Anisur Rahman (retd.), existing Director of the Company and or any other eligible candidates if any, before the Annual General Meeting.

Accordingly, the Company has already received Expression Of Interest (EOI) from Lt. Col. Md. Anisur Rahman (retd.), existing Director of the Company and also received an Expression Of Interest (EOI) from a private limited Company holding 2.01% shares of Simtex Industries Limited who have intended to nominate Mr. Md. Nazmus Sakeve Jugbhery as Director in the Board of Simtex Industries Limited.

However, since Company has no casual vacancy in the Board of Directors, we may approach for decision regarding election/re-election before the general shareholders in the 15th Annual General Meeting.

Shareholding pattern

The shareholding of directors at the end of 30 June, 2022 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:			
	Lt Col Md Anisur Rahman (Retd.)	Director	1,594,961	2.00%
	Mr. Neaz Rahman Shaqib	Managing Director	5,420,955	6.81%
	Mr. Sharif Shahidul Islam (Representing Excel Farmganic Limited)	Nominated Director	1,876,000	2.36%
	Mr. Md. Hafizur Rahman (Representing Excel Farmganic Limited)	Nominated Director	Nil	Nil
	Mr. Md. Akram Hossain	Ex-Independent Director	Nil	Nil
	Mr. Shah Md. Asad Ullah	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	Lt Col Md Anisur Rahman (Retd.)	Director	Nil	-
2	Mr. Neaz Rahman Shaqib	Managing Director	Nil	-
3	Mr. Sharif Shahidul Islam	Nominated Director	Nil	-
4	Mr. Md. Hafizur Rahman	Nominated Director	Nil	-
5	Mr. Md. Akram Hossain	Ex- Independent Director	Nil	-
6	Mr. Shah Md. Asad Ullah	Independent Director	Nil	-

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.)	9	9
Mr. Neaz Rahman Shaqib	9	9
Ms. Hafiza Khanam	6	6
Mr. Md. Ensan Ali Sheikh	6	6
Mr. Md. Akram Hossain	9	8
Mr. Shah Md. Asad Ullah	7	7
Mr. Sharif Shahidul Islam	3	3
Md. Hafizur Rahman	3	3



Directors' remuneration

Directors' remuneration is shown in the note no. 25 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 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. 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 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

During the year due to impact of COVID-19 followed by Russia Ukraine war that has resulted recession in the target market of our RMG sector who are our buyers. We have been suffering from slow recovery of receivables and cash collection which has resulted in reduction of our Net Operating Cash Flows Per Share (NOCFPS) as compared to previous year.

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 to 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 participant (DP) 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, 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. As per BSEC's requirements we have already transferred the unclaimed or unpaid dividend amount to the CMSF recently. A list of the shareholders by name has been uploaded to our company official website.

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 8% cash dividend for all ordinary shareholders including Sponsors and Directors.

Particulars	2021-2022	2020-2021
Profit available for appropriation:	Amount in Taka	Amount in Taka
Profit/loss after Tax	77,246,469	73,067,444
Un-appropriated profit brought forward from previous year	505,312,738	444,582,557
Prior Adjustment	27,793	19,500,889
Total Amount available for appropriation	582,587,000	537,150,890
Appropriation	-	-
Closing Retained Earning at year end (Before proposed final dividend)	582,587,000	537,150,890
Proposed Dividend for the year 2022 (8% cash for all ordinary shareholders including Directors and Sponsors) and in 2021 (4% cash for all ordinary shareholders including Directors and Sponsors)	63,676,305	31,838,152
Retained Earnings after proposed dividend	518,910,695	505,312,738

Basis for Emphasis of Matter:

1. Cash payment above Tk. 50,000 should be avoided at any cost.
2. The total purchase should be reconciled with monthly VAT return (Mushak 9.1).
3. Unclaimed dividend need be substantiated by specific bank balance.
4. Workers portion of Workers Profit Participate Fund (WPPF) should be made under bank transactions.
5. Due care need be maintained for documentation against foreign exchange gain or loss.
6. Long standing Advance against Expenses and Purchase demand due scrutiny and be accounted for.
7. Overall documentation need be further developed.

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 2022. They were appointed as Statutory Auditor in 14th 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 2022-2023. Accordingly, a proposal is being placed for Shareholder's approval and fixation of their fees, subject to the approval by the Shareholders in 15th 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 2022-2023 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 15th AGM.

Acknowledgment

The Company expresses its sincere thanks and gratitude to the respected shareholders, valued clients, banks and well-wishers home and abroad 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 the 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

Major General (retd) Dr. Md Sarwar Hossain
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND PERFORMANCE

The world has witnessed toughest time in the history of 21st century because of Covid-driven pandemic. In the meanwhile, we have also witnessed the on going war between Russia-Ukraine which directly created huge impact on the overall financial situation of the world. Since the Covid situation became eased in the recent time we have faced another back to back issue thereafter. In spite of that, in the fiscal year 2021-22 Bangladesh has crossed the milestone of \$50 billion in exports for the first time. Bangladesh's exports increased by 35.47 percent in one fiscal year. From July 2021 to June 2022, Bangladesh exported goods worth \$52.08 billion in total during 12 months, of which \$42.61 billion was from ready-made garments, which accounted for 81.81 percent of total exports in the just-ended fiscal year. In the previous fiscal year apparel exports were worth \$31.45 billion. The main reason for the success of the RMG sector in Bangladesh in the last financial year was the diversification of export destinations to some extent.

As far as our company is concerned, during the preceding five financial years, the company generated moderate growth in sales. Our sales and net profit after tax were in good position in the year 2017-2018 and 2018-2019 which was hampered in the year 2019-2020 due to Covid issues and followed by Russia and Ukraine war with the thread of world wide rescission. However, we assure that we would be cautious and prudent to manage the situation for maintaining sustainability.

As far as risks are concerned, Simtex Industries Limited is exposed to foreign exchange risk and inflation risk. We are both Importer and Exporter, as such foreign exchange risk is well mitigated while the risk of inflation in the economy will be managed by adjustment of prices of products and other strategies.

Neaz Rahman Shaqib
Managing Director