



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 16th Annual General Meeting. It is a pleasure to present you the Audited Financial Statements of the Company for the year ended June 30, 2023, 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 (IFRS), International Accounting Standards (IAS), 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 Tk. 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 saw a 7.97% rise as compared to the previous year, with its value standing at Tk. 149.19 crore and showing net profit after tax 6.52 crore for the year ended on 30 June 2023.

The operating financial results of the Company for the year 2022-2023 as compared to previous year are summarized hereunder:

Particulars	2022-2023	2021-2022
Turnover	1,491,911,950	1,387,655,587
Gross Profit	255,395,401	248,933,094
Financial Expenses	76,878,322	71,763,594
Other Income	1,848,644	1,912,855
Net Profit Before Tax (NPBT)	82,509,443	92,038,554
Provision for Taxation	17,246,402	14,792,085
Net Profit After Tax (NPAT)	65,263,041	77,246,469
Gross Margin (Turnover)	17.12%	17.94%
Net Margin Before Tax	5.53%	6.63%
Net Margin After Tax	4.37%	5.57%
Earnings Per Share (EPS) BDT.	0.82	0.97
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 in our belief that we can retain our reputation as a quality manufacturer and one of the market leaders in this field.



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 hikes of raw materials due to changes in strategies in the international market, or politics, may lead to higher manufacturing expenses, and reduction in 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 we expect 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.

While recessions in the western countries and other markets of RMG arising out of Covid-19 pandemic and war is being continued and likely to prolong. As such hope for improvement is yet to be sighted in the near future. Under the circumstances our sustainability will depend on attaining efficiency and controlling cost. Alongside, the company will strive for new customers and markets.

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

Profit from Operation	2022-2023		2021-2022	
	Amount	Percentage	Amount	Percentage
Turnover	1,491,911,950	100%	1,387,655,587	100%
Cost of Goods Sold	1,236,516,549	82.88%	1,138,722,493	82.06%
Gross Profit	255,395,401	17.12%	248,933,094	17.94%
Net Profit for the year	65,263,041	4.37%	77,246,469	5.57%

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. 38 of the notes to the financial statements.

Significant variance of financial statements

The overall situation in the global business and economy is still suffering in the aftermath of the COVID-19 pandemic and Russia and Ukraine War. The RMG industry and related businesses are suffering due to low consumer demand in the global RMG market. Although the Company saw a fall in its sale quantity during the financial year 2022-2023 compared to its previous year 2021-2022, the financial statements showing an increase in the Sales/Revenue, standing at Tk. 1,491,911,950 compared to previous financial year's revenue of Tk. 1,387,655,587 which is due to depreciation of Taka as against US dollar.

Investment Planning

Company is pursuing with a prudent plan for investment in capital assets and working capital very cautiously in the best interest of the company only.

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 7 (Seven) including Three Independent Directors in line with notification given by BSEC.



Independent Directors

According to the terms of the provision under CGC, the Board of Directors appointed Mr. Shah Md Asad Ullah, Major General (ret'd) Dr. Md Sarwar Hossain and Mr. Moinul Islam FCA as Independent Directors of the company for a period of 3 (three) years which will expire on 6th October 2024, 16th August, 2025, and 27th October, 2026 respectively.

Qualification of Independent Directors

Major General (ret'd) Dr. Md Sarwar Hossain has obtained Master's in Management Studies from Hyderabad University, India, and also obtained Phd from University of Dhaka. He has varied experience serving in the Armed force of Bangladesh within and outside the country. After retirement, General Sarwar joined as a Faculty in the History & Philosophy department at NSU. He is also 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 as "Diplomayed Associate" from the Institute of Bankers Bangladesh (IBB). Mr. Shah Md Asad Ullah retired as a General Manager from Janata Bank Limited.

Mr. Moinul Islam, FCA is an associate member of the Institute of Chartered Accountants of Bangladesh (ICAB) and became a Fellow Member in 2021. Being an FCA he is adequately qualified and gained extensive experience in different corporations in Finance and Accounts. He will be able to contribute to the Company through Board of Directors in many ways like compliance and planning business strategies.

Chief Financial Officer, Company Secretary (CC), Head of Internal Audit

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

Chief Financial Officer	: Mr. Saikh Bin Abedin
Company Secretary (CC)	: Mr. Md. Saddam Hossin
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 (CC) 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 which 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 play roles as Chairman of the Committee. The Company Secretary (CC) 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 exchanges.

Subsidiary Company

The company has no subsidiary company whatsoever.



Duties of CEO and CFO

The provisions of BSEC regulations have been complied as reflected 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 regulation. Accordingly, the following Director(s) of the Board will retire at the next Annual General Meeting, and they will be eligible for re-appointment through re-election in the Board:

- 1) Mr. Sharif Shahidul Islam Director
- 2) Mr. Md. Hafizur Rahman Director

Shareholding pattern

The shareholding of directors at the end of 30 June, 2023 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: Major General (ret'd) Dr. Md Sarwar Hossain	Independent Director & Chairman	Nil	Nil
	Mr. Neaz Rahman Shaqib	Managing Director	5,420,955	6.81%
	M/S Excel Farmganic Limited (Represented by: Mr. Sharif Shahidul Islam and Mr. Md. Hafizur Rahman)	Nominated Director	3,184,000	4.00%
	M/S Arcturus Limited (Represented by: Mr. Md. Nazmus Sakeve Jugbhery)	Nominated Director	1,601,000	2.01%
	Mr. Shah Md. Asad Ullah	Independent Director	Nil	Nil
	Mr. Moinul Islam FCA	Independent Director	Nil	Nil
	Mr. Saikh Bin Abedin	Chief Financial Officer	Nil	Nil
	Mr. Md. Saddam Hossin	Company Secretary (CC)	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	Major General (ret'd) Dr. Md Sarwar Hossain	Independent Director & Chairman	-	-
2	Mr. Neaz Rahman Shaqib	Managing Director	-	-
3	Mr. Sharif Shahidul Islam	Nominated Director	-	-
4	Mr. Md. Hafizur Rahman	Nominated Director	-	-
5	Mr. Md. Nazmus Sakeve Jugbhery	Nominated Director	-	-
6	Mr. Shah Md. Asad Ullah	Independent Director	-	-
7	Mr. Moinul Islam FCA	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
Major General (retd) Dr. Md Sarwar Hossain	10	9
Mr. Neaz Rahman Shaqib	10	10
Mr. Sharif Shahidul Islam	10	10
Mr. Md. Hafizur Rahman	10	10
Mr. Md. Nazmus Sakeve Jugbhery	5	5
Mr. Shah Md. Asad Ullah	10	10
Mr. Md. Akram Hossain	1	1

Directors' remuneration

Directors' remuneration is shown in the note no. 25 and 38 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:

- 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.
- Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- 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.
- The system of internal control is sound and being implemented and monitored effectively.
- No bonus shares or stock dividend has been or shall be declared as interim dividend.
- 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 given at Page No.
- The key operating and financial data for the last five years given at Page No.

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

During the year 01 July 2022 to 30 June 2023 there has been growth in operational revenue while operational expenses, financial expenses, and tax expenses have increased in high proportion, which has resulted in decreased "Net Profit After Tax and Earnings Per Share (EPS)" as compared to the previous year in 2021-2022.

During the year 2022-2023 under-report sales has increased considerably while the pace of cash collection has also been comparatively better than the same period of the previous year resulting "Net operating cash flows per share (NOCPs)" moved towards positive direction significantly.



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 unrealized 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 to 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 10% cash dividend for General Shareholders and 6% cash dividend for Sponsors and Directors.

Particulars	2022-2023	2021-2022
Profit available for appropriation:	Amount in Taka	Amount in Taka
Profit/loss after Tax	65,263,041	77,246,469
Un-appropriated profit brought forward from previous year	518,910,695	505,312,738
Prior Adjustment	-	27,793
Total Amount available for appropriation	584,173,735	582,586,999
Appropriation	-	-
Closing Retained Earning at year end (Before proposed final dividend)	584,173,735	582,586,999
Proposed Dividend for the year 2023 (10% cash dividend for General Shareholders and 6% cash dividend for Sponsors and Directors.) and in 2022 (8% cash for all ordinary shareholders including Directors and Sponsors)	54,402,286 15,115,857	63,676,305
Retained Earnings after proposed dividend	514,655,592	518,910,695



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 2023. They were appointed as Statutory Auditor in 15th AGM. As per regulation 15 (2) & (3) of DSE and CSE (listing) regulations, 2015 existing auditor is not eligible for re-appointment. Accordingly the Board of Directors has recommended to appoint M/S Habib Sarwar Bhuiyan & Co, Chartered Accountants, Eastern commercial complex, 73 Kakrail, 7th floor, Chamber 704 & 705 Dhaka-1000 as Auditor for the year 2023-2024. Accordingly, a proposal is being placed for Shareholder's approval and fixation of their fees, in the upcoming AGM to be held on 28 December 2023.

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 Reporting on Compliance of Governance Code for the year 2023-2024 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 16th 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

Major General (retd) Dr. Md Sarwar Hossain
Chairman