



DIRECTOR'S REPORT 2022

Dear Shareholders,

Assalamualaikum,

It is the pleasure of the Board of Directors to present our Directors' Report, Auditors Report' and the Audited Financial Statements of the Company for the year ended June 30, 2022, along with Company's performance and other matters in terms of the Companies ACT 1994, International Accounting Standards, the guideline issued by Bangladesh Securities and Exchange Commission, listing regulations of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. and other applicable rules and regulations.

Background

SK Trims & Industries Limited was incorporated in Bangladesh as a Private Limited Company with the issuance of Certificate of incorporation bearing no. C-116347/14 dated on June 01, 2014 by the Registrar of Joint Stock Companies & Firms, Dhaka, Bangladesh. Later on, April 25, 2016, the name of the Company was changed to SK Trims & Industries Limited from SK Tharead & Industries Ltd. The Company Converted into public Limited company on August 13, 2017.

The Company started its commercial operation on 01 June 2014. SK Trims & Industries Limited has engaged in manufacturing, of all kinds of Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. for export oriented garments industry.

SK Trims & Industries Limited is a 100% deemed export oriented company. Its products are marketed based on buyer's requirement. It exports Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. against L/C. It supplies to export oriented garments industry against Back to Back L/C. All 100% export oriented garments industries are the main buyer. It works as a deemed exporter.

The Authorized capital of the company is Tk. 1,000.00 million and paid up capital TK.847.00 million. The company was listed to DSE and CSE on 2018.

Industry outlook and possible future developments in the industry

The company is 100% deemed exporter, mainly engaged in the business of manufacturing of all kinds of Carton, Elastic, Photo Card, Twill tape, Back board, Gum tape, Tissue Paper, Poly, Swing Thread, Sticker, Photo inlay, Bar code, Hangtag etc. for use in export oriented garments. Competitive wage rate together with easily trainable work force, entrepreneurial skill, expanding supply side capacity, and government policy support helped to transform the comparative advantages into competitive advantages for this industry. The core strength of the accessories sector is its backward linkage.

Current Development Programs:

Started of new production	<p>The Company has started operation of new product from the beginning of the month of November, 2022. Details of new production is given below –</p> <p>1. New Product: The Company has started production of following new products:</p> <ul style="list-style-type: none">a. Backpackb. Duffle bagc. Tote bag &d. Luggage <p>2. New Line of Machinery: The Company has started operation by 08 line of new machineries.</p> <p>3. Capacity per day: 02 line has capacity to produce five thousand (5000) bag per day and another 06 line has capacity to produce three thousand (3000) bag per day.</p> <p>4. Actual production per day: 02 line has actual production of three thousand (3000) bag per day and another 06 line has actual production of two thousand four hundred (2400) bag per day.</p> <p>5. Profit margin: It will possible to earn 25% Gross Profit (approximately) form the export proceed of such bag.</p>
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Future Development Programs:

Company already started manufacturing of new product namely **Backpack, Duffle bag, Tote bag & Luggage** by 08 production line. The Company has future plan to increase production line which will generate additional turnover and profit for the company.

Segment Reporting

The company operates in one segment, which is the business of garments accessories.

Revenue

As you are aware that the Company is 100% deemed exporter, mainly engaged in the business of manufacturing of all kinds of Sewing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. and supply to the oriented garments Industries. The revenue stood at TK.755.37 million for the year 2021-2022 under BTB L/C.

The operating financial results of the Company for the year ended June 30, 2022 as compared to previous year are summarized hereunder:

Particular	June 30, 2022	June 30, 2021
Revenue (TK)	755,366,331	864,394,154
Gross Profit (TK)	142,704,144	151,801,846
Net Profit Before Tax (TK)	85,996,747	105,742,511
Current Tax (TK)	9,671,035	9,332,697
Net Profit After Tax (TK)	76,325,712	96,409,814
Gross Margin (Revenue)	18.89%	17.56%
Net Margin (BT)	11.38%	12.23%
Net Margin (AT)	10.10%	11.15%
Earnings Per Share-Basic (EPS) (Tk.)	0.90	1.14
Number of Shares	8,47,00,000	8,47,00,000

Risk and Concerns

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any price hike of raw materials due to change in policy in the international market might hamper the product price and profitability. Moreover, the performance of the company may be affected by the political and economic instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general. Similarly, risks and concern of the industry depends on the upcoming Government policy 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 in the future.

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

Particulars	June 30, 2022	June 30, 2021
Cost of Goods Sold	81.11%	82.44%
Gross Profit	18.89%	17.56%
Net Profit for the year	10.10%	11.15%

Market Exposure:

Worldwide and national economic instabilities, raising inflation and unemployment associated with COVID pandemic and Ukraine-russia war has reduced the purchasing power of people which has reduced the consumption of garments products like us. But to regain control of the domestic market and maintain an increasing sales trend, we are consistently trying to ensure our products remain profitable. The sales team has also adopted innovative sales and promotional activities which we feel will benefit us greatly in the long run.

We are confident that by expanding our marketing efforts to raise consumer awareness about our products, we will be able to increase sales and reach a larger market area

Discussion on continuity of extra-ordinary gain or loss

There is no significant extra-ordinary gain or loss during the financial year.

Related party transactions

Related party transactions have been disclosed in note nos. 29.08 the notes to the financial statements.

Significant variance of financial statements

The Earning per share (EPS) of the company as on June 30, 2022 stood at Tk. 0.90 against Tk. 1.14 compared to June 30, 2021. The EPS has reduced because of production of the company has reduced as well as decrease of Sales and Net Profit after Tax compared to the previous year because of reduction of export order and facing problem of importing raw materials due to Russia and Ukraine war.

The Net Operating Cash Flow per share (NOCFPS) in current year is Tk. 0.28 as against Tk. 2.57 compared to the previous year of June 30, 2021 due to decrease in collection from turnover and comparatively lower payment made for suppliers and others.

Board Size

The number of members of the Board of Directors stands 5 (including one Independent Director) as per direction given by BSEC.

Independent Directors

Mr. Md. Aynul Kabir was appointed as an Independent Director of the company on June 15, 2022 for a three year's term.

As per Bangladesh Securities and Exchange Commission notification no BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 Md. Aynul Kabir is eligible for appointment that is why the board of directors of the company appointed Md. Aynul Kabir as an Independent director of the company for three years term by getting approval of the shareholders of the company in 8th AGM.

Subsidiary Company

The Company has no subsidiary company

Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)

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

Managing Director : M.A. Kayum Howlader

Company Secretary : Mr. Md. Riaz Haider

Chief Financial Officer : Mr. Md. Nazmul Hossain

Head of Internal Audit : Mr. Md. Akhtar-Uz-Zaman

Duties of CEO & CFO

The provision of BSEC regulations has been compiled

Audit Committee

The Audit Committee, as a sub-committee of the Board of Directors, has been constituted of three members from the board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Audit Committee. This committee assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company. The Audit Committee shall conduct at least its four meetings in a financial year. The quorum of the meeting of the Audit committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must. Audit committee is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. The role of the Audit Committee has been started in the annual audit committee report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC), as a sub-committee of the Board of Director has been constituted of three member from the board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Nomination and Remuneration 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.

The Board has created code of conduct for nomination and remuneration committee. Nomination and remuneration committee will be compiled with in stipulated time.

External Statutory Auditors

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

Maintaining a website

The company maintains an official website, www.sktrimsin.com, which is linked with the website of the stock exchange.

Reporting and Compliance of Corporate Governance

Requirement of the above are being complied with and is shown as **Annexure-B**

Directors' Appointment and Re-Appointment

With regard to the appointment, retirement and reappointment of directors, the company is governed by its Articles of Association, the Companies Act 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at the Annual General Meeting:

1. Mr. Md. M.A. Kayum Howlader
2. Mr. Aynul Kabir

Mr. Md. M.A. Kayum Howlader will be re-appointed as director & Managing Director subject to the approval of the members at the 8th Annual General Meeting of the company. Mr. Aynul Kabir will be appointed as an Independent Director subject to the approval of the members at the 8th Annual General Meeting of the company.

Involvement with other company and Shareholding of Directors of the company

Directors involved in other companies are shown as **Annexure-G** of this report.

The shareholding of directors at the end of 30th June, 2022 is shown as **Annexure-H** of this report.

Board Meeting and Attendance

10 (Ten) Board Meetings were held during the year and Director's Board Meeting fees shown in the note no. 29.08 of the notes to the Financial Statements. Details discloser of board meetings are shown in **Annexure-I**

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) No fund raised through public issues, right issues and/or any other instruments during the year.
- b) The company did not give any offer for IPO, RPO, Right Share Offer, Direct Listing etc. during the year
- c) There were no significant variance quarterly financial performances and annual financial statements
- d) Remuneration paid to Managing Directors.
- e) Financial statements prepared, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.

- f) Proper books and accounts of the company have been maintained.
- g) Appropriate accounting policies have been applied consistently in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.
- h) The International Financial Reporting standards, as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- i) The Financial Statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- j) Internal control system is sound and has been implemented and monitored effectively.
- k) Minority shareholders have been protected from abusive actions by controlling shareholders acting either directly or indirectly.
- l) The company declared dividend which is mentioned in Annual report **page no. 37**
- m) No bonus shares or stock dividend has been or shall be declared as interim dividend.
- n) Detail information of no. of Board meeting held during the year has been provided in **page no. 55**
- o) The pattern of shareholding is provided in **Annexure-H** of the annual report.
- p) The key operating and financial data for the last five years are shown **on page no. 35-37**
- q) Brief resume of Directors of the Company in **annexure –F**.

Internal Control

The Board has ultimate responsibilities to establish the effective system of internal control. To ensure internal control regarding risk management, financial control and compliance legislation, the company already has a strong internal audit department.

Quality Policy and Control

Improving and maintaining the quality of product is an issue of huge importance for SKTIL and its Board of Directors. The company strictly controls the quality of all products by maintaining standard qualities, using modern equipment and hiring of competent, qualified and dedicated personnel.

Key operating and financial data of preceding five years

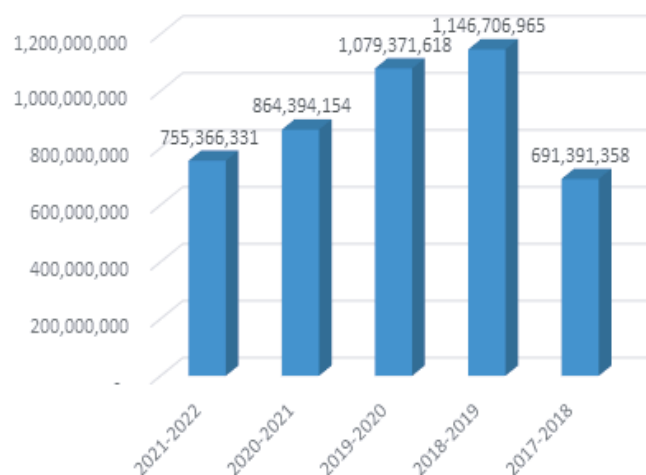
A statement of key operating and financial data for the last five financial years has been given below

Operational Result	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18
Revenue (TK)	755,366,331	864,394,154	1,079,371,618	1,146,706,965	691,391,358
Gross Profit (TK)	142,704,144	151,801,846	207,871,730	251,132,769	149,969,081
Profit from Operation (TK)	102,024,422	118,145,970	169,539,137	215,132,954	118,622,202
Net Profit Before Tax (TK)	85,996,747	105,742,511	162,651,411	203,510,338	107,503,507
Net Profit After Tax (TK)	76,325,712	96,409,814	154,149,041	194,493,192	93,232,322
Net Cash Generated from Operating activities (TK)	2,4130,822	217,692,200	158,365,439	102,409,128	10,239,552

Financial Position	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18
Non-Current Assets (TK)	788,145,984	810,812,295	659,478,271	562,020,045	409,467,603
Current Assets (TK)	725,644,801	635,465,306	763,371,335	765,745,833	972,316,183
Shareholder's Equity (TK)	1,291,010,229	1,194,096,529	1,168,823,944	1,068,409,573	897,613,613
Non-Current Liabilities (TK)	23,476,955	18,932,594	16,860,938	14,730,939	14,450,177

Key Financial Ratio	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18
Current Ratio	3.64	2.72	3.22	3.13	2.07
Quick Ratio	2.50	2.08	2.48	2.49	1.74
Debt to Equity Ratio	0.13	0.16	0.12	0.13	0.13
Net Income Ratio (%)	10.10%	11.15%	14.28%	16.96%	12.48%
Return on Equity (%)	9.77%	9.54%	13.19%	18.20%	9.61%
Earnings Per Share (Basic)	0.90	1.14	1.82	2.53	1.92
Earnings Per Share (Adjusted)	-	-	-	2.30	1.23

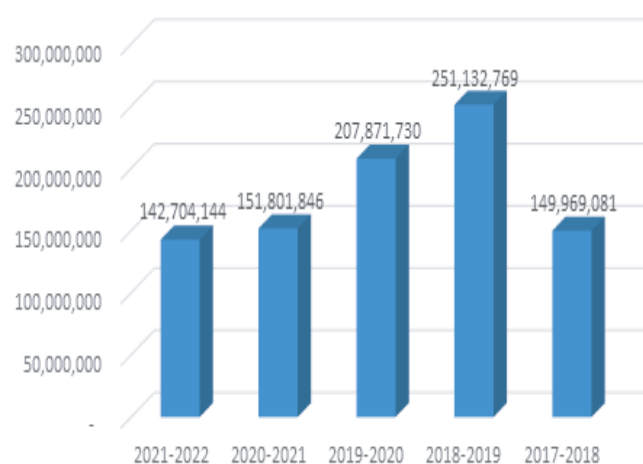
Revenue (In BDT)



Profit from operation (In BDT)



Gross Profit (In BDT)



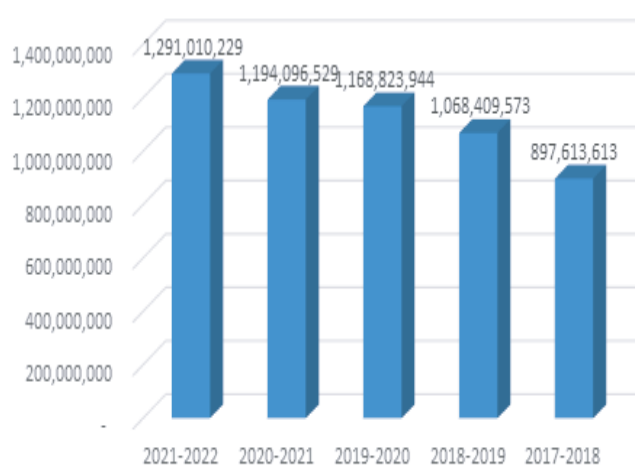
Profit before Tax (In BDT)

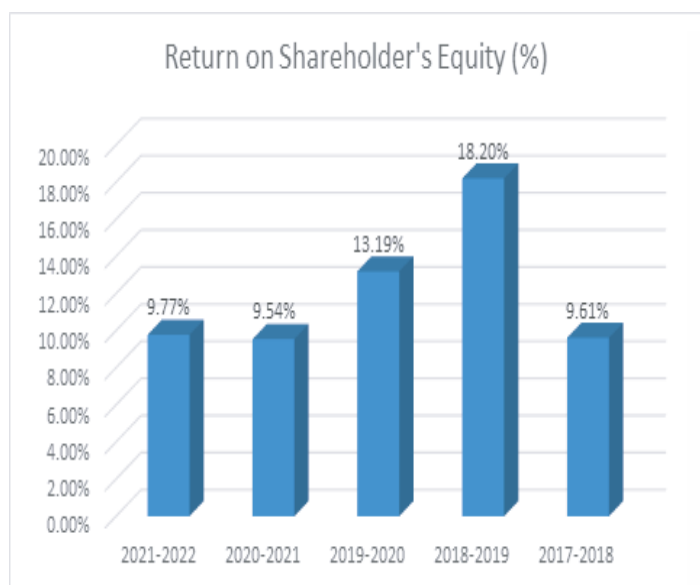
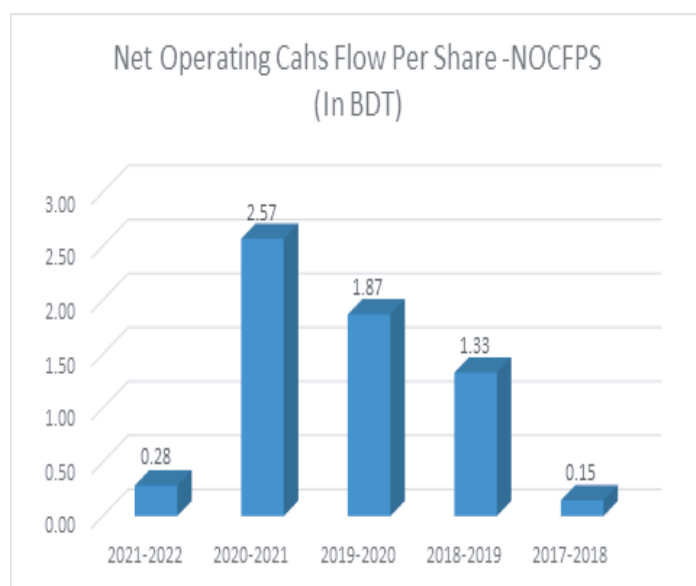
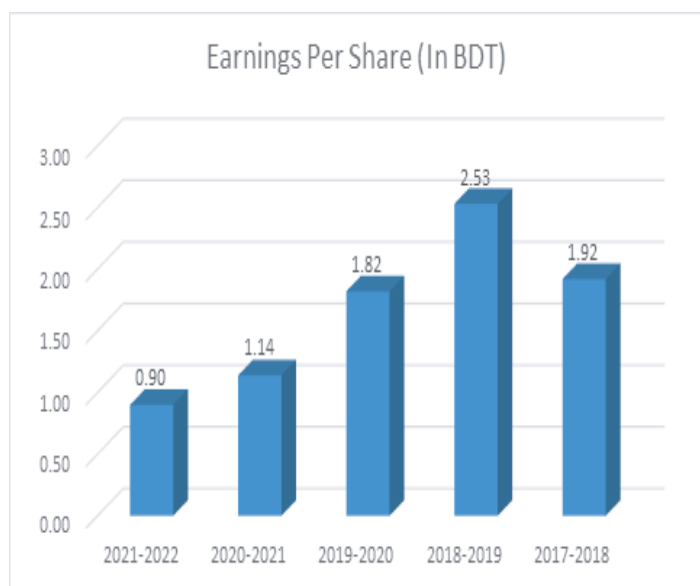


Net Profit after Tax (In BDT)



Shareholder's Equity (In BDT)





Going Concern

While approving the Financial Statements, the directors have analyzed the Financials Statements, business operation 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.

Dividend

The Board of Directors has recommended 4% Cash Dividend to the Shareholders for the year ended June 30, 2022, subject to the approval in the forthcoming AGM. The dividend will only be entitled to the shareholders whose names will be appeared in the share register of the company /Depository Register of CDBL on record date i.e. November 24, 2022.