

## DIRECTOR'S REPORT 2021

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, 2021, 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. 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 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:

- Completed construction of six storied factory building.
- New factory building will be added to the production line very soon.

#### Future Development Programs:

- Very soon company will start manufacturing of travel and fashionable bag, back pack 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 864.39 million for the year 2020-2021 under BTB L/C.

The operating financial results of the Company for the year ended June 30, 2021 as compared to previous year are summarized hereunder:

Particular	June 30, 2021	June 30, 2020
Revenue	864,394,154	1,079,371,618
Gross Profit	151,801,846	207,871,730
Net Profit Before Tax	105,742,511	162,651,411
Current Tax	9,332,697	8,502,370
Net Profit After Tax	96,409,814	154,149,041
Gross Margin (Revenue)	17.94%	19.26%
Net Margin (BT)	12.23%	15.07%
Net Margin (AT)	11.15%	14.28%
Earnings Per Share-Basic (EPS) (Tk.)	1.14	1.82
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, 2021	June 30, 2020
Cost of Goods Sold	82.06%	80.74%
Gross Profit	17.94%	19.26%
Net Profit for the year	11.15%	14.28%

### Market Exposure:

Worldwide and national economic instabilities, raising inflation and unemployment associated with COVID pandemic have 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, 2021 stood at Tk. 1.14 against Tk. 1.82 compared to June 30, 2020. 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 due to COVIT 19 pandemic.

The Net Operating Cash Flow per share (NOCFPS) in current year is Tk. 2.57 as against Tk. 1.87 compared to the previous year of June 30, 2020 due to decrease in collection from turnover and comparatively lower payment made for suppliers and others.

The statutory Auditor has given qualified opinion regarding Workers Profit Participation and Welfare fund in note no: 17.00 & 24.00 in the Financial Statement of the company.

### Utilization of IPO fund

SK Trims & Industries Ltd. has raised share capital worth TK. 30.00 crore through initial public offering(IPO) in order to Construction of building and other civil works, Acquisition of machineries and equipment and to meet up IPO expense.

IPO fund utilization period has completed as on September 13, 2020 but due to Covid-19 pandemic company could not be able to use IPO fund in due time that is why in the last AGM(6<sup>th</sup>) getting approval by the shareholder the utilization period was extend up to June 2021. Our un-utilized IPO fund was taka 152,110,430/- which is fully utilized in due time.

In the year 2020-2021 company has utilized 29,790,363 Taka for Construction of building and other civil works and 122,320,067 taka paid against Acquisition of Machineries and Equipment. In this regard we have reported to BSEC, DSE and CSE on a monthly basis.

There are no significant variations after company go for Initial Public Offering (IPO) in the financial results. No such variations occurred.

Compliance of Notification No BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018.

### 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. Sheikh Nasir Uddin was appointed as an Independent Director of the company on August 29, 2020 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 Mr. Sheikh Nasir Uddin is eligible for re-appointed that is why the board of directors of the company re-appointed Mr. Sheikh Nasir Uddin as an Independent director of the company for another three years term by getting approval of the shareholders of the company in 6th 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. Anik Ahammad

#### **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](http://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. Tafazzal Hossain Forahad

Mr. Md. Tafazzal Hossain Forahad will be re-appointed as director subject to the approval of the members at the 7th 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 30<sup>th</sup> June, 2021 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. 26**
- 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. 46**
- 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. 25**
- 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-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Revenue	864,394,154	1,079,371,618	1,146,706,965	691,391,358	458,984,210
Gross Profit	151,801,846	207,871,730	251,132,769	149,969,081	99,055,816
Profit from Operation	118,145,970	169,539,137	215,132,954	11,405,869	70,740,604
Net Profit Before Tax	105,742,511	162,651,411	203,510,338	95,511,594	64,426,133
Net Profit After Tax	96,409,814	154,149,041	194,493,192	86,299,488	53,053,892
Net Cash Generated from Operating activities	217,692,200	158,365,439	102,409,128	3,237,027	57,851,701

Key Financial Ratio	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Current Ratio	2.72	3.22	3.13	2.07	2.85
Quick Ratio	2.08	2.48	2.49	1.74	1.68
Debt to Equity Ratio	0.16	0.12	0.13	0.13	0.06
Net Income Ratio (%)	11.15%	14.28%	16.96%	12.48%	11.56%
Return on Equity (%)	9.54%	13.19%	18.20%	9.61%	18.46%
Earnings Per Share (Basic)	1.14	1.82	2.53	1.92	4.65
Earnings Per Share (Adjusted)	-	-	2.30	1.23	0.76

Financial Position	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Non-Current Assets	810,812,295	659,478,271	562,020,045	409,467,603	393,529,762
Current Assets	635,465,306	763,371,335	765,745,833	972,316,183	197,779,915
Shareholder's Equity	1,194,096,529	1,168,823,944	1,068,409,573	897,613,612	511,524,466
Non-Current Liabilities	18,932,594	16,860,938	14,730,939	14,510,313	10,413,576



### 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 5% Cash Dividend to the Shareholders for the year ended June 30, 2021, 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 25, 2021.

### Statutory Auditors

Duration of three years audit term of Ashraf Uddin & CO., Chartered Accountants has been completed in the financial year 2020-2021. Subsequently a few auditor submitted their quotation for audit for the year ended 30 June 2022. The Audit Committee reviewed the proposals for new appointment and conducted a formal assessment and recommended to the board for appointment of Artisan., Chartered Accountants as the statutory auditor for the year 2021-2022.

Upon the recommendation of the Audit Committee, the board of directors is proposing the appointment of Artisan., Chartered Accountants, House-52, Road-13/C, Block-E, Banani, Dhaka as the Statutory Auditor to the shareholders in the 7<sup>th</sup> AGM for approval and fix their fees.

### Professionals for Compliance of Corporate Governance Code

M/s. Poddar & Associates, Cost & Management Accountants, 6/A/1 (Ground Floor), Segun Bagicha Road, Dhaka- 1000, who were appointed as professional for Report on Compliance of corporate Governance Codes of the Company in the 6th Annual General Meeting of the Company has carried out for the year ended 30 June 2021. M/s. Poddar & Associates, Cost & Management Accountants, 6/A/1 (Ground Floor), Segun Bagicha Road, Dhaka- 1000, who were appointed as professional for Report on Compliance of corporate Governance Codes of the Company retires at this meeting. Board considered the proposal made by the Audit Committee recommends for the appointment of M/s. Huda Hossain & Co. Chartered Accountants, as professional for Report on Compliance of corporate Governance Codes of the Company for the year 2021-22" subject to the shareholder's approval in the 7th AGM.



## Corporate Governance at SKTIL

SKTIL recognizes that corporate governance is a continuous process which is to be established, nurtured and excelled by means of concerted efforts of all. That is why the Company engages all its team in the process because good governance entails managing the business professionally, effectively and responsibly and in a way, which is transparent, ethical, law abiding and ensures accountability. And in that pursuit, the Company has ventured to comply with all the relevant provisions of the codes of corporate governance as outlined in the BSEC gazette notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018. The Company aspires to uphold its long-acclaimed standards of good governance by standing ever alert in its management exercises.

## Acknowledgment

I would like to take this opportunity, on behalf of the Board of Directors, to express my heartfelt gratitude to the valued shareholders, clients, and well-wishers at home and abroad for their wholehearted co-operation and active support in discharging the responsibilities that lies on me and the Board during the year.

I would also like to thank Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies (RJSC), Central Depository Bangladesh Ltd. (CDBL), Government and many others for their sincere support and wholehearted co-operation towards your company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of all the Directors, Executives, officers and employees, workers of the company at all levels without which we could not have achieved this result.

I now appeal to the magnanimity of valued shareholders to kindly accept and approve the Auditors' Report, Audited Financials Statements 2021 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,

✓  
2022  
Md. Tafazzal Hossain Forhad  
Chairman