

# Directors' Report

Dear Shareholders,

Assalamualaikum,

On behalf of the Board of Directors of Mozaaffar Hossain Spinning Mills Limited and on my own behalf I welcome you all to 18th Annual General Meeting. The Board of Directors is pleased to take the opportunity to present you the Audited Financial Statements of the Company for the FY 2022-2023, Auditors' Report and the Directors' Report thereon along with Company's performance and other matters in terms of Companies Act, 1994, Listing regulation of DSE and CSE, the guideline issued by Bangladesh Securities and Exchanges Commission (BSEC) and International Accounting Standards and other applicable rules & regulations.

## BACKGROUND

Mozaffar Hossain Spinning Mills Limited (here in after referred to as "MHSML" or "the Company" was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-59784(1791)/05 dated November 29, 2005 as a Private Limited Company by shares namely Mozaffar Hossain Textile Mills Limited. Subsequently the company renamed as Mozaffar Hossain Spinning Mills Limited in December 14, 2011 and the company was emerged as a Public Limited Company on the same date and year. The Authorized capital of the company is Tk. 3,000,000,000 (Three Hundred Crore only) and paid up capital 1,009,933,740 (One Hundred Crore Ninety Nine Lac Thirty Three Thousand & Seven Hundred Forty only). The company was listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in the month of January 2014.

## REVENUE

As you are aware that the company is a manufacturer of 100% export oriented woven fabrics cotton yarns, the sale proceeds from yarn stood at 284.41 crore.

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	2,844,162,504	2,897,696,861
Gross profit	460,451,043	573,245,989
Financial Expenses	308,496,137	238,608,118
Other Income	(10,223,853)	(5,769,922)
Net profit Before Tax(NPBT)	62,906,782	242,304,074
Provision for Taxation	40,245,702	48,358,860
Net Profit After Tax (NPAT)	22,661,080	193,945,214
Gross Margin (Turnover)	16.19 %	19.78%
Net Margin Before Tax	2.21 %	8.36%
Net Margin After Tax	0.80%	6.69%
Earnings Per Share (EPS) BTD.	0.22	1.92
Number of Shares Used to Computer EPS	100,993,374	100,993,374

## Industry outlook and possible future developments in the industry

The company works as a Primary Textile Sector (PTS) for the Export Oriented Garments Industries. Mozaffar Hossain Spinning Mills Limited produces the 100% export oriented woven fabrics cotton yarn and delivers to the Garments Industries. The company has been operated in the market for long with reputation and commitment. Having long experience in yarn marketing we are confident of this value added yarn and believe that we can hold our reputation as a quality yarn supplier.

With the inception of the company has become one of the very few spinning mills in Bangladesh where the garments manufacturer can really rely for various types of yarns. We believe this will add great value to the company in the coming days.

## Mozaffar Hossain Spinning Mills Limited

### Segment Reporting

Company operates in single product segment.

### Risk and concerns

Mozaffar Hossain Spinning Mills Limited being a yarn manufacturer and catering as the backward linkage industry its risk is always associated with the global supply and demand chain. Any economic downturn in the western world has a direct impact on the business. With the demand increasing from the emerging countries of Bangladesh has become a market which is very vibrant and growing every day.

Moreover, risks and concern of the industry solely depends on the upcoming Government policy as well. However, Textile 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

Profit from Operation	30 June 2023		30 June 2022	
	Amount	Percentage	Amount	Percentage
Turnover	2,844,162,504	100%	2,897,696,861	100%
Cost of Goods Sold	2,383,711,461	83.81%	2,324,450,872	80.22%
Gross Profit	460,451,043	16.19 %	573,245,989	19.78 %
Net profit for the year	22,661,080	0.80 %	193,945,214	6.69 %

### Discussion on Continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. As for the Company, there was no such Significant gain or loss during the year under reporting.

### Related party transactions

The company has transactions with its mother company which have been disclosed in related party transaction in page no. 75 of the annual report.

### Significant variance of financial statements

There is no significant variance in the financial statements during the year ended on 30th June 2023.

### Compliance of Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 30 June 2018

#### 1.1 Board Size:

The number of members of the Board of Directors stands at 07 (including Two Independent Directors) which are within the limits given by BSEC.

#### Independent Directors

Md. Anwarul Hoque & Md. Mijanur Rahman as an Independent Director of the company on 29 October 2022 subject to approval of shareholders in 17th Annual General Meeting of the company

#### Qualification of New Independence Director:

01.Mr.Anwarul Hoque is an retired judge, serve the judicial of law Government of Bangladesh. He was an BCS cadre and serve the nation from 1983 to 2017 .His wisdom experience , dedication towards the courts . He will help Mozaffar Hossain Spinning Mills Limited to get a new Director in the more efficient ethical business process.

02. Mr. Md. Mijanur Rahman is an advocate by profession currently serving at Bangladesh Supreme court. He has a long experience more than 21 year with very good track record.

#### 2.0 Company Secretary, Chief Financial Officer, Head of Internal Audit

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

Company Secretary	: Haris Alam
Chief Financial Officer	: Biplob Kumar Mondol
Head of Internal Audit	: Md. Atiqur Rahman Bhuiyan, FCMA

### **3.0 Audit Committee**

The Audit Committee, as a sub-committee of the Board of Director has been constituted with the Independence Director as Chairman and two other Directors. 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. 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, as a sub-committee of the Board of Director has been constituted with three board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Committee. The Nomination and Remuneration Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level 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 Boar 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.

### **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.simgroup-bd.com](http://www.simgroup-bd.com) which is linked with the website of the stock exchange.

### **Subsidiary Company**

The company hold 30% share of "Suntech Energy Limited"

### **Duties of CEO & CFO**

The provision of BSEC regulations has been complied 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 legislations. Accordingly, the following Directors of the Board will retire at the annual general meeting:

## Mozaffar Hossain Spinning Mills Limited

### Share holding pattern

The share holding of directors at the end of 30th June 2023 is shown as below:

Name of the shareholders	Status(Sponsor/promoter/Director/Sponsor Director/Nominated Director/Independent Director/Depositor Director.	Shares Held	%
01.Sim Fabrics Limited	Nominees A.S.M Rakibul Hasan & Md. Sonwar Hossain.	33,300,736	32.97%
02. Mrs. Rahima Hossain	Chairman	2,188,389	2.17%
03. Md. Mozaffar Hossain	Managing Director	2,036,840	2.02%
04. A.S.M. Raisul Hasan	Director	2,246,990	2.22%
05. A.S.M Rakibul Hasan	Nominee Director	227,122	0.22%
06. Mr. Anwarul Hoque	Independent Director	Nil	-
07. Mr. Md. Mijanur Rahman	Independent Director	Nil	-
<b>Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouse and Children:</b>			
Md. Mozaffar Hossain	Managing Director, his Spouse and Children.	2,036,840	2.02%
Mrs. Rahima Hossain		2,188,389	2.17%
A.S.M. Raisul Hasan		2,246,990	2.22%
A.S.M Rakibul Hasan		227,122	0.22%
Haris Alam	Company Secretary	Nil	-
Biplob Kumar Mondol	Chief Financial Officer	Nil	-
Md. Atiqur Rahman Bhuiyan (FCMA)	Head of Internal Audit	Nil	-
Executives:	-	Nil	-
Shareholders holding 10% or more.	SIM Fabrics Limited	33,300,736	32.97%

### Board Meeting and Attendance

During the year 10 (ten) Board Meetings were held. The attendance record of the directors is as given Belo

Name of Directors	Attendance
Mrs. Rahima Hossain	10
Md. Mozaffar Hossain	08
A.S.M. Raisul Hasan Shoaib	10
ASM Rakibul Hasan	09
Md. Sonwar Hossain	10
Mr. Anwarul Hoque	10
Mr. Md. Mijanur Rahman	10

### Director's remuneration

Director's remuneration is shown in the page no. 72 of the notes to the Financial Statements.

### Directors Responsibilities for the Financial Statements

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:

01. The financial statements together with notes thereon have been drawn up in conformity with the Companies Act. 1994 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the companies state of affairs, the result of its operations, cash flow and changes in equity.

- Proper books and 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 reason able and prudent judgment.
- The International Accounting Standards, (IAS) / International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- The systems of internal control are sound and have been implemented and monitored effectively.
- The key operating and financial data for the last five years are shown on page 6.
- The pattern of shareholding is provided in Annexure-II of the annual report.

No partner or employees of the external audit firm possess any share of the company.

## **Mozaffar Hossain Spinning Mills Limited**

### **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 to ensure internal control and compliance in place.

### **Going Concern**

While approving the financial statements, the directors have made appropriate enquiries and analyzed the significant financial, operating 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 resource 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**

The government had re-fixed the rate of utilities like Gas and electricity from time to time. As per statistics, it's increased more than 100% from the period and increased of raw materials cost. Hence, revenue and net profit have been decreased during the period from the previous year.

### **Dividend Policy**

#### **Key Considerations in dividend decisions**

The company shall endeavor to maintain a consistent dividend over the year with appropriate consideration of factors relevant to such decisions. It is the Company's practice to declare dividend on annual basis based on annual financial performance. Historically the Company declared dividends in either cash or stock or in a judicious combination of cash and stock. The company intends to pursue the same policy in future depending on the operating and financial context prevailing at that time. Multiple internal and external factors might affect Company's dividend decisions. While recommending dividend the Board of Directors shall consider among others:

- a) Worldwide business situation/scope of investment at home/abroad
- b) Company's current net earnings accumulated distributable reserves/surplus and availability of free cash flow
- c) Potential growth opportunities and investment requirements assessment of benefits of retention vs pay-out
- d) Legal and Regulatory compulsion and tax implication of retention and payout
- e) Any debt/loan covenants restricting dividend announcement
- f) Persuasion of a target capital structure
- g) Cost of external finance
- h) Policy on the consistency of the dividend over reasonable and foreseeable future years

Additionally, the Board may consider other factors or circumstances to decide on the distribution of dividends for a particular year.

#### **Eligibility of shareholders for dividend**

Dividend is declared on the face value of each Equity Share. Unless otherwise stated, all holders of Equity Share and DR (Depository Receipts) whose names appear on the registrar of the Company on the Record Date declared by the Company for entitlement of dividend are eligible to get the dividend.

#### **Timing of Dividend Announcement and Payment**

Annual dividend decision is taken in the Board Meeting to be held within 120 days from the date or closing of the financial year. Such decisions are based on the results of the audited financial statements. The dividend recommendations made by the directors are notified to the shareholders through the stock exchange website and public announcements.

Dividend recommended by the Directors are to be placed in the Annual General Meeting (AGM) of the Company for the Shareholders approval. Dividend are transferred to the respective shareholders account within 30 days from the date of its approval.

#### **Policy Review and Amendment**

Apart from mandatory revision, modification or amendment as necessitated by the legal and regulatory requirements. The company shall review this policy on a periodic basis and make necessary revisions or amendments to keep the policy-relevant and up to date. The Board of Directors of the company shall approve the revision and/or amendment as it deems fit.

#### **Disclaimer**

The above Policy Statement neither gives a guarantee of dividend to be declared by the Company nor does it constitute a commitment for any future dividend and thus be read as general guidance on different dividend-related issues. The policy upholds the board's absolute/complete liberty to recommend any dividend in deviation of the policy.

**Policy Approval**

The Board of Directors of Mozaffar Hossain Spinning Mills Limited (the Company) has approved this Dividend Distribution Policy to comply with the requirements.

**Dividend**

The Board of Directors has recommended 2% cash dividend to all general shareholders other than Sponsor/Director for the year ended June 30, 2023 (subject to the approval in the forthcoming AGM) whose names will appear in the share register of the company and/or depository register of CDBL as on record date i.e. 29th November, 2023.

**Unclaimed or Undistributed or Unsettled Dividend**

Bangladesh Securities and Exchange Commission issued a directive no. BSEC/CMRRCD/2021-386/03 dated 14 January, 2021 and Bangladesh Securities and Exchange Commission (Capital Market Stabilization Fund) Rules, 2021 to transfer unclaimed or undistributed dividend to the capital market stabilization fund. In compliance with the circular, Mozaffar Hossain Spinning Mills Ltd has deposited unclaimed IPO Subscription amount and unclaimed dividend amount for the year up to 2018-2019 to the Capital Market Stabilization Fund. Remaining unclaimed dividend of BDT. 13, 24,274 for 2019-2020, 2020-2021 & 2021-2022 is kept with the company. Details break up of unclaimed/unpaid dividend including BO wise shareholders list are given in our website: www.simgroup-bd.com.

**Statutory Auditors**

The Auditors of the Company, M.Z.ISLAM & Co. Chartered Accountants, Eastern View (10th Floor) 50 D.I.T. Extension, Road, Nayapaltan Dhaka-1000. has carried out the audit of the company for the year ended 30 June 2023. They were appointed as Statutory Auditor in 17th AGM. As per regulation 15(2) & (3) of DSE and CSE (Listing) regulations, 2015.

**Professionals for Compliance of Corporate Governance Code**

The board has appointed Hoque Bhattacharjee Das & Co. Chartered Accountants 106/Ka, Cosmic Tower, Naya Palton Box Culvert Road, Dhaka 1000 as professional for Report on Compliance Governance Code for the year 2022-2023.

**Acknowledgment**

I take this opportunity, on behalf of the Board of Directors, to express my heartfelt gratitude to all of our valued clients, shareholders and well-wishers home and aboard for their wholehearted co-operation and active support in discharging the responsibilities reposed on me and the Board during the year under review.

I also thank Registrar of Joint Stock Companies (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Government and Private sector Organization and many others for their sincere support and whole hearted co-operation 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, all executives, officers, staff and workers of the company for their excellent, sincere, dedicated efforts in achieving company's target during the year under review.

To ensure financial security we always welcome your suggestions and opinion to improve present and future services of the company.

I now appeal to the magnanimity of valued shareholders to kindly accept and approve the Auditors' Report, Annual Audited Accounts 2021-2022 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,



**Mrs. Rahima Hossain**  
Chairman