

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 15th 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 2019-2020, 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 67.46 crore. Due to construction and installation of 36000 Spindle Ring Spinning project daily production hampered in existing rotor unit seriously, and possible revenue comes less than previous year, also the last financial years the textile sector went through the toughest time in recent era both domestically and internationally with the ongoing world recession still continuing and incessant political instability hindering our regular business affairs. Yet the efficient and prudent management of process control has enabled the company to avoid financial catastrophe and earn substantial profit instead.

The operating financial results of the Company for the year 2019-2020 as compared to previous year are summarized hereunder:

Particulars	2019-2020	2018-2019
Turnover	283,548,166	352,279,010
Gross profit	(15,898,135)	15,112,891
Financial Expenses	82,503,364	93,581,443
Other Income	(158,379)	362,510
Net profit Before Tax(NPBT)	(131,788,620)	(99,121,889)
Provision for Taxation	(11,951,223)	(3,504,035)
Net Profit After Tax (NPAT)	(119,837,397)	(95,617,854)
Gross Margin (Turnover)	(5.61)%	4.29%
Net Margin Before Tax	(46.48)%	(28.14)%
Net Margin After Tax	(42.26)%	(27.14)%
Earnings Per Share (EPS) BTD.	(1.19)	(0.95)
Number of Shares Used to Computer EPS	100,993,374	99,013,112

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, 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

Profit from Operation	30 June 2020		30 June 2019	
	Amount	Percentage	Amount	Percentage
Turnover	283,548,166	100%	352,279,010	100%
Cost of Goods Sold	299,446,301	105.60%	337,166,119	95.71%
Gross Profit	(15,898,135)	(5.61)%	15,112,891	4.29%
Net profit for the year	(119,837,397)	(42.26)%	(95,617,854)	(27.14)%

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 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. 63 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 2020.

Compliance of Notification No. BSEC/CMRRC/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 30 October 2019 subject to approval of shareholders in 14th 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 twenty 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 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:

1. A.S.M Rakibul Hasan
2. Md. Sanwar Hossain

Mozaffar Hossain Spinning Mills Limited

Share holding pattern

The share holding of directors at the end of 30th June 2020 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. Sanwar Hossain.	32,647,781	32.97%
02.Mrs. Rahima Hossain	Chairman	2,145,480	2.17%
03.Md. Mozaffar Hossain	Managing Director	1,996,902	2.02%
04.Raisul Hasan	Director	2,202,932	2.22%
05.A.S.M Rakibul Hasan	Nominee Director	222,669	0.22%
06. Mr.Anwarul Hoque	Independent Director	Nil	-
07. Mr. Md. Mijanur Rahman	Independent Director	Nil	-
Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouse and Children:			
Md. Mozaffar Hossain	Managing Director, his Spouse and Children.	2,145,480	2.17%
Mrs. Rahima Hossain		1,996,902	2.02%
Raisul Hasan		2,202,932	2.22%
A.S.M Rakibul Hasan		222,669	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	32,647,781	32.97%
	ICB (Institution)	12,949,315	13.08%

Board Meeting and Attendance

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

Name of Directors	Attendance
Mrs. Rahima Hossain	10
Md. Mozaffar Hossain	09
Raisul Hasan	10
ASM Rakibul Hasan	09
Md. Sanwar Hossain	08
Mr. Anwarul Hoque	09
Mr. Md. Mijanur Rahman	09

Director's remuneration

Director's remuneration is shown in the page no. 60 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

There is no significant deviation from the last year's operating result of the company.

Deviation from last year Result

Expansion project of 36,000 Spindle ring spinning mills are under construction. You are informed that under BMRE, (Ring) construction works of Mozaffar Hossain Spinning Mills Limited are ongoing and shipment of all machinery is already done. It is needed to re-structure utility as well modification is needed at the existing unit to prepare the site for installation setup of the machinery. As such, our management had decided to make a partial shutdown (50% of the capacity) for the time being and effect from May 6, 2018. Such a result expected production and revenue has fall down.

Dividend

The Board of Directors has recommended 1% cash dividend to all general public shareholders other than Sponsor/Director for the year ended June 30, 2020 (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. 26th November, 2020.

Statutory Auditors

The Auditors of the Company, Rahman Mostafa Alam & Co. Chartered Accountants, House #195, New DOHS, Road#1 (3rd Floor, C-3), Mohakhali, Dhaka-1206. has carried out the audit of the company for the year ended 30 June 2020. They were appointed as Statutory Auditor in 14th AGM. As per regulation 15(2)&(3) of DSE and CSE (Listing) regulations, 2015.

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 2019-2020 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,



Mrs. Rahima Hossain
Chairman