

Report of the Board of Directors For the year ended on 30th June 2017

“Bismillah Hir Rahmanir Rahim”

Distinguished Shareholders

Assalamu Alaikum,
Alhamdu Lillahe Rabbil Aalamin

I have the pleasure to welcome you to this 33rd Annual General Meeting of your company and place before you the Directors Report for the year ended 30th June 2017 for your consideration.

Business Operations

The summary result of business operation compared with the previous period may be stated as follows:

Particulars	Taka in million		
	2016-17	2015-16	Increase (decrease) %
Fabric Sale	809.96	705.50	14.81
Garments Sale	830.69	725.96	14.43
Export Incentive	17.59	43.34	(59.41)
Total Revenue	1,658.24	1,474.80	12.44
Cost of goods sold	1,417.03	1,252.49	13.14
Gross Profit	241.22	222.30	8.51
Administrative, Selling and General Expenses	184.71	167.97	9.97
Net profit before tax	54.17	52.40	3.38
Net profit after tax	36.29	46.27	(21.57)
Earnings per share	1.43	1.83	(21.86)

Compliance Issues

As stated in the report of the Chairman, the compliance issues in all aspects of production, human resource management, eco-friendly environment, are getting more and more priority from buyers as well as from other regulatory agencies. H.R. Textile Mills Limited, being a company having 32 years of its operation, is complying with all requirements. However, the new compliance requirements warrant major change in the building structure and the company need to invest substantial amount in the coming years to improve production facilities and to upgrade compliance standards.

Board of Directors

There was no change in the Board of Directors of the company during the year.

Sl No	Name of the Directors	No of meetings held	No of meetings attended	Fee Paid Taka
1	Professor M.A Momen	5	3	15,000
2	Mr. M.A Moyeed	5	4	20,000
3	Professor Dr. M.A Moyeen	5	5	25,000
4	Ms. Ruhey Rawa	5	4	20,000
5	Ms. Sumbal Azwad Momen	5	2	10,000
6	Ms. Sana Kainat Moyeen	5	2	10,000
7	Professor Mushtaque Ahmed	5	5	25,000
8	Mr. Md. Kabiruzzaman	5	5	25,000

In addition to the board members, Mr. Md. Abu Amur Naheel, Chief Financial Officer, Mr. Sumnoon Moheb, Head of Finance & Accounts and Mr. Md. Wali Ullah, Company Secretary attended the Board Meetings on regular basis.

The Board normally deals with the policy issues, however in some important issues, the board members assists the operating management in resolving the issues. The Board members broadly looks after the business trend of the industry, policy issues, and suggests actions need to be taken. The Board members participate maintains liaison with the buyers, reviews the business developments nationally and internationally, and attunes the projection accordingly. The Board identifies need of equipment, and negotiates the prices and quality to cope up with the buyers' requirement. It also deals with availing financial assistance from banks and leasing companies, reviews the cost reduction programs, expansion of facilities, review of compliance related issues etc. The Independent Directors are also contributing significantly by taking part in the policy issues and guiding the management in order to keep the company on track.

Board Audit Committee

The Audit Committee of the company held four meetings during the year under report. All the committee members attended the above meetings. The Audit Committee has been playing significant role in guiding the internal management. The Committee reviewed the draft financial statements, financial position of the company, and report of the Auditors and the operational results of the company, from time to time. A separate Report of the Audit Committee to the shareholders is enclosed at Annexure-B.

Election of the Chairman of the Board

The Managing Director apprised the Board, that in order to comply with the SEC notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006 and condition 1.3, Professor Mohammad Abdul Momen was elected as the Chairman from 29th January 2008 of the company. Professor Mohammad Abdul Momen informs the Board, that he desired to retire as the Chairman in view of his many assignments in hand. The Board accepted the resignation and thanked Professor

Momen for his valuable contribution as Chairman, during his tenure. The Board elected Professor Dr. Muhammad Abdul Moyeen, as Chairman for the next five years. Dr. Moyeen has been associated with the activities of the company directly, for a long time. His appointment as Chairman and the tenure will be approved in the ensuing AGM.

Election of Directors

Pursuant to Article 102, 103 and 104 of the company, Professor Abdul Momen and Ms. Ruhey Rawa, Directors of the company, will retire and being eligible, offer themselves for re-election.

Extension of the tenure of office of Mr. Mohammad Kabiruzzaman as Independent Director for another term

As per BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated 7th August 2012, under condition No. 1.2(vi) Mr. Mohammad Kabiruzzaman was appointed as Independent Director. He would complete his three years' tenure in the 33rd AGM. The Board of Directors, as per the aforementioned notification, has recommended to extend Mr. Mohammad Kabiruzzaman's appointment as Independent Director, for another term. This extension of tenure, as Independent Director, would be approved in the ensuring 33rd AGM.

Directors Remuneration

The Managing Directors is paid his monthly remuneration as shown in the Financial Statements. Other than the Managing Director, all are non-executive directors are not paid any remuneration except the meeting attendance fee of Tk. 5,000 per attendance. Non-executive directors, including the independent directors, does not receive benefits of any other kind from the organization.

Corporate and Financial Reporting

The Board of Directors is pleased to confirm that

- a) The Financial statements together with the notes thereon have been drawn up in conformity with the companies Act 1994 and Bangladesh Securities and Exchange Rules 1987. These statements fairly present the company's statement of affairs, the results of its operations, cash flow and changes in equity.
- b) That proper books of account of the company have been maintained.

- c) That, appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) That, the International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- e) That, the system of internal control is sound in design and has been effectively implemented and monitored.
- f) That, there are no significant doubts upon the company's ability to continue as a going concern.
- g) That, there are no significant deviations from last year in operating results.

Directors also report that the Managing Director (Chief Executive Officer) and the Chief Financial Officer have certified to the Board that they have reviewed the Financial Statements for the year ended 30th June 2017 and to the best of their knowledge and belief:

- a. The Financial Statements present a true and fair view of the affairs of the company and are in compliance with existing accounting standards and applicable laws;
- b. There is no statement which is materially untrue or misleading and there is no omission of facts in such statements; and

- c. No transaction has been entered into by the company which are fraudulent, illegal or in violation of the Company's Code of Conduct.

Report of Chief Executive Officer and Chief Financial Officer

The Managing Director (Chief Executive Officer) and the Chief Financial Officer have performed their duties as per the rules, responsibilities and duties as detailed by the Board. Their report is placed in Annexure-D

Financial Performance

The summarized financial results of the company are as follows:

Particulars	Amount in Taka (million) For the year ended 30th June	
	2017	2016
Net Profit before Tax	54.17	52.40
Less: Income Tax Expenses	(17.88)	(6.13)
Net Profit after Tax	36.29	46.27
Add: Profit brought forward from previous year	67.59	46.62
Profit Available for Appropriation	103.88	92.89
Recommended for Appropriations:		
Proposed Dividend (Cash)	(25.30)	(25.30)
Un-appropriated Profit carried forward	78.58	67.59

Summary of key operating and financial data of preceding five years

The summary of the current year's key financial data, along with the same, for preceding five years, are furnished below:

Financial Details

Particulars	For the year (Tk. in '000)				
	2016-17	2015-16	2014-15	2013-14	2012-13
Total Assets	1,508,260	1,541,977	1,350,984	1,273,244	1,233,793
Fixed Assets	654,956	622,435	528,012	506,239	489,057
Reserve and Surplus	117,915	106,928	156,052	156,786	144,762
Working Capital	(37,356)	(180)	30,920	(7,824)	14,863
Authorised Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Shareholders' Equity	370,915	359,929	353,597	409,787	397,763
Paid up Capital	253,000	253,000	253,000	253,000	253,000
Long Term Loan	181,745	199,048	140,764	79,512	97,041

Business Risk Perception

H.R. Textile Mills Limited has been operating under the same management for last three decades and during this period the company has gained significant franchise value in the market. The buyers, suppliers and the financial institution has been showing substantial interest and offering comparatively low interest rate and interested to offer financial assistance if required. Although H.R. Textiles is company established long before, it has been updating its system equipment and procedures every year. Technologically H.R. Textile is one of the most advanced composite knit manufacturing company and maintaining close liaison with the buyers. The Owner-Directors are directly looking after the business. Therefore there is no significant business risk in running the company.

Political Risk

The Directors of the company are not involved with any political activities. Therefore, the company in no way, has the chance to face problem for political reasons. However, the risk may arise from general political strikes, blockage of road for shipment, workers strike etc.

Going Concern Risk

H.R. Textile Mills Ltd has been operating as a sustainable organization since 1984. The sponsors always decide on operational and financial issues from the perspective of going concern. Having its own land, building and infrastructure, the company has been operating in such an industry, which is a basic requirement of human being that the management does not see any risk of continuance of the company as a going concern.

Operational Risk

Operational risk arises from internal management, systems failure, maintenance product of quality etc. The company, over a period of time, has developed human resources, systems and procedures, equipped with production facilities with modern technology. With the above facilities, the company is now operating as a quality producer with high franchise value. It has developed a pool of quality human resources who are capable to undertake any type of export orders relating to knit garments. Therefore, the management does not foresee any significant operational risk.

Foreign Exchange Fluctuation Risk

As an exporter H.R. Textile Mills Limited, earns its revenue in US dollars, and imports its major raw materials using the same dollars, as a result there is no foreign exchange fluctuation risk. But, it must be mentioned here that, Bangladesh Taka has become stronger against US dollars, we are getting less Bangladesh Taka while encasing the dollars, to meet our everyday needs.

Market Risk

RMG export market is still volatile. Since the export market of the company is mainly in Europe and our exports are the low cost essential products and with the increasing trend of labour cost, in the Chinese market, Bangladesh is likely to be a beneficiary. However, the wage cost in Bangladesh is also increasing. In order to keep the cost at minimum, the company has been trying to increase the efficiency of the workers. Therefore, although there are market risks, to some extent, the management does not consider it to be very significant.

Compliance Risk

The compliance requirement is becoming more strict now a days and more compliance requirements are forthcoming. The management of the company has been constantly keeping eye to remain compliant always and taking required measures to comply with the buyer's requirements.

Interest rate risk

The interest rate of the banks and financial institutions are still quite high at present. The company management has been trying to use low cost funding to keep the financial service cost as low as possible.

Dividend

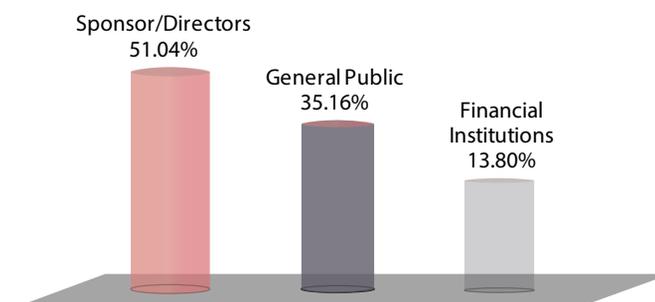
During the year under report, the company earned profit after tax of Tk. 36,286,448. Out of the above the Board recommended a cash dividend of Tk. 1.00 (i.e. 10%) per share of Tk. 10 against 10% cash dividend per share of Tk. 10 in the last year. The above would require a cash outflow of Tk. 25.30 million. The balance amount of Tk. 10.99 million of un-appropriated profits will be used to meet the working capital requirement of the company as well to finance the developmental works.

Annexure - A

Shareholding Pattern

The shareholding of the sponsors remained at 51.04% without any change during the year. Out of the balance shares, the Financial institutions are holding 13.80%, which was 14.72% in the previous year. The shareholding of the general public has increased to 35.16% compared to 34.24% in the previous year, on the date of year closing. The above change was mainly due to sale of shares by some institutions. The shareholding pattern of the company for the year closing on 30th June 2017 has been shown at page 30 of this Annual Report.

Name of Shareholders	No. of Shares	Percentage
1.5) (xxi) a) Parent Company/Subsidiary/Associated Companies/ Other Related Parties:	Nil	-
1.5) (xxi) b) Directors, Chief Executive Officer, Chief Financial Officer, Head of Finance & Accounts, Company Secretary their Spouse and Minor Children:		
Mr. Mohammad Abdul Moyeed	3,762,256	14.87
Professor Dr. Muhammad Abdul Moyeen	3,762,254	14.87
Professor Mohammad Abdul Momen	3,762,254	14.87
Ms. Ruhey Rawa	507,285	2.01
Ms. Sumbal Azwad Momen	507,285	2.01
Ms. Sana Kainat Moyeen	507,285	2.01
Professor Mushtaque Ahmed	Nil	-
Mr. Mohammad Kabiruzzaman	Nil	-
Mrs. Rokeya Sultana	40,320	0.15
Mrs. Umbrin Moyeed	15,812	0.06
Dr. Shaheen Afroze	15,812	0.06
Mrs. Shirly Momen	15,812	0.06
Mrs. Rukhsana Sultana	3,870	0.02
Mrs. Umme Saleha	3,870	0.02
Mrs. Umme Salma	3,870	0.02
Ms. Sayma Rahman	3,870	0.02
Chief Financial Officer	Nil	-
Company Secretary	Nil	-
Head of Finance & Accounts	Nil	-
Minor Children	Nil	-
Total Shares	12,911,855	51.04

Shareholding Pattern

- c) Non of the top executives of the company other than Mr. Mohammad Ali Chowdhury, Asstt. Manager, and Taxes hold 1,000 shares each which was issued to them at the time of IPO from employee’s quota.
- d) Shareholders holding ten percent (10%) or more votes’ interest in the company (name wise details):

Name	No. of shares
Mr. Mohammad A. Moyeed	3,762,256
Professor (Dr.) Muhammad A. Moyeen	3,762,254
Professor Mohammad A. Momen	3,762,254

Subsidiary Company

H.R. Textile Mills Limited does not have any subsidiary company.

Extra-Ordinary Gain or Loss

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

Related Party Transactions

H.R. Textile Mills Limited exports garments and also fabric as “Deemed Export” to one concern, namely, Fashion Knit Garments Limited. The Fashion Knit Garments Limited is owned by three sponsor Directors of the company. The transactions between H.R. Textile Mills Limited and Fashion Knit Garments Limited are being transacted on Arm’s Length Basis and at market price.

Report on the compliance of the conditions of BSEC’s notification

In accordance with the BSEC’s Notification dated 7th August 2012, the Board of Director’s are required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The overall shareholding pattern of the company and a statement on the compliance with the BSEC’s conditions is given on Annexure-A and Annexure-C on page 13 and page 16 respectively of this Annual Report.

Corporate Governance Compliance Audit

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, Notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated 7th August 2012, the company appointed M/s. N.M Tareque and Associates, a firm of Cost and Management Accountants to conduct audit as per the requirement of the BSEC Rules. The Report of the company is enclosed as Annexure-E.

Appointment of Auditors

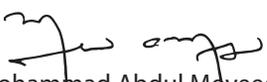
The existing Auditor M/s. Rahman Mostafa Alam & Co, Chartered Accountants has completed three years and as per BSEC rules they are not eligible for re-appointment. Therefore, the shareholders are required to appoint new auditors for the year. The office has so far received few applications and some are expected and in pipe line. All will be placed for your consideration and application.

Conclusion

The Board of Directors of the company takes the opportunity to express its sincere thanks and appreciation to its valued shareholders, the Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, Government Agencies, Banks, Financial Institutions, Contractors, Suppliers and Auditors for their co-operation and support. We offer our heartfelt thanks to our valued international buyers and local buying houses who have contributed significantly as our strategic partners.

Finally, the Board offers its sincere thanks to the workers, professionals, whom the management considers as the most valuable asset of the company, and hopes that they will continue to keep the spirit of teamwork in the coming years for the smooth growth of the company.

For and on behalf of the Board of Directors


 Mohammad Abdul Moyeed
 Managing Director & CEO
 Dated: October 23, 2017