

H.R. Textile Mills Limited

OPERATIONAL HIGHLIGHTS

General		Financial	
1. Year of Incorporation	1984	1. Authorised Capital	1,000 Million
2. Converted into Public Ltd. Co.	1995	2. Paid up Capital	253 Million
3. Initial Public Offering of Share	1996		
4. Enlistment with DSE and CSE	1997		

Five Years Statistics

Particulars	For the year ended 30 September (Tk. in '000)				
	2013	2012	2011	2010	2009
Operations Results					
Turnover	1,780,820	1,618,091	1,787,093	1,192,399	1,256,238
Gross Profit	263,536	240,413	261,344	178,398	184,664
Operating Profit	70,013	64,689	70,651	38,137	30,685
Net Profit before tax	68,599	61,957	67,635	36,578	29,498
Net Profit after tax	58,309	52,663	57,489	31,091	25,074
Basic Earning per share of Tk. 10	2.30	2.08	2.61	1.55	1.25
Cash Dividend per share of (Tk. 10)	1.50	1.50	-	0.50	1.00
Stock Dividend (for 10 shares)	-	-	1.50	1.00	-
Cash Inflows from Operating Activities	179,578	75,837	141,676	49,972	107,110
Financial Details					
Total Assets	1,233,793	1,203,178	1,154,709	1,102,704	1,039,677
Fixed Assets - Net	489,057	392,857	432,858	474,645	471,067
Reserve and Surplus	144,762	124,403	106,332	50,412	51,706
Working Capital	14,862	35,300	6,271	(12,534)	(36,529)
Authorised Capital	1,000,000	1,000,000	500,000	500,000	500,000
Shareholders' Equity	397,762	377,403	326,334	270,412	251,706
Paid up Capital	253,000	253,000	220,000	200,000	200,000
Long Term Loan	97,041	44,727	110,736	193,918	184,667
Key Financial Ratios, Figures and Market Data					
Current Ratio	1.02	1.05	1.01	0.98	0.94
Return on Investment (%)	4.73	4.38	4.98	2.82	2.41
Net Assets Value per share (Tk. 10)	15.72	14.92	14.83	13.52	12.58
Market value of share (at DSE) Tk.	38.40	Closing value per share of Tk. 10			
Market value of share (at CSE) Tk.	38.70	Closing value per share of Tk. 10			
Price Earning Ratio (Based on DSE price) (Times)	3.91	The Financial Express on 19th February 2014			
Price Earning Ratio (Based on CSE price) (Times)	3.88	The Financial Express on 19th February 2014			
Other					
Number of shares - Paid-up (Figures in thousand)	25,300	25,300	22,000	20,000	20,000
Number of shareholders	13,549	13,837	13,246	13,111	14,094

Report of the Board of Directors

For the year ended 30th September 2013

"Bismillah Hir Rahmanir Rahim"

Distinguished Shareholders

Assalamu Alaikum

It is my pleasure to welcome you to the 29th Annual General Meeting of your company. It appears to be a celebrating occasion for me to see you after one year and I offer my heartfelt thanks to Allah Almighty who allowed us to meet again and to discuss on the business issues of your company. I am also offering my prayer to Almighty Allah for the salvation of their departed soul whom we lost during the year. As per the provision of the articles of the company, I have the pleasure to present before you the Directors Report, the Audited Accounts of the company for the year ended 30th September 2013 along with the report of the auditors for your consideration.

Business Outlook

Against The business environment during the last year was turbulent. In view of the unhealthy

political situation, the export business has suffered significantly. The Hall Mark scam, Rana plaza collapse, Tazreen Fashion Fire, all has created a bad image internationally on Bangladesh. At the fag end of the year, the political situation has forced the business operation to almost shutdown. In addition to the above, the wage hike as per the decision of the government has forced the increase in wages significantly and profit margin has declined significantly. The full impact of the wages hike will be on the financials of the current year.

The RMG sector is still being closely reviewed by the international community. The withdrawal of GSP in the USA may have significant impact on the garments sector. The government is still to meet the criterion set by the international community. The stringent requirement of infrastructure and related facilities at the garment manufacturing units may force many factories to close down. The aforementioned may further increase the cost of production and may significantly swallow up the competitive advantages being enjoyed by Bangladesh RMG sector. In terms of cost of production we are now almost equivalent to China, Vietnam and Sri Lanka. But the productivity of the workers in Bangladesh is substantially low compared to the above countries.

Business Operations

Having many odds in the business environment, the management has tried to keep the business operation running at the same pace. The summary result of business operation may be stated as follows:

Particulars	Taka in million		
	2013	2012	Increase (decrease)
Fabric Sale	717.27	787.20	(8.88)
Garments Sale	1,063.55	830.90	28.00
Cash Incentive	43.60	48.56	(10.21)
Total Revenue	1,824.42	1666.66	9.47
Cost of Goods Sold	1,560.88	1426.24	9.44
Gross Profit	263.54	240.42	9.62
Administrative, Selling and General Expenses	193.52	175.72	10.13
Net Profit Before Tax	68.60	61.96	10.72
Earning Per Share	2.30	2.08	10.58

The above business operational result will reflect that the company, even at the face of severe unhealthy atmosphere could maintain its operational result unaffected.

Compliance Issues

The Compliance issues in the garment industry have become one of the very important issues in Bangladesh. BGMEA and the garment owners are constantly keeping vigilant as to the international requirements regarding the electrical and fire safety regulations. A significant number of factories operating in the country were in rental buildings where mandated facilities are not available. H.R. Textile Mills Ltd. has been operating from its own premises. However, the infrastructure was developed in phases. In order to remain compliant, the company needs to

update the existing facilities and also to review the new requirements being initiated by the buyers. The management has set up a compliance department which is constantly looking after requirements in the areas of working environment, production facilities, wages, safety issues, health hazards, medical care and many other issues that are considered to be necessary for a better working environment.

Board of Directors

The Board of directors consisted of 8 members including two independent Directors. The members are qualified and experienced. The independent directors are university professors having long experience in business and finance education. The Chairman of the Board, Professor Mohammad A. Momen, is the professor of Institute of Business Administration, University of Dhaka. The Managing Director Mr. Mohammad Abdul Moyeed is a B.Sc. Engineer (Chemical) from BUET, Dhaka. Another Director, Dr. Muhammad Abdul Moyeen is a professor at Department of Management Studies, Faculty of Business Studies of University of Dhaka. In addition to the above, other directors are young professionals with business education from abroad. During the year the board organized five meetings. The attendance was as follows:

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

The Board constantly keeps an eye on the changes that are taking place in the environment, product demand, and compliance issues in addition to dealing with the business policies, forecasts and in resolving operational issues. The Board also dealt with negotiating issues related to availing financial assistance from banks and leasing companies, review of the cost reduction programs, expansion of facilities, review of compliance related issues etc. The vigilance assisted the company in keeping the business in its growth rate especially during a period of turmoil and business depression. 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 plays a 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.

Human Resource Development

The management of the company is completely aware that the RMG industry is a human resource based industry and there is significant turnover in the workforce due to wages competition and other factors. Your company has been trying utmost to keep the working environment congenial for all. In order to increase worker efficiency and effectiveness, on the job training through system based approached are continuously followed. Performance evaluation is also done to keep the workers motivated.

Corporate and Financial Reporting

The Board of Directors is pleased to confirm that a) The Financial statements together with the notes therein have been drawn 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
- That proper books of account of the company have been maintained.
 - 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.
 - 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.
 - That, the system of internal control is sound in design and has been effectively implemented and monitored.
 - That, there are no significant doubts upon the company's ability to continue as a going concern.
 - That, there are no significant deviations from last year in operating results.

Financial Performance

The financial performance of the company was satisfactory. The summarized financial result of the company is as follows:

Particulars	Amount in Taka (million)	
	2013	2012
Net Profit before Tax	68.60	61.96
Less: Provision for Income Tax	(10.29)	(9.29)
Net Profit after Tax	58.31	52.67
Add: Profit brought forward from previous year	45.50	30.79
Profit Available for Appropriation	103.81	83.46
Recommended for Appropriations:		
Proposed Dividend (Cash)	(37.95)	(37.95)
Un-appropriated Profit carried forward	65.86	45.51

Dividend

During the year under report, the company earned a profit after tax of Tk. 58,309,783. Out of the above the Board recommended a cash dividend of Tk. 1.50 (i.e. 15%) per share of Tk. 10 against 15% cash dividend per share of Tk. 10 each in the last year. The above would require a cash outflow of Tk. 37,950 Million. The balance amount of Tk. 20,359 Million of un-appropriated profits will be used to meet the working capital requirement of the company as well to finance the developmental works.

Election of Directors

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

Independent Director

The existing Independent Director Professor (Dr.) A.H.M. Habibur Rahman is now retiring after two terms of his service as independent Director. As per SEC Notification (SEC/CMRRCD/ 2006-158/ 134/Admin/44: dated 7th August 2012 issued under section 2CC of the Bangladesh Securities and Exchange Ordinance, 1969) he is not eligible for reappointment. The Board and the management of the company offered heartfelt thanks to Professor (Dr.) A.H.M. Habibur Rahman for his wonderful contribution in the affairs of the company for the last six years.

As per regulation, the Board approved the appointment of Mr. Md. Kabiruzzaman, having over 30 years of business experience who meets all the requirements to be appointed as Independent Director. It is expected that his expertise will help the company to protect the interest of all investors in general and smaller investors in particular.

Directors Remuneration

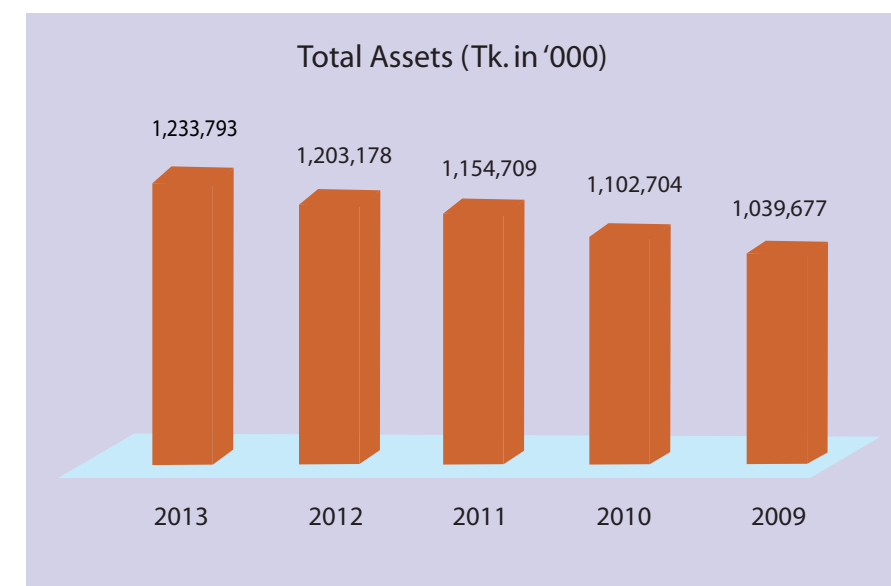
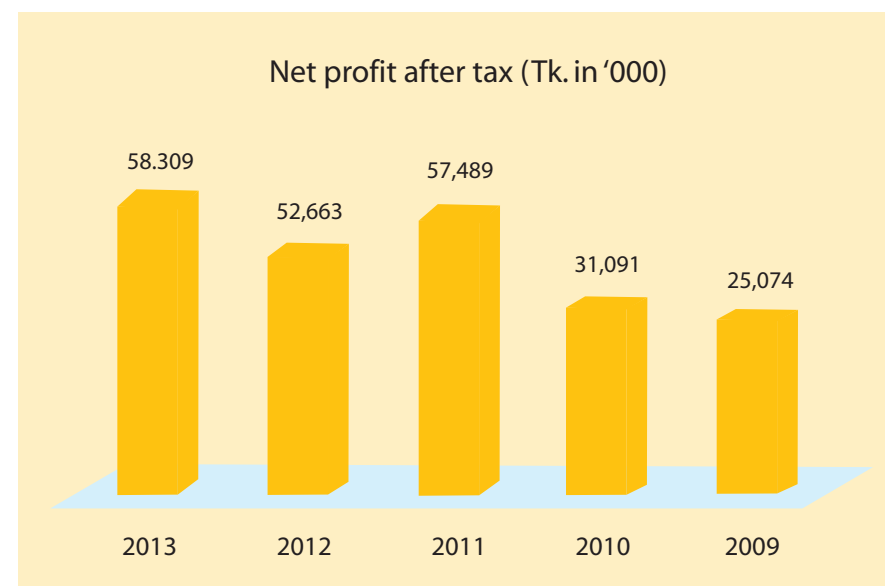
Other than the Managing Director all are non-executive directors. The Managing Directors is paid his monthly remuneration as shown in the Financial Statements. Except the meeting attendance fee of Tk. 5,000 per attendance, non executive directors including the independent director(s) does not receive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

Summary of key operating and financial data of preceding five years.

The directors are pleased to furnish the summary of the current year's key financial data, along with the same for preceding five years.

Financial Details

Particulars	For the year ended 30th September (Tk. in '000)				
	2013	2012	2011	2010	2009
Total Assets	1,233,793	1,203,178	1,154,709	1,102,704	1,039,677
Fixed Assets – Net	489,057	392,857	432,858	474,645	471,067
Reserve and Surplus	144,762	124,403	106,334	50,412	51,706
Working Capital	14,862	35,300	6,270	(12,534)	(36,529)
Authorised Capital	1,000,000	1,000,000	500,000	500,000	500,000
Shareholders' Equity	397,762	377,403	326,334	270,412	251,706
Paid up Capital	253,000	253,000	220,000	20,000	200,000
Long Term Loan	97,041	44,727	110,736	193,918	184,667



Business Risk Perception

Going Concern Risk

H.R. Textile Mills Ltd has been operating as a sustainable organization since 1984. The sponsors having substantial equity in the company always decides 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 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 the production facilities with modern technology. With the above the company is now operating as a quality product supplier, 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

The company is in the export business. The total export is in foreign currency and most of the imports required to execute the export, is also in foreign currency. Since the exports are more than the imports to the extent of value addition, and the imports are mostly against back to back Letter of Credit, the company does not have any foreign exchange fluctuation risk.

Interest rate risk

The interest rate of the banks and financial institutions are 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.

Market Risk

The RMG export market is volatile. Since the export market of the company is mainly within Europe, and Europe is still under recession, the market has potential risk. But our exports are the low cost essential products and with the increasing trend of labour cost in the Chinese market, Bangladesh is the direct 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

In light of the recent incidences in some RMG factories, the compliance requirement is becoming more strict and there is the possibility of imposing additional requirements for compliance by buyers and regulators. The management of the company has been constantly keeping an eye to remain compliant always and taking required measures to comply with the buyer's requirements.

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 HR Textile Mills Limited and Fashion Knit Garments Limited are being transacted on Arms Length Basis and at market price.

Shareholding Pattern

The shareholding of the sponsors remained at 51.04% without any change during the year as shown below:

Name of Shareholders	No. of Shares	Percentage
i) Parent Company/Subsidiary/Associated Companies/ Other Related Parties:	Nil	-
ii) Directors, Chief Executive Officer, Company Secretary Chief Financial Officer, Head of Internal Audit and their Spouse and Minor Children:		
Mr. Mohammad Abdul Moyeed	3,762,256	14.87
Professor Dr. M.A Moyeen	3,762,254	14.87
Professor M.A 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. Md. 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 Internal Auditor	Nil	-
Minor Children	Nil	-
Total Shares	12,911,855	51.04

Out of the balance shares, the institutions and ICB Unit Fund are holding 11.33%, which was 13.01% in the previous year. The shareholding of the general public has increased to 37.63% compared to 35.95% in the previous year, on the date of year closing. The above change was mainly due to sell of shares by Financial Institutional shareholders. The shareholding pattern has been shown at page 32 of this report.

iii) Non of the top executives of the company other than Mr. Ziaul Haque, Manager, Income Tax and Mr. Kamal Ahmed, Manager, Production holds 1,000 share each which was issued to them at the time of IPO from employees quota.

iv) Shareholders holding ten percent (10%) or more votes' interest in the company

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

v) Board Audit Committee

Name	Designation	Qualifications
Professor Mushtaque Ahmed	Chairman	B.Sc. Engineer and MBA
Professor (Dr.) Muhammad Abdul Moyeen	Member	B.Com (Hons). M.Com, and PhD
Professor Mohammad Abdul Momen	Member	B.Com (Hons). M.Com, MBA
Mr. Md. Kabiruzzaman	Member	B.S.S. (Hons). M.S.S. in Public Administration

Appointment of Auditor

The existing Auditor M/s. Ata Khan & Co, Chartered Accountants has been carrying out the audit of the company for the last one year. They are now retiring and, being eligible for re-appointment have shown their interest to continue as auditors of the company. On the recommendation of the Board Audit Committee, the Directors of the company is proposing their appointment and fixing remuneration at the 29th Annual General Meeting.

Future Programs

As you are aware, Bangladesh is the second largest exporter of garments in the global market where knit garments are playing a vital and significant role. Your company, with long years of experience in the field, has created a franchise value in the global market as a quality exporter. The director, with their experience and acumen, has worked hard to create this value. The senior directors, with their high confidence in the industry, have inducted the second generation to look after the business. The Board has the program to expand both horizontally and vertically but cautiously, so that the history created by the company with the support of general shareholders can be continued with confidence.

Corporate Governance Compliance Report

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" as audited by M/S. N.M Tareque and Associates, a firm of Cost and Management Accountants is enclosed.

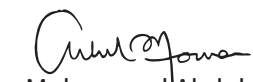
Conclusion

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 cooperation and support. We offer our heartfelt thanks to our valued

international buyers and local buying houses who have contributed significantly as our strategic partners.

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

For and on behalf of the Board of Directors


 Mohammad Abdul Momen
 Chairman
 Dated: January 29, 2014