

Message from the Chairman

For the year ended on 30th June 2019

“Bismillah Hir Rahmanir Rahim”

Distinguished Shareholders

Assalamualaikum!

It is a matter of great pleasure for me to have met you, my shareholder brothers & sisters, on this day of AGM, a day that is considered to be a very significant day in our corporate life. I express my sincere gratitude to the Almighty Allah for enabling us to assemble here to exchange our views on the affairs of the company. I welcome you all.

The garment industry has been passing through an evermore-challenging time. The challenges are manifold and intractable even at times may lead to damages that are irreversible.

It was anticipated that Sino-American trade war would result in increased flow of garment orders into Bangladesh, however, our experiences suggest otherwise. While, we may delve deeper into the opportunities and threats in the global apparel trade

patterns to formulate our national strategic initiative, we need to understand our industry opportunities and threats.

The industry has experienced serious erosion of its competitiveness. An investment decision in any sector in Bangladesh, including RMG, has never been derived from any strategic analysis or industry life cycle analysis. Perhaps, the current state of competitiveness could be attributed to a failure of strategic analysis of industry life cycle. This may have led to building over-capacity in the industry. Over capacity led to over supply and, consequently, to increased local completion and downward price push.

Additionally, erosion of competitiveness may have been exacerbated due to the high-interest debt driven investments in firms. A bank installment payment looms so large in the horizon that to facilitate cash flows one is left with little choice but to take orders at par/below cost. Interest rates are prohibitively expensive and are suffocating the industry.

According to BGMEA, the industry cost of production during 2014-2018 has increased by 30%, minimum wages increased by 51% since December 2018, unit price for garments fell by 2.12% in 2016-17 and 4.07% in 2017-18. The downward push

of price and upward push of cost cannot be absorbed unless there is a concurrent increase in productivity and product/market diversification. (Source: The Daily Star: Star Business, dated: December 9, 2019)

Advancement in technology, Internet infrastructure, new generation of digital telephony, IOTs, artificial intelligence etc., as components of fourth industrial revolution are likely to have serious short and long term implications on RMG sector. In the short term, machine and system dependent productivity enhancement is likely to take place. Then the new managerial challenge would be to acquire and retain skill and competency set that are radically different from the current skill and competency set. In the medium to long term, with the advancement of robotic technology and artificial intelligence, robots will perhaps replace all manual repetitive jobs. The challenge would then be keeping the business at home, as it is likely to trigger re-shoring. The tipping point of re-shoring is not so clearly visible at this moment, we anticipate that there might be a five to ten year lead time before significant re-shoring takes place. Industry leaders need to have a strategic vision and strategic initiatives put in place immediately to meet the looming national crisis.

Currently, managing an export-oriented RMG requires a very high degree of managerial sophistication and we are relentlessly putting our

collective efforts to improve productivity, achieve product diversity thereby enhance our performance and growth.

As per the Provision of the Articles of the company, I have the pleasure to present before you the Directors Report, the Audited Financial Statements of the company for the year ended 30th June 2019, along with the report of the auditors for your consideration.

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.

With best wishes for the time ahead



Professor Dr. Muhammad Abdul Moyeen
Chairman