

DIRECTOR'S REPORT FOR THE FINANCIAL YEAR ENDED ON 30 SEPTEMBER, 2014

Dear Shareholders,

In terms of provisions of section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Rules 1987 and IAS – 1 (International Accounting Standards – 1) codes as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), it is the pleasure of Board of Directors to submit its Report to the Shareholders for the year ended 30 September, 2014 in the following paragraph.

PRINCIPAL ACTIVITY

The Principal Activity of the company in the period under review was that of production and sales of high quality 100% Cotton Yarn through export. Despite various adverse business conditions such as high inflation rate, scarcity of power, fluctuation in the yarn selling price, high utility cost, infrastructural deficiencies in fuel, power, gas, global recession, last year's labor unrest, continuous political unrest and last but not the least the volatility of raw cotton market left the whole textile world in a dilemma etc.

CONSOLIDATED BUSINESS RESULTS (OPERATIONAL ACTIVITY)

Your company was able to continue with its considerable sales volume during the year despite various adverse business conditions such as high inflation rate, scarcity of power, fluctuation in the yarn selling price, high utility cost, infrastructural deficiencies in fuel, power, gas, global recession, last year's labor unrest, continuous political unrest and last but not the least the volatility of raw cotton market left the whole textile world in a dilemma etc. Operation of your company for the year under review has considerably improved over the previous year which will be evident from the increase in sales in comparison to the previous year. This is possible by dint of continued efforts of every single member of your company. On the other hand we have strong backward and forward linkage support, modern machineries in the production line and have excellent customer relationship built up. Full details may be found later in the Annual Report; The Company's installed Production Capacity during the Year 2013-2014 remained same as previous Year, which is 45,000 Spindles. The production during the Year was 7,014 Tons which is 1339 ton (23.6%) higher than the previous Year. During the Year under review the Company was able to make Sales of Tk. 189.48 Crore, which is Tk. 28.99 Crore (18.07 %) higher than the Previous Year. Consolidated Gross Profit stood at Tk. 47.39 Crore which is Tk. 9.01 Crore (23.48 %) higher than the previous year. Consolidated Net Profit before Tax stood at Tk. 21.41 Crore which is Tk. 0.31 Crore (1.46 %) lower than the previous Year and Profit available for appropriation summed to Tk. 15.79 Crore which is also Tk. 0.89 Crore (6%) higher than the previous year.

WORKING RESULTS

The Working Result of the Company for the Year under review is as follows:

| PARTICULARS | As on 30.9.2014 | As on 30.9.2013 |
|-----------------------------|-----------------|-----------------|
| Turnover | 1,894,869,606 | 1,604,903,981 |
| LESS: Cost of Goods Sold | 1,420,967,225 | 1,221,123,105 |
| Gross Profit | 473,902,381 | 383,780,876 |
| LESS: Operating Expenses | 413,160,499 | 341,633,693 |
| Operating Profit | 60,741,882 | 42,147,183 |
| ADD: Non Operating Income | 164,091,576 | 186,018,111 |
| Net Profit before WPPF | 224,833,458 | 228,165,294 |
| LESS : Contribution to WPPF | 10,706,355 | 10,865,014 |
| Net Profit before Tax | 214,127,103 | 217,300,280 |
| LESS: Provision for Tax | 56,137,661 | 68,310,647 |
| Retained Earnings | 157,989,442 | 148,989,634 |

1.5 (XVII) Significant deviations from the last year's operating result and its reasons:

| PARTICULARS | As on 30.09.2014 | As on 30.09.2013 | Deviation Increase/Decrease | Reasons |
|------------------------|---------------------|---------------------|--------------------------------|---|
| Turnover | 1,894,869,606 | 1,604,903,981 | 289,965,625 | Operating profit increased remarkably in comparison to the previous year because Cost of goods sold ratio decreased to 16.40 % and at the same production increased by 23%. Beside these raw material cost also decreased significantly increased. But the financial charges increased particularly. |
| Cost of Goods Sold | 1,420,967,225 | 1,221,123,105 | 199,844,120 | |
| Gross Profit | 473,902,381 | 383,780,876 | 90,121,506 | |
| Operating Expenses | 413,160,499 | 341,633,693 | 71,526,806 | |
| Operating Profit | 60,741,882 | 42,147,183 | 18,594,699 | |
| Non Operating Income | 164,091,576 | 186,018,111 | (21,926,535) | |
| Net Profit before WPPF | 224,833,458 | 228,165,294 | (3,331,836) | |
| Contribution to WPPF | 10,706,355 | 10,865,014 | (158,659) | Accumulations of all the above mentioned reasons are caused for signification variation from the last year operating result. |
| Net Profit before Tax | 214,127,103 | 217,300,280 | (3,173,177) | |
| Provision for Tax | 56,137,661 | 68,310,647 | (12,172,986) | |
| Retained Earnings | 157,989,442 | 148,989,633 | 8,999,809 | |

FINANCIAL RESULT AND APPROPRIATION

The presentation herewith of the comparative financial results of the Year under review (2013-2014) and the immediate Past Year (2012-2013) is provided below for you. Also recommendations have been placed before you for appropriation of the Profits generated during the Year under review:

| PARTICULARS | Figure in '000 Tk. | |
|--|--------------------|----------------|
| | 2013-14 | 2012-13 |
| Net Profit before Providing Income tax | 214,127 | 217,300 |
| Add: Adjustments of Revaluation | 5,981 | 6,295 |
| Add: Profit brought Forward from Previous Year | 106,069 | (12,912) |
| Profit available for Appropriation | 326,177 | 210,683 |
| Recommended for Appropriation | | |
| Less: Transfer to Tax Provision | (56,137) | (68,310) |
| Less: Dividend | (102,897) | (36,304) |
| Un-appropriated Profit Carried Forward | 167,143 | 106,069 |

DIVIDEND PROPOSED

Your company has earned Net Profit before Tax to the extent of Tk. 21.41 Crore, Profit available for appropriation Tk. 15.79 Crore and Retained Earning of Tk. 16.71 Crore. The Board expressed their satisfaction on the performance of the company and unanimously recommended 5% Stock Dividend (i.e. 25 Bonus Shares for every 500 shares) as Dividend for the Financial Year 2013-14 to the Shareholders of the company in consideration of current Year's Operational Results, Reserves Surplus and Retained Earnings position of the company. The same is being placed before you for your approval.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the Financial Year under review the Company has contributed an amount of Tk. 3.21 Crore to National Exchequer as Income Tax.

DIRECTORS' RETIREMENT AND THEIR RE-ELECTION.

In accordance with Article nos. 124 & 125 Section 91(2) of Company Act 1994 Mr. Al-Haj Abdul Ali and Mr. Mohd. Showkot Ali both are due to Retire by rotation from the Board of Directors and being eligible, offer them for Re-Election.

APPOINTMENT OF AUDITORS

The retiring Auditor Ahmed & Akhtar Chartered Accountants – 39, Dilkusha (4th floor) Dhaka- 1000. Bangladesh being eligible have expressed their willingness to continue with us as Statutory Auditor of the company. At the same time Auditor Ahmad & Akhtar Chartered Accountants – 39, Dilkusha (4th Floor), C/A, Dhaka-1000 have also expressed their willingness to provide their service as Auditor of the Company through appointment for the Financial Year 2014-2015. However, **the Board of Director has decided to appoint Ahmad & Akhtar Chartered Accountants as statutory auditor of company for the financial year 2014-15 subject to approval of shareholders.**

CORPORATE GOVERNANCE

Corporate Governance is the system through which the Company is directed, guided and controlled by the Board, keeping in view with its accountability to the shareholders. Now in accordance with the requirement of the Securities and Exchange Commission, "Corporate Governance Compliance Report" is also annexed. Additionally, the Status Report that is required to be presented by the Company in pursuance to Notification No. SEC/CMRRCD/2006/-158/Admin/02-08 of 20 February, 2006 issued by Securities & Exchange Commission is attached as Annexure-1.

MARKETING STRATEGY

Adopting the Marketing Theory, the 4P's consideration is noteworthy; Price, Place, Promotion and People. We consider that People and Place are Company internal factors and conversely Price and Promotion are external variables which can alter as well depending on market situation. However, our marketing strategies are laid before you.

- Price is an important determinant in terms of sourcing a product. On the other hand Price tool is not controllable but can be realized. Coping up with the changing price by making necessary adjustments, is always a smarter idea to procure and produce quality products. Our primary objective is to market quality products to buyers at competitive price through effective procurement.
- Place or availability of quality products at buyer's doorstep is required. In time delivery within projected lead-time and early delivery also increases good will of the company and at the same time adds value.
- Promotion is an active marketing tool that needs highest emphasis in now days marketing operations. Having a proper marketing planning or promotional plan is required in order to survive in the competitive environment sustaining worldwide. Establishing good relationship with buyers located both home and abroad is vital. Our objective behind this strategy is to stand on the building block of trust and faith laid through competitive promotional activities.
- People are the most important asset for us. Our aim is to make our buyers feel that we are always standing next to them in all shapes and at all situations. Nevertheless we consider our people as our company partners not as employees. We value our shareholders, stakeholders, investors and also partners/ employees. Through earning their commitment and dedication we make sure that our company serves better and the best to the market.

It is vital to realize that alongside with price, quality; in time delivery within shortened lead time and technical cooperation with buyers are all key elements that play progressively more chief functions in modernized marketing era.

We have intensified our efforts to sell to our target customers and have achieved significant breakthrough even in this competitive situation. We are at a faster pace expanding our customer base by adding several new highly successful buyer to our list of customers. On top our strong focus on differentiation, innovation and value addition have so far strengthened our marketing team and expanded our product development activities through R&D. Our continuous efforts to deploy new marketing strategies and tactics for quality based demonstration rather than volume based sales has so far led to significant reduction in terms of facing unnecessary competition.

SHAREHOLDERS POISE

You, the valued shareholders retained solid confidence and laid trust on us throughout the previous years and it is our firm believes, that you will continue to do so in years to come. Now we know, through operational experience that the key element in upholding to the shareholders confidence is to deliver consistent business performance, show competitiveness and renovation, and finally deliver competitive results in the industry. I decisively have realized that we have attained.

INNOVATION & EXPANSION- TAPPING TO THE FUTURE

While faced up with adverse variables, explained earlier, your company was keen to adapt and deploy new strategies and lay greater emphasis on innovation in the textile sector. To cope with this pace in harmony with modern textile world, we are continuing the modernization program of our plant and machineries. We are pleased to inform you that implementation of BMRE program of existing unit has been completed. Now are having productions of 22,000 kg instead of 17,000 kg per day from our existing unit after completion of successful erection, installation and commission of machineries imported for BMRE. The Annual production and turnover of existing unit will be increased remarkably from next year.

MANAGEMENT APPRECIATION

The member of Board of Directors would like to take this opportunity to express appreciation and sincere gratitude to the valued shareholders, customers – clients, suppliers, regulatory bodies , well wisher's government and semi government agencies , banks, financial institutions, Securities & Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited , various people with whom we have interacted in the course of business , management staff and members of the company at all levels for their kind support and unforgettable co-operation. You are the real strength the challengers in our way. I am confident , that with your understanding and support we will continue to build on our capabilities for sustainable high performance in future

BY ORDER OF THE BOARD OF DIRECTORS.

(AL-Haj Abdul Ali)
CHAIRMAN