DIRECTORS' REPORT

For the financial year ended on 30 June, 2022

Dear Shareholders,

In terms of provisions of section 184 of the Companies Act 1994, (Act No. XVIII of 1994), it is the pleasure of Board of Directors to submit its Report to the Shareholders for the Year Ended 30 June, 2022 in the following paragraph.

(i) Industry outlook

Maksons Spinning Mills Limited is one of the pioneers in the spinning industry in Bangladesh which was incorporated on 25th September 2003 subsequently it was converted into Public Limited Company on 25th January 2005. It has a capacity of 1,00,680 spindles with state of art machinery, imported from Japan, China, India, Italy, USA, Germany, Switzerland and Taiwan. The company is producing quality yarn for export with an annual production capacity of 21.25 million kgs. Maksons usually produces 20/1 to 80/1 count of 100% Cotton Yarn, Oraganic yarn, Combed yarn, Supima yarn and high quality compact yarn. Maksons is successfully created excellent name and fame for itself in the market for its product and services provided to the customer from its inception till to date.

Spinning sub-sector remains crucial to RMG value chain helping to stabilize supply chain, while controlling costs. The products of the spinning sub-sector are cotton yarn, polyester, synthetic yarn, woolen yarn and blended yarn mixed of cotton and polyester of different counts (mostly up to 80 count). Yarns are being used by the weaving sub-sectors like specialized textiles, handlooms and knitting and hosiery. The growth in the export of clothing with the phasing out of MFA in 2005 has led to the setting up of 350 spinning mills and there has been a boost in investment since 2001. The private sector spinning mills can now meet around 100% demand of yarn at the domestic level as well as 95% of the demand for yarn for export oriented knit fabrics mills. In addition, almost 85% of cotton yarns and 50% demand for synthetic and blended yarn of export-oriented fabric producing mills are being met by the private sector spinning mills.

(ii) The segment wise or product wise performance:

Particular	Unit	Year	
		2021- 2022	2020- 2021
Spindle	Number	100,680	97,800
Production Capacity (Yarn)	M.TON	21,250 M.Ton	20,650 M.Ton
Actual Production (Yarn)	M.TON	15,703 M. Ton	17,496 M. Ton
Capacity Utilization	%	73.89	84.73

(iii) Risk and Concern

Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment

1. Industry Risk

Textile is the largest industrial sub –sector in Bangladesh. It contributes highest in the country's total export earnings, gives employment to over four million people meets the second basic need for clothing of the country and contributes around 50% of the industrial value addition. But after phasing out of the, Multi Fiber Agreement (MFA) the global textile trade is now free from quota restriction.

Management Perception

The textile industry has successfully coped with the post Multi Fiber Agreement (MFA) competitive situation. The force, which is helping the sector for its strong existence is emergence of backward linkage industry. Backward linkage industries are supporting for minimizing lead- time and cost of production. The company is a first state of backward linkage industry of yarn production that facilitates for better existence.

2. Interest Rate Risks:

Interest / Financial charges are paid against any kind of borrowed fund. Volatility in money and increased demand for loan presses on interest rate structure to be fixed in high. Raising of interest rate increases the cost of fund for a company, which have borrowed fund, and consequently profit is squeezed.

Management Perception

The management of the Company is always aware of interest rate, which is concerned to the cost of fund the company. The Management prefers in procuring of the long- term fund with minimum fixed interest rate and the short term fund with reasonable competitive rate. On the other hand management of the company is emphasizing on equity based financing.

3. Exchange Rate Risk:

The Company is export oriented. The products of the company are sold against foreign currency and payments for raw material are also made in foreign currency .If exchange rate is increased against local currency opportunity is created for getting more revenue against sale in local currency. On the other hand if exchange rate goes down margin is squeezed in local currency.

Management Perception

The exchange rate of the country is traditionally witnessed of upward trends, which markets ample opportunity of export. On the other hand, management perceives revaluation of local currency i.e. down trend of exchange rate will have little impact on profitability of the company.

4. Market and Technology related Risk:

Among the functional areas in a yarn company, marketing exerts the sheet part of the importance. Proper implementation of the marketing tools as well as identifying new client will ensure the success of the project. The continuous changes on performance in the garment and textile market will force company to catch the trend. For which the company has to produce yarn for international demand.

Management Perception

The company set its focus only in countries export Market through inland back –to – back letter of credits. The management is trying to sell through direct contact with the customers (RMG & Knitting industries) in the selected regions understanding their needs. The company also has established relationship with potential buyers across the country and expects to find market for its capacity despite competition prevailing in the sector. Further the commercial bank and financial institutions provide a thrust in the textile sector as they provide credit facilities to RMG & knitting industries to acquire the yarn for their final products.

5. Changes in Economic & Political Condition:

Changing economic conditions may affect the demand for the product offered by the company. Downturn of economic activity or uncertainty may result in a downturn in demand for loan funds for industry.

Management Perception

Social unrest due to political reasons may cause downturn the economic activity which will have impact on demands of textile. But as elected Government is in place, we can expect that political rivalry within democratic environment will not affect the manufacture sector.

6. Energy costs may rise:

Due to the adverse power situation in the country, production may be hampered and wastage might rise.

Management Perception

The Company itself sufficient in generating power by its own generators. However, in case of gas shortfall and subsequent rationing if any, then the productivity will be reduced. In that scenario, the overall sector will be affected.

7. Operational risks:

Shortage of power supply, labor unrest unavailability or price increase of raw material, natural calamities like flood, cyclone, earthquake etc. may disrupt the production of the Company and can adversely impact the profitability of the Company.

Management Perception

The compensation as well the benefit package will restrain the employees to leave their assignment and got for any employee movement for higher benefit packages. The project of the company is situated at a high land where less record of flood. The factory building has strong RCC foundation, RCC floor, pre- fabricated steel structure to withstand wind, storm rain etc. along with good drainage facility. The risks from these factors are also covered through insurance. The Company is also facilitated to keep a rational reserve for any future price escalation of the raw material.

(iv) COGS, Gross/ Net Profit Margin Analysis

A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin is as follows;

Particular	Year		Deviation (Increase/Decrease)
	2021-2022	2020-2021	
Cost of Goods sold	5,149,625,106	4,125,556,224	1,024,068,882
Gross Profit Margin	19.07	22.46	(3.39)
Net profit Margin	7.91	9.29	(1.38)

Cost of Goods sold increased due to raw cotton cost increased per quantity compare to previous year. Gross/Net profit margin decreased for same reason and also increased of operating cost.

(v) Extra-ordinary activities

There were no extraordinary activities during the year.

(vi) Related party transactions

The following statement showing the related party transactions as per IAS-24 along with amount, nature of related party, nature of transactions and basis of transactions:

Particulars	Relationship	Type of Transaction	OP Balance	Received during the year	Payment during the year	Balance
Maksons Textiles Limited	Common Director	Loan & Advance	-	6,000,000	106,585,724	100,585,724
Gardenia Wears Limited			-	1,850,000	110,650,125	108,800,125
La-muni Apparels Limited			-	1,150,000	45,227,837	44,077,837
Metro spinning Ltd.			16,447,442	23,718,763	13,535,358	6,264,037

(vii) Utilization of Proceeds from Public Issue

This is not applicable for MSML as no such event of collecting fund from public issues took place during the year which would require adjustment or disclosure in the annual report.

(viii) Financial Result Deterioration after the Public Issue

An explanation if the financial results deterioration after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.: **Not applicable.**

(ix) Variance within the Quarterly Financial Statement and Annual Financial Statements

No significant variance occurs between Quarterly Financial performances and Annual Financial Statements.

(x) A statement of remuneration paid to the directors including independent directors:

The Directors of the company did not take any kind of remuneration except Board meeting fee during the year.

(xi) Fairness of Financial Statements

The management confirms that the financial statements i.e. the result of its operations, statement of cash flows and changes in equity of Maksons Spinning Mills Limited is prepared and presented fairly.

(xii) Proper Books of Accounts

The management of Maksons Spinning Mills Limited states that proper books of accounts have been maintained.

(xiii) Adaptation of Proper Accounting Policies and Estimates

The management of Maksons Spinning Mills Limited confirms that the appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

(xiv) IAS/BAS/IFRS/BFRS Application

The management of Maksons Spinning Mills Limited confirms that the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

(xv) Internal Control

The management confirms that internal control of Maksons Spinning Mills Limited is sound in design and has been effectively implemented and monitored.

(xvi) Minority Shareholders

A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress:
Not applicable.

(xvii) Going Concern

The management confirms that there is no significant doubt upon the issuer company's ability to continue as a going concern.

(xviii) Significant deviation from last year's operating result

	2021 - 2022	2020 - 2021	Deviation Increase/decrease
Turnover	6,362,796,844	5,320,285,273	1,042,511,571
Less Cost of Goods sold	5,149,625,106	4,125,556,224	1,024,068,882
Gross Profit	1,213,171,738	1,194,729,049	18,442,689
Less Operating Expenses	570,515,119	558,589,685	11,925,434
Operating profit	642,656,619	636,139,364	6,517,255
Add non - operating income	11,571,598	15,467,303	(3,895,705)
Net profit before WPPF	654,228,217	651,606,667	2,621,550
Contribution to WPPF	31,153,725	31,028,889	124,836
Net Profit before tax	623,074,492	620,577,778	2,496,714
Provision for Tax	119,784,896	126,255,475	(6,470,579)
Retained Earnings	503,289,597	494,322,303	8,967,293

It is mentionable here that since the improvement of pandemic situation a significant amount of RMG orders came to Bangladesh which in resulted positive impact on spinning sector of the country. As a result, the company was able to make considerable amount of sales during the year. The turnover, gross profit, net profit and retained earnings has increased this year compared to previous year.

(xix) Key Operating and Financial Data

A statement of key operating and financial data of preceding 5 (five) years are given below:

Tk. in '000

FIVE YEARS FINANCIAL STATISTICS

PARTICULARS	2021-22	2020-21	2019-20	2018-19	2017-18
Financial Position					
Authorized Capital	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Paid-up Capital	2,382,325	2,382,325	2,382,325	2,382,325	2,382,325
Retained Earnings	503,289	494,322	-88,180	29,254	116,434
Turnover	6,362,796	5,320,285	4,263,230	4,465,975	4,731,802
Gross Profit	1,213,171	1,194,729	611,943	742,557	814,496
Gross Profit in %	19.07	22.46	14.35	16.63	17.21
Net Profit before Tax	623,074	620,577	-47,265	69,792	190,045
Net Profit before Tax in%	9.79	11.66	-1.11	1.56	4.02
Fixed Assets	4,564,855	4,495,050	4,568,034	4,755,288	4,795,608
Current Assets	6,022,652	5,658,136	5,460,543	5,377,307	4,878,464
Current Liabilities	4,432,185	4,015,975	4,348,482	4,449,857	3,819,405
Net Current Assets	1,590,466	1,642,161	1,112,060	927,449	1,059,058

Tk. in '000

FIVE YEARS FINANCIAL STATISTICS

PARTICULARS	2021-22	2020-21	2019-20	2018-19	2017-18
Key Financial Ratio					
Current Ratio (Times)	1.36	1.41	1.26	1.21	1.28
Quick Ratio (Times)	0.53	0.60	0.47	0.47	0.54
Debt-Equity Ratio (Times)	0.27	0.33	0.47	0.38	0.41
Times Interest Earned Ratio (Times)	2.87	2.75	0.91	1.15	1.46
Inventory Turnover (Times)	2.10	1.77	1.58	1.84	2.26
Assets Turnover (%)	1.405	1.174	0.915	0.935	1.002
Return on Assets (%)	14.44	14.38	-1.01	1.53	4.23
Return on Equity (%)	12.43	12.96	-1.09	1.57	4.18
Earning Per Share (EPS)	2.11	2.07	-0.37	0.12	0.49
Net Operating Cash Flow Per Share	2.09	2.81	0.79	-0.1	-0.8
Dividend Per Share (DPS in %)	10	11	2	2	5
	Cash	Cash	Cash	Cash	Cash
Book Value Per Share	24.10	19.60	5.10	6.50	8.60
Dividend Payout Ratio (%)	47.34	24.10	-135.08	407.17	102.3
Other Information					
Number of share	238,232,538	238,232,538	238,232,538	238,232,538	226,888,132
Number of Shareholders	21,176	23,263	24,443	25,725	26,064
Number of Employees	2218	2267	2573	2586	2349

(xx) Dividend

Since the company has declared dividend so no explanation is required.

(xxi) Interim Dividend

The company did not declare any stock dividend or bonus share as interim dividend during the year.

(xxii) Board Meetings and Attendance

The total number of Board meetings held during the year and attendance by each Director:

NAME OF DIRECTOR	POSITION	MEETING HELD	MEETING ATTENDED
MOHAMMAD ALI KHOKON	CHAIRMAN	4	4
MOHD. FERDOUS KAWSER MASUD	MANAGING DIRECTOR	4	4
MOHD. SHOWKOT ALI	Director Nominated by Metro Spinning Ltd.	4	4
MRS. LAILA ALI	DIRECTOR	4	4
AMZAD ALI BADAL	DIRECTOR	4	4
SANJID HASAN AMIT	DIRECTOR	4	4
MD. KHURSHED HOSSAIN	INDEPENDENT DIRECTOR	4	4
HAIDER AHMED KHAN, FCA	INDEPENDENT DIRECTOR	4	4
DR. MOHAMMED MIZANUR RAHMAN	NOMINATED DIRECTOR	4	4
NOOR MOHAMMAD	COMPANY SECRETARY	4	4
MD. YOUNUS BHUIYAN	CHIEF FINANCIAL OFFICER	4	4
APARESH PAUL	HEAD OF INTERNAL AUDIT & COMPLIANCE (Till 10/10/2021)	4	1
Ms. Farhana Haque	HEAD OF INTERNAL AUDIT & COMPLIANCE (From 10/10/2021)	4	3

(xxiii) Pattern of Shareholding and Name wise details

A report on the pattern of shareholding disclosing the aggregate numbers of shares (along with name wise details) of the company on 30th June 2022 stands as follows:

Name of the Shareholders	Status	Shares held	%
(a) Parent/Subsidiary/ Associated companies and other related parties:			
Metro Spinning Limited		12,580,488	5.28%
Maksons Properties & Development Ltd.		838,699	0.35%
Maksons Knit & Rotor Spinning Ltd.		4,193,496	1.76%
Makcot International		2,516,097	1.06%
(b) Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children			
Mr. Mohammad Ali Khokon	Chairman	16,968,270	7.12%
Mr. Mohd. Ferdous Kawser Masud	Managing Director	93,07,547	3.92%
Mr. Mohd. Showkot Ali	Director (Nominated)	2,012,878	0.84%
Mrs. Laila Ali	Director	84,36,406	3.54%
Mr. Amzad Ali Badal	Director	47,68,429	2.00%
Mr. Sanjid Hasan Amit	Director	48,22,129	2.02%
Mrs. Polly Yasmin	Sponsor	30,19,317	1.27%
Mrs. Khadiza Akhter Shilpi	Sponsor	20,12,878	0.84%
Mr. Haider Ahmed Khan	Independent Director	Nil	Nil
Mr. Md. Khurshed Hossain	Independent Director	Nil	Nil
Mr. Mohd. Younus Bhuiyan	Chief Financial Officer	Nil	Nil
Mr. Noor Mohammad	Company Secretary	Nil	Nil
Ms. Farhana Haque	Head of Internal Audit	Nil	Nil
(c) Executives; and	Nil	Nil	Nil
Sub-Total		71,476,634	30%
Institutions & General Public		166,755,904	70%
Total		238,232,538	100%
(d) Shareholders holding 10% or more voting interest in the company	Nil	Nil	Nil

Shareholding Structure

Category	Total Shareholding	Percentage (%)
Sponsors/Directors	71,476,634	30%
Financial Institutions	31,708,750	13.31%
General Public	135,047,154	56.69%
Total	238,232,538	100%

(xxiv) Appointment or reappointment of Directors:

In accordance with Article Nos. 124 & 125 Section 91(2) of Company Act 1994, Mr. Mohammad Ali Khokon and Mr. Mohd. Ferdous Kawser Masud, Director both are due to retire by rotation from the Board of Directors and being eligible, offer them for Re-Election. Board of Directors have re-elected both the Directors for the next term.

Mr. Mohammad Ali Khokon
Director
Mr. Mohammad Ali Khokon is the Director of the Company. Under his dynamic and sincere leadership, the Company has reached to its present status. He has become one of the business icons in the country within 36 years of his business experience through his outstanding leadership. His outstanding decision bought the company many successes within a very short period of time. He has visited many countries in regards to business and became well experienced in modern methods, technology, production, marketing and management techniques in respect of textile sector. His profound leadership helps the Company to formulate Strategic Policy and route to its implementation. He has undertaken various sustainability initiatives that have created positive impact on the company and society. He has been elected twice as President of Bangladesh Textile Mills Associations (BTMA) for his efficient & effective leadership, sincerity, honesty, hard work and electrifying personality. He is also involved with many financial institutions, government regulatory bodies, international vendors, legal bodies, and other concerned department. He is also engaged in various social activities like Dhaka Club Ltd., Gulshan Club Ltd., Uttara Club Ltd., Rotary Club and many other sports & social organizations who are working for the deprived people under the company's Corporate Social Responsibility (CSR). His academic brilliance and decision-making ability capacitated him to become one of the successful iconic business magnates of the country. He is also Director of Metro Spinning Ltd.

Mr. Mohd. Ferdous Kawser Masud
Director
Mohd. Ferdous Kawser Masud is an MBA Graduate in Finance from Chittagong University and holds the position of Director of the company. He joined the business in the year 2000 and aims to set high standards for the performance of the Company. He visited many countries and gathered knowledge in modern methods and technology. He has implemented new vast ideas in latest business tactics in production, sales and accounting in respect of textile sectors by being associated with his family business. He is involved in strategic planning and implementing financial strategy and at the same time leading the R&D team to speed up financial elevation, expansion, growth and exploring new business avenue for the company. He injected operational superiority in key areas, which helps the company to grow significant revenue and profitability. He is also associated with number of social organizations and activities. He is also Director of Metro Spinning Ltd.

(xxv) Management Discussion and Analysis

The Management Discussion and Analysis signed by CEO/MD presenting details analysis of the company's position and operation is attached herewith as Annexure-01.

(xxvi) Declaration by the CEO and the CFO

Declaration or certification by the CEO/MD and the CFO to the Board as required under condition No. 3 (3) is disclosed herewith as Annexure-A; and

(xxvii) Report on Compliance of the Corporate Governance Code

The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 is disclosed as herewith Annexure=B and Annexure-C.

Dividend

The Board of Directors has recommended 10% Cash dividend for the year ended 30 June, 2022 to for all the shareholders whose name shall appear on the register of members on record date which is subject to approval from the shareholders at upcoming Annual General Meeting.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the Financial Year under review the Company has contributed an amount of Tk. 13.25 Crore to National Exchequer as Value Added Tax, Custom Duty and Income Tax.

APPOINTMENT OF AUDITORS

The Auditors M/S Kazi Zahir Khan & Co. Chartered Accountants, Topkhana Road, Segun Bagicha, Dhaka has expressed their willingness to work with us as Statutory Auditor of the company for further one year. The Board of Directors has decided to appoint M/S Kazi Zahir Khan & Co Chartered Accountants as Statutory Auditors of the company for the term (2022-2023) until next Annual General Meeting subject to approval of Shareholders.

APPOINTMENT OF COMPLIANCE AUDITORS

M/S. Saifur Enayet & Associates, Cost & Management Accountants, House # 53, Road # 03, Sector-3, Uttara, Dhaka-1230, has expressed their willingness to work with us as Compliance Auditor of the company. The Board of Directors has decided to appoint them as compliance auditor for the term 2022-2023 subject to approval of Shareholders in the forthcoming AGM of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

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(Mohammad Ali Khokon)
Chairman