DIRECTORS' REPORT

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED ON 30 JUNE, 2023

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 on 30 June, 2023 in the following paragraph.

(i) Industry outlook

Metro Spinning Limited is one of the pioneers in the spinning industry in Bangladesh which was established in 09th May 1993. It is a Public Limited Company, listed with Dhaka Stock Exchange and Chittagong Stock Exchange in the year of March 14, 2002. It has a capacity of 34,872 spindles with state of art machinery, imported from Japan, China, India, Italy, USA, Germany and Taiwan. The company is producing quality yarn for the both export and local market with an annual production capacity of 4.50 million kg. Metro usually produces 20/1 to 80/1 count of 100 % Cotton Yarn, Grey Mélange Yarn and 100% white viscose. Metro is successfully created excellent name and fame for itself both in local and export 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:

Particulars	Unit	Year	
		2022- 2023	2021- 2022
Spindle	Number	34,872	34,872
Production Capacity (Yarn)	KG	4500 M.Ton	4500 M.Ton
Actual Production (Yarn)	KG	918 M. Ton	2526 M. Ton
Capacity Utilization	%	20.40%	56.13%

(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 industries. 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 of 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 especially insufficient availability natural gas, the utility cost increased. Continuous hike in power generating energy cost we are using captive gas line from Titas and producing own energy to run the factory by using world class gas generator. In this process tariff of gas, lube oil, spare parts cost and maintenance cost increased remarkably, causing increase in cost of goods sold and reducing profitability.

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, earth quack 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;

Particulars	2022-2023	2021-2022	Deviation Increase/(Decrease)
Cost of Goods sold	6,068,35,351	77,10,60,837	(164,225,486)
Gross Profit Margin	-11.69%	20.41%	-32.10%
Net profit Margin	-35.41%	8.78%	-44.19%

Cost of Goods Sold decreased due to less consumption of Raw Materials for less production, Gross Profit Margin decreased due to increased of Cost of Goods Sold and Net Profit Margin decreased due to decrease of Sales price, increase of Cost of Goods sold, utility bills and also increase of Interest and Financial Charges.

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	Nature of Relationship	Outstanding Balance as on 30 June, 2023
Maksons Spinning Mills ltd.	Common Director	6,264,037

vii) Utilization of Proceeds from Public Issue

This is not applicable for MSL 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

Significant deviation in EPS: Earnings per share decreased due to decrease in unit price of finished goods, increased of Cost of Goods Sold, operational and utility cost including financial charges compare to the previous year.

(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 Metro Spinning Limited is prepared and presented fairly.

(xii) Proper Books of Accounts

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

(xiii) Adaptation of Proper Accounting Policies and Estimates

The management of Metro Spinning 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 Metro Spinning 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 deviation there from has been adequately disclosed.

(xv) Internal Control

The management confirms that internal control of Metro Spinning 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

Financial Position	2022-2023	2021-2022	Deviation Increased/(decreased)
Turnover	543,308,560	968,853,515	(425,544,955)
Less: Cost of Goods Sold	606,835,351	771,060,837	(164,225,486)
Gross Profit	(63,526,791)	197,792,678	(261,319,469)
Less: Operating Expenses	99,235,925	102,709,333	(3,473,408)
Operating Profit	(162,762,716)	95,083,345	(257,846,061)
Add: Non- Operating Income	(23,324,375)	10,721,474	(34,045,849)
Net Profit Before WPPF	(186,087,091)	105,804,819	(291,891,910)
Contribution to WPPF		5,038,325	(5,038,325)
Net Profit Before Tax	(186,087,091)	100,766,494	(286,853,585)
Provision for Tax	6,316,244	15,715,254	(9,399,010)
Retained Earnings	(1,997,215)	206,856,768	(208,853,983)

During the year operating result significantly decreased due to decrease in unit price of finished goods, increased of Cost of Goods Sold, operational and utility cost including financial charges compare to the previous year.

(xix) Key Operating and Financial Data

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

FIVE YEARS FINANCIAL STATISTICS					
Financial Position	**2022-2023**	**2021-2022**	**2020-2021**	**2019-2020**	**2018-2019**
Authorized Capital	1000000	1,000,000	1,000,000	1,000,000	1,000,000
Paid-up-capital	616982	616,982	616,982	616,982	616,982
Retained Earnings	(1,997)	206,856	119,256	13,461	12,926
Turnover	543,308	968,853	995,179	676,708	904,362
Gross Profit	(63,526)	197,792	160,040	111,110	127,861
Gross Profit in %	-11.69%	20.41	16.08%	16.42%	14.14%
Net Profit Before Tax	(186,087)	100,766	70,214	6,282	16,883
Net Profit Before Tax in %	-34.25%	10.40	7.06%	0.93%	1.87%
Fixed Asset	667,286	692050	699,411	779,662	798,482
Current Asset	911,310	1,212,393	1,067,501	1,004,968	1,032,565
Current Liabilities	642,068	772,949	682,908	759,751	779,454
Net Current Assets	269,242	439,444	384,593	245,217	253,111
Key Financial Ratios					
Current Ratio (Times)	1.42	1.57	1.56	1.32	1.32
Quick Ratio (Times)	0.69	0.82	0.64	0.69	0.657
Debt- Equity Ratio (Times)	0.55	0.55	0.27	0.78	0.78
Time interest earned ratio (Times)	(1.30)	2.47	1.98	1.052	1.11
Inventory Turnover (Times)	1.04	1.88	1.79	1.353	1.785
Assets Turnover	26.63%	45.81	1.108	35.94%	45.27%
Return on Assets	-9.12%	4.76%	8.21%	0.33%	0.85%
Return on Equity	-16.08%	8.37%	6.20%	0.69%	1.82%
Earnings per Share (EPS)	(3.12)	1.38	0.99	0.08	0.21
Net Operating Cash Flow Per Share	1.86	(0.56)	0.54	0.76	2.65
Net Asset Value Per Share	16.87	20.65	18.36	14.53	14.88
Dividend Per Share (DPS)	Nil	Cash-3%	Nil	2%	2%
				Cash	Cash
Book Value Per Share	27.70	27.70	17.80	8.50	7.80
Other Information					
Total Share	61,698,275	61,698,275	61,698,275	61,698,275	61,698,275
Number of Shareholders	5503	6,947	6,840	6,822	7,682
Number of Employees	481	562	699	665	914

(xx) Dividend

As you know that globally the yarn price decreased and increased overall cost of goods sold due to increase in fuel & power cost, raw material cost, finance cost, foreign exchange loss and other cost for that reason during the year 2022-2023 the company's sales revenue was Tk. 5,43.30 million and net profit was Tk.(192.40) million and EPS was BDT (3.12). Considering the above business scenario the company recommended No Dividend for this financial year for the esteemed shareholders.

(xxi) Interim Dividend.

The company did not declare any stock or cash dividend 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 Member:

NAME OF DIRECTOR	POSITION	MEETING HELD	MEETING ATTENDED
MOHAMMAD ALI KHOKON	CHAIRMAN	5	5
MOHD. SHOWKOT ALI	MANAGING DIRECTOR	5	5
AMZAD ALI BADAL	DEPUTY MANAGING DIRECTOR	5	5
MOHD. FERDOUS KAWSER MASUD	DIRECTOR	5	5
MRS. LAILA ALI	DIRECTOR	5	5
DR. MIJANUR RAHMAN	INDEPENDENT DIRECTOR	5	5
MD. IFTIKHAR-UZ-ZAMAN	INDEPENDENT DIRECTOR	5	3
MS. ZABUN NAHAR	CHIEF FINANCIAL OFFICER	5	5
MD. MOZAMMEL HOQUE (Resigned from the post of CS on 30.04.2023)	COMPANY SECRETARY	5	4
MR. MOHAMMAD JEWEL RANA (Appointed as CS on 01.05.2023)	COMPANY SECRETARY	5	Nil
IFFAT ADDNAN DINA	HIAC	5	5

(xxii) 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 for the year ended on 30th June 2023 stands as follows:

Name of the Shareholders	Status	Shares held	%
(a) Parent/Subsidiary/ Associated companies and other related parties	Nil	Nil	Nil
(b) Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children	Nil	Nil	Nil
Mr. Mohammad Ali Khokon	Sponsor & Chairman	47,48,423	7.70%
Mr. Mohd. Showkot Ali	Sponsor & Managing Director	14,57,260	2.37%
Mr. Ferdous Kawser Masud	Director	50,73,726	8.22%
Mrs. Laila Ali	Director	60,57,700	9.82%
Mr. Amzad Ali Badal	Sponsor	5,80,966	0.94%
Mrs. Hurer Nahar	Sponsor	6,43,881	1.04%

Sub-Total		**18,561,956**	**30.09%**
Institutions & General Public		**4,31,36,319**	**69.91%**
Total		**6,16,98,275**	**100%**

Ms. Zabun Nahar	Chief Financial Officer	Nil	Nil
Mr. Mohammad Jewel Rana	Company Secretary	Nil	Nil
Ms. Iffat Adnan Dina	Head of Internal Audit & Compliance	Nil	Nil
(c) Executives	Nil	Nil	Nil
(d) Shareholders holding 10% or more voting interest in the company	Nil		

Shareholding Structure:		
Category	Total Shareholding	Percentage (%)
Sponsors/Directors	18,561,956	30.09%
Financial Institutions	12,389,014	20.08%
General Public	30,747,305	49.83%
Total	6,16,98,275	100%

(xxiv) Appointment or re-appointment of Directors:

In accordance with Article Nos. 124 & 125 Section 91(2) of Company Act 1994, Mr. Mohammad Ali Khokon and Mrs. Laila Ali, Directors 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, Director of the company. He has 37 years of experience in the textile sector of the country. He has visited many countries and attended seminars, workshops, etc. which helped him gather knowledge in the sector. Mr. Ali have brought outside experience and expertise to the boardroom in a way that keeps companies on track and moving forward. He also provides guidelines to ensure the board and shareholders that the financial controls and systems of risk management are strong and defensible. He is also a Director of Maksons Spinning Mills Ltd.

Mrs. Laila Ali, Director

Mrs. Laila Ali is the Director of the company. She is a dynamic & hard working personnel and as well as bagged knowledge in Modern Methods, Technology, Production and Marketing & Management Techniques of textile industries by attending several course/seminars and visiting similar industrial concerns. Monitors organizational performance and aids the Managing Director to develop strategically goal which are attainable. She is also Director of Maksons Spinning Mills Ltd.

Independent Director:

The Company has complied the notification of the Bangladesh Securities and Exchange Commission with regard to appointment of Independent Director(s) to the Board. Accordingly, Metro Spinning Limited has one Independent Directors namely Dr. Mizanur Rahman.

(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 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 No Dividend for the year ended 30 June, 2023 to the shareholders whose name shall appear on the register of members on record date will eligible to attain in the AGM.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the Financial Year under review the Company has contributed an amount of Tk. 219.85 lac to National Exchequer as Value Added Tax, Custom Duty and Income Tax.

APPOINTMENT OF AUDITOR

The Auditors M/S. Kazi Zahir Khan & Co., Chartered Accountants, Home Town Apt.(Flat-C, Level-15), 87, New Eskaton Road, Dhaka-1000. submitted their expression of Interest (EOI) to act as Statutory Auditor as an enlisted firm with the Bangladesh Securities Exchange Commission (BSEC) for auditing the financial statements of the company for the year ended 30th June, 2024. The Board of Directors has decided to appoint them as Statutory Auditor for the term 2023-2024 subject to approval of Shareholders in 28th AGM of the company.

APPOINTMENT OF COMPLIANCE AUDITOR

M/S. Saifur Enayet & Associates, Cost & Management Accountants, 53, Road: 03, Sector: 03, Uttara, Dhaka-1230. have express 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 2023-2024 subject to approval of Shareholders in 28th AGM of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

(Mohammad Ali Khokon)
Chairman