

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## Dear Shareholders,

In terms of provisions of section 184 of the Companies Act 1994, Rule 12 (and the schedule thereunder) of the Securities and Exchange Rules 1987 and IAS – 1 (International Accounting Standards – 1) as adopted by the ICAB (The Institute of Chartered Accountants of Bangladesh), it is a pleasure of the Board of Directors to submit its report to the Shareholders for the year ended 30 June 2021 in the following paragraphs:

## A] COMPANY OPERATIONS

### 1] Capacity/Production

Below table represents last five years production capacity and capacity utilization ratios:

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
<b>[1.1] Spindles</b>					
a) No. of Spindles installed	73,184	73,184	73,184	73,184	73,184
b) No. of Spindles in operation	65,900	66,394	69,484	67,539	67,411
<b>[1.2] Production Capacity ('000 Kg):</b>					
At Equivalent 28s Count (Ring Yarn)	18,257	17,225	18,286	17,937	15,236
<b>[1.3] Actual Production ('000 Kg):</b>					
At Equivalent 28s Count (Ring Yarn)	14,799	13,697	15,111	14,432	11,819
<b>[1.4] Capacity Utilization (%)</b>	81.06%	79.52%	82.64%	80.46%	77.58%

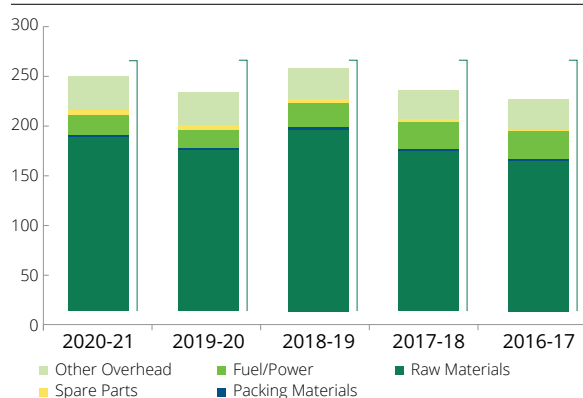
### 2] Cost of Production

The cost of production varied during the past years primarily due to wide price fluctuations of raw materials, packing materials, fuel & power, and spare parts. Price fluctuation being an external factor was beyond the control of Management. The level of costs and their incidences for last five years are given below:

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
(a) Output of Yarn ('000 Kg)	16,049	14,589	15,229	14,556	12,118
(b) Cost of Major items ('000Tk):					
Raw Materials	2,977,226	2,471,115	2,920,514	2,451,816	1,915,205
Packing Materials	35,533	28,473	29,735	26,983	20,619
Fuel/Power	343,440	284,210	392,118	421,455	363,863
Spare Parts	82,945	69,810	54,298	37,311	20,625
Other Overhead	562,484	510,005	508,537	448,428	394,366
<b>Total Cost</b>	<b>4,001,627</b>	<b>3,363,613</b>	<b>3,905,203</b>	<b>3,385,993</b>	<b>2,714,679</b>

Unit Cost/Kg (TK)	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Raw Materials	185.51	169.38	191.77	168.44	158.04
Packing Materials	2.21	1.95	1.95	1.85	1.70
Fuel/Power	21.40	19.48	25.75	28.95	30.03
Spare Parts	5.17	4.79	3.57	2.56	1.70
Other Overhead	35.05	34.96	33.39	30.81	32.54
<b>Unit Cost</b>	<b>249.35</b>	<b>230.55</b>	<b>256.43</b>	<b>232.62</b>	<b>224.02</b>
<b>Raw Material Cost as % of Total</b>	<b>74.40%</b>	<b>73.47%</b>	<b>74.79%</b>	<b>72.41%</b>	<b>70.55%</b>

### Cost of Production



The above chart reveals that overall unit cost increased by 8% in 2020-2021 over 2019-2020. Raw Material, Packing Material, Fuel/ Power and Spare Parts cost increased by 10%, 13%, 10% and 8% respectively. On the other hand, other overhead not increased over last year.

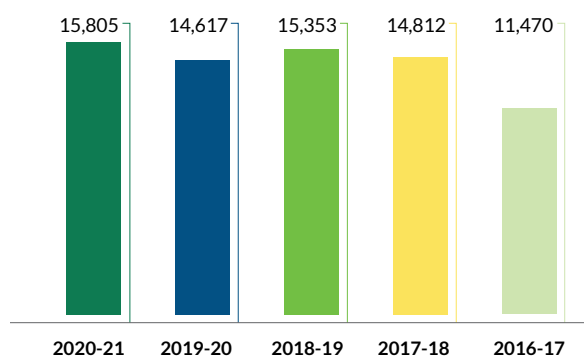
## B] MARKETING OPERATIONS

### 1] Market Exposure

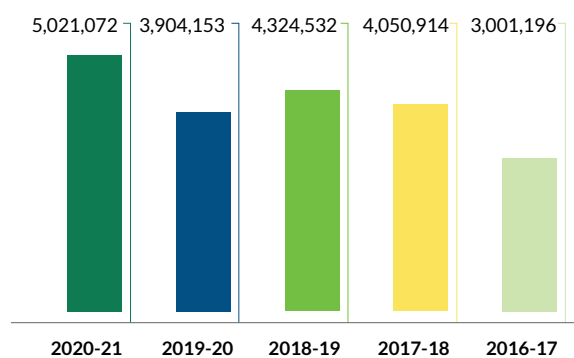
The Company's marketing operations continued its emphasis on export sales over the years as depicted below:

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
(a) Sales Volume ('000 Kg)	15,805	14,617	15,353	14,812	11,470
(b) Sales Revenue ('000 Tk)	5,021,072	3,904,153	4,324,532	4,050,914	3,001,196

### Sales Volume ('000kg)



### Sales Revenue ('000 Taka)



The above figures show that compared to prior year, 2020-2021 sales volume and value increased by 8% and 29% respectively. Volume increased due to full

year production running compare to last year, average selling price was also increased.

## 2] Selling Prices

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Average Selling Prices (Taka/Kg)	317.68	267.10	281.67	273.48	261.66
% Change - compare to prior year	19% up	5% down	3% up	5% up	1% up

It indicates that average selling price maintained an upward trend in current year but declined in the last year due to COVID-19.

## C] DEVELOPMENT ACTIVITIES

During the year 2020-21, the Company started to implement Production, Order, and Asset Maintenance Modules in Oracle ERP system. These modules would help to determine product costing faster and assessing inventory valuation on real-time basis.

## D] CAPITAL EXPENDITURES

Details of capital expenditures for development activities are shown below (figures in '000 Taka):

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
<b>Land</b>			7,922	1,849	4,282
<b>Civil construction</b>					
Cotton Unit	40,206	27,395	7,261	29,002	34,804
Mélange Unit					
Synthetic Unit				8,240	124,440
Special Yarn Unit	84,292				
<b>Plant and Machinery</b>					
Cotton Unit	49,603	179,028	272,839		53,110
Mélange Unit	4,818				
Synthetic Unit	17,898	31,701	37,125	25,408	214,184
Special Yarn Unit	120,958				
Other Fixed Assets	4,676	99,489	4,161	21,283	8,439
<b>Total</b>	<b>322,451</b>	<b>337,614</b>	<b>329,307</b>	<b>85,782</b>	<b>439,259</b>

## E] CONTRIBUTION

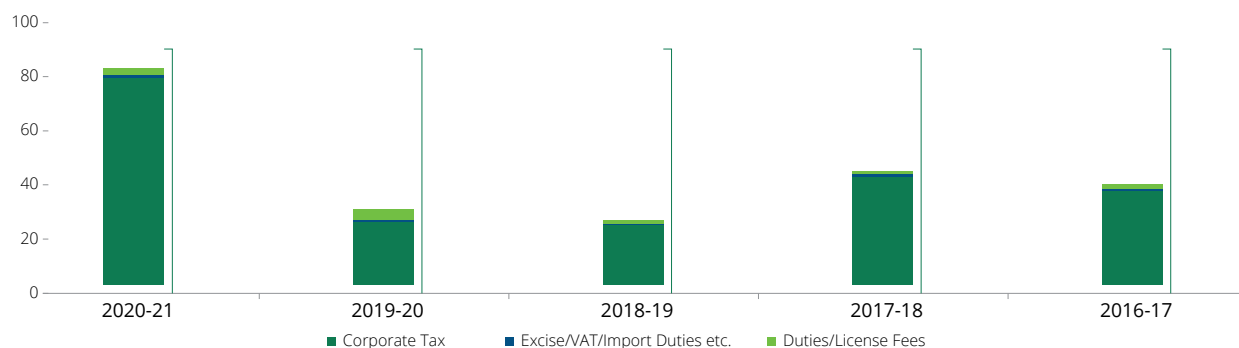
### 1] Contribution to National Exchequer

The Company contributed Tk. 89.69 million during 2020-2021 to the National Exchequer. Last five years comparative data are as follows (figures in million Taka):

(Taka in Million)

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Corporate Tax	85.48	26.49	25.09	44.85	39.20
Excise/VAT/Import Duties etc.	1.23	1.20	0.89	1.21	0.79
Duties/License Fees	2.98	4.06	1.20	1.54	1.73
<b>Total</b>	<b>89.69</b>	<b>31.75</b>	<b>27.18</b>	<b>47.60</b>	<b>41.72</b>

### Contribution to National Exchequer



### 2] Foreign Exchange Earned/Saved

The Company contributed Tk.1,704 million to the Foreign Exchange Reserve of the country during the FY 2020-2021 through its export marketing operation. Last five years data are shown below (figures in million taka):

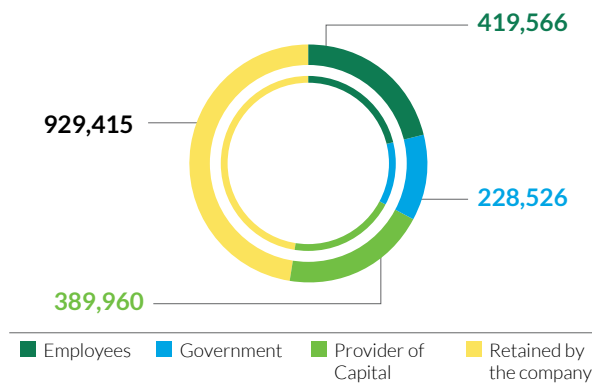
(Taka in Million)

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Total Export Earnings	5,021	3,904	4,325	4,051	3,001
Less: Import Expenses					
Raw Cotton/Staple Fiber	(3,266)	(2,686)	(2,591)	(2,355)	(2,219)
Spare Parts	(51)	(62)	(61)	(99)	(54)
Net Foreign Exchange Earned	1,704	1,156	1,673	1,597	728

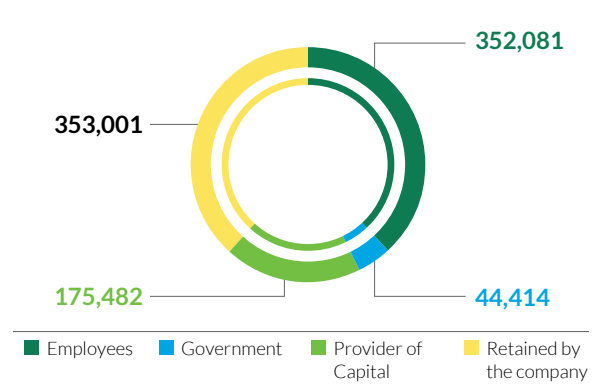
### 3] Value Added Statement (figures in '000 Taka)

Particulars	2020-2021	2019-2020
<b>Source of Funds</b>		
Net Turnover	5,021,072	3,904,153
Less: Bought in Material and Services	(3,541,857)	(3,021,945)
Add: Other Income	98,291	42,769
<b>Value Added</b>	<b>1,577,506</b>	<b>924,978</b>
<b>Applied in the following ways</b>		
<b>Employees</b>		
Salaries, Wages, Provident Fund & Other Benefits	377,427	339,410
Contribution to Workers' Profit Participation & Welfare Fund	42,139	12,671
<b>Government</b>		
Corporate Tax	227,291	43,216
Other Government Dues	1,235	1,198
<b>Provider of Capital</b>		
Dividend	389,960	175,482
<b>Retained by the company</b>		
Depreciation	313,936	318,271
Retained Earnings	225,519	34,729
<b>Total Applied</b>	<b>1,577,506</b>	<b>924,978</b>

2020-21



2019-20



## F] APPROPRIATION

The net profit after tax of 615,479,288.30 earned during the year 2020-2021 has been apportioned in the following manner:

Cash dividend is recommended by the Board of Directors at 40% (Tk. 4 per share for 2020-2021, total Tk.389,960,000)

## G] AUDITORS

According to Dhaka Stock Exchange (Listing) Regulations 2015, the issuer of listed securities shall not appoint any firm of Chartered Accountants as its statutory auditors for a consecutive period exceeding three years. A. Qasem & Co., Chartered Accountants, have completed their statutory audit of the Company for a consecutive period of three years, they are not eligible for reappointment for the year 2021-2022. Hussain Farhad & Co., Chartered Accountants, have offered their Expression of Interest (EOI) to be appointed as statutory auditor of the Company. The Board recommended their appointment for the year 2021-2022.

## H] MANAGEMENT APPRECIATION

The Board of Directors records with deep appreciation the performance of the management, officers, staff, and the workers whose efforts helped to maintain the desired level of productivity as well as net profit despite the natural and unnatural adverse factors of production and marketing throughout the country besides COVID-19 Pandemic situation. The Board of Directors together with the competent workforce, innovation, state-of-the-art technology is determined to be the leading quality manufacturer in the Country. It is expected that the employees and the management will continue to improve the results in the interest of shareholders whose unwavering trust in management has always been an inspiration to the Board of Directors. The Directors acknowledge and express their profound gratitude for the continued cooperation and unflinching support received from various agencies including Bangladesh Securities and Exchange Commission, Stock Exchanges, CDBL, RJSC, National Board of Revenue, and other agencies of the public and private sector.

For and on behalf of Board of Directors

**Abdul Wahed**  
Chairman

# ANNEXURE TO DIRECTORS' REPORT

Additional statements by the Board of Directors as per notification dated 3 June 2018 from the Bangladesh Securities and Exchange Commission:

## **(i) Industry Outlook and possible future developments in the industry.**

The Company is operating as a backward linkage industry to the RMG exporting Companies largely within DBL Group. Along with continuing growth of RMG sector in the Country DBL Group is also in the continuing process of expansion of its capacity of RMG. Keeping in view of future growth potential of RMG sector in the country the Company has increased production capacity through establishment of new production units in order to meet the requirement of RMG. Currently total production capacity of the Company is 51 tons of yarn in a day which covers nearly 50% of DBL Group's total demand.

## **(ii) Segment-wise or product-wise performance**

The Company is domiciled in Bangladesh. The Company does not have any non-current assets that are located outside Bangladesh. There are also no revenue arising from transactions with a single external customer that comprises 10% or more of the company's revenue for the years ended 30 June 2021.

The Company is primarily engaged in the manufacturing and sale of single product of yarn in Bangladesh and this forms the focus of the Company's internal reporting system. While the Company has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the Chief Operating decision maker. Therefore, it is not possible to segment the Company's results by brand without a high degree of estimation. However, yarn type and export sales has been provided in Note 25.

## **(iii) Risk and Concerns**

The company as other spinning sector in the country is confronted with the supply/price risk of raw cotton and staple fiber which are entirely imported from abroad. Beside the company is facing irregular supply of Gas. Price of gas is increasing continuously. To augment low pressure of Gas supply, the company maintains alternative power sources such as Diesel Generator, Rural Electrification Board, United Power Generation & Distribution Co. Ltd.

The Company Management perceives investment risk within the national and international economic perspectives in relation to legal and moral requirements involving inter alia, intellectual property right, scientific intervention, WTO Regulation and monetary and fiscal investment policies and has prepared its production & marketing strategies to meet the challenges from these risks.

## **(iv) Discussion on Cost of goods sold, Gross Profit Margin & Net Profit Margin.**

Cost of goods sold, compared to last year, increased by 17% mainly because of raw material cost increased by 3% and other manufacturing overheads increased by 14% compared to last year. However increase of sales price is significantly higher than increases of cost of goods sold compare to last year and for this reason mainly drives higher gross and net profit margin in 2020-2021.

## **(v) Discussion on continuity of any Extraordinary gain or loss.**

There was no extraordinary gain or loss in the financial statements under report.

**(vi) Basis of related party transactions.**

Related party transactions are depicted in Note-41 in the notes to the Financial Statements.

**(vii) Current Status and Utilization of proceeds from Public Issue**

Not applicable

**(viii) Explanation if the financial results deteriorate after the company goes for IPO**

The Company's financial performance slightly deteriorated after IPO listing due to external factors, however, recent past years performances are quite consistent.

**(ix) Explanation of significant variance occurs between Quarterly financial performance and Annual Financial Statements**

No significant variances.

**(x) Remuneration to Directors including Independent Directors**

Remuneration of Directors has been shown in Note-38 in the notes to the financial statements. No such remuneration is given to the Independent Directors.

**(xi) Fairness of Financial Statement**

The financial statements prepared by the management of the Company present fairly its state of affairs, result of its operations, cash flows, and changes in equity.

**(xii) Maintenance of proper books of account**

Proper books of account of the Company have been maintained.

**(xiii) Adoption of appropriate accounting policies and estimates**

Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

**(xiv) Compliance with IAS and IFRS in preparation of Financial Statements**

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) Soundness of Internal Control System**

The Board of Directors assures the shareholders that the Company has a robust risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that the controls in place are adequate to address these risks.

**(xvi) Minority shareholder interest**

The interests of the minority shareholders are duly protected in the Company.

**(xvii) Ability to continue as a going concern**

There are no significant doubts upon the Company's ability to continue as a going concern.

**(xviii) Significant deviations in Operating Results compared to last year**

Operating result showing increase in net profit after tax to Tk. 615 million during 2020-21 from Tk. 210 million for the year 2019-20 are mainly due to the following reasons:

Issue-1: Significant Increase in Revenue

Bangladesh as well as the whole world continues to face the adversity of the CORONA VIRUS PANDEMIC from last December 2019 to till date. Following the declaration of COVID-19 as a pandemic by the World Health Organization (WHO) in early March 2020, like many other Governments, the Government of Bangladesh introduced restrictive measures to contain further spread of the virus, affecting free movement of people and goods during the financial year 2020-21. However, our production was not affected significantly during the year 2020-21 for COVID 19. It is reported that our sales volume has increased by 8.13% and sales value by 28.61% during the reporting period compare to last year due to significantly increased yarn price for huge increase the demand of cotton based product globally. Moreover, during this period, we produced various kind of special/fancy yarn which also has contributed a lot to reach higher sales revenue.

Issue-2: Significant Increase in EPS

EPS has been increased due to increase in Sales Revenue as well as sales quantity and there was no significant additional fixed expenditure against the incremental revenue except variable cost. As such there is a positive impact of EPS enhancement. Also noted that during the reporting year, MSML management has decided to made a sum of provision for bad and doubtful debts due to non-realization of long pending outstanding from external customer as per IFRS 9. There was no other significant Extraordinary Transactions during this year.

Issue-3: Significant decreased in Operating Cash flows

MSML sales proceeds complete through B2B deferred LC for 90-120 days. As per huge demand of cotton based produce in Q3 and Q4 of RMG Sector, MSML yarn delivery in Q3 and Q4 increased upto Tk.2835 million under B2B LC. For this reasons receivable increased significantly. We observed that during the reporting period receivables has increased due to un-realization of receivable that would be received in due course as receivables are covered by LCs. It was also observed that Inventory increased significantly to ensure uninterrupted supply of raw material to the production as well as to get price benefit since raw materials demand and prices are also increasing trend. Consequently, Net Operating Cash Flow per Share of MSML has been decreased compared to that of previous year.

Issue-4: Net Asset Value per Share

Net Asset Value per share has been increased considerably due to excellent operating performance for the year under review as reflected in the EPS as well.



**(xix) Key operating and financial data of at least preceding 5 (five) years**

The Company's operating financial results as compared to the previous years are summarized below. Numbers presented in SL# 1-13 are in '000 Taka & SL # 16 is in '000 quantity.

SL	Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
1	Revenue	5,021,072	3,904,153	4,324,532	4,050,914	3,001,196
2	Cost of sales	(3,923,962)	(3,364,549)	(3,949,186)	(3,441,942)	(2,553,849)
3	Gross Profit	1,097,111	539,604	375,345	608,972	447,346
4	Operating Expenses	(269,232)	(228,524)	(227,902)	(232,883)	(189,789)
5	Finance Cost	(41,261)	(87,751)	(99,388)	(87,709)	(56,569)
6	Operating Income	786,617	223,329	48,055	288,380	200,988
7	Other Income	98,291	42,769	79,938	85,155	135,956
8	Net Profit before WPPF	884,909	266,099	127,993	373,536	336,944
9	Workers' profit participation	(42,139)	(12,671)	(6,095)	(17,787)	(16,045)
10	Net Profit before Tax	842,770	253,427	121,898	355,748	320,899
11	Income Tax	(222,197)	(44,925)	(17,788)	(31,721)	(12,708)
12	Deferred Tax	(5,094)	1,709	(9,762)	(21,422)	(46,859)
13	Net profit (loss) after tax	615,479	210,211	94,348	302,605	261,333
14	Gross Margin (%)	21.9%	13.8%	8.7%	15.0%	14.9%
15	Net Margin after tax (%)	12.3%	5.4%	2.2%	7.5%	8.7%
16	Outstanding Shares	97,490	97,490	97,490	97,490	97,490
17	Face Value per share (Taka)	10.00	10.00	10.00	10.00	10.00
18	Earnings per share	6.31	2.16	0.97	3.10	2.68
19	Return on Equity (ROE)	12.47	4.68	2.24	7.25	6.41

**(xx) Reasons for not declaring dividend**

Not Applicable.

**(xxi) Interim dividend**

No bonus or stock dividend was declared during the period under review as interim dividend.

**(xxii) Number of Board meetings held during the year and attendance**

This has been narrated in Note-37 in the notes to the Financial Statements.

**(xxiii) Shareholding Pattern**

Pattern of Shareholding as on 30 June 2021:

Name of the Shareholders	Status	Shares held	%
<b>a. Parent/Subsidiary/Associated Companies and other related parties</b>			
Jinnat Apparels Limited	Associate Company	29,025,000	29.77
Flamingo Fashions Limited	Associate Company	2,448,000	2.51
Jinnat Knitwears Limited	Associate Company	2,622,000	2.69
Thanbee Print World Limited	Associate Company	855,139	0.87
Hamza Textiles Limited	Associate Company	281,200	0.29
Jinnat Fashions Limited	Associate Company	227,850	0.23

Name of the Shareholders	Status	Shares held	%
<b>b. Director:</b>			
Abdul Wahed	Chairman	5,849,250	5.99
M. A. Rahim	Vice Chairman	5,849,250	5.99
M. A. Jabbar	Managing Director	5,849,250	5.99
M. A. Quader	Director	5,849,250	5.99
Selina Perveen	Director	2,130,000	2.18
Tanzeen Rahim	Director	2,130,000	2.18
Taslima Begum	Director	2,130,000	2.18
Md. Hassan Imam	Director	2,130,000	2.18
<b>c) Managing Director, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouses and Minor Children:</b>			
M. A. Jabbar	Managing Director and his spouse	7,979,250	8.18
Mohammad Emarot Hossain FCA FCS	Chief Financial Officer	Nil	Nil
Md. Shah Alam Miah FCS	Company Secretary	Nil	Nil
Md. Monirul Islam	Head of Internal Audit	Nil	Nil
<b>d) Executives</b>			
Shamimul Haque	Chief Production Officer	Nil	Nil
D. M. Abul Hossain	GM-Utility	Nil	Nil
Azad Shahriar	Addl. GM-Maintenance	Nil	Nil
Golam Kibria	DGM-Admin	Nil	Nil
<b>e) Shareholders Holding 10% or more voting interest in the Company</b>			
Jinnat Apparels Limited	Associate Company	29,025,000	29.77

#### (xxiv) Appointment/re-appointment of Directors

The Directors retiring as per Article 100 of the Company's Articles of Association are Mr. Abdul Wahed, Mr. M.A. Jabbar, and Mrs. Selina Perveen being eligible to offer themselves for re-appointment. A brief resume of the directors has been provided in the "Brief Profile of Directors" section.

#### Appointment of Independent Director

Mr. M. Naser Alam, Barrister-at-law completed his two terms from January 15, 2015 to January 14, 2021 and Mr. Shamsul Hasan, Barrister-at-law appointed as an Independent Director on March 23, 2021. A brief resume of the Independent directors has been provided in the "Brief Profile of Directors" section.

Directorship with other company and membership of committees of the Board:

SL	Entity	Abdul Wahed	M.A. Jabbar	Selina Perveen
1	Dulal Brothers Limited	√	√	
2	Color City Limited	√	√	
3	DBL Ceramic Ltd	√	√	
4	DB Tex Ltd	√	√	
5	Flamingo Fashions Ltd	√	√	
6	Jinnat Fashions Ltd	√	√	
7	Jinnat Apparels Ltd	√	√	
8	Jinnat Knitwears Ltd	√	√	
9	Hamza Textiles Ltd	√	√	

SL	Entity	Abdul Wahed	M.A. Jabbar	Selina Perveen
10	Mymun Textiles Ltd	√	√	
11	Parkway Packing & Printing Industries Ltd	√	√	
12	Mawna Fashions Ltd	√	√	
13	Textile Testing Services Ltd	√	√	
14	DBL Telecom LTd	√	√	
15	DBL Pharmaceutical Ltd	√	√	
16	DBL Dredging Ltd	√	√	
17	DBL Healthcare Ltd	√	√	
18	DBL Distributions Ltd	√	√	
19	DBL Sports Ltd	√	√	
20	Audit Committee, MSML			√
21	Nomination and Remuneration Committee, MSML			√

#### **(xxv) Management Discussion and Analysis**

Management's discussion and analysis has been highlighted in the Managing Director's Statement and in Directors' Report.

#### **(xxvi) Declaration by the CEO and the CFO**

Declaration by the Managing Director and CFO has been given on page 70 [Annexure - A].

#### **(xxvii) Report on Compliance of the Corporate Governance Code**

MSML adheres to appropriate good Corporate Governance practices, as described on pages 72 to 84 [Annexure - c]

The Company also complied with all the requirements of Corporate Governance as required by the Securities and Exchange Commission (BSEC). In accordance with the BSEC Notification Corporate Governance Compliance Report is shown in Annexure - B & C

Further in compliance with the BSEC notification dated June 3, 2018 Suraiya Parveen & Associates, Chartered Secretaries in practice issued the Corporate Governance Compliance Certificate which is shown on page 71 of this report.

#### **(xxviii) Directors' Compliance on Corporate Governance**

This has been narrated in Statement on Corporate Governance part of the Annual Report.



#### **Abdul Wahed**

Chairman of the Board