

# DIRECTORS' REPORT

## Year Ended June 2024



The Board of Directors of the Company is delighted to present its Report for the financial year ended 30 June 2024 before the honorable Shareholders.

The Directors' Report is presented in accordance with the provisions of Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Bangladesh Securities and Exchange Rules 2020, Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission and International Accounting Standard-1 as adopted by The Financial Reporting Council, Bangladesh.

### OPERATIONAL OVERVIEW:

#### Textiles Sector

Bangladesh's textile sector is deeply rooted in its rich cultural and economic heritage, evolving over centuries to become a major global player. In ancient times, the region that is now Bangladesh was world-renowned for its production of Muslin, a fine cotton fabric prized for its quality and craftsmanship. During the Mughal era, Dhaka Muslin became a symbol of Bengal's prominence in global trade, with exports reaching Europe, the Middle East, and beyond. However, the British colonization of the Indian subcontinent in the 18th century had a detrimental impact on this thriving industry. British policies favored the import of British-manufactured textiles, causing a sharp decline in local production, particularly affecting the Muslin trade.

After the partition of India in 1947, Bangladesh, then known as East Pakistan, was primarily focused on exporting raw jute rather than developing its cotton and textile manufacturing capabilities. This underdevelopment of the textile sector

continued until Bangladesh gained independence in 1971, marking a new chapter in its economic journey.

Following independence, the government and private sector began rebuilding the economy, and by the late 1970s and early 1980s, Bangladesh started to focus on the Ready-Made Garments (RMG) industry. This shift was driven by favorable trade policies such as the Multi-Fiber Arrangement (MFA), which allowed Bangladesh access to Western markets without the quotas that restricted other countries. Low labor costs and a growing demand for affordable clothing in Europe and the U.S. created a conducive environment for the sector to grow rapidly.

By the 1990s, Bangladesh had established itself as a significant player in the global apparel market. The RMG sector quickly became the backbone of the country's economy, driven by both foreign investment and local entrepreneurship. The sector's growth transformed Bangladesh into one of the world's largest textile exporters, contributing over 80% of its export earnings and providing employment to millions, especially women.

Today, Bangladesh's textile sector remains a cornerstone of its economy, second only to China in global textile exports. The industry is undergoing a transformation, focusing on sustainability, environmental standards, and diversification into higher-value products such as technical textiles. As Bangladesh continues to modernize its textile industry, it is balancing its historical strengths with contemporary demands for ethical production and sustainability, ensuring that it remains competitive in the global market. The sector's growth has not only fueled the country's economic rise but also played a crucial role in social transformation, particularly in empowering women and reducing poverty.

## Spinning Sector

The spinning industry plays an integral role to Bangladesh's economy, essential for the prosperity and expansion of its textile and ready-made garment (RMG) sectors. As the main supplier of yarn, the sector plays a foundational role in the production of fabrics, which are essential for manufacturing garments. Given that the RMG industry accounts for more than 80% of the country's export earnings, the spinning sector is critical to maintaining Bangladesh's global competitiveness. It ensures that the textile industry has a steady and reliable supply of yarn, reducing dependency on imports, shortening lead times, and allowing the RMG sector to offer competitively priced products in international markets.

In terms of its impact on employment, the spinning sector is a major source of jobs in Bangladesh. The industry directly employs hundreds of thousands of workers in mills across the country, while indirectly supporting millions more in related industries such as transportation, logistics, and raw material supply. Its role in job creation is particularly significant in rural areas, where employment opportunities are often limited, making the spinning sector a key player in poverty alleviation and economic empowerment.

Economically, the sector helps Bangladesh save valuable foreign exchange. By producing yarn domestically, the country is able to reduce its reliance on imported raw materials like cotton and synthetic fibers. This not only strengthens the country's trade balance but also helps protect the economy from price fluctuations in international markets. Moreover, the spinning sector has attracted substantial investment, both from within Bangladesh and from abroad, fueling the expansion and modernization of spinning mills. This investment has led to improved efficiency, higher-quality production

and greater overall capacity, further boosting the competitiveness of the country's textile exports.

Beyond its direct contributions, the spinning sector also enables Bangladesh to add more value to its textile products. Instead of merely assembling garments from imported materials, the country can produce and export textiles from locally sourced yarn, creating more opportunities for economic diversification. Additionally, the sector is increasingly focused on sustainability. In response to global demand for environmentally responsible products, many mills are adopting green production methods, such as using recycled yarn and minimizing waste. This emphasis on sustainability enhances Bangladesh's reputation as a producer of ethically made textiles, appealing to international buyers who prioritize eco-friendly sourcing.

The Government's support to the spinning sector through various incentives and policies, including duty drawbacks and subsidies will boost up to encourage investment and growth.

## Operational Performance

Bangladesh's spinning sector in 2023-2024 has been challenged by several factors, most notably gas shortages, volatile dollar exchange rates, and reduced demand from the ready-made garment (RMG) sector. Many spinning mills have been operating at only 50% capacity due to these issues, significantly increasing production costs and lowering profitability. Additionally, the sharp rise in gas prices and the unstable foreign exchange rate have made it difficult for mills to maintain operations and invest in new equipment.

The global market slowdown, exacerbated by inflation in Western markets, has also led to a decrease in orders for Bangladesh's garment sector, further affecting the spinning industry.

As a result, new investments in spinning have stalled.

Despite these challenges, the sector remains a critical component of Bangladesh's textile supply chain. To mitigate the current difficulties, mills are focusing on cost-cutting measures and skill development for workers. However, long-term sustainability will require more government support, particularly in ensuring stable energy supplies and addressing financial challenges, such as easing access to financing and stabilizing the currency.

### Standalone Financial Results

The Revenue from Operations and Operating Profit stood at BDT 18,926.87 and 2,022.73 million, compared to BDT 14,967.96 and 1,573.12 million respectively in the previous year, experiencing an increase of 26.45% and 28.58%.

The Net Profit After Tax increased by 0.98% to BDT 1,081.94 million, compared to BDT 1,071.42 million in the previous year.

### Consolidated Financial Results

The Revenue from operations and Operating Profit stood at BDT 20,905.83 and 2,171.29 million, compared to 16,508.16 and 1,687.15 million respectively in the previous year, an increase of 26.64% and 28.70% respectively.

The Net Profit after Tax for the year also registered an increase of 1.44% to BDT 1,161.85 million, as against BDT 1,145.28 million in the previous year.

## COMPANY'S OPERATIONS

Square Textiles is one of the leading manufacturers in Bangladesh that makes yarns for knitting and weaving. The company has been in the business for more than 29 years.

Square Textiles focuses on more sustainable and eco-friendly products, namely Organic, BCI,

Tencel, Re-cycle (Cotton and Polyester) etc. They are also developing more value-added products, i.e., Galaxy, Flutter, Lurex, Mozaik, Neppy, Snow, Siro etc., which are more fashion trendy and have higher export value.

Square Textiles' products are widely known by their loyal customers for their superior quality and dedicated services.

## CAPACITY/PRODUCTION

Competition in national and international markets has been fierce over the past few years. We have resorted to a more diverse product mix in pursuit of higher margins as a means of production in order to cope with the situation.

Because of this, we have restated the production capacity installation criterion and actual production quantity to make them (The production data) equivalent and comparable.

However, due to various unavoidable circumstances like the short supply of gas, the production efficiency registered declined in 2023-2024 to 94.58% from 97.34% than that of the efficiency of 2022-2023.

The total installed production capacity (at an average of 30s Ring and 14s O/E counts) as on June 30, 2024 was as follows:

<u>Spindles/Rotors</u>	In Nos.	
Particulars	2023-24	2022-23
<u>Installation:</u>		
Spindle Installed	173,950	129,262
Rotor head Installed	5,192	5,192
Vortex head Installed	3,168	3,168
<u>Operation:</u>		
Spindle Operated	173,950	129,262
Rotor head Operated	5,192	5,192
Vortex head Operated	3,168	3,168

#### Product Capacity Installed

Particulars	2023-24	2022-23
Equivalent to-		in Kg
30s Count (Ring Yarn)	25,138,192	19,234,705
14s Count (O/E Yarn)	12,694,523	11,023,466
30s Count (Vortex Yarn)	10,963,241	10,545,795
<b>Total -</b>	<b>48,795,956</b>	<b>40,803,966</b>

#### Actual Production

Particulars	2023-24	2022-23
Actual Production	52,341,364	42,586,429
Equivalent to-		in Kg
30s Count (Ring Yarn)	23,600,554	19,043,265
14s Count (O/E Yarn)	11,938,261	10,644,031
30s Count (Vortex Yarn)	10,285,872	10,210,973
<b>Total -</b>	<b>45,824,687</b>	<b>39,898,269</b>

#### Production Efficiency

Particulars	2023-24	2022-23
Equivalent to-		in %
30s Count (Ring Yarn)	93.88%	94.74%
14s Count (O/E Yarn)	94.04%	94.58%
30s Count (Vortex Yarn)	93.82%	94.27%
<b>Total (Average) -</b>	<b>93.91%</b>	<b>94.58%</b>

#### COST OF PRODUCTION

The cost of production has varied during the past years primarily due to wide fluctuations in the price of raw cotton, packing materials, fuel and power, and spare parts which were beyond the control of the Management.

The level of costs and their incidence are given below:

Particulars	2023-24	2022-23
Output of Yarn	52,341	42,586

#### Cost of Major Items

Particulars	2023-24	2022-23
Raw Material Consumed	12,266,550	9,624,989
Packing Materials	195,184	150,877
Fuel/Power etc.	1,811,884	1,411,805
Spare Parts	339,828	287,125
Other Overhead	2,029,144	1,715,282
<b>Total Cost -</b>	<b>16,642,590</b>	<b>13,190,078</b>

#### Unit Cost/Kg.

Particulars	2023-24	2022-23
Raw Material	234.36	226.01
Packing Materials	3.73	3.54
Fuel/Power etc.	34.62	33.15
Spare Parts	6.49	6.74
Other Overhead	38.77	40.28
<b>Total Unit Cost-</b>	<b>317.97</b>	<b>309.72</b>
Raw Material Cost % of Total Cost-	73.71%	72.97%

The above figure reveals that though the raw material cost per unit increased by 3.69%, packing materials cost increased by 5.37%, Fuel/Power cost increased by 4.43%, Spare Parts cost decreased by -3.71%, and other overhead decreased by -3.75%, which lead to total unit cost increased by 2.66% in 2023-24 over 2022-23. During the year under review, the price of raw cotton in the international market was significantly unstable.

#### MARKETING OPERATIONS:

##### Market Exposure

The marketing efforts of the Company have consistently prioritized export sales, as evidenced by the following information:

Particulars	2023-24	2022-23
Export Sales	52,426	42,473
<b>Total -</b>	<b>52,426</b>	<b>42,473</b>

<u>Sales Revenue (Tk.)</u>	in '000	
Particulars	2023-24	2022-23
Export Sales	18,926,871	14,967,962
Total -	18,926,871	14,967,962

The above figures show that sales quantity increased by 23.43% and sales revenue increased by 26.45% in 2023-24 over 2022-23.

### Unit Selling Prices Attained

The selling prices (Taka/Kg) have changed over the years, as shown below:

Particulars	2023-24	2022-23
Export Sales	361.02	352.41
Total -	361.02	352.41

The above indicates that the selling price increased by 2.44% in 2023-24 over 2022-23 due to the USD conversion rate significantly increasing against BDT in Bangladesh, but yarn price in USD decreased in the domestic and international markets.

### CAPITAL EXPENDITURES

In order to continuously upgrade and increase the productive facilities, the Company made an additional net capital expenditure of Tk. 1,981.43 million as follows:

	in '000	
Particulars	2023-24	2022-23
Land/Civil Construction	43,627	416,070
Plan & Machinery	1,861,982	1,858,274
Other Fixed Assets	75,822	51,576
Total -	1,981,431	2,325,920

The above investments have enabled the company to increase the rate of production efficiency at a reasonable level over the years. The entire amount has been invested out of its internal generation of funds and bank borrowings.

### INDUSTRY OUTLOOK

In the wake of the changing world demand structure, Bangladesh is on the right track to progressive higher demand for garments of mid to higher quality brands due to fiscal war between large economies such as the USA, China, EU, etc.

The sector offers great scope for expansion and doubles the foreign exchange earnings provided the Government rationalizes fiscal/ monetary policies and provides necessary monetary/non-monetary support/incentives to local as well as strategic investors.

### LOANS AND GUARANTEES

Details of loans granted and guarantees given during the year under review are depicted in Note No. 13, 15 and 36 of the standalone financial statement.

### RELATED PARTY TRANSACTION

Square Textiles has engaged in a number of related party transactions, the details of which are detailed in Note No. 40 of the standalone Accounts.

### FOREIGN EXCHANGE EARNED/SAVED

Square Textiles contributed substantially to the Foreign Exchange Reserve of the country during the year under review through its export marketing operation. This amounted to Tk. 58.15 million.

Details are depicted below:

	in '000	
Particulars	2023-24	2022-23
Total Export	16,696,651	15,687,889
Less Import		
Raw Materials	14,225,421	11,055,271
Spare Parts	484,422	357,940
Misc. (with BMRE)	1,928,661	1,901,121
Net Export	58,147	2,373,557

## FINANCIAL RESULTS

The Company's (standalone) operating financial result for the year ended 30 June, 2024, as compared to the previous year are summarized hereunder:

Particulars	2023-2024	2022-2023	↑↓ in %
Export Sales	18,926,870,794	14,967,962,444	26.45 ↗
Cost of Goods Sold	16,594,114,280	13,091,120,429	26.76 ↗
<b>Gross Profit</b>	<b>2,332,756,514</b>	<b>1,876,842,015</b>	24.29 ↗
Administrative Expenses	279,145,585	277,298,769	0.67 ↗
Selling & Dist. Expenses	30,881,320	26,421,188	16.88 ↗
<b>Operating Income</b>	<b>2,022,729,609</b>	<b>1,573,122,058</b>	28.58 ↗
Finance Cost	706,270,357	310,418,176	127.52 ↗
Non-Operating Income	18,462,977	52,464,069	64.81 ↘
<b>Net profit before WPPF</b>	<b>1,334,922,229</b>	<b>1,315,167,951</b>	1.50 ↗
Contribution WPPF	63,567,725	62,627,045	1.50 ↗
<b>Net profit (Before Tax)</b>	<b>1,271,354,504</b>	<b>1,252,540,906</b>	1.50 ↗
Provision for Income Tax	192,219,533	214,253,443	10.28 ↘
Provision for Deferred Tax	(2,800,677)	(33,134,146)	91.55 ↘
<b>Net Profit (After Tax)</b>	<b>1,081,935,648</b>	<b>1,071,421,609</b>	0.98 ↗
Gross Profit Margin	12.33%	12.54%	0.21 ↘
Net Profit Margin (AT)	5.72	7.16%	1.44 ↘
EPS (Earning Per Share) in Taka	5.49	5.43	1.10 ↗

The Turnover increased by 26.45% along with Gross profit and Net profit (After Tax) by 24.29% and 0.98% respectively during the year 2023-24 in comparison to the previous year.

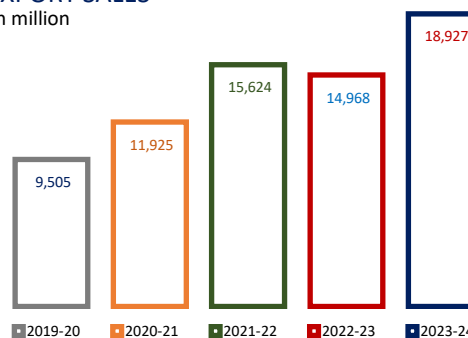
Gross Profit Ratio as well as Net Profit Ratio decreased by 0.21% and 1.44% respectively.

The Financial Result of the Company for the year 2023-24 depicts a slightly higher but return on sales ratio (from 7.16% to 5.72%) significantly decreased due to the crisis of GAS supply as well as the energy cost significantly increased for huge price hike of diesel and GAS, on the other side wages and salary amount significantly increased due to revised wages scale under Labour Law from march 2024.

**AA+**

Credit Rating By CRISL

### EXPORT SALES In million



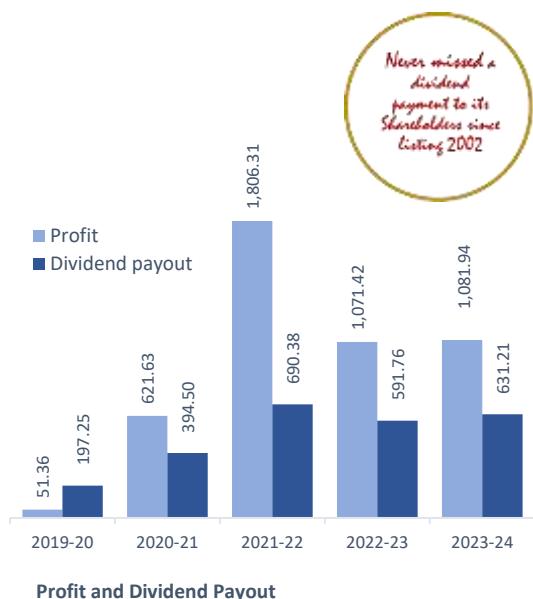
During the period the selling price (in USD) of yarn also decreased due to lower demand in the RMG sector in both local and international markets. These situations influenced to maximization of the unit cost of production and finally led to down profitability during the reporting year than the previous year.



## APPROPRIATION OF PROFIT

The Board of Directors recommended the appropriation of the net profit earned for the year ended June 30, 2024 in the following manner:

	in Taka
- Net profit (after tax) for the year ended June 2024.	1,081,935,648
- Recommended for Cash Dividend @32.00%.	631,206,400
- Net Un-appropriated Profit (for ploughing back)	450,729,248



## RISK & CONCERN

The international situation in the coming years will largely determine the future of industry and commerce at home and abroad.

It is heartening, however, to see the government is identifying all of the factors that could stymie industry and commerce and taking appropriate measures to cope, as a result of which Bangladesh has begun to improve its position in the World Bank Ranking Hall of Progress' "Doing Business" Index.

## INVESTMENT IN SUBSIDIARIES

The Company has invested Tk. 489,333,960 as equity (99.88%) in the capital of Square Texcom Limited. As per provision of the Company Act 1994 Square Texcom Ltd. are a subsidiary of Square Textiles PLC. and as such Directors Report along with Auditors Report & Audited Financial Statement has been included as part of this report.

## CREDIT RATING REPORT

The Credit Rating Information and Services Ltd. (CRISL) reaffirmed the credit rating to Square Textiles on the basis of financial and other relevant quantitative and qualitative information on 14 December, 2023.

The reaffirmed ratings are:

Long Term Rating = "AA+", which indicates Higher Safety and Higher Credit Quality.

Short Term Rating = "ST-1", which indicates the Highest Certainty of Timely Repayment.

## CONTRIBUTION TO NATIONAL EXCHEQUER

Square Textiles PLC. contributed an amount of Tk. 264.93 million during the year to the National Exchequer as against Tk. 278.37 million in the previous year.

## MINORITY INTERESTS

In compliance with Condition No. 1(5) (xvi) of the Corporate Governance Code 2018 of BSEC, the Board hereby confirms that the interests of the minority shareholders have been duly protected in the Company.

## EXTRA-ORDINARY ACTIVITIES

The Company did not engage in or continue any extraordinary activities, and as a result, it did not suffer or gain any loss or gain as a result of such activities.

## MANAGEMENT'S DISCUSSION & ANALYSIS

A Management's Discussion and Analysis signed by the Managing Director and presenting a detailed analysis of the company's position and operations, along with a brief discussion of changes in the financial statements and other requirements of the Corporate Governance Code, is disclosed in Annexure- iii of this report.

## UNCLAIMED/UNSETTLED DIVIDENDS

Unclaimed/unsettled dividends are taken care of according to directives of the Bangladesh Securities and Exchange Commission and other regulatory authorities from time to time.

Details of unclaimed/unsettled dividends for the years from 2002 to 2023 are presented on page 53 of this report.

## CONSOLIDATION OF ACCOUNTS

In terms of the Regulations of the Bangladesh Securities and Exchange Commission (BSEC), the company has consolidated the Accounts following the codes of International Accounting Standard - 28 & IFRS-10 reflecting shareholders' gross benefits/value of investments.

The consolidated financial statements are included in this Annual Report.

## ELECTION OF DIRECTOR

Mr. Anjan Chowdhury, Director of Square Textiles PLC, retired as per articles 125 & 126 of the Articles of Association and being eligible, offered themselves for re-election.

A brief resume and other information about the above-mentioned director are depicted in Annexure-ii.

## RE-APPOINTMENT OF THE MANAGING DIRECTOR

The Board of Directors in its meeting held on 27th December 2023 re-appointed Mr. Samuel S Chowdhury as Managing Director for a further term of 5 (five) years w.e.f. 31<sup>st</sup> December, 2023, and it is now placed for the consent of the shareholders.

A brief resume and other information of the Managing Director is depicted in Annexure-II.

## APPOINTMENT OF INDEPENDENT DIRECTOR

The Board of Directors has appointed Mr. Muhammadul Hoque as Independent Director on 22<sup>nd</sup> October, 2024 in compliance with Notification No. BSEC/CMRRCD/2009-193/66/PRD/148 date 16 October, 2023 and it is duly approved by the Bangladesh Securities and Exchange Commission on 10<sup>th</sup> September, 2024.

A brief resume and other information of the above-mentioned directors is depicted in Annexure-II.

## APPOINTMENT OF STATUTORY AUDITORS

M/s K. M. Hasan & Co., Chartered Accountants, is the Statutory Auditors of the Company for the year 2023-2024, submitted an Unqualified Report on the Financial Statements of Square Textiles PLC. for the year ended 30 June, 2024, retires on this 29<sup>th</sup> Annual General Meeting.

Being eligible they have offered themselves for reappointment as Statutory Auditors of the Square Textiles PLC. for the year 2024-2025.

The Board of Directors, in its meeting held on 22<sup>nd</sup> October, 2024, recommended their appointment.



#### APPOINTMENT OF COMPLIANCE AUDITORS

M/s Chowdhury Bhattacharjee & Co., Chartered Accountants, is the compliance Auditors of the Company for the year 2023-2024, retires at this 29<sup>th</sup> Annual General Meeting.

Being eligible, offered themselves for re-appointment as Compliance Auditor Square Textiles PLC. for the year 2024-2025.

The Board of Directors, in its meeting held on 22<sup>nd</sup> October, 2024, recommended their appointment.

#### TO APPROVE THE SALE OF GOODS TO THE SISTER CONCERN OF SQUARE TEXTILES PLC.

Square Textiles PLC. is required to obtain approval of the shareholders with regard to the sale of goods to the sister concern amounting to 10% or above of the total revenue or turnover as shown on the statement of profit or loss and comprehensive income for the immediate preceding financial year as per clause 1 of the Notification No. BSEC/CMRRCD/ 2009-193/10/Admin/118 dated March 22, 2022 by the Bangladesh Securities and Exchange Commission.

#### DIRECTORS' DECLARATION ON THE FINANCIAL STATEMENTS

As a part of corporate good governance, the Board is accountable for providing a true and fair view of the company's financial performance and status. To that end, the Directors affirm to the best of their knowledge that:

- The Financial Statements of the Company present a true and fair view of the

Company's state of affairs, a result of its operation, cash flows and changes in equity.

- Proper books of accounts as required by the prevailing laws have been maintained.
- Appropriate accounting policies have been constantly applied in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent.
- The financial statements were prepared in accordance with IAS/IFRS as applicable in Bangladesh.
- The internal control system is sound in design and is effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern.
- There is no significant deviation from the operating result of the last year.
- Remuneration paid to Mr. Samuel S Chowdhury, Managing Director has been shown in Note # 22 in the notes of accounts.
- Key operating and financial data of the last 5 (five) years have been presented in summarized form in Page No. 12.

#### CORPORATE GOVERNANCE COMPLIANCE REPORT

In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, an additional statement in pursuance of Clause 1 (5), resume of the directors who shall be reappointed, Management Discussion Analysis, Certificate from the CEO and CFO to the Board, Certificate

**Directors' Report**  
Year Ended June 2024

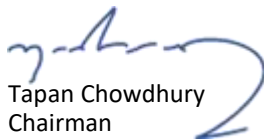
on Compliance of the Conditions of the Corporate Governance Code 2018 by the Compliance Auditors and Status of Compliance are depicted in the Annexures - i, ii, iii, iv, v, and vi respectively.

The Audit Committee Report, the Nomination and Remuneration Policy, and the Dividend Distribution Policy are also presented in the Annual Report.

**MANAGEMENT APPRECIATION**

The Board of Directors records with deep appreciation the performance of the management, the officers, staff and workers whose relentless efforts helped to increase productivity as well as the turnover despite the natural and unnatural adverse factors of production and marketing throughout the country and the world. It is expected the employees and 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 humbly express their gratitude and acknowledge with keen interest the cooperation and unflinching support they have received from various agencies, including the Bangladesh Securities and Exchange Commission, the Stock Exchanges, the National Board of Revenue and other agencies of the public and private sector. We look forward to a brighter future for all of us.

  
Tapan Chowdhury  
Chairman

- In the event of conflict between English text and Bangla text of this report, English text shall prevail.

