

# **Brief Profile**

for

**Direct Listing  
of Shares**

**Square Textiles Limited**

## **Overview**

Square Textiles Limited was incorporated under Companies Act 1913 vide reg. No C-26860 (704)/94 dated 15-10-1994 with Authorized Capital of Taka 100 crore. Paid up Capital of Square Textiles Limited stood on 31.12.00 Tk. 25.19 crore. It is a subsidiary Company of Square Pharmaceuticals Limited with about 99% owning i.e. 2,50,00,000 shares out of 2,51,90,000 of TK. 10 each as of December 31, 2000.

Square Textiles Limited has started its journey in 1997 with an installed capacity of 30,000 spindles to cater the need of the knit yarn market of the export oriented ready made garments industry. By November 1998 the total capacity was extended to an equivalent of 60,000 spindles through the establishment of 2<sup>nd</sup> unit. After successful completion and in operation of both the units, its turnover was raised to Tk. 172.17 crore in 1999 and Tk. 209.81 crore in 2000 with net profit Tk. 23.33 crore and Tk. 39.93 crore, respectively.

Square management has always been committed towards its policy of 'dedicated to advanced technology'. Thus the machinery has mainly been sourced from Germany, Switzerland, Japan, Italy and USA. The Textile division is being run by a highly motivated and trained professional in each area of operation namely, Production, Marketing, Finance & Accounts under the veteran leadership of Mr. Samson H. Chowdhury, Chairman. Mr. Tapan Chowdhury, Managing Director has been steering the wheel of overall management of the company as a dynamic and progressive captain. In every year a number of professionals are getting trained in abroad. Over a span of 3-4 years, Square has established its name as one of the finest export quality yarn manufacturer in Bangladesh. It has been awarded "ISO-9002" and "Oeko Tex Standard 100" certification by international organizations.

## **Board of Directors**

01.Mr. Samson H Chowdhury	-Chairman
02.Mr. Tapan Chowdhury	-Managing Director
03.Mrs. Anita Chowdhury	-Director
04.Mr. Samuel S Chowdhury	-Director
05.Mr. Anjan Chowdhury	-Director
06.Mrs. Ratna Patra	-Director
07.Mr. Charles C R Patra	-Director
08.Dr. Kazi Harunar Rashid	-Director
09.Dr. Kazi Iqbal Harun	-Director
10.Square Pharmaceuticals Limited	-Director

Here is a brief about Chairman and Managing Director of the Company

**Mr. Samson H. Chowdhury**Chairman

Mr. Samson H. Chowdhury, Chairman of the company, is a senior Cambridge and also completed a management training course jointly sponsored and conducted by the university of Dhaka and Harvard Business School. By dint of entrepreneurial talent and vast experience he succeeded to promote and administer several industrial and business enterprises in manufacturing and other business activities like pharmaceuticals, Textiles, Garment, IT, health product, chemicals manufacturing, printing, toiletries, packaging and trading etc. Mr. Chowdhury is now involved with the following enterprises of the group in different capacities:

<b>Name of the Company</b>	<b>Nature of activities</b>	<b>Position in the Company</b>
Square Pharmaceuticals Ltd.	Manufacturing Pharmaceuticals Products.	Chairman
Square Informatix Limited	Information & Communication network	Chairman
Square Spinnings Ltd.	Manufacturing of Yarn	Chairman
Square Toiletries Ltd.	Manufacturing Toiletries & Cosmetic Products.	Chairman
Health Products Ltd.	Manufacturing health and hygiene Products	Chairman
Astras Ltd.	House of export, import & indenting.	Chairman
Pharma Packages (Pvt) Ltd.	Manufacturing plastic & packing materials.	Chairman
Barnali Printers Ltd.	Printing and packaging	Director
Aegis services Ltd.	Security Services	Chairman
New Dhaka Refractories (BD) Ltd.	Manufacturing of Cement Clinker	Chairman
Square Holdings Ltd.	Investment in Securities	Chairman
Square Agro Limited	A Horticulture	Chairman & M.D
Square Sarah Knit Fabrics Ltd.	Knit composite textile mills	Chairman (Nominee of SPL)
Square Sarah Fashions Ltd.	Ready made Garments	Chairman (Nominee of SPL)

Beside the above, Followings are the existent & Past positions of Mr. Chowdhury:

President	:Bangladesh Association Of Public Listed Companies.(BAPLC)
President	:Bangladesh Association Of Pharmaceutical Industries.
Chairman, 1996-2000	:Micro Industries Development Assistants And Services Ltd. (MIDAS)
Chairman	: Koinoniya (NGO)
President , 1996-1997	: Metropolitan Chamber Of Commerce And Industries Dhaka
President, 1994 and 1995	: Rotary Club Dhaka
Vice- President ,1995	: Metropolitan Chamber Of Commerce And Industries Dhaka
Executive Member	: International Chamber Of Commerce, Bangladesh.
Member, Board Of Trustee And	: Independent University, Bangladesh.
Member, Governing Body	
Member , Board Of Trustee	:Transparency International , Bangladesh Chapter.
Member	: International Christian Chamber Of Commerce .

Mr.Chowdhury is a widely traveled man who visited many countries of the world in connection with international business and for attending various seminars and workshops.

**Mr. Tapan Chowdhury**  
Managing Director

Mr. Tapan Chowdhury, Managing Director has a high academic background who has been graduated in Chemistry and has received Diploma in Marketing from England. Mr. Chowdhury is a dynamic business personality who gathered commendable experience in managing the industrial and business establishments as a Chairman and Director. He is currently associated with the following enterprises of the group:

Name of the Company	Nature of activities	Position in the Company
Square Pharmaceutical Ltd.	Manufacturing Pharmaceutical Products.	Managing Director
Square Informatix Limited	Textile Products	Director
Square Spinnings Limited	Textile Products	Director

Square Toiletries Ltd.	Manufacturing Toiletries & Cosmetic Products.	Director
Square Holdings Ltd.	Investment in Securities	Director
Square Consumer Products Ltd.	Trading of Consumer Products	Director
Sheltech Construction (Pvt) Ltd.	Engineering & consulting	Director
Sheltech (Pvt.) Ltd.	Real Estate and construction	Chairman
Health Products Ltd.	Manufacturing health and hygiene products	Director
Astras Ltd.	House of export, import & indenting.	Director
Pharma Packages (Pvt) Ltd.	Manufacturing plastic & packing materials.	Director
Barnali Printers Ltd.	Printing and packaging	Director
Pioneer Insurance Co. Ltd.	Insurance Service	Director
Continental Hospital Ltd.	Health Service	Director
Ekushey Television Ltd.	Mass Media	Director
Mediacom Ltd.	Advertising	Director
New Dhaka Refractories (BD) Ltd.	Manufacturing of Cement Clinker	Director
Aegis Services Ltd.	Security Service	Director
Square Sarah Knit Fabrics Ltd	Knit composite textile mills	Managing Director
Square Sarah Fashions Ltd.	Ready made Garments	Director
Square Agro Limited	Horticulture and agri-products	Director
Apollo Holdings Ltd.	Real estate & property Development	Chairman

**Other Activities** : Former President of Bangladesh YMCA  
 : Vice President of Bangladesh Baptist Fellowship  
 : Vice President of Bangladesh Thailand Friendship Association  
 : Executive Committee Member of Bangladesh Employers Association  
 : Executive Committee Member of Metropolitan Chamber of Commerce & Industry.  
 : Executive Committee Member of Bangladesh Textile Mills Association

**Membership** : Dhaka Club Ltd.  
 : Kurmitola Golf Club  
 : Uttara Club Ltd.

Mr. Chowdhury is a widely traveled man who visited many countries of the world in connection with international business and for attending various seminars and workshops.

**Staffs & Workers**

Present officers & staffs for Head Office and Factory administration:		105
Permanent workers:	912	
Casual Workers:	<u>122</u>	<u>1034</u>
Total		1139
		=====

**Description of the Business**

**The Factory**

Square Textiles Limited incorporated in 1994 are one of the leading spinning mills in the country having capacity of producing both 100% combed & karded yarn. It is located at Kashimpur, Sharadagong Gazipur adjacent to Dhaka –Jamuna highway, which is only 45 minutes drive (40 KM) from the heart of the capital city Dhaka, on a 26.565 acres of high and developed land. Main factory building of Unit-1 is constructed for 1,49,000 sft and 95,000 sft for Unit-2. The project enjoys excellent infrastructure facilities like electricity, gas, water, mobile & Tel-communication system. It is well connected by highway with all major cities of the country as well as very nearer to the biggest cotton yarn market of Narayangang City, Madhabdi, Narshindi and others. Corporate Head Quarter is "Square Centre", 48 Mohakhali ,Commercial Area. Dhaka-1212.

The project has been installed with world reputed state of art technology from Europe at the back process and ring unit of Chinese origin with SKF Germany drafting zone which is capable to produce excellent quality yarn both for domestic consumption to feed local garments industries as well as the export market.

### **Associated/related Company**

The company is a subsidiary of Square Pharmaceuticals Limited with about 99% shares. It has no other subsidiary company. The core activity of the company is solely based around the yarn production.

### **Product**

The company is producing yarn mainly consumed by the local weavers and indigenous manufacturers. Though there is a little thrust for the product diversification but differentiation is a major criterion of the business. In addition to the client's requirements, seasonally pushed the company to innovate new item category. The lower count category yarns are for demand in the winter season and the higher count categories are for the summer and spring season.

Some of the differentiated products and names of the competitors are listed below:

Product: 34 counts, 32 counts, 30 counts, 26 counts, 24 counts, 20 counts, 10 counts and 8 counts.

### **Market Potentiality and Economic justification**

The existing demand for yarn in Bangladesh is being met through both local production and import. Oven-cotton and synthetic garment export have risen 30% annually over the last four years. Knit exports have grown 62% annually. Garment exports to the European countries are quota-free owing to LDC status under the Generalized System of preference (GSP). Up to 14% of Exports into the European Countries are tariff-free provided the product has gone through three stage of production in Bangladesh.

Bangladesh import almost 95% of the woven-fabric and 70% of the knit-fabric requirement for its export commitment although only a small proportion of the fabric used in export – garments manufacturing is sources locally.

Knitters and weavers supplying the garment- export industries have turned to import owing to inadequate supply of quality local yarn. In order to meet local demand cotton yarn is being imported from India and Pakistan; whereas the sources of polyester yarn from India, Taiwan, Korea and Japan.

Considering the overall situation of supply of quality local yarn the government is indirectly developing the spinning and weaving industry by offering exporters using fabric, made from local yarn @ 18.75% cash subsidy towards the cost of fabric used in producing exported garments. If the requisite weaving and knitting capacities emerge in Bangladesh, they will generate additional demand for yarn.

The potential domestic demand for yarn has been estimated at 185 m Kg. In 1995-1996, which is expected to be increase to 214 M Kg. by the year 2001. Besides, there is also a good demand of yarn for the RMG industries for sewing and stitching apparels. Demand of yarn for RMGs in 1995-1996 was 21 M Kg., which may rise to 83 M Kg. by the year 2001. Therefore, total demand by the year 2001 would be 297 M. Kgs. There are 20,67,022 spindles and 31850 rotors in operation in the country having production capacity of 171.57 M Kgs. Besides, 339,812 spindles and 2,588 rotors with annual production of 33 M Kg. are under implementation. There are also synthetic yarn producing industries with the capacity of 58.3 M Kg. Thus the total capacity stands at 263 M Kg. Although, actual productions by these projects vary from 50% to 100% of the rated capacity, the average production is around 85%. And at this level of capacity utilization the supply is accounted to be 224-M kg. Therefore the supply gap would be to 73 (224-297) M Kg. by the year 2001.

SOURCE OF INFORMATION: Annual Report 1999-2000 of Bangladesh Textile Mills Association

STXL, being a modern spinning plant with captive power generation and low labor cost, would enjoy cost advantage. Therefore, marketing of good quality yarn produced by this project is not expected to be a problem. It may be mentioned that the company has already successfully marketed its products locally.

### **The Product and Production Capacity:**

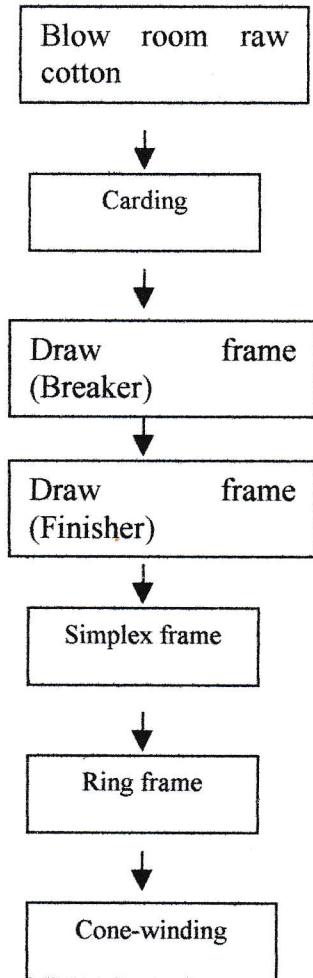
Yarn is an essential commodity and there are various classifications and categorization in core product. The company is able to make the different kinds of yarn and By-related cotton for which there is demand and the product variety may be changed according to the demand situation in the local and international garment and textile market. The project however emphasizes on **LOCAL WEAVERS** because of the relatively higher rate of return and better marketability since the sector grows very fast and creates increasing demand, which made it a lucrative segment for many successful spinning industries.

Square Textiles Limited manufactures various kinds of yarn in 3 shift operation (each shift of 8 hours)

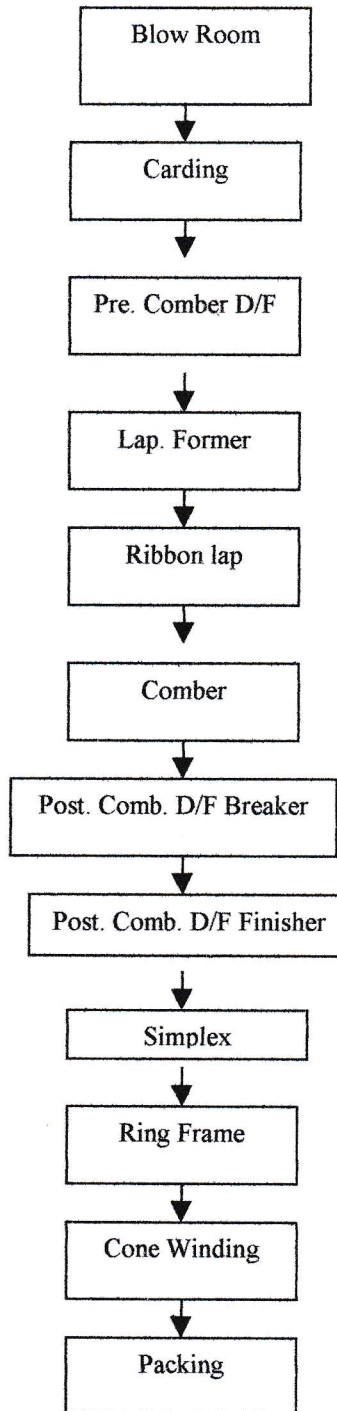


## PRODUCTION PROCESS

### CARDED YARN FLOW CHART



### COMBED YARN FLOW CHART



### **Sources and Availability of Raw materials**

Square Textiles Limited has aggressively acquired the best quality raw material from the foreign sources to run and utilize its assets at their fullest extent. Moreover, it has the experienced procurement & merchandising team working side by side with the clients. In addition to that the company has formed a reserved for the sourcing of the raw material in time. Further, the company enjoys a reasonable credit line for import of the raw materials from foreign countries.

### **Financial Results of Past Performance**

## Square Textiles Limited

### Balance Sheet

	31.12.2000	31.12.1999	31.12.1998	31.12.1997
<b>NET ASSETS:</b>				
<b>Fixed Assets:</b>				
At cost less depreciation	1,550,708,107	1,534,995,073	1,560,611,490	983,802,335
<b>Current Assets :</b>	<b>1,050,953,521</b>	<b>848,632,302</b>	<b>700,374,342</b>	<b>295,749,912</b>
Stocks	303,711,169	200,118,605	223,630,347	68,952,276
Trade Debtors	679,170,572	599,108,556	401,277,459	173,488,537
Advance, Deposit & Prepayments	55,364,790	46,385,134	74,589,705	51,539,361
Cash & Bank Balance	12,706,990	3,020,007	876,831	1,769,738
<b>Less: Current Liabilities</b>	<b>988,456,865</b>	<b>850,149,819</b>	<b>879,095,456</b>	<b>462,819,468</b>
Short Term Loan	837,123,962	755,701,657	821,423,877	427,943,676
Sundry Creditors	79,537,656	53,158,797	26,598,544	4,765,125
Other current Liabilities	46,605,247	31,289,365	21,073,035	20,110,667
Proposed Dividend	25,190,000	10,000,000	10,000,000	10,000,000
<b>Net Current Assets</b>	<b>62,496,656</b>	<b>(1,517,517)</b>	<b>(178,721,114)</b>	<b>(167,069,556)</b>
	<b><u>1,613,204,763</u></b>	<b><u>1,533,477,556</u></b>	<b><u>1,381,890,376</u></b>	<b><u>816,732,779</u></b>

#### FINANCED BY:

Stockholders' Equity	966,001,895	840,003,608	616,657,372	509,909,506
Share Capital	251,900,000	100,000,000	100,000,000	100,000,000
General Reserve and Surplus	483,314,327	229,002,525	75,660,160	3,936,654
Tax Holiday reserve	230,787,568	111,001,083	40,997,212	5,972,852
Advance against Share Money	-	400,000,000	400,000,000	400,000,000
<b>Term Loan:</b>	<b>647,202,868</b>	<b>693,473,948</b>	<b>765,233,004</b>	<b>306,823,273</b>
Long Term Loan	317,202,868	453,473,948	405,233,004	306,823,273
Medium Term Loan	330,000,000	240,000,000	360,000,000	-
	<b><u>1,613,204,763</u></b>	<b><u>1,533,477,556</u></b>	<b><u>1,381,890,376</u></b>	<b><u>816,732,779</u></b>

**SQUARE TEXTILES LIMITED**  
Profit & Loss Account

	For YE 31.12.00	For YE 31.12.99	For YE 31.12.98	For YE 31.12.97
<b>SALES</b>	<b>2,098,072,180</b>	<b>1,721,676,941</b>	<b>1,009,584,035</b>	<b>379,969,147</b>
Cost of Goods Sold	(1,451,211,059)	(1,251,688,980)	(772,544,039)	(305,924,612)
<b>GROSS PROFIT</b>	<b>646,861,121</b>	<b>469,987,961</b>	<b>237,039,996</b>	<b>74,044,535</b>
Operating and Financial Expenses	(228,205,794)	(225,397,337)	(114,615,459)	(53,139,554)
Operating Income	418,655,327	244,590,624	122,424,537	20,904,981
Other Income	597,375	422,923	160,722	-
Net Profit before WPP&WF	419,252,702	245,013,547	122,585,259	20,904,981
Allocation for WPP & WF	(19,964,414)	(11,667,312)	(5,837,394)	(995,475)
<b>NET PROFIT FOR THE YEAR</b>	<b>399,288,288</b>	<b>233,346,235</b>	<b>116,747,865</b>	<b>19,909,506</b>
Tax Holiday Reserve	(119,786,486)	(70,003,871)	(35,024,359)	(5,972,852)
Surplus for the year	279,501,802	163,342,365	81,723,506	13,936,654
Surplus Brought Forward	229,002,525	75,660,160	3,936,654	-
Surplus Available for Appropriation	508,504,327	239,002,525	85,660,160	13,936,654
Proposed Dividend	(25,190,000)	(10,000,000)	(10,000,000)	(10,000,000)
	<b>483,314,327</b>	<b>229,002,525</b>	<b>75,660,160</b>	<b>3,936,654</b>

**Financial Results**

Growth Ratio:

Growth in Sales	21.9%	70.5%	165.7%	-
Growth in Gross Profit Margin	37.6%	98.3%	220.1%	-
Growth in Net Profit Margin	71.1%	99.9%	486.4%	-

Profitability Ratio:

Gross Profit on Sales	30.8%	27.3%	23.5%	19.5%
Net Profit on Sales	19.0%	13.6%	11.6%	5.2%
Earning Per Share	15.85	23.33	11.67	1.99
No. of Shares Outstanding	25,190,000	10,000,000	10,000,000	10,000,000
Face Value of Share	10	10	10	10

Other Ratio:

Net worth per share	38	69	62	51
Return on intrinsic value per share	41%	34%	19%	4%

Note : Face value of share in earlier years has been restated to Tk. 10/= per share as is in Year 2000 for comparison of figures with EPS.

**SQUARE TEXTILES LIMITED**  
Cashflow Statement

	For YE 31.12.00	For YE 31.12.99	For YE 31.12.98	For YE 31.12.97
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**Cashflow from Operating Activities**

Receipts:

Cash received from Sales	2,018,010,164	1,525,562,123	781,795,113	206,480,610
Others	597,375	422,923	160,722	-
	<b>2,018,607,539</b>	<b>1,525,985,046</b>	<b>781,955,835</b>	<b>206,480,610</b>

Payments:

Pur. Of Raw & Packing Materials	1,222,148,639	935,556,443	766,734,269	328,647,855
Mfg. & Operating Expenses	240,812,872	250,689,146	122,471,985	35,076,916
Bank Interest	186,073,578	125,214,747	68,338,705	47,540,284
Workers Profit Participation fund	6,351,157	4,393,337	557,549	-
	<b>1,655,386,246</b>	<b>1,315,853,673</b>	<b>958,102,508</b>	<b>411,265,055</b>

<b>Net Cash (used in)/provided by Operating Activities</b>	<b>363,221,293</b>	<b>210,131,373</b>	<b>(176,146,673)</b>	<b>(204,784,445)</b>
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**Cashflow from Investing Activities**

Purchase of Fixed Assets	(134,185,535)	(130,635,418)	(727,983,270)	(236,565,326)
Disposal of Fixed Assets	3,600,000	45,000,000	86,475,601	-

<b>Net Cash used in Investing Activities</b>	<b>(130,585,535)</b>	<b>(85,635,418)</b>	<b>(641,507,669)</b>	<b>(236,565,326)</b>
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**Cashflow from Financing Activities**

Long Term Loan Received	-	130,839,266	176,861,429	71,466,674
Long Term Loan Repaid	(136,271,080)	(82,598,322)	(78,451,698)	-
Medium Term Loan (Repaid)/Received	90,000,000	(120,000,000)	360,000,000	-
Short Term Loan (Repaid)/Received	81,422,305	(40,593,723)	368,351,704	368,571,384
Dividend Paid	(10,000,000)	(10,000,000)	(10,000,000)	-
Increase in Paid -up Capital	151,900,000	-	-	95,000,000
Decrease in advance agt. Share Money	(400,000,000)	-	-	(95,000,000)

<b>Net Cash (used in)/provided by Financing Activities</b>	<b>(222,948,775)</b>	<b>(122,352,779)</b>	<b>816,761,435</b>	<b>440,038,058</b>
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Increase/(decrease) in Cash & Bank bal	9,686,983	2,143,176	(892,907)	(1,311,713)
Cash and Bank balance at Cpening	3,020,007	876,831	1,769,738	3,081,451
<b>Cash and Bank balance at Closing</b>	<b>12,706,990</b>	<b>3,020,007</b>	<b>876,831</b>	<b>1,769,738</b>

## SQUARE TEXTILES LIMITED

MANUFACTURING, TRADING AND PROFIT & LOSS ACCOUNT  
FOR THE PERIOD FROM JANUARY 2001 TO JUNE 2001 (6 MONTHS)

	Amount
SALES	1,055,104,211
Cost of Goods Sold	<u>780,897,311</u>
<b>GROSS PROFIT</b>	<b>274,206,900</b>
Operating and Financial Expenses	
Administration Expenses	9,837,765
Selling & Distribution Expenses	13,166,233
Financial Expenses	103,245,679
Total Operating and Financial Expenses	126,249,677
NET PROFIT BEFORE WPP & WF	<u>147,957,223</u>
Allocation for WPPF	<u>7,045,582</u>
NET PROFIT FOR THE YEAR	140,911,641
Tax Holiday Reserve	<u>42,273,492</u>
Surplus Carried Forward	<u><u>98,638,149</u></u>
Gross Margin	25.99%
Net Margin	13.36%

**SQUARE TEXTILES LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2001**

	AMOUNT
<b>NET ASSETS:</b>	
<b>Fixed Asset :</b>	
At Cost Less Depreciation	1,480,137,174
<b>Current Assets :</b>	
	1,154,315,185
Stocks	328,645,589
Trade Debtors	647,749,984
Advance , Deposit & Prepayments	113,695,892
Cash & Bank Balance	64,223,720
<b>Less : Current Liabilities :</b>	
	1,056,706,090
Short Term Loan	919,681,421
Trade Creditors	96,753,459
Other Current Liabilities	40,271,210
<b>Net Current Assets</b>	97,609,095
	1,577,746,269
<b>FINANCED BY :</b>	
<b>Share Holders' Equity :</b>	
	1,106,913,536
Share Capital	251,900,000
General Reserve and Surplus	581,952,476
Tax Holiday Reserve	273,061,060
<b>Term Loan:</b>	
	470,832,733
Long Term Loan	260,832,733
Medium Term Loan	210,000,000
	1,577,746,269