

# DIRECTORS' REPORT

## Year Ended June, 2022

To the Members  
of Square Textiles  
Limited

The Board of Directors of the Company is delighted to present its Report for the financial year ended 30 June, 2022 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 industry, which includes ready-made garments (RMG) and knitwear along with specialized textile products, is the nation's number one export earner, which accounts for more than 80.6% of total exports contributing to \$19.90 billion. Bangladesh is 2nd in world textile exports, behind China. According to the Export Promotion Bureau (EPB), Bangladesh's export of garments increased by 30.30% to \$23.99 billion between July 2021 and January 2022. The country exports a large variety of clothing items to nations in many different geographical areas, including North America, Europe, Asia, and others. Woven and knitwear are the two main categories into which export goods may often be divided. Exports of knitwear increased by 32.89 % to \$13.27 billion. And the export of woven clothing increased by 27.23% to \$10.71 billion.

There are a number of issues that Bangladesh has to conquer in order to maintain its presence and advance in this sector. We are all aware that plentiful natural gas, low-cost

labour, and affordable energy are the pillars around which this industry is built. In recent years, this topic has grown contentious, despite the fact that policymakers are actively devising the required reforms in order to safeguard this vital industry.

However, Bangladesh still continues to maintain its second position in RMG exports.

#### Operational Performance

Bangladesh's spinning sector witnessed a major investment step up in the year 2021 and onward as entrepreneurs set up 26 new spinning mills to meet high demand despite uncertainty in the global apparel supply chain back to the pandemic. 80% of the yarn produced at the spinning mill is purely cotton yarn, while the remaining 20% is mixed yarn from cotton and artificial fiber. The demand for man-made fiber garments item is getting popular worldwide. The demand for cotton yarn and other fabrics in the garment sector is increasing on the back of an increased volume of work orders from international brands.

Bangladesh has a huge chance to make this sector a big part of its economy by coming up with new ideas and techniques and by getting young entrepreneurs to focus on the spinning industry and make a plan for the future.

And Square Textiles attained a higher growth in revenue by 31.02% and 31.13% during the year 2021-2022 at Standalone and Consolidated levels.

#### Standalone

The Revenue from operations and Operating Profit stood at BDT 15,624.30 and 2,424.55 million, compared to BDT 11,924.70 and 1,094.44 million respectively in the previous year, an increase of 31.02% and 121.53%.

The Net Profit After Tax grew by 190.57% to BDT 1,806.30 million, compared to BDT 621.63 million in the previous year.

### Consolidated

The Revenue from operations and Operating Profit stood at BDT 17,432.25 and 2,618.85 million, compared to BDT 13,293.57 and 1,166.76 million respectively in the previous year, an increase of 31.13% and 124.45%.

The Net Profit for the year was also registered an upward trend that reached BDT 1,958.56 million, against BDT 671.86 million in the previous year, an increase of 191.51%.

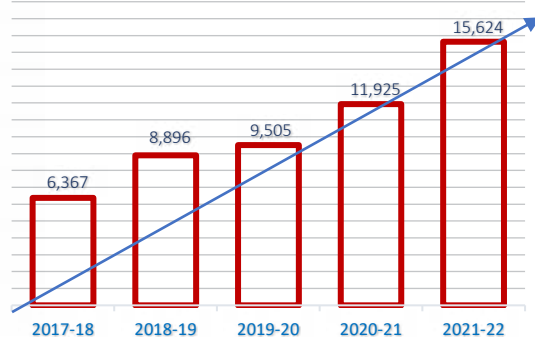
### COMPANY'S OPERATIONS

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 25 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.

#### ■ Sales Revenue



### CAPACITY/PRODUCTION

In recent years, both the domestic and international markets have seen intense rivalry. We have implemented/added multiple product mixes as an alternate manufacturing approach to achieve high-margin advantages in order to deal with the circumstance.

Hence, we have restated the production capacity installation criterion and actual production quantity to make them (The production data) equivalent and comparable. Therefore, the production efficiency decreased in 2021-22 to 97.34% from 98.14%, which is 0.80% less than that of 2020-21.

The total installed production capacity (at an average of 30s Ring and 14s O/E counts) as on June 30, 2022 was as follows:

Spindles/Rotors	In Nos.	
Particulars	2021-22	2020-21
Installation:		
Spindle Installed	129,262	125,878
Rotor head Installed	5,192	4,792
Vortex head Installed	3,168	2,784
Operation:		
Spindle Operated	129,262	125,878
Rotor head Operated	5,192	4,792
Vortex head Operated	3,168	2,784

Product Capacity Installed	in Kg	
Particulars	2021-22	2020-21
Equivalent to-		
30s Count (Ring Yarn)	19,470,638	19,343,617
14s Count (O/E Yarn)	10,984,367	10,741,362
30s Count (Vortex Yarn)	10,533,644	10,426,317
Total -	40,988,649	40,511,296

Actual Production	in Kg	
Particulars	2021-22	2020-21
Actual Production	44,723,006	42,831,924
Equivalent to-		
30s Count (Ring Yarn)	19,043,265	19,008,553
14s Count (O/E Yarn)	10,644,031	10,521,594
30s Count (Vortex Yarn)	10,210,973	10,228,368
Total -	39,898,269	39,758,515

Production Efficiency	in %	
Particulars	2021-22	2020-21
Equivalent to-		
30s Count (Ring Yarn)	97.81%	98.27%
14s Count (O/E Yarn)	96.90%	97.95%
30s Count (Vortex Yarn)	96.94%	98.10%
Total (Average) -	97.34%	98.14%

## 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 & power and spare parts which were beyond the control of the Management.

The level of costs and their incidence are given below:

	in Ton	
Particulars	2021-22	2020-21
Output of Yarn	44,723	42,832
Cost of Major Items	in Tk. '000	
Particulars	2021-22	2020-21
Raw Material Consumed	9,944,420	7,660,971
Packing Materials	143,436	119,096
Fuel/Power etc.	940,183	850,559
Spare Parts	243,822	224,258
Other Overhead	1,680,539	1,572,883
Total Cost -	12,952,400	1,0427,767

Unit Cost/Kg.	in Tk.	
Particulars	2021-22	2020-21
Raw Material	222.36	178.86
Packing Materials	3.21	2.78
Fuel/Power etc.	21.02	19.86
Spare Parts	5.45	5.24
Other Overhead	37.58	36.72
Total Unit Cost-	289.62	243.46
Raw Material Cost % of Total Cost-	76.78%	73.47%

The above figure reveals that though the raw material cost per unit increased by 24.32%, packing materials cost increased by 15.47%, Fuel/ Power cost increased by 5.84%, Spare Parts cost increased by 4.01% and other overheads increased by 2.34%, which lead to increase total unit cost by 18.96% in 2021-22 over 2020-21. During the year under review the price of raw cotton in the international market had significantly unstable.

## MARKETING OPERATIONS:

### Market Exposure

Over the years, the company's marketing operations maintained an emphasis on export sales, as depicted below:

Quantity Sold (Kg)	in '000	
Particulars	2021-22	2020-21
Export Sales	44,819	43,485
Total -	44,819	43,485

Sales Revenue (Tk.)	in '000	
Particulars	2021-22	2020-21
Export Sales	15,624,302	11,924,705
Total -	15,624,302	11,924,705

The above figures show that sales quantity increased by 3.07% and sales revenue increased by 31.02% in 2021-22 over 2020-21.

### Unit Selling Prices Attained

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

Particulars	2021-22	2020-21
Export Sales	348.61	274.23
Total -	348.61	274.23

The above indicate that selling price increased by 27.12% in 2021-22 over 2020-21 due to incline the export demand & the price of cotton yarn in the international market.

### CAPITAL EXPENDITURES

In order to continuously upgrade and increase the productive facilities, Square Textiles made an additional net capital expenditure of Tk. 1,333.61 million during the year 2021-2022, which is depicted below:

Particulars	2021-22	2020-21
Land/Civil Construction	322,504	13,251
Plan & Machinery	956,132	573,771
Other Fixed Assets	54,971	6,329
Total -	1,333,607	593,351

The above investments have enabled the company to sustain 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 changing world demand structure of 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 of expansion and doubles the foreign exchange earnings provided 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. 5,018.77 million, which is 56.17% higher than that of the previous year. Details are depicted below:

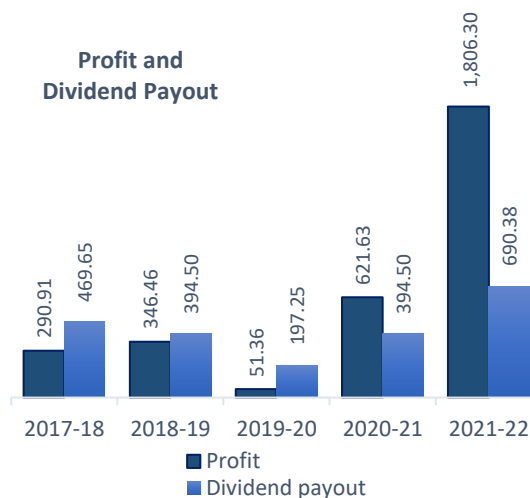
Particulars	2021-22	2020-21
Total Export	15,874,023	11,130,595
Less Import		
Raw Materials	9,590,887	7,103,639
Spare Parts	258,681	270,282
Misc. (with BMRE)	1,005,681	543,047
Net Export	5,018,774	3,213,627

## FINANCIAL RESULTS

The Company's (standalone) operating financial results, as compared to the previous year are summarized hereunder:

Particulars	2021-2022	2020-2021	↑↓ in %
Export Sales Revenue	15,624,302,486	11,924,704,664	31.02↗
Cost of Goods Sold	12,930,510,466	10,588,987,142	22.11↗
<b>Gross Profit</b>	<b>2,693,792,020</b>	<b>1,335,717,522</b>	<b>101.67↗</b>
Administrative Expenses	247,735,861	224,235,269	10.48↗
Selling & Dist. Expenses	21,510,989	17,039,457	26.24↗
<b>Operating Income</b>	<b>2,424,545,170</b>	<b>1,094,442,796</b>	<b>121.53↗</b>
Finance Cost	241,629,270	344,165,255	29.79↘
Non-Operating Income	53,343,676	19,475,519	173.90↗
<b>Net profit before WPPF</b>	<b>2,236,259,576</b>	<b>769,753,060</b>	<b>190.52↗</b>
Contribution to WPPF	106,488,551	36,654,908	190.52↗
<b>Net profit (Before Tax)</b>	<b>2,129,771,025</b>	<b>733,098,152</b>	<b>190.52↗</b>
Provision for Income Tax	309,854,073	63,473,385	388.16↗
Provision for Deferred Tax	13,612,356	47,990,713	71.64↘
<b>Net Profit (After Tax)</b>	<b>1,806,304,596</b>	<b>621,634,054</b>	<b>190.57↗</b>
Gross Profit Margin	17.24%	11.20%	53.93↗
Net Profit Margin (AT)	11.56%	5.21%	121.88↗
EPS (Earning Per Share) in Taka	9.16	3.15	190.79↗

The Export Sales Revenue increased by 31.02% along with Gross profit and Net profit (After Tax) by 101.67% and 190.57% respectively during the year 2021-22 in comparison to previous year. Gross Profit Margin as well as Net Profit Margin increased by 6.04% and 6.35% respectively. The Financial Result of the Company for the year 2021-22 depicts a significant higher due to increase in yarn price and production by 1,900 Tons (approx.) through BMRE in capital machineries with modern technologies, increasing of manpower efficiencies. During the period the selling price of yarn also jumped for increased demand in RMG sector in both local and international market. These situations influenced to minimize unit cost of production and finally led to augment the profitability during the reporting year than that of previous year.



**191%**

Net Profit (AT)  
Increased

**75%**

Dividend Payout  
Increased

Awarded GOTS Certificate



#### RISK & CONCERN

Unstable sustainable long-range planning, inadequate strategic investment policies, variable/ uncertain fiscal & monetary policies, disorderly employment crises, Buyers' dominance, international trade barriers, internal law and order situation especially in the transport sector and lack of appropriate infrastructure, etc. offer the risk of business and investment.

It is, however, heartening to note that the Government recognizing the above-mentioned factors is now taking various measures as a result of which Bangladesh has begun to step up its position in the "Doing Business" Index of the World Bank Ranking Hall of Progress.

#### INVESTMENT IN SUBSIDIARIES

Square Textiles has invested Tk. 489,333,960 as equity holder (99.88%) in the capital of Square Texcom Limited.

As per provision of the Company Act 1994, Square Texcom Limited is a subsidiary of Square Textiles Limited and, as such, the Directors Report, along with the Auditors' Report and Audited Financial Statement, have been included as part of this report.

#### APPROPRIATION OF PROFIT

The Board of Directors recommended the appropriation of the net profit earned for the year ended June 30, 2022 in the following manner:

	in Taka
❖ Net profit (after tax) for the year ended June 2022.	1,806,304,596
❖ Recommended for Cash Dividend @35%.	690,382,000
❖ Net Un-appropriated Profit (for ploughing back)	1,115,922,596

#### CONTRIBUTION TO NATIONAL EXCHEQUER

Square Textiles contributed an amount of Tk. 389.87 million during the year to the National Exchequer as against Tk. 136.82 million in the previous year.

#### CREDIT RATING REPORT

The Credit Rating Information and Services Ltd. (CRISL) has reaffirmed the highest credit rating to Square Textiles on the basis of financial and other relevant quantitative and qualitative information on 21 December, 2021.

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.

#### 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 2021 are presented on page 122 of this report.

### CONSOLIDATION OF ACCOUNTS

In terms of BSEC Regulations, 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 DIRECTORS

Mrs. Ratna Patra and Mr. Anjan Chowdhury, Directors of the Company, retire as per articles 125 & 126 of the Articles of Association and being eligible, offer themselves for re-election.

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

### RE-APPOINTMENT OF INDEPENDENT DIRECTOR

The Board of Directors has re-appointed Mr. S. M. Rezaur Rahman as Independent Director.

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 Accountant retires at this Annual General Meeting on completion of consecutive 3 (three) years. They are not eligible for reappointment as auditors of the company as per BSEC order.

M/s Ahmed Zaker & Co., Chartered Accountants expressed their interest to be appointed as auditors of the Company for the year 2022-2023.

The Board of Directors, in its meeting held on October 20, 2022, recommended their appointment.

### APPOINTMENT OF COMPLIANCE AUDITORS

M/s Chowdhury Bhattacharjee & Co., Chartered Accountants, retired at this Annual General Meeting and being eligible, offered themselves for re-appointment as Compliance Auditor of the Company for the year 2022-2023.

The Board of Directors, in its meeting held on October 20, 2022, recommended their appointment.

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

Square Textiles Ltd. 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, 2021 by the Bangladesh Securities and Exchange Commission.

#### SPECIAL BUSINESS

**To pass a special resolution in regard to change the name of the Company from "Square Textiles Ltd." to "Square Textiles PLC." as per provision of the Companies Act, 1994 (2nd amendment 2020) and to amend clause -I and Article-2(para 3), 51, 108, 111, 112 and 123 of the Memorandum and Articles of Association of the Company.**

The Board of Directors in its meeting held on 20<sup>th</sup> October, 2022 has adopted the following resolution in order to comply with the provisions of the Companies Act, 1994 (2nd amendment 2020).

Therefore, if thought fit, the shareholders are requested to pass the following resolutions adopted by the Board of Directors as special resolutions:

#### Resolved that

- a) **the name of the Company "Square Textiles Ltd." be and is hereby changed to "Square Textiles PLC." as per provision of the Companies Act, 1994 (2nd amendment 2020) and accordingly the Clause -I and Article-2 para 3 of the**

**Memorandum and Articles of Association respectively shall be amended.**

- b) **the word "Limited" appearing in Article-51 and 108 shall be replaced by "PLC".**

- c) **the existing Article-111 and 112 of the Articles of Association of the Company be and is substituted as follows:**

**"111. The following are the present shareholding directors of the Company:**

- 1. Mr. Tapan Chowdhury as Chairman**
- 2. Mrs. Ratna Patra as Vice Chairman**
- 3. Mr. Samuel S Chowdhury as Managing Director**
- 4. Mr. Anjan Chowdhury as Director**

**"112. The Managing Director of the Company shall be appointed as per the Companies Act. "**

- d) **the sentence in Article-123 "Mr. Samson H Chowdhury shall be Managing Director of the Company" shall be deleted.**
- e) **a new printed copy of the Memorandum and Articles of Association of the Company incorporating the amendments made up to this date in substitution of the existing Memorandum and Articles of Association of the Company be and hereby adopted as Memorandum and Articles of Association of the Company and the same be filed with the Registrar of Joint Stock Companies and Firms, Dhaka, Bangladesh.**

#### 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 last 5 (five) years have been presented in summarized form in Page No. 14.

#### 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,

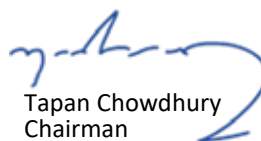
Management Discussion Analysis, Certificate from the CEO and CFO to the Board, Certificate on Compliance of the Conditions of the Corporate Governance Code 2018 by the Compliance Auditors and Status of Compliance are depicted in the Annexure - i, ii, iii, iv, v, and vi respectively.

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 unswerving 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.

## THE DIRECTORS ALSO REPORT THAT:

- The number of Board Meeting and the Attendance of Directors during the year 2021-2022 were as follows:

Name of the Directors	Position	Meeting Held	Attended
Mr. Tapan Chowdhury	Chairman	6	6
Mrs. Ratna Patra	Vice Chairman	6	6
Mr. Samuel S Chowdhury	Managing Director	6	6
Mrs. Anita Chowdhury	Director	6	5
Mr. Anjan Chowdhury	Director	6	6
Mrs. Nihad Kabir	Independent Director	6	6
Mr. S M Rezaur Rahman	Independent Director	6	6

- The pattern of shareholding as on 30 June 2022 are as follows:

Name of the Shareholders	Status	Shares held	%
i. Parent/Subsidiary/Associated Companies and other related parties.	-	-	-
ii. Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouses and Minor Children's:			
Mr. Tapan Chowdhury	Chairman	6,588,167	3.34
Mrs. Ratna Patra	Vice Chairman	4,474,493	2.27
Mr. Samuel S Chowdhury	Managing Director	6,181,939	3.13
Mrs. Anita Chowdhury	Director	5,843,083	2.96
Mr. Anjan Chowdhury	Director	5,401,909	2.74
Mrs. Nihad Kabir	Independent Director	-	-
Mr. S M Rezaur Rahman	Independent Director	-	-
Mr. M Habibur Rahman	Chief Financial Officer	-	-
Mr. Sanjib Baran Roy	Company Secretary	-	-
Mr. Mozibur Rahman	Head of Internal Audit & Compliance	-	-
iii. Executives:			
Mr. Md. Alamgir Hossain	Head of Operations	-	-
Mr. Taslimul Hoque	Deputy Head of Operations	848	0.0008
Mr. Shah Didarul Islam	Head of Engineering	-	-
Mr. Md. Shahid Raihan	Head of Production	-	-
Mr. Shah Mohammad Faisal	Head of Marketing	-	-
iv. Shareholders Holding 10% or more voting interest in the company:			
Square Pharmaceuticals Ltd.	Sponsor Shareholder	91,436,679	46.36