

# DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders

Assalamu Alaikum,

I, on behalf of the Board of Directors, have the pleasure to present before you the report for the year ended June 30, 2018 along with the audited financial statements and auditors' report thereon.

## BACKGROUND

Saiham Textile Mills Limited was incorporated on March 27, 1981 as a Public Limited Company vide incorporation No. C-8864/703. The Authorized capital of the company is Tk. 1,500 million and paid up capital is Tk. 905.62 million the company was listed with the Dhaka Stock Exchange Ltd. in the month of August 1988 and Chittagong Stock Exchange Ltd. in the month of March 1999.

## REVENUE

The year 2017-18 was a year of consolidation for our Company. During the year under review, Company showcased its operational excellence along with consistent financial performance on the top line. Against the backdrop of challenging market environment, Company's business continues to track ahead satisfactorily on the back of dynamic response to market trends, enduring buyer satisfaction with strong product portfolio.

In Spite of rough market condition as narrated in industry scenario, the company is able to overcome the challenges posed by competitive forces during the year. Thus during the year under review, our Company's turnover increased to Tk. 2,178 million as against Tk. 1,529 million recorded in the previous year. Company's performance was much better and earned higher profit for the year 2017-2018. This is mainly due to cost reduction measures that were adopted by the Company to earn higher profit during the year. By maintaining production and quality of the product Company achieved reasonable profit after tax of Tk. 109.17 as against Tk. 92.38 recorded in the previous year.

## Financial Result and Appropriation of Profit:

Particulars	2018	2017
Net Profit after tax	109,175,886	92,381,746
Add: Previous year's surplus	403,498,967	372,588,025
Add: Adjustment of revaluation of P.P.E	23,106,228	24,779,196
Add: Transfer from general reserve	2,764,589	-
<b>Profit available for appropriation</b>	<b>538,545,670</b>	<b>489,748,967</b>
<b>Recommended for appropriations:</b>		
Cash Dividend	(108,675,000)	(43,125,000)
Stock Dividend	-	(43,125,000)
<b>Total</b>	<b>429,870,670</b>	<b>403,498,967</b>

## Segment-wise or product-wise performance

Mentioned in section 20 of the notes to the financial statements.

## Industry outlook and possible future developments in the industry

The year 2017-18 has been a year of major challenges faced by the spinning industry, almost year long downtrend in Selling prices, coupled with wide fluctuations in cotton prices. Market demand for yarn was also continuously subdued which forced many units to reduce the working days and lower their production for export orders from global retail giants. Quality constraint is observed to be the primary reason for such industry behavior. High trash content, rampant adulteration and abnormal moisture content was observed in Cotton. It could be a threat to the entire textile value chain. This has posed additional challenge to procure cotton at competitive costs therefore Bangladesh still to be depend on the US, West Africa and Australia for supply of quality fibre.

## Saiham Textile Mills Ltd.

Spinning mills are under continuous stress. Spinning is feeder industry to weaving and knitting sectors, its fortunes mainly depend upon the dynamics of those sectors. This will naturally have a cascading effect on the spinning sector, which feed the weaving and knitting sectors.

The future outlook for cotton spinning industry looks positive. Remunerative prices are expected to improve the cotton supply situation in Bangladesh in the next one year. While domestic demand will be supported by a consumption recovery for the Bangladesh economy, a better economic outlook for most of textile trade partners and restoration of export incentives. Besides, supply coming on-stream will be slower in fiscal 2019, which will aid the operating margins of spinners due to higher pricing flexibility. The strong capacity additions over the past 2-3 years, though, will restrict the margins from breaching the levels attained in fiscal 2019.

### Risks and concerns

The Financial Year 2017-18 witnessed high volatility in cotton prices and sluggish demand for yarn products both in domestic and international markets. Cotton prices were uneconomical in relation to market price of yarn. Surplus production, uneconomical exports and reduced demand for medium quality yarn in the domestic market are some of the reasons for the lower performance of the industry. These circumstances have created challenges of shifting towards new value added products, selling at higher price or premium price for the better quality of yarn, better productivity and enhancing marketing strategies for evolution of new markets. Exports at the present juncture at uneconomical prices also aggravated situation due to competition from other developing countries like India, Indonesia, Vietnam and Philippines etc.

Our Company has devised risk management policy which involves identification of the risks associated with the business risks as well as the financial risks, its evaluation, monitoring, reporting and mitigation measures. Audit Committee and the Board of Directors of the Company refined the risk management policy of the Company so that the management controls the risk through properly defined frame work. Heads of departments are responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee. Details of the risk management mechanism and key risks faced by the Company are enumerated in the risk management policy.

Any change in government policies related to cotton and yarn, higher raw material cost, competition from peer group, power cost, seasonal fluctuations, non-availability of skilled manpower have impact on spinning industry and are perceived as threats.

### A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.

Particulars	June 30, 2018	June 30, 2017
Cost of goods sold	191,63,81,278 (87.98%)	129,79,95,301 (84.86%)
Gross profit	26,17,38,429 (12.02%)	23,16,39,684 (15.14%)
Net profit for the year	10,91,75,886 (5.01%)	9,23,81,746 6.04%)

### Discussion on continuity of any Extra-Ordinary gain or loss

There is no significant extra-ordinary gain or loss during the financial year.

### Utilization of Right Share Fund

With the Right Share Fund the company has set up a brand new 100% export oriented Spinning Unit. This unit went into production on July 16, 2013.

### Related party transactions

The Company has transactions with its Associate Companies which have been disclosed in related party transaction in note nos. 27 of the notes to the financial statements.

## **Variance within the financial year**

There was no event of significant variance between quarterly financial performances during the year under reporting.

## **Fairness of financial statements**

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Companies state of affairs, the results of its operations, cash flow and changes in equity.

In compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) notification dated June 30, 2018 Chief officer has given the declaration which is shown on page no. 36 of the report.

## **Books of Accounts**

Proper books of accounts of the company were maintained.

## **Accounting Policies**

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

## **Application of BAS and IFRS**

International Accounting Standards (IAS) and 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.

## **Internal control systems and their adequacy**

Our Company maintains adequate internal control system and procedures commensurate with its size and nature of operations. The internal control systems are designed to provide a reasonable assurance over reliability in financial reporting, ensure appropriate authorization of transactions, safeguarding the assets of the Company and prevent misuse/ losses and legal compliances.

The internal control system includes a well-defined delegation of authority and a comprehensive Management Information System coupled with quarterly reviews of operational and financial performance, a well-structured budgeting process and Internal audit. The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements are undertaken, if required.

## **Environment Protection, Health and Safety**

Environment Protection, Health and Safety Environment Protection, Health and Safety continues to receive highest priority in all operational and functional areas. Adequate safety measures are taken at plant for prevention of any untoward incidents. Various processes required for pollution control and environmental protection are strictly adhered to.

## **Going Concern**

The Board, through appropriate enquiries and analysis, ensures that the resources are adequate to support the operation and that sufficient business opportunities exist to qualify the organization as a going concern and the Directors analyse the financial statements to ensure. Accordingly financial statements are prepared on a going concern basis.

## **Board of Directors**

### **i. Composition and size of the Board**

On the 30th June 2018, there were 8 members on the Board; The Board comprises Chairman, Managing Director, four directors and two Independent directors.

### **ii. Board meeting and attendance:**

The Board met 8 times during the period from July 01, 2017 to June 30, 2018. Following table shows the attendance of directors in the meeting.

# Saiham Textile Mills Ltd.

## Remuneration to directors including independent directors

The Director of the Company is receiving a sum of Taka 7,500/- (Seven thousand and five hundred) as board meeting fee.

Name of Directors	Number of Board Meeting held during the financial year ended 30.06.2018	Number of Board Meeting attended	Remarks
Mr. S. F. A. M. Shahjahan	7	7	
Mr. S. M. Faisal	7	7	
Mrs. Yasmin Faisal	7	7	
Engr. Syed Ishtiaq Ahmed	7	7	
Syed Shafqat Ahmed <sup>MBA</sup>	7	7	
Mrs. Rio Aziza Salim	7	7	
Mr. Mostafa Moin, Independent Director	7	7	
Syed Nasir Uddin Haider, Independent Director	7	7	

## DIRECTORS

In terms of Article 115 of the Articles of Association of the Company,

Mr. S. F. A. M. Shahjahan and Engr. Syed Ishtiaq Ahmed, Director retire by rotation from the Board in the 37th Annual General Meeting. Being eligible under Article 117 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

## Disclosure of information of the directors who are willing to be re-elected.

### S.F.A.M. Shahjahan, Director

Mr. S. F. A. M. Shahjahan son of Late Syed Sayed Uddin Ahmed is one of the Director of Saiham Textile Mills Ltd. He is also the Director of Saiham Cotton Mills Ltd. and has more than 30 years of experience in textile business. His expertise is in the field of Marketing and Administration. He is also associated with different socio-cultural and philanthropic organization.

## Names of companies in which Mr. S.F.A.M. Shahjahan holds the directorship:

Interest in other Company:	Designation
Saiham Textile Mills Ltd.	Chairman
Saiham Cotton Mills Ltd.	Director
Saiham Knit Composite Ltd	Director

### Engr. Syed Ishtiaq Ahmed, Director

Engineer Syed Ishtiaq Ahmed son of Mr. Syed Md. Faisal, is the Managing Director of Saiham Cotton Mills Ltd. He has graduated in Engineering from Michigan, USA and is also an MBA with a major in Finance from Institution of Business Administration (IBA) University of Dhaka. He has participated in training on "Industry and Management" in Prato, Italy sponsored by Ministry of Foreign trade, Italy. He is one of the members of the Board of Directors of BTMA. He has represented BTMA on a high level mission of Garment Technology and Textile Processing to IMB cologne in Germany and also visited the London College of Fashion under University of the Arts London sponsored by United Nations Industrial Development Organizations (UNIDO). He has vast experience in technical marketing and financial aspects of business.

## Names of the companies in which Engr. Syed Ishtiaq Ahmed holds the directorship:

Interest in other Company:	Designation
Saiham Cotton Mills Ltd.	Managing Director
Saiham Textile Mills Ltd.	Director
Faisal Spinning Mills Ltd.	Director
Saiham Knit Composite Ltd.	Director

## Role of the Chairman

The Chairman serves as the primary link between the board and management and works with the Managing Director and Company Secretary to set the agenda of the Board meetings. He provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities.

## Role of the Managing Director

The Managing Director is the key person and is responsible for running the business of the company. He is also responsible for formulating as well as implementing Board strategy and policy. The Managing Director is responsible for establishing and executing the Company's operating plan that is necessary to achieve the company's objectives. He has the overall control on the company's day to day affairs and is accountable to the Board for the financial and operational performance of the company.

## Role of the Company Secretary

Company Secretary is responsible for advising the Board through the chairman on all governance matters. He is also responsible for ensuring proper information flow with the Board and its committees and between the management and the non-executive directors. He is also acting as bridge between the regulators / stakeholders and the company.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee, as a sub-committee of the Board of Director has been constituted with four board of directors with one Independent director as a chairman. The Company Secretary acts as Secretary to the Committee. The Nomination and Remuneration Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive of the company. NRC is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. We have been taking necessary steps to comply with the corporate governance code dated adopted on June 03, 2018.

## External Statutory Auditors

The BSEC guidelines are being strictly followed in engaging statutory Auditors for the Company.

## Website

The company has been maintaining an official website [www.saihamtextile.com](http://www.saihamtextile.com) which is linked with website of the stock exchange.

## DIVIDEND

The Board of Directors has recommended 15% cash dividend for the year ended June 30, 2018 (subject to the approval in the forthcoming AGM) whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date, i.e., November 15, 2018.

## Contribution to the national exchequer

To contribute the economic development of the country and building up the revenues Saiham Textile Mills Ltd. deducts Income Tax, VAT at source from the employees, suppliers, turnover and deposits the same to the National Exchequer regularly. During the year 2017-2018 the company contributed 34.69 million to the National Exchequer in the form of corporate tax, custom duty and Value added Tax (VAT).

## Report of the Audit Committee

The Audit committee consists of the following members:

Syed Nasir Uddin Haider, Independent Director	: Chairman
Syed Shafqat Ahmed, MBA, Director	: Member
Mrs. Rio Aziza Salim, Director	: Member
Md. Nayamat Ullah, Company Secretary	: Member

# Saiham Textile Mills Ltd.

## Scope of work of Audit Committee

The Committee is authorised to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the group and co-opt any resources (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

## Review of financial statements by the Audit Committee

Audit Committee reviewed the annual financial statements for the year ended June 30, 2018 and placed its recommendation to the Board of Directors.

## External audit

Rahman Mostafa Alam & Co. a Chartered Accountant firm registered in Bangladesh acted as the external auditors to the company throughout the year. The external auditors are not engaged on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services; and
- Internal audit services;

## Independence of External Auditor

As a policy, the Committee would not allow the external auditors to perform any work that they may subsequently need to audit, or which might otherwise create a conflict of interests. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained. The chief financial officer is permitted to engage the external auditors on matters that do not create such conflicts.

The Audit Committee appraised the expertise, resources, independence and objectivity of external auditor and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election should be proposed to shareholders.

## Resolutions of the Audit Committee meeting:

The Committee met three times during last financial year 2017-18 to carry out the following tasks:

- The Audit Committee reviewed the financial statements for the year ended June 30, 2018;
- Reviewed and discussed the Management Letter, by external auditor Rahman Mostafa Alam & Co. for the year ended June 30, 2018 on the annual audit on financial statements of Saiham Textile Mills Ltd;
- The expression of interest sent by the audit firm was reviewed by the Audit Committee and recommended Malek Siddiqui wali Chartered Accountants, as auditor of the Company for the year to be ended June 30, 2019;
- Reviewed various reports of Internal Control & Compliance Department on operational, financial procedures and branch activities;

Based on the review and above discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the company and to ensure that its assets are safeguarded properly.

## Report from the Audit Committee

Dated: October 14, 2018.

The Board of Directors  
Saiham Textile Mills Ltd.  
Saiham Tower ( 11<sup>th</sup> Floor)  
House # 34, Road # 136  
Gulshan-1, Dhaka

### Audit Committee Report

The Committee reviewed and discussed the procedure and task of the internal audit, financial report preparation and the external auditors' observations in their reports on the draft financial statements of the Company initiated by the auditors for the year ended 30 June 2018. The Committee found the statements adequate arrangement to present a true and fair view of the financial status of the Company; and did not find any material deviation, discrepancies or any adverse finding/observation in the areas of reporting and disclosures.

Sd/-  
( Syed Nasir Uddin Haider)  
Chairman  
Audit Committee  
Saiham Textile Mills Ltd.

### Environmental Role

The company is committed to maintain high standard of pollution free environment at mill area. Accordingly tree plantation activities is implementing every year at mill premises.

### Corporate Social Responsibilities

Saiham Textile Mills Ltd. always acknowledges its responsibilities for the well-being of the society and takes part in such activities whenever it becomes necessary. The company provides financial support to different social & cultural organizations and to the distressed people of the society. Contribution to CSR programs have been always supported and encouraged by the Board of Directors of the Company. During the year 2017-2018 the company has contributed to the welfare of the community such as donation to Mosque, Madrasa, School, free eye treatment given by setting up eye camp also distributed blanket among the poor people in winter season.

### Code of Conduct

All the employees are bound by our written code of business conduct which is an agreement signed as part of their written contract of employment. The signatory is responsible to comply with the code and also ensure employees reporting to him also comply with the code.

### APPOINTMENT OF INDEPENDENT DIRECTOR

The Board of Directors has approved the retirement of Mr. Mostafa Moin from the position of Independent Directors of the company and appointed Mr. Mohammed Nazmul Hossain, FCA as an Independent director of the company on November 01, 2018 subject to approval of shareholders in 37th Annual General Meeting of the company.

### Qualification of New Independent Director

Mohammed Nazmul Hossain, FCA is a professional accountant and has vast experienced in corporate industry. He completed B.Com (Hon's) in Accounting from the University of Rajshahi and also fellow member of The Institute of Chartered Accountants of Bangladesh (ICAB).

### APPOINTMENT OF AUDITORS

Rahman Mostafa Alam & Co. Chartered Accountants will retire at the 37th Annual General Meeting as auditors of the Company. As per Bangladesh Securities and Exchange Commission (BSEC) rules the retiring Auditors Rahman Mostafa Alam & Co. Chartered Accountants are not eligible for reappointment as Statutory Auditors for 2019 because of fulfillment of 3 years period. After receiving expression of interest from Malek Siddiqui Wali Chartered Accountants



## Saiham Textile Mills Ltd.

9 G, Motijheel Commercial Area, Dhak-1000 the Audit Committee recommends appointment of Malek Siddiqui Wali Chartered Accountants as the auditors of the Company for the year 2018-2019. Therefore the board of directors has proposed Malek Siddiqui Wali Chartered Accountants to engage as statutory auditors (subject to approval at the 37th Annual General Meeting).

### **CORPORATE & FINANCIAL REPORTING:**

The Company is determined to ensure good governance by complying with all the applicable rules and regulations of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission. It has complied with all the requirements of Corporate Governance and the Directors are pleased to confirm the following:

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.

Proper books of accounts of the Company have been maintained.

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

The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.

The systems of internal control are sound and have been effectively implemented and monitored.

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

There are no significant deviations in operating result of the business of the company compared to last year.

### **Pattern of Shareholding**

<b>Name wise details</b>	<b>No. of Shares held</b>
Parent/Subsidiary/Associated Companies and other related parties	Nil
Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer Head of Internal Audit and their spouse and minor children:	
Mr. S. F. A. M. Shahjahan Chairman	23,21,513
Mr. S. M. Faisal Managing Director	30,82,747
Engr. Syed Ishtiaq Ahmed Director	78,43,920
Syed Shafqat Ahmed <sup>MBA</sup> Director	74,93,503
Mrs. Rio Aziza Salim Director	76,15,219
Mrs. Yasmin Faisal Director	20,27,000
Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children	Nil
Executives	Nil
Shareholders holding ten percent (10%) or more voting interest in the Company: ICB	95,47,383

### **Professionals for Compliance of Corporate Governance Code**

The Board has appointed Kazi Zahir Khan & Co. Chartered Accountants, Shamsunnahar complex, 8th floor (2nd lift), Flat- 9B, 31/C/1, Topkhana Road, Segunbagicha, Dhaka 1000 as professional for Report of Compliance Governance Code for the year 2018-2019.



## Saiham Textile Mills Ltd.

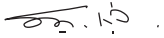
### **Key operating and financial data**

The summarized key operating financial data of five years is annexed **(Annexure : I )**

### **Corporate Governance Compliance Report**

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" is annexed **(Annexure : II )**

On behalf of the Board of Directors



( S. M. Faisal )  
Managing Director  
October 14, 2018