



Mahfel Huq & Co.

Chartered Accountants

The first registered accounting firm in independent Bangladesh

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Auditor's Certificate Regarding Monthly Status Report of Utilization of Fund Against Initial Public Offering (IPO) of Kattali Textile Limited For the Month of January 2021

We have examined the accompanying statement IPO Utilization for the month of 31 January 2021 of Kattali Textile Limited with bank statements, Prospectus BSEC Consent Letter and other necessary documents as produced to us by the management of the company during the course of our examination. After due verification we certify that the company received Tk. 340,000,000 (Taka Thirty Four Crore) only as Initial Public Offering (IPO) proceeds through subscription from 28 August 2018 to 13 September 2018 in the company's separate Bank Account (A/C 1501203618441001) maintaining with BRAC Bank Limited, Gulshan Branch, Gulshan-1, Dhaka-1212. In line with the condition number 4, Part-C of the consent letter number BSEC/CI/IPO-263/2017/549 date: 31 July 2018 of Bangladesh Securities and Exchange Commission (BSEC), fund utilization status for the period upto 31 January 2021 is as follows:

Sl No.	Particulars	Proceeds of Allotment as per IPO (Tk.)	Fund Utilization (Tk.) up to December 2020	Fund Utilization (Tk.) for this month of January 2021	Total Utilization of Fund (Tk.) up to 31 January 2021	Unspent Balance of IPO (Tk.)
1	IPO Expenses	19,124,000	19,124,000	-	19,124,000	-
2	Construction of Factory Building Expansion Unit	172,779,916	61,112,125	-	61,112,125	111,667,791
3	Construction of Dormitory of Employee	25,312,794	16,000,000	-	16,000,000	9,312,794
4	Acquisition of New Machinery for Expansion Unit	89,787,540	-	-	-	89,787,540
5	Electric Installation of Transformer & Generator	7,995,750	-	-	-	7,995,750
6	Bank Loan Repayment (One Bank Limited)	25,000,000	25,000,000	-	25,000,000	-
	Total IPO Proceeds	340,000,000	121,236,125	-	121,236,125	218,763,875

We draw attention to the following matter;

- 1) Construction of Factory: Apart from the above utilization the company paid BDT 9,37,19,096 as advance against construction of factory building extension unit out of sanction amount BDT. 17,27,79,916. Out of the advance the company transferred BDT 6,11,12,125 to "Construction of Factory Building Expansion Unit" and BDT. 1,60,00,000 " Construction of Dormitory of Employee" up to the month. But no progress bill was submitted by the contractor. Further no withholding Tax and VAT was deducted from the advance.
- 2) The company paid a bill for BDT 1,60,00,000 against Construction of Dormitory of Employee out of sanction amount BDT 2,53,12,794 from which withholding Tax and VAT was not deducted.
- 3) The company kept Tk. 16,04,48,342 (Tk. Sixteen Crore Four Lac Forty Eight Thousand Three Hundred Forty One) in FDR with Islamic Finance and Investment Limited, Chottogram for twelve months.



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4) The company earned interest income of BDT. 2,91,83,359/- from FDR on IPO proceeds deposits and Foreign Exchange gain BDT. 58,897. Therefrom the bank deducted Advance Income Tax BDT 29,18,336/-, KTL also have a balance on Tk. 1,077,661/- included Bank balance for suspense A/C (unadjusted refund) and bank charges BDT 1,84,324/- up to January 31, 2021. Therefore bank balance after adjusting above amount stood at BDT. 5,28,66,057/- on current account A/C No. 1501203618441001, BDT. 43,255/- on USD account No. 1501203618441002 and BDT. 17,238/- on EUR account A/C No. 1501203618441004 and Al-Arafah Islami Bank Ltd. A/C No. 00510200223251 on current account BDT 3,947/- with IFIL BDT 16,04,48,342 aggregating BDT 21,33,78,838/- as in clause (3) above.

5) The company had received IPO Proceeds within 11 November 2018, as per prospectus the last date of fund utilization was 31 October 2020. Since the company couldn't utilize the IPO proceed fund within the due time, therefore the company have applied for time extension for further 12 (twelve) months through letter reference no. KTL/BSEC/2020/054 dated: 31 October 2020.

We also state that referred to above:

- IPO proceeds have been utilized for the purposes as specified in the prospectus;
- IPO proceeds have been utilized in line with the conditions of the BSEC's consent letter for the IPO;
- Utilization of IPO proceeds is being under completion within the time frame as specified in the prospectus;
- Utilization of IPO proceeds is accurate for the purpose of the company as mentioned in the prospectus;
- Audit statement has been made on verification of all necessary documents/papers/vouchers in support of utilization of IPO proceeds making reconciliation with Bank Statement; and
- Appropriate payment procedure was not followed in some instances as stated in clause (1) and (2) above.

Place: Dhaka
Dated: February 16, 2021

Mahfel Huq & Co.
Chartered Accountants

Report on Utilization of IPO Proceeds

for the month of January 31, 2021

Name of the Company : Kattali Textile Limited
 Amount (BDT) of Capital Raised through IPO : Tk. BDT 340,000,000
 Date of Closing Subscription : September 13, 2018
 Proceeds Receiving Date : October 23, 2018 to November 11, 2018
 Last date of Full Utilization of Fund as per Prospectus : October 2020 (Within 2 years of receiving the IPO Proceeds)

Sl	Purpose Mentioned in the Prospectus	Time line as per Prospectus	Revised time line (Up to ...)	Amount as per Prospectus (Approx.)	Status of Utilization		Status of Un-utilization		Remarks	
					This Month	Up to this month	Utilized (%)	Total Un-utilized Amount		Un-utilized (%)
1	IPO Expenses	Within 2 years of receiving the IPO Proceeds	-	19,124,000	-	19,124,000	100%	-	0%	
2	Construction of Factory Building Expansion Unit	Within 2 years of receiving the IPO Proceeds	-	172,779,916	-	61,112,125	35.37%	111,667,791	65%	
3	Construction of Dormitory of Employee	Within 2 years of receiving the IPO Proceeds	-	25,312,794	-	16,000,000	63.21%	9,312,794	36.79%	IPO Utilization proceeds Certified by Mahfel Huq & Co., Chartered Accountants
4	Acquisition of New Machinery for Expansion Unit	Within 2 years of receiving the IPO Proceeds	-	89,787,540	-	-	0%	89,787,540	100%	
5	Electric Installation of Transformer & Generator	Within 2 years of receiving the IPO Proceeds	-	7,995,750	-	-	0%	7,995,750	100%	
6	Bank Loan Repayment (One Bank Limited)	Within 2 years of receiving the IPO Proceeds	-	25,000,000	-	25,000,000	100%	-	0%	
Total				340,000,000	-	121,236,125		218,763,875		

Net interest on IPO Proceeds
 Un-utilized IPO Proceeds
Total Un-utilized IPO Proceeds with Interest Income
 218,763,875
 218,763,875

Nasir Hossain
 Chairman

[Signature]
 Chief Financial Officer

[Signature]
 Company Secretary

[Signature]
 Mahfel Huq & Co.
 Chartered Accountants



Place: Dhaka
 Dated: February 16, 2021