

STATEMENT OF PERFORMANCE FROM THE DIRECTORS' REPORT

Bismillah-hirRahmanir Rahim

Honourable Shareholders,

AssalamuAlaikum,

On behalf of the Board of Directors and on my own behalf I welcome you all to 17th Annual General Meeting. The Board of Directors is pleased to take the opportunity to present you the Audited Financial Statements of the Company for ended June 30, 2020, Auditors' report and the Directors' Report thereon along with Company's performance and other matters in terms of the Companies ACT 1994, the guideline issued by Bangladesh Securities and Exchange Commission and Bangladesh Accounting Standards.

BACKGROUND

Kattali Textile Limited (here in after referred to as "KTL" or "the Company") was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) on June 26, 2002 and has been converted into a Public Limited Company on October 17, 2016 under the Companies Act, 1994.

REVENUE

As you are aware that the Company is 100% export oriented, mainly engaged in the business of Textile sector. The sale proceeds stood at Tk.955,245,848.00 the efficient and prudent management of process control has enabled the company to avoid financial catastrophe and earn substantial profit instead.

The operating financial results of the Company for the year 2019-2020 as compared to the previous year are summarized hereunder:

Particular	2020-2019	2019-2018	2018-2017	2017-2016
Turnover	955,245,848	1,122,356,999	630,369,942	595,295,265
Gross Profit	211,692,572	281,806,184	157,562,058	135,946,059
Financial Expenses	4,188,616	5,069,911	6,691,478	5,820,380
Non-Operating Income	173,948,183	241,178,490	126,330,223	105,723,116
Net Profit Before Tax (NPBT)	187,477,199	237,223,611	121,697,982	107,014,668
Provision for Taxation	32,998,221	28,466,833	14,603,757	128,840
Net Profit After Tax (NPAT)	154,478,978	208,756,778	107,094,225	106,885,828
Gross Margin (Turnover)	22.16%	25.108%	24.995%	22.87%
Net Margin Before Tax	19.626%	21.136%	19.31%	17.98%
Net Margin After Tax	16.17%	18.60%	16.99%	17.96%
Earnings Per Share (EPS) BDT	1.43	2.34	1.95	1.94
Weighted Average Number of Share	107,690,000	97,900,000	55,000,000	55,000,000
Number of Share Outstanding	107,690,000	97,900,000	55,000,000	55,000,000

In reference to provisions of Section 184 of the Companies Act 1994, Rule 12 (and the Schedule there under) of the Bangladesh Securities and Exchange rules 1987, BSEC Notification dated August 07, 2012 and IAS-1 (International Accounting Standard-1) codes as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), it is the pleasure of the Board of Directors to submit its Reports to the Members of the Company for the year ended 30 June, 2020 in the following segments:

The Cost of Goods sold (COGS) in the year ended June 30, 2020 amounting to 77.84% of Revenue, thereby resulting in Gross Profit Margin of 22.16%. This is fairly consistent with 25.11% Gross Profit Margin for the year ended June 30, 2019. (The Net Profit Margin has been increased to 16.17% in 2020 which was 18.60% in 2019).

Five Years Financial Position (Amount in Taka)

Operational Result	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Turnover	955,245,848	1,122,356,999	630,369,942	595,295,265	486,266,104
Gross Profit	211,692,572	281,806,184	157,562,058	135,946,059	109,757,750
Profit from Operating	178,136,799	246,248,402	133,021,701	111,543,496	90,444,216
Net Profit before Tax	187,477,199	237,223,611	121,697,982	107,014,668	83,060,381
Net Profit after Tax	154,478,978	208,756,778	107,094,224	106,885,828	57,869,126

Financial Position	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Non-Current Assets	864,064,685	808,478,875	733,557,763	776,871,445	594,139,198
Current Assets	1224,685,544	1120,289,790	640,388,039	485,151,282	442,827,429
Shareholder's Equity	1898,121,933	1763,164,058	1233,531,280	1126,437,056	543,501,980
Non-Current Liability	45,900,084	37,254,176	34,599,282	33,137,855	306,642,267
Current Liability	144,728,213	128,350,431	105,815,239	102,447,815	186,822,380

Key Financial Ratio	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Current Ratio	8.46	8.73	6.05	4.74	2.37
Quick Ratio	5.04	5.91	3.29	2.49	1.21
Debt to Equity Ratio	0.10	0.09	0.11	0.12	0.91
Net Income Ratio (%)	16.18%	18.60%	17.0%	18.0%	11.9%
Return on Equity (%)	8.14%	11.84%	8.7%	9.5%	10.6%
Earnings Per Share	1.43	2.34	1.95	2.07	1.12

APPROPRIATION:

The net profit of Tk. 154,537,875 earned during the year ended June 30, 2020 has been recommended by the Board to be distributed in the following manner:

a) Provision for proposed Dividend @ 10% {Stock Dividend (Bonus Share) @ 8% and Cash Dividend @ 2%}.

UTILIZATION OF IPO FUND

The Company has raised Tk. 34.00 crore by issuing ordinary shares through IPO.

Particulars	Amount in Taka
IPO Expense	19,124,000.00
Factory Building	172,779,916.00
Dormitory for Employee	25,312,794.00
New Machinery	89,787,540.00
Electric Installation of Transformer & Generator	7,995,750.00
Bank Loan (One Bank)	25,000,000.00
Total	340,000,000.00

IPO UTILIZATION DETAILS

In line with the condition number 4, Part-C of the consent letter number BSEC/CI/IPO-263/2017/549 date: 31 June 2018 of Bangladesh Securities and Exchange Commission (BSEC), fund utilization status as on 30 June 2020 is as follows:

Auditor's Certificate Regarding Monthly Status Report of Utilization of Fund Against Initial Public Offering (IPO) of Kattali Textile Limited For the Month of June 2020

We have examined the accompanying statement IPO Utilization as 30 June 2020 of Kattali Textile Limited with bank statements, Prospectus 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: 30 June 2018 of Bangladesh Securities and Exchange Commission (BSEC), fund utilization status as on 30 June 2020 is as follows:

SI No.	Particulars	Proceeds of Allotment as per IPO (Tk.)	Fund Utilization (Tk.) up to May 2020	Fund Utilization (Tk.) for this month of June 2020	Total Utilization of Fund (Tk.) up to 30 June 2020	Unspent Balance of IPO (Tk.)
1	IPO Expenses	19,124,000	19,124,000	-	19,124,000	-
2	Constriction 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 8,36,19,096 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" up 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. 16,04,48,341 (Tk. Sixteen Crore Four Lac Forty Eight Thousand Three Hundred Forty One) in FDR with Islami Finance and Investment Limited, Chittagong for twelve month. But the company encashed Tk. 16,37,25,000 from BRAC Bank Limited and transferred to Company's CD A/C No. 441001 maintained with BRAC Bank, 316 Sheik Mujib Road, Chittagong.

4) The company earned interest income of BDT. 2,83,28,122/- from FDR on IPO proceeds deposits and Foreign Exchange gain BDT.58,897. Therefore the bank deducted Advance Income Tax BDT 28,32,813/-, KTL also have a balance for Tk. 1,077,661/- included Bank balance for suspense A/C (unadjusted refund) and bank charges BDT 1,42,934 upto June 30, 2020. Therefore bank balance after adjusting above amount stood at BDT. 6,22,37,724/- 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 with IFIL BDT 16,04,48,341 aggregating BDT 22,27,50,515/- as in clause (3) above.

We also state that referred to above:

- a) IPO proceeds have been utilized for the purposes as specified in the prospectus;
- b) IPO proceeds have been utilized in line with the conditions of the BSEC's consent letter for the IPO;
- c) Utilization of IPO proceeds is being under completion within the time frame as specified in the prospectus;
- d) Utilization of IPO proceeds is accurate for the purpose of the company as mentioned in the prospectus;
- e) 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.

SEGMENT REPORTING

The company operates in one segment, which is the business of Textile.

A position on cost of goods sold, gross margin and net profit margin

	30-June 2020		30-June 2019		30-June 2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Turnover	955,245,848	100.00%	1,122,356,999	100.00%	630,369,942	100.00%
Cost of Goods Sold	743,553,276	77.84%	840,550,815	74.89%	472,807,884	75.00%
Gross Profit	211,692,572	22.16%	281,806,184	25.11%	157,562,058	25.00%
Net Profit during the year	154,478,978	16.17%	208,756,778	18.60%	107,094,224	16.99%

ELECTION OF DIRECTORS

Sifat Sabrina, Nominee Director of Lucky Corner and Waduda Sabrina, Nominee Director of Eian Apparels of the Company, retire as per article 125 & 126 of Articles of Association and being eligible offer themselves for re-election. Brief resume and other information of the above mentioned directors as per clause 1.5 (xxii) of BSEC notification dated 7th August, 2012 are depicted in Annexure-III.

APPOINTMENT OF AUDITORS

The Auditors of the Company, Ashraf Uddin & Co., Chartered Accountant, 142/B, Green road (3rd Floor), Dhaka-1215, Bangladesh, has carried out the audit of the Company for the year ended 30 June 2020. They were appointed as Statutory Auditor in 16th AGM. As per regulation 15 (2) & (3) of DSE and CSE (listing) regulations, 2015 existing auditor is eligible for re-appointment. Accordingly the Board of Directors has recommended re-appointment new auditor of Ashraf Uddin & Co., Chartered Accountant, 142/B, Green road (3rd Floor), Dhaka-1215, Bangladesh. A proposal for appointment Ashraf Uddin & Co., Chartered Accountant as auditor for the year 2020-21 of the Company will be placed in the forthcoming 17th AGM for shareholders' approval and fixation of their fees.

REAPPOINTMENT OF INDEPENDENT DIRECTORS

The existing Independent Directors of the Company KAM Ferdous and Mahbubur Rashid expressed his interest to be re-appointed as Independent Directors of the Company for the next tenure.

DIRECTORS' REMUNERATION

Directors' remuneration is shown in the note no. 26.07 of the notes to the Financial Statements.

STATEMENT OF DIRECTORS ON FINANCIAL REPORTS

In accordance with the Bangladesh Securities and Exchange Commission Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 the Directors are pleased to confirm the following:

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

1. Proper books and accounts of the company have been maintained.
2. Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
3. The International Financial Reporting standards, as applicable in Bangladesh, have been followed in the preparation of the financial statements.
4. The systems of internal control are sound and have been implemented and monitored effectively.
5. The pattern of shareholding is provided in Annexure-II of the annual report.

RISK AND CONCERNS

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any scarcity or price hike of raw materials due to a change in policy in the international market might hamper the production and profitability.

Moreover, the performance of the company may be affected by the political and economic instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

Similarly, risks and concerns of the industry depend on the upcoming Government policy as well. However, garments being the major foreign currency earner have always enjoyed special consideration from all the successive Governments and expectation is that it will continue in the future.

DISCUSSION ON CONTINUITY OF EXTRAORDINARY GAIN OR LOSS

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. As to the Company, there was no such gain or loss during the year under reporting.

BOARD SIZE

The number of members in the Board of Directors of the Company stands at 08 (including Two Independent Director) which are within the limits given by the BSEC Notification.

DUTIES OF MANAGING DIRECTOR & CEO

The provision of BSEC regulation have been compiled in the Annual report.

MAINTAINING A WEBSITE

The company maintains an official website: www.ktlbd.com. This is linked with the website of the stock exchange.

SUBSIDIARY COMPANY

The company has no any subsidiary company.

CHIEF FINANCIAL OFFICER, COMPANY SECRETARY, HEAD OF INTERNAL AUDIT

As per corporate governance guidelines of BSEC, the company has allocated the responsibilities of the officials as follows:

Chief Financial Officer	: Md. Fazlul Hoque
Head of Internal Audit	: Md.Minhazul Hoque

AUDIT COMMITTEE

The Audit Committee, as a subcommittee of the Board of Director has been constituted with the Independent Director as Chairman and other Directors. This committee assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company. Audit committee is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. The role of the Audit Committee has been started in the annual audit committee report.

CORPORATE GOVERNANCE

Corporate Governance is the practice of good citizenship, through which the company is governed by the board, keeping in view its accountability to the shareholders and to the society. A statement in pursuance to clause 1.5, The Directors Report to Shareholders. 3.5, Reporting to the Shareholders and General Investors, Certificate from the CEO and CFO to the Board as per clause 6, certificate from professional accountant as per clause 7(i) and the status of compliance with the conditions imposed by the Commission's Notification No. SEC/ CMRRCD/ 2006-158/207/Admin/80, dated 3 June 2018 issued by Bangladesh Securities & Exchange Commission is depicted in the Annexure-I, II, IV, VI and VII respectively.

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE-I

- * Related Party Transactions are depicted in Note no. 26.08 in the Notes to the Account.
- * Remuneration of Directors including Independent Director has been shown in Note no. 26.06 & 26.07 in the Notes to the Account.
- * The Financial Statement of the Company present true and fair view of the Company's state of affairs, the result of its operation, cash flows and changes in equity.
- * Proper books of accounts as required by the prevailing law have been maintained.
- * Appropriate accounting policies have been followed in formulating the financial statements and accounting estimates were reasonable and prudent.

- * The financial statement was prepared in accordance with IAS/BAS/IFRS/BFRS.
- * The internal control system is sound in design and is effectively implemented and monitored.
- * There is no significant deviation from the operating result of the last year.
- * Key operating and financial data of last five years have been presented in summarized form in page no.13

The number of Board Meeting and the Attendance of Directors for the year ended 30 June, 2020 were as follows:

Mrs. Nasreen Hoque	Chairman	10	9
Md. Emdadul Hoque Chowdhury	Managing Director	10	10
Md. Anwarul Hoque Chowdhury	Director	10	10
Md. Mokarram Anwar Chowdhury	Director	10	10
Waduda Sabrina (Nominee Director of Eian Apparels Ltd.)	Director	10	9
Sifat Sabrina (Nominee of Lucky Corner)	Director	10	10
Mahbubur Rashid	Independent Director	10	10
KAM Ferdous	Independent Director	10	9

The pattern of Shareholding as required by clause 1.5 (xxi) of the BSEC Notification dated 7th August, 2012, is stated in Annexure II.

ANNEXURE-II

Pattern of Shareholding as on 30th June, 2020.

SHAREHOLDING PATTERN

The shareholding of directors at the end of 30 June, 2020 is shown as below:

Sl.	Name of the Shareholder	Position	Shares Held	%
i.	Parent/Subsidiary/Associated companies and other related parties			
ii.	Director, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their Spouse and Minor Children:			
	Nasreen Hoque	Chairman	4,768,852	4.43%
	Md. Emdadul Hoque Chowdhury	Managing Director	12,805,313	11.89%
	Md. Anwarul Hoque Chowdhury	Director	3,447,105	3.20%
	Md. Mokarram Anwar Chowdhury	Director	3,012,512	2.80%
	Eian Apparels Ltd. (Nominated Waduda Sabrina)	Director	4,550,355	4.23%
	Lucky Corner (Nominated Sifat Sabrina)	Director	4,064,474	3.77%
	Syed ManzurQuader	Independent Director	Nil	Nil
	KAM Ferdous	Independent Director	Nil	Nil
	Md. Fazlul Hoque	Chief Financial Officer	Nil	Nil
	Md.Minhazul Hoque	Head of Internal Audit	Nil	Nil
iii.	Executives	Nil	Nil	Nil
iv.	Shareholders holding 10% or more voting interest in the company :			
	Md. Emdadul Hoque Chowdhury	Managing Director	32,648,611	30.32%

1. No Company Secretary/CFO/ Internal Auditor and their spouse and minor children hold above mentioned shares of the Company.
2. No Executive holds any share of the Company except Managing Director.
3. No Shareholders hold 10% or more shares except Md. Emdadul Hoque Chowdhury hold 11.89% shares.

DIRECTORS INVOLVED IN OTHER COMPANIES

Sl No	Name	Position in KTL	Involvement	
			Name of the Company	Position
1	Nasreen Hoque	Chairman	Eian Apparels Ltd. Stage 11 Ltd. Saint Garments Ltd The Lucky Apparels Ltd International pvt. Ltd. Takaful islami Insurance Ltd	Director Director Director. Director Director Director
2	Md. Emdadul Hoque Chowdhury	Managing Director	Takaful Islami Insurance Ltd. Eian Apparels ltd Stage 11 Ltd. Saint Garments Ltd. The Lucky Apparels pvt. Ltd.	Vice- Chairman Director Director Director Director
3	Md. Anwarul Hoque Chowdhury	Director		
4	Md. Mokarram Anwar Chowdhury	Director		
5	Eian Apparels Ltd. (Nominated Waduda Sabrina)	Director		
6	Lucky Corner (Nominated Sifat Sabrina)	Director		
7	Mahbubur Rashid	Independent Director		
8	KAM Ferdous	Independent Director		

MANAGEMENT APPRECIATION

The Board of Directors record with deep appreciation the performance of the management, the officers, staff and workers whose relentless effort helped increase the productivity as well as the net profit despite the natural and unnatural adverse factors of production and marketing throughout the country and the world. It is expected the employees and the management will continue to improve the results for the interest of shareholders whose unswerving trust in management has always been an inspiration to the Board of Directors.

The director humble express its gratitude and acknowledge with keen interest the cooperation and unflinching support it has received from various agencies including Bangladesh Securities and Exchange Commission, Stock Exchanges, National Board of Revenue and other agencies of the public and the private sector. We look forward to a brighter future for all of us.

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Thank you All.

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Mrs. Nasreen Hoque
Chairman