

DIRECTORS' REPORT TO THE SHAREHOLDERS

Bismillahir Rahmanir Rahim
Dear Shareholders
AssalamuAlaikum,

It is my great pleasure to welcome you at the 18th Annual General Meeting of Saiham Cotton Mills Ltd. I, on behalf of the Board of Directors, have the pleasure to present before you the report for the year ended June 30, 2019 along with the audited financial statements and auditors' report thereon.

BACKGROUND

Saiham Spinning Mills Limited was incorporated on May 30, 2002 as a Private Limited Company vide incorporation No.C-459289(2401)/2002 and with effect from April 16, 2003 the name of the company has been changed to Saiham Cotton Mills Ltd. It has been converted into a public Limited Company on March 25, 2010. The Authorized capital of the company is Tk. 2,000 million and paid up capital is Tk. 1,487 million. The company was listed with the Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd and share trading started in both the Stock Exchanges on June 24, 2012.

Industry outlook and possible future developments in the industry

The world apparel trade is going through a challenging and uncertain time. The big economic superpower USA and China, in a logger head with trade war is creating pressure in every respect of the world economy. Barriers and counter barriers is creating great uncertainty, which was never seen in the recent past. Even though it is expected that Bangladesh will likely to benefit from this trade war, however the fact remains that there is no "Clear Winner in a Trade War".

However, reality tells us that the Textile Industry is one of the oldest Industry in the country and plays an important role in the country's economy in terms of Industrial Production, Employment and foreign exchange earnings. The Textile Industry has achieved a good growth in last two decades in terms of installed spindles and yarn production and the brand "Made in Bangladesh" has stamped its mark in the Global Arena. It is expected that the share of global trade will increase in the coming days, resulting in more business opportunity for the backward linkage industry. This could happen due to buoyant domestic and international demand, conducive Government Policies. Textile sector contributes to the country's Gross Domestic Product (GDP), also employs workers directly.

TURNOVER

2018-19 was a challenging year with regards to Global perspective. The trade war, the free fall of commodity and other products created a great uncertainty on both local and global economy. Even though it is expected that Bangladesh will benefit from this trade war, however the fact remains that the trade between the two economic giant will only leave the world economy bleeding. Global economic activity remained muted during the year as cotton prices remained soft. The oversupply situation continued as cotton producing countries vied for market share. Despite these macro headwinds, Bangladesh was resilient and overtook China's growth rate to become the world's one of the fastest growing major economy. However, the Bangladesh economy faced too challenges from slow agricultural growth and sharp contraction in exports due to weak global demand and lower commodity prices. The turnover of the financial year was BDT 3,165 million versus BDT 2,929 million which is BDT 236 million increases than last year.

Segment-wise or product-wise performance

The company produces 100% export oriented cotton yarn. There is no segment wise product produces, hence product wise performance not disclose in the report.

Risks and concerns

Foreign Exchange Risk: The exchange rate plays an important role since most of our export business is in dollar. The importing countries must be able to import yarn at a proper price as per their currencies and any major volatility in this aspect also affects business competitiveness. During last 3 years exchange rates have been quite volatile. During the year 2018-2019 dollar exchange rate was fluctuated mode. The Company expects to realize its exports at current rate. However, it will have impact on import of cotton.

Opportunities, Threats And Concern: The future of Textile industry is highly depending on availability of raw material at a competitive price. With the introduction of Hybrids and BT Cotton, the cotton production is increasing and it is expected that the supply of quality cotton will be comfortable in the coming season 2019-20. Chinese exports of Textiles and clothing are declining especially to USA due to devaluation of currency, thus, provides an opportunity to Bangladesh for improving its export performance. In long run, the prospectus of Bangladesh Textile Industry is likely to be bright. However, fluctuation in cotton price, exchange rates, availability of labour is threats to the industry. The availability of workers is also a problem. Spinning units are highly capital intensive and has to maintain large Raw Material inventory levels due to its seasonality. The company makes all efforts to have efficient inventory management and constant efforts are being made to monitor the inventory levels keeping in view of interest costs. Company has also a system of assessing the risks on an ongoing basis. This includes an effective internal control and management reporting system. Further, the framework also captures the existing practices to manage commodity price risk, interest risk, and foreign exchange risk etc. An important aspect of this framework is to promote a balanced approach that considers risk and return.

Lastly, risks and concern of the industry solely depends on the upcoming Government policy. However, Garments being the major foreign currency earner has always enjoyed special consideration from all the successive Governments and expectation is that it will continue in the future thus enabling to negate a lot of unforeseen risks.

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

Particulars	June 30, 2019	June 30, 2018
Cost of goods sold	281,81,04,921 (89.02%)	262,53,12,713 (89.60%)
Gross profit for the year	34,76,70,994 (10.98%)	30,44,72,887 (10.39%)
Net profit for the year	16,96,60,545 (5.36%)	15,85,69,186 (5.41%)

Discussion on continuity of any Extra-Ordinary activities (gain or loss)

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

Related party transactions

The Company enters into transactions with related parties as defined in the "International Accounting Standards 24: Related Party Disclosures". The name of the related parties, nature of business and their value have been set out in note 25 of the notes to the financial statements.

Utilization of Proceeds from public issues:

With the IPO fund the company has set up a brand new 100% export oriented spinning unit. In the year 2014 that has been reported accordingly to the regulators. No further issue of any instrument was made during the year.

Variance within the Quarterly Financial Statement and Annual Financial Statements

Particulars	Q1	Q2	Q3	Q4	Total
Turnover in Million in BDT	585.68	872.53	904.27	803.30	3165.78
Change Q to Q in %		48.98%	3.64%	(11.17%)	
Net profit after tax in million in BDT	46.85	48.44	38.89	35.48	169.66
Change Q to Q in %		3.39%	(19.72)%	(8.77)%	

Remuneration to Directors

The Remuneration of Directors has been mentioned in note 19 of the financial statements.

Fairness of Financial Statements

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

Proper Books of Accounts

Proper books of accounts of the Company have been 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 IAS/IFRS/BFRS

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

The Board of Directors assures its Shareholders that the Company has a risk management process to ensure that the systems of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present. The company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that controls that are in place are adequate to address these risks.

Minority Shareholders

Minority Shareholders interest have been protected by the Board of Directors.

Going Concern

The company has adequate resources to continue in operation for the foreseeable future. For this reasons the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the company provides sufficient fund to meet the present requirements of existing business. There are no significant doubts about the Company's ability to continue as a going concern.

Significant deviations from last year's operating results.

Explain of Significant deviations from last year's operating results are mentioned below:

Particulars	June 30, 2019	June 30, 2018
Net Profit after tax for the year	16,96,60,545	15,85,69,186
Add: Adjustment for revaluation of P.P.E and deferred tax	-	2,75,04,458
Add: Adjustment for depreciation on revalued assets	4,12,40,733	-
Add: Adjustment for tax return (2015-2016)	13,31,524	
Add: Previous year's surplus	75,36,90,396	58,50,30,753
Add: Transfer from Tax Holiday Reserve	-	10,07,15,999
Add: Transfer from General Reserve	-	6,04,00,000
Recommended for appropriations:		
Dividend paid	(14,87,75,000)	(17,85,30,000)
Balance as at June 30, 2019	81,71,48,198	75,36,90,396

Key operating and financial data

The key operating and financial data of the last 5 (five) years is set out in page 28 of the annual report.

Dividend

The Board of Directors at their board meeting held on October 28, 2019 recommended to the shareholders 10% cash dividend for the year ended June 30, 2019 whose name appears on the register of members on record date.

Interim Dividend

No stock dividend has been declared as interim dividend for the year June 30, 2019.

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Contribution to the National Exchequer

Saiham Cotton Mills Limited is one of the largest corporate tax payers of the country. During the year 2018-2019 under review the Company has contributed amounting to BDT 21,486,659 the including VAT, Tax, Import duty, supplementary duty and others.

Board Meetings and Attendance

During the year total 08 (eight) board meeting were held. Details of the board meetings are shown in the annual report note # 26. The managing Director who is an Ex Officio, CFO and Company Secretary were present in all board meetings.

Pattern of Shareholding and name wise details

Name wise details	No. of Shares held
(a) Parent/Subsidiary/Associated Companies and other related parties	Nil
(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and compliance and their spouse and minor children:	
Mr. S.M.Faisal-Chairman	1,83,87,500
Engr. Syed Ishtiaq Ahmed - Managing Director	1,29,59,017
Mr. Shafqat Ahmed - Director	69,59,017
Mr.S.F.A.M.Shahjahan - Director	42,90,000
Mr. Syed Nasir Uddin Haider- Independent Director	Nil
Mrs. Yasmin Faisal- Sponsor	1,33,96,240
Mrs. Tasmina Ahmed- Sponsor	5,41,612
Mrs. Natasha Ahmed - Sponsor	65,41,612
Company Secretary, Chief Financial Officer, Head of Internal Audit and compliance and their spouse and minor children	Nil
(c) Executives; and	Nil
(d) Shareholders holding ten percent (10%) or more voting interest in the Company:	Nil

Directors appointment or re - appointment

In terms of Article 108 of the Articles of Association of the Company, Mr. S.F.A.M.Shahjahan and Mr. Syed Shafqat Ahmed, MBA Directors retire by rotation from the Board in the 18th Annual General Meeting. Being eligible under Article 110 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-appointment. The brief profile of the Directors is given below :

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

Mr. S.F.A.M. Shahjahan – Director

Mr. S. F. A. M Shahjahan, son of Late Syed Sayeed Uddin Ahmed, is one of the Directors of Saiham Cotton Mills Ltd. He is also the Chairman of Saiham Textile Mills Ltd and Director of Saiham Knit Composite Limited and Highway Inn Ltd. He holds more than 35 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 organizations.

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

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

Mr. Syed Shafqat Ahmed, MBA – Director

Syed Shafqat Ahmed, son of Mr. Syed Md. Faisal, is the Director of Saiham Cotton Mills Ltd. Mr. Syed Shafqat Ahmed graduated in Economics from Michigan State University and completed MBA from University of Texas at Arlington. He

specializes in financial management and structuring / restructuring of organizations. He worked as a financial analyst at Salomon Smith Barney, an investment bank, and as a pricing analyst in Bowne of Dallas. His expertise in workflow designing was the key behind Saiham Cotton Mills Limited's winning the "Best IT Use Award" in 2005 awarded by BASIS Bangladesh. He is also the Managing Director of Saiham Knit Composite Ltd. and Director of Saiham Textile Mills Ltd. and Faisal Spinning Mills Ltd.

Names of companies in which Mr. Syed Shafqat Ahmed, MBA holds the directorship:

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

Appointment of Independent Director

As per BSEC notification for Corporate Governance Code, Ref. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, the Board of Directors appointed Mr. Syed Nasir Uddin Haider as Independent Director for three years term and subsequently approved by the shareholders in the (17th) Annual General Meeting of the company for protect the interest of the stakeholders, Investors & etc.

Management Discussion and Analysis

Management discussion and analysis has been highlighted in the Directors' report.

Declaration by the MD and CFO

Declaration or certification by the MD and CFO has been given on page # 43 of annual report.

Report on Compliance of the corporate Governance Code

The company maintained a good Corporate Governance practices as described to page # 30 to 42 of the annual report.

Appointment of Auditors

The Auditors of the Company Khan Wahab Shafique Rahman & Co, Chartered Accountants have audited the financial statements of the company for the year 2018-2019. It is mentioned here that Malek Siddiqui Wali, Chartered Accountants, 9-G, Motijheel C/A, Dhaka-1000 was appointed as the auditors of the company for the year 2018-2019 in the last (17th) Annual General Meeting held on December 18, 2018. But due to continuous deterioration of health condition, Malek Siddiqui Wali, Chartered Accountants unable to handle the statutory audit of the company for the year 2018-2019. for this reason, the Board of Directors appointed Khan Wahab Shafique Rahman & Co., Chartered Accountants as the statutory auditors for the year 2018-2019.

It is also mentioned that, Khan Wahab Shafique Rahman & Co, Chartered Accountants offered themselves for re-appointment in accordance with the provision of BSEC Order No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June, 2018, and Regulation Number 15(3) of Stock Exchange (Listing) Regulations 2015. The Audit Committee reviewed the proposal for re-appointment and recommended to the Board for re-appointment of Khan Wahab Shafique Rahman & Co, Chartered Accountants, as the auditors of the company for the year 2019-2020 to hold office for the period until conclusion of the next (19th) Annual General Meeting of the company for auditing the accounts for the year ended June 30, 2020.

The appointment of auditor to be placed before 18th Annual General Meeting for shareholders approval.

Appointement of Professional (Chartered Accountants/Chartered Secretaries) firm for the the Certificate on Compliance with the Corporated Governance Code of BSEC

As per notification number BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 the company shall obtain certificate from Professional Accountant/Chartered Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance with the condition of Corporate Governance Code of the commission and such certificate shall be disclosed in the Annual Report.

In this regard, Kazi Zahir Khan & Co., Chartered Accountants offered themselves for appointment to issue "Corporate Governance Compliance Certificate". The Board recommended the proposal for appointment of Kazi Zahir Khan & Co., Chartered Accountants to issue "Corporate Governance Compliance Certificate" of Saiham Cotton Mills Limited for the year June 30, 2020 subject to approval of the shareholders of the company in the 18th Annual General Meeting.

Corporate Social Responsibility (CSR)

Saiham Cotton Mills Limited (SCML) has been persistently continuing its initiatives with the purpose of the welfare of our society and thus contributing in Corporate Social Responsibility (CSR). The main objective of establishing the units of Saiham Cotton Mills Limited was the reason for uplifting the life of the localities. Having over 200 years of relationship with the ancestors of the locality and the entrepreneurs it was always social responsibility first rather than the business perspective that was prevalent. Following are some of the major Corporate Social Responsibilities of SCML to mention a few activities:

Women Empowerment:

The operation of SCML has had a great socio-economic impact on the locality. The first and foremost is the women empowerment. Women in this locality were confined within the boundaries of their house and were concentrated to only household work. The dark reality was that they were never financially and socially independent. Most of the time it was seen that the girls were married in their mid-teen only to be divorced few years later, probably with the responsibility of the new born children on their shoulder. For security and social pressure, they would marry again only to face the same destiny in most of the cases. They were deprived of their fundamental rights of education and eventually was a burden to the society. It is through the effort of SCML, that a pilot project was taken up to introduce this women as work force in the factory, much to the raised eye brows of the their social leaders. Presently the women comprises of almost 60% of the work force of SCML. These steps gave dividends as these women were no longer bounded by the social force of getting married in early ages and having children, rather the women started determining their own fate of marrying or remarrying as they are financially independent now. With the introduction of the women as a work force, a new revolution has taken over the locality where the younger girls are more concentrating towards their completion of education in order to get themselves admitted in the non-production related administrative officer post.

A small dream with a little effort and courage has transformed the entire socio-economic situation of the area for which SCML really can claim to be the initiator.

Free Eye Camp:

Eyes are the most crucial zones of our body. It is not possible to depict an existence without visualization. In order to address this issue SCML along with Moulvi Bazaar B.N.S.B Eye Hospital took its initiatives for free eye camp providing free eye operation and post-operative care. The company has been organising this free eye camp for almost 20 years now. Free eye surgeries with intra ocular lens implantation are organized for the rural people. Every year thousands of people of nearby rural locality await eagerly for this free eye care and come to see the doctors, get medicine or even get surgery, completely free of cost. SCML even arranges for the boarding and lodging free of cost, for the patient during their stay for the treatment.

Patrons:

Education is the back bone of a nation. Without proper education and dynamic and knowledge enriched students, the future of a nation will be at jeopardy. SCML realises this fact very much and believes education as a primal tool for social change. The contribution of SCML towards the educational sectors to enhance the leadership skill to prepare the new upcoming generations for the real world can be seen in their whole hearted participation of almost all educational institution of the locality. Not only that, the entity is maintaining a complete chain of educational institutes starting from primary school, high school, Colleges, and Universities. S.M. Faisal Primary School, Syed Sayeeduddin Ahmed School and College are some of the institutions to name which are being looked after by SCML. SCML has also expanded their philanthropic hand in the local Madrasha, namely Itakhola Aliya Madrasha. Not only with financial help, they have gone limit in constructing buildings with their own fund. There are instances when the salaries of the teachers were also paid from these institutions, as it awaited Government recognition. All the educational institutions are well reputed and have high respect among nearby locality for their quality of education.

Financial Independence:

SCML has transformed the whole of the locality into a model financially independent economy. Every other person in the locality is directly or indirectly related to economic activities. In the earlier days most of the people residing here barely had no any work to do throughout the year. Main profession of the area was farming and going to forest to cut trees and sell them to local market for their daily earning. With the inception of SCML most of the workers are from local villages now. SCML took all the trouble of training these farmers and house wife and transforming them into work force.

Now not only the men but also the women of the family are working in shifts and generating a decent earning. Working 8 hours on a shift they all now have another 8 hours to devote their time for agriculture or to their tiny shops, which gives them extra financial return. The women of the family also coming into the work force has really given most of the families extra financial benefit, as such one can come into a conclusion that the area “Saihamnagar” is free of hunger and poverty and boasts to be one of the most proactive society contributing to the economy and a financially secured villages in the country.

Contribution to Religious Institutions

The word Saiham and donation to religious institution goes hand in hand. There are hardly any religious institutions in locality that has not been benefited financially by SCML. Few years back, a promotion was launched where all mosques were given free mikes, fans, carpets/floor mat out of these institutions. Moreover, any new construction to these religious institutions, the first thing in the list of the organizers are to approach SCML for their philanthropic help. Not only mosque this grants exceeds past into the temples of the locality. It is because of the presence of SCML and their controlling factor, the area is enjoying a brotherly atmosphere among religions.

Warm Clothes Distribution

The area Noyapara, Saihamnagar is situated in the North East of Dhaka among the lush green tea garden area. As such the weather here is extremely intriguing. The temperature during the winter times comes down very much. The poor people are not prepared for this extreme cold weather. Even though it lasts for several weeks yet extreme cold along with severe fog makes life unbearable. May it be adults, children or elderly persons living in the village home, sleeping at night becomes impossible due to wet like cold floor and chilling air blowing through. SCML comes up for the help of this distressed people. Every year on a routing wise schedule they distribute blankets family wise and sweaters and warm clothes to individual for free. The biggest satisfaction observed during this distribution is that after 2/3 years of distribution it was observed that major people are covered with this hot clothing and can survive the initial spell of cold weather the subsequent year.

Law and Order Situation

The village of Saihamnagar has transformed into an industrialized area and along with it has transformed the citizens staying there. As already mentioned, everyone values time and realized his or her contribution towards economy as such is a great unified work force. They understand the value of work and the essence of financial independence. As such less idle times are spent which results in less non-productive discussion and less law and order disorder. Understanding the value of time and specially the time value of money with the SCML operating at the back ground, the villagers have barely have any time to think beyond their own requirements. Such peace, calm, quiet and secure is the area that people are migrating outside of the locality in numbers, may it be Muslim, Hindu or other religion or profession. Any petty occurrences are instantly solved through local interference as they all realize the value of wasted time and the loss it will incur for them.

Sewerage and Drainage problem Solution

SCML has gone forward in mitigating the water logging and sanitation problem of the locality. With the beginning of each unit construction special priorities were given in solving the water logging and drainage problem of the area. May it be the mile-long drain from the central Noyapara Bazaar to wash away all the wastages, the excavation of the canal beside the SCML for proper flowing of water, creating drainage in the locality to overcome the water logging and save the houses from submersion, SCML is always present beside the local people.

Environmental Aspect

SCML is an environment conscious entity. In fact, today's textile industry is one of the biggest sources of greenhouse gasses on Earth, due to the huge size and scope of the industry as well as the many processes and products that go into the making of textiles and finished textile products. Co-generation or Combined Heat and Power (CHP) is the simultaneous generation of both electricity and heat from the same fuel, for useful purposes and one of the bigger solution for reducing the carbon emission. The average global efficiency of fossil-fuelled power generation has remained stagnant for decades at 35% to 37%. Technologies already exist today to bring the generation fleet closer to 45% efficiency. Even though not essential for SCML yet SCML has ventured into the co-generation arena, out of their responsibility towards the environment and Mother Nature. As such not only production wise, SCML has set up the largest co-generation system in Bangladesh in spinning sector where the polluted exhaust gas of the Generators are

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recycled into a close system to produce chilled water, instead of releasing them in the open air thus utilizing almost 70% of utilized energy. The recycled exhaust is then used as a chilled water to reduce the internal temperature of the manufacturing floor. The whole process is a complete closed chamber and saves the environment of the polluted discharge of the generator sets and thus contributing to the Carbon Footprint.

SCML has set up an own grid of 50 Kwh solar electricity plant. The electricity is generated and is used for the day-to-day non-production related work, thus contributing to the reduction of Carbon Footprint. A master plan is underway where SCML plans to harvest the rainwater in recycling the water for its various internal use mainly gardening and toilet flushing by the end of year 2019.

Acknowledgement

The Company and its Board of Directors would like to extend its foremost regard and appreciation to the valued shareholders and others stakeholders of the company for their persistent support and guidance to the company that lead to the achievement. The Board also express their gratitude to National Board Of Revenue (NBR), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission's (BSEC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange (DSE), Chattogram Stock Exchange (CSE), Bank/NBFI and others agencies for their support and guidance.

For and on behalf of the Board of Directors.

Sd/-

(Engr. Syed Ishtiaq Ahmed)

Managing Director