



## DIRECTOR'S REPORT 2023

**Dear Shareholders,**

Assalamualaikum,

It is the pleasure of the Board of Directors to present our Directors' Report, Auditors Report' and the Audited Financial Statements of the Company for the year ended June 30, 2023, along with Company's performance and other matters in terms of the Companies ACT 1994, International Accounting Standards, the guideline issued by Bangladesh Securities and Exchange Commission, listing regulations of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. and other applicable rules and regulations.

### Background

SK Trims & Industries Limited was incorporated in Bangladesh as a Private Limited Company with the issuance of Certificate of incorporation bearing no. C-116347/14 dated on June 01, 2014 by the Registrar of Joint Stock Companies & Firms, Dhaka, Bangladesh. Later on, April 25, 2016, the name of the Company was changed to SK Trims & Industries Limited from SK Tharead & Industries Ltd. The Company Converted into public Limited company on August 13, 2017.

The Company started its commercial operation on 01 June 2014. SK Trims & Industries Limited has engaged in manufacturing, of all kinds of Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. for export oriented garments industry.

SK Trims & Industries Limited is a 100% deemed export oriented company. Its products are marketed based on buyer's requirement. It exports Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. against L/C. It supplies to export oriented garments industry against Back to Back L/C. All 100% export oriented garments industries are the main buyer. It works as a deemed exporter.

The Authorized capital of the company is Tk. 1,000.00 million and paid up capital TK.847.00 million. The company was listed to DSE and CSE on 2018.

## Industry outlook and possible future developments in the industry

The company is 100% deemed exporter, mainly engaged in the business of manufacturing of all kinds of Carton, Elastic, Photo Card, Twill tape, Back board, Gum tape, Tissue Paper, Poly, Swing Thread, Sticker, Photo inlay, Bar code, Hangtag etc. for use in export oriented garments. Competitive wage rate together with easily trainable workforce, entrepreneurial skill, expanding supply side capacity, and government policy support helped to transform the comparative advantages into competitive advantages for this industry. The core strength of the accessories sector is its backward linkage.

### Current Development Programs:

The Company has started operation by 08 line of new machineries 02 line has capacity to produce five thousand (5000) bag per day and another 06 line has capacity to produce three thousand (3000) bag per day. 02 line has actual production of three thousand (3000) bag per day and another 06 line has actual production of two thousand four hundred (2400) bag per day. The Company has started production of new products which is a. Backpack b. Duffle bag & c. Tote bag

### Future Development Programs:

Company already started manufacturing of new product namely Backpack, Duffle bag, Tote bag & Luggage by 08 production line. The Company has future plan to increase production line which will generate additional turnover and profit for the company.

### Segment Reporting

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

### Revenue

As you are aware that the Company is 100% deemed exporter, mainly engaged in the business of manufacturing of all kinds of Sewing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. and supply to the oriented garments Industries along with exporting Backpack, Duffle bag, Tote bag & Luggage. The revenue stood at 887.55 million for the year 2022-2023 under BTB L/C along with direct export.

The operating financial results of the Company for the year ended June 30, 2023 as compared to previous year are summarized hereunder:



The operating financial results of the Company for the year ended June 30, 2023 as compared to previous year are summarized hereunder:

Particular	June 30, 2023	June 30, 2022
Revenue (TK)	88,7551,954	755,366,331
Gross Profit (TK)	146,774,098	142,704,144
Net Profit Before Tax (TK)	91,367,391	85,996,747
Current Tax (TK)	11,619,984	9,671,035
Net Profit After Tax (TK)	79,747,406	76,325,712
Gross Margin (Revenue)	16.54%	18.89%
Net Margin (BT)	10.29%	11.38%
Net Margin (AT)	8.99%	10.10%
Earnings Per Share-Basic (EPS) (Tk.)	0.94	0.90
Number of Shares	8,47,00,000	8,47,00,000

### Risk and Concerns

Changes in the existing global or national policies can have either positive or negative impacts for the company. Any price hike of raw materials due to change in policy in the international market might hamper the product price 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 concern of the industry depends 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.

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

Particulars	June 30, 2023	June 30, 2022
Cost of Goods Sold	83.46%	81.11%
Gross Profit	16.54%	18.89%
Net Profit for the year	8.99%	10.10%

### Market Exposure:

2022-2023 was supposed to be the year we try to recover from the damage caused by the Covid-19 pandemic, unfortunately in the middle of our struggle to achieve this, we were forced to face new challenges such as geopolitical tensions, a downward global economy, fears of another recession, etc. Now in this New Year, 2023, Bangladesh once again has to combat both local and global challenges to maintain the growth momentum we have achieved and excel even further.

The global inflation rate was the highest in 2022 with a rate of more than 9%. Starting from necessary commodities to utilities, everything experienced a price hike during the period.

Throughout 2022-2023, we faced a difficult situation with record-high cargo rates and container shortages. Many brands favored near shoring countries to ensure the fastest delivery. In accordance with the global trend, production costs increased significantly in our sector as well. Diesel and other utility prices had been increased to balance with the current world trend, which put significant pressure on the manufacturers.

The sales team has also adopted innovative sales and promotional activities which we feel will benefit us greatly in the long run.

We are confident that by expanding our marketing efforts to raise consumer awareness about our products, we will be able to increase sales and reach a larger market area

### **Discussion on continuity of extra-ordinary gain or loss**

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

### **Significant variance of financial statements**

The Earning per share (EPS) of the company as on June 30, 2023 stood at Tk. 0.94 against Tk. 0.90 compared to June 30, 2022. The EPS has increased because of production of the company has increased as well as increases of Sales and Net Profit after Tax compared to the previous year because of increasing of export order.

The Net Operating Cash Flow per share (NOCFPS) in current year is Tk. 0.11 as against Tk. 0.28 compared to the previous year of June 30, 2022 due to payment to employees and suppliers has increased.

### **Board Size**

The number of members of the Board of Directors stands 5 (including one Independent Director) as per direction given by BSEC.

### **Independent Directors**

Mr. Md. Aynul Kabir was appointed as an Independent Director of the company on June 15, 2022 for a three year's term.

As per Bangladesh Securities and Exchange Commission notification no BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 Md. Aynul Kabir is eligible for appointment that is why the board of directors of the company appointed Md. Aynul Kabir as an Independent director of the company for three years term by getting approval from the shareholders of the company in 8th AGM.

### **Subsidiary Company**

The Company has no subsidiary company

### **Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)**

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

Managing Director : M.A. Kayum Howlader

Company Secretary : Mr. Md. Riaz Haider

Chief Financial Officer : Mr. Md. Nazmul Hossain

Head of Internal Audit : Mr. Md. Akhtar-Uz-Zaman

### **Duties of CEO & CFO**

The provision of BSEC regulations has been compiled

### **Audit Committee**

The Audit Committee, as a sub-committee of the Board of Directors, has been constituted of three members from the board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Audit Committee. This committee assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company. The Audit Committee shall conduct at least its four meetings in a financial year. The quorum of the meeting of the Audit committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must. 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.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC), as a sub-committee of the Board of Director has been constituted of three member from the board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Nomination and Remuneration 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.

The Board has created code of conduct for nomination and remuneration committee. Nomination and remuneration committee will be compiled with in stipulated time.

## External Statutory Auditors

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

## Maintaining a website

The company maintains an official website, [www.sktrimsin.com](http://www.sktrimsin.com), which is linked with the website of the stock exchange.

## Reporting and Compliance of Corporate Governance

Requirement of the above are being complied with and is shown as **Annexure-B**

## Directors' Appointment and Re-Appointment

In accordance with the Articles of Association of the Company, one third of the total number of Directors is to retire by rotation in every year. In the forthcoming Annual General Meeting the following two Directors will retire and being eligible, offer themselves for re-appointment:

- i) Md. Tafazzal Hossain Forhad
- ii) Md. Mosaddiq Hossain Raivee (Nominee Director of Global Shoes Limited)

Board of Directors' in its meeting held on 26 October 2023 proposed their appointment and it will be presented in the upcoming AGM for getting approval from the shareholder. The short bio-data of the said Directors are enclosed in the section of Director's Profile.

## Involvement with other company and Shareholding of Directors of the company

Directors involved in other companies are shown as **Annexure-G** of this report.

The shareholding of directors at the end of 30<sup>th</sup> June, 2023 is shown as **Annexure-H** of this report.

## Board Meeting and Attendance

09 (Nine) Board Meetings were held during the year and Director's Board Meeting fees shown in the note no. 27.08 of the notes to the Financial Statements. Details discloser of board meetings are shown in **Annexure-I**

## Statement of Directors on Financial Reports

In accordance with the Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018, the Directors are pleased to confirm the following:

- a) No fund raised through public issues, right issues and/or any other instruments during the year.
- b) The company did not give any offer for IPO, RPO, Right Share Offer, Direct Listing etc. during the year
- c) There were no significant variance quarterly financial performances and annual financial statements
- d) Remuneration paid to Managing Directors.
- e) Financial statements prepared, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.

- f) Proper books and accounts of the company have been maintained.
- g) Appropriate accounting policies have been applied consistently in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.
- h) The International Financial Reporting standards, as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- i) The Financial Statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- j) Internal control system is sound and has been implemented and monitored effectively.
- k) Minority shareholders have been protected from abusive actions by controlling shareholders acting either directly or indirectly.
- l) The company declared dividend which is mentioned in Annual report **page no. 41**
- m) No bonus shares or stock dividend has been or shall be declared as interim dividend.
- n) Detail information of no. of Board meeting held during the year has been provided in **page no. 59**
- o) The pattern of shareholding is provided in **Annexure-H** of the annual report.
- p) The key operating and financial data for the last five years are shown **on page no. 39-41**
- q) Brief resume of Directors of the Company in **annexure –F**.

## Internal Control

The Board has ultimate responsibilities to establish the effective system of internal control. To ensure internal control regarding risk management, financial control and compliance legislation, the company already has a strong internal audit department.

## Quality Policy and Control

Improving and maintaining the quality of product is an issue of huge importance for SKTIL and its Board of Directors. The company strictly controls the quality of all products by maintaining standard qualities, using modern equipment and hiring of competent, qualified and dedicated personnel.

## Key operating and financial data of preceding five years

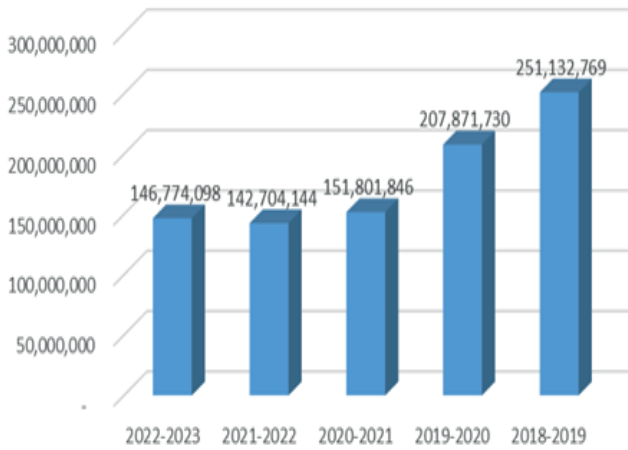
A statement of key operating and financial data for the last five financial years has been given below

Operational Result	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Revenue	887,551,954	755,366,331	864,394,154	1,079,371,618	1,146,706,965
Gross Profit	146,774,098	142,704,144	151,801,846	207,871,730	251,132,769
Profit from Operation	100,708,391	102,024,422	118,145,970	169,539,137	215,132,954
Net Profit Before Tax	91,367,391	85,996,747	105,742,511	162,651,411	203,510,338
Net Profit After Tax	79,747,406	76,325,712	96,409,814	154,149,041	194,493,192
Net Cash Generated from Operating activities	8,916,922	24,130,822	217,692,200	158,365,439	102,409,128

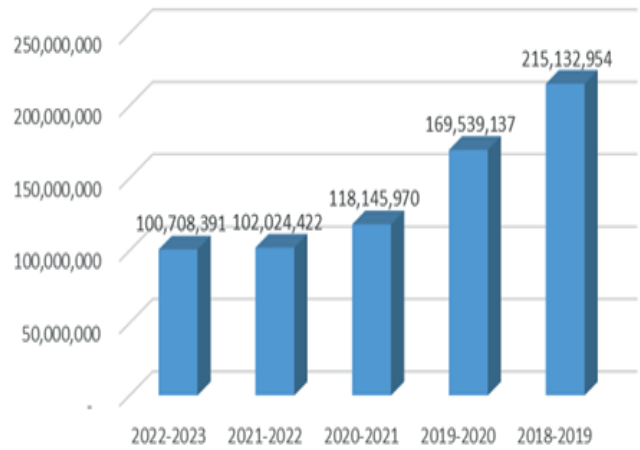
Financial Position	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Non-Current Assets	791,222,056	788,145,984	810,812,295	659,478,271	562,020,045
Current Assets	838,794,807	725,644,801	635,465,306	763,371,335	765,745,833
Shareholder's Equity	1,318,762,849	1,291,010,229	1,194,096,529	1,168,823,944	1,068,409,573
Non-Current Liabilities	26,092,640	23,476,955	18,932,594	16,860,938	14,730,939

Key Financial Ratio	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Current Ratio	2.94	3.64	2.72	3.22	3.13
Quick Ratio	2.07	2.50	2.08	2.48	2.49
Debt to Equity Ratio	0.20	0.13	0.16	0.12	0.13
Net Income Ratio (%)	10.29%	10.10%	11.15%	14.28%	16.96%
Return on Equity (%)	6.05%	9.77%	9.54%	13.19%	18.20%
Earnings Per Share (Basic)	0.94	0.90	1.14	1.82	2.53
Earnings Per Share (Adjusted)	-	-	-	-	2.30

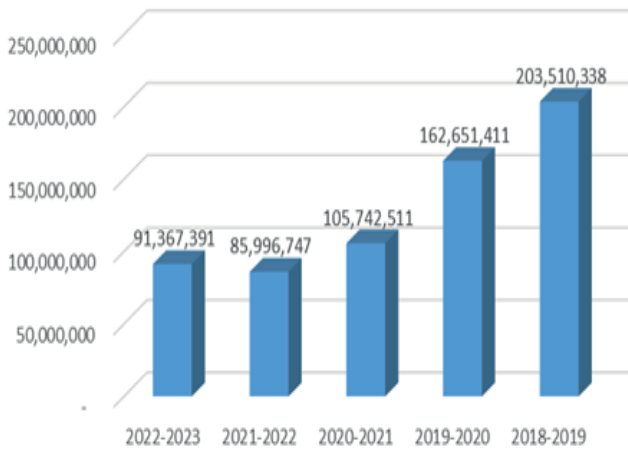
### Gross Profit



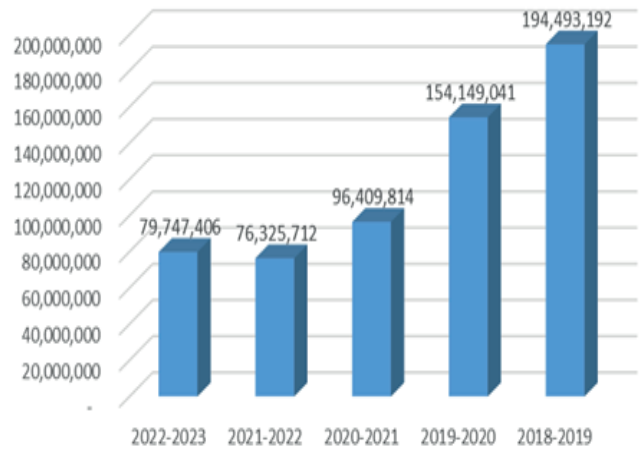
### Profit from operation (In BDT)



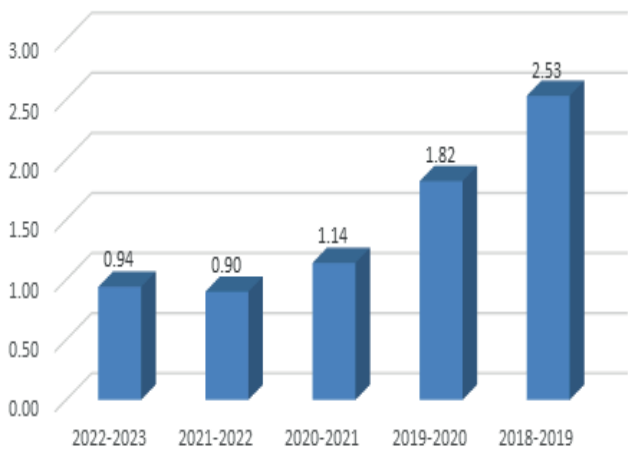
### Profit before Income Tax (In BDT)



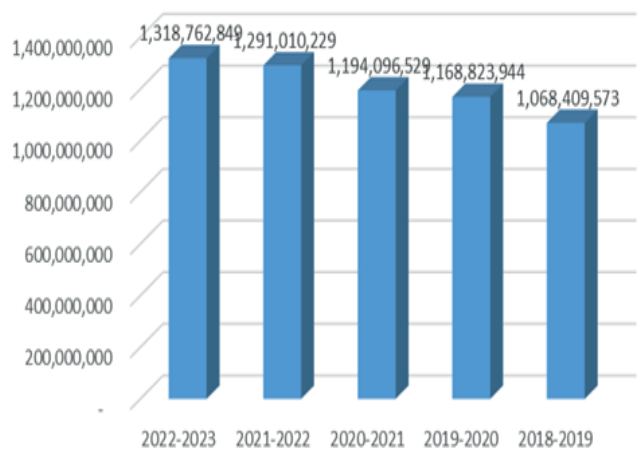
### Profit after Income Tax (In BDT)

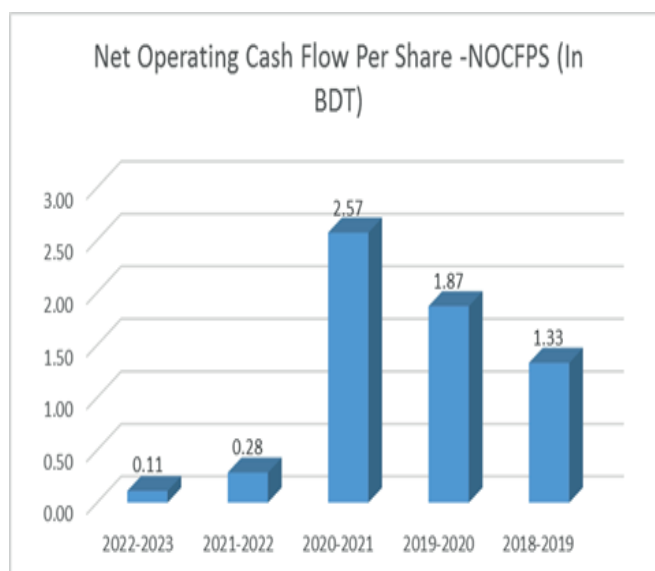
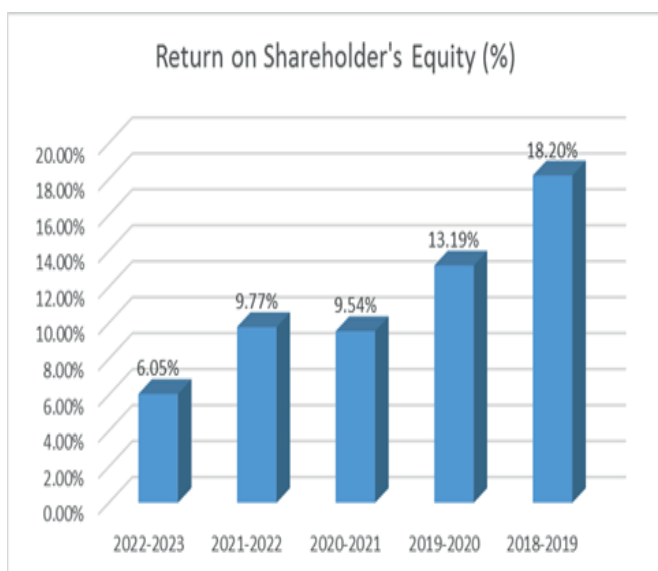


### Earnings Per Share (In BDT)



### Shareholder's Equity (In BDT)





## Going Concern

While approving the Financial Statements, the directors have analyzed the Financials Statements, business operation as well as other indicators for enabling them to understand the ability of the company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resources to continue its operation consistently for the foreseeable future.

## Dividend

The Board of Directors has recommended 3% Cash Dividend to the Shareholders for the year ended June 30, 2023, subject to the approval in the forthcoming AGM. The dividend will only be entitled to the shareholders whose names will be appeared in the share register of the company /Depository Register of CDBL on record date i.e. November 23, 2023.



## Statutory Auditors

Upon the recommendation of the Audit Committee, the board of directors is proposing the appointment of Shafiq Basak & Co., Chartered Accountants, House-42 (1st Floor), Road-1, Block-A, Niketan, Gulshan, Dhaka as the Statutory Auditor to the shareholders for the year 2023-2024 and it will be presented in the 9<sup>th</sup> AGM for getting approval from the shareholder and fix their remuneration.

## Professionals for Compliance of Corporate Governance Code

On the willingness to be re-appointed as professional to certify on the compliance of corporate governance as issued by the Bangladesh Securities and Exchange Commission, the Board of Directors in its meeting held on 26<sup>th</sup> October 2023, recommended the appointment of M/s. Huda Hossain & Co. Chartered Accountants, having its office at 5/A-4, Level, 27, 2 Topkhana Road, Dhaka 1000 for the year 2023-2024 and conclusion of 10<sup>th</sup> AGM subject to the approval by the shareholders in the 9<sup>th</sup> AGM.

## Corporate Governance at SKTIL

SKTIL recognizes that corporate governance is a continuous process which is to be established, nurtured and excelled by means of concerted efforts of all. That is why the Company engages all its team in the process because good governance entails managing the business professionally, effectively and responsibly and in a way, which is transparent, ethical, law abiding and ensures accountability. And in that pursuit, the Company has ventured to comply with all the relevant provisions of the codes of corporate governance as outlined in the BSEC gazette notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018. The Company aspires to uphold its long-acclaimed standards of good governance by standing ever alert in its management exercises.

## Acknowledgment

I would like to take this opportunity, on behalf of the Board of Directors, to express my heartfelt gratitude to the valued shareholders, clients, and well-wishers at home and aboard for their wholehearted co-operation and active support in discharging the responsibilities that lies on me and the Board during the year.

I would also like to thank Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Registrar of Joint Stock Companies (RJSC), Central Depository Bangladesh Ltd. (CDBL), Government and many others for their sincere support and wholehearted co-operation towards your company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of all the Directors, Executives, officers and employees, workers of the company at all levels without which we could not have achieved this result.

I now appeal to the magnanimity of valued shareholders to kindly accept and approve the Auditors' Report, Audited Financials Statements 2023 and Directors' Report placed before you

Thanking you,

On behalf of the Board of Directors,

Md. Tafazzal Hossain Forhad  
Chairman

