

DIRECTORS' REPORT

To the Shareholders of Zaheen Spinning Limited
For the Year ended on 30 June 2023

Dear Shareholders,
Assalamu Alaikum Warah'matullahe,

In terms of provisions of section 184 of the Companies Act 1994, Rule 12 of the Bangladesh Securities and Exchange Rules 1987, BSEC Notification on CGC dated 03 June, 2018 and IAS (International Accounting Standards) codes as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), it is the pleasure of the Board of Directors to submit its Report to the Shareholders of the Company for the year ended 30 June, 2023 in the following paragraphs:

Background

Zaheen Spinning Limited (here in after referred to as "ZSL" or "the Company" was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-67789(340)/07 dated 22 July, 2007 as a Private Limited Company. The status of the Company was converted into Public Limited Company in the year 2012. The company was listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in the year 2015.

1.(5) (i) Industry outlook and possible future developments in the industry:

Our Company producing world class yarn of various counts. Bangladesh does not produce raw cotton, the basic raw materials of our company. So, we have to import 100% raw materials from outside. The success of the industry also depends on availability of raw materials, power & gas, world economy, international price trend, market situation of end product. Spinning mill is also a labour oriented industry.

The growth & challenges of the company depends on:

- | | | |
|---------------------------|------------------------|---------------------|
| (a) Labor relations | (b) Labor productivity | (c) Energy |
| (d) Other infrastructures | (e) Law and order | (f) Financial costs |

If these issues are appropriately addressed in time, the growth is expected to improve substantially as Bangladesh has already attained the name for being a quality manufacturer with a very reasonably priced supplier.

Despite the irreplaceable loss in the recent past years due to Covid-19 pandemic and two massive fire incidents in succession, the company had resumed its production partially on July 17, 2021 and continued throughout the year. After completion of repairing, renovation, replacement and installation of new machineries in place burned machineries, the company has resumed its production from the mid of July 2022 and have been able to bring the company at a profit making position this year.

1.(5) (ii) Segment-wise or product wise performance:

Our company produces 100% Cotton Yarn. The existing installed production capacity of the company is 1,900,000 kg. yarn per annum with 29,040 Spindles. Comparative position of its operating/financial performance for the year 2022-2023 and 2021-2022 are given below:

Particulars	Unit	2022-2023	2021-2022
Spindle	Number	29040	29040
Production Capacity	MT	1900	1900
Actual Production	MT	1410.64	719.48
Capacity Utilization	%	74.24%	37.87%

1.(5)(iii) Risk and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any:

1. Industry Risk

Textile is the largest industrial sub –sector in Bangladesh. It contributes highest in the country’s total export earnings, gives employment to over four million people meets the second basic need for clothing of the country and contributes around 50% of the industrial value addition. But after phasing out of the, Multi Fiber Agreement (MFA) the global textile trade is now free from quota restriction.

Management Perception

The textile industry has successfully coped with the post Multi Fiber Agreement (MFA) competitive situation. The force, which is helping the sector for its strong existence is emergence of backward linkage industry. Backward linkage industries are supporting for minimizing lead-time and cost of production. The company looks forward to setup a backward linkage industry of yarn production that facilitates for better existence.

2. Interest Rate Risks:

Interest / Financial charges are paid against any kind of borrowed fund. Volatility in money and increased demand for loan presses on interest rate structure to be fixed in high. Raising of interest rate increases the cost of fund for a company, which have borrowed fund, and consequently profit is squeezed.

Management Perception

The management of the Company is always aware of interest rate, which is concerned to the cost of fund the company. The Management prefers in procuring of the long- term fund with minimum fixed interest rate and the short term fund with reasonable competitive rate. On the other hand management of the company is emphasizing on equity based financing.

3. Changes in Economic & Political Condition:

Changing economic conditions may affect the demand for the product offered by the company. Downturn of economic activity or uncertainty may result in a downturn in demand for loan funds for industry.

Management Perception

Social unrest due to political reasons may cause downturn the economic activity which will have impact on demands of textile. But we can expect that political rivalry within democratic environment will not affect the manufacture sector

4. Energy costs may rise:

Due to the adverse power situation in the country, production may be hampered and wastage might rise.

Management Perception

The Company itself sufficient in generating power by its own generators and electric substation. However, in case of gas shortfall and/or power shortfall subsequent rationing if any, then the productivity will be reduced. In that scenario, the overall sector will be affected.

5. Operational risks:

Shortage of power supply, labor unrest unavailability or price increase of raw material, natural calamities like flood, cyclone, earthquake, fire accident etc. may disrupt the production of the Company and can adversely impact the profitability of the Company.

Management Perception

The compensation as well the benefit package will restrain the employees to leave their assignment and got for any employee movement for higher benefit packages. The project of the company is situated at a high land where no record of flood. The factory building has strong RCC foundation, RCC floor, pre- fabricated steel structure to withstand wind, storm rain etc. along with good drainage facility. The risks from these factors are also covered through insurance.

1.(5) (iv) Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin:

A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin is as follows;

Particulars	July 22 to June 23	July 21 to June 22	Variance Increase(+)/ Decrease(-)
Turnover	590,509,514	337,577,733	252,931,781
Cost of Goods Sold	553,174,664	366,146,005	189,554,869
Gross Profit Margin	6.32	(8.46)	174.70%
Net Profit Margin	2.60	(43.29)	106.01%

Cost of Goods sold decreased due to increase in production quantity compare to previous year. Gross/Net profit margin increased for same reason.

1.(5) (v) Discussion on continuity of any extraordinary activities and their implications (gain or loss):

There was no extraordinary activity during the year.

1.(5) (vi) Detailed discussion on related party transactions:

A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions has been shown in note 41 of these financial statements.

1.(5) (vii) Statement of utilization of proceeds raised through public issues, right issues and/or any other instruments:

This is not applicable for ZSL as no such event of collecting fund from public issues took place during the year which would require adjustment or disclosure in the annual report.

1.(5) (viii) Explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.:

During the year 2020-2021 and 2021-2022, the company was affected by 2(two) fire incidents in succession, which caused a huge damage in the financial results of the company. Besides, adverse effect of COVID-19 made irreplaceable loss to the company, country and the world as a whole.

1.(5)(ix) Explanation on any significant variance occurs between Quarterly Financial performance and Annual Financial Statements:

The company's earnings per share (EPS) in 1st quarter was Tk. 0.02 per share, in 2nd quarter stood at Tk. 0.05 per share, in 3rd quarter stood at Tk. 0.08 per share and in annual financial statements it stood at Tk. 0.13 per share. Regardless insurance claim received against fire loss, the 4th quarter financial performance has been deteriorated due to decrease in production as the mill was closed for 8 days during Eid-ul-Fitr and Azha 2023, shortage of power supply and significant downfall of selling price.

1.(5) (x) Statement of remuneration paid to the directors including independent directors is stated below:

Name of Directors	Designation	Remuneration paid from July 22 to June 23
Mrs. Farida Khanam	Chairperson	-
Mr. Mahmuddur Rahman	Managing Director	1,500,000
Mrs. Nusrat Jahan	Director	-
Mr. Mahbubur Rahman Khan	Director	750,000
Mrs. Masuma Khan	Director	750,000
Professor Dr. M. Farid Ahmed	Independent Director	-
Professor Dr. Md. Shahidul Islam	Independent Director	-
Dr Saud Ahmed	Independent Director	-
Total		3,000,000

1.(5) (xi) Statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operations, cash flows and changes in equity:

The Financial Statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

1.(5) (xii) Statement that proper books of account of the issuer company have been maintained:

Proper books of account as required by the prevailing law have been maintained.

1.(5) (xiii) Statement that 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:

Appropriate accounting policies have been followed in formulating the financial statements and accounting estimates were reasonable and prudent.

1.(5) (xiv) Statement that International Accounting Standards (IAS) or 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:

The financial statement was prepared in accordance with IAS/IFRS as applicable in Bangladesh and any departure there from has been adequately disclosed.

1.(5) (xv) Statement that the system of internal control is sound in design and has been effectively implemented and monitored:

The internal control system is sound in design and is effectively implemented and monitored

1.(5) (xvi) Statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress:

Not applicable for Zaheen Spinning Ltd.

1.(5) (xvii) Statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, highlighted and the reasons there of shall be disclosed:

Though the company is temporarily suffering from liquidity crisis, nevertheless the management would like to ensure that there is no significant doubt about the company's ability to continue as a going concern.

1.(5) (xviii) Explanation that significant deviations from the last year's operating results of the company:

The significant increase in operating results is due to increase in production after repairing, renovation and replacement of burned machineries and decrease in percentage of cost of goods sold compared to previous year.

1.(5) (xix) Key operating and financial data of last preceding 5 (five) years have been presented in summarized form as follows:

FIVE YEARS OPERATIONAL RESULTS

Figure in thousand Taka

Particulars	30.06.2023	30.06.2022	30.06.2021	30.06.2020	30.06.2019
Paid-up Capital	1,138,284	1,138,284	1,138,284	1,138,284	1,084,080
Reserve, Surplus & Others	(557,277)	(572,502)	(426,379)	(139,433)	300,610
Shareholders' Equity	581,007	565,782	711,905	998,851	1,384,690
Net Assets	581,007	565,782	711,905	998,851	1,388,798
Turnover	590,510	337,578	285,392	608,584	800,440
Gross Profit	37,335	(28,568)	(31,583)	34,029	115,620
Profit before Tax	17,499	(139,306)	(287,634)	(379,179)	80,216
Profit after Tax	15,355	(146,123)	(286,946)	(385,839)	68,064
Number of Shares	113,828	113,828	113,828	113,828	108,408
Number of Shareholders	5906	5074	6507	6877	6263
Earning per Share-EPS	0.13	(1.28)	(2.52)	(3.39)	0.60
Net Asset Value	5.10	4.97	6.25	8.78	12.16

1.(5) (xx) Dividend:

Since the company has declared dividend so no explanation is required.

1.(5) (xxi) Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend:

The company did not declare any stock dividend or bonus share as interim dividend during the year.

1.(5) (xxii) The total number of Board Meetings held during the year 2022-2023 and attendance by each director was as follows:

Sl #	Name	Position	Meeting Held	Attendance
1.	Mrs. Farida Khanom	Chairperson	4	4
2.	Mr. Mahmudur Rahman	Managing Director	4	4
3.	Mrs. Nusrat Jahan	Director	4	4
4.	Mr. Mahbubur Rahman Khan	Director	4	2
5.	Ms. Masuma Khan	Director	4	4
6.	Professor M. Farid Ahmed	Independent Director	4	2
7.	Professor Md. Shahidul Islam	Independent Director	4	4
8.	Dr Saud Ahmed	Independent Director	4	4

1.(5) (xxiii) Report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by is given below:-

Sl #	Name	Description	Number of share as on 30.06.2023	(%)
(a) Parent or Subsidiary or Associated Companies and other related parties (name wise details)		Nil	Nil	Nil
(b) Directors, Chief Executive Officer, Company secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name wise details)				
1.	Mrs. Farida Khanam	Chairperson	8,474,235	7.44%
2.	Mahmudur Rahman	Managing Director and CEO	14,993,286	13.17%
3.	Mrs. Nusrat Jahan	Director	3,791,986	3.33%
4.	Mahbubur Rahman Khan	Director	5,429,886	4.77%
5.	Masuma Khan	Director	2,714,943	2.39%
6.	Professor M. Farid Ahmed	Independent Director	Nil	Nil
7.	Professor Md. Shahidul Islam	Independent Director	Nil	Nil
8.	Dr Saud Ahmed	Independent Director	Nil	Nil
9.	Md. Mohin Uddin	Company Secretary	Nil	Nil
10.	Mr. Monotosh Datta	Chief Financial Officer (CC)	Nil	Nil
11.	Md. Tanjim Hossain	HIAC	Nil	Nil
Sub-Total			35,404,336	31.10%
Institution & General Public			78,424,032	68.90%
Total			113,828,368	100%
(c) Executives (Top 5 salaried employees):				
12.	Md. Shahidul Islam	DGM	Nil	Nil
13.	Md. Sazedul Islam	Manager	Nil	Nil
14.	Md. Razib Mahmud	Electrical Engineer	Nil	Nil
15.	Md. Bayazid Hossain	Maintenance Engineer	Nil	Nil
(d) Shareholders holding ten percent(10%) or more voting interest in the company				
	Mahmudur Rahman	Director	14,993,286	13.17%

Distribution schedule of each class of equity security setting out the number of holders and percentage as on June 30, 2023:

Range of Holdings	Number of Holders	Number of Shares	In %
Less than 500 shares	1397	180,304	0.16
501 to 5000 shares	2993	5,616,932	4.93
5001 to 10000 shares	590	4,601,347	4.04
10001 to 20000 shares	379	5,767,090	5.07
20001 to 30000 shares	167	4,191,356	3.69
30001 to 40000 shares	83	2,925,361	2.57
40001 to 50000 shares	74	3,455,710	3.03
50001 to 100000 shares	129	9,526,659	8.37
100001 to 1000000 shares	83	19,794,011	17.39
Over 1,000,000 shares	11	57,769,598	50.75
Total	5,906	113,828,368	100%

1.(5) (xxiv) Appointment/re-appointment of the directors:

Appointment or reappointment of Directors:

With regard to the appointment, retirement and reappointment of directors, the company is governed by its Articles of Association, the Companies Act, 1994 and other related legislations. Accordingly, the following Directors would retire by rotation and being eligible, they offered themselves for re-election. Brief resume and other information of the retired directors are as follows:

Mrs. Farida Khanam, Director

Mrs. Farida Khanam is sponsor director of Zaheen Spinning Limited. She is also the Chairperson of the Board of Directors. She has retired at this meeting and eligible for re-appointment.

Mr. Mahmudur Rahman, Director

Mr. Mahmudur Rahman is a sponsor director of Zaheen Spinning Limited. He is also the Managing Director and Chief Executive Officer of the Company. He has retired at this meeting and eligible for re-appointment.

Re-Appointment of Managing Director

Mr. Mahmudur Rahman was appointed as the Managing Director of the Company for a period five years with effect from 12 July 2018 after obtaining due approval from members of the Board. Accordingly the tenure of his service was ended on July 11, 2023. The Board has approved the re-appointment of Mr. Mahmudur Rahman as the Managing Director of the Company for a further period of five years with effect from July 12, 2023. The board has taken the decision of the said reappointment based on the recommendation of the Nomination & remuneration Committee and subject to the approval of the members of the Company.

1.(5) (xxv) Management’s Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company’s position and operations along with a brief discussion of changes in the financial statements:

Management’s Discussion and analysis signed by CEO or MD are stated in Annexure-I

1.(5) (xxvi) Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) has been disclosed in Annexure-A

1.(5) (xxvii) Report as well as certificate regarding compliance of conditions of this Code as required under condition No.9 has been disclosed in Annexure-B and Annexure-C.

Report on Auditors' Qualified and Matter Emphasis Opinion:

Report on Qualified Audit Opinion:

1. The company had a fixed assets register which has been missed at the time of fire disaster in factory premises. However, we had a soft copy of Property Plant & Equipments, based on which, the management of the Company has started preparation of fixed assets register for its Property Plant & Equipment.

2. Out of Total Trade & Other receivables Tk. 400,832,790, the management of the Company made provision for bad and doubtful debts Tk. 285,797,060 in the years before reporting year. Though there is significant doubt of realization of another Tk. 74,726,453 the management did not consider any provision for the reporting year in addition to prior year provision.

3. Out of total Trade & Other Receivables including current year Sales Revenue, Tk. 114,078,090 received through bank, Tk. 382,898,004 adjusted against value of Raw Cotton supplied by the customer/agent as per both party agreement. The balance amount received as cash against Factory Salary & Wages and other day to day Factory Expenses.

Trade & Other Receivables were at the beginning of the year	Tk. 369,985,513.00
Add: Sales during the reporting year	Tk. 594,695,250.00
Total Trade & other receivables	Tk. 964,680,763.00
Less: Realized during the year	Tk. 563,847,973.00
Trade & Other Receivables at the end of the year	<u>Tk. 400,832,790.00</u>

The management of the company has taken initiatives to maximize realization against sale proceeds and payment against purchase through company's bank account instead of cash and adjustment against purchase of raw materials.

4. As no claim was accounted in the year 2020-2021 against fire loss of Tk. 137,524,422 of property, plant & equipment, full amount of insurance claim Tk. 10,268,522 received has been recognized as other non-operating income during this year.

5. Under present scenario of business, establishment of Employee Provident Fund and Gratuity will increase company's operating costs and squeeze net profit after tax. However, the management has decided to establish Employee provident Fund and Gratuity and necessary steps have been taken in these respect.

Report on Matter Emphasis:

1. As per VAT rule, VAT on sales is to paid on quantity of finished goods sold, not on amount of sales. Our company has been paying VAT accordingly. Moreover, VAT challan is issued at the time of delivery of finished goods, but value is determined later in the local market caused a submission of VAT return without showing sales value/. We have taken initiative to regularize income tax return.

2. The Financial Statements of Zaheen Spinning Ltd. have been prepared on historical cost convention under mercantile system of accounting considering the underlying assumption of going concern concept of the entity assuming that the entity will continue in the foreseeable

future. It may be mentioned here that the company incurred loss during the year 2019-20 to 2020-21 due to the production/operational interruption caused by devastating fire incidence in the year 2020 and 2021. However, we have been able to replaces the damaged machinery by the concentrated effort by this time and have been able to bring the company at a profit making position this year.

The management of the company have no intention to close/shutdown the business operation of the Company rather the management is relentlessly trying to increase the operational and business performance and we will run the company for an indefinite period.

APPOINTMENT OF STATUTORY AUDITORS:

M/s. ARTISAN, Chartered Accountants, existing statutory auditors of the company retires at this 16th Annual General Meeting. M/s. ARTISAN, Chartered Accountants (a panel auditor of BSEC), being eligible have offered themselves for re-appointment as statutory auditor of the company for the year 2023-2024. In recommendation of the Audit Committee, the Board recommended M/s. ARTISAN, Chartered Accountants, Block-E, Level-2, House-52 Road No 13C, Dhaka 1213 for appointment as statutory auditors of the Company of the year 2023-2024 at a remuneration Tk. 300,000/- (three lacs) only excluding VAT.

APPOINTMENT OF CORPORATE GOVERNANCE COMPLIANCE AUDITORS:

M/s. **Islam Quazi Shafique & Co.**, Chartered Accountants, existing compliance auditors of the company being eligible offered themselves for re-appointment as corporate governance compliance auditors of the company for the year 2023-2024. As recommended, by the Audit Committee, the Board proposed the name of M/s. **Islam Quazi Shafique & Co.**, Chartered Accountants, Al-HAJ SHAMSUDDIN MANSION, 4th-Floor, Room # C, 17, New Eskaton Road, Moghbazar, Dhaka-1000 for re-appointment as corporate governance compliance auditors of the Company of the year 2023-2024 at a remuneration Tk. 30,000/- (thirty thousand) only excluding VAT

Acknowledgement

The Board of Directors are pleased to record with appreciation and gratitude the co-operation and support provided by Shareholders, Customers, Bankers, Insurance Companies, Suppliers, BSEC, DSE, CSE, CDBL, RJSC and dedication by Workers and Employees of the company without whose active support the result achieved would not have been possible.

Looking forward for a bright future for all of us.

On behalf of the Board of Directors,



Farida Khanam
Chairperson

October 26, 2023
Dhaka