

## ZAHINTEX INDUSTRIES LTD.

### Directors' Report to the Shareholders

Dear Shareholders,

As per provisions of Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Commission Rules 1987 and IAS-1 (International Accounting Standards –1) codes as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), it is the pleasure of the Board of Directors to present its Report to the Shareholders for the Year ended June 30, 2016 in the following paragraphs:

### Overview

Zahintex Industries Ltd. has been incorporated as a company with the Registrar of Joint Stock Companies & Firms; having registered office at Bokran Monipur, Gazipur Sadar on owned land, BISCIC, Joydebpur Industrial Extension Area, Gazipur on Leasehold land which taken for 99 years, Arishaprashad, Kowlatia, Gazipur on rented space where the Company has a construction for 26 years. Zahintex Industries Ltd. runs the business of manufacturing and exporting of readymade sweaters, pull over and wearing apparels of all kinds out of wool, cotton, synthetic fibers and others. It was incorporated as on 11 June, 2002 and started commercial operation from 28 December, 2002. And in 2011, the Zahintex was listed with two bourses of capital market in Bangladesh- Dhaka Stock Exchange Limited and Chittagong Stock Exchange limited.

Zahintex Industries Ltd. is a 100% export oriented sweater manufacturing Company that exports high fashion flat knit sweater garments to Europe, America and Russia. Dependency on a single product for overall revenue generation creates some product non diversification risk, but its widely diversified customer base and sound relationship maintenance makes this company a successful player in the relevant market. Most importantly their buyer composition remains more or less same over last four years. The prime buyers are Li & Fung, Auchan, Full Fashion, Teddy from Italy, Primark from UK, Aldi in Germany, all of which are renowned brand seller in their respective market.

## Investors Summary as on June 30, 2016

As per Listing Regulations 20(2) of Stock Exchange regarding shareholding position of different categories of investors as on June 30, 2016, we are submitting the following information:

## Share Holding Status of Different Categories as on June 30, 2016

## A. On the Basis of Group

SI No.	Group Name	Number of Share holders	Number of Shares	%
1	Sponsor/Director	7	36,814,247	53.45%
2	All Investors Account	11	7,383,856	10.72%
3	Company	145	8,272,398	12.01%
4	NRB	403	262,453	0.38%
5	General Public	5,733	16,146,296	23.44%
	<b>Total :</b>	<b>6,299</b>	<b>68,879,250</b>	<b>100%</b>

## B. On the Basis of Range

Share Holding Range	Number of Share holders	Number of Shares	Percentage
1-499	1,686	374,334	26.77%
500-5000	4,376	4,041,194	69.47%
5001-10000	102	703,956	1.62%
10001-20000	45	665,616	.71%
20001-30000	16	397,173	.25%
30001-40000	10	360,407	.16%
40001-50000	13	546,996	.21%
50001-100000	17	1,301,246	.27%
100001-1000000	27	7,032,208	.43%
1000001-1000000000	7	53,456,120	.11%
<b>Total :</b>	<b>6,299</b>	<b>68,879,250</b>	<b>100.00%</b>



## Financial Results

Recently, business competition has increased significantly with new challenges. Although having all these challenges, the business of the company comparatively increase profit margin compared to prior year. Now the Company's operating financial results, as compared to the previous years are summarized as follows:

(Amount in Taka)

ANNEXURE-V

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Sales Turnover	1,627,260,930	1,549,752,166	1,785,060,225	2,024,552,230	2,103,140,226
Cost of Goods Sold	1,334,372,619	1,269,888,861	1,543,320,137	1,741,100,695	1,814,071,299
<b>Gross Profit</b>	<b>292,888,311</b>	<b>279,863,305</b>	<b>241,740,118</b>	<b>283,451,535</b>	<b>289,068,927</b>
Administrative Expenses	12,358,865	11,427,474	11,149,972	11,170,450	10,620,944
Selling and Distribution Expenses	16,953,608	15,674,459	20,134,003	28,269,561	29,914,114
<b>Operating Profit</b>	<b>263,575,838</b>	<b>252,761,373</b>	<b>210,456,143</b>	<b>244,011,524</b>	<b>248,533,869</b>
Non-Operating Income	438,636	131,241	130,179	140,339	28,522,690
Financial Expenses	153,095,585	153,345,632	150,028,011	155,088,673	159,941,520
Contribution to WPPF	52,81,852	4,740,332	2,883,729	4,241,104	5,576,907
<b>Net Profit before Tax</b>	<b>105,637,037</b>	<b>94,806,649</b>	<b>57,674,582</b>	<b>84,822,085</b>	<b>111,538,132</b>
Provision for Income Tax	13,204,630	11,850,831	10,877,750	16,317,800	16,858,745
Provision for Deferred Tax	110,602	7,171,371	N/A	N/A	N/A
<b>Net profit after Tax</b>	<b>92,321,806</b>	<b>75,784,447</b>	<b>46,796,832</b>	<b>68,504,285</b>	<b>94,679,388</b>
Earnings Per Share	1.34	1.21	0.82	1.38	2.34
NAV Per Share	28.43	30.03	31.70	35.73	38.78
Gross Profit Margin (%)	18.00	18.06	13.50	13.86	13.74
Operating Profit Margin (%)	16.22	16.31	11.76	11.88	11.82
Net Profit Margin (%)	5.67	4.89	2.57	2.98	4.50
Return on Equity (%)	4.72	4.03	2.54	3.87	5.42
Return on Investment (%)	2.92	2.45	1.56	2.35	3.13

### Cost of Sales and Profit Margins

The major challenge in the area of productivity was the increase wages and other overheads. These resulted in a significant upward pressure on the cost base. However, Zahintex Industries Ltd was able to improve this through the implementation of proactive cost savings in 2015-16. Thus cost of goods sold per unit was mostly held constant on a like to like basis and this enabled gross profit margin a little changed from the previous year.

In addition, Zahintex Industries Ltd. embarked on a company-wide smart cost management program and analyzed all opportunities to reduce costs. This program has helped to optimize the operating expenses of the Company and focused resources on areas that were required to fuel growth and sustainability. As a result of all these efforts, the Company's gross profit margin slightly decreased from 18.06% in 2014-15 to 18.00% in 2015-16 and operating margin has also slightly decreased from 16.31% in 2014-15 to 16.22% in 2015-16; though having adverse economic factors in local and international arena.

#### Cost of Sales (COS) in Details

	2015-16	2014-15
	Taka	Taka
Opening stock of raw materials	337,715,399	253,223,498
Add: Purchased during the year	760,452,434	810,316,056
	1,098,167,833	1,063,539,554
Less: Closing stock of raw materials	324,524,541	337,715,399
Raw materials consumed	<b>773,643,292</b>	<b>725,824,155</b>
Add: Opening stock of work-in-process	710,565,659	617,325,659
	<b>1,484,208,951</b>	<b>1,343,149,814</b>
Less: Closing stock of work-in-process	699,708,923	710,565,659
	784,500,028	632,584,155
Add: Conversion cost	571,526,155	540,817,237
Cost of goods manufactured	<b>1,356,026,183</b>	<b>1,173,401,392</b>
Add: Opening stock of finished goods	415,102,788	511,590,257
Cost of goods available for sale	<b>1,771,128,971</b>	<b>1,684,991,649</b>
Less: Closing stock of finished goods	436,756,352	415,102,788
<b>Cost of Sales</b>	<b><u>1,334,372,619</u></b>	<b><u>1,269,888,861</u></b>



### Dividend

The Board of Directors are delighted to recommend 7% cash dividend (except Sponsor/Director Shareholder) and 8% stock dividend (for all) i.e 8 shares for 100 shares for the year ended June 30, 2016 to those valuable Shareholders whose name will be appeared in the Depository on the Record Date which is November 13, 2016.

### Appropriation of Profit

After the considerations of financial results of the Company during the year and free reserve carried over, the Directors recommended appropriation of net profit as follows:

	(Amount in Taka)		
	2016	2015	2014
Un-appropriated Profit from previous Year	291,161,130	254,340,965	272,615,074
Less: Prior Year Adjustment	77,192,502	56,925,000	85,250,000
<b>Adjusted Un-appropriated Profit from previous Year</b>	<b>213,968,628</b>	<b>197,415,965</b>	<b>187,365,074</b>
<b>Add: Net Profit after Tax for the Year</b>	<b>92,321,806</b>	<b>75,784,447</b>	<b>46,796,832</b>
<b>Add: Realization through use of Assets (Depreciation)</b>	<b>16,014,489</b>	<b>17,960,718</b>	<b>20,179,059</b>
<b>Total Available for Appropriation (a)</b>	<b>322,304,923</b>	<b>291,161,130</b>	<b>254,340,965</b>
<b>Appropriation Proposed</b>			
<b>Proposed Dividend:</b>			
Cash Dividend (7% other than Sponsors/Directors)	-	14,575,002	-
Stock Dividend (8 % for All)		6,26,17,500	56,925,000
<b>Total Dividend (b)</b>	<b>-</b>	<b>77,192,502</b>	<b>56,925,000</b>
<b>Balance Carried Forward (a-b)</b>	<b>322,304,923</b>	<b>213,968,628</b>	<b>197,415,965</b>

### Related party disclosures

During the period, the company carried out a number of transactions with related parties in the normal course of business and on an arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of BAS 24: Related Party Disclosure.

Name of the party	Nature of transactions	Nature of relationship	Transactions value (Taka)	
			01 July 2015 to 30 June 2016	01 July 2014 to 30 June 2015
Givensee Spinning C & F	Clearing & forwarding service	Sister concern	23,45,345	2,178,890
Givensee Garments Accessories Ltd.	Accessories & packing materials supply	-do-	31,707,566	29,813,319
Givensee Spinning Mills Ltd.	Raw yarn supply	-do-	8,877,655	9,588,506
Masuma Khatun Textile Industries Ltd.	Died yarn supply	-do-	137,787,355	151,082,217

#### ii) Particulars of Directors of Zahintex Industries Ltd. as at 30 June 2016

Name of Directors	BOD of Zahintex Industries Ltd.	Entities where they have interests
Mr. Khatib Abdul Zahid Mukul	Managing Director	Givensee Spinning Mills Ltd. Hotapara Garments Ltd. Masuma Khatun Textile Industries Ltd. Givensee Garments Ltd. Givensee Garments Accessories Ltd. Givensee Real Estate Ltd. Givensee Foods & Essentials Ltd. Givensee Group of Industries Ltd.
Mrs. Masuma Khatun Lipa	Chairman & Director	Givensee Spinning Mills Ltd. Hotapara Garments Ltd. Masuma Khatun Textile Industries Ltd. Givensee Garments Ltd. Givensee Garments Accessories Ltd. Givensee Real Estate Ltd. Givensee Foods & Essentials Ltd. Givensee Group of Industries Ltd.
Mr. Md. Zahidul Islam	Independent Director	-
Prof. A.F.M Siddiqur Rahman	Independent Director	-
Engr. Md. Rustam Ali	Independent Director	-

### Election of Directors

Mr. Khatib Abdul Zahid Mukul, Shareholder Director of the Company, will retire as per Article 123, 124 & 125 of Articles of Association and being eligible offer herself for reelection.

### Board Meetings

The composition of the Board Committee as at 30 June 2016 and the attendance of the Directors at the Board and the Committee meetings held in 2015-16 are as follows:

Name of Director	Position	No. of Meetings Attended
Mrs. Masuma khatun Lipa	Chairman	9
Mr. Khatib Abdul Zahid Mukul	Managing Director	9
Mr. Md. Zahidul Islam	Independent Director	3
Prof A.F.M Siddiquir Rahman	Independent Director	2
Engr. Md. Rustam Ali	Independent Director	1
Mr. Md. Mahtab Uddin	Independent Director	6
Engr. Golam Rasul	Independent Director	7
Engr. Afzal Hossain	Independent Director	8

### Managing director remuneration

	Amount in Taka	
	2015-16	2014-15
Remuneration	350,000	350,000
House rent benefit	420,000	420,000
	<b>770,000</b>	<b>770,000</b>

### Appointment of Auditors

M/s Mahfel Huq & Co. Chartered Accountants Firm is going to get appointment for the first consecutive financial year 2015-2016 as Statutory Auditor and the Board will recommend their appointment in the 13<sup>th</sup> AGM of the Company.



### Going Concern

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

### The System of Internal Control

The Board of Directors assures the Shareholders that the Company has a robust risk management process to ensure that the system 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 the controls in place are adequate to address these risks.

### Risk Management

The Risk Management Committee (RMC) of Zahintex Industries Ltd. at management level consists of knowledgeable cross functional managers including internal auditors who drive an effective risk management framework in the Company. The risk controllers periodically review the departmental risks and report to RMC. The RMC reviews twice a year the functional risks, identifies the Company's key risks and ensure adequate action plans are in place to mitigate the risks. The key risks of the Company are then endorsed by the Executive Committee and then ratified in Audit Committee as far as effective risk management is concerned. In order to ensure effective risk management in the Company, the RMC is responsible for reviewing risks, maintaining an appropriate level of awareness throughout the Company, ensuring effectiveness of the risk management process. The Company maintains a risk register where all the associated risks as well as action plans are mentioned.

### Corporate Governance

As part of its imperative policy, Zahintex Industries Ltd. always strives to maximize its shareholder's value and wealth. In doing so, the Company has long been committed to maintaining high standards of Corporate Governance. The Company's Corporate Governance framework is directed towards achieving its business objectives in a manner which is responsible and in accordance with its high standards of honesty, transparency and accountability. The principal characteristics that define effective corporate governance are outlined in the Corporate Governance Statement which is appended in the Annual Report. The statement further expands on the broad practices in Zahintex Industries Ltd. All the employees are expected to live up to these principles and guidance on them which are communicated regularly throughout the Company through various training and awareness programs.

We have the pleasure to confirm herewith that the Company has meanwhile complied with all the necessary guidelines under BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012. The compliance report along with the necessary remarks/disclosures is appended in the Directors' Report of the Company for the year 2015-16. Further, a Certificate of Compliance required under the said Guidelines, as provided by ACNABIN Chartered Accountants, is also annexed to this report.



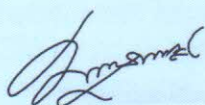
### Management Recognition, Appreciation and Complements

The Board of Directors extends cordial recognition, deep appreciation and heart-felt congratulations for the business performance of the management, the all levels of officers, employees and workers whose relentless effort helped to increase the productivity as well profitability despite having adverse factors of production and marketing. At conclusion, on behalf of the Company, the Board would like to thank the all Shareholders, Board of Directors, Regulatory Bodies, Stock Exchanges, Clients, Employees and all the well wishers for their cooperation and unflinching support.

We also extend to the Management and Employees our warmest greetings and felicitation for being the essential part of Zahintex Industries Ltd. during the year. It was your unrelenting commitment, dedication and diligence throughout the year that led to the Company achieving the awards and accolades in 2015-16.

We are proud of you all and look forward to your continued support as we march ahead to take Zahintex Industries Ltd. further forward as a leading player within the Bangladesh Business Community.

On behalf of the Board of Directors,



**Masuma Khatun Lipa**

Chairman