

Bismillahir Rahmanir Rahim

Directors' Report to Shareholders for the year ended on 30th June, 2021

Dear esteemed shareholders,
Assalamu Alaikum,

I am pleased to welcome you to the 44th Annual General Meeting of our company. This year also we are holding our AGM through virtual platform as COVID-19 Pandemic has yet remained a serious infectious threat to our lives. In term of section 184 of the Companies Act, 1994 and the Rule 12 and the schedule thereunder of the Bangladesh Securities and Exchange Rules, 1987, I am pleased to present, on behalf of the Board of Directors, the Report of the Directors on the activities of the company together with the Auditors' Report thereon for the year ended on 30th June, 2021 for your kind consideration and approval.

INDUSTRY OUTLOOK:

Ready Made Garments Industry (RMGI) is the main stay of Bangladesh economy at present. This industry was born in Bangladesh during 1976-78 when late Mr. M. Noorul Quader, the founder Chairman and Managing Director of Desh Garments Limited when he signed contract with Daewoo Corporation of South Korea for providing technical and marketing collaboration for setting up of garments factory in Bangladesh. This was the first contract in the private sector of Bangladesh with any foreign company. Mr. Quader, under that contract got 128 young Bangladeshis including eleven young ladies adequately trained for 6 months in all aspects of garments making and its business at Daewoo's factory at Busan, South Korea . Thus he brought the technical knowhow of garments in Bangladesh and built up his factory at Kalurghat Heavy Industrial Area, Chattagram. The factory started operations from 1980, but were almost without work up to 1982 because of non-availability of raw materials as sufficient foreign currency for importing raw materials was not available. Mr. Quader using his personality and influence over civil administration had been able to introduce Back to Back Letter of Credit (BBLC) System for non-funded import of raw materials, and Customs Bonded Warehousing System (Duty Free Import) for storing and using of imported raw materials without payment of custom duty for two years. His these three contributions namely (i) making technical knowhow available, (ii) allowing non-funded opening of Back to Back Letter of Credit (BBLC) for procurement of raw materials, and (iii) allowing of Customs Bonded Warehouse Facilities drastically reduced the investment requirement for operating and setting up a garments industry bringing it within the reach of the entrepreneurs coming out from middle income families spawned the growth of RMG factories in Bangladesh, starting from only one factory in 1980, the number rose to 383 employing only 120,000 workers and earning only US\$ 31.57 million during 1982-83 has grown into the highest export earner accounting for US\$ 31.46 billion in the year 2020-2021 which was 81.45 % of Total Foreign Earnings US\$ 38.76 billion of goods exported as per Pocket Export Statistics FY 2020-2021. The RMG industry is the highest employer of Bangladesh employing about 40 lacs of which 80% are women.

The export of woven garments, which is the main export item of Desh Garments Ltd., has been reduced in this financial year by 57.11% from BDT 434.00 million to BDT 186.14 million mainly affected by COVID-19. Despite such a devastating situation, we have been able to make a slight margin in the business of BDT 3.00 million in the year 2020-2021.

Desh Garments Limited

CURRENCY RISK:

The Company is exposed to foreign currency exchange rate fluctuation for its upcoming export of RMG products. Any major depreciation in foreign currency exchange rate will affect the company adversely; however, no exchange rate fluctuation risk is assumed by the company considering the past trend and current foreign exchange market condition.

INTEREST RATE RISK:

The company has no foreign currency loan in its balance sheet and hence, it's not exposed to any foreign currency interest rate risk. The company has taken local working capital loan at a reasonable interest rate as fixed by Bangladesh Bank.

MARKET RISK:

Market Risk refers to the risk of average market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the products or services which would harm the performance of the company. On the other hand, strong marketing team and branch management have been built up which would help the company increase its customer base.

BUSINESS EXPANSION:

The company plans to expand its capacity to enhance turnover and profitability for coming years 2021-2022.

INSURANCE COVERAGE:

The company has comprehensive Insurance Covering all risk in general.

CHANGES IN GLOBAL POLICIES:

The performance of the company has been affected tremendously due to unavoidable situation arising from pandemic (Covid-19) worldwide. In the pandemic, the demand of woven shirts has been dropped down remarkably.

OPERATIONS:

We have successfully completed another year of operation despite the economic recession worldwide affected by COVID-19 pandemic. As said earlier, total revenue of the company has been decreased by 57.11% from BDT 434.00 million to BDT 186.14 million mainly affected by COVID-19.

Gross profit in percentage has been 16% (BDT 31.08 million) in the year 2020-2021 which is an improvement in operation as compared to last year's gross profit of 11% (BDT 46.03 million).

Statement of related parties to operating expenses have been disclosed in the Annual Report. Basis of all parties' transactions is the funds received and funds paid only related to the business of exporting RMGs and importing related raw materials and payment of salaries/wages etc.

Desh Garments Limited

FINANCIAL RESULT:

Summarized comparative results for the years 2020-2021 and 2019-2020 are given below:

Figure in BDT	Yr- 2020-2021	Yr-2019-2020
Turnover (Exports)	186,139,687	434,005,332
Cost of Goods Sold	(155,054,059)	(387,976,885)
Gross Profit	31,085,628	46,028,448
Operating Profit	13,001,445	21,333,091
Other income	856,772	4,885,642
Net Profit before tax	4,114,320	6,410,549
Net Profit after tax	3,004,566	3,140,508
Earnings Per Share (EPS) - (Restated)	0.40	0.42
Net Assets Value (NAV) - (Restated)	19.70	19.43
Face Value of share (Tk.)	10.00	10.00
Net Operating Cash Flows per share - (Restated)	(0.39)	(0.65)

Board Meeting and Attendance:

Seven (7) board meetings were held during the year 2020-2021. The attendance record of the directors is as follows:

Name of Directors	Position	No. of Meetings	Attended
Mrs. Rokeya Quader	Chairman	07	07
Mr. Omar Quader Khan	Managing Director	07	07
	Deputy Managing		
Ms. Vidiya Amrit Khan	Director	07	07
Mr. Sajed Ahammad Sami	Independent Director	07	06
Mr. Subash Chandra Bose	Independent Director	07	07

Mr. Subash Chandra Bose has completed his tenure as the Independent Director on 17.10.2021. The Board has taken decision to appoint another Independent Director in his place.

Status of Shareholding

The Pattern of shareholding as on 30.06.2021 is as follows:

Sl. No.	Name-wise details	No. of Shareholding	Percentage %	Remarks
	Parent/Subsidiary/Associate Company			
	Directors, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children:			
i)	Directors:			

Desh Garments Limited

Mrs. Rokeya Quader	612,895	8.13	
Mr. Omar Quader Khan	2,622,441	34.80	
Ms. Vidiya Amrit Khan	1,133,199	15.03	
Mr. Sajed Ahammad Sami	-	-	Independent Director
Mr. Subash Chandra Bose	221		Independent Director
Company Secretary (CS)	-	-	
Chief Financial Officer (CFO)	-	-	
Head of Internal Audit (HIA)	-	-	
Executives (Top five salaried persons)			
ii) other than CEO, CS, CFO, HIA)			
Mr. Induka Nilupul Sudirikku	-	-	
Mr. Md. Zafrul Enayet Ullah	-	-	
Mr. Mohammed Nowsharat Shah	-	-	
Mr. Imam Hossain	-	-	
Mr. Mohammad Kamal Hossain	-	-	

Shareholders holding 10% or more voting right

Sl. No.	Name of shareholders	No. of Shareholding	Percentage %
1.	Mr. Omar Quader Khan	2,622,441	34.80
2.	Ms. Vidiya Amrit Khan	1,133,199	15.03

The Directors also report that-

The financial statements of the company presented here reflect true and fair view of the company's state of affairs, result of its operations, cash flows, and changes in equity.

Proper Books of Accounts as required by the law have been maintained. Appropriate accounting policies have been followed in formulating the financial statements and the accounting estimates were reasonable and prudent. The financial statements were prepared in accordance with International Accounting Standard (IAS) as applicable in Bangladesh. The internal control system is sound in design and it's effectively implemented and monitored. There are no significant doubts upon the company's ability to continue as a going concern.

REVALUTION OF ASSETS:

The cost valuation of the assets of the company was calculated on the basis of actual costs incurred during 1978 to 1980. Since then the average price levels of the company assets had increased substantially. In order to find the real asset value of the company, the lands, factory building, electrical installation, and road, bridges, and fencing were revalued during 1994-95 and the balance sheet was reconstructed on that basis of the asset revaluation resulting in appreciation of the lands factory building, and electrical installation and depreciation of road, bridges, and fencing. As mentioned earlier, we have started charging depreciating on the revalued surplus amount from 2017-2018 financial year.

Desh Garments Limited

FIXED ASSET REGISTER:

Fixed asset ledger was maintained properly throughout the year. Beside this, a fixed asset register is being maintained currently mentioning the code, location, and quantity of the company property, plant, and equipment.

WORKERS' PROFIT PARTICIPATION & WELFARE FUND:

Workers' Profit Participation & Welfare Fund is created regularly. Company paid amount of Tk.5,35,000/= Worker Profit Participation & Welfare Fund during the financial year, but did not contribute any fund to the Bangladesh Workers' Welfare Foundation which is to be done accordingly from coming years.

DIVIDEND PAYABLE:

Dividend payable under sponsor's portion appearing in the books of accounts since long. Directors decided not to withdraw the dividend payable to them till improvement of financial position of the company so that normal business activities remain uninterrupted with required cash flow.

CASH AND BANK BALANCE:

Some bank accounts are inactive and thus have become dormant. There has been no transaction in those bank accounts during the period. Application for those bank statements were made to the banks and received after finalizing the audit report.

DIVIDEND:

The Profit after Tax earned during the financial year under the report is BDT 3,004,566. Considering the current year's profits, the directors, recommended 5% cash dividend to General Shareholders and 3% cash dividend to Directors of the company.

MANAGING DIRECTOR'S REMUNERATION:

The Managing Director didn't draw any remuneration during the year under the report. Independent Directors are given allowance of BDT 5,000.00 per meeting.

RETIREMENT OF DIRECTOR BY ROTATION:

Mrs. Rokeya Quader has retired by rotation as per Article 122 of the Articles of Association of the Company according to her being eligible and seek for re-election as per Article 124.

INDEPENDENT DIRECTOR:

As an Independent Director Mr. Subash Chandra Bose has completed his tenure of 2 (two) term of services and retired from the Board. The Board has taken decision to appoint another one Independent Director in his place as per BSEC's Notification No. SEC/CMRRCD/2006-207/Admin/80 dated 03.06.2018.

APPOINTMENT OF AUDITORS:

M/s. MABS & J Partners, Chartered Accountants retire at this Annual General Meeting and M/s. MABS & J Partners, Chartered Accountants have expressed their willingness as per their offer letter No. D-3/MABSJ(B)/2021-22/1242 dated 28 October 2021 to be the Financial Auditors for the year 2021-2022. The Auditors are required to be appointed at this Annual General Meeting and their remuneration for the year ended 30th June, 2022 is to be fixed accordingly.

APPOINTMENT OF COMPLIANCE AUDITORS:

M/s. B.M. Nurul Azim & Co., Chartered Accountants have expressed their willingness as per their offer letter dated 27.10.2021 are required to be appointed at this Annual General Meeting and fixed their remuneration.

Desh Garments Limited

Key Personnel Benefit Disclosure:

Since the company does not have any compensation/benefit policy other than labor law defined benefit for the key management personnel. Below is the company's key personnel and the disclosure of benefit.

Sl	Name	Position	Short term employee benefit	Long term employee benefit	Other Long term benefit	Termination benefit	Share based payment
1	Mr. Md. Mizanur Rashid	Chief Financial Officer	No	No	No	No	No
2	Dr. K. Moulic	Company Secretary	No	No	No	No	No
3	Mr. Nazmul Huda Mullick	Head of Internal Audit	No	No	No	No	No
4	Mr. Induka Nilupul Sudirikku	Head of Garments	No	No	No	No	No
5	Mr. Md. Zafrul Enayet Ullah	DGM, Commercial	No	No	No	No	No
6	Mr. Mohammed Nowsharat Shah	AGM, Merchandising & Marketing	No	No	No	No	No
7	Mr. Imam Hossain	Merchandising & Marketing	No	No	No	No	No

MANAGEMENT APPRECIATION:

The Management takes this opportunity to thank all the shareholders, well-wishers, banks, and business associates for their sincere co-operation and understanding.

The Management also thanks the workers, staff, and officers of the company for their hard work and sincere efforts rendered which enabled the company to achieve a substantial growth during the reporting year.

The status of compliance as required in pursuance of notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 as latest amended by notification No.BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 of Bangladesh Securities and Exchange Commission is given in Annexure-02 and the audit committee report for the year 2020-2021 is also enclosed vide Annexure-03. The company has already form remuneration committee as per latest BSEC Corporate Governance Guidelines the Committee has started working on total activities, policy during the financial year, annual report.

Thanking you,



Rokeya Quader

Chairman

Dated : 28/10/2021