

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I would like to submit herewith the 29th Annual Report of the Company together with the audited Financial Statements for the year ended June 30, 2023 and the Auditors' Report thereon.

Prime Activities

Hamid Fabrics PLC (HFL) is one of the leading manufacturers of high-quality textiles in Bangladesh. Because of superior quality, HFL's products are nominated by globally renowned buyers for sourcing textile to RMG manufacturers in Bangladesh.

The product range offers 100% cotton fabrics as well as blended fabrics such as cotton/polyester, cotton/viscose, nylon/cotton and cotton/lycra. The weaving unit produces gray fabrics in various design and constructions such as Twill, Canvas, Oxford, Rib stop, Rib cord, Ottoman, Herringbone, and various dobby designs with weight range of 100-450 GSM. The finishing mix of Hamid Fabrics Limited comprises water repellent, fire proof, wrinkle free, teflon coating, aero finish and chintz finish etc. The major markets for HFL's products are the United States of America and the European Union.

Financial Results

The financial results are presented in brief below:

Amount in Taka

Particulars	2022 -23	2021-22
Revenue	2,743,589,110	2,510,534,603
Gross Profit	446,005,394	424,861,678
Operating Profit	186,801,512	195,096,973
Profit Before Tax	73,157,313	90,878,319
Net Profit	17,041,783	60,939,474
Retained earnings brought forward	931,780,685	887,994,474
Profit available for appropriation	931,365,231	931,780,685
Appropriation:		
Proposed cash dividend	22,135,576	22,135,576
Retained earnings carried forward	909,229,655	909,645,109

Dividend

The Board of Directors of the Company is pleased to recommend dividend @5% cash for general shareholders only for the year 2022-23 i.e., for the Shareholders other than Sponsors and Directors.

Additional statements by the Board of Directors as per notification dated 3 June 2018 of Bangladesh Securities and Exchange Commission

(i) Industry outlook and possible future developments in the industry

The textile sector of the Country is passing a critical time now. Stiff competition with peers in the Country as well as with other countries in this region, the sector shows a good trend of export for some time. Recently, Russia-Ukraine war has hit the globe not in terms of food and power supply only but also in financial and non-financial matters including the textile sector in our Country.

The government is providing fiscal and other incentives for the RMG sector to stay competitive in the

changing global business arena. The entrepreneurs along with their association, BGMEA are devising ways and means that include more involvement in research and development activities, product diversification and value addition.

(ii) Segment/Unit wise or product wise performance

Hamid Fabrics PLC has three production units: 1) Woven Fabric, 2) Gray Fabric and 3) Yarn Dyeing which are interdependent. Woven Fabric has installed capacity to produce 32.40 million yards of finished dyed fabrics annually. Weaving unit is a renovated unit having annual capacity of 9.88 million yards of gray fabrics and Yarn Dyeing unit has an annual capacity of dyeing 1.37 million kg of yarn. fabrics and Yarn Dyeing unit has an annual capacity of dyeing 1.37 million kg of yarn.

The following table illustrates the production capacity of different units and its utilization:

Particulars	Unit	Installed capacity	Utilization during the period	Utilization
Woven Fabric *	Yard	21,600,000	17,873,409	82.75%
Gray Fabric *	Yard	9,878,000	9,021,618	91.33%
Yarn Dyeing	Kg.	1,368,750	324,014	23.67%

iii) Risks and concerns

Risk refers to the variability of expected outcome, which is a complex and multifaceted phenomenon. Investment in equity securities involves a high degree of risk, which needs to be explicitly evaluated while making an investment decision. Hamid Fabrics Ltd is operating in an industry that is subject to both external and internal risks. Some of these risks can be managed while some are beyond control, which may result in loss for investors. However, the management of the Company constantly explores ways and means for mitigating such risks.

MANAGEMENT RISK

The textile industry of Bangladesh already experiences a great shortage of skilled management personnel. Because of high demand from employers, they tend to switch between jobs for financial and other benefits. Hence, if a key manager, executive or employee quits his/her job, it could affect business continuity, operating results and future growth of HFL. Management risk also arises from succession crisis if subsequent teams of leadership are not created within the organization.

Management perception about this Risk

The Company places a great importance to human resource and leadership development. The staff is brought under relevant on-the-job, in-house and external training programs. HFL recognizes the commitment and contribution of employees for the growth of the Company. A culture of objective performance appraisal and effective reward system has helped to create job-security and motivation of employees. As a result, HFL has relatively low employee turnover in key management positions. Key management team of HFL is almost unchanged for more than five years, which shows the general loyalty to the organization. HFL has developed layers of alternative leaderships in all critical areas of its activities.

OPERATIONS RISK

This involves the risk of not being able to maintain the expected performance by the Company. Such risk could arise from both internal and external factors discussed above such as industry, management, technology, regulations, utilities etc.

Management perception about this Risk

As explained above, operations risk could arise from a variety of factors. The risk mitigation strategies for such factors have been explained separately above. The experienced management team continuously monitors the new developments in these areas in order to take proactive measures to minimize any negative implications to the Company and capitalize on potential opportunities.

MARKET RISK

Market risk arises from adverse market conditions affecting sales and profitability of any Company. A few factors may trigger market risk for HFL such as changes in consumer behaviours, demographics, introduction of substitute products, competition and other unfavourable global conditions such as economic depression, wars etc.

Management perception about this Risk

HFL is a textile manufacturer producing inputs for the export oriented Ready Made Garment units in Bangladesh. Because of established track record of shorter lead time and quality of products, the Company enjoys a steady growth in supply orders with exception during the COVID-19 pandemic. In addition to this, strong research & development, marketing and brand management have helped the Company to increase its customer base. As a result, HFL has already achieved recognition from globally renowned buyers like Marks & Spencer, H&M, PVH etc.

INDUSTRY RISKS

Unexpected technological developments and regulatory changes that are specific to the Textile & Apparel industry might have an adverse impact on the business performance of the Company. It also involves the risk of increased competition arising from foreign and domestic textile manufacturers resulting in contraction of profit margin and loss of market share. Further, the textile industry is heavily dependent on the performance of RMG industry, which faces threats stemming from international competitors viz. China, India and Vietnam etc. Hence the textile industry of Bangladesh is always under pressure to deliver cost-efficient and quality fabrics.

Management perception about this Risk

HFL keeps pace with technological advancements using modern machineries and equipment. Moreover, the modern technology has not cannibalized the traditional manufacturing methods fully yet now such as hand looms indicating a lower level of obsolescence risk. The Textile & Apparel is a priority sector for the Government and it is unlikely that the Government will impose unfavorable regulatory changes to this industry.

(iv) Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

Amount in Taka

Particulars	2022-23	2021-22
Revenue	2,743,589,110	2,510,534,603
Cost of goods sold	(2,297,583,716)	(2,085,672,925)
Gross profit	446,005,394	424,861,678
Profit before tax	73,157,313	90,878,319
Net profit	17,041,783	60,939,474

Revenue and gross profit of current year have increased by 9.3% and 4.9% respectively compared to that of last year. The Company earned net profit of Tk. 17.04 million during the year against of Tk 60.94 million in the last year. The issue has been disclosed in the Financial Statements under note no. 42.

- (v) **Discussion of continuity of any Extra Ordinary gain or loss**
No such material gain or loss during the year.
- (vi) **Discussion on related party transactions**
Related party transactions are stated in note 35 of the Financial Statements.
- (vii) **Utilization of proceeds from Public Issue**
No such incidence during this financial year.
- (viii) **Explanation if the financial results deteriorate after the Company goes for IPO**
This is not applicable for Hamid Fabrics PLC (HFL) as it went for Initial Public Offering (IPO) in 2014 and no further offer of shares was made subsequently.
- (ix) **Explanation of significant variance occurs between Quarterly Financial Performance and Annual Financial Statements**
During First Quarter ended on September 30, 2023; revenue has decreased to Tk. 520.93 million from previous year of Tk. 833.14 million for reduction of sale orders from the global buyers. As a result, profitability during the quarter has decreased accordingly which has affected EPS and NAV severely. Cash flows during the quarter reduced due to less collection from the debtors and usual payment to suppliers and employees. Interest payment during the quarter increased caused by more short-term borrowing. That is why, net cash flows from operating activities decreased compared to that of previous year.
- (x) **Remuneration paid to Directors including Independent Directors**
Remuneration to Directors has been shown in note no. 28 of the Financial Statements.
- (xi) **Fairness of Financial Statement**
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. A declaration by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) in this regard is published on page 21.
- (xii) **Maintenance of proper books of account**
Proper books of account have been maintained by the Company.
- (xiii) **Adoption of appropriate accounting policies and estimates**
Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.
- (xiv) **Compliance with Accounting and Financial Reporting Standards**
International Accounting Standard (IAS), Bangladesh Accounting Standard (BAS), International Financial Reporting Standard (IFRS) and Bangladesh Financial Reporting Standard (BFRS), as applicable in Bangladesh, have been followed in preparation of the Financial Statements.
- (xv) **Soundness of Internal Control System**
Internal Control System is sound in design and has been effectively implemented and monitored.
- (xvi) **Protection of interest of minority shareholders**
The Board of Directors is very concerned of and committed to protection of interest of minority shareholders. Management has been instructed to take sincere and timely measures to address any valid grievances raised by the shareholders. Contact numbers with email address of the concerned person have been published on the website of the Company for communication.
- (xvii) **Ability to continue as going concern**
There is no significant doubt upon the Company's ability to continue as a going concern.
- (xviii) **Significant deviations in Operating Results compared to last year**
Revenue and gross profit of current year have increased by 9.3% and 4.9% respectively compared to that of last. The Company earned net profit Tk. 17.04 million during the year against of Tk 60.94 million in the last year. The issue has been disclosed in the Financial Statements under note no. 42.

(xix) Key operating and financial data of preceding 5 (five) years

Provided on page no. 18

(xx) Reasons for not declaring dividend

Not applicable.

(xxi) No bonus share or stock dividend has been declared or shall be declared as interim dividend

Management asserts that no bonus share or stock dividend has been declared or shall be declared as interim dividend

(xxii) Number of Board Meetings held during the year and attendance

Name of Directors	Meetings held	Meetings attended
Abdullah Al Mahmud	7	7
AHM Mozammel Hoque	7	7
Salina Mahmud	7	7
Nusrat Mahmud	7	6
Nabila Mahmud	7	7
Farhana Danesh	7	7
Dr. M. Waliuzzaman	7	7
Reazul Islam	7	7

(xxiii) Shareholding pattern as on June 30, 2023**(a) Parent/Subsidiary/Associated Companies and other related parties**

Name	No. of Shares held	% of holdings
Crystal Insurance Co. Ltd. (Common Director)	2,015,000	2.21

(b) Shareholding position:

Directors/ Sponsors	46,786,161	51.38
Institute	22,913,482	21.57
General Public	21,357,669	27.05
Total	91,057,312	100.00

(c) Directors, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children

Name	Status	No. of Shares held	% of holdings
Abdullah Al Mahmud	Managing Director	28,975,635	31.82
AHM Mozammel Hoque	Chairman	1,837,166	2.02
Salina Mahmud	Director	4,809,131	5.28
Nusrat Mahmud	Director	4,647,431	5.10
Nabila Mahmud	Director	4,647,431	5.10
Farhana Danesh	Director	1,848,000	2.03
ASM Mijanur Rahman	Company Secretary	-	-
Kazi Nasimuddin Ahmed	Chief Financial Officer	21,367	0.02
Md. Maruf Shahria	Head of Internal Audit	-	-

(d) Shareholdings of top five executives

Name	Status	No. of Shares held	% of holdings
Mir Azharul Islam	Chief Operating Officer	-	-
Mr. Md. Naeem Gawhar	Executive Director (Marketing)	-	-
Kazi Nasimuddin Ahmed	Chief Financial Officer	21,367	0.02
Md. Rezaul Haque	General Manager	-	-
Mahmudul Alam Jewel	Dy. General Manager	8,000	-

e) Shareholders holding 10% or more voting interest in the Company

Name	Status	No. of Shares held	% of holdings
Abdullah Al Mahmud	Managing Director	28,975,635	31.82

(xxiv) Appointment/ re-appointment of Directors

The following Director will retire as per Articles of Association of the Company and be eligible for re-appointment:

Mr. AHM Mozammel Hoque will retire in the AGM to be held on 28-12-2023 and is eligible for re-election as per Articles of Association of the Company.

Brief resume of the Directors:**Mr. AHM Mozammel Hoque**

Mr. AHM Mozammel Hoque is the Chairman of Hamid Fabrics PLC (HFL). He completed his Bachelors of Commerce degree from Jagannath College in 1960. He has been actively involved in the textile sector for more than 22 years. Prior to joining HFL, he was the Deputy Chief Accountant in Bangladesh Jute Mill Corporation (BJMC) for 26 years. After that he entered the RMG business in 1993. Apart from being a founder director of HFL, Mr. Hoque is also founder Director of Hamid Weaving Mills Limited, Tazrian Weaving Mills Limited and Crystal Insurance Company Limited.

(xxv) Unclaimed/unsettled/non-refunded Dividend and public subscription money against Initial Public Offering (IPO)

According to the Directive, Rules and Notification of the Bangladesh Securities and Exchange Commission (BSEC), the amounts held against unclaimed or undistributed or unsettled dividend (cash or stock) or non-refunded public subscription money against IPO for a period of three years from the date of declaration or approval or record date as the case may be, are required to be transferred to the Capital Market Stabilization Fund (CMSF) Account, maintained with Community Bank Bangladesh Ltd., Gulshan Corporate Branch, Dhaka.

The following payment regarding above has already been made during this year:

Cash dividend for 2018-19 Tk 81,776

Currently, the following years' dividends remain unclaimed with the Company as on June 30, 2023 totaling to Tk 1,403,014:

Cash dividend for 2019-20 Tk 285,435

Cash dividend for 2020-21 Tk 437,742

Cash dividend for 2021-22 Tk 679,837

Shareholders can claim their dividend entitlements and bonus shares transferred to the CMSF by following the necessary steps as mentioned in the CMSF Rules.

Directors Responsibilities for Financial Statements

The Financial Statements together with notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 2020. These statements present fairly the Company's state of affairs, the result of its operation, cash flow and changes in equity.

- i) Proper books of accounts of the Company have been maintained.
- ii) Appropriate accounting policies have been applied consistently in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.
- iii) The International Financial Reporting Standard, as applicable in Bangladesh, has been followed in the preparation of the financial statements.
- iv) The systems of internal control are sound and have been implemented and monitored effectively.
- v) There are no significant doubts upon the Company's ability to continue as a going concern.
- vi) The key operating data and financial data for the last 5 (Five) years stated on page – 18

Chief Financial Officer, Head of Internal Audit and Company Secretary

The Company has distributed clearly defined responsibilities to the following positions for smooth functioning of activities of the respective departments:

Chief Financial Officer	: Kazi Nasimuddin Ahmed
Head of Internal Audit	: Md. Maruf Shahria
Company Secretary	: ASM Mijanur Rahman

Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB) has assigned the following ratings to Hamid Fabrics PLC:

Long Term	Short Term	Outlook
AA ₃	ST - 2	Stable

AA₃ implies that companies rated in this category have very strong capacity to meet financial commitments. These companies have been judged to be of very high quality, subject to very low credit risk.

ST – 2 indicates that the degree of safety regarding timely payment on loans/ facilities is strong.

The outlook of the Company is projected to be stable.

Corporate Social Responsibilities

The Company provided financial support to the poor for medical treatment.

Priority of employment facilities for eligible member of the deceased employees' families.

Scholarship to the meritorious students of employees.

Auditors

M/S Hoda Vasi Chowdhury & Co., Chartered Accountants has audited the Financial Statements of Hamid Fabrics PLC for three consecutive years including this year (2022-23). They are not eligible for being auditor of the Company for the next year (2023-24) as per BSEC directives. Therefore, the Board recommended to appoint M/S Zoha Zaman Kabir Rashid & Co., Chartered Accountants as Auditors of the Company for the year 2023-24.

Professional Firm for compliance of Corporate Governance Code

The Board of Directors has recommended M/S Ali Zahir Ashraf & Co., Chartered Accountants for certification on the Corporate Governance Code for the year 2023-24.

Amendment of Articles of Association of the Company

To adopt and approve addition of a clause in the Articles of Associations of the Company by adopting the following special resolution:

“RESOLVED THAT insertion of the following clause in the Articles of Association be and is hereby approved -

74 A. The Board may issue Corporate Guarantee to any Bank or FI or any other Financial Organization or favoring any Company of the Group or Associate Company and stand as Guarantor for availing credit facilities under whatever term it may be called.”

The Shareholders are now requested to consider and adopt the annual Financial Statements, Auditors’ report, Directors’ report, and other reports for the year 2022-23 and the special resolution.

Thank you very much!

On behalf of the Board of Directors,

Sd/-
AHM Mozammel Hoque
Chairman