

Directors' Report

Honourable Shareholders

The Board of Directors' of Stylecraft Limited, also referred to as the "Company" in the report hereafter, are pleased to submit the Directors' Report of the company for the fiscal year ending June 30, 2020 according to section 184 of the Companies Act, 1994, Rule 12 (and the schedule there under) of the Securities and Exchange Rules, 1987, BSEC Order No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 and International accounting Standards (IAS-1) as adopted by the Institute of Chartered Accountants of Bangladesh in the following paragraphs:

Industry outlook & possible future developments

The outbreak of the covid-19 pandemic created highly uncertain circumstances for RMG businesses. There has been a considerable fall in the sales of ready-made garments all over the world. The RMG industry of the country had somehow managed to cope with the first wave of global pandemic covid-19 with the direct intervention of the honourable Prime Minister where BDT 10,500 crore stimulus loan support given by the government. During the lockdown, the company did not make any profit but had to pay the wages of thousands workers.

3rd quarter of financial year 2019-20 was frustrating for lockdown whereas the country's export witnessed a positive growth in the first quarter of the current fiscal year 2020-21, riding on the reinstatement of the orders previously cancelled or held up due to the pandemic.

The gradually narrowing gap between pricing and costing is emerging as a big challenge. The entrepreneurs also fear that exports might see a further fall with the second wave of covid-19 turning more serious. Buyers and retailers of most brands have already asked apparel manufacturers to delay shipments or ready goods for a month or more. Moreover, this year Christmas sales might also get affected as destination countries are going to observe this festival in a very subdued way.

Considering the situation, BGMEA have sent a letter to the finance ministry, seeking a deferment on repayments of stimulus loans for six more months.

However, there are still some nuggets of hope in continuing apparel exports. If the destination countries can avail covid-19 vaccines by January next year, they will be able to control the situation, which will help the country's exports to those countries remain at good position.

Segment wise or product-wise performance

The Company manufactures menswear and womenswear for some of the leading global fashion brands with diverse shade, quality, recipe, colour, weight, fashion etc. which is only product of the business. Thus, the core revenue of the company is coming from direct export against back to back LC. Cash incentive received from the government is also a part of revenue.

Revenue	2019-20	2018-19	Growth/Decline (Amount)	
			Amount	In (%)
Direct export	2,008,710,637	3,461,797,975	(1,453,087,338)	(41.97)
Export cash subsidy	45,225,495	57,977,700	(12,752,215)	(22.00)
Total	205,39,36,132	351,97,75,685	(1,465,839,553)	(63.97)

Investment in CDBL

The company is a sponsor shareholder of Central depository Bangladesh Limited. The company purchased 2 shares with the face value of BDT 10 Lac per share in the year 2000. At present, the company is holding 11,42,361 shares with the face value of BDT 10 per share.

Last year, the company received BDT 28,55,903 as against cash dividend.

Risks and Concerns

RMG sector of the country is facing the biggest risk of reduced price and volume of work order from buyers due to pandemic covid-19. Stylecraft Limited has a number of other internal risks and external risks associated with global demand and supply chain, fiscal and monetary policies of govt., international trade barriers, increasing production cost etc. Moreover, the company is also exposed to interest rate risk as it is availing working capital loan with various interest rates.

To minimize the interest rate risk and dependency on borrowed fund, the company is emphasising on equity based financing. Compliance team of the company is instructed to comply with all the rules and regulations prescribed by the regulators to avoid any non-compliance which can cause pecuniary consequences and affects the reputation of the company.

Risk and concerns related to financial statement has been disclosed in note number 2.30 of the financial statements.

Discussions on cost of goods sold, gross profit margin and net profit margin

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16
Cost of Goods Sold	1910.22	3,296.69	3,062.39	2,921.50	1,063.14
Gross Profit	143.71	223.12	191.87	168.84	66.59
Net Profit after tax	6.69	39.10	15.54	28.86	10.71

Discussion on continuity of any Extra-Ordinary gain or loss

No event of extra ordinary gain or loss occurred during the reporting period which would require to adjustment or disclosure in the financial statements.

Related Party Transaction

The company did not involve in any related party transactions so far.

Significant Variance between Quarterly and annual Financial Statements

Particulars	Q1	Q2	Q3	Q4	Total
Revenue (Million BDT)	498.71	487.08	700.35	367.80	2053.94
Growth/decrease Q to Q (in %)	-	(2.33)	43.79	(47.48)	-
Net Profit After Tax	3.92	2.27	9.61	(9.11)	6.69
Growth/decrease Q to Q (in %)	-	(42.09)	323.35	(5.20)	-

Remuneration of Directors

Directors who engaged in the company's day to day operation are receiving remuneration and other benefits whereas Non-executive and Independent directors did

not receive any remuneration other than board meeting attendance fees. Board Meeting attendance fees for attending each meeting is BDT 5,000. Remuneration of directors has been shown in notes no: 22 of the financial statement.

Fairness of Financial Statements

The financial statements together with the notes thereon of the Company present true and fair view of the Company's state of affairs result of its operation, cash flows and changes in equity.

Books of Accounts

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

Accounting Policies

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

Application of IAS/BAS & IFRS/BFRS

International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

Internal Control

The board of directors of the company has designed an internal control system to manage the company's risks within an acceptable risk profile. The board has also established an organizational structure which clearly defined lines of accountability and delegated authority. The internal control team aims for the efficiency of operations, reliability of financial reporting, risk management, compliance with rules, regulations by the regulators and company's policy's. The Audit Committee of the company regularly gives suggestion and recommendation for an effective internal control system.

Minority Interest

In compliance with code 1(5) (XVI) of Corporate Governance Code, the board hereby confirms that the interests of the minority shareholders have been duly protected in the company.

Going Concern

There are no doubts upon the company's ability to continue as a going concern.

Significant Deviation in operations result compared to the last year

The pandemic-induced shutdown, decrease in sales and overall impact of covid-19 are the reasons for decreasing current year sales, net profit after tax, EPS and NOCFPS.

Key operating and financial data

Key operating and financial data of last five years have been presented in summarized form in page no 14 of this report.

Dividend

The board of directors has recommended 10% stock dividend i.e. total 10% dividend in its meeting on October 29, 2020 for the year June 30, 2020 (subject to the approval in the forthcoming AGM) to those shareholder whose names will appear in depository Register of CDBL as on Record date i.e. November 19, 2020.

Disclosure for issuing bonus Shares:

- Bonus share has been recommended in view to utilizing its retained amount as capital for business expansion as well as working capital;
- Bonus shares *is declared out of accumulated profit*;

- Bonus share is not declared from capital reserve or revaluation reserve or any unrealized gain or out of profit earned prior to incorporation of the company or through reducing paid up capital or through doing anything so that the post dividend retained earnings become negative or debit balance.

Interim Dividend

No bonus or stock dividend was declared as interim dividend during the period.

Number of board meetings held during the year and attendance

The number of Board meetings held during the year and attendance of directors thereof has been disclosed in Annexure-I of this Annual Report.

Pattern of shareholding

The patterns of share holding of the Directors and others as on June 30, 2020 are shown in Annexure-II of this report.

Corporate Social Responsibility

Stylecraft Limited is continuing to contribute to the Bangladesh Thalassemia Foundation to aid patients suffering from Thalassemia in Bangladesh.

Director's Retirement & Re-appointment:

As per article 126 of the articles of association of the company, the following two (2) directors will retire from the office of directorship of the company in the ensuing 37th Annual General Meeting of the company:

1. Mr. Omar Golam Rabbani
2. Mrs. Dr. Almas Begum

Being they are eligible for re-election as per clause No: 128 of the Articles of Association of the Company, they applied for re-election.

Brief resume of the appointee directors is stated in Page No. 11 in compliance with the provision 1.5 (xxiv) of Corporate Governance Code.

Independent Director:

2nd term of Mr. Moslehuddin Ahmed, Independent Director of the company will end after 37th AGM. The Board of Directors of the company decided to show honour and gratitude to Mr. Moslehuddin Ahmed for his long service with the company. The Board also decided to appoint new Independent Director very shortly.

Statutory Auditor:

In the 36th AGM, members of the company appointed S.K. Barua & Co., Chartered Accountants as Statutory auditor for the year ended on June 30, 2020 until the conclusion of the 37th Annual General Meeting at a remuneration of Tk. 1,50,000/- (Taka one lac fifty thousand only).

Being eligible, they have expressed their willingness to be appointed as statutory auditor of the company for the next financial year with reasonable increase of their audit fees.

In recommendation of the audit committee, the Board of Directors in their meeting held on October 29, 2020 proposed to appoint S.K. Barua & Co., Chartered Accountants as statutory auditor of the Company until the conclusion of the next AGM for auditing the Financial statements of the company for the year ended June 30, 2021 upon getting final approval from the Shareholders of the company.

Moreover, statutory auditor did not engage with the company for performing any activities which are laid in condition no.7 of corporate governance code.

Compliance Auditor:

In the 36th AGM, members of the company appointed Ahsan kamal Sadek & Co., Chartered Accountants as compliance auditor for the year ended on June 30, 2020 at a remuneration of Tk. 60,000/- (Taka sixty thousand only).

Being eligible, they have expressed their willingness to be appointed as compliance auditor of the company for the next financial year with reasonable increase of their audit fees and in recommendation of the audit committee, the Board of Directors in their meeting held on October 29, 2020 proposed to appoint Ahsan kamal Sadek & Co., Chartered Accountants as compliance auditor of the Company for the year ended on June 30, 2021 upon getting final approval from the Shareholders of the company.

Management Discussion and Analysis:

A detailed management discussion and analysis is given in page no. 27 as per condition no. 1.5 (xxv) of Corporate Governance Code.

Declaration by the Managing Director & CFO:

Declaration by the Managing Director & CFO has been given on page no: 31

Report and compliance with Corporate Governance Code:

A report on compliance with conditions of Corporate Governance Code is given on page no. 32 this annual report. Further, Corporate Governance Compliance is shown on page no. 33 to 39 of this report.

Board Committees

At present, Stylecraft Limited has two (2) sub-committees of the board. One is Audit committee and the other is Nomination and Remuneration Committee (NRC). These committees have their own Terms of Reference (TOR) in accordance with the corporate governance code. These committees consist of three (3) Board members including one (1) independent director, who is also the chairman of the committee.

Sub-committees of the board organize meeting regularly and advise board of directors on different important issues.

Acknowledgement

We take this opportunity to express our deep appreciation and gratitude to all our foreign buyers, government agencies, banks, financial institutions, The Bangladesh Securities and Exchange Commission, the Dhaka Stock Exchange Limited, suppliers, service providers and valued shareholders for their active support and co-operation.

The progress that has been made by your company would not have been possible without the hard work and dedication of our employees. We offer our sincerest thanks to each and every employee for his or her wholehearted commitment.

Thanking you

On behalf of the Board of Directors



Omar Golam Rabbany

Chairman