

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Tosrifa Industries Limited (TIL) takes the pleasure to welcome you to the 18th Annual General Meeting (AGM) of the Company. We are presenting the Audited Balance sheet, Income Statement, Statement of changes in equity and Cash Flow Statement for the year ended on 30 June 2020 along with auditors' report thereon.

In this current moment, the whole world is passing an unprecedented situation that affects our business adversely as like other and also our factory was shut down more than one month as per BGMEA order to stop the outbreak of Covid-19 virus. After that, our production supply chain severely hampered whenever we had run the factory again and Global buyers were cancelled or deferred the confirmed orders. On the other side, maintaining social distance among the workers in the Garments Production process is significantly clogged due to stop the spread-out of coronavirus. Considering all of these factors, your company was not able to perform as expected. We wish all of your good health in this global pandemic situation.

Company Profile

Tosrifa Industries Limited (TIL), a 100% export oriented readymade composite knit garments manufacturing company, was incorporated on August 27, 2002 as a private limited company. Subsequently, the company converted into a Public Limited Company on 18th August, 2011. TIL is a sister concern of Northern Tosrifa Group (NTG) which have nine (9) business units having exposure in readymade garments (Knit), printing and packaging sectors. The company went into commercial operation in 2005 and since then it has been engaged in knitting and manufacturing knit wears for various buyers in Europe and USA. TIL started the business with paid-up capital of Tk.0.50 million against the authorized capital of Tk.20.00 million. The Company has subsequently enhanced its paid-up capital to Tk.631.69 million against the authorized capital of Tk.1,000.00 million as on June 30, 2020 through issue of shares. After that the company also issue stock dividend of Tk.31.58 million as on June 30, 2019 and currently the company operating with paid up capital Tk.663.27 million against authorized capital Tk.1,000.00 million. The company floated its shares to the public through IPO and raised total Tk.638.72 million and the shares were listed in both Dhaka and Chittagong Stock Exchanges as on June 08, 2015 and May 21, 2015 respectively. The share is currently traded as 'B' category share. The company achieved LEED Certificate (Platinum category) for green factory building. Due to its endeavor to standardize management system the company was also awarded different certificates such as ISO 9001:2015 (QM); Oekotex Certificate, Certificate of Compliance (GOTS) 5.0. The management is being led by Mr. Mohim Hassan as its Managing Director.

Our Business

The Company is currently manufacturing all kinds of Knit Garment products with some reputed fashion brands in the world like Original Marine, Next, Toray, Sports Master, Gustav Daiber, Carrefour and LPP. We immensely informed you that your Company has established a Knit Fabric Dyeing unit division at Beriderchala, Sreepur, Gazipur where superior quality knit garments products were manufactured with minimum wastage. This current fabric dyeing unit along with the extended sewing capacity can facilitate to deliver the high growth in near future to generate the long-term value addition to its all stakeholders. But, Cost of doing business is continuously increasing in Bangladesh. On the other hand, profit margins of garment products are continuously declining in the international market.

Infrastructure and Facilities

The company has two manufacturing units respectively sewing unit and Knitting & dyeing unit.

Sewing section is located at 135, Gopalpur, Munnu Nagar, Tongi, Gazipur on 396 decimals of owned land area with 7 storied building with a floor space of approximately 1,90,400 sft, one 4 storied administrative & compliance building with a floor space of 27,600 sft. and one bonded warehouse with a space of 24,000 sft.

The sewing section has been operating with 740 sewing machines and laid-out 32 lines (of which 16 line added from February 2019). The unit-1 has own power substation with capacity of 800 KW and 2 sets diesel generators with total capacity of 1,000 KW. The plant has sufficient safety instruments like fire fighting equipment, hose pipes, smoke detectors to protect against fire and also has canteen, child care and doctor facility within the factory premise.

Knitting & dyeing section is located at Sreepur Gazipur on total land area of 1,255 decimals (out of which 437 decimals in the name TIL and rest 818 decimal lease agreements with its sister concern namely Northern Knit Ltd.). The unit has one 3 storied knitting building with floor space of 1,03,921 sft., one 3 storied warehouses with floor space of 76,000 sft, two 1 storied dyeing building with total floor space of 1,18,000 sft., water treatment plant and chemical warehouse with total area of 30,000 sft, ETP area of 15,000 sft and substation area of 6000 sft.

The knitting section has been operating with 35 circular knitting machines, 24 flat knitting machines which has been shifted from Gopalpur, Munnu Nagar, Tongi, Gazipur. The dyeing section is equipped with different types machineries namely 2 sets C.P.B, 9 sets dilmenlar, 1 set bleaching, 1 set washing, 1 set OBA, 2 sets stanter, compactor 2 sets, dyer 1 set, raising brush 1 set, sueting 1 set, senzing 1 set, sharing 1 set, garments 3 sets washing machine and 3 sets dyer. All machineries have been imported from Japan, China, Germany, Singapore and Taiwan for dyeing project. This unit has own power substation with capacity of 4000 KVA and 3 sets diesel generators with total capacity of 2850 KVA and has industrial gas line for boiler (4 sets boiler with capacity total 8 MT per hour), thermal boiler capacity of 30 lac KW. The unit also has sufficient safety instruments like firefighting equipment, hose pipes, smoke detectors to protect against fire.

Economic Outlook and Market Overview

The economic and health crisis created by the coronavirus pandemic hit all types of business around the world and fashion industry faces the same. Some reputed fashion Brand were declared as Bankrupt and some Brands are continuing their operation in limited way but it will require some time to return back to the normal. Bangladesh's RMG export goes mostly in the American and European countries where the COVID-19 has disrupted billions of lives and stop the development progress. Now we are living in an unknown world and we don't know when and how will happen in the future. Though we have returned to our operation after lockdown but future growth absolutely depends on the speed of recovery of the world's economy. We are hopeful that demand is likely to return to pre-covid level within 2021 as the numbers indicate a positive shift in Bangladesh's apparel exports.

Segment-wise & Product-wise Performance

During the financial year 2019-20 the revenue details was as under:

Type of sales	Amount in Taka	
	30 June, 2020	30 June, 2019
Export of readymade garments	1,520,344,501	1,678,756,645
Deemed export	436,371,990	279,733,540
Total	1,956,716,491	1,958,490,185

Product-wise Performance:

Particulars	1 July, 2019 to 30 June, 2020		1 July, 2018 to 30 June, 2019	
	Quantity	Amount	Quantity	Amount
Polo Shirt	1,225,141	437,375,337	1,458,004	420,360,664
T - Shirt	1,656,982	526,125,097	1,941,327	518,567,928
Tank Top	682,701	178,922,278	904,170	212,362,716
Others	1,462,427	377,921,789	1,779,794	527,465,338
Total	5,027,251	1,520,344,501	6,083,295	1,678,756,645

Capacity Utilization

Section	Installed capacity			Utilization for the period	% of utilization	Over/(under) utilized
	Per day		For 1/year			
	Ton/PCS	Ton/Pcs	Ton/PCS	Ton/PCS	%	Ton/PCS
Knitting (ton)	8.50	-	2,550	1,913	75%	(637)
Dyeing (ton)	22.00		6,600	4,033	61%	(2,567)
Sewing- basicT-shirts (PCS)	34,500		10,350,000	5,027,251	49%	(5,322,749)

Notes:

- a) 300 days have been considered as working days for the period of 1 year;
- b) The capacity varies depending on sophistication of the product. For higher grade products, the capacity decreases from the mentioned level.
- c) Sewing capacity for "Basic T-Shirt" is 34,500 pieces per day. The capacity varies depending on the sophistication of the product. For higher grade products, the capacity decreases from the mentioned level.
- D) Capacity utilized in knitting section is 75%, i.e. 1913 ton.
- E) Capacity utilized in Dyeing section is 61%, i.e. 4033 ton.
- F) Capacity utilized in sewing section is 49%, i.e. 50,27,251 pieces.

	Amount in Taka	
	June 30, 2020	June 30, 2019
Cost of sales		
Opening inventories of raw materials	315,429,047	209,169,752
Raw materials (yarn)	208,851,536	183,488,734
Raw materials (finished fabrics)	41,907,252	16,896,425
Raw materials dyes & chemical	40,930,881	335,441
Raw materials (accessories)	13,555,765	5,015,444
Needle and spare parts	10,183,612	3,433,708
Add: Raw materials purchased during the year	969,351,369	1,018,311,025
Yarn	628,850,713	635,089,124
Finished fabrics	27,763,605	34,510,246
Dyes & Chemical	131,150,928	166,718,136
Accessories	166,375,226	172,655,573
Needles and spare parts	15,210,897	9,337,946
Raw materials available for use	1,284,780,416	1,227,480,777
Less: Closing inventories of raw materials	248,354,988	315,429,047
Raw materials (yarn)	160,489,818	208,851,536
Raw materials (finished fabrics)	40,674,767	41,907,252
Raw materials dyes & chemical	30,375,930	40,930,881
Raw materials (accessories)	7,320,151	13,555,765
Needle and spare parts	9,494,322	10,183,612
Raw materials consumed	1,036,425,428	912,051,730
Add: Direct expenses	312,915,889	307,741,618
Prime cost	1,349,341,317	1,219,793,348
Add: Factory overhead	520,823,689	461,061,652
Cost of production	1,870,165,005	1,680,855,001
Add: Opening inventories of work-in-process	87,361,873	84,335,742
Manufacturing cost at standard	1,957,526,878	1,765,190,743
Less: Closing inventories of work-in-process	133,098,424	87,361,873
Cost of goods manufactured	1,824,428,454	1,677,828,870
Add: Opening inventories of finished goods	60,723,107	41,630,778
Goods available for sale	1,885,151,561	1,719,459,648
Less: Closing inventories of finished goods	69,943,878	60,723,107
Cost of Sales	1,815,207,683	1,658,736,541

Due to world-wide spread out of COVID-19, the RMG business of Bangladesh faced a negative trend. As consequence of it there was scarcity of orders from the buyers. So RMG industry of Bangladesh needed to take orders at FOB prices where costs of goods sold was higher than as usual. Tosrifa Industries Limited was also one of the sufferers of this impact. So, the Cost of Goods Sold during 2019-20 was rationally higher considering the sales value. Moreover, in April-2020 the factory was fully closed and in May and June-2020 the factory ran at lower capacity utilization for maintaining social distance due to COVID-19. But the Company needed to pay salary wages to all workers and staff & utility expense. These matters increased the cost of goods sold against the sales value remarkably in 2019-20.

Risk Factors

There are various risk factors has been associated with carry out the business activities. Although, the risks of the industry are continuously evolving, the Company has taken reasonable steps to identify material risks that could have hampered the Business of the Company and had adopted preventive measures in this respect.

(a) Liquidity risk

Liquidity risk is one of the major risk that encounter directly in meeting the obligations associated with its financial liabilities that have to be settled by delivering cash or another financial assets or liabilities. The Company's approach in managing liquidity is to ensure that it will always have sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputations.

(b) Foreign currency risk

The risk that the fair value of future cash proceeds of a financial instrument might fluctuate because of adverse changes in foreign exchange rates. The company experiences currency risks on export of sales & purchase of raw materials, capital machinery, accessories and other items.

(c) Interest rate risk

Interest rate risk arises from the fluctuation of interest rate assigned with certain financial asset or liabilities. Exposure to interest risk of the Company at the reporting dates is only related with outstanding loan/commitment having its relation to LIBOR plus interest rate.

(d) Raw Cotton Price Risk

Raw cotton price fluctuation is directly affected by Ready Made Garments industry manufacturer when we have largely dependent on global market.

(E) Industry Risk

Due to increase of raw materials price most RMG Exporter of the world are currently struggling to hold on their own position. Although, As a Preferred destination of most of the RMG buyers in the world we constantly focus to develop our system, employees skills and efficiency that directly impact on productivity by using the latest technology. Also, we are expecting the continuous government support to improve the infrastructural development.

Extra Ordinary Gain/Loss

There is no extra ordinary gains or losses during the reporting period.

Related party Transactions

There have been no materially significant related party transactions between the Company and the Directors, the management, the subsidiaries or the relatives except for those disclosed in the financial statements in Note:38.00 in accordance with relevant Bangladesh Accounting Standards (BAS).

Nomination & Remuneration Committee (NRC):

Nomination and Remuneration Committee (NRC) has been already formed as per provision of Corporate Governance Guidelines Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 by Bangladesh Securities and Exchange Commission (BSEC) and details discussion has presented in Annexure – IV.

Minority Shareholders Protection:

The Board is and shall be committed to respect the rights of the minority shareholders to voting, right to information, dividends and appraisal of any alteration in Memorandum and Articles.

Reappointment of Statutory Auditor

“M/S Shiraj Khan Basak & Co.” Chartered Accountants the present statutory auditor of the company Retired at this Annual General Meeting, being eligible and offered themselves for re-appointment. The Board recommended to re-appoint existing M/S Shiraj Khan Basak & Co.” Chartered Accountants as statutory auditor of the company for the year 2020-21 at remuneration of TK. 4,25,000.00 only as same as previous financial year subject to approval in the forthcoming 18th AGM.

Compliance Auditor

The 17th AGM held on 23rd December 2019 approved the appointment of M/s Poddar and Associates, Cost Management Accountants, as the compliance auditor of the company to audit the “Corporate Governance Code” for the year 2019-20 and their re-appointment and remuneration will be approved in the forthcoming 18th AGM.

Re-constitution of Board

Md. Nasirul Islam one of the Independent Directors of Tosrifa Industries Limited passed away at 5:30 AM on 09-July-2020 at the age of 68 years after being positive COVID-19.

In order to fill-up the vacant position of Independent Director, the Board of the Company has appointed Mr. Ariful Isalm as Independent Director of the Company effective from 05-October-2020 subject to approval in 18th AGM.

In the last 17th AGM of the Company held on 23-December-2019, Mr. Rafiq Hassan and Mrs. AnjumanAra Begum - Shareholder Directors of the Company retired as per Article No. 129 of Articles of Association of the Company and being eligible they offered themselves for re-election and re-elected.

The present Board details is as under:

Rafiq Hassan	Chairman
Mohim Hassan	Managing Director
Naim Hassan	Director
Lyra Rizwana Quader	Director
Anjuman Ara Begum	Director
Hasib Uddin Ahamed (Northern Corporation Limited)	Nominated Director
Prof. Dr. khondaker Mohammad Shariful Huda	Independent Director
Md. Ariful Islam	Independent Director

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:

	2019-20	2018-19	2017-18
Un-appropriated Profit from previous Year	461,696,591	459,380,397	440,970,816
Less: Prior Year Adjustment if any		-	-
Adjusted Un-appropriated Profit from previous Year	461,696,591	459,380,397	440,970,816
Add: Net Profit after Tax for the Year	(190,248,740)	7,787,306	79,922,111
Add: Realization through use of Revaluation Reserve	638,135	1,161,582	1,655,990
Total Available for Appropriation (a)	2,72,085,986	468,329,285	522,548,917
Appropriation Proposed:			
Proposed Dividend:			
Cash Dividend	0.00	6,632,694	31,584,260
Stock Dividend	-	31,584,260	
Total Dividend (b)	0.00	6,632,694	63,168,520
Balance Carried Forward (a-b)	2,72,085,986	461,696,591	459,380,397

Significant Variance/Deviation in Performance & Dividend Declaration

Due to world-wide spread out of COVID-19, the RMG business of Bangladesh faced a negative trend. As consequences of it there was scarcity of orders from the buyers. So RMG industry of Bangladesh needed to take orders at FOB prices where costs of goods sold was higher than as usual. Tosrifa Industries Limited was also one of the sufferers of this impact. So, the Costs during 2019-20 was rationally higher considering the sales value. In addition, for COVID-19, TIL has faced cancellation of confirmed orders and in some cases TIL gave discounts to the buyers for future businesses.

Moreover, in April-2020 the factory was fully closed and in May & June-2020 the factory ran at lower capacity utilization for maintaining social distance and health safety compliances for preventing COVID-19. But the Company needed to pay salary wages to all workers & staff, utility expenses and other operational expenses as regular. For factory closures and lower capacity utilizations, it was not possible to make shipments on-time, so there needed to make air freights which increased the costs significantly.

These matters increased the Costs against the sales value remarkably in 2019-20.

Due to these above facts the Earnings Per Share (EPS) became negative at Tk. (2.87) for the year ended on June 30, 2020 and Board of Directors recommended no dividend.

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.

Directors Remuneration

The remuneration of directors has been presented in note: 40.00 in the notes of the financial statements

Financial Strength And Solvency

Particulars:	FY2019-20	FY2018-19	FY2017-18	FY2016-17	FY2015-16
Current Assets	944.94	1,114.77	770.77	699.37	1074.64
Less: Current Liabilities	1,233.28	1,393.04	792.96	568.92	304.87
Net Current Assets	(288.34)	(278.27)	(22.19)	130.45	769.78
Non-Current Assets:	3162.65	3,217.53	2,839.62	2,256.05	1,374.27
Net Capital Employed	2,874.31	2,939.26	2,817.41	2,386.50	2,144.05
Finance By:					
Non-Current Liability	970.26	838.33	692.70	278.53	43.62
Shareholders' Equity:					
Share Capital	663.27	663.27	631.69	631.69	631.69
Share Premium	433.05	433.05	433.06	433.06	433.06
Revaluation Reserve and Surplus	535.63	536.27	537.43	539.08	541.19
Retained Earnings	272.08	468.33	522.55	504.14	494.49
Total	2,874.31	2,939.26	2,817.43	2,386.50	2,144.05
Leverage Ratio (X)	1.16	1.06	0.70	0.40	0.17

LIQUIDITY AND FUND FLOW ANALYSIS

LIQUIDITY INDICATORS	FY2019-20	FY2018-19	FY2017-18	FY2016-17	FY2015-16
Current Ratio (X)	0.76	0.80	0.97	1.23	3.52
Quick Ratio (X)	0.34	0.38	0.55	0.86	3.02
Operating cash flow (Tk. in million)	7.29	(58.62)	118.94	116.91	64.67
Net working capital (Tk. in million)	(288.06)	(227.27)	(22.19)	130.45	769.78

PROFITABILITY ANALYSIS

Particulars	FY2019-20	FY2018-19	FY2017-18	FY2016-17	FY2015-16
Gross Profit Margin	7.23%	15.30 %	19.00%	18.81%	16.59%
Operating Profit Margin	(1.45%)	5.91 %	7.43%	7.78%	7.44%
Net Profit Margin	(9.72%)	0.39 %	6.39%	6.91%	7.79%
Return on Equity	(9.99 %)	0.37%	3.76%	3.95%	5.27%
Return on Asset	(4.63%)	0.18%	2.21%	2.82%	4.52%

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on latest Corporate Governance issued by the Bangladesh Securities and Exchange Commission. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. If the going concern assumption is considered by the management to be invalid, the financial statements of the entity would need to be prepared on break up basis. TIL has adequate resources to continue operations into the foreseeable future.

Acknowledgment

We thank our customers, vendors, investors, business associates and bankers for their continued support during the years. We place on record our appreciation of the contribution made by workers and employees at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support. We thank the Government of Bangladesh, and Government Agencies and Regulatory Bodies-BSEC, DSE, CSE, CDBL, RJSC, NBR and others related parties for their support and look forward to their continued support in the future.

On Behalf of the Board,

Sd/-

Rafiq Hassan

Chairman

08 December 2020