



## **Directors' Report To the Shareholders for the year ended 30 June, 2018**

Bismillahir Rahmanir Rahim

### **Distinguished Shareholders,**

Assalamu Alaikum Wa Rahmatullah

On behalf of the Board of Directors of the Deshbandhu Polymer Limited, I am delighted to welcome you to the 12th Annual General Meeting of your company and have the pleasure of presenting the Annual Report along with Audited Financial statements for the year ended 30 June, 2018.

The Board of Directors has the pleasure in presenting the Annual Report for the year ended on 30th June 2018. We present this Annual Report in compliance with the Companies Act, 1994 and the guidelines issued by Bangladesh Securities and Exchange Commission Rules 1987 and the Listing Rules of the Dhaka Stock Exchange Limited & Chittagong Stock Exchange Limited and other applicable rules and regulations.

### **Management's Discussion and Analysis:**

Due to new enactment on using pp woven bags, the market demand has drastically further fallen down, despite that, our challenge in the financial year 2017-2018 was to increase sales volume and increase profitability.

Production during this year has been increased compared to the last year. The production of PP woven bags during the year is 29,000,108 pcs, while it was 28,718,495 pcs, during the last financial year.

The company made a net sale Tk.945,699,450.00 in the financial year 2017-2018 while it was Tk. 733,827,609.00 during the last financial year and the total comprehensive income Tk.34,418,853.00 in the financial year 2017-2018 while it was Tk. 20, 493,759.00 during the last year.

We hope that we will successful to make the Company sustainable development by overcoming all the impediments. Our management team is award of the present scenario of the company. We have taken necessary stapes with full of confidence to overcome the current situation. We hope that you would see a better scenario for the company in future.

Our management team is continuously trying to explore new opportunity to enhance the productivity and profitability of the company .The company is actively looking for increase of production capacity through Product Diversification. We are determined to maintain our uncompromising stand for producing quality products. As a result we continue to maintain the confidence and reliance of our honorable customers and clients.

### **Industry outlook and possible future developments in the industry:**

The Industry of PP woven bag in Bangladesh is the most important sector. It is becoming one of the largest employers in the Polymer Sector in our country. We are becoming sustainable due to the management's efforts and strategic action. Deshbandhu polymer limited has setup its project with modern brand new imported machineries. Furthermore, routine and proper maintenance of equipments carried out by the company ensures longer service life for the existing equipment and facilities. We hope that an encouraging future is waiting for the PP oven bag industry.

### **Production-wise Performance:**

We produced PP woven bags 29,000,108 pcs. against total capacity of 46,200,000 pcs. which is 63% of production capacity. We earned gross profit of Tk. 126,826,134.00 and net profit of Tk.34, 418,853.00.

### **Risk Factors & Management's Perception about the Risks :**

Bangladesh Financial Reporting Standard (BFRS) 7 - Financial instruments: Disclosures- Requires disclosure of information relating to: both recognized and unrecognized financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Company's policies for controlling risks and exposures.



The management has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. This note presents information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risk, and its management of capital.

#### **Credit Risk :**

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from institutional and export customers etc.

#### **Management Perception:**

In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition, ageing profile etc. Accounts receivable are related to sale of PP woven bags, the only product of the company. The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position.

#### **Interest Rate Risk:**

Interest rate risk is the risk that company faces due to unfavorable movements in interest rates. Changes in the government's monetary policy along with increased demand for loans/investments tend to increase the interest rates. Such rises in interest rates mostly affect companies having floating rate loans or companies investing in debt securities.

#### **Management Perception:**

Management of the company emphasizes on equity based financing to reduce dependency on borrowed fund. Therefore, fluctuation of interest rate on borrowing would have lower impact upon the financial performance of the company. Moreover, management of the Company continuously reduced the long term debt balance. As on 30 June 2014 the balance of the long term loan was nil.

#### **Exchange Rate Risk :**

Exchange rate risk occurs due to changes in exchange rates. As the Company imports raw materials and plant and Machinery from abroad and also earns a small amount of revenue in foreign currency, unfavorable volatility or currency fluctuations may affect the profitability of the Company. If exchange rate is increased against local currency, opportunity will be created for generating more profit.

#### **Management Perception:**

The management is always alert in minimizing the negative impact of currency fluctuation cost by identifying new sources of raw materials and constantly negotiating with suppliers for reducing price. Furthermore by intensifying of export, the company enjoys the benefits of any further devaluation of BDT against foreign currency.

#### **Industry Risks :**

The Company is operating in a highly competitive market. Some of the competitors in this sector are larger than Deshbandhu polymer limited and have broader range of products that may enable them to expand their market share. The business, financial condition and prospects of the Company could be adversely affected if it is unable to compete with its competitors.

#### **Market and Technology Related Risks :**

Technology always plays a vital role for each and every type of business. Better technology can increase productivity and reduce costs of production. Firms are exposed to technology risks when there are better technologies available in the market than the one used by the company which may cause technological obsolescence and negative operational efficiency.



#### **Management Perception:**

Deshbandhu polymer Limited has setup its project with modern brand new imported machineries. Furthermore, routine and proper maintenance of equipments carried out by the company ensures longer service life for the existing equipment and facilities.

#### **Potential or Existing Government Regulations:**

The Company operates under the Company's Act 1994 and other related regulations, Income Tax Ordinance 1984, Income Tax Rules 1984, Customs Act, 1969, Value Added Tax (VAT) Act 1991 and Value Added Tax (VAT) Rules 1991. Any abrupt changes of the policies made by the regulatory authorities may adversely affect the business of the Company.

#### **Management Perception:**

Unless any adverse policies are made, which may materially affect the industry as a whole; the business of the company will not be affected. PP woven bags full-fill a very basic need for the packaging of sugar, cement, fertilizer, poultry feed, fisheries feed etc. As this is a very basic requirement for industrial use of the country, it is unlikely that the government will initiate any fiscal measure having adverse effect on the growth of the industry. The government is going to make it mandatory to use bags; these may effect the further growth of the company.

#### **Potential Change in Global or National Policy:**

The company operates its business based on imported raw materials. Financial and operating performance of the company may be adversely affected due to unfavorable change in global and national policy.

#### **Management Perception:**

All the market players in this industry operate based on mainly imported raw materials and in compliance with national as well as global policies/practices. Any changes in policies will affect all the competitors almost equally. DPL's market standing, brand image and groups behind the company will put it in a comparatively better position to handle any adverse policy.

#### **Non-operating History:**

Any interruption in the operations of the company affects the company's image as a going concern. Failure to ensure uninterrupted operation reduces profitability and in the long run weakens the fundamentals of the company.

#### **Management Perception:**

There is no history of disruption in the operation of the company.

#### **Operational Risk:**

Shortage of power supply, labor unrest, unavailability or price increase of raw material, natural calamities like flood, cyclone, earth quack etc. may disrupt the production of the Company and can adversely impact the profitability of the Company.

#### **Management Perception:**

Power requirement for the project is 0.8 MW which is meeting up from its sister concern namely Deshbandhu Sugar Mills Limited who generate power through its own steam generator. Besides this the company has also a gas base generator with a capacity of 1MW. The project of the Company is situated at a high land having less record of flood. The factory building has strong RCC foundation, RCC floor, pre-fabricated steel structure to withstand wind, storm, rain etc. along with good drainage facility. The risks from these factors are also covered through Insurance. The company is also facilitated to keep a rational reserve for any future price escalation of the raw materials.

#### **Cost of goods sold, Gross profit Margin and Net Profit Margin:**

1. The cost of goods sold is Tk. 818,873,316.00 in 2017-2018 and Tk. 655,108,570.00 was in 2016-2017.
2. The gross profit ratio is in 13.41% 2017-2018 and was 10.73% in 2016-2017.
3. The net profit margin in 3.64% 2017-2018 and 2.87% in 2016-2017.



#### CONTINUITY OF ANY EXTRA-ORDINARY GAIN OR LOSS:

During the year 2017-2018 there was no such income.

#### Related party transactions :

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

Name	Nature of relationship	Nature of transactions	2017-2018 Taka	2016-2017 Taka
Deshbandhu Sugar Mills Ltd.	Share Holder	Short Term Funding	Dr. 1,57,71,297	Dr. 3,25,61,255
		Account Receivables	Dr. 1,41,98,893	Dr. 2,71,02,799
Deshbandhu Cement Mills Ltd.	Common Directors	Short Term Funding	Dr. 2,32,36,676	Dr. 3,25,61,255
	Common Directors	Account Receivables	Dr. 1,26,50,531	Nil
Fertilizer Marketing Corp.	Common Directors	Short Term Funding	Dr. 3,72,487	Dr. 5,16,700
		Account Receivables	Nil	Dr. 16,512,400
Northern Shipping & Trading Co.	Common Directors	Short Term Funding	Dr. 1,22,577	Nil
		Account Receivables	Nil	Dr.28,043,081
M R Trading	Common Directors	Short Term Funding	Dr. 12,93,65,774	Dr. 6,44,87,002
Sahera Auto Rice Mills Ltd.	Common Directors	Short Term Funding	Dr. 1,18,67,080	Dr. 2,11,94,259
		Account Receivables	Dr. 6,77,867	Dr. 6,75,247

#### Utilization of proceeds from public issues, right issues and/or any others instruments :

IPO of Deshbandhu Polymer Limited was made in the year 2010 and the fund raised thereby has already been utilized as reported to the regulatory authority.

#### Significant variance occurs :

1. Sales volume extensively increased this year under review compared to the last year due to product diversification for consumer demand fulfill. Thus the Net Profit margin has also been gained compared to financial statements for the year ended on 30 June 2018.

2. Production during this year has significantly increased compared to the last financial year (the production of PP woven bags during the year are 29,000,108 pcs while it was 28,718,495 pcs during the last year) mainly due to partially installed new machineries and partial BMRE.

#### Remuneration to Directors including Independent Director :

No remuneration is received by the Board of directors & Independent Director.

#### Corporate And Financial Reporting Framework :

The Law requires that the financial statements of our company follow international financial reporting standards (IFRS) and Bangladesh financial standers (BFRS). This has been done with by to presenting the financial position and performance of the company fairly. In compliance with the requirements of the BSEC's notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018 2 the Directors are pleased to make the following declarations in their report:



01. The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
02. Proper books of account of the company have been maintained.
03. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
04. 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.
05. The system of internal control is sound in design and has been effectively implemented and monitored.
06. There are no significant doubts upon the Company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.
07. Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained (Stated in the Annual Report, Page No. 16).
08. Key operating and financial data of at least preceding 5 (five) years shall be Summarized (**Annexed-D**).
09. The number of Board meetings held during the year and attendance by each director shall be disclosed in the Directors' Report (**Annexure-H**).
10. The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details) (**Annexure-E**).
11. In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders (**Annexure-G**).
12. A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:
13. Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per **Annexure-A**; and
14. The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per **Annexure-B** and **Annexure-C**.

#### **Going Concern:**

The company has adequate resources to continue its operation for foreseeable future. For this reason the Directors continued to adopt going concern basis in preparing the Financial Statements. The current credit facilities and resources of the company provide sufficient fund to meet the present requirements of its existing businesses and operations.

#### **Dividend:**

The Board of Directors is pleased to recommend 5% cash dividend for all shareholders for the year ended 30 June, 2018 to those, whose name will appear in the share register of the company or in the depository register on the record date 22 November, 2018 will be eligible to attend the Annual General Meeting and to receive the dividend.



#### **Future Plan:**

Considering more and more competition in the domestic market, the management has taken various steps to divert production towards increase sales. In future production capacity expansion is envisaged with a view to increase production volume thereby increasing sales and profit to the benefit of all share holders.

#### **Retire and Reappointment of Director:**

As per Article 125 & 127 of the Articles of Association of the Company Mr. Md. Mainul Islam Lal, Director Representative of Deshbandhu Sugar Mills Limited & Mr. Md. Akheruzaman Director Representative of Deshbandhu Distilleries Limited will retire by rotation in this Annual General Meeting and being eligible offer themselves for re-appointment. They are recommended for re-appointment.

#### **Auditor:**

As per condition under clause (b) of the order No. SEC/CMRRCD/2009-193/104/Admin..... Dated July 27, 2011 imposed by Securities and Exchange Commission, the retiring auditor M/s. Islam Quazi Shafique & Co, Chartered Accountants, are not being eligible for reappointment as auditors since they have already completed their assignment as auditors for 3 (Three) consecutive years.

Therefore, as per Order No. SEC/CMRRCD/2009-193/104/Admin..... Dated July 27, 2011 of Bangladesh Securities and Exchange Commission, the new Auditors Mahefl Huq & Co. Chartered Accountants expressed their willingness to carry out audit for the year ending 30 June, 2019. Their offer may be accepted at the forthcoming 12th Annual General Meeting of the Company at a fee of Tk.1,25,000.00(One lac twenty five thousand Only).

#### **Shareholding Pattern :**

The shareholding combination as per Clause-1.5(xxi) of Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018 has been shown separately at (Annexure: -E).





## ANNEXURE - D 05 (Five) Year's Financial Highlights

[As per condition No. 1(5) (xix)]

Particulars	2018	2017	2016	2015	2014
Revenue	945,699,450	733,827,609	562,355,995	614,632,078	636,598,964
Cost of Sales	(818,873,316)	(655,108,570)	(483,963,773)	(543,452,848)	(523,532,264)
<b>Gross Profit</b>	<b>126,826,134</b>	<b>78,719,039</b>	<b>78,392,222</b>	<b>71,179,229</b>	<b>113,066,701</b>
Administrative Expenses	(20,622,257)	(15,370,935)	(12,184,197)	(15,788,604)	(14,053,099)
Selling and Distribution Expenses	(13,510,565)	(8,982,100)	(5,895,421)	(8,099,434)	(6,610,960)
<b>Operating Profit</b>	<b>92,693,312</b>	<b>54,366,004</b>	<b>60,312,604</b>	<b>47,291,191</b>	<b>92,402,642</b>
Financing cost	(58,227,847)	(43,922,447)	(42,347,348)	(35,035,103)	(31,821,667)
Financing income	11,497,138	11,174,830	10,757,075	9,507,470	24,515,110
<b>Net profit/ (Loss) before WPPF and income tax</b>	<b>45,962,603</b>	<b>21,618,387</b>	<b>28,722,331</b>	<b>21,763,558</b>	<b>85,096,085</b>
Provision for Contribution to WPPF	(2,188,695)	(1,029,447)	(1,367,730)	(1,036,360)	(4,052,195)
<b>Net profit / (Loss) before income tax</b>	<b>43,773,907</b>	<b>20,588,940</b>	<b>27,354,601</b>	<b>20,727,198</b>	<b>81,043,890</b>
Current tax	(10,943,477)	(5,147,235)	(1,687,068)	(1,843,896)	(7,934,248)
Deferred tax	1,588,423	4,940,565	(15,257,559)	4,159,873	(19,875,950)
<b>Net Profit after tax for the year</b>	<b>34,418,853</b>	<b>20,382,270</b>	<b>10,409,975</b>	<b>23,043,175</b>	<b>53,233,693</b>
Increase/Diminution in the value of investment in share	-	111,489	(59,067)	(13,426)	(36,138)
<b>Total Comprehensive Income for the year</b>	<b>34,418,853</b>	<b>20,493,759</b>	<b>10,350,907</b>	<b>23,029,749</b>	<b>53,197,554</b>
<b>Earning Per Share of Tk. 10 each (2018-restated)</b>	<b>0.56</b>	<b>0.37</b>	<b>0.19</b>	<b>0.41</b>	<b>0.95</b>



## ANNEXURE - E

### Pattern of Shareholding as on 30 June, 2018

[As per condition No. 1(5) (xxiii)]

Sl. No.	Shareholder's Group		No. of Share held
1.	Mr. Golam Mostafa	Chairman	1,227,303
2.	Mr. Golam Rahman	Managing Director	2,173,858
3.	Deshbandhu Sugar Mills Limited (Nominated By Mr. Md. Mainul Islam Lal)	Director	14,726,866
4.	Deshbandhu Distilleries Ltd. (Nominated By Mr. Md. Akheruzaman)	Director	1,227,303
5.	Deshbandhu Shipping Limited	Shareholder	1,227,303
6.	Mr. Md. Mainul Islam Lal	Shareholder	151
7.	Mr. Md. Akheruzaman	Shareholder	151
8.	Mr. Provash Chokrobarti	Shareholder	151
9.	Mr. Md. Abdul Khaleque	Shareholder	151
10.	Late Golam Rasul Putul	Shareholder	151
12.	Md. Mofiz Uddin Chowdhury	Independent Director	Nil
13.	Chief Financial Officer and his spouse and minor children	-	Nil
14.	Company Secretary and his spouse and minor children	-	Nil
15.	Head of Internal Audit and his spouse and minor children	-	Nil
16.	Executive (Top five salaried person other than CEO, CFO, CS.)	-	Nil
<b>TOTAL</b>			<b>20,583,388</b>

Shareholders holding ten percent (10%) or voting interest in the company (Name wise details).

Sl. No.	Shareholding position	No. of Share	Remarks
01.	Deshbandhu Sugar Mills Limited	14,726,866	Mentioned in the Sl.No.3 of Annexure-E





## ANNEXURE - F

### Classification of Shareholders by Holding 61,365,150 Shares as on 30 June, 2018

Sl. No.	Range of Shareholding	No. of holders	Holding	Percentage %
1.	Less than 500 shares	2,944	435,269	0.709%
2.	500 to 5,000 shares	5,679	8,218,012	13.392%
3.	5,001 to 10,000 shares	642	4,752,314	7.744%
4.	10,001 to 20,000 shares	390	5,552,925	9.049%
5.	20,001 to 30,000 shares	134	3,343,095	5.448%
6.	30,001 to 40,000 shares	78	2,736,115	4.459%
7.	40,001 to 50,000 shares	42	1,900,783	3.098%
8.	50,001 to 1,00,000 share	64	4,576,837	7.458%
9.	1,00,001 to 10,00,000 share	39	7,820,517	12.744%
10.	10,00,001 to 100,00,00,000 shares	7	22,029,283	35.899%
<b>Total</b>		<b>18,819</b>	<b>61,365,150</b>	<b>100%</b>

Category wise shareholding as on 30th June, 2018 is summarized as follows :

Category	Total Shareholders	Total Shareholding	Percentage%
Sponsor and Director	10	20,583,388	33.54%
General Public ( Including Financial Institute)	10,009	40,781,762	66.46%
<b>Total</b>	<b>10,019</b>	<b>61,365,150</b>	<b>100%</b>



## ANNEXURE - G

### Brief Resume of the Reappointed Directors

[As per condition No. 1(5) (xxiv)]

#### MR. MD. MAINUL ISLAM LAL:

Mr. Md. Mainul Islam Lal is one of the Directors, Representative of Deshbandhu Sugar Mills Limited; son of Dr. Abdul Waseque Ahmed and Mrs. Shahera Begum. Mr. Mainul Islam Lal grew up in an ideal and eminent Muslim family of Nagweshari, Kurigram. Mr. Mainul Islam Lal, from his early life after completing graduation started social activities which by has become visible by turning into a successful attempt to inspire the local youths. He is also a Director of Deshbandhu Sugar Mills Limited and Consultant of Sahera Auto Rice Mills Limited.

#### MR. MD. AKHERUZAMAN:

Mr. Md. Akheruzaman is one of the Directors, Representative of the Deshbandhu Distilleries Limited; son of Dr. Abdul Waseque Ahmed and Mrs. Shahera Begum. Mr. Md. Akheruzaman grew up in an ideal and noble Muslim family of Nagweshari, Kurigram. Mr. Md. Akheruzaman from his early life, after completing graduation engaged himself in various social activities. He is also a Director of Deshbandhu Sugar Mills Limited.

#### Conclusion:

The Board of Directors takes this opportunity of expressing its sincere appreciation and gratitude to the valued customers, bankers and other stakeholders for their continued support and cooperation. The Board also expresses its profound gratitude to Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Registrar of Joint Stock Companies and Firms (RJSC), Central Depository Bangladesh Limited (CDBL) and all other concerned bodies for their help, assistance, valuable guidance and advice being extended to the company from time to time.

On behalf of the Board of Directors, I am also expressing my appreciation to the management and all staff of the Company for their outstanding efforts, loyalty, sincere services and dedication.

The Directors are pleased to record with appreciation and gratitude the co-operation and support provided by shareholders, customers, banks, workers and employees of the company without whose active support; the result would not have been possible.

Looking forward for a bright future for all of us.

Thanking you,  
On behalf of the Board of Directors,

**Golam Mostafa**  
Chairman