

# DIRECTOR'S REPORT

REPORT OF THE DIRECTOR'S  
TO THE MEMBERS/SHAREHOLDERS OF THE COMPANY  
FOR THE YEAR ENDED 30 JUNE 2021

Honorable Members/Shareholders,

“Assalamu Aalaikum”

On behalf of the Board of Directors of Esquire Knit Composite Limited, I, Md. Mofazzal Hossain, Chairman of the Board, would like to extend a warm welcome to all of you at the twenty-first Annual General Meeting of the Company. We are grateful for the support, cooperation and inspiration you have shown in running the company over the last three years. Your support has made our journey of twenty-one years a success.

Today we present our Annual Report 2020-2021 for your kind consideration and adoption. We acknowledge the unceasing assistance of thousands of Shareholders, who were always there for us with their trust and support. This Report contains Auditors' Report, Directors' Report, Management Discussion and Analysis of Business, Audited Financial Statements of the Company and its Subsidiary Companies.

## Financial Highlights & Performance (standalone)

Amount in Taka

Particulars	Financial Year ended on	Financial Year ended on
	30-Jun-21	30-Jun-20
Revenue	7,905,836,002	5,000,518,624
Non-Operating Income	29,670,793	55,885,930
<b>Total</b>	<b>7,935,506,795</b>	<b>5,056,404,554</b>
Net Operating Profit	337,746,954	284,254,319
<b>Net Profit before Tax</b>	<b>365,357,000</b>	<b>323,133,237</b>
<b>Net Profit after Tax</b>	<b>301,859,226</b>	<b>266,003,303</b>
Other comprehensive Income, net of tax	1,752,698,646	-
<b>Total Comprehensive Income, net of tax</b>	<b>2,054,557,872</b>	<b>266,003,303</b>

## Financial Performance and the State of the Company's Affairs

### Standalone

The operations and consequential financial performance of the company remained impacted throughout the year under review due to the Covid-19 pandemic. During the financial year ended 30 June 2021, the company achieved a revenue of Taka 7,905.84 Million as compared to the revenue of Taka 5,000.52 Million recorded during the previous financial year ended 30 June 2020. The company reported growth in revenue of 58.10% during the financial year 2020-2021 from previous financial year 2019-2020 because despite the second wave of COVID-2019, the company was able to increase its production by getting huge export orders. And through the relentless efforts of each and every employee, the company was able to ensure supply of finished goods according to our customer demand. The company reports a Net Profit of Taka 301.86 Million for the financial year ended 30 June 2021 as against the Net Profit of Taka 266.00 Million for the financial year ended 30 June 2020. The Net Profit after Tax for the financial year ended reflects a growth of 13.48% over the corresponding Profit for the financial year ended 30 June 2020.

### Consolidated

In the financial year 2020-2021, our subsidiary company has started its manufacturing activities on a trail basis and has also exported its products. The audited financial statements of the subsidiary company have been added to the audited financial statements of our company since the year under review. An audited consolidated financial report is prepared and is accompanied by an annual report for your information and consideration.

On a consolidated basis, the company reports a revenue of Taka 7,930.13 Million during the financial year ended 30 June 2021 and a consolidated Net Profit 296.99 Million for the said financial year.

The Annual Reports along with the Audited Financial Statements (consolidated and separate) of the company and its subsidiary are also available on the website of the company at [www.esquireknit.com](http://www.esquireknit.com).

### Dividend

The Board of Directors of Esquire Knit Composite Limited in its 118th Board Meeting held on 30 October 2021 recommended 15% (fifteen Percent) Cash Dividend i.e., Taka 1.50 per share to shareholders from available profit for the year ended 30 June 2021. This will be considered for approval by the shareholders at the 21st Annual General Meeting to be held on 26 January 2022. The Company has declared no interim dividend during the year.

### The Financial Position & Earnings of the Company per Share (consolidated and separate)

The Earnings per Share (EPS), Net Asset Value (NAV) per Share and Net Cash Flow per Share (NOCFPS) earned of our company during the year under review are as follows:

	2020-2021		2019-2020	
	Consolidated	Separate	Consolidated	Separate (Sole)
Earnings per Share (EPS)	2.20	2.24	N/A	1.97
Net Operating Cash Flows per Share (NOCFPS)	(1.54)	(1.53)	N/A	2.13
<b>Financial Position</b>	<b>As at June 2021</b>		<b>As at June 2020</b>	
Net Asset Value (NAV) per Share with revaluation reserve	65.01	65.09	N/A	50.61
Net Asset Value (NAV) per Share without revaluation reserve	36.40	36.48	N/A	35.89

### Significant deviation in EPS, NAV and NOCFPS

#### Significant deviation in EPS, NAV and NOCFPS as follows: (consolidated basis)

EPS of Esquire Knit Composite Limited was Tk.1.97 in 2020 and Tk.2.20 in 2021 which shows an increase of Tk.0.23 per share due to incremental Net Operating Profit. During the year Profit After Tax has been increased in respect of revenue growth of 290 crore than last year.

NAV with revaluation is Tk. 65.01 which is more than Tk .14.40 per share than that last year of Tk.50.61 due to Land Revaluation and Net Profit, NAV without Revaluation is Tk. 36.40 in 2021 which was Tk. 35.89 in 2020. NAV without Revaluation has been increased due to Fixed Asset increase.

In spite of Revenue growth and incremental Net Profit, NOCFPS decreased to Tk. (1.54) in 2021 which was Tk.2.13 per share in 2020 due to incremental Accounts Receivable. At the end of year Accounts Receivable stands Tk.135 crore whereas in 2020 it was only 47.00 crore. Accounts Receivable increased due to shipment / Export growth from March to June -21 after COVID-2019 impact which was not realized within 30 June 2021.

### Change in Capital Structure of the Company

The issued, subscribed and paid-up share capital of the company is Taka 1,348.96 Million divided into 134,895,833 ordinary shares of Taka 10.00 each. There were no changes in the Capital Structure of the company during the financial year 2020-2021.

### Retained Earnings

The Company has transferred an amount of Taka 99.52 Million to the Retained Earnings during the financial year ended 30 June 2021.

## DIRECTOR'S REPORT

### Share Capital

The Authorized Share Capital of our company as on 30 June 2021 stood at taka 2,000.00 Million divided into 200,000,000 ordinary shares of taka 10.00 each. The Issued Share Capital of our company is Taka 1,348.96 Million divided into 134,895,833 ordinary shares of Taka 10.00 each and the subscribed and paid-up Share Capital is Taka 1,348.96 Million into 134,895,833 ordinary shares of Taka 10.00 each, fully paid-up.

### Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB) has reaffirmed AA3 rating of our company, and AA3 (Lr) rating of BDT 3,174.8 Million long term outstanding (LTO) availed by the company in the Long Term. CRAB has also assigned ST-3 rating to BDT 1,845.0 Million short term fund-based limits and BDT 3,950.0 Million short term non-fund-based limits availed by the company.

### Particulars of Loans, Guarantee and Investments

Details of the Loans is given and Investments made by our company have been disclosed in Note No. 18, 19, 20 and 6 of the notes to financial statements for the financial year ended 30 June 2021, which forms part of this Annual Report. Our company has not given any guarantee or provided any security during the year under review.

### Subsidiary

Consequent upon approval of the company's Board Meeting as well as approval of the Shareholders and Bangladesh Securities and Exchange Commission (BSEC), Esquire Knit has invested Taka 42.42 Million as equity (99.01%) in the capital of "L' Esquire Limited", a Private Limited Company which is constituted by Registrar of Joint Stock Companies and Firms (RJSC) under section Act XVIII of the Companies Act 1994. The company runs a manufacturing business unit of lingerie, active wear, Intimax, Sportswear, knitwear, readymade garments including knitting, dyeing, sewing, printing, embroidery.

L' Esquire Limited is a subsidiary company of Esquire Knit Composite Limited as Esquire Knit has controlling power of the company. At present, Esquire Knit holds 99.01% shares of L' Esquire Limited.

The location of the company is in Jamirdia, Valuka, Mymensingh. This company has been associated with our company during the financial year 2018-2019 (date of Incorporation 20 June 2019) as a "Subsidiary Company" of Esquire Knit Composite Limited.

The company is specially established for the production and 100% export of Lingerie products. Which is in huge demand in the global market. During this financial year the company has started its operation and export activities on a limited scale.

The Annual Reports along with the Audited Financial Statements of the Subsidiary Company are also available on the website of the company at [www.esquireknit.com](http://www.esquireknit.com).

### Investment in Subsidiaries

Esquire Knit Composite Limited has invested Taka 42.42 Million as equity (99.01%) in the capital of L' Esquire Limited.

As per provision of the Company Act 1994 L' Esquire Limited is a subsidiary of Esquire Knit Composite Limited and as such Directors' Report along with Auditors Report & Audited Financial Statement have been included as part of this Annual report.

### Nature and Capital Structure of the Subsidiary Company

L' Esquire Limited is a Private Limited Company incorporated on 20 June 2019 under the Companies Act. 1994, the authorized and paid-up capital of the Company is Tk. 1,000.00 Million and Tk. 42.42 Million respectively.

### Financial Results of L' Esquire Limited

In the financial year 2020-2021, L' Esquire Limited has started its manufacturing activities on a trail basis and has also exported its products. An audited separate financial report is prepared and is accompanied by an Annual Report for your information and consideration.

L' Esquire Limited earned revenue BDT. 24.29 Million during the year 2020-2021 by exporting its lingerie products. During the financial year, L' Esquire registered Net Profit after Tax of BDT. (4.96) Million which was BDT. (1.06) Million during the corresponding year. Total Assets of the company stood at BDT. 457.93 Million as at 30 June 2021 from the Assets at BDT. 17.46 Million as on 30 June 2020.

The Annual Reports along with the Audited Financial Statements of the subsidiary company is also available on the website of the company at [www.esquireknit.com](http://www.esquireknit.com).

### Declaration of Dividend of L' Esquire Limited

Subsidiary of Esquire Knit Composite Limited didn't declare any dividend during the financial year 2020-2021.

### Consolidation of Accounts

The Audited Consolidated Financial Statements of our company for the financial year ended 30 June 2021, prepared in compliance with applicable rules by the Institute of Chartered Accountants of Bangladesh (ICAB).

In terms of BSEC Regulations, the company has consolidated the Accounts following the codes of International Accounting Standard-28 & IFRS-10 referring shareholders gross benefits / value of investments.

The financial performance of L' Esquire Limited which has been merged with Esquire Knit Composite Limited was considered in consolidation of Financial Statements of Esquire Knit Composite Limited.

### Industry Outlook and Possible future developments in the industry

Esquire Knit Composite Limited is a 100% export-oriented company. The company produces different types of Knit Garments through its six units namely: Knitting Units, Fabric Dyeing Units, Printing Units, Embroidery Unit, Industrial Laundry Unit and Garments Units and sells the same to world reputed foreign buyers.

Pandemic pressure and shifts in global markets have brought stiff challenges to the garment industry in Bangladesh. The sector will need to innovate, upgrade, and diversify, invest in flexibility, sustainability, worker welfare, and infrastructure.

As Bangladesh celebrates 50 years of independence, global attention is focused on the remarkable economic and social progress the country has achieved in recent decades. Even with the setbacks of the COVID-19 pandemic, the South Asian nation is on track to become a middle-income country within the next few years.







The ready-made garment (RMG) industry is a mainstay of this economic success story: Bangladesh is today one of the world's largest garment exporters, with the RMG sector accounting for 84 percent of Bangladesh's exports. This comes on the back of the sector's rapid growth and modernization over the past decade—as well as the strides it has made in improving conditions for the country's approximately four million garment workers.

### Textiles Sector

#### **The rise of Bangladesh's Apparel and Textile industry**

Bangladesh has become home of the world's third-largest garment industry. They are coming behind China for exporting all kinds of garments. Readymade garment is a new trend in the whole world. It contributes 20% to Bangladesh's gross domestic product.

In the past seven years, Bangladesh has gained attention in RGM sector by earning revenue starting from \$19 billion and growing it to more than \$30 billion. It's an outstanding achievement by an increase of 79% in less than 10 years. They have survived through a dire crisis where they lost their workers. But this tragedy helped them to gain a better environment that is more secure and healthy for workers. These changes made them attractive in the RGM market.

Bangladesh's textile and apparel industry has grown by leaps and bounds over the past decade, making it the world's second-largest exporter of garments. The RMG sector, coupled with other clothing exports accounts for up to 81% of the country's export earnings, and the rapidly growing apparel industry contributes up to 20% to Bangladesh's GDP, more than any other secondary industry sector. Clothing manufacturers in Bangladesh are leading the economic growth in the country.

#### **Growth of Textile Industry**

With agriculture as the country's primary employment, Bangladesh started to grow as a more significant garment exporter country when the focus shifted to the export industry. In 2012, Bangladesh's textile industry made up to 79% of the country's export income and by the end of 2021; Bangladesh plans to achieve a target of apparel exports worth \$50 billion.

The rise in Bangladesh's textile industry started taking place, when the wages of we askers in other countries started to increase. The countries such as Korea then noticed the low manufacturing prices along with the low wages of garment workers in Bangladesh and started venturing into the textile industry of this country. The country is now the leading destination for outsourcing to overseas clothing



manufacturers.

Currently, Bangladesh has more than 5,000 factories working in the textile sector that employ almost 4 million people every year. Most of the workforce of the textile industry is made up of women, which also enables women empowerment directly as well as indirectly.

### **Overall Economic Overview**

Bangladesh has an impressive track record of growth and poverty reduction. It has been among the fastest growing economies in the world over the past decade, supported by a demographic dividend, strong ready-made garment (RMG) exports, and stable macroeconomic conditions. Continued recovery in exports and consumption will help growth rates pick up to 6.4 percent in fiscal year 2021-22.

Bangladesh tells the world a remarkable story of poverty reduction and development. From being one of the poorest nations at birth in 1971 with per capita GDP tenth lowest in the world, Bangladesh reached lower-middle-income status in 2015. It is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 43.5 percent in 1991 to 14.3 percent in 2016, based on the international poverty line of \$1.90 a day (using 2011 Purchasing Power Parity exchange rate). Moreover, human development outcomes improved along many dimensions.

### **Challenges**

To recover fully and achieve its growth ambitions of achieving upper-middle income status, Bangladesh needs to address the challenge of containing COVID-19. Vaccinating the population will reduce the incidence of the disease and mortality and enable the full resumption of economic activities. Bangladesh also needs to address the challenge of creating jobs/employment opportunities through a competitive business environment, increased human capital and skilled labor force, efficient infrastructure, and a policy environment that attracts private investments.

### **The impact of COVID-19 on global FDI and Bangladesh Economy**

COVID-19 pandemic has adversely affected the worldwide economy, causing slowdown of business activities and economic contractions. This will have an inevitable negative impact of investment flow in Bangladesh as potential investors are in doubt about market uncertainties and existing investors are limiting their resource mobilization.

A report by the United Nations Conference on Trade and Development (UNCTAD) identified a 42% fall in the global FDI to an estimated USD 859 billion in 2020 from USD 1.5 trillion in 2019. However, the decline in FDI flows across the developing economies was uneven as developing nations in Asia performed better owing to positive FDI inflows to China and India in the high-tech sectors in terms of merger and acquisition in ICT and pharmaceutical respectively. Apart from these two nations, FDI flows in the ASEAN and South-Asian economies fell. Most of these investments are tied to export-oriented apparel sectors that suffered from global demand slump.

If we consider a pessimistic scenario, we can see the uneven economic recoveries. While some sectors would have their earnings recovered, others are likely to remain below the condition prevailing before the pandemic started. It will certainly take time before the share of earnings reinvested would recover to historic levels. Overall, one has to be very optimistic to expect overall FDI flows to become positive until 2022.

Bangladeshi economy has proved to be rather resilient to the shocks brought about by COVID-19 despite the global economic downturn. But, nonetheless, the trend of FDI inflows and the proposed investments have reduced significantly in comparison with previous years.

As per the IMF report released in October 2020, while the global economy is estimated to see a negative growth of -4.4% on average, Bangladesh is among the few economies with positive growth in 2020 indicating to be more macro-economic resilient. As per surveys conducted by the several international institutions, Bangladesh remains among the top-five resilient economies during the pandemic adversities and also considered as one of the prospective economies by the global business communities.

The Bangladesh government has been focusing immensely on increasing both local and foreign investments through re-investments, merger and acquisitions and greenfield investments into the country. It has already adopted excellent initiatives in upgrading the port, road and rail infrastructures and powerplants, developing a large number of economic zones and making groundbreaking progress with improvement of the business climate of the country; and all of these did bring Bangladesh under the global focus as a role model of economic development in the world before the pandemic started. However, in order to continue faring this steep path of growth, the policy makers now have to do the homework and devise the correct investment related policies and strategies to attract new FDI.



## DIRECTOR'S REPORT

### Scope of Apparel and Textile industry in Bangladesh

Vast availability of low-cost manpower, one of the most competitive energy costs and a proven track record in apparel production and exports have positioned Bangladesh as a regional apparel industry development hub in the Asian continent. In the context of rapid increase in labor wages and raw material prices in other major regional counterparts such as China, Bangladesh is well poised to remain the most preferred destination for international apparel majors for sourcing world class fabric and finished clothes.

Bangladesh's exports have grown strongly and almost doubled between 1995 and 2016 owing to the success in garments, catering largely to the EU and the US markets. Garments can continue to grow in the existing and newer markets. Thus, more rapid export growth will initially rely on capturing higher market shares in Bangladesh's existing strength, i.e., basic garments, both in the current markets, as also newer and more dynamic markets such as Japan, China, ASEAN countries and India.

Bangladesh is targeting an 8% share of the global apparel market to achieve the targeted \$50 billion RMG exports by 2021. Currently, apparel demand in the global market is about \$450 billion which will hit \$650 billion by 2021. Bangladesh's current share is around 5% of the total global apparel demand.

Future export growth will likely rely, first, on capturing new markets and increasing the market share with the existing products. The RMG sector contributes more than 13% of the GDP of Bangladesh. A McKinsey survey report shows that Bangladesh will be the No.1 hotspot for apparel sourcing within five years.

It is also mentionable that the primary textile sector, which includes spinning, weaving, printing, dyeing and finishing, plays a vital role as the backward-linkage industry of woven and knitwear garments by supplying fabrics and yarns. At present, there are 424 spinning mills, 794 fabrics and 241 dyeing, printing and finishing units under the Bangladesh Textile Mills Association (BTMA) with total investment of over \$6 billion.

Bangladesh is an ideal destination for investing in the textiles and garments industry due to cheap labor and the favorable trade status with the EU. Again, Government incentives for the spinning, weaving and knitting industries in the form of cash subsidy of the fabric cost to exporters sourcing fabrics locally. There is huge yarn and fabric demand-supply gap in the RMG industry, which is presently met by imports. Thus, the potential for the backward linkage industry is enormous prospect for a huge textile industry capable to supply over 3 billion yards of fabrics a year to the export-oriented garment industry has also been developed by the industry.

Presently, about 85-90% of this demand is met by import from countries like China, India, Hong Kong, Singapore, Thailand, Korea, Indonesia, Taiwan, etc. Fabric requirement is increasing at 20% per annum. This offers a tremendous opportunity for further investment. A more optimistic future is waiting for the ready-made garment industry of Bangladesh as perceived from at least facts and figures.

### Bangladesh garment exports soar 12.55% in Financial Year 2021

Readymade garment (RMG) exports from Bangladesh increased by 12.55 per cent to \$31.456 billion in fiscal 2020-21 ending June 30 compared to exports of \$27.949 billion in the previous fiscal, according to the provisional data released by the Export Promotion Bureau. However, the country missed the export target of \$33.785 billion by 6.89 per cent.



Category-wise, knitwear exports jumped by 21.94 per cent to \$16.960 billion in July-June 2020-21, as against exports of \$13.908 billion during the previous fiscal, as per the data. Exports of woven apparel too rose by 3.24 per cent to \$14.496 billion during the period under review, compared to exports of \$14.041 billion during the comparable period of 2019-20.

Woven and knitted apparel and clothing accessories' exports together accounted for 81.16 per cent of \$38.758 billion worth of total exports made by Bangladesh during the last fiscal. Meanwhile, home textile exports (Chapter 63, excluding 630510) shot up by 49.17 per cent to \$1.132 billion during the twelve-month period under review, compared to exports of \$758.91 million during July-June 2019-20.

In the fiscal ending June 30, 2020, readymade garment exports from Bangladesh declined 18.12 per cent to \$27.949 billion compared to exports of \$34.133 billion in the previous fiscal, mainly on account of COVID-19 pandemic and lockdowns.

### Risk & Concern

Time off of long-range planning, insufficient strategic investment policies, variable / uncertain fiscal & monetary policies, disorderly employment crises, buyers' dominance, international trade barriers, internal law and order situation especially in transport sector and lack of appropriate infrastructure etc. offer risk of business and investment.

### Financial Results

The Company's operating results, as compared to the previous year are summarized hereunder:

Amount in Taka

Operational Results	Financial Year			
	2020-2021		2019-2020	
	Consolidated	Separate	Consolidated	Separate (Sole)
Net Turnover	7,930,127,422	7,905,836,002	N/A	5,000,518,624
Cost of Goods Sold	6,505,660,844	6,489,644,461	N/A	3,905,145,664
Gross Profit	1,424,466,578	1,416,191,541	N/A	1,095,372,960
Operating Expenses	816,523,312	812,467,478	N/A	536,456,752
Gross Operating Profit	607,943,266	603,724,063	N/A	558,916,208
Net Operating Profit	339,882,732	337,746,954	N/A	284,254,319
Financial Expenses	268,060,534	265,977,109	N/A	274,661,889
Non-Operating Income	22,661,497	29,670,793	N/A	55,885,930
Net Profit before WPPF & WP	362,544,229	367,417,747	N/A	340,140,249
Contribution WPPF & WP	2,060,747	2,060,747	N/A	17,007,012
Net Profit before Tax	360,483,482	365,357,000	N/A	323,133,237
Net Profit after Tax	296,897,304	301,859,226	N/A	266,003,303
Earnings Per Share (Tk.)	2.20	2.24	N/A	1.97

### Key Performance Ratio

Particulars	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Gross Margin Ratio	17.91%	21.91%	20.95%	21.42%	20.70%
Operating Income Ratio	7.64%	11.18%	11.26%	11.74%	11.59%
Return on Assets (ROA)	2.28%	2.39%	4.29%	4.63%	4.45%
Return on Equity (ROE)	4.00%	4.03%	6.56%	7.23%	7.05%
Earnings per Share	2.24	1.97	3.37	3.44	3.12
Net Assets Value Per Share with revaluation Reserve	64.21	50.61	50.14	49.27	45.83
Net Assets Value Per Share without revaluation Reserve	36.48	35.88	35.41	29.40	25.96



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### Profit and its Appropriation

Directors propose the appropriation of profit as follows:

Amount in Taka

Particulars	Esquire Knit Composite Limited (stand-alone)	
	2020-2021	2019-2020
Net Profit After Tax	301,859,226	266,003,303
Adjustment for depreciation of Revalued Assets	-	-
Profit Brought Forward	2,387,817,831	2,324,158,278
<b>Profit Available for Appropriation</b>	<b>2,689,677,057</b>	<b>2,590,161,581</b>
<b>Proposed Dividend:</b>		
Cash Dividend	202,343,750	202,343,750
Profit Carried Forward	<b>2,487,333,307</b>	<b>2,387,817,831</b>

### Contribution to National Exchequer

Esquire Knit contributed an amount of Taka 54.85 Million during the year of 2020-2021 to the national Exchequer as against Taka 30.66 Million of the previous year of 2019-2020.



### Company's Operation

Esquire Knit Composite Limited is a 100% export-oriented Company. It produces different types of Knit garments through its six units namely, knitting, fabric, printing, embroidery, industrial laundry and garments units. Esquire Knit Composite Limited has over twenty-two years of experience and competency in knit garments arena. The industry is one of the largest producers of knit garments in Bangladesh. Today it has one of the most sophisticated vertically integrated set-ups by which Esquire Knit are producing around 6,088,892 Kgs of Textiles and 34,690,032 Pcs of Apparels

### Production Capacity & Utilization

Details of production capacity & utilization

Particulars	Installed Capacity	Actual Production	Production Efficiency in %	Actual Production	Production Efficiency in %
Financial Year		2020-2021		2019-2020	
<b>Unit</b>	<b>Kgs</b>	<b>Kgs</b>		<b>Kgs</b>	
Textiles	8,030,000	6,088,892	75.83%	5,969,502	74.34%
<b>Unit</b>	<b>Pcs</b>	<b>Pcs</b>		<b>Pcs</b>	
Apparels	49,920,000	34,690,032	69.49%	33,696,000	67.50%

### Capital Expenditures

Esquire Knit Composite Limited made an additional net capital expenditure of Taka 1,056.22 Million in order to civil construction, import of machineries and other fixed assets under Valuka Project during the financial year 2020-2021 as follows:

Figure in "000"

	2020-2021	2019-2020
Land/Civil Construction	1,003,696	206,988
Plan & Machinery	49,984	219,836
Other Fixed Assets	2,543	-
Total Taka	1,056,223	426,824

The total amount was spent from company's own source, IPO fund and borrowing from commercial banks.

### Foreign Exchange Earned / Saved

Esquire Knit Composite Limited has contributing substantial amount to the Foreign Exchange Reserve of the Country. During the year Tk. 4,519.06 Million has earned/saved and contributed through its export marketing operation, which is depicted below:

"Amount in Taka"

	2020-2021	2019-2020
Total Export Earning	7,905,836,002	5,000,518,624
Less: Import Costs	3,386,772,746	1,736,213,692
Yarn	2,883,685,853	1,736,213,692
Dyes	136,158,338	96,180,084
Chemicals	267,970,550	207,675,352
Spare Parts	98,958,005	127,933,381
Misc. (with BMRE)	-	-
Net Export Earnings	4,519,063,256	3,264,304,932

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### Capital Machinery

During the reporting year, the company spent BDT. 49.98 Million for purchasing capital machinery.

### Segment Information

Esquire Knit Composite Limited manufactures a single product 'Knit Garments' of varied specifications, compositions, colors and qualities. Hence, Company's 100% revenue is generated from its only product 'Knit Garments'. As per customers' requirements Esquire Knit manufactures products and accordingly supplies the same to its customers' destination.

The Company has also remarkable investment in its subsidiary companies that manufacture separate products and serve differently. Amongst the subsidiaries, newly acquired "L' Esquire Limited" manufactures "Lingerie" for its valued clients.

### Disclosure on extra-Ordinary Gain or Loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is no part of the company's ordinary/day to day operations. There are no such a gains or losses during the year under reporting.

### Capital Infusion

During the year, there was no equity capital infusion in the Company. The existing Paid-up capital of the Company is BDT 1,348,958,330. The Company has declared no stock/bonus dividend in the last financial year; as a result, paid up capital of the Company stood at BDT 1,348,958,330.

### Disclosure Regarding Utilization of proceeds from Public Issues (IPO), Rights Issues

The company has raised taka 150 crores from the market and as mentioned in the prospectus, it is committed to spend the fund for expansion the business and equity collection cost. The IPO proceeds has been utilized in line with the condition of the commission's consent letter. As of October 2021, the company has utilized the IPO proceeds as follows:

Amount in million Taka

Sl. No.	Purpose Mentioned in the prospectus	Status of Utilization As at November 2021		Status of Un-Utilization As at November 2021		Remarks
		Utilization amount in Taka	% of Utilization	Un-utilization amount in Taka	% of Un- Utilization	
1	Building and Civil Construction	934.23	93.03	69.99	6.97	
2	Machineries	299.95	69.53	131.45	30.47	
3	IPO Expenses	64.38	100	0	0	
Total						

In this connection, we would like inform to all concerned that, we have always been and still are vigilant in implementing all the rules approved by the Commission on the utilization of IPO proceeds. We would also like state that; the utilization of IPO proceeds as per prospectus, will be completed within the time frame fixed by the Commission.

### Risk Management

Risk management refers to the practice of identifying potential risk in advance, analyzing those and taking precautionary steps to reduce/curb the risk. In the textiles industries, various risk is encompassing around it.

The risk may occur adverse effect to the Company's sales and profit etc. Mostly, the risk arises from falling demand for the product, shortage of power, shortage of worker, workers unrest and Raw material shortage along with other related risk such as Interest Rate Risk, Foreign Exchange Risk, Technology Risk, Market Risk, Political Risk and other regulatory Risk etc. The Company is aware of its risks concern and well prepared to meet those by systematic control.

Details of the Risk Management of the Company are disclosed Separately by the Management of the Company in Annexure-XIII.

### Risk Management Philosophy of o EKCL's are

Esquire Knit Composite Limited believes in the principle- "A Company is only as good as the people it keeps" and we have one of the best, devoted and skilled team of personal in the country. These are the individuals with the best aptitudes, commitments, and expertise



with combination of experience and enthusiasm. They work hard closely with the clients and are entirely devoted to provide the best results, ensuring customer satisfaction encouraged by the Esquire Knit Composite Limited.

### Human Resources

Esquire Knit considers its human resources as the most important asset. Always giving the maximum focus on the right placement of human resources, we strongly believe that the efficient management & skilled workers are our greatest assets and as such recognize them as Building Blocks of the Company for their priceless efforts & performances.

We continue investing in our people for the enhancement and up gradation of their skills through conducting research and development and on-the- job internal training programs.

We value the contributions of each employee exerts in the organization and adopt policy to reward them accordingly through providing various financial & non-financial benefits.

The breakdown of your company's human resources is

#### Period ended 30 June 2021

Worker	6,983
Staff and officer	1,435

### Good Governance

I would like to restate that our Board maintains its effective role in policy formulation and discharging best possible Corporate Governance. The Board has always remained focused on maximizing shareholders' value through formulating policies and guidelines towards ensuring sustainable profitability, minimizing risks and establishing good governance in all spheres of Company's operations. And the Management of the Company highly prioritizes Corporate Governance. In Compliance with Bangladesh Securities and Exchange Commission (BSEC) regulations and to further strengthen our Corporate Governance. A separate report on Corporate Governance is attached with this Annual Report.

### Related Party Transactions

During the financial year ended 30 June 2021, all transactions with the related Parties as defined under the Act read with Rules framed thereunder, were in the ordinary course of business and at arm's length basis. Our company does not have a 'Material Subsidiary' as defined under Regulation of the BSEC.



## DIRECTOR'S REPORT

During the year under review, our company did not enter into any Related party Transaction which requires prior approval of the members of the company. All Related Party Transactions entered into by our company had prior approval of the audit Committee and the Board of Directors as required under the Listing Regulations. Subsequently, the Audit Committee and the Board have also reviewed the Related party Transactions on a quarterly basis. During the year under review, there have been no materially significant Related Party Transactions having potential conflict with the interest of the Company.

Since all Related Party Transactions entered into by our company were in the ordinary course of business and also on an arm's length basis, details required to be provided are not applicable to the company. Necessary disclosures required under the applicable rules have been made in Note No. 32 of the Notes to the financial statements for the financial year ended 30 June 2021.

Material Changes and Commitments affecting Financial Position between end of the Financial Year and the date of this Report.

Except those disclosed in this Annual report, there are no material changes and commitments affecting the financial position of the company between the end of the financial year ended 30 June 2021 and the date of this Report.

### Management

The Management of EKCL tries to improve the production process and human resources by conducting R&D and internal training programs. EKCL's management is led by its Managing Director who has achieved multi-dimensional experiences including business policy formulation and strategic management & been rewarded with several awards & recognitions for contributing tremendously in different business arena.

Managing Director keeps the track records in leading the team and the Company from beginning till present and is responsible to oversee the day-to-day operations of the business.

Managing Director is the Head of the Factory & Head office, including day to day operations of the business; he also oversees Company's merchandising, procurement and production and directly reports to the Board.

The Company has different departments to perform different activities. All departments' head have significant experiences in related business areas and are liable to monitor respective operations of EKCL. The Company is managed by a team of qualified and experienced professionals.

The Company formed various committees to oversee different internal issues. EKCL has around 6,983 workers in the factory and 1,435 officers and staff in the head office & factory total 8,418 employees were working in Esquire Knit Composite Limited on 30 June 2021.

### Audit and Auditors

#### Appointment of Statutory Auditors

The existing Auditors of the Company M/S. Mahfel Huq & Co., Chartered Accountants, retire at this Annual General Meeting on completion of their audit works for the year ended on 30 June 2021. They are, however, eligible for re-appointment as per BSEC notification. M/S. Mahfel Haq and Co., Chartered Accountants, expressed their interest to be re-appointed as auditors of the Company for the Financial year 2021-2022 at a fee of Tk. 7,50,000/- (taka seven lac fifty thousand) plus VAT. The Board requested the Shareholders to confirm the appointment at their 21st Annual General Meeting.

#### Appointment of Compliance Auditors

The existing Compliance Auditors of the Company M/S. Chowdhury Bhattacharjee & Co., Chartered Accountants, retired at this Annual General Meeting on completion of their audit works for the year ended on 30 June 2021. They are, however, eligible for re-appointment as



per BSEC notification. M/S. Chowdhury Bhattacharjee & Co., Chartered Accountants, expressed their interest to be re-appointed as Compliance Auditors of the Company for the Financial year 2021-2022 at a fee of Tk. 50,000/- (taka fifty thousand) plus VAT. The Board requested the Shareholders to confirm the appointment at their 21st Annual General Meeting.

### Audit Committee

The Board of Directors of our company has duly constituted in compliance with the provisions of the Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission. The recommendations made by the Audit Committee are accepted by our Company.

Name of the audit Committee Members, number of meetings held during the year under review, terms of reference and other requisite details have been provided in the Corporate Governance Report which forms part of this Annual Report.

### Significant and Material Litigations / Orders

During the year under review, there were no significant material orders passed by the Regulations / Courts and no litigation was outstanding as on 30 June 2021, which would impact the going concern status and future operations of our company.

### Board of Directors, Board and Sub-Committee Meetings, Retirement and Re-election, Directors fees and Remuneration, Board Meeting and attendance and Key Managerial Personal and Appointment of Company Secretary

#### Composition of the Board of Directors

Our company's Board is duly constituted and is in compliance with the requirements of the Companies Act 1994, the listing Regulations and provisions of the Articles of association of the Company. Our Board has been constituted with requisite diversity, wisdom, expertise and experience commensurate to the scale of operations of our company.

The Board comprised of Seven Directors including Managing Director. Among the Directors, Mr. Swapan Kumar Sarker and Mr. Placid Gomes, FCA is the independent Directors of the Company as per BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 for three years term.

#### Board and Sub-Committee Meetings

During the year under review, a total of five meetings of the Board of Members, four meetings of the Members Audit Committee and four meetings of the NRC. Details are given below in comparison to last three years.

Name of the Meeting	2020-2021	2019-2020	2018-2019
Board of Director's	5	4	4
Audit Committee	4	4	4
NRC Committee	4	4	4

#### Retirement and Re-election

Mr. Md. Muddasar Hossain and Mrs. Peara Begum, Directors of the Company, retires as per the Article of Association of the company and being eligible offer themselves for re-election. Brief resume and other information of the above-mentioned Directors are depicted in the profiles of Directors page no 95.

#### Director's Fees and Remuneration

The Director who engaged in the Company's day to day operations are receiving remuneration and other benefits from the Company as disclosed in the Financial Statement at note 35(B), Non-Executive Directors including Independent Directors are paid only attendance fee of BDT 10,000/- (BDT ten thousand) for attending per meeting.

#### Board Meetings and Attendance

During the year 5(five) Board Meetings were held. The attendance record of the Board Members is as follows:



## DIRECTOR'S REPORT

Name of Directors	Position	Meeting Held	Attended the Meeting	Percentage
Mr. Md. Mofazzal Hossain	Chairman	5	5	100%
Mr. Md. Ehsanul Habib	Managing Director	5	5	100%
Mr. Arifur Rahman	Director	5	5	100%
Mr. Md. Muddasar Hossain	Director	5	5	100%
Mrs. Peara Begum	Director	5	5	100%
Mr. Swapan Kumar Sarker	Independent Director	5	5	100%
Md. Placid Gomes, FCA	Independent Director	5	5	100%
<b>Others Members</b>				
Mr. Md. Mustafizur Rahman	Member Chief Financial Officer	5	5	100%
Md. Md. Saiudur Rahman	Member Company Secretary (Ex)	5	5	100%
Mr. Md. Rakibur Rahman	Member Head of Internal Audit and Compliance	5	5	100%

### Key Managerial Personnel

As on the date of this Report, Mr. Ehsanul Habib, Managing Director, Mr. Md. Arifur Rahman, Director, Mr. Md. Muddasar Hossain, Director, Mr. Md. Mustafizur Rahman, Chief Financial Officer, Mr. Mr. Monir Hossain, Company Secretary and Mr. Md. Rakibur Rahman, Head of Internal Audit and Compliance are the Key Managerial Personal (KMP) of our Company.

### Appointment of the Company Secretary

Based on the recommendation of the Nomination and Remuneration Committee of the Board, Mr. Md. Monir Hossain, a qualified and experienced Company Secretary, was appointed by the Board of Directors at its Meeting held on 14 June 2021 as the Company Secretary and KMP of the Company, w.e.f. 1 August 2021.

### Committees of the Board

Pursuant to various requirements under the Act, the Listing Regulations and the Notifications of Bangladesh Securities and Exchange Commission (no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, Board of Directors has constituted various committees, such as Audit Committee, Nomination and Remuneration Committee, Internal Audit Committee and Management Committee. The details of composition, terms of reference, etc., pertaining to these committees are mentioned in the Corporate Governance Report.

### Code of Conduct

Esquire Knit has adopted Codes of Conduct for securing good business ethics and conduct in all aspects of the Company's activities. All the employees of the company are strictly required to abide by it.

### Management Committee

The day -to-day Management of the Company is entrusted with the Managing Director and the Management Committee.

The members of the Management Committee are jointly accountable for the entire management of the Company and decide on the basic issues of business policy and corporate strategies.

### Declaration by Independent Directors

The Independent Directors of our company have submitted requisite declarations that they continue to meet the criteria of Independence as laid down in the applicable Corporate Governance Code issued by the BSEC and there is no change in the status of their Independence and have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

The Board of Directors further confirms that the Independent Directors also meet the criteria of expertise, experience, integrity and proficiency in terms of the applicable rules.

### **Compliance with Secretarial Standards**

During the year under review, the company has duly complied with the applicable provisions of the Secretarial Standards on Meetings of the Board of Directors and General meetings issued by the Institute of Chartered Secretaries of Bangladesh.

### **Nomination and Remuneration Policy**

The Board of the company has adopted a Nomination and Remuneration Policy for identification, selection and appointment of Directors, Key Managerial Personal and Senior Management Personal of our company.

The policy provides criteria for fixing remuneration of the Directors, Key Managerial Personal, Senior Management Personal as well as other employees of the company. The Policy enumerates the powers, roles and responsibilities of the Nomination and Remuneration Committee.

Our Board, on the recommendations of the Nomination and Remuneration Committee, appoints Director(s) of the company based on his / her eligibility, experience and qualifications and such appointment is approved the Members of the Board as well as the Members of the company at Annual General Meeting. The Policy also provides for Board Diversity criteria.

The Policy is annexed as Annexure X and is also uploaded on the website of the company at [www.esquireknit.com](http://www.esquireknit.com) have been provided in the Corporate Governance Report which forms part of this Annual report.

### **Confirmation of Compliance on prevention of Sexual Harassment of Women at Workplace**

Our company is committed to provide a safe and secure environment to its women employees as they are considered as integral and an important part of the organization.

In terms of Sexual harassment of Women at Workplace Act and Rules framed thereunder, our company has duly adopted a Policy and has also complied with the provisions relating to the constitution of Internal Complaints Committee.

Our company has been conducting awareness campaign across all its manufacturing units, warehouse and office premises to encourage its employees to be more responsible and alert while discharging their duties.

### **Gender Equality in the Workplace**

Workplace gender equality will be achieved when people are able to access and enjoy equal rewards, resources and opportunities regardless of gender. It will require: Removal of barriers to the full and equal participation of men and women in the workforce.

Our company complied these issues in the workplace very sincerely, and therefore we can safely say that our employees are not victims of gender discrimination.

### **Going Concern**

The Company has adequate resources to continue its business operation for foreseeable future and hence, the financial Statements have been prepared on going concern basis. As per the management's assessment there are no significant doubts about the Company's ability to continue as a going concern.

### **Communication with Shareholders**

Accountable to:

- ▶ Shareholders
- ▶ Board of Directors
- ▶ Management

The Company encourages communication with shareholders throughout the year and welcomes their participation at shareholders meeting. The Company is transparent with the stakeholders, including the owners of the Company. Four times each year, EKCL reports to its shareholders regarding its business, financial position and earnings. These include:

- ▶ Quarterly and annual financial statements





## DIRECTOR'S REPORT

- ▶ Annual General Meeting
- ▶ Price sensitive disclosure and other disclosure to the BSEC and Stock Exchange.

In additional information, the Company is under a legal and regulatory requirement to publish via the newspaper. EKCL believes in transparency and accountability to the society as a whole for the establishment of an efficient and effective Corporate Governance procedure.

### **Disclosure Regarding Variance between Quarterly Financial Performance & Annual Financial Statements**

Statements of Quarterly Financial Statements is given separately. There were some variances in the financial results from quarter to quarter. But they are not of very significant or material nature.

### **Board's Statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend**

The Board of Directors of the Company declares that, our Company has not declared any interim bonus shares or stock dividend for the financial year under review.



### **Minority Interests**

In Compliance with condition number 1 (5) (xvi) of the Corporate Governance code 2018 of BSEC, the Board hereby confirms that the interests of the Minority Shareholders have been duly protected in the Company.

### **Unpaid or Unclaimed Dividend**

In this regard, the Bangladesh Securities and Exchange Commission has issued a Directive on 14 January 2021 regarding the Unpaid or Unclaimed dividends of all listed companies. As per the directive issued, we have retained the list of recipients of unpaid or unclaimed dividend holders of our company and are in reserved condition. However, as directed, we did not transfer any fund to the Capital Market Stabilization Fund during the year under review, because we are not applicable to this law yet.

According to the financial year ended 30 June 2021, the total amount of unpaid or unclaimed dividend of our company stands at Taka 4,176,706.

### **Declaration by Managing Director and CFO**

Declaration by Managing Director and Chief Financial Officer (CFO) on the Financial Statement of the Company is attached as Annexure-I.

### **Declaration by MD or CEO, CS, CFO and HIAC of a listed Company shall not hold any executive position in any other company at the same time**

The MD or CEO, CS, CFO and HIAC of the Esquire Knit Composite Limited did not hold any executive position in any other company at the same time.

### **The Pattern of Shareholding**

The Shareholding of Directors, Managing Director, Chief Financial Officer (CFO), Company Secretary, Key Executives and their Spouses and Children are provided in Annexure-II.

The shareholding pattern is shown as on 30 June 2021 as per BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018.

### **Key Operating and Financial Data**

The summarized Key Operating and Financial Data for 2020-2021 and immediately preceding five years is provided in Annexure-III.

### **Management Discussion and Analysis**

Detailed discussion on the Operating and Financial Performance of the Company along with other disclosures as required under Corporate governance Code issued by Bangladesh Securities and Exchange Commission through Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018, has been Separately reported by the Managing Director as Annexure -IV.

### **Status of Corporate Governance Compliance Report**

In accordance with the requirement of Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018, report on "Corporate Governance Compliance" is provided in Annexure-V.

### **Website**

The company maintains a website namely [www.esquireknit.com](http://www.esquireknit.com). All Disclosures, Audited Financial Statements and Annual Report are available of our company here.



## DIRECTOR'S REPORT

### Annexures forming part of this Report

The Annexures referred to in this Report and other information which are required to be disclosed are annexed herewith and form part of this Report:

Annexure	Particulars
VI	Directors Declaration
VII	Report to the Audit Committee
VIII	Activities of Nomination and Remuneration Committee
IX	Involvement of Director in Other Organizations
X	Nomination and Remuneration Policy
XI	Dividend Distribution Policy
XII	Risk Management
XIII	Corporate Social Responsibility (CSR)
XIV	Directors Profile

### Business Ethics

Esquire Knit now has become a reputed brand in Knit Garments Industry for delivering innovation, performance and fashion craze to its clients. The key element of long-term success is integrity and sincerity through performing the business fairly -a factor that contributes greatly in keeping long-standing affiliations with our valued clients.

All of our employees are instructed to behave decently during delivering their words & performing deeds based on Esquire knit's ethical principles.

We have designed our policy to hold our reputation as an excellent Company all the way through a fantastic client servicing and ethical business dealings. This is how we manage our business and maintain high standard all the time.

Our motto is to grow with our esteemed clienteles and stakeholders harmonizing a good acquaintance and also provide them nothing less than the best.

Our Board, Management and the employees strictly follow & support the regulatory guidelines, instructions and all applicable laws, rules and regulations of the concerned Authorities.

### Health & Safety

Esquire Knit provides the best Health & Safety Policy to its employees/workers based on EKCL's Corporate Business Principles and the Management and Leadership Principles which is maintained by the whole Esquire Group and also committed to continual improvement the standards of the policy.

The Company ensures utmost safety in the entire business operations that meets or exceeds the requirements where all activities are operated considering the highest security and safety from all types of possible accidents as well as the protection of the people at work place.

For ensuring maximum safety, while working in the factory inside it is mandatory for every staff to be dressed up properly having necessary uniforms i.e., aprons, gloves, mask, helmet, boots etc. We commit to identify systematic hazards and manage them with appropriate risk assessments and subsequent actions to minimize the possible dangers. These approaches also reduce threats on the business protecting our shareholders' interests and so on.

### Future Goal

At Present our company is more focusing on increasing its new markets by producing and exporting existing and new products. At the same time, one of the goals of the company is to control the costs and increase the Net Profit of the company and distribute it among the shareholders. Members of all levels of the company, including the members of the Board, are working tirelessly day to night to achieve this goal.

## Appreciation

I am grateful to Almighty Allah for the success of the company in the year 2020-2021. The continued endeavors of the management and staff as well as timely support of the Board of Directors have substantially contributed to reach a newer height of success.

I express my deep appreciation to the management and all members of staff for their dedicated & efficient services, their loyalty and relentless efforts for the Company's improvement.

I also would like to express my gratitude to the Members of the Board for their continuous support and wisdom, without which the Company would not have been in its present position.

Again I take the opportunity of expressing my heartfelt gratitude to the Ministry of Commerce, Government of the Peoples' Republic of Bangladesh, Bangladesh Securities & Exchange Commission(BSEC), National Board of Revenue(NRB), Registrar of Joint Stock Companies & Firms(RJSC), Dhaka Stock Exchange Ltd.(DSE), Chittagong Stock Exchange Ltd.(CSE), the regulatory authority -Bangladesh Textiles Mills Association(BTMA) also other regulatory bodies who have supported us and extended their valuable co-operation and some Commercial Banks of Bangladesh namely Dutch-Bangla Bank Limited (DBBL), Eastern Bank Limited (EBL) and others for extending their co-operation and everyone in the Esquire Knit family for their valuable guidance, support & co-operation.

The Board would like to put on record its appreciation for the hard work and dedication of the employees of the Company that contributed significantly to its growth over the year. We look forward to their continued support, co-operation and guidance that are our constant source of encouragement in the days ahead.

I conclude by conveying my very sincere and special thanks to our respected Shareholders, valued customers/clients, well-wishers and external auditors for their support, assistance & patronage to facilitate our path towards the glory achieved so far by the Company.

We renew to them our promise to remain disciplined, compliant and result-oriented in all our endeavors and in return seek their co-operation.

May Allah SWT (Subhanahu Wa Ta'ala) bless us all.

On Behalf of the Board of Directors



**Md. Mofazzal Hossain**  
Chairman

Dated: 30 October 2021, Dhaka