

# DIRECTOR'S REPORT







## Dear Shareholders

On behalf of the Board of Directors of Generation Next Fashions Limited, I have the pleasure to welcome you all to the 16th Annual General Meeting of the company. We are pleased to submit before you the operational activities and Audited Financial Statements for the year ended June 30, 2020 as approved by the Board of Directors

## Background

The textile sector is at the forefront of the Bangladesh industrial arena. More than 80% of the nation's export earning is derived from this sector. Generation Next Fashions Limited, as a vertically integrated fabric and apparel manufacturing company, is looking to tap into the rising demand by manufacturing products in a more efficient manner. We are now looking to enhance value addition to retain maximum profits. Our marketing strategy is to look for better customers in the days ahead. We have all the latest technologies and machineries to manufacture garments for the top retailers of the world

## Business Activities and Contribution to National Economy

The company has earned Tk.3.18 billion in foreign exchange in the period from July 01, 2019 to June 30, 2020 as against Tk. 5.19 billion in the period from July 01, 2018 to June 30, 2019 due to Covid 19. This is a significant devolution. We are a 100% export oriented business firm and our revenues are generated in foreign currency. We also purchase our raw materials in US dollars and we also sell our products in US dollars. The fact that, we generated revenues through exports earnings, is a testament to the company's contribution to the national economy

## Industry Outlook and Possible Future Developments in the Industry

The major challenges for the period from July 01, 2020 to June 30, 2021 will be inflation, high cost of funding massive disaster by Covid 19 and export order devastation. Despite these in challenges Generation Next Fashions Limited will continue to look into its potentials and development options with its business strategy. Corporate image, professionalism and quality product growth with aggressive marketing will be our priority

## Segment wise or product wise performance during the year

| Particulars       | Capacity        | Actual Production | Capacity Utilization |
|-------------------|-----------------|-------------------|----------------------|
| Garments          | 50,00,000 Dozen | 3,850,000 Dozen   | 77.00%               |
| Fabrics /Knitting | 11,500 MT       | 9,430 MT          | 82.00%               |
| Fabric Dyeing     | 12,000 MT       | 9,840 MT          | 82.00%               |

## Risks and Concerns

### 1.Exchange Rate Risk

Exchange rate risk occurs due to changes in exchange rates. As the company imports equipment from abroad and also earns 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 exchange rate of US Dollar against BDT in the country has traditionally witnessed upward trends, which makes ample opportunity for increasing revenue from exports. On the other hand, appreciation of local currency against US Dollar will reduce the import cost of the company. Therefore, change in exchange rate in both ways offsets the profitability of GNFL

### 2.Industry Risks

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation



## Management Perception

The company continuously carries out research and development (R&D) to keep pace with the customer's choices and fashions. The industry has successfully coped with the post MFA (Multi Fiber Agreement) competitive situation. The force, which is helping the sector in its strong existence, is emergence of the backward linkage industry. Backward linkage industries are supporting manufacturers in minimizing lead time and cost of production

## 3. Market Risks

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the product or service which would harm the performance of the company. On the other hand, strong marketing and brand management would help the company increase their customer base.

## Management Perception

The company has set its focus only on the export market. The management is trying to sell through direct contacts with the existing customers in selected regions by understanding their needs. The company also has established a relationship with potential buyers across the world and expects to find market for its capacity despite competition prevailing in the sector. However, the company successfully sourced new potential buyer in the world market

## 4. Technology Related Risks Potential

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

The company is aware of technological changes and has adopted new state of the art technology according to its needs. Furthermore, routine and

proper maintenance of equipment carried out by the company ensures longer service life for the existing equipment and facilities.

## 5. 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 change 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 significantly affect the industry as a whole; the business of the company will not be affected. Government emphasizes on the growth of Textile Industry to boost the export of textile products. Yet the promoters and the sponsors have to convince the policy makers for adopting favorable terms and conditions, which will eventually help the textile manufacturers of Bangladesh to compete with the low cost locations in the global arena.

## 6. Changes in Global Policies

The performance of the company may be affected due to unavoidable situation arising from political or environment changes worldwide. These may also bring changes to world economy as a whole.

## Management Perception:

To reduce the risk the company has customers from various countries of the world. The management of the company is always concerned about the prevailing and upcoming changes in the global and national policy and shall take corrective actions as required in the days to come.

## Internal Control System

The company has an internal control system with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectively and independence, the Internal Audit function report to the Board.



The internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all sector of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Board.

### 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.

### Going Concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and has therefore continued to adopt the going concern basis preparing the financial statements

### Discussion on Production Cost of Goods, Gross Profit Margin and Net Profit Margin:

Production cost of goods sold has decrease compared to last period, the gross profit margin and net profit have decreased significantly due to Covid 19.

### Discussion on Continuity of any Extra Ordinary Gain or Loss.

There is no extra ordinary gain or loss in the financial statements under report except Tk.2,278,411/- interest from bank deposit and other comprehensive income on depreciation of revalued Assets.

### Related Party Transactions

For the financial year ended 30th June, 2020 the company did not enter into any financial transactions that require separate disclosure except the remuneration paid to directors.

### Taxation:

The expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination or items recognized directly in equity.

### Deferred Tax:

The provision for deferred tax has been made based on the difference between accounting depreciation and tax depreciation of property, plant and equipment calculated by the tax authority in the. The rate of deferred tax has been applied as per Income Tax Ordinance, 1984.

### Utilization of Proceeds from Public Issues, Rights Issues and/or Through any Others Instruments.

The raised fund has been fully utilized by June 30, 2018 and has been reported to regulatory authority concerned.

### An Explanation if the Financial Results Deteriorate After the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct, Listing, etc.

No deterioration of financial result has been observed during the year.

### Significant Variance Between Quarterly Financial Performance and Annual Financial Statements

Due to the outbreak of pandemic situation COVID-19 and during the period of lock down, our major order "Call on Hold". Which effected annual financial result of the company during the period under report.

### Remuneration to Directors Excluding Independent Directors.

Remuneration paid during the period are given in notes no.22 in this Annual Report. There is no pay as Director's Attendance Fee in the board meetings.

The Financial Statements prepared by the management of Generation Next Fashions Limited



fairly present its state of affairs, the result of its operations, cash flows and changes in its equity.

Proper books of account of Generation Next Fashions Limited have been maintained.

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.

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 financial statements and any departure therefrom has been adequately disclosed.

**Significant deviations from the last period's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.**

Unwanted stoppage of export order reclassified "Call on Hold" and decline of export due to COVID-19 pandemic in world wide. Which effected our export during the period.

## Financial Highlights: Value in Crore Taka

| Particulars                  | 2019-2020 | 2018-2019 | 2017-2018 | 2016-2017 | Jan 15 to June 16 |
|------------------------------|-----------|-----------|-----------|-----------|-------------------|
| Turnover                     | 317.90    | 518.59    | 402.38    | 327.96    | 447.91            |
| Gross Profit                 | 52.13     | 81.79     | 89.09     | 64.24     | 82.82             |
| Operating Profit             | 22.81     | 45.81     | 56.45     | 38.41     | 57.32             |
| Net Profit/(Loss)            | 0.59      | 21.34     | 45.64     | 24.17     | 42.71             |
| Earnings Per Share (in Taka) | 0.01      | 0.43      | 1.01      | 0.59      | 1.14              |
| Net Non-Current Assets       | 462.57    | 455.86    | 450.51    | 399.80    | 359.37            |

## Five Years Significant Ratios

| Particulars                        | 2019-2020 | 2018-2019 | 2017-2018 | 2016-2017 | Jan 15 to June 16 |
|------------------------------------|-----------|-----------|-----------|-----------|-------------------|
| Current Ratio                      | 2.714     | 2.43      | 3.28      | 2.87      | 2.44              |
| Quick Ratio                        | 1.193     | 1.38      | 1.72      | 1.69      | 1.37              |
| Debt Equity Ratio                  | 0.567     | 0.50      | 0.25      | 0.23      | 0.22              |
| Accounts Receivable Turnover Ratio | 197       | 124       | 106       | 98        | 71                |
| Inventory Turnover Ratio           | 1.198     | 2.83      | 2.76      | 2.5       | 3.78              |
| Asset Turnover Ratio               | 0.345     | 0.59      | 0.57      | 0.51      | 0.74              |
| Gross Profit Margin Ratio          | 0.164     | 0.16      | 0.22      | 0.20      | 0.18              |
| Operating Profit Margin Ratio      | 0.072     | 0.09      | 0.14      | 0.12      | 0.13              |
| Net Profit Margin Ratio            | 0.002     | 0.04      | 0.11      | 0.07      | 0.10              |
| Return on Assets Ratio             | 0.001     | 0.02      | 0.06      | 0.04      | 0.07              |
| Return on Equity Ratio             | 0.001     | 0.04      | 0.08      | 0.05      | 0.09              |
| Earnings Per Share                 | 0.012     | 0.43      | 1.01      | 0.59      | 1.14              |
| Earnings Per Share – Diluted       | 0.012     | 0.43      | 0.92      | 0.49      | 0.86              |



If the issuer company has not declared dividend (cash or stock) for the year ended June 30, 2020 the reasons thereof shall be given.

The Board of Directors of the company has recommended no dividend for the year ended June 30, 2020 due to decline of export and net profit for Covid 19.

The number of Board meetings held for the year ended June 30, 2020 and attendance by each director shall be disclosed.

The Board of Directors had 15 meetings during the period ended June 30, 2020. Name of the Directors and number of meetings attended are given below:

| Name of Directors  | Designation          | Board of Directors Meeting |          |                |
|--|----------------------|----------------------------|----------|----------------|
|  |                      | Meeting Held               | Attended | Percentage (%) |
| Mr. Tauhidul Islam Chaudhury   | Chairman             | 15                         | 12       | 80             |
| Mr. Rajiv Sethi  | Managing Director    | 15                         | 14       | 93             |
| Mr. Alavee Azfar Chaudhury   | Director             | 15                         | 13       | 87             |
| Ms. Shaheen Akhter Chaudhury<br>(Nominated by A.J Corporation Limited) | Nominee Director     | 15                         | 11       | 73             |
| Mr. Mehdi Mahmood Haque  | Independent Director | 15                         | 15       | 100            |

Whenever Directors could not attend the meetings, they were granted leave of absence.

### Shareholding Pattern of Shareholding as at 30 June 2020

| Sl. No. | Shareholder's Group  | No. of Share Held |
|---------|--|-------------------|
| i)      | Share held by Parent/Subsidiary/Associated Company etc.    | NIL               |
| ii)     | Shares held by Directors:                                  | NIL               |
|         | Mr. Tauhidul Islam Chaudhury, Chairman                     | 25,409,021        |
|         | Mr. Rajiv Sethi, Managing Director                         | 9,899,489         |
|         | Mr. Alavee Azfar Chaudhury                                 | 10,481,438        |
|         | M/s A. J Corporation Limited                               | 22,412,568        |
| iii)    | Executives   | NIL               |
| iv)     | Shareholders who are holding 10% or more voting right: ICB | 52,021,951        |

### Directors' Election and Re-Appointment

Mr. Alavee Azfar Chaudhury, Director and Ms. Shaheen Akhter Chaudhury, Nominee Director (Nominee by AJ Corporation Ltd.), retired by rotation at this AGM and being eligible offered themselves for re-election under Article 128 of the company's Articles of Association.

### Financial Results

The company's financial results for the year ended June 30, 2020 with recommendation of appropriations are as follows:

| Particulars                               | Amount in Taka |
|---|----------------|
| Net Profit for the year June 30, 2020     | 5,547,931      |
| Profit Brought Forward                    | 292,604,704    |
| Depreciation on Revaluation Surplus       | 6,866,975      |
| Other Comprehensive Income                | 936.406        |
| Bonus Share Issued for the year 2018-2019 | Nil            |
| Profit Available for Appropriation        | 305,956,16     |
| Appropriations:                           |                |
| Proposed Stock Dividend                   | Nil            |
| Transferred to Retained Earnings          | 305,956,016    |

### Board of Directors

Tauhidul Islam Chaudhury

Rajiv Sethi

Alavee Azfar Chaudhury

Shaheen Akhter Chaudhury

(Nominee of A.J Corporation Ltd.)

Mehdi Mahmood Haque

### Auditors

The present auditors, G. Kibria & Co., Chartered Accountants, will retire at this Annual General Meeting and being eligible, offered themselves for re-election for the year to June 30, 2021.



### Business Expansion

The company plans to use its already expanded capacity to enhance turnover and profitability for coming years 2020-2021.

### Insurance Coverage

The company has comprehensive insurance covering all risks including fire, business interruption, natural disaster, etc.

### Human Resources

The company employed a total of 4944 people as of June 30, 2020. Currently, the management believes that it can reduce production expenses and enhance exports in future and is taking necessary steps in this regard.

### Acknowledgement

The Board of Directors would like to thank all the shareholders for their continued support over the past period. We would also like to express gratitude to the Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, RJSC, CDBL and other business associates for their valuable suggestions, continuous support and co-operation extended during the period in the period towards the company. We would also like to thank our auditor Ashraf Uddin & Co., Chartered Accountants for their efforts for timely completion of the audit. We also like to thanks our bankers, customers, and suppliers for providing the necessary support to enhance our growth and profitability. Lastly, I would like to say that the Board, with the support of the shareholders, would continue to strive to improve the company's operation and profitability in the upcoming years.

With Best Wishes



Tauhidul Islam Chaudhury  
Chairman

