

Index Agro Industries Limited

Directors' Report 2021

Dear Shareholders,

The Board of Directors of Index Agro Industries Limited is pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the Company for the year ended 30th June 2021 thereon, for your valued consideration, approval and adoption.

Principal activities

Index Agro Industries Limited (IAIL) is engaged in manufacturing and marketing of Animal Feed (poultry feed, fish feed and cattle feed) and producing Day-Old-Chicks (DOC). To meet up the growing demand of chicken in the country, the company has setup Breeder Farm & Hatchery at Rajendrapur and a Feed Mill at Valuka, Mymensingh. To ensure the quality, an experienced and well-organized team of foreign and local poultry experts are working full time in the company.

Industry outlook and possible future developments

Details of this section has been discussed in the 'Industry outlook and possible future developments' report on Annual Report.

Segment-wise performance

Index Agro operates with an annual standard production capacity of 114,000 MT in Feed Mill Division and 30.00 Million DOC (Day Old Chicks) in Poultry & Hatchery Division. The details of the segment-wise or product wise performance is disclosed in the 'Segment wise performance' report on Annual Report.

Financial results

The Company reported sales of BDT 3,672.67 mn in 30th June 2021, against BDT 4,047.09 mn reported in 30th June 2020. Gross profit of BDT 541.10 mn in 30th June 2021 against BDT 607.58 mn reported in 30th June 2020. Net profit after tax of BDT 232.58 mn in 30th June 2021 stood against BDT 264.45 mn achieved in 30th June 2020.

The operational results of the company for the year ended 30th June 2021 as follows:

Particulars	30-Jun-2021	30-Jun-2020
Revenue	3,672,667,933	4,047,090,398
Gross Profit	541,101,146	607,578,654
Net Profit After Tax	232,576,349	264,449,440
Earnings Per Share (EPS)	5.63	6.78
Net Asset Value (NAV)	2,753,301,630	2,020,725,282
Net Asset Value (NAV) per share	58.27	51.81

Appropriations of profit and key operating & financial data of preceding five years

The Directors are pleased to report the financial results for the year ended 30th June 2021 and recommend the following appropriations:

Particulars	30 June 2021	30 June 2020
Profit before tax	267,695,120	303,817,323
Less: Provision for tax	35,118,771	39,367,883
Profit after tax	232,576,349	264,449,440
Add: Un-appropriated profit brought forward	1,594,769,623	132,842,7781

Less: Prior year adjustment	-	-
Profit available for distribution	1,829,143,755	1,594,769,623
Less: Appropriation of dividend	-	-
Un-appropriated profit C/F	1,829,143,755	1,594,769,623

Key operating and financial data of the preceding five years is given in “Annexure-A” on annual report.

Reserve and surplus

As on 30th June 2021, reserves and surplus of the Company stood at Taka 1,863,301,630 as against Taka 1,630,725,282 for the year ended 30th June 2020.

Dividend

Considering the present business scenario and cash flow situation of the company, the Board of Directors recommended cash dividend @ 25% (Twenty five percent) for general public shareholders (Post IPO Shares) other than Sponsors/Directors/Pre IPO shareholders for the year ended June 30, 2021. The general public shareholders (Post IPO shares) holds 8,253,649 shares out of total 47,253,649 shares of the company. The Board did not recommend any stock dividend due to restriction under the Notification No. BSEC/CMRRCD/2009-193/23/Admin/123 dated June 30, 2021 issued by Bangladesh Securities and Exchange Commission.

The Company did not paid any dividend for the year ended June 30, 2020.

Contribution to national exchequer

Index Agro Industries Limited regularly pays its direct and indirect tax obligations in time. During the year ended 30th June 2021, Index Agro had contributed to National Exchequer total of BDT 99.56 million, by way of Corporate Income tax, withholding tax and VAT from service providers.

Extraordinary gain or loss

There was no extraordinary activities during the year ended June 30, 2021 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

There are no significant variances in the financial results between quarterly and annual financial statements.

Material change or change in the nature of business

During the year under review, there are no material changes in the nature of business of the Company.

Risks and concerns

Index Agro Industries Limited has a strong base to identify the risk of future uncertainty with the change of local and global economy. The company is always identify the key business risks and ensures the mitigation plans of those risks. The management of the company reviewed and adopted the best practices of the industry that enable the company to achieve its ultimate objectives. Details of risks and concerns, including internal and external risk factors are discussed in the ‘Risk management and control’ section on Annual Report.

Appointment of Statutory Auditors and Compliance Auditor

M/s. FAMES & R, Chartered Accountants were the statutory auditors of the Company for previous consecutive three years including the year ended 30 June 2021, shall retire in the 21st AGM and are not eligible for re-appointment as per the Bangladesh Securities and Exchange Commission notification dated 20 June 2018.

The Company received 03 (Three) proposals from CA Firms for appointment of auditors of the Company for the year ended June 30, 2022. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s G. Kibria & Co., Chartered Accountants, as the statutory auditors of the Company for the year ended June 30, 2022.

The Board of Directors also recommend to appoint M/s. G. Kibria & Co., Chartered Accountants, which will be placed before the 21st AGM for shareholders' approval. Remuneration of the auditor will also be fixed by the shareholders at the 21st AGM.

In compliance with the CG Code 2018 of BSEC, the Board of Directors recommended to re-appoint M/s. Podder & Associates, Cost & Management Accountants as the compliance auditor of the company for the year ended June 30, 2022 for compliance certification on Corporate Governance Code 2018 which will be placed before the 21st AGM for shareholders' approval.

Related party transactions

The company has no transaction with related parties in the normal course of business in financial year 2020-2021.

Utilization of IPO proceeds

The company got consent for Initial Public Offering (IPO) from Bangladesh Securities and Exchange Commission on 20 January 2021. As per declaration made in IPO prospectus, the IPO proceeds shall be fully utilized within 18 months from the date of receiving IPO fund. The details of utilization of IPO proceeds disclosed on Annual Report.

Corporate social responsibility

Details of the Company's CSR activities during the year is discussed in the '**Corporate social responsibilities**' section on Annual Report.

Human Resources Management

Your company recognizes that *People* are the most important resource and key to the success of any organization. To develop and equip the employees with key skills, the company places great emphasis on the development of its people and hence regular courses and workshops are arranged for their training and for updating knowledge on the respective functional areas.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, compliance with applicable legislations, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The Company has also established an internal audit and compliance department that functions under an independent head of internal audit and compliance to ensure that internal control and compliances are in place.

Board of Directors

The Board of Directors of the Company is comprised with 5 (five) members including 1 (one) independent director. The Board of Directors of the Company met together 11 (Eleven) times for meeting during the year under review. The number of Board meeting held and the attendance of each director during the year is disclosed in '**Annexure-B**' on Annual Report.

Appointment/re-appointment of directors

In accordance with the Article 142 of the Articles of Association of the Company, Mr. Mamunur Rashid FCMA, will retire from his office as Director by rotation in the 21st Annual General Meeting (AGM) and being eligible, offers himself for re-election in accordance with the terms of Article 144 of the Articles of Association of the Company.

The Names and profiles including nature of his expertise in specific functional areas, holding of directorship of other companies and the membership of committees is also present on Annual Report.

Remuneration to Directors including Independent Director

During the year ended 30 June 2021, the Company did not pay any remuneration to any directors including the independent director except Board meeting attendance fees.

Code of conduct

In compliance with the conditions of corporate governance code, the Board has laid down a code of conduct for the Chairman of the Board and other Board members of the Company and annual compliance of the code is recorded accordingly.

Pattern of shareholding

In accordance with the condition of the Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission (BSEC) on 03 June 2018, the shareholding pattern of the Company is disclosed in 'Annexure-C' on Annual Report.

Directors' statement on financial reporting

The Directors, in accordance with the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018, confirm the following to the best of their knowledge:

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the issuer company have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- g. There is no significant doubt upon the company's ability to continue as a going concern.

Management discussion and analysis

In accordance with the condition of corporate governance code, 'Management discussion and analysis' has been duly signed by the Managing Director of the Company and is included on Annual Report.

Declaration by MD and CFO

In accordance with the conditions of corporate governance code, a declaration on financial statements for the year ended June 30, 2021 duly signed by the MD and CFO is included on Annual Report.

Credit rating report

Details of the credit rating report are available on the website of the Company and also discussed in the 'Credit rating report' on Annual Report.

Corporate Governance

Corporate Governance is the system through which companies are dedicated, guided and controlled by the Board, keeping in view its accountability to the shareholders. Your company strives to maintain full compliance with the laws, rules and regulations that govern our business and to uphold the highest standards. Details about corporate governance are discussed in the '**Corporate governance report**' on Annual Report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018. Detail status of compliance on corporate governance along with the corporate governance compliance certificate has been included on Annual Report.

Membership with BAPLC

Index Agro Industries Limited has membership of the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on Annual Report.

Event after the reporting date

There are no material events which have occurred after the reporting date, non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in attaining company's objectives.

For and on behalf of the Board of Directors

Sd/-

(Md. Mazherul Quader)
Chairman

Date: October 07, 2021