



DIRECTORS' REPORT 2022

**Dear Shareholders,
Assalamu Alaikum!**

The Board of Directors of Index Agro Industries Limited are pleased to present this Directors' Report together with the Auditors' Report and Audited Financial Statements of the company for the year ended 30th June 2022 thereon, for your valued consideration, approval and adoption.

Principal activities

Index Agro Industries Limited (IAL) is engaged in manufacturing and marketing of Animal Feed (poultry feed and fish 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 page no. 22 of this 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 page no. 35 of this Annual Report.

Financial results

The Company reported Revenue of Tk. 4,154.33 mn in 30th June 2022, against Tk. 3,672.67 mn reported in 30th June 2021. Gross profit of Tk. 575.20 mn in 30th June 2022 against Tk. 541.10 mn reported in 30th June 2021. Net profit after tax of Tk. 240.59 mn in 30th June 2022 stood against Tk. 232.58 mn achieved in 30th June 2021.

The operational results of the company for the year ended 30th June 2022 as follows:

Particulars	30 June 2022	30 June 2021	(%) Increased/(decreased)
Revenue	4,154,327,729	3,672,667,933	13.12
Gross Profit	575,195,232	541,101,146	6.30
Net Profit After Tax	240,594,522	232,576,349	3.45
Earnings Per Share (EPS)	5.09	5.63	(9.59)
Net Asset Value (NAV)	2,973,518,214	2,753,301,630	8.00
Net Asset Value (NAV) per share	62.93	58.27	8.00

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 2022 and recommend the following appropriations:

Particulars	30 June 2022	30 June 2021
Profit before tax	288,811,290	267,695,120
Less: Provision for tax	48,216,767	35,118,771
Profit after tax	240,594,522	232,576,349
Add: Un-appropriated profit brought forward	1,829,143,755	1,594,769,623
Profit available for distribution	2,069,738,755	1,827,345,972
Less: Appropriation of dividend	20,634,123	-
Un-appropriated profit C/F	2,049,104,154	1,827,345,972

Key operating and financial data of the preceding five years is given in 'Annexure-A' on page no. 57 of this annual report.

Reserve and surplus

As on 30th June 2022, reserves and surplus of the Company stood at Taka 2,083,518,214 as against Taka 1,863,301,630 for the year ended 30th June 2021.

Dividend

The Board of Directors is pleased to recommend cash dividend @ 10% (ten percent) of the paid-up capital of the Company, representing an amount of Tk. 472.54 mn for the year ended June 30, 2022. This dividend will be paid from out of profit of the company for the year ended June 30, 2022.

The Company paid cash dividend @ 25% (twenty five percent) to general public shareholders (IPO Share shareholders) for the year ended June 30, 2021. No bonus shares or stock dividend has been declared as interim dividend.

Contribution to national exchequer

Index Agro Industries Limited regularly pays its direct and indirect tax obligations in time. During the year ended 30th June 2022, Index Agro had contributed to National Exchequer total Tk. 44,264,176 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, 2022 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

Due to improve of Covid-19 situation, the company's sales increased and collection from customers also increased accordingly. Moreover, the payment to suppliers is reduced in the financial year ended June 30, 2022. For these reasons the Net Operating Cash Flow per share increased significantly to Tk. (1.45) in June 2022 against Tk. (16.83) in June 2021.

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.

Cost of Goods sold, Gross Profit Margin and Net Profit Margin

Cost of Goods Sold: Cost of goods sold increased by 14.30% to Tk. 3,579.13 mn in June 2022 from Tk. 3,131.57 mn in June 2021. The cost of goods sold increased due to increase of sale volume and raw materials price.

Gross Profit: During the year, gross profit increased by 6.29% to Tk. 575.20 mn in June 2022 from Tk. 541.10 mn in June 2021. The gross profit margin is increased due to increase of sale volume.

Net Profit: Net profit after tax earned during the year Tk. 240.59 mn against Tk. 232.58 mn in the year 2021. Net profit increased by 3.45% due to increase of sale volume.

Risks and concerns

Risk assessment and mitigation is an integral part of the company. Index Agro Industries Limited has a strong base to identify the risk of future uncertainty with the change of local and global economy. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Details of risks and concerns, including internal and external risk factors are discussed in the 'Risk management and control' section on page no. 40 of this Annual Report.

Appointment of Statutory Auditors and Compliance Auditor

M/s. G. Kibria & Co., Chartered Accountants shall retire at the 22nd Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment. The Board recommended their re-appointment for the year ended June 30, 2022. The statutory auditors of the company have given reports on the financial statements of the company for the year ended June 30, 2023, which forms part of this Annual Report. There is no qualification, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.



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, 2023 for compliance certification on Corporate Governance Code 2018 which will be placed before the 22nd AGM for shareholders' approval.

Related party transactions

The company has no transaction with related parties in the normal course of business in financial year ended 30th June 2022.

Utilization of IPO proceeds

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

The shareholders of the company in its 21st Annual General Meeting held on December 09, 2021 at 11:00 a.m., approved the repayment of partial short term loan of Tk. 35,49,32,100/- from IPO proceeds. Subsequently, the company applied to BSEC on December 27, 2021 seeking kind permission to repay the said short-term loan of Tk. 35,49,32,100/- from IPO proceeds which is under active consideration of BSEC. The details of utilization of IPO proceeds disclosed on page no. 43 of this Annual Report.

Corporate social responsibility

Details of the Company's CSR activities during the year is discussed in the 'Corporate social responsibilities' section on page no. 46 of this Annual Report.

Human Resources Management

Index Agro Industries Limited 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. The Company is also committed to ensure a safe and healthy working environment for all. The company currently has 994 number of full-time employees.

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 comprise with 5 (five) members including 1 (one) independent director. The Board of Directors of the company met together 08 (Eight) 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 page no. 58 of this Annual Report.

Appointment/re-appointment of directors

In accordance with the Article 142 of the Articles of Association of the Company, Mr. Md. Mazherul Quader, will retire from his office as Director by rotation in the 22nd 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 page no. 14 of this Annual Report.

Remuneration to Directors including Independent Director

During the year ended 30th June 2022, 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 page no. 58 of this 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 page no. 19 of this 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, 2022 duly signed by the MD and CFO is included on page no. 84 of this annual report.

Credit rating report

The Credit Rating Agency of Bangladesh Limited (CRAB) has assigned the rating of Index Agro Industries Limited on 26.12.2021 in consideration of its audited financials up to 30th June 2021, bank liability position as on 30 November 2021 and other relevant quantitative as well as qualitative information up to the date of rating declaration. A certificate on credit rating has been included on page no. 82 of this 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. Index Agro Industries Limited is committed to comply with all the requirements of Corporate Governance Code, 2018 of Bangladesh Securities and Exchange Commission. Details about corporate governance are discussed in the 'Corporate governance report' on page no. 64 of this 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 page no. 67 of this 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 page no. 81 of this 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, shareholders, investors, bankers, employees and other stakeholders for their continuous commitment, cooperation, confidence and support in attaining company's objectives.

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Md. Mazherul Quader'.

Md. Mazherul Quader

Chairman

Date: October 20, 2022

ANNEXURE-A**Key operating and financial data of preceding five years**

Amounts in Taka

Particulars	30-Jun-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019	30-Jun-2018
Revenue	4,154,327,729	3,672,667,933	4,047,090,398	4,326,170,715	4,324,639,506
Cost of goods sold	3,579,132,497	3,131,566,787	3,439,511,744	3,652,789,042	3,726,262,946
Gross profit	575,195,232	541,101,146	607,578,654	673,381,673	598,376,560
Administration expenses	68,316,776	49,566,872	54,598,566	56,035,147	55,069,232
Selling and distribution expenses	111,345,295	128,510,215	129,734,405	146,359,835	148,998,852
Operating Profit	395,533,161	363,024,059	423,245,683	470,986,690	394,308,476
Finance Cost	143,309,210	111,191,083	135,049,725	157,900,529	97,958,525
Other income	30,150,361	9,426,886	6,817,000	6,817,000	6,817,000
Net profit before tax	288,811,290	267,695,120	303,817,323	328,168,263	306,905,478
Income tax expenses	48,216,768	35,118,770	39,367,883	52,424,267	41,723,026
Net profit after tax	240,594,522	232,576,349	264,449,440	275,743,996	265,182,452
NAV per share	62.93	58.27	51.81	45.03	37.96
EPS	5.09	5.63	6.78	7.07	6.80



ANNEXURE-B

The number of Board meetings held and the attendance by each director for the year ended 30 June 2022.

Name of Directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Md. Mazherul Quader	Chairman	08	06
Mr. Mahin Bin Mazher	Managing Director	08	08
Ms. Mehzabin Mazher	Director	08	04
Mr. Md. Mamunur Rashid FCMA	Director	08	08
Mr. A.K.M. Delwer Hussain FCMA	Independent Director	08	04

ANNEXURE- C

The pattern of Shareholding as on 30 June 2022

Name	Status/Position	No. of Shares held
a) Parent/Subsidiary/Associated companies and other related parties	N/A	Nil
b) Directors/CEO/CS/CFO/HIAC and their spouses and minor children		
Md. Mazherul Quader	Chairman	39,00,000
Mahin Bin Mazher	Managing Director	39,00,000
Index Construction Ltd. (Represented by Mehzabin Mazher)	Director	39,00,000
Index Holdings Ltd. (Represented by Md. Mamunur Rashid FCMA)	Director	9,750,000
A.K.M. Delwer Hussain FCMA	Independent Director	Nil
Mrs. Khurshid Mazher (W/o- Md. Mazherul Quader)	Sponsor Shareholder	19,50,000
Esha Mahin (W/o- Mahin Bin Mazher)	Sponsor Shareholder	19,50,000
Abu Jafar Ali FCS	Company Secretary	Nil
Md. Nazrul Islam ACMA	Chief Financial Officer	Nil
Md. Ayub Ibne Baquer	Head of Internal Audit	Nil
c) Shareholding status of top 5 salaried employees other than Directors, CEO, CS, CFO & HIAC		
Abdul Wasi	SVP-Finance & Accounts	Nil
Mohammed Ali Hossan	GM-Sales & Marketing	Nil
Mohammad Mazedul Hannan	VP-Operation	Nil
Engr. Subir Kumar Chowdhury	GM-Management	Nil
Md. Ferdous Islam	DGM-Sales & Marketing	Nil
d) Shareholders holding 10% or more voting interest in the company		
Index Poultry (Pvt.) Ltd.	Corporate Shareholder	78,00,000