



## DIRECTORS' REPORT 2023

*Dear Shareholders,  
Assalamu Alaikum!*

The Board of Directors of Index Agro Industries Limited are pleased to present this Directors' Report along with the Auditors' Report and Audited Financial Statements of the company for the year ended 30th June 2023 thereon, for your valued consideration, approval and adoption. This report provides a comprehensive overview of your company's performance, achievements and future prospects.

### Principal activities

Index Agro Industries Limited (IAIL) 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 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. 21 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 Pcs 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. 36 of this Annual Report.

### Financial results

The Company reported Revenue of Tk. 4,191.03 mn in 30th June 2023, as against Tk. 4,154.33 mn reported in 30th June 2022. Gross profit of Tk. 731.55 mn in 30th June 2023 as against Tk. 575.20 mn reported in 30th June 2022. Net profit after tax of Tk. 246.65 mn in 30th June 2022 stood as against Tk. 240.59 mn achieved in 30th June 2022.

The operational results of the company for the year ended 30th June 2023 as follows:

Particulars	30 June 2023	30 June 2022	(%) Increased/(decreased)
Revenue	4,191,025,405	4,154,327,729	0.88
Gross Profit	731,551,312	575,195,232	27.18
Net Profit After Tax	246,645,244	240,594,522	2.51
Earnings Per Share (EPS)	5.22	5.09	2.51
Net Asset Value (NAV)	3,638,305,842	2,973,518,214	22.36
Net Asset Value (NAV) per share	77.00	62.93	22.36

### 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 2023 and recommend the following appropriations:

Particulars	30 June 2023	30 June 2022
Profit before tax	290,050,618	288,811,290
Less: Provision for tax	43,405,374	48,216,767
Profit after tax	246,645,244	240,594,522
Add: Un-appropriated profit brought forward	2,050,555,865	1,829,143,755
Profit available for distribution	2,291,150,387	2,069,738,755
Less: Appropriation of dividend	47,253,649	20,634,123
Un-appropriated profit C/F	2,243,896,738	2,049,104,154

Key operating and financial data of the preceding five years is given in 'Annexure-A' on page no. 59 of this annual report.

#### Reserve and surplus

As on 30<sup>th</sup> June 2023, reserves and surplus of the company stood at Taka 2,748,305,842 as against Taka 2,083,518,214 for the year ended 30th June 2022. Reserve and surplus increased due to adjustment of land and land development cost revaluation surplus.

#### Dividend

The Board of Directors is pleased to recommend cash dividend @ 20% (Twenty percent) of the paid up capital of the company for the year ended 30th June 2023. Considering ongoing business situation and adverse cash flow position of the company, the Board has decided to pay cash dividend to the post IPO shareholders (General Public Shareholders) within the stipulated time. The Sponsors/Directors & Pre-IPO shareholders cash dividend will be paid in future depending on availability of sufficient cash position of the company. The general public shareholders (Post IPO shares) holds 82,53,649 no. of shares. On the other hand, the Sponsors/Directors & Pre-IPO shareholder holds 3,90,00,000 no. of shares.

The company paid cash dividend @ 10% (ten percent) for the year ended June 30, 2022 to all the shareholders of the company. No bonus shares or stock dividend has been declared for the same period.

#### Contribution to national exchequer

Index Agro Industries Limited regularly pays its direct and indirect tax obligations in time. During the year ended 30th June 2023, Index Agro contributed to National Exchequer a total sum of Tk. 108.38 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, 2023 affecting any extraordinary gain or loss except Foreign Exchange Rate Fluctuation Loss of Tk. 74,756,329.

#### Variance between quarterly and annual financial statements

The value of Land & Land Development have been increased substantially during the last few years due to high inflationary trend. Management has revalued fair market value of the said assets by Mahfel Huq & Co, Chartered Accountants (Valuer) as of 01.06.2023, following "Fair market value method". Such revaluation resulted in a valuation surplus aggregating of Tk. 474,645,569. For these reasons the Net Assets Value (NAV) per share increased significantly to Tk.77 in June 2023 compare to March 2023 of Tk. 65.56.

#### 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 decreased by 3.34% to Tk. 3,459.47 mn in June 2023 from Tk. 3,579.13 mn in June 2022. The cost of goods sold decreased due to decrease of raw material cost and increasing of production efficiency.

**Gross Profit:** Gross profit increased by 27.18% to Tk. 731.55 mn in June 2023 from Tk. 395.53 mn in June 2022. Gross profit increased due to decrease of raw material cost and increasing of production efficiency.

**Net Profit:** Net profit after tax earned during the year Tk. 246.65 mn against Tk. 240.59 mn in the year 2022. Net profit increased by 2.51% 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. 41 of this Annual Report.



### Appointment of Statutory Auditors and Compliance Auditor

M/s. G. Kibria & Co., Chartered Accountants shall retire at the 23rd Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment. The Board recommended their re-appointment for the year ended June 30, 2024. 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, 2024 for compliance certification on Corporate Governance Code 2018 which will be placed before the 23rd 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 30<sup>th</sup> June 2023.

### 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 approved the repayment of partial short term loan of Tk. 35,49,32,100/- from IPO proceeds. Later, the Bangladesh Securities and Exchange Commission in its letter dated 17 January 2023 allowed for repayment of short-term loans of Tk. 13.85 crore and extended the time limit for using the IPO funds by one year which expired in September this year.

Further, the shareholders of the company in its 5th Extraordinary General Meeting (EGM) held on July 20, 2023 approved to use the unspent IPO fund of Tk. 26,87,95,244/- for using Building & Civil Construction works and setup necessary Machineries and Equipment in any project of the company in place of using respective projects as declared in the IPO prospectus and also approved to extend 12 (Twelve) more months for utilizing unspent IPO proceeds from the current date of expiration of using. The details of utilization of IPO proceeds disclosed on page no. 44 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. 47 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 09 (Nine) 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. 60 of this Annual Report.

### **Appointment/re-appointment of directors**

In accordance with the Article 142 of the Articles of Association of the Company, Ms. Mehzabin Mazher, will retire from her office as Director by rotation in the 23rd AGM and being eligible, offers herself 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 her expertise in specific functional areas, holding of directorship of other companies and the membership of committees is also present on page no. 13 of this Annual Report.

### **Remuneration to Directors including Independent Director**

During the year ended 30th June 2023, 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. 60 of this Annual Report.

### **Directors' statement on financial reporting**

The Directors, in accordance with the corporate governance code 2018 of Bangladesh Securities and Exchange Commission dated June 03, 2018, confirm the followings 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. 18 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, 2023 duly signed by the MD and CFO is included on page no. 86 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 29.12.2022 in consideration of its audited financials up to 30th June 2022, bank liability position as on 30 November 2022 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. 84 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. 66 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. 70 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. 83 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 outcomes.

### For and on behalf of the Board of Directors

**Md. Mazherul Quader**

Chairman

Date: 25. 10. 2023



## ANNEXURE-A

### Key operating and financial data of preceding five years

Amounts in Taka

Particulars	30-Jun-2023	30-Jun-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Revenue	4,191,025,405	4,154,327,729	3,672,667,933	4,047,090,398	4,326,170,715
Cost of goods sold	3,459,474,093	3,579,132,497	3,131,566,787	3,439,511,744	3,652,789,042
Gross profit	731,551,312	575,195,232	541,101,146	607,578,654	673,381,673
Administration expenses	60,879,705	68,316,776	49,566,872	54,598,566	56,035,147
Selling and distribution expenses	125,974,145	111,345,295	128,510,215	129,734,405	146,359,835
Operating Profit	544,697,461	395,533,161	363,024,059	423,245,683	470,986,690
Finance Cost	203,110,241	143,309,210	111,191,083	135,049,725	157,900,529
Other income	34,972,023	30,150,361	9,426,886	6,817,000	6,817,000
Net profit before tax	290,050,618	288,811,290	267,695,120	303,817,323	328,168,263
Income tax expenses	43,405,373	48,216,768	35,118,770	39,367,883	52,424,267
Net profit after tax	246,645,244	240,594,522	232,576,349	264,449,440	275,743,996
NAV per share	77.00	62.93	58.27	51.81	45.03
EPS	5.22	5.09	5.63	6.78	7.07



## ANNEXURE-B

The number of Board meetings held and the attendance by each director for the year ended 30th June 2023.

Name of Directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Md. Mazherul Quader	Chairman	09	06
Mr. Mahin Bin Mazher	Managing Director	09	08
Ms. Mehzabin Mazher	Director	09	07
Mr. Md. Mamunur Rashid FCMA	Director	09	09
Mr. A.K.M. Delwer Hussain FCMA	Independent Director	09	04

## ANNEXURE-C

The pattern of Shareholding as on 30th June 2023

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	97,50,000
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
Sarif Mohammad Jana Alam FCMA	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		
Sair Bin Ahmmed Rusho	GM-Sales & Marketing	Nil
Mohammad Mazedul Hannan	VP-Operation	Nil
Md. Abu Sayed Chowdhury	GM-Management	Nil
Iqbal Ahmed ACMA	DGM-Finance & Accounts	Nil
Md. Mahabubul Hassan	AGM-Sales & Marketing	Nil
d) Shareholders holding 10% or more voting interest in the company		
Index Poultry (Pvt.) Ltd.	Corporate Shareholder	78,00,000
Index Holdings Ltd.	Corporate Shareholder	97,50,000