

# Information Memorandum for IPO



*Far East Knitting &  
Dyeing Industries Limited*





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*Far East Knitting & Dyeing Industries Limited*



Information Memorandum  
For the Initial Public Offering of

*Far East Knitting & Dyeing Industries Limited*

Initial Public Offering of 30,000,000 ordinary shares of BDT 10.00 each at proposed indicative price of BDT 50.00 including a premium of BDT 40.00 totaling to BDT 1,500,000,000

Date of Information Memorandum: January 2, 2011

**Credit Rating Agency**

**Credit Rating Information and Services Limited (CRISL)**

Entity Rating	Long Term A+	Short Term ST-2
Date of Rating	December 27, 2010	

Issue Manager



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## FORWARD LOOKING STATEMENTS

This information memorandum may include forward-looking statements. The use of the words “may,” “will,” “would,” “could,” “should,” “believes,” “estimates,” “projects,” “potential,” “expects,” “plans,” “seeks,” “intends,” “evaluates,” “pursues,” “anticipates,” “continues,” “designs,” “impacts,” “forecasts,” “target,” “outlook,” “initiative,” “objective,” “designed,” “priorities,” “goal,” or the negative of these words or other similar expressions is intended to identify forward-looking statements that represent our current judgment about possible future events. All statements in this information memorandum, and in related comments by our management, other than statements of historical facts, including statements about future events or financial performance, are forward-looking statements that involve certain risks and uncertainties.

These statements are based on certain assumptions and analyses made in light of our experience and perception of historical trends, current conditions, and expected future developments as well as other factors that we believe are relevant in the circumstances. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, however. Whether actual future results and developments would conform to our expectations and predictions is subject to a number of risks and uncertainties, including the risks and uncertainties discussed in this information memorandum under the caption “Risk Factors” and elsewhere.

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# Glossary

## A

AGM Annual General Meeting

## B

BAS Bangladesh Accounting Standards

BDT Bangladeshi Taka

## C

CAGR Cumulative Average Growth Rate

CDBL Central Depository Bangladesh Limited

CIB Credit Information Bureau

CSE Chittagong Stock Exchange

C&F Clearing & Forwarding Agent

## D

DSE Dhaka Stock Exchange

## E

EII Eligible Institutional Investor

EPB Export Promotion Bureau

EU European Union

ETP Effluent Treatment Plant

## F

FEKDIL Far East Knitting & Dyeing Industries Ltd.

FESIL Far East Spinning Industries Limited

FY Financial Year

## G

GSP Generalized System of Preference

## I

IM Information Memorandum

IDLC IDLC Finance Limited

IPO Initial Public Offering

## K

KVA Kilo Volt Ampere

## L

L/C Letter of Credit

## M

MT Metric Ton

## N

NAV Net Asset Value

NRB Non Resident Bangladeshi

## P

PSI Per Square Inch

PE Price to Earning

P/NAV Price to NAV

## R

REB Rural Electrification Board

RMG Ready Made Garments

## S

SEC Securities & Exchange Commission

## U

USD United States Dollar

## V

VAT Value Added Tax

# SECTION I

## Statutory Condition

### DISCLOSURE IN RESPECT OF ISSUANCE OF SECURITY IN DEMAT FORM

As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Limited (CDBL) system and any further issuance of shares (right/bonus) will be issued in dematerialized form only.

### CONDITIONS FOR PRICE DISCOVERY FOR PUBLIC ISSUANCE UNDER SECTION 16 OF THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2006

Book Building is a process through which an issuer attempts to determine the price to offer its security based on demand from institutional investors. Under the process, the price of an IPO share will be determined through an automated bidding to be participated by different financial institutions and then the share will be opened for the IPO participant at the cut-off price determined during the book building process. The bidding will be handled through a uniform and integrated automated system of the stock exchanges, or any other organization as decided by the Commission, especially developed for book building method.

According to the Securities and Exchange Commission (Public Issue) Rules, 2006, based on all the documents and information to be provided to SEC, to commence bidding by the eligible institutional investors for price discovery of further issuance of 30,000,000 ordinary shares of Far East Knitting & Dyeing Industries Limited (hereinafter referred to as 'issuer' or 'company') through public offer, subject to the following conditions imposed under section 16 of the said SEC (Public Issue) Rules, 2006:

1. The invitation to the eligible institutional investors for indicative price shall be both in writing and through publication in at least **5 (Five)** widely circulated national dailies, giving at least **10 (ten) working days** time, to attend the road show/presentation/seminar;
2. The invitation letter shall accompany an information document containing all relevant information covering the proposed issue of the issuer. The Information Document (ID) shall be sent to the following institutions/associations, unless otherwise directed by the Commission, **at least 5 (five) working days** prior to the road show/presentation/seminar;
  - (i) Stock Exchanges
  - (ii) Bangladesh Association of Public Listed Companies (BAPLC)
  - (iii) Bangladesh Merchant Bankers' Association (BMBA)
  - (iv) Bangladesh Association of Banks (BAB)
  - (v) Bangladesh Leasing and Finance Companies Association (BLFCA)
  - (vi) Bangladesh Insurance Association (BIS)
  - (vii) Registered Asset Management Companies
3. The eligible institutional investors shall submit indicative price to the issuer/issue manager, signed jointly by the Chief Executive Officer (CEO) and the Financial Analyst, highlighting the factors taken into consideration in support of the indicative price, within the next **3 (Three) working days** of the said road show/presentation/seminar;

4. In case of IPO under Book Building Method, the Eligible Institutional Investors (EII) shall not be allowed to participate in the bidding unless they participate and quote price in the Road Show for setting the indicative price of concerned issue. The EII participating in the Road Show and quote price must also participate in the bidding. The issuer and issue manager will jointly submit the attendance sheet and the quoted price by the EII along with the draft prospectus to the Commission;
5. The representatives of the stock exchanges and Bangladesh Merchant Bankers' Association must participate in the road show/presentation/seminar as observer;
6. The issuer, in consultation with the issue manager, shall quote its own indicative price in the prospectus based on the indicative prices so obtained from the eligible institutional investors:  
  
Provided that the quote of the indicative price in the prospectus shall not exceed the arithmetic mean of the price offers so obtained from the eligible institutional investors;
7. The indicative price only shall be the basis for formal price building with an upward and downward band of 20% (twenty percent) of indicative price within which eligible institutional investors shall bid for the allocated amount of security;
8. Eligible institutional investors bidding shall commence after getting consent from the commission for this purpose;
9. The Issuer and Issue Manager shall submit the status of bidding and the cut-off price, along with draft prospectus, simultaneously to the commission and the stock exchanges within 3 (three) working days from the closing day of bidding;
10. If institutional quota is not cleared at 20% (twenty percent) below indicative price, the issue will be considered cancelled unless the floor price is further lowered within the face value of security, provided that, the issuer's chance to lower the price shall not be more than once;
11. Prospectus will have to be posted on the Websites of the Commission, stock exchanges, issue manager and issuer at least two weeks prior to the start of the bidding to facilitate investors to know about the company and all aspect of offering;
12. No institutional investor shall be allowed to quote for more than 10% (ten percent) of the total security offered for sale, subject to maximum of 5 (five) bids;
13. Institutional bidding period shall be 2 (two) successive working days, which may be changed with the approval of the Commission;
14. The bidding will be handed through a uniform and integrated automated system of the stock exchanges, especially developed for book building method;
15. The volume and value of bid at different prices will be displayed on the monitor of the said system without identifying the bidder;
16. The institutional bidders will be allotted security on pro-rata basis at the weighted average price of the bids that would clear the total number of securities being issued to them;

17. Institutional bidders shall deposit their bid with 20% (twenty percent) of the amount of bid in advance to the designated bank account and the rest amount to settle the dues against security to be issued to them shall be deposited within 5(five) working days prior to the date of opening subscription for general investors. In case of failure to deposit remaining amount that is required to be paid by institutional bidders for full settlement of the security to be issued in their favor, 50% (fifty percent) of bid money deposited by them shall be forfeited by the commission. The securities earmarked for the bidder who defaulted in making payment shall be added to the general investor quota;
18. General investors, which include mutual funds and NRBs, shall buy at the cut-off price;
19. There shall be a time gap of not more than 15 (fifteen) working days, or as may be determined by the commission, between closure of bidding by eligible institutional investors and subscription opening for general investors;
20. Subscription for general investors shall remain open for 5 (five) consecutive banking days;
21. General investors shall place their application through banker to the issue;
22. All application money shall be kept in a separate escrow account opened with a designated bank with prior intimation to the Commission. Issuer will not be allowed to utilize such money until all the process of issue is completed and Commission's consent to this effect is obtained;
23. There shall be lock-in of 15 (fifteen) trading days from the first trading day on the security issued to the eligible institutional investors.

#### **ELIGIBLE INSTITUTIONS PARTICIPATING IN PRICE DISCOVERY PROCESS FOR DETERMINING INDICATIVE PRICE**

The price discovery process for determining indicative price of security will involve the following institutional investors registered with or approved by the Commission in this regard:-

- (a) Merchant bankers excepting the issue manager concerned to the proposed issue;
- (b) Foreign institutional investors registered with or approved by the Commission;
- (c) Recognized pension funds and provident funds;
- (d) Bank and non-bank financial institutions under regulatory control of Bangladesh Bank;
- (e) Insurance companies regulated under Insurance Act, 1938 (Act No. IV of 1938);
- (f) Institutional venture capital and institutional investors registered with or approved by the Commission;
- (g) Registered Asset Management Companies;
- (h) Stock Dealer registered with the Commission; and
- (i) Any other artificial juridical person permitted by the Commission for this purpose.

## GENERAL INFORMATION

1. **IDLC Finance Limited**, the Issue Manager, has prepared this Information Memorandum based on the information provided by **Far East Knitting & Dyeing Industries Limited** (The Company/Issuer) and also upon several discussions with the Managing Director and concerned executives of the Issuer. The Directors, including the Managing Director of Far East Knitting & Dyeing Industries Limited and IDLC Finance Limited collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material aspects and that there are no other material facts, the omission of which would make any statement herein misleading.
2. No person is authorized to give any information or to make any representation not contained in this Information Memorandum, and if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer or Issue Manager.
3. The Issue as contemplated in this document is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Information Memorandum to any person resident outside Bangladesh in no way implies that the Issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.
4. A copy of this Information Memorandum (IM) may be obtained from the websites of Far East Knitting & Dyeing Industries Limited ([www.fareastknit.com](http://www.fareastknit.com)) and IDLC Finance Limited ([www.idlc.com](http://www.idlc.com)).

## SECTION II

## Risk Factors & Management Perception

Investment in capital market involves exposure to several types of risk. Far east Knitting & Dyeing Industries Limited (FEKDIL) operates in an industry that is shaped up by many external and internal risk factors over which it has little or no control. The following includes some of the significant risks that may affect the value of the company's shares. In addition, there might be some risk factors currently unknown to the company or considered immaterial, may become material in future. If, at any point in time, the company's management fail to mitigate or avoid the following risk factors as well as those currently unknown to the company or considered immaterial, may affect its operational and financial performance. This would, in turn, affect the value of the company's shares. Hence, a rational investor should carefully consider all the information contained in this Information Memorandum including the risk factors elaborated below.

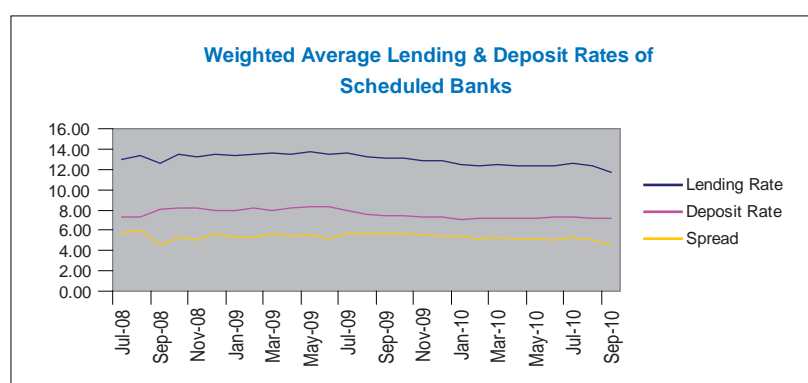
### (a) Interest Rate Risks

The company has outstanding working capital and term liabilities from different banks. Hence, it is exposed to volatility of interest rates on outstanding bank liabilities. Due to several macroeconomic and market driven factors, interest rates on short term and long term bank loans may vary over time. Inflationary pressure, increased demand for bank loan, increased volatility in money market, restrictive monetary policy, etc. may compel the loan giving institutions to increase their interest rates on the company's outstanding liabilities. If the interest rates on the existing bank loans are increased from current levels, then the company's cash flow and profitability will be affected adversely. This may also affect the value of the shares.

#### Management perception

*With the proceeds of the IPO, outstanding bank liabilities to the tune of BDT 130 Million will be repaid. This would significantly reduce the company's leverage and interest burden. Overall, the company intends to operate its business based on equity financing in order to mitigate its exposure to interest rate related risks.*

*As per a recent directive of Bangladesh Bank, interest rates on commercial lending have been capped at 13% p.a. As a result, weighted average interest rate on lending and deposit rates have been decreasing over the last two fiscal years i.e. 2008-2010. Below graph illustrates this situation.*



Source: Bangladesh Bank (September 2010 figures are provisional)

*It is expected that the interest rates on commercial lending will be reduced further to single digit levels in near future. Hence, it is expected that the company's interest burden on the outstanding bank liabilities will reduce further.*

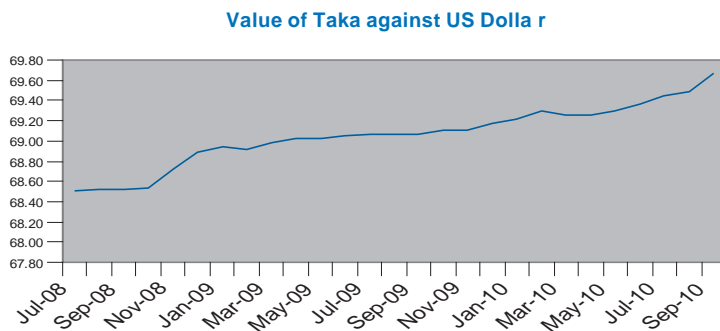
**(b) Exchange Rate Risks**

The company's major raw material is yarn that is procured from local and foreign sources. The company pays for the raw material in foreign currency. On the other hand, it exports the entire merchandize for which it receives payment in foreign currency as well. It conducts most of its foreign currency transactions in US Dollars. Hence, any significant volatility in the exchange rate of Taka against US Dollar will increase the volatility of the company's cash flow and profitability.

**Management Perception**

The Company receives the entire export proceeds in foreign currency and make majority of the import payments in foreign currency as well. For a given depreciation of Taka against a particular foreign currency like US Dollar, the import payment and export proceeds will both be higher in terms of Taka. In case of an appreciation of Taka against the same currency, the opposite will occur. Hence, the company has a natural hedge against exchange rate risk.

Moreover, value of Taka against US Dollar has remained very stable in recent times. It is expected that value of Taka will remain stable over near future considering sufficient Bangladesh Bank reserve, manageable current account deficit, growing export & remittance and favorable sovereign credit rating of Bangladesh. To note, value of Taka against US Dollar has depreciated by only 1.24% over the last two fiscal years i.e. 2008-10. Below graph illustrates the movement of value of Taka against US Dollar during FY 2008-2010.



Source: Bangladesh Bank

**(c) Industry Risks**

**(i) Labor Unrest**

At present, textile and garments sector of Bangladesh is heavily affected by labor unrest. Any incident of labor unrest will adversely affect the operation of the company. More importantly, the company's reputation in the industry and among its buyers will be affected. This may affect its financial performance in the long run as well.

**Management Perception**

The company values its employees and workers the most. It has established a very high standard of labor practices compared to the overall industry. It has very detailed human resource management policies encompassing employee recruitment, training, development, remuneration and retirement.

At the company's factory, no individual is hired without completing at least Class 8. Every new worker has to participate in an orientation program prior to being assigned to any particular task. During the orientation, the workers are trained properly. After the orientation program, the workers are confirmed based on their actual performance.

*The company adheres to government directives regarding wages very strictly. The workers are paid regularly and without delay and are entitled to two festival bonuses each equal to one month's basic salary. In addition, workers are paid attendance and conduct bonuses for regularity and good behavior in the workplace. The company also has favorable retirement benefit policies that ensure a healthy one time benefit to an exiting employee subject to completion of a minimum service period. Any worker completing at least five years of service with the company, gets 14 days salary for each year of service with the company. In case of completing 10 years, the worker will get one month's salary for each year of service . Apart from these, the workers get "Earned Leave Encashment" benefit. Under this scheme, if a worker works for at least one whole year, s/he will receive 1 day's salary for each 18 days attended for his/her retirement fund.*

*Moreover, all workers are entitled to a "Workers Welfare Fund" subject to a minimum service length of three years. Under this scheme, workers will be entitled to a fixed sum for each month of service rendered to the company. This benefit does not replace other retirement benefits. As on September 30, 2010, the size of this fund stood at BDT 15.03 Million.*

*At the factory premises, there is a well-equipped medical center with a qualified physician. The workers, their spouse and children get free medical treatment at the medical center. In case of serious illness, the patients are provided with free treatment at two local hospitals. For very severe conditions, the patients are relocated at LabAid Hospital Dhaka at company's cost.*

*The factory premises also have a day care center for the children of the female workers. At the day care center the company can accommodate 20 children. There are full time attendants to take proper care for the children in the day care center.*

*The company also provides free lunch and evening snack to the workers everyday. In order to maintain and continue a very healthy relationship between the workers and management, the workers have two approved committees. These committees meet with senior management on a monthly basis in order to express their grievances.*

*Since inception, there has not been any instance of labor unrest or strike at the company's factory premises. The rate of employee turnover and absenteeism has remained at negligible levels over the last few years.*

#### **(ii) Unavailability of Gas**

*The company needs natural gas to run day-to-day operation of the factory. The factory requires around 28,924 cubic feet of gas per day for smooth operation. If there is unavailability of gas, the operation will be disrupted. This would affect the operational and financial performance of the company adversely.*

#### **Management Perception**

*The company procures natural gas from Titas Gas Transmission and Distribution Company Limited. The factory is sanctioned a connection line of 17 PSI pressure that has been upgraded from 15 PSI very recently.*

#### **(iii) Unavailability of Power**

*The factory machineries run on electricity. Daily requirement of electricity in the factory is around 1,500 KVA. It has electricity connection from Rural Electrification Board (REB). For any severe disruption in power supply, operation of the factory will be hampered. This would result in loss of production.*

#### **Management Perception**

*Apart from the electricity connection line from REB, there are four generators with combined capacity to generate 2,480 KVA of electricity per day. Three of the generators are diesel/furnace oil fired and the other one is gas fired. As a result, the factory can continue its operation even if REB connection is disrupted.*

#### **(d) Market Risks**

##### **(i) Demand Risk**

The company operates in an export oriented industry. Future growth of its operations depends largely on the demand of apparel products in the international markets. In case the demand of apparel products in the international market decreases, the future prospects of the company will be affected. Moreover, competitive pressure from manufacturers of other countries may also divert the international apparel buyers to those countries.

##### **Management Perception**

*Over the last few years, export of RMG products from Bangladesh has been growing at a very rapid pace. During FY 2010, RMG export from Bangladesh stood at USD 12,497 Million. During the FY 2006-2010, the sector attained CAGR of 14.49% (Source: EPB). Historically, Bangladesh's major export destination was North America and Europe. Recently, manufacturers of Bangladesh have been able to develop new markets i.e. China, India, Japan, Australia etc.*

*As a product group, knit garment is the single largest foreign exchange earner for Bangladesh. During FY 2006-10, export of knit garments attained CAGR of 18.64% compared to 10.93% in the woven sector. During FY 2010, country's knit and woven export stood at USD 6,483 Million and USD 6,013 Million respectively (Source: EPB).*

*It is expected that the knit garment sector will continue its growth due to several reasons. Firstly, this sector enjoys strong backward linkage capabilities. Secondly, the knit products contain high local value addition that provides preferential duty treatments while exporting to EU countries. Due to stronger backward linkage, delivery lead time is lower as well. For all these reasons, the knit garment manufacturers of Bangladesh can deliver highest quality products at a very competitive price compared to other garment exporting nations. Due to global financial crisis, demand for cheap apparel products became stronger. Many global apparel buyers are now shifting their orders from other countries like China and India to Bangladesh due to growing production costs in those countries. Therefore, it is expected that the future operations of the company will grow at an optimum pace.*

##### **(ii) Competition from Manufacturers within Bangladesh and from Other Countries**

The company manufactures and export apparel products to some of the most renowned global apparel brands. In doing so, it faces stiff competition from manufacturers within Bangladesh and from other countries. It has to ensure optimum product quality, acceptable delivery lead time and competitive pricing. Its edge over competitors in Bangladesh depends on its product quality and lead time. In case of competitors of other countries, the company's competitive advantage depends largely on its production cost and several government incentives provided by the government. In case its competitive advantages erode, it would not be able to achieve the desired growth in our operation.

##### **Management Perception**

*The company has been involved in the RMG export business since 1994. Since then it has expanded its operation manifold. At present, it supplies to some of the world's largest international apparel brands including New Look, Li & Fung, Monoprix-Exploitation, Willamson-Dickie etc. The company has very favorable and long term relationship with all the buyers. It has been able to maintain superior product quality, uninterrupted operation and competitive pricing compared to manufacturers in other countries. It is capable of producing very sophisticated and high value added knit garment products.*

*The management of the company is committed to improve the quality of the operations through continuous investment in state-of-the-art machinery, information technology, and its human resources. The management is run by experienced and qualified professionals who have sound knowledge about the industry. The*

*management members are capable of taking timely and appropriate strategic moves in order to maintain the company's edge over the competitors at home and abroad.*

### **(iii) Volatility of Yarn Prices in the Local and International Market**

The company's major raw material is yarn. It is solely dependent on external sources for procurement of yarn. Volatility of yarn prices in the local and international market at any point in time may affect its profit margins. This would, in turn, affect the value of its shares.

#### **Management Perception**

*The company maintains very favorable and healthy relationship with the suppliers. It prefers to procure the yarn from many different sources so that it can avoid dependency on any single yarn supplier. In case of very unusual price hike, the company can transfer the cost to the buyers and keep the profit margins unaffected.*

*In addition, with the proceeds of the IPO, the company will invest in setting up a state-of-the-art spinning mill with daily production capacity of around 15 metric tons of yarn. The name of the project will be "Far East Spinning Industries Limited (FESIL)". The entire output of the new project will be used for internal consumption in the company. This would significantly reduce the company's working capital requirement and dependency on external suppliers for raw material. The spinning mill is expected to go into commercial operation from October 2012 (please find the detail in Section III: Issue Size & Purpose of Public Offering).*

### **(e) Technology Related Risks**

The operation of the company is capital intensive and the quality of the products is directly related to the sophistication of the machinery. In case, the technology of the machineries becomes obsolete, the company's cost advantage and quality of production may be affected adversely.

#### **Management Perception**

*Technology of textile machinery develops over time but the technology itself does not become obsolete so frequently. The machineries are very sophisticated and state-of-the-art. It is expected that there is very low probability that the technology of the existing machineries of the company will become obsolete in near future.*

### **(f) Potential or Existing Government Regulations**

#### **VAT, Tax and Duty Structure**

At present, the company does not have to pay VAT, import duty or tax on the raw materials that is imported through bonded warehouse. It also does not have to pay any import duty on capital machinery. It has to pay tax on export at source at a rate of 0.40%. Imposition of tax on import of raw material, capital machinery or export will adversely affect the profitability.

#### **Management perception**

*RMG export is a vital sector to the economy of Bangladesh. The government incentives and subsidies are also vital to the sustainability of this sector. The Government of Bangladesh is aware of this fact. Hence, it is expected that any undue tax or duty will not be imposed that may adversely affect the sector's sustainability. Rather, the Government is keen to support the industry.*

### **(g) Potential changes in Global or National Policies**

The company has to comply with several international and buyer specific regulations. While exporting to EU countries, Bangladeshi products receive GSP (Generalized System Preference) facilities. This makes Bangladeshi products cheaper than others. Besides, the company has to comply with many buyer specific requirements regarding its operation, internal process and policies. In case such policies and regulations

change, its competitive advantage may diminish. It may have to incur additional costs in order to adhere to changed policies and regulations.

**Management perception**

*As a least developed country Bangladesh enjoys GSP facility from EU countries. It is not expected that the facility will be withdrawn in near future. The company adheres to the buyer specific requirements on a continuous basis. Moreover, the company has the financial soundness to meet such requirements and maintain its competitive edge.*

**(h) History of non operation**

For any instance of non-operation, production of the company will be hampered. This would also increase the costing and affect its profitability. Above all, the management will not be able deliver the products within the deadlines set by the buyers.

**Management perception**

*Since inception, the operation of the company has not been disrupted for even a day. The factory operation is run by experienced and qualified professionals. The workers and managers are trained adequately and periodically so that they adhere to the operational policies properly.*

**(i) Operational Risks**

The operation can be hampered by human error, sudden breakdown of machinery, or incidents of natural calamity.

**Management perception**

*The company trains its workers adequately and periodically. The entire production process is monitored strictly by well-trained quality control officials. Besides, regular maintenance and repairing work of the machineries are conducted. The factory building is well constructed, spacious and contains adequate fire control systems.*

## SECTION III

## Issue Size & Purpose of Public Offering

### IPO SIZE AND ISSUE PRICE

Particulars	No. of Shares	Amount (BDT)
<b>Authorized Capital</b>	150,000,000	1,500,000,000
<b>Paid-up Capital as on September 30, 2010 (as per audited accounts)</b>	6,400,000	64,000,000
<b>Capital Raising from existing shareholders*</b>	58,622,000	586,220,000
<b>Capital raising from investors other than existing shareholders**</b>	5,000,000	50,000,000
<b>Pre-IPO Paid-up Capital</b>	70,022,000	700,220,000
<b>Initial Public Offering through book building method</b>	30,000,000	300,000,000
<b>Post-IPO Paid-up Capital</b>	100,022,000	1,000,220,000

\* SEC has given letter of consent vide its letter SEC/IPO/CPLC-246/2004/641 dated December 29, 2010, to raise paid up capital by issuing 58,622,000 ordinary shares of BDT 10 each at par totaling to BDT 586,220,000 by issuing bonus shares from retained earning, issuing shares against land favoring the Managing Director and fresh injection from existing shareholders.

\*\* The company has applied to SEC on December 12, 2010 to raise its paid-up capital by issuing shares to investors other than existing shareholders at an Issue Price of BDT 50 per share including a premium of BDT 40 per share.

The company is now planning issue 30,000,000 ordinary shares of BDT 10 each through Initial public offering (IPO) under Book Building Method subject to regulatory approval.

## USE OF IPO PROCEEDS

### Purpose of Public Issue

Far East Knitting & Dyeing Industries Limited (FEKDIL) plans to utilize the IPO Proceeds for the following purposes:

Particulars	Amount (BDT Million)
i. New dyeing, printing & embroidery machine	300
ii. Construction of new five storied building with 8,000 square feet per floor	70
iii. Working Capital	200
iv. Repayment of loans of FEKDIL	130
v. Investment in Far East Spinning Industries Ltd (FESIL) for 80% stake	800
<b>Total</b>	<b>1,500</b>

### Description of New Project (FESIL)

Major portion of the public issue proceeds will be utilized to establish a state-of-the-art ring spinning mill namely Far East Spinning Industries Limited (FESIL). The Company (FEKDIL) intends to purchase the controlling stake, i.e. 80% equity of FESIL. The Managing Director of FEKDIL, Mr. Asif Moyeen will sponsor the balance 20% stake at FESIL. The paid-up capital of this project will be BDT 1,000.00 Million of which BDT 800.00 Million will be invested by FEKDIL from the proceeds of the IPO and rest BDT 200.00 Million will be invested by Mr. Asif Moyeen. FESIL will be a 26,000 spindle state-of-the-art ring spinning mill which will be located 130 kilometers away from Dhaka on the Sylhet highway. FESIL will be equipped with the state-of-the-art machinery from Rieter, Switzerland and is expected to be the first of its kind in Bangladesh with auto linked facility from blow room to link winders. The expected production capacity of FESIL per day is 15,000 kilograms of combed ring spun cotton yarn of average 30s count, which will be used to meet the daily requirements of FEKDIL.

### Estimated Project Cost of FESIL

Particulars	Amount (BDT Million)
Land	200
Building & Civil Work	120
Equipment (Including Duty, Freight, LC Commission)	820
Power Plant of 3 Megawatt	100
Working Capital & Miscellaneous	260
<b>Total</b>	<b>1,500</b>

### Means of Finance

Particulars	Amount (BDT Million)
Investment from IPO Proceeds of FEKDIL	800
Investment from Mr. Asif Moyeen	200
Bank Loan	500
<b>Total</b>	<b>1,500</b>

## IMPLEMENTATION SCHEDULE

The net proceeds of the IPO other than investment in FESIL will be used within 12 months of receipt of the IPO proceeds.

The commercial operation of Far East Spinning Industries Limited is expected to commence by October 2012. The tentative implementation schedule of the project is presented below:

Particulars	Approximate date of completion of Project	Projected date of Commercial Operation
Land procurement and development	July 2011	October 2012
Opening of L/C	July 2011	
Civil work	June 2012	
Machinery at site	June 2012	
Erection & installation	August 2012	
Trial run	September 2012	

## TERMS OF CONTRACT

There is no such contract for repayment of any liability regarding above loan.

Sd/-

**Asif Moyeen**  
Managing Director

Sd/-

**Faiyaz Ahmed Khan**  
Financial Controller

## SECTION IV

## Information about the Company

### COMPANY PROFILE

Far East Knitting & Dyeing Industries Limited (FEKDIL) is a 100% export oriented composite knit manufacturing company. It was incorporated on April 19, 1994 as public limited company under the Companies Act 1913 and commenced commercial operation on the same date. As at September 30, 2010 our authorized and paid-up capital stood at BDT 1,500 Million and BDT 64 Million respectively. SEC has given letter of consent vide its letter SEC/CI/CPLC-246/2004/641 dated December 29, 2010, to raise paid up capital by issuing 58,622,000 ordinary shares of BDT 10 each at par totaling to BDT 586,220,000 by issuing bonus shares from retained earning, issuing shares against land favoring the Managing Director and fresh injection from existing shareholders.

Initially, FEKDIL started with a small garment stitching unit. Over time, it has grown and expanded its operation manifold. In 1997, it established its fabric manufacturing facility. At present, FEKDIL is one of the leading composite knit garment manufacturing companies in Bangladesh. Its factory premises have floor space of around 200,000 square foot. As at September 30, 2010, it had 4,122 workers and employees. It is an ISO 9001-2000 Certified Company. In addition, it has certifications/ licenses from Fairtrade, Global Organic Textile Standards (GOTS), and Cotton Council International. It has also achieved Social Responsibility Award from M&Co. in 2008.

FEKDIL has strong backward linkage capabilities in the knit garment manufacturing sector. At its existing production facilities, it has four separate units dedicated for knitting, dyeing-finishing, printing and stitching. This enables FEKDIL to implement appropriate quality control mechanisms at every stage of production and maintain optimum quality of the products. All of its machineries are of state-of-the-art technology. Major portion of its production process is fully automated.

As of September 30, 2010, FEKDIL has annual knitting capacity of 1,776 Metric Tons, dyeing capacity of 2,368 Metric Tons and basic stitching capacity of 12 Million pieces. During the last financial year ended on June 30, 2010, its knitting, dyeing and sewing units ran at capacity utilization of 87%, 64% and 81% respectively. During the last three fiscal years, FEKDIL has achieved impressive cumulative average growth rates (CAGR) of 17.79% and 36.05% in sales and net profit respectively. It has strengthened and diversified its client base over time. Currently, it supplies to some of the most renowned apparel brands of UK, France, Germany, Holland and Canada. Its clientele includes New Look, LI & Fung, Incredible Fashions, Monoprix Exploitation, Williamson-Dickie, Norban Corporation etc.

### NATURE OF BUSINESS

FEKDIL is 100% export oriented garment manufacturing company. It is a composite knit garment facility where it has knitting, dyeing, stitching and printing capabilities. It procures raw yarn from local and foreign sources and transforms them to finished knitwear in a step-by-step process. First, the raw yarn is knitted into grey fabric. Then the grey fabric is dyed as per buyer requirements. Next, the dyed fabric is finished, cut, and printed on if required. Finally, the fabric is stitched to produce readymade knitwear. FEKDIL supplies the finished goods to some of the most renowned apparel brands in the world. Its major products are ladies' and gents' knitwear i.e. T-Shirt, Tank Top & Vest, Jacket etc.

FEKDIL's success depends largely on how well it maintains and ensures the quality of its products. In order to achieve the highest quality of the products, it has invested in installing advanced and sophisticated textile machineries. During every stage of its production, it has employed strict quality control systems. Qualified and well trained personnel are engaged in order to monitor and evaluate the quality of the products.

In order to stay competitive, FEKDIL also has to meet delivery deadlines set by the buyers. Hence, it is very essential to keep the delivery lead time as short as possible. In doing so, FEKDIL has to ensure smooth supply chain management of the raw materials. It is very essential that FEKDIL maintains healthy and strong relationship with its major suppliers.

On the buyers' end as well, FEKDIL has to conduct continuous marketing efforts. FEKDIL strives to keep the buyers satisfied with the quality of the products. The buyers conduct regular audit in the factory in order to evaluate the operation, production process and other relevant policies. In addition, FEKDIL has to ensure strict compliance to the buyers' requirements regarding environment, health and safety of the workers. Overall, almost every aspect of its business is highly monitored and controlled by the requirements set forth by the buyers.

In addition to the buyers' requirements, FEKDIL has to comply with US and EU rules that apply for foreign exporters. FEKDIL is also an ISO certified company. These certifications are credentials of the quality of its operations and management.

Unlike most of the other garment manufacturing companies in Bangladesh, FEKDIL is engaged in manufacturing very fashionable and high value added knit garment products. It is capable of producing knit garments from very fine fabric and doing various kinds of value added works on the apparel. It has a very well equipped and sizable sample making section that can make prototypes as per buyer requirements within a very short time. At any point in time, it keeps a large amount of inventory of raw yarn in order to start production of a particular buyer order immediately. As a result, it can deliver the finished goods to the buyers within a lower lead time compared to other manufacturers. For such advantage in lead time, it can also charge appropriate premium on the finished products. In addition, FEKDIL does not have significant dependency on any single buyer or supplier. As a result, it has low buyer and seller concentration that enables it to manage its business risks in a more efficient way. All these have enabled FEKDIL to achieve impressive growth in sales and net profit over the last few years.

## **PRINCIPAL PRODUCTS AND SERVICES**

FEKDIL is engaged in manufacturing knit garment products. Such knit products include but are not limited to ladies & gents T-Shirt, Tank Top, Jacket, Jogger, Hoody Jacket etc. There can be several sub-classifications of these product types depending on style and buyer requirements. As a whole, all these products are generally classified as knit garment products.

## PRODUCTS/SERVICE THAT ACCOUNTS FOR MORE THAN 10% OF THE COMPANY'S TOTAL REVENUE

Below table provides the product-wise breakdown of FEKDIL's revenues during the periods ended on September 30, 2010 and the year ended on June 30, 2010.

Particulars	During the period ended on September 30, 2010		During the year ended on June 30, 2010	
	Revenue (BDT)	% of Total Revenue	Revenue (BDT)	% of Total Revenue
<b>Tank Top &amp; Vest</b>	177,824,336	43.63%	603,974,808	44.16%
<b>T-Shirt</b>	148,186,958	36.35%	503,312,340	36.80%
<b>Pajama</b>	37,787,674	9.27%	128,344,647	9.38%
<b>Others</b>	43,815,909	10.75%	132,067,905	9.66%
<b>Total</b>	<b>407,614,877</b>	<b>100%</b>	<b>1,367,699,700</b>	<b>100%</b>

## ASSOCIATES, SUBSIDIARY/RELATED HOLDING COMPANY

FEKDIL does not have any associate, subsidiary or related holding company.

## DISTRIBUTION OF PRODUCTS/SERVICES

FEKDIL acts as a production arm of its buyers. FEKDIL exports the finished products to the buyers against Letter of Credit through a clearing and forwarding (C&F) agent designated by the buyers. FEKDIL carries the finished products to Chittagong sea port (in case of sea shipment) or to Shahjalal International Airport (in case of air shipment) through its own delivery trucks. Then, the goods are delivered to the C&F agent. FEKDIL's responsibility regarding distribution of the goods ceases once the goods are delivered to the C&F agent. The C&F agent takes the responsibility of delivering the goods to the buyers. FEKDIL is not responsible for branding, marketing, distribution and selling of the goods to the end consumers.

## COMPETITIVE CONDITION OF BUSINESS

FEKDIL is engaged in manufacturing and exporting ready-made knit garment products to some of the major international apparel brands. In doing so, it has to face very stiff competition from manufacturers from other countries as well as other manufacturers in Bangladesh. Hence, it faces two different aspects of competition in the business.

In comparison with manufacturers from other countries, FEKDIL has to ensure that it is capable to offer better pricing, appropriate quality and acceptable lead time. In general, FEKDIL can deliver products at a cheaper rate compared to other manufacturing countries i.e. China, Vietnam, or India due to lower labor rates. In addition, it enjoys GSP facilities while exporting to EU countries that ensure preferential duty treatments for the end products. Over the years, Bangladesh has become a very important and booming hub for readymade garment export. This is evident by the growth of export earning from this sector over the last few years. During FY 2006-2010 readymade garments export has attained a CAGR of 14.49%. During FY 2010, total readymade garment export from Bangladesh stood at USD 12.5 Billion.

While competing with other manufacturers in Bangladesh, FEKDIL has to ensure appropriate quality and acceptable lead time. Unlike other manufacturers, its intention has always been to produce higher value added and fashionable items that provide higher price for each apparel unit. FEKDIL has sophisticated machinery that can produce higher value added items.

FEKDIL has a very effective inventory management system. Its inventory management system is fully computerized. At any point in time, it keeps a large amount of buffer stock. This enables it to execute orders in a very short lead time. In addition, it has very high standards of labor practices at the factory compared to other companies. Its management is run by experienced and professional individuals. It has very commendable compliance records with the buyers.

### SOURCES AND AVAILABILITY OF RAW MATERIALS AND PRINCIPAL SUPPLIERS

FEKDIL's major raw material is yarn. In addition, it requires many different types of accessories, dyes and chemical. Below table lists the name of the major suppliers and percentage of total purchase from each respective supplier:

Supplier Name	Material Purchased	During the period ended on September 30, 2010		During the year ended on June 30, 2010	
		Purchase (BDT)	% of Total Purchase	Purchase (BDT)	% of Total Purchase
Square Yarn Ltd.	Yarn	10,185,265	4.04%	46,140,675	7.40%
Thermax Melange Spinning Mills Ltd.	Yarn	8,587,297	3.41%	29,822,160	4.78%
R.S Enterprise	Accessories	4,612,297	1.83%	20,061,544	3.22%
Color Chem Trade Corporation	Chemicals	2,196,250	0.87%	8,469,150	1.36%
Depro Colors & Sheds	Chemicals	1,903,100	0.76%	11,894,075	1.91%
Others	N/A	224,331,845	89.09%	507,177,349	81.34%
<b>Total</b>		<b>251,816,054</b>	<b>100%</b>	<b>623,564,953</b>	<b>100%</b>

### SOURCES OF AND REQUIREMENT FOR POWER, GAS AND WATER OR ANY OTHER UTILITIES

**Power:** FEKDIL's requirement for power is met by Rural Electrification Board (REB) and its own generators. Its daily requirement for power is 1,500 KVA. Out of this total requirement, REB provides 1,000 KVA of electricity. The rest is met by its own generators. It has three diesel/furnace oil and one gas fired generators. Combined capacity of the generators is 2,480 KVA per day.

**Gas:** FEKDIL's gas requirement is met by Titas Gas Transmission & Distribution Company Limited through a 17 PSI gas line. Its daily requirement of gas is 28,924 cubic feet.

**Water:** Every day FEKDIL requires around 1,040,000 liters of water for its factory operations, sanitation and other purposes. Its requirement for water is met by its own deep tube well.

### CUSTOMER PROVIDING 10% OR MORE REVENUES

FEKDIL supplies readymade knit apparel to some of the globally renowned brands. It does not depend on any single buyer to a large extent. Below table illustrates the buyer-wise revenue composition of FEKDIL:

Name of Buyer	Percentage of Total Revenue	
	During the period ended on 30.09.2010	During the year ended on 30.06.2010
New Look	33.89%	34.79%
Li & Fung	29.17%	29.08%
Monoprix Exploitation	13.04%	12.68%
Williamson- Dickie	10.50%	10.31%
Others	13.50%	13.14%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### DESCRIPTION OF CONTRACT WITH PRINCIPAL SUPPLIER/CUSTOMERS

FEKDIL does not have any material or long term contract with any of its suppliers or customers other than those related to day-to-day operations and normal course of business.

## DESCRIPTION OF MATERIAL PATENTS, TRADEMARKS, LICENSES OR ROYALTY AGREEMENTS

At present, FEKDIL does not have any patents, trademarks registered under its name. It does not have any royalty agreements with any third party.

FEKDIL has several regulatory licenses and certificates in order to continue its operations. FEKDIL is an ISO 9001-2000 certified company. In addition, it has several buyer certifications. Below table lists the licenses and certifications that FEKDIL has:

Sl.	Particulars	Certificate/License No.	Current Status
1.	TIN Certificate	003-200-3433/Co-3, Zone-1	Assessment completed till 2009-2010
2.	VAT Certificate	5101027563 Area 50205 5171003092 Area 50404	Valid
3.	Export Registration Certificate	RA-42197 dated 26 September 1994	Valid for the year 2010-2011
4.	Import Registration Certificate	BA-124929 dated 03 April 2002	Valid for the year 2010-2011
5.	BGMEA Membership Certificate*	Registration No: 1944 dated 01 January 2010	Valid till 31 December 2010
6.	Trade License	License No: 10455 dated 5 August 2010	Valid till 30 June 2011
7.	Labor License*	License No: 9808/Dhaka dated 30 August 2004	Valid till 31 December 2010
8.	Fire License	License No: Dhaka/14448/2001 dated 15 November 2001	Valid till 30 June 2011
9.	Boiler License	License No: BA-BO:3896 Dated 23 August 2010	Valid till 1 August 2011
10.	BOI License	License No: L-61090202011-H dated 4 February 2002	Valid
11.	Bonded Ware House License	License no: 2008/CUS-SBW/94 dated 29 November 1994	28 November 2011
12.	EPB Enrolment Certificate*	Enrolment No: 2640 dated 24 January 1995	Valid till 31 December 2010
13.	ISOQAR 9001:2000 Certificate	Certificate No: 4571/05 dated 26 May 2005	Valid 7 August 2011
14.	Fair Trade License	FLO ID No: 18880 dated 23 February 2010	Valid 22 February 2013
15.	Global Organic Textiles Standard	Certificate No: C814874GOTS- 01.2010 dated 25 June 2010	Valid 18 April 2011
16.	Cotton Council International, UAS	Dated: 9 April 2010	Valid

\* The company will submit renewal application in due course for the licenses/certificates that has validity till 31 December 2010.

## NUMBER OF EMPLOYEES

As at September 30, 2010 FEKDIL had 4,122 full time employees. Out of the total employees 3,554 employees receive yearly remuneration above BDT 36,000. Below table illustrates the composition of the employees based on location:

Employment Location	Manpower
Head Office	177
Factory	3,945
Total	4,122

## PRODUCTION/SERVICE RENDERING CAPACITY AND CURRENT UTILIZATION

Below table illustrates installed capacity and utilization of the operations:

Section	Installed Capacity		Actual Production		Capacity Utilization	
	Per Quarter	Per Year	01-Jul-10 to 30-Sep-10	01-Jul-09 to 30-Jun-10	01-Jul-10 to 30-Sep-10	01-Jul-09 to 30-Jun-10
<b>Knitting</b>	444 MT	1,776 MT	396 MT	1,544 MT	89.15%	86.94%
<b>Dyeing</b>	592 MT	2,368 MT	474 MT	1,513 MT	80.07%	63.89%
<b>Sewing</b>	1,739,000 Pieces	6,956,000 Pieces	1,384,070 Pieces	5,643,614 Pieces	79.59%	81.13%

## SECTION V

## Description of Property

### LOCATION OF PRINCIPAL PLANTS AND OTHER PROPERTY OF THE COMPANY AND THEIR CONDITION

1. Far East Knitting & Dyeing Industries Limited (FEKDIL) has its factory located at Chandra, Kaliakoir, Gazipur. The factory is located at the company's own land totaling to 410.78 decimals as at September 30, 2010. The area houses five (5) factory buildings, one tin shed go-down, an effluent treatment plant, a water treatment plant, a mosque and a bungalow for accommodating visitors. The factory buildings and go-down provides a working space of around 200,000 square feet. The five buildings provide space for the company's sampling, knitting, dyeing, printing, stitching, and finishing units. The factory buildings also accommodate an office space for factory officials, a medical center, a child care center, a laboratory and spaces for storing work-in-process and finished goods.
2. The company's machineries are all state-of-the-art and purchased new. The company does not have any second-hand machinery. Below table illustrates the written down value of the fixed assets of the company that it owns:

Particulars	30-Sep-2010	30-Jun-2010	30-Jun-2009
Air conditioner	3,537,180	3,674,992	2,937,020
Building & civil works	398,264,624	321,777,104	144,675,802
Computer Software	5,223,157	5,498,060	1,209,575
Crockery & cutleries	40,205	42,321	52,901
Electric/ Gas installation	12,123,631	12,595,980	14,033,800
Electrical equipment	3,510,870	3,647,658	4,151,862
Fax/ phone/ mobile	162,175	166,334	184,815
Furniture & fixture	13,873,083	13,668,623	12,104,901
Generator	24,173,304	25,154,082	19,564,100
ISO Certification	-	-	106,086
Land and land development	242,421,549	205,170,000	22,574,416
Motor vehicle	19,654,417	20,688,860	23,546,075
Office decoration	21,082,666	18,094,141	15,839,281
Office equipment	5,532,951	5,118,046	4,381,870
Plant & machinery	328,307,692	322,134,255	238,786,479
Plant & machinery (Garment)	53,193,220	51,433,790	40,597,254
Plant & machinery (Printing)	9,000,434	9,351,100	7,148,500
Washing Machinery	4,811,274	4,998,726	1,561,634
Water & steam line	3,627,459	3,818,378	4,521,253
Water treatment plant	10,772,778	11,207,555	10,752,168
Effluent treatment plant	4,493,167	2,167,755	-
<b>Total</b>	<b>1,163,805,835</b>	<b>1,040,407,758</b>	<b>568,729,791</b>

3. The company has mortgaged a portion of its fixed assets, i.e. 274.00 decimals of land located at Chandra, Kaliakoir, Gazipur to Janata Bank Limited against the loan borrowed from the bank by the issuer. As per the mortgage agreement, the factory building, workshop, plant, machinery, equipments, accessories constructed, built, established and other structures standing thereon and/or to be constructed, build, established thereon in future on 274.00 decimals of land mentioned in the agreement will also be held under mortgage. As per the loan agreements between Janata Bank and the company, the area of mortgaged land and fixed assets situated thereon will be increased to 283.50 decimals. The legal process and subsequent documentation for enhancement of the mortgage is under process.
4. The date of expiration and name of the lessors are given in the “Operating lease during last five years” part of the Information Memorandum.

# SECTION VI

## Plan of Operation & Discussion of Financial Condition

### INTERNAL & EXTERNAL SOURCES OF CASH

The internal sources of cash in the company are the paid-up capital, retained earnings, share money deposits and revaluation surplus of the company. On the other hand, external sources of cash include current and non-current bank liabilities. Below table illustrates the cash sources of the company:

Particulars (Figures in BDT)	30-Sep-2010	30-Jun-2010	30-Jun-2009	30-Jun-2008
<b>Internal Sources</b>				
Paid-up Capital*	64,000,000	64,000,000	64,000,000	64,000,000
Retained Earnings	529,353,944	477,522,975	288,926,437	170,024,479
Tax Holiday Reserve	-	-	-	10,261,100
Revaluation Surplus	323,598,680	323,598,680	-	-
Share Money Deposits	29,500,000	-	-	-
<b>Total Internal Sources</b>	<b>946,452,624</b>	<b>865,121,655</b>	<b>352,926,437</b>	<b>244,285,579</b>
<b>External Sources</b>				
Long Term Loan (Secured)	279,091,046	164,018,387	-	-
Packing Credit Loan	37,514,492	37,059,970	17,413,408	-
Short Term Loan	71,978,636	46,858,621	84,174,726	59,813,676
<b>Total External Sources</b>	<b>385,584,174</b>	<b>247,936,978</b>	<b>101,588,134</b>	<b>59,813,676</b>
<b>Total Sources of Cash</b>	<b>1,332,036,798</b>	<b>1,113,058,633</b>	<b>454,514,571</b>	<b>304,099,255</b>

\* SEC has given letter of consent vide its letter SEC/CI/CPLC-246/2004/641 dated December 29, 2010, to raise paid up capital by issuing 58,622,000 ordinary shares of BDT 10 each at par totaling to BDT 586,220,000 by issuing bonus shares from retained earning, issuing shares against land favoring the Managing Director and fresh injection from existing shareholders. The company has further applied to SEC on December 12, 2010 to increase its paid-up capital by another BDT 50 million by issuing shares to investors other than existing shareholders. Hence, the pre-IPO paid up capital of the company will stand at BDT 700.22 million. The detail capital structure is presented under Section III: Issue Size & Purpose of Public Offering.

### MATERIAL COMMITMENT FOR CAPITAL EXPENDITURE

As on the date of this Information Memorandum, the company does not have any material commitment for capital expenditure other than those mentioned in Section III: Issue Size and Purpose of Public Offering.

## CAUSES FOR MATERIAL CHANGES

Particulars	For the period ended 30-Sep-2010	For the year ended 30-Jun-2010	For the year ended 30-Jun-2009	For the year ended 30-Jun-2008
<b>Revenue</b>	<b>407,614,877</b>	<b>1,367,699,700</b>	<b>1,347,389,589</b>	<b>892,962,800</b>
Income From Cash Assistance	-	-	-	27,106,900
Interest Income on FDR			-	124,851
<b>Total</b>	<b>407,614,877</b>	<b>1,367,699,700</b>	<b>1,347,389,589</b>	<b>920,194,551</b>
Less: Cost of Goods Sold	305,711,602	1,038,988,792	1,050,963,263	662,215,296
<b>Gross Profits</b>	<b>101,903,275</b>	<b>328,710,908</b>	<b>296,426,326</b>	<b>257,979,255</b>
Less: Office & Administrative Expenses	36,929,448	109,095,167	178,894,716	193,356,934
<b>Profit from Operation</b>	<b>64,973,827</b>	<b>219,615,740</b>	<b>117,531,610</b>	<b>64,622,321</b>
Add: Other Income	262,979	5,631,823	31,266,940	-
<b>Net Profit/Loss before Finance Cost</b>	<b>65,236,806</b>	<b>225,247,563</b>	<b>148,798,550</b>	<b>64,622,321</b>
Less: Finance Cost	13,379,539	36,314,686	-	-
<b>Net Profit/Loss before Income Tax</b>	<b>51,857,267</b>	<b>188,932,877</b>	<b>148,798,550</b>	<b>64,622,321</b>
Less: Provision for Income Tax	26,298	230,253	157,692	-
<b>Net Profit/Loss after Tax</b>	<b>51,830,969</b>	<b>188,702,624</b>	<b>148,640,858</b>	<b>64,622,321</b>

The company has been growing its operation steadily over the years. During FY 2010, the company's revenues increased by 1.51% which is almost the same as that of previous years. During the period ended on September 30, 2010, the company's revenue has increased by 19.21% on an annualized basis reflecting the fact that the company has successfully overcome the effects of global recession. The company's gross profit margins remained at impressive levels during the period under review. Its gross profit margin remained at 28.89%, 22.00%, 24.03% and 25.00% during the years ended on June 30, 2008, 2009, 2010 and the period ended on September 30, 2010 respectively. In effect, its gross profit margins in FY 2010 have improved compared to FY 2009 due to better efficiency of its operational activities.

The company's net profit has also increased quite significantly during the period ended on September 30, 2010. Compared to the net profit in FY 2009, net profit in FY 2010 has increased by 26.95%. On an annualized basis, net profit during the period ended on September 30, 2010 has increased by 9.87%. The company has been able to maintain a very healthy net profit margin over the years. During FY 2008, 2009, 2010 and the period ended on September 30, 2010, the company's net profit margin stood at 7.24%, 11.03%, 13.80% and 12.72% respectively. The company succeeded to attain such level of profitability by focusing on manufacturing high value added fashion items only instead of volume of production.

## **SEASONAL ASPECT OF THE COMPANY'S BUSINESS**

There is no significant seasonal aspect on the company's business. In general, the company's peak order season starts from May-June and stays till December-January of each year.

## **KNOWN TRENDS, EVENTS OR UNCERTAINTIES**

Force majeure such as natural calamities, political unrest, labor unrest, unavailability of power and gas etc. might have a material effect on company's future business.

## **CHANGE IN THE ASSETS OF THE COMPANY USED TO PAY OFF ANY LIABILITIES**

No asset of the company has been disposed to pay off any liability of the company.

## **LOAN TAKEN FROM OR GIVEN TO HOLDING/PARENT COMPANY OR SUBSIDIARY COMPANY**

The company does not have any holding/parent or subsidiary company.

## **FUTURE CONTRACTUAL LIABILITIES**

The company has no plan to enter into any contractual liabilities other than normal course of business within next one year.

## **FUTURE CAPITAL EXPENDITURE**

The company does not have any plan for future capital expenditure other than those mentioned in the Section III: Issue Size and Purpose of Public Issue.

## **VAT, INCOME TAX, CUSTOMS DUTY OR OTHER TAX LIABILITY**

### **a) VAT, Customs Duty and Other Liabilities**

The company is exempted from VAT, customs duty and import duty for being a 100% export oriented company. The company imports its entire raw material through bonded warehouse. The company is exempted from the above-mentioned liabilities as per the SRO (No. 153-Law/93/1520/Duty/) dated August 3, 1993, issued by the National Board of Revenue, Ministry of Finance, Government of Bangladesh. The company does not have any other fiscal or regulatory liabilities as on the date of this memorandum.

### **b) Income Tax**

The provision for taxation is final settlement of tax liability under section 82 (C) of the Income Tax Ordinance 1984. The company is under final settlement of tax liability through deduction at source at the rate of 0.40% of export proceeds under section 53BB Income Tax Ordinance 1984. The corporate income tax assessment for the company is completed upto assessment year of 2009-2010. The corporate income tax return for assessment year 2010-2011 is under process.

Year	2005	2006	2007	2008	2009	
Particulars (BDT)	2005-2006*	2006-2007	2007-2008	2008-2009	2009-2010	
Tax Liability as per Assessment	Nil	2,805,004	3,498,867	3,634,571	4,803,353	
Provision for Income Tax	Nil	2,805,004	3,498,867	3,634,571	4,803,353	
Tax Payment Status	Deduction at Source	Nil	2,805,004	3,453,030	3,600,238	4,803,353
	Direct Payment	Nil	-	45,837	34,333	Nil
	Total	Nil	2,805,004	3,498,867	3,600,238	4,803,353
Balance	Nil	Nil	Nil	Nil	Nil	
Assessment Status	Completed	Completed	Completed	Completed	Completed	

\* The company made net loss during the year ended on June 30, 2005.

#### OPERATING LEASE AGREEMENT DURING LAST FIVE YEARS

The company has an operating lease agreement with respect to rental of its corporate office and registered office. Detail of the lease agreements are as follows:

Particulars	Lease Agreement for Corporate Office
Lessor:	Mrs. Sadia Moyeen
Lessee:	Far East Knitting & Dyeing Industries Limited
Date of Lease Agreement	July 1, 2006
Effective Date of Tenancy	July 1, 2007
Period of Lease	10 years
Date of Lease Expiration	June 30, 2017
Description of Leased Asset	2,700 square feet of floor space situated at Moyeen Center (4 <sup>th</sup> Floor), House No. 9/B, Road No. 3, Gulshan 1, Dhaka 1212.
Lease Rent	BDT 175,000 per month
Renewal Clause	Lease rent to be extended/renewed on request from the Lessee if and when Lessor shall agree to be so after July 31, 2011

Particulars	Lease Agreement for Registered Office	
Lessor:	Mr. Rashed Ahmed Chowdhury	Mr. Rashed Ahmed Chowdhury
Lessee:	Far East Knitting & Dyeing Industries Limited	Far East Knitting & Dyeing Industries Limited
Date of Lease Agreement	June 23, 2009	June 10, 2004
Effective Date of Tenancy	July 1, 2009	July 1, 2004
Period of Lease	5 Years	5 Years
Date of Lease Expiration	May 31, 2014	June 30, 2009
Description of Leased Asset	2,200 square feet of floor space on the south side of the 3 <sup>rd</sup> floor of Bilquis Tower, Plot 6 (new), 2 <sup>nd</sup> Circle, Gulshan, Dhaka 1212.	2,200 square feet of floor space on the south side of the 3 <sup>rd</sup> floor of Bilquis Tower, Plot 6 (new), 2 <sup>nd</sup> Circle, Gulshan, Dhaka 1212.
Lease Rent	BDT 28 (twenty eight) per square feet totaling to BDT 61,600 per month.	BDT 14 (fourteen) per square feet totaling to BDT 30,800 per month.
Renewal Clause	Lease rent will automatically increase at the rate of 10 percent after completion of first three years	Lease rent will automatically increase at the rate of 10 percent after completion of first three years

#### FINANCIAL LEASE COMMITMENT DURING LAST FIVE YEARS

The company has not entered into any financial lease commitment in the last five years.

#### PERSONNEL RELATED SCHEME

The company has well designed recruitment, training, development, compensation and evaluation policies for the personnel of the company. Apart from the monthly salary, the employees of the company receive many other benefits which are explained below:

**Gratuity:** Every officer of the company is entitled to gratuity benefit subject to a minimum service period of three years. On compliance with this clause, an officer will obtain the salary of the number of months same as the number of years of his/her service. For example, if an officer works for 25 years for the company, s/he will be entitled to 25 months' basic salary based on his/her current basic salary.

**Festival Bonus:** Every officer gets one months of basic salary as festival bonus during each Eid in the year.

**Profit Sharing:** Recently, the company has introduced profit sharing plan for the workers and officers through which they will be entitled to 1/21<sup>st</sup> portion of the net profit of the company. This plan will be effective after the completion of the accounting year of 2011.

**Group Health Insurance:** All the permanent employees of the company get health insurance benefit under an insurance coverage from Green Delta Insurance Company Limited.

The company has also detailed policies regarding remuneration and retirement benefit for its workers which have also been mentioned under the head “Industry Risk” represented in Section II: Risk Factors & Management Perception of this Information Memorandum.

#### REVALUATION OF COMPANY’S ASSETS AND SUMMARY THEREOF

The company revalued its fixed assets for the first time considering a cut off date of June 30, 2010 to ascertain net worth of the project at current value of land, building, machinery and other assets. The revaluation was conducted by “Tista Surveyors” having its office at Gulistan Complex, 2.B.B. Avenue, Level 9, Dhaka 1000. The report has been signed on August 25, 2010. The revalued amount of the fixed assets has been presented in the audit reports for the year ended on June 30, 2010. The particulars of the valuation team are presented below:

Sl.	Valuation Team Members	Qualification
1.	Eng. Sahfiqur Islam	B.Sc. Eng.(BUET)
2.	Md. Kamal Uddin	M. Sc.
3.	Tasneem Akther	B.Sc. EEE (NSU)
4.	Monir Hossain	Diploma in Engineering
5.	Md. Ommar Faruque	B.Sc.
6.	Md. Muzahid Ullah	B.B.S.
7.	Md. Giashuddin Ahmed	B.A

Some of the notable valuation works conducted by Tista Surveyors are presented below:

Sl.	Company Name
1.	Antim Composite Limited
2.	Delta Spinning Mill Limited
3.	Dird Composite Limited
4.	Faria Knittex Limited
5.	MM. Composit Knit. Limited
6.	Mozart Knit. Limited
7.	Neo Zipper Limited
8.	Olympic Apparels Limited
9.	Quality Milk Limited
10.	Chittagong Denim Limited
11.	The Acme Specialized Pharmaceuticals
12.	M.A. Matin Cotton Mills Limited

#### AUDITOR'S DISCLOSURE REGARDING REVALUATION OF FIXED ASSET

The first revaluation of Company's assets was made on 30.06.2010 by a renowned survey company named Tista surveyors of Gulistan Complex : 2.B.B. Avenue, Level 9, Dhaka 1000. The report was signed by The Executive Director of Tista surveyors. The valuation has been made for reflection of actual value of its assets. The revalued amount was incorporated in the accounts as on 30.06.2010. The summary of revaluation is shown below:

Group of Fixed Assets	Depreciated historical cost/Taka	Depreciated current cost/Taka	Revaluation Surplus
Land and Land development	50,331,386	205,170,000	154,838,614
Building & Civil Works	210,353,767	321,777,104	111,423,337
Generator	24,199,993	25,154,082	954,089
Plant & Machinery (Dyeing & Knitting)	257,375,266	322,134,255	64,758,989
Plant & Machinery (Garments)	60,986,895	51,433,790	(9,553,105)
Plant & machinery (Printing)	7,785,700	9,351,100	1,565,400
Washing Machineries	4,020,463	4,998,726	978,263
Water & Steam Line	3,705,002	3,818,378	113,376
Water Treatment Plant	13,049,343	11,207,556	(1,841,787)
Effluent Treatment Plant	1,806,250	2,167,755	361,505
	<b>633,614,065</b>	<b>957,212,745</b>	<b>323,598,680</b>

Sd/-

**Masih Muhith Haque & Co.**

Chartered Accountants

Date: December 06, 2010

#### TRANSACTION BETWEEN HOLDING/ASSOCIATE/SUBSIDIARY COMPANY AND ISSUER

The company does not have any subsidiary company and it does not have any transaction with any of its holding/associate companies.

# SECTION VII

## Information about Directors & Officers

### DIRECTORS OF THE COMPANY

Name	Designation	Age (Years)	Experience (Years)	Nominated by	Period of Nomination
Farha Lazina	Chairman	43	16	N/A	N/A
Asif Moyeen	Managing Director	55	35	N/A	N/A
Md. Bin Quasem	Director	52	30	N/A	N/A
Md. Salamatullah	Director	67	50	N/A	N/A
Syed Mazharul Haq	Director	57	35	N/A	N/A
Sadia Moyeen	Director	44	16	N/A	N/A
Nesar Uddin Md. Oliullah	Director	46	16	N/A	N/A

### INFORMATION REGARDING DIRECTORS AND DIRECTORSHIP

Name	Designation	Date of becoming director for the 1 <sup>st</sup> time	Date of Expiration of current term
Farha Lazina	Chairman	19-Apr-1994	15-Dec-2012
Asif Moyeen	Managing Director	19-Apr-1994	15-Dec-2012
Md. Bin Quasem	Director	19-Apr-1994	15-Dec-2012
Md. Salamatullah	Director	19-Apr-1994	15-Dec-2011
Syed Mazharul Haq	Director	19-Apr-1994	15-Dec-2012
Sadia Moyeen	Director	19-Apr-1994	15-Dec-2011
Nesar Uddin Md. Oliullah	Director	19-Apr-1994	15-Dec-2011

The directors of the company are subject to be retired by rotation according to Section 91 and Regulation 79-82 of Schedule-I of The Companies Act, 1994.

## DIRECTORS' INVOLVEMENT IN OTHER ORGANIZATIONS

Name	Designation in the Company	Name of other Organization	Position in other Organization
Asif Moyeen	Managing Director	Skynet Com Ltd.	Managing Director
		Far East International Ltd.	Managing Director
Farha Lazina	Chairman	Far East International Ltd.	Director
Syed Mazharul Haq	Director	Far East International Ltd.	Director
Mohammed Bin Quasem	Director	Incredible fashions Ltd.	Managing Director
		Stitch Right Ltd.	Managing Director
		Equity Resources Ltd.	Managing Director
		Quality Assured Ltd.	Managing Director
		Echo Tex Ltd.	Director
		Echo Sourcing Ltd.	Director
Nesar Uddin Mohammed Oliullah	Director	Dragon Securities Ltd.	Managing Director
Sadia Moyeen	Director	Labelle	Partner

## FAMILY RELATIONSHIP AMONG DIRECTORS AND TOP OFFICIALS

There are no family relationships among the directors except that Mr. Asif Moyeen, Managing Director is the husband of Ms. Sadia Moyeen, Director and Mr. Md. Salamatullah, Director and Mr. Nesar Uddin Mohammed Oliullah, Director are siblings.

## SHORT BIODATA OF THE DIRECTORS

### Farha Lazina

#### ***Chairperson, Far East Knitting & Dyeing Industries Limited***

Farha Lazina is the Chairperson of Far East Knitting & Dyeing Industries Ltd. She is a graduate. She has been involved with the company since inception. She oversees the marketing activities of the company. She is also involved in buyer correspondence and communication.

### Asif Moyeen

#### ***Managing Director, Far East Knitting & Dyeing Industries Limited***

Asif Moyeen, Managing Director, is a graduate from De Anza College, California, USA. He started his career as a banker and served in senior management capacities in Bangladesh, China and Hong Kong. In 1989, he set up his own trading business in Hong Kong dealing mainly with commodities such as cement and steel. In 1994, he set up FEKDIL. Mr. Moyeen directly looks after the marketing activities and also oversees the day-to-day operations of the company.

**Mohammed Bin Quasem*****Director, Far East Knitting & Dyeing Industries Limited***

Mohammed Bin Quasem, Director of Operations, completed post graduation in Economics from Northeastern University, Boston, USA. He started his career as a banker and served in various senior management capacities with an international Bank in Hong Kong. In 1991, he joined a renowned buying house in Hong Kong where he gained experience in the textile and garments sector. Mr. Quasem joined FEKDIL in 1994. He is involved in overseeing the marketing and operational activities of the company.

**Syed Mazharul Haq*****Director, Far East Knitting & Dyeing Industries Limited***

Syed Mazharul Haq holds a bachelors degree in Commerce. He started his career as a banker in 1975 and served in various senior management positions with several Banks in Bangladesh before joining FEKDIL. Mr. Haq oversees the Finance and Administration of the company.

**Md. Salamatullah*****Director, Far East Knitting & Dyeing Industries Limited***

Md. Salamatullah is a Graduate from Rajshahi University. He started his carrier with Ispahani Group in 1959. Later, he joined Misami Garments as CEO in 1985. In 1994, he joined Far East Knitting & Dyeing Industries Ltd as Director, heading the operations of the garments section.

**Sadia Moyeen*****Director, Far East Knitting & Dyeing Industries Limited***

Sadia Moyeen is a reputed business person. Apart from her Directorship in Far East Knitting & Dyeing Industries Limited, she is also a partner in one of the most renowned Beauty Parlors in Dhaka, namely Labelle.

**Nesar Uddin Md. Oliullah*****Director, Far East Knitting & Dyeing Industries Limited***

Nesar Udding Md. Oliullah is a graduate from Chittagong University. He has been the director of the company since incorporation. He is also the Managing Director of Dragon Securities Limited.

**CREDIT INFORMATION BUREAU REPORT (CIB) REPORT**

Neither the Issuer nor any of its directors or shareholders who hold 5% or more shares of the Issuer is loan defaulter in terms of the CIB Report of the Bangladesh Bank.

## DESCRIPTION OF TOP EXECUTIVES AND DEPARTMENTAL HEADS

Name	Age	Designation	Qualification	Date of Joining	Last five Years Experience
Farha Lazina	43	Chairman	Graduate	April 19, 1994	FEKDIL
Asif Moyeen	55	Managing Director	Graduate from De Anza College, California, USA	April 19, 1994	FEKDIL
Md. Bin Quasem	52	Director	Graduation in Economics from Northeastern University, Boston, USA	April 19, 1994	FEKDIL
Md. Salamatullah	67	Director	Bachelors degree in Commerce	April 19, 1994	FEKDIL
Syed Mazharul Haq	57	Director	Graduate from Rajshahi University	April 19, 1994	FEKDIL
Faiyaz Ahmed Khan	49	Financial Controller	B.Sc.	December 1, 2006	Worked in Royal Bank of Canada prior to joining FEKDIL
M. Anwar Ali	66	Director (HRD)	B.A. Diploma in Personnel Management, UK	August 01, 2000	FEKDIL
Kamal Uddin Ahmed	52	General Manager	M.Com.	June 1, 1996	FEKDIL
Rezwan Salam	39	General Manager (Dyeing)	M.Com.	April 27, 1994	FEKDIL
Zamshed Hossain Plabon	40	Deputy General Manager	M.Com.	March 20, 1999	FEKDIL
M. S. Zaman	41	Sr. Manager (Accounts) and Company Secretary	M.Com, C.A. (Inter)	September 09, 1999	FEKDIL
Md. Asaduzzaman	45	Sr. Manager (Commercial)	M.A.	April 1, 2000	FEKDIL
Zahidul Alam	42	Sr. Manager (Merchandising)	B.A.	July 27, 1995	FEKDIL
Mamunur Rashid	47	Factory Manager	H.S.C.	October 15, 1994	FEKDIL
Abdul Latif	39	Manager (Knitting)	B.A.	May 25, 1998	FEKDIL
S.M. Shamsul Alam	41	Manager (Planning)	B.Sc. (Eng)	November 9, 1996	FEKDIL
S.M. Kamrul Hasan	27	Manager (Dyeing)	B.Sc. (Eng)	January 11, 2010	Worked for Barnali Knitting & Dyeing previously
Dr. G. Mortuza Khan	59	Medical Officer	M.B.B.S.	June 20, 2009	Previously worked 2 years in Bangladesh Medical College and 31 years in Bangladesh Army.

## INVOLVEMENT OF DIRECTORS AND OFFICERS IN CERTAIN LEGAL PROCEEDINGS

No Officer or Director of the Company was involved in any of the following types of legal proceedings in the last ten years.

- a) Any Bankruptcy Petition filed by or against any company of which any Officer or Director of the Issuer Company filing the Information Memorandum was a Director, Officer or Partner at the time of the bankruptcy;
- b) Any conviction of an Officer, Director in a criminal proceeding or any criminal proceeding pending against him;
- c) Any Order, Judgment or Decree of any Court of competent jurisdiction against any Officer, Director permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any Officer or Director in any type of business, securities or banking activities;
- d) Any Order of the Securities and Exchange Commission, or other Regulatory Authority or Foreign Financial Regulatory Authority, suspending or otherwise limiting the involvement of any Officer or Director in any type of business, securities or banking activities.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The company does not have any transaction during the last two years or any proposed transaction between the Issuer and any of the following persons as under, except as mentioned in note 31.00 and 32.00 of the Auditor's report as on September 30, 2010 and "Executive Compensation" section of this Information Memorandum.

- (a) Any director or executive officer of the issuer;
- (b) Any director or officer;
- (c) Any person owing 5% or more of the outstanding shares of the Issuer;
- (d) Any member of the immediate family (including spouse, parents, brothers, sisters, children and in-laws) of any of the above persons;
- (e) Any transaction or arrangement entered into by the issuer of its subsidiary for a person who is currently a director or in any way connected with a director of either the issuer company or any of its subsidiaries/holding company or associate concerns, or who was a director or connected in any way with a director at any time during last three years prior to issuance of the Information Memorandum;
- (f) The company has not taken or given any loan from or to any director or any other persons connected with the director. The company also has not taken any loan from any person who did not have any stake in the issuer, its holding company or its associate concerns;
- (g) Directors' positions in other companies are included in Director's involvement in other organization(s) part of the Information Memorandum;

## EXECUTIVE COMPENSATION

### Remuneration paid to top five salaried officers during last accounting year ended on June 30, 2010

Name	Designation	Remuneration (BDT)
Asif Moyeen	Managing Director	5,980,000
Farha Lazina	Chairman	3,120,000
Mohammed Bin Quasem	Director	4,800,000
Syed Mazharul Haq	Director	1,780,000
Faiyaz Ahmed Khan	Finance Controller	1,801,200
<b>Total (BDT)</b>		<b>17,481,200</b>

### Aggregate amount of remuneration/ fee paid to Directors and Officers during last accounting year ended on June 30, 2010

Name	Amount (BDT)
Directors' remuneration (as per audited accounts)*	16,440,000
Salaries and allowances of Executives & Officers	48,938,325
<b>Total</b>	<b>65,378,325</b>

*\*The directors of the company do not receive any fees or honorarium other than the monthly salary in exchange of their service to the company as officers.*

### Remuneration paid to director who was not an officer of the company

The company did not pay remuneration to any director who was not an officer of the company during the last accounting year ended on June 30, 2010.

### Future Compensation

The company does not have any contract with any director or officer regarding future compensation.

### Pay Increase Intention

Except for normal annual increment and allowance, the company has no plan to substantially increase the remuneration, salary etc. However, the company has initiated a profit sharing plan for its employees, discussed in the section- "Personnel Related Scheme".

### OPTIONS GRANTED TO DIRECTORS, OFFICERS AND EMPLOYEES

The company did not grant any option for issue of shares to any officer, director and other employees of the company.

## **TRANSACTION WITH THE DIRECTORS AND SUBSCRIBERS TO THE MEMORANDUM**

### **Benefit from the Company**

The directors and subscribers of the company have not received any benefits other than director's remuneration which has also been disclosed in note 31.00 and 32.00 of the audited statement for the period ended on September 30, 2010 and in the "Executive Compensation" section of this memorandum.

The company has neither received anything from its directors and subscribers except a land against issuance of share money deposit favoring Mr. Asif Moyeen, Managing Director. The transaction is disclosed in note 31.00 in the audited statement for the period ended on September 30, 2010.

### **Directors and Subscribers' assets to the Company**

The directors and subscribers of the company have not transferred any asset to the company except that Mr. Asif Moyeen has sold his land measuring 59 decimal to the company against issuance of share money deposit. The transaction is disclosed in the Note 31.00 of the audited report for the period ended on September 30, 2010.

## AUDITOR'S CERTIFICATE REGARDING TANGIBLE ASSETS PER SHARE

Particulars of	As on Sept. 30 2010
<b>Non Current Assets</b>	
Property, plant and equipment	1,163,805,835
<b>A. Total non current assets</b>	<b>1,163,805,835</b>
<b>B. Total tangible non current assets</b>	<b>1,163,805,835</b>
<b>Current Assets</b>	
Advance, deposits & prepayments	32,801,168
Accounts receivable	267,561,377
Inventories	201,495,049
Cash & cash equivalents	84,022,499
<b>C. Total current assets</b>	<b>585,880,093</b>
<b>D. Total Assets (A+C)</b>	<b>1,749,685,928</b>
<b>E. Total tangible assets (B+C)</b>	<b>1,749,685,928</b>
<b>Non current liabilities</b>	
Long term loan (secured)	276,091,046
Deferred liabilities (provision for gratuity)	3,955,000
Deferred liabilities (worker's welfare fund)	15,030,490
<b>F. Total non current liabilities</b>	<b>295,076,536</b>
<b>Current liabilities</b>	
Accounts payable	185,143,500
Accepted bills payable	161,347,288
Provision for expenses	31,746,820
Packing credit loan	37,514,492
Short term loan	71,978,636
Payable for assets purchase	18,269,223
Other liabilities	2,156,810
<b>G. Total current liabilities</b>	<b>508,156,769</b>
<b>H. Total liabilities &amp; provision (F+G)</b>	<b>803,233,305</b>
<b>I. Net assets value (D-H)</b>	<b>946,452,623</b>
<b>SHARE HOLDERS EQUITY</b>	
Share capital	64,000,000
Retained earnings	529,353,944
Share money deposit	29,500,000
Revaluation surplus	323,598,680
	<b>946,452,623</b>
<b>J. Number of share</b>	<b>6,400,000</b>
<b>K. Net assets value per share (I/J)</b>	<b>147.88</b>
<b>L. Net tangible assets value (G-H)</b>	<b>946,452,623</b>
<b>M. Net tangible assets value per share (L/J)</b>	<b>147.88</b>
<b>N. Restated Number of share</b>	<b>65,022,000</b>
<b>O. Restated Net assets value per share (I/N)</b>	<b>14.56</b>
<b>P. Restated Net tangible assets value per share (L/N)</b>	<b>14.56</b>

Sd/-

**Masih Muhith Haque & Co.**  
Chartered Accountants

Date: January 2, 2011

## OWNERSHIP OF THE COMPANY'S SECURITIES

### Shareholding Position of the Directors

Name	Designation	No. of Shares	Shareholding Percentage
Asif Moyeen	Managing Director	4,996,900	78.08%
Farha Lazina	Chairman	1,216,900	19.01%
Mohammed Bin Quasem	Director	105,000	1.64%
Md. Salamatullah	Director	35,000	0.50%
Syed Mazharul Haq	Director	15,400	0.24%
Sadia Moyeen	Director	15,400	0.24%
Nesar Uddin Md. Oliullah	Director	15,400	0.24%
<b>Total</b>		<b>6,400,000</b>	<b>100.00%</b>

### Securities owned by the officers

Name	Designation	No. of Shares	Shareholding Percentage
Asif Moyeen	Managing Director	4,996,900	78.08%
Farha Lazina	Chairman	1,216,900	19.01%
Mohammed Bin Quasem	Director	105,000	1.64%
Md. Salamat Ullah	Director	35,000	0.50%
Sayed Mazharul Haq	Director	15,400	0.24%
<b>Total</b>		<b>6,369,200</b>	

### Shareholder shareholding 5% or more

Name	Designation	No. of Shares	Shareholding Percentage
Asif Moyeen	Managing Director	4,996,900	78.08%
Farha Lazina	Chairman	1,216,900	19.01%

# SECTION VIII

## Features of IPO

### DETERMINATION OF OFFERING PRICE

The common postulation is that market, despite its regular price variations, provides better value judgment of a security over a reasonable time period. Additionally, market provides approximately a consensus value of securities in perspective of their respective risk and growth potentials. Another common postulation is that non-speculative investors may not be inclined to pay more for an asset than its underlying value. However, the perception of worth would vary among the investors, depending on present circumstances and also future expectations, as well as their objective for the particular acquisition, we have taken a general approach of valuation, from general investor's viewpoint in determining the acceptable price of the stock as delineated by SEC (Public Issue) Rules, 2006.

We have derived at the issue price at BDT 50.00 per share including a premium of BDT 40 per share based on the valuation methodologies prescribed in the Securities and Exchange Commission (Public Issue) Rules, 2006. Valuations under different methodologies are illustrated below.

#### (i) Net Asset Value Per Share

While deriving at the valuation of the common stock, the Net Asset Value for each share of Far East Knitting & Dyeing Industries Limited (FEKDIL) has been taken into consideration. Below table illustrates the calculation of Net Asset Value per share at historical basis based on the audited accounts as at September 30, 2010:

Sl.	Particulars	Amount in BDT
<b>A</b>	<b>Non-Current Assets:</b> (at cost less accumulated depreciation)	<b>1,163,805,835</b>
<b>B</b>	<b>Current Assets:</b> Advance, deposits & prepayments Accounts receivables Inventories Cash and cash equivalents	<b>585,880,093</b> 32,801,168 267,561,377 201,495,049 84,022,499
<b>C</b>	<b>Total Property &amp; Assets (A + B)</b>	<b>1,749,685,928</b>
<b>D</b>	<b>Non-Current Liability:</b> Long term loan (secured). Deferred liabilities (Provision for gratuity) Deferred liabilities ( Workers' welfare fund)	<b>295,076,536</b> 276,091,046 3,955,000 15,030,490
<b>E</b>	<b>Current Liabilities</b> Accounts payable Accepted bills payable Provision for expenses Packing credit loan Short term loan Payable for asset purchase Other liabilities	<b>508,156,769</b> 185,143,500 161,347,288 31,746,820 37,514,492 71,978,636 18,269,223 2,156,810
<b>F</b>	<b>Total Liabilities (D + E)</b>	<b>803,233,305</b>
<b>G</b>	<b>Net Asset Value (C – F)</b>	<b>946,452,623</b>
<b>H</b>	<b>Number of ordinary shares outstanding*</b>	<b>65,022,000</b>
<b>I</b>	<b>NAV Per share as at September 30, 2010 (G / H)</b>	<b>14.56</b>

\* Number of ordinary shares outstanding as at September 30, 2010 is 6,400,000. SEC has given letter of consent vide its letter SEC/IPO/CPLC-246/2004/641 dated December 29, 2010, to raise paid up capital by issuing 58,622,000 ordinary shares of BDT 10 each at par totaling to BDT 586,220,000.

### (ii) Earning-based-value per share

Value of a company's share is primarily dependent on its earnings. We have calculated the weighted average net profit of FEKDIL for the last five years and calculated restated EPS based on the same. Then we have taken average market PE multiple for last one year during December 2009 to November 2010 in order to derive at the earning based value per share. Below table illustrates the calculations in detail:

Sl.	Year Ended on June 30	Net Profit After Tax (BDT '000)	Assigned Weight for each year Net Profit	Weighted Yearly Net Profit (BDT '000)
A	2006	27,872	5.01%	1,397
B	2007	126,245	22.70%	28,661
C	2008	64,622	11.62%	7,510
D	2009	148,641	26.73%	39,732
E	2010	188,703	33.93%	64,035
F	Total Net Profit After Tax during the period 2006- 2010 (BDT '000)			<b>556,083</b>
G	Weighted average Net Profit After Tax during the period 2006 to 2010 (BDT '000)			<b>141, 334</b>
H	Restated No. of shares outstanding ('000)			<b>65,022</b>
I	EPS based on weighted average Net Profit After Tax [G / H]			<b>2.17</b>
J	Average Market PE Multiple during the period- December 2009 to November 2010*			<b>27.28</b>
K	Earnings-based-value per share (BDT) [ I X J ]			<b>59.30</b>

\*Source: DSE

### (iii) Average price of similar stocks

We have considered the last one year (December 2009 to November 2010) average price of stocks operating in the textile industry. Then we have calculated the average market value multiplier in order to derive at a value of shares of FEKDIL. Below table illustrates the calculation:

Similar Stocks	Last One Year Avg. Mkt. Price*	Face Value of Shares	Market Value Multiplier
Square Textiles Limited	147.60	10	14.76
Metro Spinning Limited	75.98	10	7.60
Maksons Spinning Mills Limited	93.66	10	9.37
R.N. Spinning Mills Limited**	67.88	10	6.79
Bextex Limited	83.89	10	8.39
Malek Spinning Mills Limited**	87.68	10	8.77
<b>Average</b>	<b>92.78</b>	<b>10</b>	<b>9.28</b>

\* Source: IDLC Equity Research

\*\*Trading of RN Spinning commenced from February 9, 2010 and Malek Spinning commenced from August 2, 2010

Based on the above table, average market value multiplier of similar stocks of FEKDIL stands at 9.28X. Based on this, the value of each share of FEKDIL with a face value of BDT 10 would stand at **BDT 92.80**.

**(iv) Valuation based on PE multiple of similar stocks**

Valuation based on Price-to-Earning (PE) multiple of stocks in the similar industry is an internationally accepted valuation methodology. This method provides reasonably justified estimate of the value of a share. We have taken the PE multiple of stocks operating in the textile industry. Below table illustrates the background calculation:

Sl.	Similar Stocks	Last One Year Average Price (BDT)*	Restated EPS (BDT)**	PE Multiple
A	Square Textiles Limited	147.60	4.35	33.93
B	Metro Spinning Limited	75.98	3.84	19.79
C	Maksons Spinning Mills Limited	93.66	5.07	18.47
D	R.N. Spinning Mills Limited	67.88	1.12	60.60
E	Bextex Limited	83.89	2.00	41.92
F	Malek Spinning Mills Limited	87.68	1.51	58.07
G	Average PE multiple of similar stocks (A)			38.80
H	Restated annualized EPS as at September 30, 2010 (based on paid-up capital of BDT 650.22 Million)			3.19
I	<b>Valuation based on PE multiple of similar stocks [G X H]</b>			<b>123.71</b>

\* Source: IDLC Equity Research

\*\* Source: DSE & IDLC Equity Research

**(v) Valuation based on P/NAV multiple of similar stocks**

A company's value is largely determined by the net asset value per share of the company. Valuation based on Price-to-NAV (P/NAV) per share of similar companies is an internationally accepted valuation methodology. Hence, we have taken the P/NAV multiple of similar stocks as FEKDIL. Below table illustrates the background calculations:

Sl.	Similar Stocks	Last One Year Average Price (BDT)*	Restated NAV (BDT)**	P/NAV Multiple
A	Square Textiles Limited	147.60	41.23	3.58
B	Metro Spinning Limited	75.98	28.75	2.64
C	Maksons Spinning Mills Limited	93.66	25.97	3.61
D	R.N. Spinning Mills Limited	67.88	11.06	6.14
E	Bextex Limited	83.89	22.81	3.68
F	Malek Spinning Mills Limited	87.68	36.64	2.39
G	Average P/NAV multiple of similar stocks (A)			3.67
H	Restated and diluted NAV per share as at September 30, 2010 (based on paid-up capital of BDT 650.22 Million)			14.56
I	<b>Valuation based on P/NAV multiple of similar stocks [G X H]</b>			<b>53.46</b>

\* Source: IDLC Equity Research

\*\* Source: DSE & IDLC Equity Research

### Determination of Fair Price of FEKDIL Stock

The offer price of FEKDIL is derived under different applicable valuation methods. Finally, the fair value of FEKDIL share is derived by calculating the simple average price of the fair values derived under different valuation techniques.

Particulars	Fair Value (BDT)
Net Asset Value Per Share	14.56
Earning-based-value per share	59.30
Average price of similar stocks	92.80
Based on PE multiple of similar stocks	123.71
Bbased on P/NAV multiple of similar stocks	53.46
<b>Average Fair Price</b>	<b>68.76</b>

The above table shows that the estimated fair price of FEKDIL's stock is **BDT 68.76**. FEKDIL in association with IDLC Finance Limited, the Issue Manager derived an issue price of the stock at **BDT 50.00** each with a discount of **27.29%** on the estimated fair value.

### MARKET FOR THE SECURITIES BEING OFFERED

The issuer shall apply to all the stock exchanges in Bangladesh with 7 (Seven) working days from the date of consent accorded by the Commission to issue prospectus.

The issuer will apply at:



#### Dhaka Stock Exchange Limited

9/E, Motijheel Commercial Area, Dhaka 1000



#### Chittagong Stock Exchange Limited

CSE Building, 1080, Sheikh Mujib Road, Chittagong 4100

### DECLARATION ABOUT LISTING OF SHARES WITH STOCK EXCHANGE(S)

None of the stock exchange(s), if for any reason, grants listing within seventy five (75) days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said seventy five (75) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen (15) days, the company's directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (Two Percent) per month above the bank rate, to the subscribers concerned.

The Issue Manager, in addition to the Issuer Company, shall ensure due compliance of the above mentioned conditions and submit compliance report, thereon, to the Commission within seven (7) days of expiry of the aforesaid fifteen (15) days time period allowed for refund of the subscription money.

## DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED

### Dividend, Voting, Preemption Rights

The share capital of the company is divided into ordinary shares and is eligible to receive dividend in terms of the relevant provisions of the Companies Act, 1994 and the Articles of Association of the company. All Shareholders shall have the usual voting right in person or by proxy or power of attorney in connection with, among others, selection of Directors and Auditors and other usual General Meeting whether ordinary or extraordinary. On a show of hands every shareholder present and every duly authorized representative of a shareholder present at a General Meeting shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every share held by him/her.

In case of any additional issue of shares for raising further capital, the existing shareholders shall be entitled in terms of the guidelines issued by SEC time to time.

### Conversion and Liquidation Rights

If the Company at any time issues convertible preferences shares or debentures with the consent of SEC or/and other regulatory authority, such holders of securities shall be entitled to convert such securities into ordinary shares if it is so determined by the Company.

In terms of the provisions of the Companies Act, 1994, Articles of Association of the Company and other relevant rules in force, the shares, if any, of the company are freely transferable. The company shall not charge any fee for registering transfer of bonds. No transfer shall be made to firms, minors or persons of unsound mind.

### Dividend Policy

1. The profit of the company, subject to any special right relating thereto created or authorized to be created by the Memorandum of Association and subject to the provision of the Articles of Association, shall be divisible among the members in proportion to the capital paid up on the shares held by them respectively.
2. The Company in General Meeting may declare dividend to be paid to the members according to their rights and interests in the profits and may fix the time of payment. But no larger dividend shall be declared than is recommended by the Directors, but the Company at its General Meeting may declare a smaller dividend. The declaration of Directors as to the amount of net profit of the company shall be conclusive.
3. No dividend shall be payable except out of profits of the company or any other undistributed profits. Dividend shall not carry interest as against the Company.
4. The Directors may, from time to time, pay the members, such interim dividend, as in their judgment, the financial position of the Company may justify.
5. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of transfer.
6. There is no limitation on payment of dividends to common stockholders.

## **Other Rights of the Shareholders**

In terms of provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are transferable. The Company shall not charge any fee, other than Government duties for registering transfer of shares. No transfer shall be made to a minor or person of unsound mind.

The shareholders shall have the right to receive all periodical reports and statements, audited as well as un-audited, published by the company from time to time. The Directors shall present the financial statements as required under the law and Bangladesh Accounting Standards (BAS). Financial Statements will be prepared in accordance with the Bangladesh Accounting Standards, consistently applied throughout the subsequent periods and present with the objective of providing maximum disclosure as per law and Bangladesh Accounting Standard to the shareholders regarding the financial and operational position of the Company.

In case of any declaration of stock dividend by issue of bonus shares, all shareholders shall be entitled to it, in proportion to their shareholdings, on the date of book closure for the purpose.

The shareholder holding not less than 10% of the issued/fully paid up capital of the company shall have the right to requisition Extra-Ordinary General Meeting of the company as provided under Section 84 of the Companies Act, 1994.

## **DEBT SECURITIES**

The Company has not issued any debt securities and has no future plan as such within six months.

## SECTION IX

## Corporate Directory

<b>Registered Office</b>	<b>Far East Knitting &amp; Dyeing Industries Limited</b> Bilquis Tower (3 <sup>rd</sup> Floor) Plot -6 (New), 2 <sup>nd</sup> Circle Gulshan, Dhaka – 1212
<b>Corporate Office</b>	<b>Far East Knitting &amp; Dyeing Industries Limited</b> Moyeen Centre House # 9B, Road # 3 Gulshan 1, Dhaka 1212
<b>Auditors</b>	<b>Masih Muhith Haque &amp; Co.</b> Chartered Accountants Level 13, UTC Building 8 Panthopoth, Dhaka 1215
<b>Manager to the Issue</b>	<b>IDLC Finance Limited</b> Bay's Galleria(1st Floor) 57, Gulshan Avenue Dhaka 1212
<b>Registrar to the Issue</b>	<b>Prime Finance Capital Management Limited</b> 63 Dilkusha C/A Dhaka 1000
<b>Lead Banker-to-the-Issue</b>	<b>BRAC Bank Limited</b> 1 Gulshan Avenue Gulshan , Dhaka 1212
<b>Company's Compliance Officer</b>	<b>M. S. Zaman</b> Sr. Manager (Accounts) and Company Secretary

All investors are hereby informed that **M. S. Zaman**, Sr. Manager (Accounts) and Company Secretary would be designated as Compliance Officer who will monitor the compliance of the acts, rules, regulations, notifications, guidelines, conditions, orders/directions etc. issued by the Commission and/or stock exchange(s) applicable to the conduct of the business activities of the Company so as to promote the interest of the investors in the security issued by the Company, and for redressing investors' grievances.

# SECTION X

## Auditors Report & Related Certificates

### AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

We have audited the accompanying Balance Sheet of **Far East Knitting & Dyeing Industries Limited** as on September 30, 2010 and the related Income Statement, Cash flow statement and Statement of Changes in Equity for the period then ended. The preparation of these financial statements is the responsibility of the management of **Far East Knitting & Dyeing Industries Limited**. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standard (BAS), give a true and fair view of the state of the Company's affairs for the period ended September 30, 2010 and of the results of its operations and comply with the Companies Act, 1994, The Securities & Exchange Commission Rules 1987 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (c) the Company's Balance Sheet and Income Statement dealt with by the report are in agreement with the books of account;
- (d) the expenditure incurred was for the purpose of the company's business.

Dated: Dhaka  
November 03, 2010

Sd/-  
(Masih Muhith Haque & Co.)  
Chartered Accountants

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### BALANCE SHEET

As at September 30, 2010

		Period ended Sept. 30, 2010	Year ended June 30'2010
PROPERTY & ASSETS	Notes/ Sch	Amount (Tk.)	Amount (Tk.)
<b>A. Non-Current Assets:</b>	Sch-A&B&C	<b>1,163,805,835</b>	<b>1,040,407,758</b>
(at cost less accumulated depreciation)			
<b>B. Current assets:</b>		<b>585,880,093</b>	<b>498,135,145</b>
Advance, deposits & prepayments	6.00	32,801,168	34,670,497
Accounts receivable	7.00	267,561,377	175,183,700
Inventories	8.00	201,495,049	120,106,130
Cash and cash equivalents	9.00	84,022,499	168,174,818
<b>C. Total Property &amp; Assets (A+B)</b>		<b>1,749,685,928</b>	<b>1,538,542,903</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>D. Shareholders Equity:</b>		<b>946,452,624</b>	<b>865,121,655</b>
<b>Authorised' capital</b>		<b>1,500,000,000</b>	<b>1,500,000,000</b>
(Divided into 150,000,000 ordinary shares of Tk. 10 each)			
Issued, subscribed & paid up capital	10.00	64,000,000	64,000,000
( 6,400,000 ordinary share of Tk.10 each )			
<b>Reserve &amp; surplus</b>			
Retained earnings	11.00	529,353,944	477,522,975
Share money deposit	12.00	29,500,000	-
Revaluation surplus	13.00	323,598,680	323,598,680
<b>E. Non-Current Liability:</b>		<b>295,076,536</b>	<b>180,984,968</b>
Long term loan (secured)	14.00	276,091,046	164,018,387
Deferred liabilities (Provision for gratuity)	15.00	3,955,000	2,800,000
Deferred liabilities ( Workers' welfare fund)	16.00	15,030,490	14,166,581
<b>F. Current liabilities</b>		<b>508,156,769</b>	<b>492,436,280</b>
Accounts payable	17.00	185,143,500	131,738,406
Accepted bills payable	18.00	161,347,288	211,482,188
Provision for expenses	19.00	31,746,820	37,826,189
Packing credit loan	20.00	37,514,492	37,059,970
Short term loan	21.00	71,978,636	46,858,621
Payable for asset purchase	22.00	18,269,223	25,676,698
Other liabilities	23.00	2,156,810	1,794,209
<b>G. Total Liabilities &amp; Shareholders' Equity (D+E+F)</b>		<b>1,749,685,928</b>	<b>1,538,542,903</b>

The notes are integral part of the financial statements.

Approved and authorised for issue by the Board of Directors on the date of 03.11.2010 and signed for and on behalf of the board.

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Company Secretary  
Sd/-  
(Masih Muhith Haque & Co.)  
Chartered Accountants

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### INCOME STATEMENT

For the period ended September 30, 2010

Particulars	Notes	Period ended	Period ended	Year ended	Year ended
		Sept. 30, 2010 Amount (Tk.)	Sept. 30, 2009 Amount (Tk.)	June. 30, 2010 Amount (Tk.)	June. 30, 2009 Amount (Tk.)
Sales Revenue (Export)	24.00	407,614,877	325,643,638	1,367,699,700	1,347,389,589
Less : Cost of goods sold	25.00	305,711,602	234,509,046	1,038,988,792	1,050,963,263
<b>Gross profits</b>		<b>101,903,275</b>	<b>91,134,592</b>	<b>328,710,908</b>	<b>296,426,326</b>
Less: Office & administrative expenses	26.00	36,929,448	26,571,720	109,095,167	178,894,716
<b>Profit from Operation</b>		<b>64,973,827</b>	<b>64,562,871</b>	<b>219,615,740</b>	<b>117,531,610</b>
Add: Other income	27.00	262,979	202,980	5,631,823	31,266,940
<b>Net profit/ (Loss) before Finance cost</b>		<b>65,236,806</b>	<b>64,765,851</b>	<b>225,247,563</b>	<b>148,798,550</b>
Less: Finance cost	28.00	13,379,539	3,125,528	36,314,686	-
<b>Net profit/ (Loss) before Income tax</b>		<b>51,857,267</b>	<b>61,640,323</b>	<b>188,932,877</b>	<b>148,798,550</b>
Less : Provision for income tax	29.00	26,298	-	230,253	157,692
<b>Net profit/ (Loss) after tax</b>		<b>51,830,969</b>	<b>61,640,323</b>	<b>188,702,624</b>	<b>148,640,858</b>
Earning per share (Face value Tk. 10)	30.00	<b>8.10</b>	<b>96.31</b>	<b>29.48</b>	<b>232.25</b>
Number of share used to compute EPS		6,400,000	640,000	6,400,000	640,000

The notes are integral parts of the financial statements.

Approved and authorised for issue by the Board of Directors on the date of 03.11.2010 and signed for and on behalf of the board

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Company Secretary  
Sd/-  
(Masih Muhith Haque & Co.)  
Chartered Accountants

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### STATEMENT OF CHANGES IN EQUITY

For the period ended September 30, 2010

Particulars	Share capital	Retained earnings	Tax Holiday Reserve	Share Money Deposit	Revaluation Surplus	Total
<b>Period ended :</b>						
<b>September. 30, 2010</b>						
Balance as on June 30,2010	64,000,000	477,522,975		-	323,598,680	865,121,655
Net profit for the period		51,830,969				51,830,969
Share money deposit				29,500,000		29,500,000
<b>Balance as on September 30,2010</b>	<b>64,000,000</b>	<b>529,353,944</b>		<b>29,500,000</b>	<b>323,598,680</b>	<b>946,452,624</b>
<b>Period ended :</b>						
<b>September. 30, 2009</b>						
Balance as on July 01, 2009	64,000,000	288,926,437		-	-	352,926,437
Prior year adjustment:						-
ISO depreciation expenses		152,914		-	-	152,914
ISO certificate expenses		(259,000)		-	-	(259,000)
Net profit for the period		61,640,323		-	-	61,640,323
<b>Balance as on Sept. 30,2009</b>	<b>64,000,000</b>	<b>350,460,674</b>		-	-	<b>414,460,674</b>
<b>Year ended :</b>						
<b>June. 30, 2010</b>						
Balance as on July 01, 2009	64,000,000	288,926,437	-	-	-	352,926,437
Prior year adjustment:						
ISO depreciation expenses		152,914				152,914
ISO certificate expenses		(259,000)				(259,000)
Net profit for the year		188,702,624				188,702,624
Revaluation surplus for the year					323,598,680	323,598,680
<b>Balance as on June. 30, 2010</b>	<b>64,000,000</b>	<b>477,522,975</b>	<b>-</b>	<b>-</b>	<b>323,598,680</b>	<b>865,121,655</b>
<b>Year ended :</b>						
<b>June. 30, 2009</b>						
Balance as on July 01, 2008	64,000,000	170,024,479	10,261,100	-	-	244,285,579
Dividend paid		(40,000,000)	-	-	-	(40,000,000)
Transfer from Tax holiday reserve		10,261,100	(10,261,100)	-	-	-
Net profit for the year		148,640,858	-	-	-	148,640,858
<b>Balance as on June. 30, 2009</b>	<b>64,000,000</b>	<b>288,926,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,926,437</b>

The notes are integral part of the financial statements.

Approved and authorised for issue by the Board of Directors on the date of 03.11.2010 and signed for and on behalf of the board.

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Company Secretary

Sd/-  
(Masih Muhith Haque & Co.)  
Chartered Accountants

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### CASH FLOW STATEMENT

For the period ended September 30, 2010

	Period ended Sept. 30, 2010 Amount (Tk.)	Period ended Sept. 30, 2009 Amount (Tk.)	Year ended June 30, 2010 Amount (Tk.)	Year ended June 30, 2009 Amount (Tk.)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	315,237,200	309,181,990	1,243,903,190	1,326,841,319
Cash received from other income	262,979	202,980	5,631,823	31,266,940
Cash paid to suppliers	(255,590,734)	(393,026,405)	(791,476,480)	(680,834,899)
Dividend paid	-	-	-	(40,000,000)
Operating expenses paid	(136,058,266)	(92,619,425)	(433,884,909)	(457,920,131)
	<b>(76,148,821)</b>	<b>(176,260,862)</b>	<b>24,173,624</b>	<b>179,353,229</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(147,669,602)	(9,827,405)	(234,185,696)	(116,789,980)
<b>Net cash used in investing activities</b>	<b>(147,669,602)</b>	<b>(9,827,405)</b>	<b>(234,185,696)</b>	<b>(116,789,980)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Non-Current liability:				
Secured loan received	112,072,659	168,909,887	164,018,387	-
Deferred liability( provision for gratuity)	1,155,000	-	2,800,000	-
Deferred liability( Workers welfare fund)	863,909	3,900,000	14,166,581	-
Current liability:				
Short term loan paid	-	(42,769,664)	(17,669,543)	-
Short term loan received	25,574,537	-	-	41,774,458
<b>Net cash flow from financing activities</b>	<b>139,666,105</b>	<b>130,040,223</b>	<b>163,315,425</b>	<b>41,774,458</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(84,152,319)</b>	<b>(56,048,045)</b>	<b>(46,696,647)</b>	<b>104,337,707</b>
Cash & Cash Equivalents at the beginning of the year	168,174,818	214,871,465	214,871,465	110,533,758
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>84,022,499</b>	<b>158,823,420</b>	<b>168,174,818</b>	<b>214,871,465</b>
The above balance consists of the followings:				
Cash in hand	317,426	434,996	413,502	482,678
Cash at bank	83,705,073	158,388,424	167,761,316	214,388,787
	<b>84,022,499</b>	<b>158,823,420</b>	<b>168,174,818</b>	<b>214,871,465</b>

**Note:** Cash outflows are indicated in brackets.

The notes are integral part of the financial statements.

Approved and authorised for issue by the Board of Directors on the date of 03.11.2010 and signed for and on behalf of the board.

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
Company Secretary

Sd/-  
(Masih Muhith Haque & Co.)  
Chartered Accountants

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### FIXED ASSETS SCHEDULE (Non revalued assets)

As on Sept. 30, 2010

Schedule – A

Particulars	Cost			Rate of Dep. (%)	Depreciation			W.D.V	
	Opening Balance 01.07.10	Addition during the year	Disposal during the year		Closing Balance 30.09.10	Opening Balance 01.07.10	Addition during the year		Disposal during the year
Air conditioner	6,666,816	-	-	15.00	2,991,824	137,812	-	3,129,636	3,537,180
Computer Software	7,362,539	-	-	20.00	1,864,479	274,903	-	2,139,382	5,223,157
Crockery & cutlery	120,218	-	-	20.00	77,897	2,116	-	80,013	40,205
Electric/ Gas installation	27,484,628	-	-	15.00	14,888,648	472,349	-	15,360,997	12,123,631
Electrical equipment	6,542,927	-	-	15.00	2,895,270	136,787	-	3,032,057	3,510,870
Fax/ phone/ mobile	273,135	-	-	10.00	106,802	4,158	-	110,960	162,175
Furniture & fixture	21,048,424	560,180	-	10.00	7,379,801	355,720	-	7,735,521	13,873,083
Motor vehicle	45,076,790	-	-	20.00	24,387,930	1,034,443	-	25,422,373	19,654,417
Office decoration	25,434,198	3,529,106	-	10.00	7,340,057	540,581	-	7,880,638	21,082,666
Office equipment	9,547,121	630,475	-	15.00	4,429,076	215,570	-	4,644,645	5,532,951
<b>Sub Total</b>	<b>149,556,796</b>	<b>4,719,761</b>	<b>-</b>		<b>66,361,782</b>	<b>3,174,440</b>	<b>-</b>	<b>69,536,222</b>	<b>84,740,335</b>

**Note: Depreciation has been charged Quarterly (Three months).**

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### FIXED ASSETS SCHEDULE (Revalued assets)

As on Sept. 30, 2010

Schedule – B

Particulars	Cost			Rate of Dep. (%)	Depreciation			W.D.V	Revaluation Surplus	Depreciated current cost
	Opening Balance 01.07.10	Addition during the year	Disposal during the year		Closing Balance 30.09.10	Addition during the year	Disposal during the year			
Building & civil works	321,777,104	78,992,329	-	400,769,433	2.50	-	2,504,809	398,264,624	-	-
Generator	25,154,082	-	-	25,154,082	15.00	-	980,778	24,173,304	-	-
Land and land development	205,170,000	37,251,549	-	242,421,549	-	-	-	242,421,549	-	-
Plant & machinery	322,134,255	19,863,900	-	341,998,155	15.00	-	13,690,463	328,307,692	-	-
Plant & machinery (Gmt)	51,433,790	4,341,593	-	55,775,383	15.00	-	2,582,163	53,193,220	-	-
Plant & machinery (Printing)	9,351,100	-	-	9,351,100	15.00	-	350,666	9,000,434	-	-
Washing Machinery	4,998,726	-	-	4,998,726	15.00	-	187,452	4,811,274	-	-
Water & steam line	3,818,378	-	-	3,818,378	20.00	-	190,919	3,627,459	-	-
Water treatment plant	11,207,555	-	-	11,207,555	15.00	-	434,777	10,772,778	-	-
Effluent treatment plant	2,167,755	2,500,470	-	4,668,225	15.00	-	175,058	4,493,167	-	-
<b>Sub Total</b>	<b>957,212,745</b>	<b>142,949,841</b>	<b>-</b>	<b>1,100,162,586</b>		<b>-</b>	<b>21,097,086</b>	<b>1,079,065,500</b>	<b>-</b>	<b>-</b>
<b>G. Total</b>	<b>1,106,769,541</b>	<b>147,669,602</b>	<b>-</b>	<b>1,254,439,143</b>		<b>66,361,782</b>	<b>24,271,526</b>	<b>1,163,805,835</b>	<b>-</b>	<b>-</b>
Position as on June 30, 2010	843,990,818	234,185,696	-	1,078,176,514		275,367,113	86,000,322	716,809,078	323,598,680	1,040,407,758

Note: The calculation of opening balance of assets for the period ended Sept. 30, 2010 (cost price and accumulated depreciation) are given under the note no. 38 & 39

Note: Depreciation has been charged Quarterly (Three months) and allocated in the following manner:

Factory overhead (80%)	19,417,220
Administration (20%)	<u>4,854,305</u>
	<b><u>24,271,526</u></b>

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### DEPRECIATION CALCULATION (Revalued assets)

As on Sept. 30, 2010

Schedule -- C

Particulars	Opening as on dt. 01.07.2010		Total Balance as on 01.07.2010	Addition during the period	Closing Cost price as on dt. 30.09.2010	Total Depreciation for the period ended Sept. 30, 2010
	Reassessed Value & Year	Depreciated Current Cost. (Other than the assets which like is reassessed.)				
<b>1. Generator :</b>			<b>25,154,082</b>	-	<b>25,154,082</b>	
Depreciation Rate	1,500,000 25%	23,654,082 15%				
Reassessed Life	4 Years	-				
Depreciation	<b>93,750</b>	<b>887,028</b>				<b>980,778</b>
<b>2. Plant &amp; machinery:</b>						
	6,757,500 6,352,800					
Depreciation Rate	13,110,300 33.33%	309,023,955 15%	<b>322,134,255</b>	19,863,900 15%	<b>341,998,155</b>	
Reassessed Life	50% 3 Years 2 Years	-				
Depreciation	1,357,169	11,588,398		744,896		<b>13,690,463</b>
<b>3. Plant &amp; machinery (Gmt):</b>			<b>51,433,790</b>	4,341,593 15%	<b>55,775,383</b>	
Depreciation Rate	5,606,700 50%	45,827,090 15%				
Reassessed Life	2 Years					
Depreciation	<b>700,838</b>	<b>1,718,516</b>		<b>162,810</b>		<b>2,582,163</b>
<b>4. Water treatment plant</b>			<b>11,207,555</b>	-	11,207,555	
Depreciation Rate	165,640 50%	11,041,915 15%				
Reassessed Life	2 Years					
Depreciation	20,705	414,072				<b>434,777</b>

Note: Depreciation has been charged for Quarterly (Three months).

## FAR EAST KNITTING & DYEING INDUSTRIES LIMITED

Moyeen Center, House # 9/B, Road # 3, Gulshan -1, Dhaka

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2010

#### 1.00 Corporate History of the Reporting Entity:

**Far East Knitting & Dyeing Industries Limited** was incorporated in Bangladesh on April 19, 1994 under the companies Act, 1913 vide registration no. C – 25772 (1606)/94 as a public company limited by shares. It commenced commercial operation in 1994.

The registered office of the company is located at Bilquis Tower ( 3<sup>rd</sup> floor ) ;Plot # 6(New) ; Road # 46 ; Circle-2 ; Gulshan Dhaka-1212. The industrial Unit located at Chandra Kaliakair; Gazipur and the principal place of business is Moyeen center, House # 9/B, Road # 3, Gulshan-1,Dhaka.

#### 2.00 Corporate Business :

The company operates a readymade composite knit garments industrial unit of international standard to carry on the business of knitting, dyeing, designing, manufacturing & marketing readymade garments to deal in the foreign markets.

#### 3.00 Corporate Financial Statements and Reporting:

This comprises Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Explanatory notes covering accounting policies.

This is prepared under the historical cost convention and in accordance with the requirements of the Companies Act 1994 and the International Accounting Standards (IASs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

The Board of Directors are responsible for preparing and presenting the financial statements including adequate disclosures, who approved and authorized for issue of the financial statements.

#### 4.00 Basis of preparation

##### 4.01 Statement of Compliance

The financial statements of the company have been prepared in accordance with Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards (BFRSs), The Companies Act 1994 and other applicable laws and regulations.

##### 4.02 Other regulatory compliances

The Company is also required to comply with the following major legal provisions in addition to the Companies Act 1994 and other applicable laws and regulations:

- The Income Tax Ordinance 1984
- The Income Tax Rules 1984
- The Value added Tax Act 1991
- The Value added Tax Rules 1991
- The Securities & Exchange Commission Rules 1987

**4.03 Basis of measurement**

The financial statements have been prepared on going concern basis under historical cost conventions of generally accepted accounting principles.

**4.04 Functional and presentational currency**

These financial statements are presented in Bangladeshi Taka (TK.) currency, which is the company's functional currency.

**4.05 Accrual Basis of Accounting**

These financial statements have been prepared under the accrual basis of accounting.

**4.06 Use of estimates & judgment**

The preparation of these financial statements is in conformity with BASs/BFRSs which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and used for accounting of certain terms such as provision for expenses, depreciation and amortization and tax reserve. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected thereby.

**4.07 Reporting Period**

The reporting period of the company covers one year from 01 July to 30 June but these financial statements has been prepared for the quarter ended September 30, 2010.

**4.08 Components of the financial statements**

- i) Balance Sheet
- ii) Income Statement
- iii) Cash flow Statement
- iv) Statement of Changes in Equity
- v) Accounting policies and explanatory notes.

**5.00 Significant accounting policies**

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

**5.01 Property, plant and equipment**

**5.01.01 Recognition and measurement**

Items of property, plant and equipments are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of asset.

**5.01.02 Subsequent cost**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the profit and loss account as incurred.

### 5.01.03 Depreciation

All items of property, plant and equipment have been depreciated on reducing balance method. No depreciation is charged on land & land development. Depreciation has been charged on the opening & addition amount of fixed assets for one year but these financial statements have been prepared for the quarter ended September 30, 2010. Depreciation is charged at the rates varying from 2.5% to 50% depending on the estimated useful lives of assets.

Rates of depreciation on various classes of fixed assets are as under :

Air Conditioner	15%
Building & civil works	2.50%
Computer software	20%
Crockeries & culturies	20%
Electric/ Gas installation	15%
Electrical equipment	15%
Fax/ phone/ mobile	10%
Furniture & fixture	10%
Generator	15%
Generator ( Reassessed useful life 4 years)	25%
Land and land development	-
Motor vehicle	20%
Office decoration	10%
Office equipment	15%
Plant & machinery	15%
Plant & machinery( Reassessed useful life 3 years)	33.33%
Plant & machinery( Reassessed useful life 2 years)	50%
Plant & machinery (Gmt)	15%
Plant & machinery (Gmt) ( Reassessed useful life 2 years)	50%
Plant & machinery (Printing)	15%
Washing machine	15%
Water & steam line	20%
Water treatment plant	15%
Water treatment plant ( Reassessed useful life 2 years)	50%
Effluent treatment plant	15%

Land is not depreciated as it deemed to have an infinite life.

### 5.02 Inventories

Inventories comprise of raw materials, packing materials, raw materials in transit, finished goods, spares & spare parts in transit. Inventories are valued at cost price. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operation capacity. Stock in transit represents the cost incurred up to the date of the balance sheet for the items that were not received till the date of balance sheet.

### 5.03 Trade and other receivables (Accounts receivables)

Trade and other receivables are initially recognized at cost which is the fair value of the consideration given in return. After initial recognition these are carried at cost less impairment losses due to uncollectibility of any amount so recognized.

#### **5.04 Advances, deposits and prepayment**

Advances are initially measured at cost. After initial recognition advances are carried at cost less deduction, adjustment or charges to other account heads such as property, plant and equipment, inventory or expenses.

Deposits are measured at payment value.

Prepayments are initially measure at cost. After initial recognition prepayments are carried at cost less charges to profit and loss account.

#### **5.05 Cash & Cash Equivalents**

Cash & Cash Equivalents includes cash in hand, cash at banks which are held and available for use by the company without any restriction.

#### **5.06 Provision**

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a part event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **5.07 Foreign currency transaction**

Foreign currency transactions are translated at rates ruling on the dates advices were received. Monetary assets and liabilities denominated in foreign currencies at reporting date are reconverted at rates ruling at the balance sheet date. All exchange differences are charged / credited to profit and loss account by being absorbed in the respective head of income or expenditure.

#### **5.08 Taxation:**

Taxation is provided in accordance with fiscal regulations applicable. The company taxation is under final settlement of tax liability under section 82 ( c ) of the Income Tax Ordinance 1984 .As the company is under final settlement of tax liability through deduction at source @ 0.50% under section 53 BB and disclosure required under Para 79-88 of BAS 12 are not applicable for this company. The corporate income tax assessment of the company is completed upto assessment year 2009-2010. Corporate income tax return for assessment year 2010-2011 is under process. The company does not recognize deferred tax.

#### **5.09 Employee benefit obligation :**

The company has Gratuity fund and Workers' Welfare fund as employee benefit.

#### **5.10 Revenue recognition**

##### **5.10.01 Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and reward of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is continued management involved with the goods, and the amount of revenue can be measured reliably.

**5.10.02 Interest income**

Finance income comprises of interest income of fund invested. Interest income is recognized on accrual basis.

**5.11 Borrowing cost**

Finance expenses comprise interest expense on bank loan, and other borrowings. All borrowing costs are recognized in the profit and loss account using effective interest method.

**5.12 Cash flow statement**

Cash flow from operating activities have been presented under direct method.

**5.13 Earnings per share**

The company presents its basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by number of ordinary shares outstanding during the period.

**5.14 Transaction with related parties**

The company carried a number of transactions with related parties in the normal course of business. The nature of transactions and their total value has been disclosed in note no. 31.

**5.15. Comparative information**

Comparative informations have been disclosed in respect of the period ended September 30, 2010, in compliance with Para 20 of BAS 34 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding for the current period financial statements.

**5.16 General**

**5.16.1** Previous year and period figures have been rearranged wherever considered necessary for the purpose of current period presentation.

**5.16.2** Figures in these notes and annexed financial statement have been rounded off to the nearest taka.

**6.00 Advance, deposits & prepayments :Tk. 32,801,168**

This balance consists of as follows :

	Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)
Balance at the beginning of the year	34,670,497	34,945,817
Add : Addition during the year	2,115,187	16,692,356
	<u>36,785,684</u>	<u>51,638,173</u>
Less : Adjustment made during the year	3,984,516	16,967,676
<b>Balance as on Sept. 30, 2010</b>	<b><u>32,801,168</u></b>	<b><u>34,670,497</u></b>

The balance is made up of the followings

Advance to employees	<b>6.01</b> 1,012,000	1,095,000
Advance against expenses	<b>6.02</b> 2,188,280	2,318,280
L/c margin	<b>6.03</b> 23,007,080	22,905,080
Security deposits	<b>6.04</b> 5,017,621	5,017,621
Advance income tax	<b>6.05</b> 1,576,187	3,334,516
	<b><u>32,801,168</u></b>	<b><u>34,670,497</u></b>

**6.01 Advance to Employees : Tk. 1,012,000**

This balance consists of as follows :

Balance at the beginning of the year	1,095,000	373,907
Add : Addition during the year	29,000	1,279,000
	<b><u>1,124,000</u></b>	<b><u>1,652,907</u></b>
Less : Adjustment made during the year	112,000	557,907
<b>Balance as on Sept. 30, 2010</b>	<b><u>1,012,000</u></b>	<b><u>1,095,000</u></b>

**Advance to employees of Factory :**

Mr. Shamsul Alam	25,000	40,000
Mr. Jahangir Hossain	4,000	10,000
Mr. Akram	6,000	8,000
Ms. Jarina Begum ( cook )	3,000	-
Ms. Jarina Begum ( Operator )	-	5,000
Mr. Badal Driver	3,000	5,000
Mr. Jalil Driver	19,500	22,500
Ms. Minara Begum	11,000	13,000
Mr. Monsur Alam	5,000	7,000
Mr. Toufiqur Rahaman	8,000	10,000
Mr. Mollah Abdul Wadud	-	10,000
Mr. Plabon	-	5,000
Mr. Sazzad hossain	15,000	-
Mr. Mohiuddin	14,000	-

**Advance to employees of Head Office :**

Mr. Awlad Hossain	-	3,000
Mr. Alamgir Driver	13,000	19,000
Mr. Md. Sirajul Islam	6,000	12,000
Mr. A. Karim	462,000	462,000
Mr. Rajib Goala	1,500	3,000
Mr. Mojibur Rahman	50,000	50,000
Mr. Sanju Driver	-	1,000
Mr. Khokon Driver	2,000	5,000
Mr. Alope Das	25,000	40,000
Mr. FA. Khan	300,000	300,000
Mr. Shopon Jaudop	2,000	5,000
Mr. Shamuel Mahmud Nintu	37,000	59,500
	<b><u>1,012,000</u></b>	<b><u>1,095,000</u></b>

	Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)
<b>6.02 Advance against expenses : Tk. 2,188,280</b>		
This balance consists of as follows :		
Balance at the beginning of the year	2,318,280	7,330,986
Add : Addition during the year	-	4,589,140
	<u>2,318,280</u>	<u>11,920,126</u>
Less : Adjustment made during the year	130,000	9,601,846
<b>Balance as on Sept. 30, 2010</b>	<b><u>2,188,280</u></b>	<b><u>2,318,280</u></b>
This is made up as follows :		
Century Design	50,000	50,000
Datacare Solution	115,000	115,000
Hossain Construction	-	130,000
Modern Erection Ltd	1,440,000	1,440,000
Nayeem Engineering Works	48,000	48,000
Sikder Construction	160,280	160,280
Cash with Mr. Hiralal	75,000	75,000
Lt. Col. Hasan Farooq	300,000	300,000
	<u>2,188,280</u>	<u>2,318,280</u>
<b>6.03 L/c margin : Tk. 23,007,080</b>		
All L/c are with the Janata Bank, Kamal Ataturk Avenue corporate branch.		
The above balance consists of as follows :		
Balance at the beginning of the year	22,905,080	17,811,000
Add : Addition during the year	510,000	7,082,400
	<u>23,415,080</u>	<u>24,893,400</u>
Less : Adjustment made during the year	408,000	1,988,320
<b>Balance as on Sept. 30, 2010</b>	<b><u>23,007,080</u></b>	<b><u>22,905,080</u></b>
<b>6.04 Security deposits : Tk. 5,017,621</b>		
This balance consists of as follows :		
Balance at the beginning of the year	5,017,621	4,626,571
Add : Addition during the year	-	391,050
	<u>5,017,621</u>	<u>5,017,621</u>
Less : Adjustment made during the year	-	-
<b>Balance as on Sept. 30, 2010</b>	<b><u>5,017,621</u></b>	<b><u>5,017,621</u></b>
This is made up as follows :		
Security deposit at BTCL	69,000	69,000
Security deposit at Grameenphone	11,000	11,000
Security deposit at Group 4 Security	193,534	193,534
Security deposit at Palli Bidyut Samity-1	447,457	447,457
Security deposit at Rural Electrification Board	142,920	142,920
Security deposit at Titas Gas	4,114,710	4,114,710
Security deposit for Credit Card	24,000	24,000
Security deposit for Telex	15,000	15,000
	<u>5,017,621</u>	<u>5,017,621</u>
<b>6.05 Advance income tax : Tk. 1,576,187</b>		
This balance consists of as follows :		
Balance at the beginning of the year	3,334,516	4,803,353
Add : Addition during the year	1,576,187	3,350,766
	<u>4,910,703</u>	<u>8,154,119</u>
Less : Adjustment made during the year	3,334,516	4,819,603
<b>Balance as on Sept. 30, 2010</b>	<b><u>1,576,187</u></b>	<b><u>3,334,516</u></b>

Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)
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This is made up as follows :

Tax deducted at source on FDR	-	353,226
AIT on income from cash assistants	-	-
AIT on Export (Sale)	1,576,187	2,981,290
	<b>1,576,187</b>	<b>3,334,516</b>

#### 7.00 Accounts Receivable : Tk.267,561,377

This balance consists of as follows :

##### Export Bills

Documents submitted but not realised	197,833,073	150,951,273
Goods shipped but Documents not submitted to Bank	69,728,304	24,232,427
	<b>267,561,377</b>	<b>175,183,700</b>

The receivable amount is outstanding for less than 6 months.

#### 8.00 Inventory : Tk. 201,495,049

This balance consists of as follows :

Accessories	1,788,541	1,254,210
Dyes & chemicals	21,203,282	17,611,313
Fabrics	36,637,297	2,497,479
Finished garments	39,999,910	36,660,144
General store	3,355,624	1,002,581
Yarn	98,510,395	61,080,403
	<b>201,495,049</b>	<b>120,106,130</b>

#### 9.00 Cash and cash equivalents : Tk. 84,022,499

This balance consists of as follows :

Cash in hand	<b>9.01</b>	317,426	413,502
Cash at bank	<b>9.02</b>	63,583,244	149,720,087
FDR A/c	<b>9.03</b>	20,121,829	18,041,229
		<b>84,022,499</b>	<b>168,174,818</b>

#### 9.01 Cash in hand : Tk. 317,426

This balance consists of as follows :

Cash at head office	17,426	113,502
Cash at factory	300,000	300,000
	<b>317,426</b>	<b>413,502</b>

#### 9.02 Cash at bank : Tk. 63,583,244

The above balance consists of as follows :

Name of the Bank	Type of A/C	Account number	Amount (Tk.)	Amount (Tk.)
AB Bank Ltd	CD	4011-047275-000	76,344	109,478
Commercial Bank of Ceylon plc	CD	1118485-000	1,179,258	2,418,151
Janata Bank	FC (USD)	-	55,632,781	135,277,851
Janata Bank	FC(Euro)	-	2,215,983	2,215,983
MTBL	CD	22021004336	255,266	449,241
Sundry Creditors A/c at Janata Bank Ltd	-	-	2,320,845	-
Bank Asia Ltd. CD	CD	1233052229	1,006,726	4,767,817
Shahjalal Islami Bank Ltd	CD	4004-111-000-10583	2,000	-
Dhaka Bank Ltd	CD	218-100-1860	(4,895,654)	98,939
Janata Bank	FC (USD)	401-00-118	5,427,399	4,165,513
Janata Bank	CD	00-100-4354	296,322	191,239
National Bank Limited	CD	33-00-6475	15,302	15,302
Janata Bank (Foreign bills)	SD Margin	7014008	48,679	8,581
Social Investment Bank Ltd	CD	13300000326	1,993	1,993
<b>Total</b>			<b>63,583,244</b>	<b>149,720,087</b>

Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)
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### 9.03 FDR : Tk.20,121,829

The above balance consists of as follows :

Particulars	Account no.	Amount (Tk)	Amount (Tk)
Gratuity A/C	-	4,800,000	3,600,000
Janata Bank	324222	1,508,460	1,508,460
Janata Bank	324223	1,303,400	1,303,400
Shahjalal Islami Bank	-	3,900,000	3,900,000
Bank Asia Ltd. CD	-	6,000,000	6,000,000
Janata Bank	245722/003004801	768,981	768,981
Janata Bank	324299	880,600	
National Bank Limited	-	541,032	541,032
Janata Bank	245725/003004837	419,356	419,356
<b>Total</b>		<b>20,121,829</b>	<b>18,041,229</b>

### 10.00 Issued, subscribed & paid up capital : Tk. 64,000,000

Divided into 6,400,000 ordinary shares of Taka 10 each.

Share holding position as on Sept.30, 2010

Sl.	Name of Share holder	No. of shares	Value per share	% of of total Share Holding	Amount (Tk.)	Amount (Tk.)
1	Mr. Asif Moyeen	4,996,900	10	78.08	49,969,000	49,969,000
2	Mr. Mohammad Bin Quasem	105,000	10	1.64	1,050,000	1,050,000
3	Mr. Md. Salamat Ullah	35,000	10	0.55	350,000	350,000
4	Ms. Farha Lazina	1,216,900	10	19.01	12,169,000	12,169,000
5	Mr. Nesar Uddin Md. Oliullah	15,400	10	0.24	154,000	154,000
6	Mrs. Sadia Moyeen	15,400	10	0.24	154,000	154,000
7	Mr. Sayed Mazharul Haque	15,400	10	0.24	154,000	154,000
		6,400,000		100	<b>64,000,000</b>	<b>64,000,000</b>

### 11.00 Retained earnings : Tk. 529,353,944

This balance consists of as follows :

Balance at the beginning of the year	477,522,975	288,926,437
Prior year adjustment :		
Add :ISO depreciation expenses	-	152,914
Less: ISO certificate expenses	-	259,000
	477,522,975	288,820,351
Add : Net profit/ (loss) during the year	51,830,969	188,702,624
<b>Balance as on Sept. 30, 2010</b>	<b>529,353,944</b>	<b>477,522,975</b>

The management of the company decided to write off the full amount of the 'ISO Certification' expenses against profit, at the date of June 30, 2010. This was shown as an asset in the fixed assets schedule at the date of June 30, 2009.

### 12.00 Share money deposit: Tk. 29,500,000

The Managing Director of the company, Mr. Asif Moyeen agreed to transfer a plot of land measuring 59 decimal. which is located at Gazipur, Kaliakoir, Mouza: Chandra.

Mr. Asif Moyeen has transferred the aforesaid land through deed no-11638 dated 27.09.2010 at a price of Tk. 29,500,000(two crore ninety five lakh) only. The company has agreed to pay the price of the land through issuing 2,950,000 (twenty nine lakh fifty thousand) ordinary shares of Tk. 10 each and Mr. Asif Moyeen has agreed through a vendors agreement made on 29.09.10

### 13.00 Revaluation surplus: Tk.323,598,680

(a) Revaluation surplus of Tk. 323,598,680 is arrived from revaluation of fixed assets made taking in to consideration the cut off date 30.06.10. The revaluation has been conducted by "Tista Surveyors", Gulistan Complex, 2 BB Avenue, Level# 9, Dhaka and the report signed on August 25, 2010. The revalued amount has been considered in the financial statements for the year ended June 30, 2010. The summary of revaluation surplus is shown as under.

Group of Fixed Assets	Depreciated Historical cost / Taka Dt. 30.06 2010	Depreciated Current cost / Tk. Dt. 30.06 2010	Revaluation Surplus
Building & civil works	210,353,767	321,777,104	111,423,337
Generator	24,199,993	25,154,082	954,089
Land and land development	50,331,386	205,170,000	154,838,614
Plant & machinery	257,375,266	322,134,255	64,758,989
Plant & machinery (Gmt)	60,986,895	51,433,790	(9,553,105)
Plant & machinery (Printing)	7,785,700	9,351,100	1,565,400
Washing Machinery	4,020,463	4,998,726	978,263
Water & steam line	3,705,002	3,818,378	113,376
Water treatment plant	13,049,343	11,207,556	(1,841,787)
Effluent treatment plant	1,806,250	2,167,755	361,505
<b>Total</b>	<b>633,614,065</b>	<b>957,212,745</b>	<b>323,598,680</b>

( b ) The particulars about the valuation team is presented below :

Sl. No.	Name of the valuation team member	Qualification
1	Eng. Sahfiqur Islam	B.Sc Eng.(BUET)
2	Md. Kamal Uddin	M. Sc.
3	Tasneem Akther	B.Sc EEE(NSU)
4	Monir Hossain	Diploma in Engineering
5	Md. Ommar Faruque	B.S.C
6	Md. Muzahid Ullah	B.B.S
7	Md. Giashuddin Ahmed	B.A

( c ) Some of mentionable valuation works completed by Tista Surveyors.

Sl. no	Name of the Company for which revaluation of Assets was done
1	Antim Composite Ltd.
2	Delta Spinning Mill Ltd.
3	Dird Composite Ltd.
4	Faria Knittex Ltd.
5	MM. Composit Knit. Ltd.
6	Mozart Knit. Ltd.
7	Neo Zipper Ltd.
8	Olympic Apparels Ltd.
9	Quality Milk Ltd.
10	Chittagong Denim Ltd.
11	The Acme Specialized Pharmaceuticals
12	M.A. Matin Cotton Mills Ltd.

### 14.00 Long term loan( secured) :Tk. 276,091,046

(a)The project loan and loan against trust receipts are with the Janata Bank, Kamal Atatürk Avenue corporate branch. The loan against project and Trust Receipt are being adjusted in equal installment and adjusted against export sales proceed at the rate of 5% respectively .The purpose of the two loans is financing capital machinery and spare parts imported through that bank.

The project loan is secured by Land, Building and the total project is described in the Para 6 of the loan sanction letter. The loan against trust receipts is secured by imported machineries and spare parts describe in the para (T) of the sanction letter dated. 21.05.09.

The IDLC Finance Limited Loan is secured by lien on FDR. which is described in the certificate issued by IDLC Finance Limited dated 30.09.2010.

The Dhaka Bank Limited Loan is secured by lien on FDR. which is described in the para B of the loans sanction letter dated 21.09.2010.

The Shahjalal Islami Bank Limited Loan is secured by Pledge & lien on the MTDR. which are described in the para (I) of the loan sanction letter.

Type of Loan	Interest Rate	Maximum Tenor	Repayment Clause
Project Loan	11%	5 years including 12 months moratorium from the date of drawdown of principal amount.	Amount outstanding will be repaid in 16 equal quarterly instalment
Loan against trust receipt	13%	2 years including 1 year moratorium from the date of drawdown of principal amount.	Amount outstanding will be repaid through building a fund by bank deducting 5% to 10% from the export bill.
IDLC Finance Ltd	11%	2 years from the date of draw down of principal amount.	Amount outstanding will be repaid within the validity of the period.
Dhaka Bank Ltd	11%	2 years from the date of draw down of principal amount.	Amount outstanding will be repaid throughout the whole validity period.
Shahjalal Islami Bank Ltd	11%	2 years from the date of draw down of principal amount.	Amount outstanding will be repaid within the validity of the period.

( b ) The above balance consists of as follows :

Project Loan	A/C No ; 103000168	34,358,772	33,439,194
Project Loan	A/C No ; 117000088	2,497,585	3,436,956
Loan from IDLC Finance Ltd		102,432,836	-
Loan against trust receipt	<b>14.01</b>	121,880,595	127,142,237
Loan from Dhaka Bank Ltd	A/C No ; 021817000000804	4,410,688	-
Loan from Shahjalal Islami Bank Ltd	A/C No: 40436100004568	10,510,570	-
		<b>276,091,046</b>	<b>164,018,387</b>

#### 14.01 Loan against trust receipt (LTR):Tk 121,880,595

The above balance consists of as follows :

LTR FC No:12/09	L/C No.013809010203	19,354,160	24,615,803
LTR FC No:13/09	L/C No.0138020004	21,846,960	21,846,960
LTR FC No:14/09	L/C No.0138020005	11,141,950	11,141,950
LTR FC No:14/10	L/C No.01381001214	4,855,096	4,855,095
LTR FC No:15/09	L/C No.0138020012	25,496,100	25,496,100
LTR FC No:16/09	L/C No.0138020001	27,360,000	27,360,000
LTR FC No:19/09	L/C No.01380901207	8,959,680	8,959,680
LTR FC No:23/09	L/C No.013809010212	1,285,151	1,285,151
LTR FC No:25/09	L/C No.013809010211	1,581,498	1,581,498
		<b>121,880,595</b>	<b>127,142,237</b>

	<b>Period ended Sept. 30, 2010 Amount (Tk.)</b>	<b>Year ended June 30'2010 Amount (Tk.)</b>
<b>15.00 Deferred liabilities (Provision for gratuity) Tk. 3,955,000</b>		
This balance consists of as follows :		
Balance at the beginning of the period	2,800,000	-
Add : Addition during the period	1,200,000	3,600,000
	<u>4,000,000</u>	<u>3,600,000</u>
Less : Adjustment made during the year	45,000	800,000
<b>Balance as on Sept. 30, 2010</b>	<b><u>3,955,000</u></b>	<b><u>2,800,000</u></b>
Gratuity has been started from October 2009 and contribution per month is Tk. 4,00,000		
<b>16.00 Deferred liabilities (Workers welfare fund) :Tk.15,030,490</b>		
This balance consists of as follows :		
Balance at the beginning of the period	14,166,581	-
Add: Addition during the period :	1,125,000	15,828,430
	<u>15,291,581</u>	<u>15,828,430</u>
Less : Adjustment made during the year	261,091	1,661,849
<b>Balance as on Sept. 30, 2010</b>	<b><u>15,030,490</u></b>	<b><u>14,166,581</u></b>
<b>16.01</b> The above balance consists of as follows :		
Company's Contribution	1,125,000	15,600,000
Interest on FDR	-	228,430
	<u>1,125,000</u>	<u>15,828,430</u>
<b>17.00 Accounts payable :Tk. 185,143,500</b>		
This balance consists of as follows :		
Accessories bill	46,049,100	33,456,495
Yarn bill payable	89,513,300	48,562,700
C & F bills payable	468,500	533,290
Dyes & chemicals bills payable	49,112,600	49,185,921
	<u>185,143,500</u>	<u>131,738,406</u>
<b>18.00 Accepted bills payable : Tk. 161,347,288</b>		
This balance consists of as follows :		
Balance at the beginning of the year	211,482,188	130,898,847
Add : Addition during the year	110,317,500	783,764,414
	<u>321,799,688</u>	<u>914,663,261</u>
Less : Adjustment made during the year	160,452,400	703,181,073
<b>Balance as on Sept. 30, 2010</b>	<b><u>161,347,288</u></b>	<b><u>211,482,188</u></b>
<b>19.00 Provision for expense : Tk. 31,746,820</b>		
This balance consists of as follows :		
Balance at the beginning of the year	37,826,189	21,309,064
Add : Addition during the year	31,746,820	37,826,189
	<u>69,573,009</u>	<u>59,135,253</u>
Less : Adjustment made during the year	37,826,189	21,309,064
<b>Balance as on Sept. 30, 2010</b>	<b><u>31,746,820</u></b>	<b><u>37,826,189</u></b>

This is made up as follows :

	Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)
Salary and allowance	5,711,828	3,389,276
Attendance allowance	1,128,600	290,043
Interest on Bank loan	2,772,784	12,589,469
Conduct bonus	687,400	768,800
Electric bill	280,846	376,845
Gas bill	2,435,620	2,584,801
Overtime	1,876,717	2,768,680
Salary & wages	16,775,527	14,773,462
Friday allowance	1,200	4,560
Audit fee	50,000	50,000
Income tax payable	26,298	230,253
	<b>31,746,820</b>	<b>37,826,189</b>

#### 20.00 Packing credit loan :Tk. 37,514,492

(a) All loans are with the Janata Bank, Kamal Ataturk Avenue corporate branch. The rate of interest is 7% and 1% service charges applicable on the amount of total interest at the time of final adjustment.

(b) This is made up as follows :

Janata Bank P/C Loan A/c no.

P/C A/C	110009003	289,856	-
P/C A/C	110009229	469,728	-
P/C A/C	110009232	1,023,538	-
P/C A/C	110009244	513,383	-
P/C A/C	110009268	357,447	-
P/C A/C	110009321	4,629,196	-
P/C A/C	110009333	4,629,196	-
P/C A/C	110009699	2,932,798	-
P/C A/C	110009701	4,550,893	-
P/C A/C	110009713	4,550,893	-
P/C A/C	110009865	603,618	-
P/C A/C	110009877	1,635,806	-
P/C A/C	110009889	2,917,484	-
P/C A/C	110010322	3,205,600	-
P/C A/C	110010334	1,201,167	-
P/C A/C	110010346	1,501,458	-
P/C A/C	110010358	2,502,431	-
P/C A/C	110007695	-	188,619
P/C A/C	110008001	-	3,146,667
P/C A/C	110008343	-	1,853,798
P/C A/C	110008367	-	4,500,000
P/C A/C	110008533	-	4,219,810
P/C A/C	110008545	-	573,806
P/C A/C	110008798	-	3,431,941
P/C A/C	110008812	-	87,319
P/C A/C	110008836	-	78,665
P/C A/C	110008851	-	44,425
P/C A/C	110009003	-	2,400,000
P/C A/C	110009015	-	1,165,079
P/C A/C	110009229	-	600,000
P/C A/C	110009232	-	1,000,000
P/C A/C	110009244	-	1,000,000
P/C A/C	110009256	-	1,300,000
P/C A/C	110009268	-	2,300,000
P/C A/C	110009321	-	4,500,000
P/C A/C	110009333	-	4,500,000
P/C A/C	110007454	-	169,841
		<b>37,514,492</b>	<b>37,059,970</b>

Period ended	Year ended
Sept. 30, 2010	June 30'2010
Amount (Tk.)	Amount (Tk.)

**21.00 Short term loan: Tk. 71,978,636**

(a) All loan are with the Janata Bank, Kamal Ataturk Avenue corporate branch for the purpose of export or import respectively. The loans are being adjusted against export sales proceeds. The details are given below.

( b ) Interest rate :

Cash credit (H). at the rate of 13%

Export cash credit at the rate of 7% + 1%(service charges)

( c ) This balance consists of as follows :

Name of the Bank	Account Type	Account no.	Amount (Tk.)	Amount (Tk.)
Janata Bank	Cash credit (H)	201-000-369	20,036,363	21,301,778
Janata Bank	Export cash credit	202-000-649	51,942,273	25,556,843
Total			<b>71,978,636</b>	<b>46,858,621</b>

**22.00 Payable for asset purchase : Tk. 18,269,223**

This balance consists of as follows :

Balance at the beginning of the year	25,676,698	157,221,544
Add : Addition during the year	14,743,054	99,453,513
	40,419,752	256,675,057
Less : Adjustment made during the year	22,150,529	230,998,359
<b>Balance as on Sept. 30, 2010</b>	<b>18,269,223</b>	<b>25,676,698</b>

The amount is payable against office decoration, land development and furniture & fixture which nature is capitalised expenditure.

**23.00 Other liabilities : Tk. 2,156,810**

This balance consists of as follows :

Balance at the beginning of the year	1,794,209	730,563
Add : Addition during the year	362,601	21,806,571
	2,156,810	22,537,134
Less : Adjustment made during the year	-	20,742,925
<b>Balance as on Sept. 30, 2010</b>	<b>2,156,810</b>	<b>1,794,209</b>

The nature of the liability is unpaid salary, overtime, attendance bonus and conduct bonus.

Period ended Sept. 30, 2010 Amount (Tk.)	Period ended Sept. 30, 2009 Amount (Tk.)	Year ended June. 30, 2010 Amount (Tk.)	Year ended June. 30, 2009 Amount (Tk.)
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**24.00 Sales Revenue: Tk.407,614,877**

Type of sales	Period ended Sept.30, 2010					Sept. 30, 2009	Year ended June. 30, 2010	Year ended June. 30, 2009
	Gross sale	TDS	SD	VAT	Net sales	Net sales	Net sales	Net sales
Local	Nil	-	-	-	-	-	-	-
Export	407,614,877	1,576,187	-	-	406,038,690	324,999,151	1,364,718,410	1,344,149,589
<b>Total</b>	<b>407,614,877</b>	<b>1,576,187</b>	<b>-</b>	<b>-</b>	<b>406,038,690</b>	<b>324,999,151</b>	<b>1,364,718,410</b>	<b>1,344,149,589</b>

**25.00 Cost of goods sold : Tk.305,711,602**

This balance consists of as follows :

<b>Opening inventories of raw materials</b>		<b>83,445,986</b>	<b>72,957,136</b>	<b>72,957,136</b>	<b>40,114,305</b>
Accessories		1,254,210	3,355,845	3,355,845	3,355,849
Dyes & chemicals		17,611,313	4,444,816	4,444,816	10,051,816
Fabrics		2,497,479	12,275,474	12,275,474	-
Stores		1,002,581	936,141	936,141	936,141
Yarn		61,080,403	51,944,860	51,944,860	25,770,499
<b>Add: Raw materials purchased during the year</b>		<b>251,816,054</b>	<b>142,156,178</b>	<b>623,564,953</b>	<b>757,564,651</b>
Accessories		66,106,038	32,248,590	190,507,984	285,592,256
Dyes & chemicals		37,226,200	28,985,450	83,284,745	100,106,165
Fabrics		-	-	4,113,260	30,940
Stores		3,608,103	2,255,480	1,573,940	-
Yarn		144,875,713	78,666,658	344,085,024	371,835,290
<b>Raw materials available for use</b>		<b>335,262,040</b>	<b>215,113,314</b>	<b>696,522,089</b>	<b>797,678,956</b>
<b>Less : Closing inventories of raw materials</b>		<b>161,495,139</b>	<b>117,744,509</b>	<b>83,445,986</b>	<b>72,957,136</b>
Accessories		1,788,541	9,746,865	1,254,210	3,355,845
Dyes & chemicals		21,203,282	18,975,489	17,611,313	4,444,816
Fabrics		36,637,297	26,879,542	2,497,479	12,275,474
Stores		3,355,624	1,245,850	1,002,581	936,141
Yarn		98,510,395	60,896,763	61,080,403	51,944,860
<b>Raw materials consumed</b>	<b>25.01</b>	<b>173,766,901</b>	<b>97,368,805</b>	<b>613,076,103</b>	<b>724,721,820</b>
Add : Factory overhead	<b>25.02</b>	135,284,467	93,263,537	391,097,569	365,153,111
<b>Cost of production</b>		<b>309,051,368</b>	<b>190,632,342</b>	<b>1,004,173,672</b>	<b>1,089,874,931</b>
Add : Opening inventories of finished goods		36,660,144	71,475,264	71,475,264	32,563,596
<b>Goods available for sale</b>		<b>345,711,512</b>	<b>262,107,606</b>	<b>1,075,648,936</b>	<b>1,122,438,527</b>
Less : Closing inventories of finished goods		39,999,910	27,598,560	36,660,144	71475264
<b>Cost of goods sold</b>		<b>305,711,602</b>	<b>234,509,046</b>	<b>1,038,988,792</b>	<b>1,050,963,263</b>

**25.01 Raw material consumed during the period from the July 01,2010 to Sept. 30, 2010:**

Particulars	Qty( Kg )	Taka
<b>Raw materials</b>		
Yarn	483,337	107445721
Dyes & chemicals	-	33,634,231
<b>Raw materials consumed for fabrics making</b>	<b>483,337</b>	<b>141,079,952</b>
Add: Opening stock of Fabrics	-	2,497,479
<b>Total Fabrics available for consumption</b>	<b>483,337</b>	<b>143,577,431</b>
Less: Closing stock of Fabrics	-	36,637,297
<b>Net consumption of fabrics ( As total raw material)</b>	<b>483,337</b>	<b>106,940,134</b>
Add: Consumption of Accessories(Auxiliary material)	-	65,571,707
	<b>483,337</b>	<b>172,511,841</b>
Add: Consumption of Stores(Auxiliary material)	-	1,255,060
<b>Net consumption</b>	<b>483,337</b>	<b>173,766,901</b>

	Period ended Sept. 30, 2010 Amount (Tk.)	Period ended Sept. 30, 2009 Amount (Tk.)	Year ended June. 30, 2010 Amount (Tk.)	Year ended June. 30, 2009 Amount (Tk.)
<b>25.02 Factory overhead : Tk. 135,284,467</b>				
Salary & wages	42,646,710	34,975,621	149,153,788	138,787,483
Animals & birds food	31,664	23,540	107,880	154,099
Attendance bonus	3,370,600	1,762,450	4,102,600	4,389,710
C & F bill	1,133,540	712,458	4,291,206	3,587,566
Vehicle repair & maintenance	323,890	263,450	752,330	520,120
Spare parts & accessories	13,987,397	6,975,420	38,355,481	22,465,616
Conduct bonus	2,147,200	1,875,984	4,741,000	5,743,800
Travelling & conveyance	262,338	179,854	1,388,822	1,322,867
Daily lunch allowances	2,876,902	2,148,950	9,245,669	7,537,406
Donation & Subscription	2,000	-	5,000	19,500
Depreciation	19,417,220	13,052,334	68,800,258	59,907,904
Electricity bill	1,004,041	451,527	3,829,375	1,823,525
Earn leave pay	41,973	26,450	228,098	-
Entertainment	418,101	278,985	2,656,859	1,598,001
Festival Bonus	7,969,848	4,444,078	9,616,989	6,803,661
Food allowance	33,090	28,754	180,119	223,203
Friday allowance	25,440	21,458	170,503	-
Overtime expenses	4,591,494	3,348,753	1,753,136	520,474
Fuel For Generator	2,991,150	1,789,554	3,388,214	3,521,325
Fuel & Lubricants	2,609,675	1,458,790	5,721,993	4,968,363
Gas bill	7,631,422	5,252,095	28,176,206	18,009,074
Production incentive	404,843	116,458	986,580	33,389,811
Interim allowances	-	-	32,551	-
Machine hire charges	814,655	578,400	1,104,405	1,663,153
Medical expenses	112,509	89,784	208,767	87,907
Miscellaneous expenses	23,970	35,450	183,019	101,331
Stationery	79,857	72,885	1,074,247	72,695
Performance award	-	45,800	8,500	-
Repair & maintenance	18,987,655	9,185,483	33,858,562	46,075,103
Service benefit	22,400	-	28,182	-
Staff quarter rent	28,800	28,800	87,200	103,805
Telephone / mobile / fax	26,327	22,487	89,912	131,847
Tiffin bill	142,756	117,485	1,170,119	1,623,762
Workers welfare fund	1,125,000	3,900,000	15,600,000	-
	<b>135,284,467</b>	<b>93,263,537</b>	<b>391,097,569</b>	<b>365,153,111</b>

**26.00 Office & administrative expenses: Tk. 36,929,448**

This balance consists of as follows:

Salary & allowance	16,977,960	14,853,580	48,938,325	59,816,983
Audit fees	50,000	50,000	50,000	36,000
Business promotion expenses	-	-	-	3,398,821
Revaluation expenses	100,000	-	-	-
Fuel & Lubricants	266,571	148,987	893,582	2,145,209
Vehicle repair & maintenance	84,000	46,500	829,807	938,257
Write off of Preliminary expenses	-	60,000	60,000	-
Travelling & conveyance	81,003	89,782	386,021	4,236,745
Depreciation	4,854,305	3,263,083	17,200,064	14,976,976
Director's remuneration	8,160,000	3,300,000	16,440,000	10,680,000
Donation & Subscription	8,000	5,000	21,100	17,400
Electricity bill	-	-	-	223,383
E-mail bill	144,000	96,000	395,271	393,710
Entertainment	274,067	166,890	2,538,097	5,549,083
Festival Bonus	863,890	645,840	2,908,111	3,509,675

	Period ended Sept. 30, 2010 Amount (Tk.)	Period ended Sept. 30, 2009 Amount (Tk.)	Year ended June. 30, 2010 Amount (Tk.)	Year ended June. 30, 2009 Amount (Tk.)
Bank charge & Commission & Interest on Loan	26.01	-	-	31,846,719
Fire extinguisher	13,500	16,500	-	573,700
Forwarding charges	292,355	216,450	728,665	1,463,856
Air freight charges	-	654,800	316,545	5,162,085
Fuel for generator	243,760	261,540	248,565	383,580
Fluctuation Loss	-	-	-	40,066
Gift & Presentation	17,000	13,500	40,872	170,232
GSP / EL	318,097	215,840	992,481	1,400,214
Gas bill	-	-	13,881	14,148
Gratuity	1,200,000	-	3,600,000	-
House rent	645,000	450,000	1,800,000	1,800,000
Insurance premium	402,808	668,540	1,826,426	3,828,542
RJSC expenses	155,000	-	753,935	-
License & Renewal	42,000	78,680	140,780	44,100
Medical expenses	54,660	72,480	257,990	602,961
Merchandising testing fees	289,211	244,583	2,276,878	16,102,026
Mobile bill	176,895	16,695	496,295	523,730
Newspaper & periodicals	3,767	3,612	4,868	12,610
Office repair & maintenance	122,348	97,542	266,250	497,525
Office rent	525,000	525,000	2,100,000	2,100,000
Office stationery	54,565	43,665	126,876	-
Postage & stamp	66,534	77,584	934,621	1,000,280
Photocopy and stationery	255,658	118,492	483,093	3,571,214
Rates & taxes	130,000	-	125,710	65,226
Telephone / telex / fax	43,994	42,115	240,058	280,450
Travelling & tours	-	-	600,000	1,427,967
Uniform	-	28,440	60,000	-
VAT expenses	13,500	-	-	1,620
WASA bill	-	-	-	59,623
	<b>36,929,448</b>	<b>26,571,720</b>	<b>109,095,167</b>	<b>178,894,716</b>

#### 26.01 Bank Charge, Commission. & Interest On loan : Nil

Bank charges, commission & interest on loan were shown in the year ended June. 30, 2009 under the head Office & Administrative expenses but subsequently the next period and year is shown under the head of "Finance cost" in the income statement separately.

Bank charge & commission	-	-	-	11,685,420
Interest on Project Loan	-	-	-	495,764
Interest on Loan P/C	-	-	-	4,644,161
Interest on M/C Loan	-	-	-	11,809,714
Interest on OD Loan	-	-	-	3,211,660
	-	-	-	<b>31,846,719</b>

#### 27.00 Other income : Tk.262,979

This balance consists of as follows :

Cash Incentive received from govt. against Export sales.	262,979	-	2,302,535	31,266,940
Interest on FDR	-	202,980	3,329,288	-
	<b>262,979</b>	<b>202,980</b>	<b>5,631,823</b>	<b>31,266,940</b>

	Period ended Sept. 30, 2010 Amount (Tk.)	Period ended Sept. 30, 2009 Amount (Tk.)	Year ended June. 30, 2010 Amount (Tk.)	Year ended June. 30, 2009 Amount (Tk.)
<b>28.00 Finance cost: Tk.13,379,539</b>				

(a) This balance consists of as follows :

Bank charge & commission	2,443,785	967,087	8,441,672	-
Interest on Project Loan	1,009,157	824,883	3,504,386	-
Interest on Loan P/C	1,720,042	503,343	2,404,732	-
Interest on M/C Loan	6,118,611	-	18,336,123	-
Interest on OD Loan	2,087,944	830,215	3,627,773	-
	<b>13,379,539</b>	<b>3,125,528</b>	<b>36,314,686</b>	<b>-</b>

(b) The finance cost was shown on accounting year ended June 30, 2009 as "Bank Charge, commission & interest on Loan" under the head of Office & administrative expenses.

**29.00 Provision for income tax: Tk.26,298**

Provision for tax has been calculated at the rate of 10% on Cash incentive received from govt. against export sales.

**30.00 Earning per share: Tk. 8.10**

Calculation of earning per share (EPS) is as under:

Particulars	Period ended Sept.30 ,2010	Period ended Sept.30 ,2009	Year ended June. 30, 2010	Year ended June. 30, 2009
Net profit after tax (A)	51,830,969	61,640,323	188,702,624	148,640,858
Number of ordinary share (B)	6,400,000	640,000	6,400,000	640,000
EPS for the period (A / B)	<b>8.10</b>	<b>96.31</b>	<b>29.48</b>	<b>232.25</b>

The EPS of the company is different in number in different year or period because the company has changed the denomination of shares i. e. face value of shares from Tk. 100 to Tk. 10 on April 24, 2010.

**31.00 Related party disclosure under BAS-24:**

List of related parties with whom transaction have taken place as identified and certified by management.

Name of the party	Relationship with company	Nature of Transaction	No. of Month	Per Month	Sept. 30, 2010 Amount (Tk)	Sept. 30, 2009 Amount (Tk)	June 30, 2010 Amount (Tk)	June 30, 2009 Amount (Tk)
Mr. Asif Moyeen	Managing Director	Share money deposit	-	-	<b>29,500,000</b>	-	-	-
Mrs. Sadia Moyeen	Director	Office rent	3	175,000	<b>525,000</b>	<b>525,000</b>	<b>2,100,000</b>	<b>2,100,000</b>

**32.00 Disclosure of Directors remuneration under para 4 of Schedule XI PART II of the Companies Act 1994 :**

Directors have received the following remuneration from the company during the period **July.01, 2010 to September 30, 2010.**

Sl.	Name	Designation	Monthly remuneration	Monthly House rent	No. of Month	July 01,2010 to Sept. 30, 2010	July 01,2009 to Sept. 30,2009
1	Mr. Asif Moyeen	Managing Director	1,165,000	100,000	3	3,795,000	1,320,000
2	Mr. Mohammad Bin Quasem	Director	650,000	-	3	1,950,000	1,050,000
3	Mr. Md. Salamat Ullah	Director	80,000	-	3	240,000	180,000
4	Ms. Farha Lazina	Chairman	510,000	115,000	3	1,875,000	855,000
5	Mr. Sayed Mazharul Haque	Director	315,000	-	3	945,000	345,000
<b>Total:</b>			<b>2,720,000</b>	<b>215,000</b>		<b>8,805,000</b>	<b>3,750,000</b>

**33.00 Discloser under Para 3 of Schedule XI para II of the Companies Act 1994:**

There are 4,122 employees working for the company. Out of these 3,554 employees are getting Tk.36,000 or more per year and 568 employees getting less than Tk. 3,000 per month.

**34.00 Amount paid to auditor:**

Name	Purpose	Sept. 30, 2010 Amount (Tk.)
Masih Muhith Haque & Co.	Audit fee	50,000
Total		<b>50,000</b>

**35.00 Quantitative details of opening stock, purchases / production, consumption / sales and closing stock of raw materials and finished goods:**

Item		Opening stock	Purchases/ Production	Consumption / /Sales	Closing stock
	Unit	Qty	Qty	Qty	Qty
Raw material: period ended Sept. 30, 2010	Kg.				
Yarn		274,766	651,713	483,337	443,142
Finished goods: period ended Sept. 30, 2010	Pcs.				
T-shirts, Polo shirts, Shorts - (Menswear,Childrenwear and Womenwear)		155,126	1,382,409	1,400,137	137,398

**36.00 Capacity Utilisation :**

Section	Installed Capacity			Utilisation the period	% of Utilisation	Over / (Under) Utilisation
	Per day	Per year	Per. Quart.			
	Tons/Pcs.	Tons/Pcs.	Tons/Pcs.	Tons/Pcs.	%	Tons/Pcs.
Period ended Sept. 30,2010						
Dyeing	8 Tons.	2,368 Tons	592 Tons	474 Tons	80.07%	(118)
Knitting	6 Tons	1,776 Tons	444 Tons	396 Tons	89.15%	(48)
Sewing (Basic T-Shirt)	40,000 Pcs.	1,20,00,000 Pcs.	-		-	
Sewing (variety product) T-shirts, Polo shirts, Shorts – Menswear, Childrenwear and Womenwear)	23,500 pcs	69,56,000 Pcs.	1,739,000 Pcs.	1,384,070 Pcs.	79.59%	(354,930)

Note: 1.Sewing capacity for “Basic T-Shirt” is 40,000 Pcs/day. The capacity varies depending on the sophistication of the product. For higher grade products, the capacity decreases from the mentioned level of 40,000 pcs/day.”

Note: 2. Capacity utilised in knitting section is 89.15%, i.e 396 Tons and 48 Tons are processed from out side.

**37.00 Transaction in foreign currency:**

Particulars	Sept.30, 2010
	Amount (Tk)
CIF value of import:	
Raw materials-	
Dyes & chemicals	14,701,384
Accessories	7,633,023
Yarn	74,356,210
Capital Machinery-	19,723,900
FOB value of export	407,614,877
<b>Total</b>	<b>524,029,394</b>

**38.00 Opening balance of Assets cost price:Tk.1,106,769,541**

The above balance consists of as follows :

Balance as on June 30, 2010		1,078,176,514
Less: Revalued assets Accumulated Depreciation.	<b>38.01</b>	<u>295,005,653</u>
		783,170,861
Add: Revaluation Surplus	<b>38.02</b>	<u>323,598,680</u>
<b>Balance as on Sept. 30, 2010</b>		<b><u>1,106,769,541</u></b>

**38.01 Revalued assets Accu. Dep. : Tk.295,005,653**

The Accumulated Depreciation of Revalued assets as on June 30,2010 as follows :

Building & civil works	17,160,053
Generator	11,784,826
Land and land development	-
Plant & machinery	204,013,992
Plant & machinery (Gmt)	43,148,155
Plant & machinery (Printing)	2,770,447
Washing Machinery	1,570,629
Water & steam line	3,774,530
Water treatment plant	10,464,271
Effluent treatment plant	318,750
	<b>295,005,653</b>

**38.02 Revaluation Surplus :Tk. 323,598,680**

The above balance consists of as follows :

Building & civil works	111,423,337
Generator	954,089
Land and land development	154,838,614
Plant & machinery	64,758,989
Plant & machinery (Gmt)	(9,553,105)
Plant & machinery (Printing)	1,565,400
Washing Machinery	978,263
Water & steam line	113,376
Water treatment plant	(1,841,787)
Effluent treatment plant	361,505
	<b>323,598,680</b>

**39.00 Opening balance of Accu. Dep.:Tk. 66,361,782**

The above balance consists of as follows :

Balance as on June 30, 2010	361,367,435
Less: Revalued assets Accu. Dep.	295,005,653
<b>Balance as on Sept. 30, 2010</b>	<b>66,361,782</b>

## AUDITOR'S REPORT UNDER SECTION 135(1), PARA 24(1) OF PART II OF SCHEDULE III OF COMPANIES ACT 1994

As required under section 135(I), Para 24(I), Part-II of Schedule III to Companies Act 1994, Far East knitting & Dyeing Industries Ltd. prepared the following statements of its assets and liabilities, operating results, cash flows and changes in equity for the period/years ended September 30, 2010, and June 30, 2010, 2009, 2008, 2007 and 2006 and submitted those to us for our working and for issuance of our confirmation thereon.

We, accordingly, have reviewed the relevant audited financial statements and hereby confirm that the following information has been correctly extracted from those audited financial statements.

### (A) Statement of Assets and Liabilities;

PROPERTY & ASSETS	Period ended Sept. 30, 2010 Amount (Tk.)	Year ended June 30'2010 Amount (Tk.)	Year ended June 30'2009 Amount (Tk.)	Year ended June 30'2008 Amount (Tk.)	Year ended June 30'2007 Amount (Tk.)	Year ended June 30'2006 Amount (Tk.)
<b>A. Non-Current Assets:</b>	<b>1,163,805,835</b>	<b>1,040,407,758</b>	<b>568,729,791</b>	<b>482,858,248</b>	<b>269,641,315</b>	<b>182,136,182</b>
(at cost less accumulated depreciation)						
<b>B. Preliminary expenses</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>
<b>C. Current assets:</b>	<b>585,880,093</b>	<b>498,135,145</b>	<b>445,636,872</b>	<b>253,309,421</b>	<b>455,975,953</b>	<b>81,711,950</b>
Advance, deposits & prepayments	32,801,168	34,670,497	34,945,817	35,671,091	25,141,757	5,067,200
Advance Tax	-	-	-	3,587,752	3,442,115	-
Accounts receivable	267,561,377	175,183,700	51,387,190	30,838,919	157,305,725	56,105,798
Inventories	201,495,049	120,106,130	144,432,400	72,677,901	183,958,225	15,392,214
Cash and cash equivalents	84,022,499	168,174,818	214,871,465	110,533,758	86,128,131	5,146,738
<b>D. Total Property &amp; Assets (A+B+C)</b>	<b>1,749,685,928</b>	<b>1,538,542,903</b>	<b>1,014,426,663</b>	<b>736,227,669</b>	<b>725,677,268</b>	<b>263,908,132</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>E. Shareholders Equity:</b>	<b>946,452,624</b>	<b>865,121,655</b>	<b>352,926,437</b>	<b>244,285,579</b>	<b>179,663,258</b>	<b>53,418,657</b>
<b>Authorised capital</b>	<b>1,500,000,000</b>	<b>1,500,000,000</b>	<b>300,000,000</b>	<b>300,000,000</b>	<b>300,000,000</b>	<b>300,000,000</b>
<b>Paid up capital</b>	<b>64,000,000</b>	<b>64,000,000</b>	<b>64,000,000</b>	<b>64,000,000</b>	<b>64,000,000</b>	<b>64,000,000</b>
Issued, subscribed & paid up capital	64,000,000	64,000,000	64,000,000	64,000,000	64,000,000	64,000,000
<b>Reserve &amp; surplus</b>	<b>882,452,624</b>	<b>801,121,655</b>	<b>288,926,437</b>	<b>180,285,579</b>	<b>115,663,258</b>	<b>(10,581,343)</b>
Retained earnings	529,353,943.90	477,522,975	288,926,437	170,024,479	105,402,158	(20,842,443)
Tax holiday reserve	-	-	-	10,261,100	10,261,100	10,261,100
Share money deposit	29,500,000.00	-	-	-	-	-
Revaluation surplus	323,598,680.00	323,598,680	-	-	-	-
<b>F. Non-Current Liability:</b>	<b>295,076,536</b>	<b>180,984,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long term loan (secured)	276,091,046.00	164,018,387	-	-	-	-
Deferred liabilities (Provision for gratuity)	3,955,000.00	2,800,000	-	-	-	-
Deferred liabilities (Workers' welfare fund)	15,030,490.00	14,166,581	-	-	-	-

<b>G. Current liabilities</b>	<b>508,156,769</b>	<b>492,436,280</b>	<b>661,500,226</b>	<b>491,942,090</b>	<b>546,014,010</b>	<b>210,489,475</b>
Accounts payable	185,143,500	131,738,406	249,752,073	216,702,868	434,821,506	138,996,227
Accepted bills payable	161,347,288	211,482,188	130,898,847	-	-	-
Provision for expenses	31,746,820	37,826,189	21,309,064	14,143,649	10,486,428	7,432,119
Packing credit loan	37,514,492	37,059,970	17,413,408	-	-	-
Short term loan	71,978,636	46,858,621	84,174,726	59,813,676	57,695,076	37,162,098
Payable for asset purchase	18,269,223	25,676,698	157,221,544	201,281,897	43,011,000	26,899,031
Other liabilities	2,156,810	1,794,209	730,563	-	-	-
<b>H. Total Liabilities &amp; Shareholders' Equity (E+F+G)</b>	<b>1,749,685,928</b>	<b>1,538,542,903</b>	<b>1,014,426,663</b>	<b>736,227,669</b>	<b>725,677,268</b>	<b>263,908,132</b>

**(B) Statement of Operating Results:**

<b>Particulars</b>	<b>Period ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>Sept. 30, 2010</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
	<b>Amount (Tk.)</b>	<b>Amount (Tk.)</b>	<b>Amount (Tk.)</b>	<b>Amount (Tk.)</b>	<b>Amount (Tk.)</b>	<b>Amount (Tk.)</b>
Sales Revenue (Export)	407,614,877	1,367,699,700	1,347,389,589	892,962,800	884,408,800	591,679,600
Income from Cash Assistance	-	-	-	27,106,900	24,621,860	13,894,678
Interest Income on FDR	-	-	-	124,851	141,881	-
<b>Total Income</b>	<b>407,614,877</b>	<b>1,367,699,700</b>	<b>1,347,389,589</b>	<b>920,194,551</b>	<b>909,172,541</b>	<b>605,574,278</b>
Less : Cost of goods sold	305,711,602	1,038,988,792	1,050,963,263	662,215,296	655,685,337	408,518,014
<b>Gross profits</b>	<b>101,903,275</b>	<b>328,710,908</b>	<b>296,426,326</b>	<b>257,979,255</b>	<b>253,487,204</b>	<b>197,056,264</b>
Less: Office & administrative expenses	36,929,448	109,095,167	178,894,716	193,356,934	127,242,603	169,184,312
<b>Profit from Operation</b>	<b>64,973,827</b>	<b>219,615,740</b>	<b>117,531,610</b>	<b>64,622,321</b>	<b>126,244,601</b>	<b>27,871,952</b>
Add: Other income	262,979	5,631,823	31,266,940	-	-	-
<b>Net profit/ (Loss) before Finance cost</b>	<b>65,236,806</b>	<b>225,247,563</b>	<b>148,798,550</b>	<b>64,622,321</b>	<b>126,244,601</b>	<b>27,871,952</b>
Less: Finance cost	13,379,539	36,314,686	-	-	-	-
<b>Net profit/ (Loss) before Income tax</b>	<b>51,857,267</b>	<b>188,932,877</b>	<b>148,798,550</b>	<b>64,622,321</b>	<b>126,244,601</b>	<b>27,871,952</b>
Less : Provision for income tax	26,298	230,253	157,692	-	-	-
<b>Net profit/ (Loss) after tax</b>	<b>51,830,969</b>	<b>188,702,624</b>	<b>148,640,858</b>	<b>64,622,321</b>	<b>126,244,601</b>	<b>27,871,952</b>
Earning per share (EPS) for the period	<b>8.10</b>	-	-	-	-	-
Earning per share (EPS)- Annualized	<b>32.39</b>	-	-	-	-	-
Earning per share (EPS)- Basic	<b>32.39</b>	<b>29.48</b>	<b>232.25</b>	<b>100.97</b>	<b>197.26</b>	<b>43.55</b>
Earning per share (EPS)- Restated for the period	<b>0.80</b>	-	-	-	-	-
Earning per share (EPS)- Restated( Annualized )	<b>3.19</b>	-	-	-	-	-
Earning per share (EPS)- Restated Basic (considering SEC consent letter dated- December 29, 2010)	<b>3.19</b>	<b>29.48</b>	<b>23.23</b>	<b>10.10</b>	<b>19.73</b>	<b>4.35</b>

**( C ) Statement of Cash Flows:**

	Period ended Sept. 30, 2010	Year ended June 30, 2010	Year ended June 30, 2009	Year ended June 30, 2008	Year ended June 30, 2007	Year ended June 30, 2006
	Amount (Tk.)	Amount (Tk.)	Amount (Tk.)	Amount (Tk.)	Amount (Tk.)	Amount (Tk.)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from customers	315,237,200	1,243,903,190	1,326,841,319	1,019,429,606	783,208,873	553,256,551
Cash received from other income	262,979	5,631,823	31,266,940	27,231,751	24,763,741	13,894,678
Cash paid to suppliers	(255,590,734)	(791,476,480)	(680,834,899)	(524,175,889)	(485,884,386)	(373,437,393)
Dividend paid	-	-	(40,000,000)	-	-	-
Operating expenses paid	(136,058,266)	(433,884,909)	(457,920,131)	(196,406,134)	(137,474,589)	(169,211,656)
	<b>(76,148,821)</b>	<b>24,173,624</b>	<b>179,353,229</b>	<b>326,079,334</b>	<b>184,613,639</b>	<b>24,502,180</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Purchase of property, plant and equipment	(147,669,602)	(234,185,696)	(116,789,980)	(303,792,307)	(124,165,224)	(38,872,124)
<b>Net cash used in investing activities</b>	<b>(147,669,602)</b>	<b>(234,185,696)</b>	<b>(116,789,980)</b>	<b>(303,792,307)</b>	<b>(124,165,224)</b>	<b>(38,872,124)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Non-Current liability:						
Secured loan received	112,072,659	164,018,387	-	-	-	-
Deferred liability( provision for gratuity)	1,155,000	2,800,000	-	-	-	-
Deferred liability( Workers welfare fund)	863,909	14,166,581	-	-	-	-
Current liability:						
Short term loan paid	-	(17,669,543)	-	-	-	-
Short term loan received	25,574,537	-	41,774,458	2,118,600	20,532,978	12,336,215
<b>Net cash flow from financing activities</b>	<b>139,666,105</b>	<b>163,315,425</b>	<b>41,774,458</b>	<b>2,118,600</b>	<b>20,532,978</b>	<b>12,336,215</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(84,152,319)</b>	<b>(46,696,647)</b>	<b>104,337,707</b>	<b>24,405,627</b>	<b>80,981,393</b>	<b>(2,033,729)</b>
Cash & Cash Equivalents at the beginning of the year	168,174,818	214,871,465	110,533,758	86,128,131	5,146,738	7,180,467
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>84,022,499</b>	<b>168,174,818</b>	<b>214,871,465</b>	<b>110,533,758</b>	<b>86,128,131</b>	<b>5,146,738</b>
The above balance consists of the followings:						
Cash in hand	317,426	413502	482,678	390,000	240,000	240,000
Cash at bank	83,705,073	167761316	214,388,787	110,143,758	85,888,131	4,906,738
	<b>84,022,499</b>	<b>168,174,818</b>	<b>214,871,465</b>	<b>110,533,758</b>	<b>86,128,131</b>	<b>5,146,738</b>

**Note:** Cash outflows are indicated in brackets.

**D. Dividend:**

The company has declared dividend as follows:

Cash dividend	Nil	Nil	62.50%	Nil	Nil	Nil
Stock dividend	Nil	Nil	Nil	Nil	Nil	Nil

E. Fareast Knitting and Dyeing Ind. Limited was incorporated as a public company limited by share on 19th April 1994 under the Companies Act 1913. The share of the company is denominated from Tk.100/- to Tk.10/- per share as on 24th April 2010.

F. The company has no subsidiary company.

Sd/-

**(Masih Muhith Haque & Co.)**

Chartered Accountants

Date : January 02, 2011

## RATIO ANALYSIS

### Auditors Certificate on Calculation of Various Accounting Ratios for the Period/Years Ended 30 Sept. 2010, 30 June 2010, 2009, 2008, 2007 and 2006

We have examined the following accounting ratio of Fareast Knitting & Dyeing Ind. Ltd. for the period/ years ended Sept.30. 2010, June 30. 2010, 2009, 2008, 2007, and 2006 as submitted to us by its management. The preparation of these ratios is the responsibility of the company's management Our responsibility is to review them and certify as to whether they have been properly prepared using acceptable principles on the basis of audited financial statements for the period/ year ended Sept. 30, 2010, June 30, 2010, 2009, 2008, 2007, 2006

Based on our review, we hereby certify that the Company has properly prepared the following ratios for the period/ years as stated below:

Ratio:	Equation	Period of 3 months ended	Year ended June 30				
		Period ended Sept. 30, 2010	2010	2009	2008	2007	2006
<b>I. Liquidity Ratios</b>							
Current ratio	Total current assets/Total current liabilities	1.15	1.01	0.67	0.51	0.84	0.39
Quick ratio	(Current assets- Inventory)/ Current liabilities	0.76	0.77	0.46	0.37	0.50	0.32
Times interest earned	Profit before interest/Interest expenses	4.88	6.20	-	-	-	-
Debt-equity ratio	Non-current liability/Shareholder equity	0.31	0.21	-	-	-	-
<b>II. Operating Ratios</b>							
Accounts receivable turnover ratio	Sales/Average receivable	1.84	12.07	32.77	9.49	8.29	11.08
Assets turnover ratio	Total sales/Average total assets	0.25	1.07	1.54	1.22	1.79	2.52
Inventory turnover ratio	Cost of goods sold/Average inventory	1.90	7.86	9.68	5.16	6.58	24.16
<b>III. Profitability Ratios</b>							
Gross margin ratio (%)	Gross profit/Sales	25.00	24.03	22.00	28.89	28.66	33.30
Operating income ratio (%)	Operating profit/Sales	15.94	16.06	8.72	7.24	14.27	4.71
Net income ratio (%)	Net profit after tax/Sales	12.72	13.80	11.03	7.24	14.27	4.71
Return on assets ratio (%) (annualized)	Net Profit/Average total assets	12.60	14.78	16.98	8.84	25.51	11.87
Return on equity (after tax) (%) (annualized)	Net profit (after tax)/share holder equity	21.92	21.81	42.12	26.45	70.27	52.18
Earnings per share (Taka) (as per SEC consent letter dated- December 29, 2010)		3.19	29.48	23.23	10.10	19.73	4.35

Sd/-

**(Masih Muhith Haque & Co.)**

Chartered Accountants

Date : January 02, 2011

# SECTION XI

## Credit Rating Report of Far East Knitting & Dyeing Industries Limited

### Address:

CRISL  
Nakshi Homes  
(4th Floor),  
6/1A, Segunbagicha,  
Dhaka-1000  
Tel: 7173700-1  
Fax: 88-02-9565783  
Email: [crisl@bdonline.com](mailto:crisl@bdonline.com)

### Analysts:

Ahsanul Arefin  
[arefin@crislbd.com](mailto:arefin@crislbd.com)

Md. Nahidur Rahman  
[nahid@crislbd.com](mailto:nahid@crislbd.com)

### Entity Rating:

**Long Term: A+**  
**Short Term: ST-2**

### Outlook: Positive

**FAR EAST  
KNITTING & DYEING  
INDUSTRIES LIMITED**

### PRINCIPAL ACTIVITY

100% export oriented knit  
garments manufacturer

### Incorporated on:

19th April 1994

### Chairman:

Ms. Farha Lazina

### Managing Director:

Mr. Asif Moyeen

### Equity:

TK. 1046.11 Million

### Total Assets:

TK. 1538.54 Million

### REPORT: RR/573/10

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. CRISL followed Corporate Rating Methodology published in CRISL website [www.crislbd.com](http://www.crislbd.com)

	Long Term	Short Term
<b>Entity Rating</b>	A+	ST-2
<b>Outlook</b>	Positive	
<b>Bank Facilities Rating</b>		
<b>Bank/FI</b>	<b>Mode of Exposure (Figures in million Tk.)</b>	<b>Rating</b>
Janata Bank Limited	TLO* Tk.36.84	blr AA-
	WCL** Tk.181.88	blr AA-
IDLC Finance Limited	TLO* Tk.102.43	blr AA-
Shahjalal Islami Bank Limited	WCL** Tk.10.50	blr AA-
Dhaka Bank Limited	SOD*** Tk. 4.30	blr AAA
Date Of Rating Declaration	<b>December 27, 2010</b>	

CRISL rated the short term facilities under long term rating scale in consideration of their revolving nature

\* TLO-Term loan Outstanding \*\* WCL-Working Capital Limit \*\*\* SOD- Secured Overdraft

### 1.0 RATING RATIONALE

CRISL has assigned 'A+' (pronounced as Single A Plus) rating for Long Term and 'ST-2' rating for Short Term to Far East Knitting and Dyeing Industries Limited (hereinafter called "FEKDIL" or "the company") based on relevant qualitative and quantitative information up-to the date of rating. The above ratings have been assigned based on good fundamentals of the company such as equity-based capital structure, good profitability, sound liquidity, repetitive client base, good quality control mechanism, sound internal control system, etc. The above factors are however, moderated, to some extent, by increased debt burden, moderate business growth, high degree of operating and financial leverage as well as other industry specific and macroeconomic factors.

The long term rating implies that entities rated in this category are adjusted to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The short-term rating indicates high certainty of timely repayment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also placed the company with "Positive Outlook" in consideration of its prospective business growth in anticipation of increased demand in the export market. Besides, recent move towards IPO may assist the company both in increasing capacity as well as balancing of the existing facilities that may support to tap the market potentials.

While assigning the Bank Loan Ratings (blr), CRISL takes into account, in addition to entity profile, the security arrangements which include nature and value of securities against financial facilities, control of bank over securities, repayment mechanism and other related issues. Considering the above, CRISL assigned the bank loan ratings (excluding SOD) one notch above the entity rating. However, the SOD of the Dhaka Bank Limited bank has been awarded with 'AAA' as the facility is fully secured by FDR which is kept as lien and the bank enjoys the right of set off against the same.

Concentrated ownership structure

## 2.0 CORPORATE PROFILE

### 2.1 Entity Profile at a glance

Name of the Company	: Far East Knitting & Dyeing Industries Ltd.
Industry Category	: Ready Made Garments (Knit Composite)
Incorporation	: As a Public Limited Company on 19th April, 1994
Commencement of Business	: April, 1994
Main Sponsors/ Owners	: Mr. Asif Moyeen, Ms. Farha Lazina

### 2.2 Background

FEKDIL started its venture in early 1994 by a group of ex-bankers and went into commercial operation in the same time. Being a 100% export oriented composite garments entity, FEKDIL was established with the vision of being one of the backward integrated leaders in export of knit garments. Since incorporation, FEKDIL has been producing top quality innovative knit garments. Initially started with a paid up capital of Tk. 1.00 million, the company is currently operating with a paid up capital of Tk. 64 million against authorized capital of Tk. 1,500 million. Being a dominant market player of ladies knitted tops segment, FEKDIL has yearly production capacity of around 6.95 million pieces ladies wear, polo shirt and t-shirt, shorts (Menswear, Children wear, and Women wear) under 100% capacity utilization. Depending on the quality and style of product, FEKDIL produced around 5.64 million pieces knit garments in FY 2009-10. The management is led by the Managing Director Mr. Asif Moyeen having 35 years experienced in various textile and non textile businesses. The factory is located at Chandra; Kaliakoir; Gazipur, on 410.78 decimals of land with state of the art infrastructural facilities. The registered office of the company is located at Plot 06; Gulshan 2nd Circle; Bilquis Tower (3rd Floor); Dhaka.

### 2.3 Ownership and Control

Being a closely held public limited company, the shareholding of the company has been found concentrated among few owners. The company is currently owned by seven sponsors. Of them, the Managing Director Mr. Asif Moyeen holds the major share (78.08%) followed by Ms. Farha Lazina (19.01%). The details of the Directors qualification, age and experience are stated below:

Name	Age (Years)	Designation	Educational Qualification	Share (%)	Experience in Various Business (Years)
Ms. Farha Lazina	43	Chairman	Graduate	19.01	16
Mr. Asif Moyeen	55	Managing Director	Graduate	78.08	35
Md. Bin Quasem	52	Director Operations	Post Graduate	1.64	30
Md. Salamatullah	67	Director	Graduate	0.55	50
Syed Mazharul Haq	57	Director Finance & Admin.	Graduate	0.24	35
Sadia Moyeen	44	Director	Graduate	0.24	16
N.U.M. Oliullah	46	Director	Graduate	0.24	20

Long attachment with business by Chairman and Managing Director make them able to take risk for the business growth. The overall control of the company remains with the owners.

### 2.4 Corporate Management and Human Resources

FEKDIL has organized corporate structure and an experienced management team. The management team is headed by the Managing Director Mr. Asif Moyeen who supervises all the major activities in consultation with related professionals. The operational activities are divided into four departments namely Merchandising; Production; Finance and Administration; and HR & Compliance which are being headed by experienced professional team members. The top management of the company consisted as follows:

*Experienced  
management team*

Name	Age (Years)	Designation	Qualification	Experience (years)	
				With the company	Total
Faiyaz Ahmed Khan	49	Financial Controller	B.Sc.	4	29
M. Anwar Ali	66	Director (HRD)	B.A.	10	38
Kamal Uddin Ahmed	52	General Manager	M.Com	14	26
Rezwan Salam	39	General Manager (Dyeing)	M.Com	16	20
Muhammed Sakhawat Hossain	32	AGM (production)	B.Sc (Eng)	2	04
M. S. Zaman	41	Sr. Manager (Accounts) and Company Secretary	M.Com, C.A.(Inter)	10	13
Md. Asaduzzaman	45	Sr. Manager (commercial)	M.A.	10	26
Zahidul Alam	42	Sr. Manager (Merchandise)	B.A.	4	16
Mamunur Rashid	47	Factory Manager	H.S.C.	16	21
Abdul Latif	39	Manager (Knitting)	B.A.	12	19
S.M. Shamsul Alam	41	Manager (Planning)	B.Sc.(Eng.)	14	17
S.M. Kamrul Hasan	27	Manager (Dyeing)	B.Sc. (Eng)	10 months	06

CRISL believes that experienced management team in different departments of FEKDIL has the capability to promote the company. Moreover, FEKDIL has structured HR manuals both for corporate office and factory. In addition to regular compensation package, the company has implemented a number of policies which include welfare of employees in the form of group insurance, service benefits, medical facilities, child care facilities, performance bonus and food with canteen facilities in factory premises. Total human resource base of the company stood at 4,122 as on June 30, 2010 of which 177 are working at office and remaining 3,945 people are working at factory level. FEKDIL is an equal opportunity employer and in the factory significant portion of employees are female. The company provides on the job training facilities for its employees by specially trained in-house consultant. The average wage rate of the workers at factory level is around Tk. 3,580.00 per month. Moreover, the company has directed its effort to avoid unnecessary friction to the workers of lowest grade through counseling and enhance payment if needed. This includes free lunch to all workers and stuffs on a daily basis. At the same time the company offers bonuses to enhance workers direct pay. The company also provides fully equipped child care facilities.

#### **2.5 MIS and Internal Control Mechanism**

The factory and head office is supported by a strong IT department of skilled professionals. The company has developed intranet with Flora Computer systems; a web-based system that supports the initiation/finalization of an order as well as management of the critical path. However, existing system partially covers and connects all the functional areas, such as inventory, finance, HR, etc. FEKDIL has computerized systems but on a stand-alone basis. In early 2010 the company has appointed Algorithm Consulting Pvt. Ltd a renowned foreign ERP system developing firm to design a complete ERP solution (currently in finalization stage) for the factory and head office to cover all functional areas. In the mean time, proper steps have been taken for back-up with mirror servers located at the factory and the head office. In addition, further back-up is done by copying and storing information on CDs on a periodic basis.

#### **2.6 Corporate Social Responsibility**

FEKDIL is a CSR conscious organization. Operation cleft is such an attempt to provide medical aid to the poor people with collaboration of Australia. FEKDIL also provided financial support to 'Jago Foundation' which is providing good quality education to the children of slum area.

*Sound MIS and Internal  
Control*

Largest industry in  
Bangladesh

### 3.0 INDUSTRY OUTLOOK

The Readymade Garment (RMG) industry in Bangladesh has emerged as a competent garment producer in the world. The contributory factors of the RMG industry in Bangladesh are global trading agreements, cheap labor cost, government's supportive policy and dynamic private entrepreneurship. This industry has successfully transformed Bangladesh into an export-oriented economy. The RMG industry also became the major foreign currency-earning sector with highest rates of absorption of industrial employment. The country entered into the export market of apparels in 1978 with only 9 units and earned only \$ 0.069 million. During the last three decades, this sector has achieved a phenomenal growth and now the number of RMG units is around 5000 and the export earnings have reached at \$ 12.35 billion (\$ 5.92 billion for woven garments) during fiscal year 2008-09. During the period, it accounted for around 80% of the country's total exports and also provided jobs for 3 million people, accounted for more than 15% of country's GDP. The leading garment making groups vow that export would be more than \$ 25 billion over the next five years as buyers turn away from China, Vietnam due to rising labor cost as well as increased competitiveness of Bangladeshi products.

Labor instability is a major concern for RMG sector in recent times. More than 150 garment factories were vandalized during 2009 and thousands of workers protested over low wages. In most of the factories, the owners deliberately keep at least two months' salary and overtime bills of the workers in arrear. The management does hiring and firing of workers randomly and retrenched workers, in most cases, are not paid their dues. Recently a good number of factories were forced to close down temporarily at Asulia due to labor unrest for the demand of increase in wages. European Union, the country's top destination of textile and clothing items, expressed their deep concern about the issue and urged the govt. to take immediate steps to resolve the issue. Most of the garment factories are set up in rented premises at commercial or residential areas. These buildings have not been built to accommodate factories having all the safety measures. Other than labor unrest, stiff competition from China and India, currency devaluation and increase of prices of accessories in national and international market create challenges for RMG sector.

In the context of global financial crisis, the export sector was considered to be the most vulnerable in Bangladesh since it depends heavily on US and EU economies which were acutely suffering from the global turmoil. The readymade garment (RMG) industry accounts for over three quarters of export earnings and depends almost entirely on US and EU markets. There was growing concern that a deep and prolonged recession in the US and EU might reduce consumer spending significantly across the board, thus undermining the demand for Bangladeshi exports. Although in line with the above prediction, garments exports dwindled for couple of months, the same started recovering and Bangladesh receive increased order for its edge over China where the production costs jumped another step in the wake of the crisis. Moreover, as the demand for Bangladesh's garments exports is not too sensitive to income, even at the likely decrease of export prices will be compensated by significant increase in export volumes which will likely to remain the sector broadly unaffected.

### 4.0 PRODUCTION FACILITIES AND TECHNICAL ANALYSIS

#### 4.1 Infrastructure and Facilities

The plant is located at Chandra; Kaliakoir; Gazipur. Total land area of the project is 4.1078 acre or 410.78 decimals with existing factory building on 2 lak square feet facility. FEKDIL has its own source of utility supports like electricity and water. The company is getting electricity from REB having allowed load of 1000 KVA. At present the company uses gas driven generator imported from USA having 1030 KVA Capacity. FEKDIL has other three diesel-driven/farness oil generators each with 500 KVA capacities for back up power system. The water source is deep tube-well installed by the company to meet up its daily requirement of 10,40,000 liters of water. FEKDIL is connected with gas line of 17 PSI from Titas Gas Transmission & Distribution Co Ltd. It already has an ETP which is capable to treat 70 cubic meter of disposal per hour. Moreover, the ETP facility consisting of one Aquatech machine of India which is an automatic effluent treatment machine found fully operational. WTP facility, consist of 4 machines including two DP pumps and Mega-G machine of India along with various miniature plants. The WTP facility is capable of treating 500 cubic meter of water per hour.

Production facility with  
sound infrastructure

*Good quality machineries*

In factory premises it has canteen facilities, doctor facilities, emergency exit and day care center for children care. The company has highly sophisticated and fully automated fire fighting facilities. Fire fighting drill regularly takes place in every month. The company has 3 emergency exits in each floor. The workers are trained with first aid facilities. The company has four functional units; knitting, dyeing, printing and garments. In knitting and dyeing section the company has 23 knitting and 14 dyeing machines imported from USA, Singapore and Taiwan. The garments section is equipped with 23 lines having 970 different machines (Kansai, Pegasus, Juki machines imported from Japan and China). In printing section the company also has two sets of 11 color octopus printing machines of sportsman E series imported from EU and 2 lines of screen printing facilities. The washing plant consists of three sets NS-650 and NS-2700 series imported from Turkey and Taiwan.

*100% insurance coverage for all assets*

The company has full insurance coverage of all of its assets and machineries with Asia Pacific General Insurance Co. Ltd. for the period from 16 July, 2010 to 16 July, 2011. ("A3" rated insurance company based on last rating report) and insurance premium was TK. 17, 89,066. FEKDIL recently applied for Environment Compliance Certificate. Significant BMRE has taken place over the past 12 months and is still continuing. Such as: A new knitting facility has been installed with Fleece, Engineering Stripes and Collar making capability. A state of the art dyeing house is under construction which is expected to be completed by April 2011 which will increase FEKDIL's capacity to 12,000 kgs per day. Other two new sewing lines will be installed which will increase the capacity up to 40,000 pcs per day. A new rotary printing machine has been installed. New state of the art laboratory facilities has been installed including ROBOTIC color mixing. A new lighting arrangement has been made for all the production floors for which necessary civil works and construction to accommodate the above BMRE. The presence of Valid Bonded facilities for yarn, dyes and chemicals has been found.

*Strong quality control mechanism*

#### 4.2 Quality Control Measurement

FEKDIL uses modern technology to assure quality of the products starting from raw materials to finished goods. Inspection of the fabric has been ensured right from the stage of knitting, dyeing, garmenting and finishing of the products. There is a comprehensive quality control policy through a system of internal checks as well as external testing. Internal quality control is a part of every department, starting from knitting all the way to packaging of the final product. At the outset, every single batch of fabric produced in the factory has to undergo a quality check for color fastness, shrinkage, weight etc. After passing these tests the fabric sample is again sent to outside agencies/laboratories such as ITS, SGS, etc for independent testing. Throughout the production process there are quality checks, FEKDIL ensures 100% product quality. In addition, goods are also inspected by the inspectors of the buying houses who are there during production and at the time of shipment. The quality control procedure is an ideal combination of manual and automatic. The company has five set of Fabric Inspection Machine of Famous UZU brand. In addition the company has Lock Metal Detector inspection System

*Production cycle with smooth backward linkage*

#### 5.0 BUSINESS ANALYSIS

##### 5.1 Production Cycle

FEKDIL is an export oriented composite knit garments entity with integrated knitting, high-end fabric dyeing and washing, fabric finishing (tubular and open width), state of the art printing and garment manufacturing facilities. Each of the production departments are managed by experienced and qualified professionals. The company collects order from the buying houses as well as receives order directly from the exporters. After receiving the order, the company makes purchase orders to its suppliers through back to back L/C for yarn and other required chemical and accessories. The company maintains relationship with a good number of suppliers/importers for the above responsibilities. Due to its good relationship with the suppliers, the company hasn't faced any problem regarding sound and quality production process. The company has in-house knitting and dyeing facilities so it has to purchase yarn, dyes/chemicals for production. FEKDIL has three major types of raw materials namely yarn, dyes /chemicals and accessories from Bangladesh, India and Indonesia. The company has 12 foreign and local suppliers for yarn, 34 foreign and local suppliers for Dyes/Chemicals and 29 foreign and local suppliers for meeting up the requirement of accessories. Supplier's particular has been discussed below:

Smooth procurement system

Supplier Name	Material Purchased	During the period ended on		During the year ended on	
		30-Sep-10		30-Jun-10	
		Purchase (BDT)	% of Total Purchase	Purchase (BDT)	% of Total
Square Yarn Ltd.	Yarn	10,185,265	4.04	46,140,675	7.40
Thermax Melange Spinning Mills Ltd.	Yarn	8,587,297	3.41	29,822,160	4.78
R.S Enterprise	Accessories	4,612,297	1.83	20,061,544	3.22
Color Chem Trade Corporation	Chemicals	2,196,250	0.87	8,469,150	1.36
Depro Colors & Sheds	Chemicals	1,903,100	0.76	11,894,075	1.91
Others	N/A	224,331,845	89.09	507,177,349	81.34
<b>Total</b>		<b>251,816,054</b>	<b>100</b>	<b>623,564,953</b>	<b>100</b>

Suppliers of raw materials usually extend 90/120 days credit for the procured raw materials. The purchase process is executed through local currency and bank L/C. FEKDIL has its own warehouse for raw materials in factory premises with a capacity of 7,000 sft. The company is currently using a partially IT based inventory policy. The company keeps buffer stock roughly 90 to 120 days depending on seasonal variation as well as buyer's requirements.

### 5.2 Raw Materials Procurement System

Upon receipt of a confirm order/LC from a buyer, FEKDIL arrange to procure the yarn from one of their listed suppliers from Bangladesh, India or Indonesia. The price quotation from the various sources is obtained before deciding on the supplier. The company often obtain large block L/Cs from their regular buyers which enable them to procure yarn in advance of specific orders; the same lead allows the company to manufacture within very short lead times.

In case of Dyes/Chemicals, FEKDIL on an average hold about 2 month's requirements in inventory. Accessories include trims, lace, labels, packaging, etc., which are ordered and purchased once an order is finalized. These are purchased either from one of its regular suppliers or from the buyers' nominated supplier. All raw-materials are purchased on 90 to 120 days basis whereas the sale to buyers is on sight basis. Inventory management is computerized and spot audits are done regularly to ensure minimal waste and to prevent pilferage.

### 5.3 Product Feature and Production

FEKDIL produces ready made knit apparels and style garment products which includes ladies wear, polo shirt and t-shirt, shorts (menswear, children wear, and women wear) etc. As a pioneer in its segment, FEKDIL maintains a constant product quality and possess almost zero rejection rate. The company regularly organizes a three day orientation program for its workers to get accustomed to the designs and production layout of new orders which ensures perfection and accuracy. Moreover it develops new design according to market fashion and trend through Merchandising Department. Its quality management process is accomplished with the requirements of ISO 9001:2000 standard. As the company regularly conducts technological up-gradation and works for the same buyer over the years, it gets competitive edge in the area of cost reduction and quality improvement. Currently the company has yearly production capacity of 2,368 tons of dyeing, 1,776 tons of knitting and 69,56,000 pcs of polo shirt, t-shirt and women's wear under 100% capacity utilization. During FY 2009-10 it produced total 1,513 tons of dyeing, 1,544 tons of knitting and 56,43,614 pieces garments comprises of T-shirts, polo-shirts and women wears on yearly 350 working days basis, with around 65%, 85% and 81% capacity utilization respectively. Production particulars have been mentioned below:

Particulars	During the period ended on September 30, 2010		During the year ended on 30-Jun-10	
	Revenue (BDT)	% of Total Revenue	Revenue (BDT)	% of Total Revenue
<b>Tank Top &amp; Vest</b>	177,824,336	43.63%	603,974,808	44.16
<b>T-Shirt</b>	148,186,958	36.35%	503,312,340	36.80
<b>Pajama</b>	37,787,674	9.27%	128,344,647	9.38
<b>Others</b>	43,815,909	10.75%	132,067,905	9.66
<b>Total</b>	<b>407,614,877</b>	<b>100%</b>	<b>1,367,699,700</b>	<b>100</b>

Quality product with zero rejection rate

Moderately competitive in  
the industry

100% export oriented

FOB based pricing

According to production wise sales statement, among total production, 43.63% production was on Tank Top & Vest; 36.35% production was on T-shirt, 9.27% production was on Pajama and other production was 10% as on 30th September 2010.

#### 5.4 Market Position and Prospects

The Knit segment of RMG industry of Bangladesh reported export of \$6.43 billion (Tk. 449.457 billion) in 2009-10 which is being shared by almost 5000 units. During the same period, the export earnings of FEKDIL stood at Tk. 1367.69 million (1.52% growth from the previous year) indicating around 0.30% market shares with positive outlook. From market share stance, FEKDIL is moderately competitive in the RMG industry in terms of export earnings. Outstanding sales order of FEKDIL stood at Tk. 10.70 million up to June, 2011. The export earnings of the company up to September 30, 2010 stood at TK. 587.56 million. The company regularly updates the latest fashion through participation in different local and international fairs such BGMEA Fair 2010 (Dhaka), Knit Expo 2010 (Singapore). FEKDIL maintains a separate research and development unit for developing new product and services. The merchandising department continuously develops the product and services as per new fashion with the help of latest computer aided design machinery popularly known as "CAD".

#### 5.5 Distribution and Marketing Strategy

FEKDIL primarily works with 4 major Buying Houses and about 15 buyers. Even though the company works through the buying houses, it maintains direct communication and relationship with the senior management/owners of the ultimate buyers. This has worked as an effective marketing tool. It has been reviewed that, no buyer has ever stopped working with FEKDIL and in fact for most cases the business with buyers increased over the years. Details of buyer and information of shipment has been given below:

Major Buyer	% of Sales*	Country of origin	Repeat Buyer	Rejection Rate of Buyer	No. of Shipment	No. of Air Shipments
New Look	33.89	UK	Yes	Nil	70	0
Li & Fung	29.17	UK, France	Yes	Nil	41	0
Williamson- Dickie	10.50	UK, Canada	Yes	Nil	75	5
Monoprix	13.04	France	yes	Nil	12	0
Other	13.50	Different	Random	Nil	2	0

\* As on 30th September 2010

New Look of UK has been found as the major buyer in FY 2009-2010, to whom 70 shipments have been made. In the same period the company earned a significant portion of revenue from Li & Fung, France. The company did not experience any air shipments for its major buyers. In case of Dickies, 5 air shipments have been made at buyers cost against 75 regular shipments.

#### 5.6 Pricing and Costing Strategy

Proper costing system aids in keeping the costs at competitive level. The company maintains job order base costing system. The pricing strategy of FEKDIL is based on FOB (Free on Board) basis where the company charges prices on the basis of cost and margin. For the delivery of goods to the port, FEKDIL takes support from C & F agent.

#### 6.0 BUSINESS PERFORMANCE

Section	Installed Capacity		Actual Production		Capacity Utilization (%)	
	Per Quarter	Per Year	01-Jul-10 to 30-Sep-10	01-Jul-09 to 30-Jun-10	01-Jul-10 to 30-Sep-10	01-Jul-09 to 30-Jun-10
<b>Knitting</b>	444 MT	1,776 MT	396 MT	1,544 MT	89.15	86.94
<b>Dyeing</b>	592 MT	2,368 MT	474 MT	1,513 MT	80.07	63.89
<b>Sewing</b>	1,739,000 Pieces	6,956,000 Pieces	1,384,070 Pieces	5,643,614 Pieces	79.59	81.13

Good business performance  
with moderate growth

Key Operating Performance	2010-11**	2009-10*	2008-09*
Turnover (Tk. In million)	1630.460	1367.700	1347.390
Turnover growth (%)	19.21	1.51	52.25
COGS (Tk. In million)	1222.846	1038.989	1050.963
COGS Growth (%)	17.70	-1.14	60.28
Profit After Tax (Tk. In million)	207.324	188.703	148.641
PAT Growth (%)	9.87	9.87	26.95

\* For the year ended June 30 \*\* Three months figures have been annualized

Business performance of the company has been found good having moderate level of growth. The turnover of the company stood at Tk. 1,630.46 million in during FY 2010-11 and Tk. 1,367.70 million during FY 2009-10 resulting from sales growth of 19.21% and 1.51% from the respective years. Almost parallel relationship has been observed between revenue growth and COGS growth; the company achieved economic scale during FY2009-10. This growth relationship between revenue and COGS reflects that the company has good absorption capacity to adjust the price change effect of the raw materials with its sales price. In recent years revenue pie is comprised of Women tops (80% of total sales), Night dress (10%) and Jogger (10%).

Key Operating Performance	Base Case 2010-11*	Best Case	Worst Case
Turnover (Tk. In million)	1630.460	1778.010	1504.470
COGS (Tk. In million)	1,222.846	1286.715	1175.932
Profit After Tax (Tk. In million)	207.324	336.979	131.735840

\* Three months figures have been annualized

With the three months data of July to September 2010 the annualized figures have been obtained which reveals sales revenue of Tk 1630.460 million in FY 2010-11 with expected growth of 19.21% over previous year. Again, the Cost of Goods Sold is expected to stand at Tk. 1222.846 million in FY 2010-11 considering the continuance of same growth rate. This indicates a parallel relationship between COGS growth and revenue growth. As the annualized figures in 2010-11 are actually forecasted at prevailing rate of respective revenue and cost drivers; hence in order to check the sustainability scenario analysis has been performed. Historical average of sales growth rate of the company is around 25% and held as a benchmark. In best case 30% sales growth has been expected but in worst case assumed sales growth rate is only 10%, In case of COGS historical average is around 70% of sales so it best case 68% and in worst case 73% COGS has been assumed. As a result in best case PAT has been found Tk. 336.979 million and Tk. 131.735 in worst case. These uncovers the fact that, not only in annualized form even in worst case scenario where all revenue and cost drivers are assumed to be adverse to the company; the sales revenue and net profit after tax has been found at satisfactory level.

## 7.0 BUSINESS PLAN

The company focuses on high margin value added products rather than concentrating sales volume which helps to increase the bottom line. High margin in business comes from customized products which is key strength of the company. The company has established separate Design Department for R&D. In order to ensure vertical integration, the company has planned to ensure backward linkage through establishing a spinning unit. This will decrease the days in inventory in hand, delivery cycle, ensure quality and availability of raw materials.

In order to peruse current business strategy the company has decided to go for public offerings. The company has planned to raise fund through issuance of 30.00 million ordinary shares. The issue proceeds have been planned to be utilized in investment in spinning unit, purchase of embroidery, printing and dyeing unit, adjustments of present bank liabilities, meet up IPO expenses and increased working capital requirement. However, no further detailed plan is yet to be chalked out.

Progressive business plan

## 8.0 FINANCIAL PERFORMANCE ANALYSIS

### 8.1 Quality of Accounts

The quality of accounts found good. The book of accounts of the company has been found structured and financial statements have been prepared with adequate disclosure. Masih Muhith Haque and Co is the appointed Chartered Accountants of the company. The appointed CA firm is well reputed and an independent member of international group of accounting firms (IGAF).

Good quality accounts with adequate disclosure

### 8.2 Financial Performance

Profitability Ratios	FY 2010-11*	FY 2009-10	FY 2008-09
Return on Average Assets Before Tax (ROAA)%	11.86	12.28	14.67
Return on Average Equity Before Tax (ROAE)%	21.92	21.84	42.16
Return on Average Assets After Tax (ROAA)%	11.85	12.27	14.65
Return on Average Equity After Tax (ROAE)%	21.91	21.81	42.12
Return on Average Capital Employed (ROACE)%	16.70	18.04	42.12
Gross Profit Margin%	25.00	24.00	22.00
Operating Profit Margin%	15.94	16.06	8.72
Net Profit Margin%	12.72	13.00	11.03

\* Three months figures have been annualized. The company's year end is 30th June

The financial performance of FEKDIL has been found good. The company has reported a net profit after tax of Tk. 51.83 million in three months from July to September 2010 (Tk. 207.324 million for FY 2010-2011) against TK.188.70 million in FY 2009-10 an increase of 19.21% over previous year. The gross profit margin of the company is in increasing trend (25% in FY 2010-2011 against 24% in 2009-10). The reported gross profit stood at Tk. 101.90 million during three months of July to September 2010 against TK.328.71 million in 2009-10. On the basis of this performance, ROAA before tax stood at 11.85% in the year 2010-11) against 12.27% in the year 2009-10 and ROACE stood 16.70% in the year of 2010-11 against 18.04% in the year 2009-10; both showed a downward trend. Performance analysis further reveals that decline in ROAA and ROAE was primarily caused by increase in total asset and equity base by 9.40% and 13.72% respectively rather than decline in the bottom line. CRISL is in the opinion that enhanced production capacity will likely to have positive impact on overall profitability through increased production volume; however the same is dependent to a great extent on uninterrupted gas supply to generate power as well as the upcoming sales order.

Good financial performance

### 8.3 Operating Efficiency

Efficiency Ratios	FY 2010-11*	FY 2009-10	FY 2008-09
Cost to Revenue Ratio (%)	75.00	75.97	78.00
Administrative Exp to Revenue Ratio %	9.06	7.98	10.91
Selling & Distribution Cost to Revenue Ratio %	0.004	0.003	0.265
Finance Cost to Revenue ratio (%)	3.28	2.66	2.36

\* Three months figures have been annualized

Overall operating efficiency of the company is found good. The cost to revenue ratio of FEKDIL is stable over the last few years The Administrative Expenses to Revenue ratio stood at 9.06% in FY 2010-11 and was 7.98% in FY 2009-10. The selling and distribution cost to revenue ratio is found very insignificant because company has regular buyer panel and these buyers regularly place orders as such the company does not require to incur significant level of selling/marketing expense. Finance Cost to Revenue Ratio stood at 3.28% in FY 2010-11 and in FY 2009-10 it was 2.66%; the same is caused by increase in finance cost due to increase in long term and short term loan in the capital structure.

Good operational efficiency

## 9.0 FINANCIAL STRENGTH AND SOLVENCY

Tk. in Million

Particulars	FY 2010-11*	FY 2009-10**	FY 2008-09***
Current Assets	585.880	498.135	445.637
<b>Less: Current Liabilities:</b>			
Short Term Bank Borrowing	109.493	89.919	101.588
Other Current Liabilities	33.904	39.620	22.040
Net current assets			
<b>Non Current Assets:</b>	1163.806	1040.408	568.790
Net Capital Employed			
<b>Financed by:</b>			
Non-current liability- Bank loan	276.091	164.018	n/a
Other non-current liabilities	18.985	16.967	n/a
<b>Shareholders Equity:</b>			
Share Capital	64.00	64.00	64.00
Retained Earnings	529.354	477.523	288.926

\* As on September 30, 2010. \*\* As on June 30, 2010 \*\*\* As On June 30 2009

FEKDIL started its commercial operation in 1994 and is currently operating with a moderately levered capital structure which is comprised of 41% debt (of which 72% in long-term and 28% in short-term) and 59% equity. The capital structure revealed that only 22.23% of the net capital employed of TK. 1,241.529 million was financed by outside long term liabilities of TK. 276.091 million. Against the above capital structure, equity capital stood at TK. 946.453 million as on September 30, 2010. In order to measure financial strength, capital base, financial ratios and qualitative factor like outstanding orders in hand, market value of the plant, properties and other assets are considered. In addition to long term financing the company availed a short term bank loan of Tk. 109.49 million to support working capital requirement under its working capital planning.

Solvency Indicators	FY 2010-11*	FY 2009-10	FY 2008-09
Leverage Ratio (X)	0.85	0.78	1.87
Bank Borrowing to Equity(X)	0.41	0.29	0.29
Equity Multiplier(X)	1.85	1.78	2.87
Debt Service Coverage Ratio (X)	6.69	8.57	9.43
Interest Coverage Ratio (X)	6.69	8.57	9.43

\* Three months figures have been annualized wherever required

The leverage ratio of FEKDIL stood at 0.85 times (consisting 0.31 as long term gearing and 0.54 as short term gearing) as on September 30, 2010 against 0.78 times at FY 2009-10 which indicates increase in outside liabilities in the capital structure. On the other hand the debt service coverage ratio decreases to 6.69 times in FY 2010-11 from 8.57 times in FY 2009-10 indicate reduced earnings compared to financial obligations. Interest coverage ratio stood at 6.69 times in FY 2010-11 from 8.57 times in FY 2009-10. The company has no current portion of LT liabilities so debt service coverage and interest coverage ratios are same.

## 10.0 LIQUIDITY AND FUND FLOW ANALYSIS

Liquidity Indicators	FY 10-11*	FY 09-100	FY 08-09
Current ratio	1.15	1.01	0.67
Quick ratio	0.76	0.77	0.46
Net Working Capital (in Million Taka)	1241.53	1046.11	352.93
Operating cash Flow	144.646	79.572	-78.215

\* As on September 30, 2010

Declining debt service and interest coverage

Good liquidity position

Liquidity position of FEKDIL found good. The company has operating cash flow of Tk. 144.646 million in FY 2010-11 and Tk. 79.572 million in 2009-10. However, the current ratio of the company stood at 1.15 times in as on September 30, 2010 against and 1.01 times in 2009-10. The quick ratio of FEKDIL stood at 0.76 times and 0.77 times as on September 30, 2010 and 2009-10 respectively. The Cash Conversion Cycle of FEKDIL is 64 days consisting Average No. of Days Inventory in Stock (DIO) 60.14 Days, Average No. of Days Receivables Outstanding (DRO) 59.90, Average No. of Days Payable Outstanding (DPO) 55.26 which is usual in terms of the industry nature.

## 11.0 CREDIBILITY AND BANKING RELATIONSHIP

### 11.1 Liability Position

FEKDIL has been enjoying two types of loan facilities from Janata Bank Limited, Kamal Atartuk Corporate Branch, Banani, Dhaka, sanctioned as term loan and working capital loan. The company is also enjoying credit facilities from different bank and non bank financial institutions like Dhaka Bank Limited, ShahJalal Islamic Bank Limited and IDLC Finance Limited. The details of loans status are defined in the table:

#### A) Term Loan Liabilities:

Bank/Fl	Facility type	Date of Sanction	Sanction Amount Fig in Mn. Tk	Outstanding Balance as on September 30,2010 Fig in Mn. Tk	Status
Janata Bank Ltd.	Loan General	10th May 2010	4.22	2.49	Regular
	Loan Against S.S.I	07th May 2010	29.50	34.35	Regular
IDLC Finance Ltd.	Loan Against Deposit	Aug-Sep 2010	101.60	102.43	Regular

#### B) Working Capital Facilities:

Bank/Fl	Facility type	Date of Sanction	Joint/ Company Sanction Limit Fig in Mn. Tk	Outstanding Balance as on September 30,2010 Fig in Mn. Tk	Status
Janata Bank Limited	Export Cash Credit (ECC)	April 30 2009	40.00	35.70	Regular
	Cash Credit (CC)	April 30,2009	20.00	20.03	Regular
	LTR	July to Sep 09	121.88	121.88	Regular
Dhaka Bank Limited	Secured Overdraft (SOD)	September 21, 2010	4.30	4.31	Regular
ShahJalal Islamic Bank Limited	Bai-Muazzal FO (Revolving)	August 29, 2010	10.50	11.20	Regular

## 11.2 FACILITY DETAILS AND RATINGS

### 11.2.1 Janata Bank Limited

#### Term Loan Outstanding of Tk. 36.84 million (Rating blr AA-)

FEKDIL has been enjoying term loan facilities from Janata Bank Limited, Kamal Atartuk Corporate Branch on March 24, 2009 to meet up the BMRE expense of the project. Total BMRE expense was Tk. 75.58 million on which 39:61 debt equity ratio Tk. 29.50 million has been granted as a term loan. The above sanctioned loan has been provided a repayment period for 5 years. The rate of interest is 11.00%.

#### Security package

In order to avail the term loan, FEKDIL has offered registered mortgage on its land and building. The hypothecation has been created on all present and future mercenaries of the project. In addition to that directors provided personal guarantee for the loan.

Regular repayment record

Sufficient collateral

**Working Capital Limit of TK. 181.88 million (Rating *blr* AA-)**

The company is currently enjoying working capital facilities to the limit of TK. 177.62 million. The interest rate is 8%. The LC margin is 10% so up to 90% can be withdrawn against valid export LC. However, the relevant LC should be kept as lien for getting the amount disbursed. Another source of working capital loan of the company is LTR on nine different LC creating between the date of July to September 2010. Different LTR has been taken on 20% cash margin to purchase capital machineries and spares parts for the company at different period. The outstanding balance is given based on loan statement of 30th September 2010.

**Security package**

Security package for working capital loan consist of total 274 hector of land located in Chandua, Kaliakoir, Gazipur as a registered mortgage. In case of Cash Margin LTR, the imported machineries and spare parts need to be kept as lien.

**11.2.2 Dhaka Bank Limited****SOD Limit of TK. 4.30 million (Rating *blr* AAA)**

FEKDIL has been enjoying working capital loan facilities from Dhaka Bank Limited from Baridhara Branch. The loan has been sanctioned against FDR. The limit is TK. 4.3 million and the interest rate is Tk. 11.00% p.a (spread 2.50%) with quarterly rest or as revised by the Head Office from time to time. Repayment mode of the loan is deposits through out the whole delivery period 21st November 2012.

**Security package**

Lien on duly discharged 8.50% interest bearing three FDRs total amount of Tk. 4.80 million. Usual charge documents needs to be executed along with "letter of Lien & Authority" favoring the Bank to be executed. Personal guarantee as owner/ holder of the instrument needs to be provided. Loan to value ratio is 0.89.

**11.2.3 Shahjalal Islamic Bank Limited****Working Capital outstanding of TK. 10.50 million (Rating *blr* AA-)**

FEKDIL has been enjoying working capital loan facilities from Shahjalal Islamic bank Limited Bai-Muazzal FO (revolving). Present limit of the facility is 10.5 million and the rate of profit as per sanction latter is 11.00% (simple). The facility has been disbursed on 29th august 2010 and the validity of the of the facility up to 25th August 2012. Repayment of the loan needs to be made to the bank from company's own sources with in the validity period.

**Security package**

Pledge and Lien on the following MTDR needs to be kept with the bank which has been duly discharged by the company. The MTDR is a 117879 serial number bearing instrument holding the date of issue 4th July 2010 the amount of the MTDR is Tk. 11.20 million. The MTDR has validity up tp 04th January 2013. Loan to value ratio is 0.93.

**11.2.4 IDLC Finance Limited****Term Loan outstanding of TK. 102.43 million (Rating *blr* AA-)**

FEKDIL has been enjoying working capital loan facilities from IDLC Finance Limited. The Loan is taken against personal deposits of three directors of the company. By nature the loan is a secured overdraft. The disbursement date of the three loan is 30th September 2010.

**Security package**

The company chairman Farha Lazina taken Tk. 35.00 million loan against her deposit with IDLC Finance Limited of Tk. 36.00 million for the company. Managing Director Asif Moyeen has taken 55.30 million loan against which the collateral amount 57.08 million has been kept finally Ms. Sadia Moyeen Director of the company has taken Tk. 11.30 million loan against which 11.68 million deposit have been kept. However, total amount of the Chairman and Directors loan is 101.60 million and total collateral value is 104.76. Hence, approximately 95% of the deposit amount has been disbursed. Loan to value ratio is 0.96. All three loans are taken by the directors in company name.

Moderate degree of  
operating leverage

## 12.0 RISK ANALYSIS

### 12.1 Business Risk

	FY 2009-2010*
Revenue volatility (%)	0.24
Earnings Volatility (%)	0.79
Sales Cost Volatility (%)	0.23

	FY 2010-2011*	FY 2009-2010	FY 2009-2010
(%) change in EBIT	0.16	0.25	0.43
(%) change in Sales	0.19	0.015	0.52
Degree of Operating Leverage (DOL)	0.82	16.38	0.82

\* Three months figures have been annualized wherever required

From business risk analysis, it has been found that the company is operating with moderate risk condition. Earnings volatility indicates coefficient of variation of operating earnings over the year of the company which has been found 79%. In FY 2009-10 sales increase was very low around 0.015 against which the change in EBIT was very much high 0.25; for this reason Degree of Operating leverage (% change in EBIT/%change in sales) in the concerned period was very much high 16.38. Moreover, business risk analysis further reveals company historically runs with high level of operating leverage means higher sensitivity of operating earnings on sales. However sales cost volatility 0.23 and revenue volatility 0.24 is low and in line with knit garments industry.

### 12.2 Operation Risk

FEKDIL follows a well-developed production flow chart. Performance in each of the production stages are properly documented which assists to identify any variation in the process against its estimated quality. In order to maintain the standard level of quality, the management personnel both in head office and production premises seem to be competent and experienced to run the operation effectively. However, better human resources development plan for both officers and workers may increase the efficiency in operation. The well experienced management team of FEKDIL is matured enough to ensure the smooth functioning of the business curbing the volatility in market demand.

### 12.3 Raw Material Supply Risk

The company receives yarn, dyes & chemical and accessories both from local as well as foreign suppliers. Import based supplies are likely to be affected by any uncontrollable event or country risk to transaction or political barrier. Since inception, the company did not face any such uncontrollable events and is confident to manage alternate arrangement at shorter notice.

### 12.4 Gas Supply Risk

The industrial bases of Bangladesh are mainly aided by natural gas backed power generation which causes disruption occasionally and the garments industry is not an exception. Smooth availability of gas will ensure the maximum and well functioning of the machineries. Though majority generators are diesel based, FEKDIL uses natural gas to produce power from its one generator. The necessary gas pressure for FEKDIL is 15 PSI which is currently available but in case of future expansion the required gas pressure might not be attained. Again Govt. has decided to rationalize gas supply which might again force the company to depend on diesel based generator that ultimately put pressure on cost efficiency.

### 12.5 Price Fluctuation Risk

Price of yarn and dyes & chemical fluctuates in international market. During 2008-09 the demand for garments product reduced because of world recession which affected the price. In recent times the price of yarn considerably increased in local and global market and the continuance of which will put pressure on cost of production as well as price of finished goods.

High degree of financial leverage

Sound tax payment record

### 12.6 Exchange Rate Risk

Exchange rate risk arises from currency fluctuation in international trade. If Bangladeshi Taka is revalued and/or foreign currency devalued then the earnings from exported garments will go down which will decrease the overall profit margin. The major buyer of FEKDIL from UK, France, Canada and other European countries and most of the payment is made through euro and dollar. As the Company is dependent upon the imported raw materials and in future it will be the same, volatility of exchange rate will have an impact on profitability of the Company. However, both purchase and sales of FEKDIL takes place in USD so the company gets a natural hedge hence exchange risk is minimal for the company.

### 12.7 Financial Risk

	FY 2010-11 annualized	FY 2009-10	FY 2008-09
(%) change in EPS	0.10	0.27	0.29
(%) change in EBIT	0.16	0.25	0.43
Degree Of Financial Leverage (DFL)	0.62	1.09	0.68

\* Three months figures have been annualized wherever required

Degree of financial leverage indicates sensitivity of EPS on EBIT and the higher DFL indicates higher volatility of EPS. The DFL of FEKDIL has been found high. In FY 2010-2011 EPS is Tk. 323.94 but in FY 2009-10 it was Tk. 294.85 so the growth was 10%. In FY 2009-10, 27% growth has been experienced in EPS. Moreover EBIT is Tk. 260.95 million in FY 2010-11 and in FY 2009-10 it was Tk. 225.25 million representing growth of 16%. In FY 2009-10, 1.09 growth has been experienced in EBIT. Thus, DFL of the company found high in the concerned period.

Particulars	2009	2008	2007	2006
Assessment Completed	Completed	Completed	Completed	Completed
Tax Liability	48,03,353	36,34,571	34,98,867	28,05,004
Tax Provision	0	0	0	0
Tax Payment	48,03,353	36,34,571	34,98,867	28,05,004
<b>TDS/AIT: From Suppliers</b>				
Tax Deduction	48,03,353	36,00,238	34,53,030	14,15,536
Tax Payment	0	34,333	45,837	13,89,868
<b>VAT:</b>				
VAT Collected	0	0	0	0
VAT Payment	0	0	0	0

CRISL also reviewed the tax status of the company and found tax liability assessment is quite regular up to FY 2009 and entire tax liability has been duly discharged. In case of TDS total amount of tax deduction from FY 2006 to FY 2009 was Tk. 13.27 million of which Tk. 1.47 million has been paid. However, CRISL does not foresee any financial risk emanating from tax liability of the company.

### 12.8 Buyer Dependency Risk

The client portfolio mix of FEKDIL shows exposure of risk while three major buyer including New Look of UK (with 33.89% of total sales), Li & Fung of France (29.17 % of total sales) and Monoprix of Canada (13.04% of total sales) as on 30th September 2010; which reveals that bargaining power of buyer is high.

### 12.9 Technology Risk

The company's operation is capital intensive and the quality of product is directly related to the sophistication of the machinery. In case, the technology of machinery becomes obsolete, company's cost advantage and quality of production may be affected adversely. But management perceives technology of textile machinery develops overtime but the technology itself does not become obsolete so frequently. Moreover FEKDIL's machineries are very sophisticated and state-of-the-art. It is believed that there is very low probability that the technology of existing machineries will become obsolete in near future.

### 12.10 Regulatory Risk

FEKDIL operate in an export oriented industry. At present, the company does not have to pay any import duty or tax on the raw materials that they import through bonded warehouse. The company also does not have to pay any import duty on capital machinery. But the company needs to pay tax on their export at source at a rate of 0.50%. Imposition of tax on import of raw material, capital machinery or export will adversely affect their profitability.

### 13.0 OBSERVATION SUMMARY

<p><b>Rating Comfort:</b></p> <ul style="list-style-type: none"> <li>• Equity based capital structure</li> <li>• Good profitability</li> <li>• Sound liquidity position</li> <li>• Sound production facilities</li> <li>• High margin value added products</li> <li>• Good quality control mechanism</li> <li>• Repetitive client base</li> <li>• Long exposure of the entrepreneur in related business</li> <li>• Sound internal control mechanism</li> </ul>	<p><b>Rating Concern:</b></p> <ul style="list-style-type: none"> <li>• Increased debt burden</li> <li>• Moderate business growth</li> <li>• High degree of operating and financial leverage</li> <li>• Concentrated shareholding structure</li> <li>• Expose to gas supply risk</li> <li>• Expose to price fluctuation risk</li> </ul>
<p><b>Business Prospects:</b></p> <ul style="list-style-type: none"> <li>• Wide local market development</li> <li>• Largest industry of Bangladesh</li> <li>• Wide export market</li> <li>• Further Expansion</li> </ul>	<p><b>Business Challenges:</b></p> <ul style="list-style-type: none"> <li>• Political instability</li> <li>• Increased global competition</li> <li>• World's economic meltdown</li> <li>• Entry restriction by the importer countries</li> <li>• Timely shipment of the product</li> <li>• Price hiking of raw materials</li> <li>• Labour unrest</li> </ul>

### 14.0 PROSPECTS

Ready made garments are the major focus of government export policy. The spinning sector is now providing full support to the garments as deemed export industry. However, the world economy is passing a crucial time due to economic recession as such our Textile Sector as a whole is gradually being affected by the global financial crisis. This has further been magnified by the actions in currency depreciation of our competing countries like Pakistan and India. The same has created an opportunity for Indian business houses to export cotton yarn to Bangladesh at a lower price. The present economic slowdown has affected our market mechanism as well as our factories. In order to meet the challenges of the global economic crisis, our competing countries have adopted strategies to sustain and strengthen their market position. In line with that India and Pakistan, our competitors in global Textile & clothing Trade have experienced depreciation in their currencies by 25% and 30% respectively. At the same time they have also lowered their interest rate. Textile sector of Bangladesh now is an import substitute sector. As such the Management of BTMA requested the Govt. to initiate an action plan in the form of financial reform program wherein they suggested for rationalization of the currency exchange rate, reduction in interest rate, subsidy in the utility services & enhancement of existing rate of cash assistance in lieu of duty draw back or bonded warehouses for increasing our competitiveness to that level of our competitors.

The export of Knit Apparel sector plays an important role in the socio-economic development of the country. Export earnings from this sector accounts for around 80% of the country's total export earnings. The foreign exchange reserve of the country depends on the RMG sector, which plays a stabilizing role in terms of macroeconomic balance of the country. During the last fiscal 2008-09, the whole world witnessed economic meltdown. In spite of that economy of Bangladesh showed positive signs in most of its economic indicators achieving a 5.6% growth over previous year. At the end of last fiscal 2009-10 GDP of the country stood at \$ 68 billion. The garments sector has continued its growth where knitwear was 16.21% and woven garments was 14.54% compared to previous year. The target export revenue of RMG has been estimated at around \$12.49 billion during 2011 of which around \$ 7.3 billion was estimated for knit garments while \$6.7 billion was estimated for woven garments. Although not in line with the target, RMG keeps its momentum and so far the export volume expected to stand at around \$7.2 billion during the first 7 months of fiscal 2011. The recent sovereign rating of Bangladesh (BB-) assigned by Standard & Poor's has also factored the resilience of garments export in the rating consideration. The overall process of the authority has been published to be well fared by the authority itself.

In order to protect our economy from recession government has already taken a number of steps including stimulus package of TK.34.24 billion. However, no stimulus was given to RMG sector. However, bonded warehouse and back to back letter of credit facilities have been extended for import of 100% export oriented industries. The govt. is giving highest priority to rapid industrialization of the country. An extensive program of incentive to expedite investment in the country is now in place.

No ceiling for investment, tax holiday up to ten years, tax exemption and duty free import of capital machinery and spare parts for 100% export oriented industries, residence permit for foreign nationals, profit and dividend repatriation facilities, avoidance of double taxation etc. will likely to have positive impact on overall economic development indicators. CRISL is in the opinion that the above initiative will also contribute towards the largest export sector of the country. However, success depends to a great extent on smooth production flow for the backward link industries, sound infrastructure and utility facilities as well stability of other micro and macroeconomic parameters.

Despite the inherent limitations of the industry, being one of the promising Knit apparels producing entity, FEKDIL is competent to utilize the full opportunities. The company is definitely in the comfort zone for low levered capital structure, sound production infrastructure as well as experienced management team. It is expected that in today's competitive market the company will take benefit from its area of competitive strengths and keep trying to overcome the drawbacks for smooth operation.

### **End of the Report**

*[Information used herein is obtained from audit reports and officials of the group believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any error or omission or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any security. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement]*

*[We have examined, prepared, finalized and issues this report without compressing with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the SEC rules as prescribed by the Securities and Exchange Commission.]*

## 15.0 Accounts Information

Figures in Million Tk.

Balance Sheet	As on Sep- tember 30, 2010	As on June 30, 2010	As on June 30, 2009
Non-Current Assets:			
Property, Plant & Equipment	1,163.806	1,040.408	568.730
Other Non-Current Assets			0.060
Total Non-Current Assets	1,163.806	1,040.408	568.790
Current Assets:	---	---	---
Inventories (Product)	201.495	120.106	144.432
Trade Debtors	267.561	175.184	51.387
Adv. Deposits & Prepayments	32.801	34.670	34.946
Cash & Bank Balances	84.022	168.175	214.871
Total Current Assets	585.880	498.135	445.637
Current Liabilities:	---	---	---
Short Term Loan	109.493	83.919	101.588
Trade Creditors	185.144	131.738	249.752
Accrued Expenses & others	179.617	237.159	288.120
Other ST Liabilities	33.904	39.620	22.040
Total Current Liabilities	508.157	492.436	661.500
Non-Current Liabilities:	---	---	---
Long Term Loan	276.091	164.018	
Deferred Liabilities	18.985	16.967	
Other Non-Current Liabilities			
Total Non-Current Liabilities	295.077	180.985	-
Shareholders' Equity:	---	---	---
Share Capital	64.000	64.000	64.000
Other Reserve	353.099	323.599	
Retained Earnings	529.354	477.523	288.926
Total Shareholder's Equity	946.453	865.122	352.926
Total Equity and LT Liabilities	1,241.529	1,046.107	352.926

Figures in Million Tk.

Income Statement	For the Period of July 2010 to Sep- tember 2010	For the Period of July 2009 to June 2010	For the Period of July 2008 to June 2009
Sales Revenue	407.61	1,367.700	1,347.390
COGS Excluding Dep.	286.29	970.189	991.055
Depreciation-Mfg	19.42	68.800	59.908
Cost of Goods Sold	305.71	1,038.989	1,050.963
Gross Profit	101.90	328.711	296.426
Salary & Allowances	26.00	68.286	145.591
Depreciation-Administration	4.85	17.200	59.908
Other Admin. Expenses	6.07	23.609	(58.451)
Total Adm. Exp	36.93	109.095	147.048
Selling & Distribution Exp.	0.02	0.041	3.569
Other Operating Exp.			
Profit from Operation	64.97	219.616	117.532
Other Income	0.26	5.632	31.267
Financial Cost	13.38	36.315	31.847
Profit Before Tax	51.86	188.933	148.799
Income Tax	0.03	0.230	0.158
Profit After Tax	51.83	188.703	148.641

<b>CRISL RATING SCALES AND DEFINITIONS LONG-TERM RATINGS OF CORPORATE</b>	
<b>RATING</b>	<b>DEFINITION</b>
<b>AAA</b> Triple A (Highest Safety)	<b>Investment Grade</b> Entities rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of companies.
<b>AA+, AA, AA-</b> (Double A) (High Safety)	Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
<b>A+, A, A-</b> Single A (Adequate Safety)	Entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<b>BBB+, BBB, BBB-</b> Triple B (Moderate Safety)	Entities rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a company is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
<b>BB+, BB, BB-</b> Double B (Inadequate Safety)	<b>Speculative Grade</b> Entities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a company as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
<b>B+, B, B-</b> Single B (Risky)	Entities rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time through creating external liabilities.
<b>CCC+, CCC, CCC-</b> Triple C (Vulnerable)	Entities rated in this category are adjudged to be vulnerable and might fail to meet its repayments frequently or it may currently meeting obligations in time through creating external liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support.
<b>CC+, CC, CC-</b> Double C (High Vulnerable)	Entities rated in this category are adjudged to be very highly vulnerable. Entities might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support.
<b>C+, C, C-</b> (Extremely Speculative)	Entities rated in this category are adjudged to be with extremely speculative in timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
<b>D</b> (Default)	<b>Default Grade</b> Entities rated in this category are adjudged to be either already in default or expected to be in default.
<i>Note: For long-term ratings, CRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group</i>	
<b>SHORT-TERM CORPORATE RATING</b>	
<b>ST-1</b>	<b>Highest Grade</b> Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.
<b>ST-2</b>	<b>High Grade</b> High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
<b>ST-3</b>	<b>Good Grade</b> Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
<b>ST-4</b>	<b>Moderate Grade</b> Moderate liquidity and other protection factors qualify an entity to be in investment grade. Risk factors are larger and subject to more variation.
<b>ST-5</b>	<b>Speculative Grade</b> Speculative investment characteristics. Liquidity is not sufficient to ensure discharging debt obligations. Operating factors and market access may be subject to a high degree of variation.
<b>ST-6</b>	<b>Default</b> Entity is in default or is likely to default in discharging its short-term obligations. Market access for liquidity and external support is uncertain.

<b>CRISL RATING SCALES AND DEFINITIONS</b>	
<b>BANK LOAN/ FACILITY RATING SCALES AND DEFINITIONS- LONG-TERM</b>	
<b>RATING</b>	<b>DEFINITION</b>
<i>blr AAA</i> (blr Triple A) (Highest Safety)	<b>Investment Grade</b> Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carries almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
<i>blr AA+, blr AA,</i> <i>blr AA-</i> (Double A) (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
<i>blr A+, blr A,</i> <i>blr A-</i> blr Single A (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity has adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<i>blr BBB+,</i> <i>blr BBB,</i> <i>blr BBB-</i> blr Triple B (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
<i>blr BB+, blr BB,</i> <i>blr BB-</i> blr Double B (Inadequate Safety)	<b>Speculative/ Non investment Grade</b> Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client is below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loan / facilities needs strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
<i>blr B+, blr B,</i> <i>blr B-</i> blr Single B (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support. Special monitoring is needed from the financial institutions to recover the installments.
<i>blr CCC+,</i> <i>blr CCC,</i> <i>blr CCC-</i> blr Triple C (Risky )	<b>Risky Grade</b> Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loan / facilities needs strong monitoring from bankers side for recovery.
<i>blr CC+, blr CC,</i> <i>blr CC-</i> blr Double C (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
<i>blr C+, blr C,</i> <i>blr C-</i> (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
<i>blr D</i> (Default)	<b>Default Grade</b> Entities rated in this category are adjudged to be either already in default or expected to be in default.
<b>SHORT-TERM RATINGS</b>	
<i>blr ST-1</i>	<b>Highest Grade</b> Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
<i>blr ST-2</i>	<b>High Grade</b> High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
<i>blr ST-3</i>	<b>Good Grade</b> Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
<i>blr ST-4</i>	<b>Satisfactory Grade</b> Moderate liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
<i>blr ST-5</i>	<b>Non-Investment Grade</b> Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
<i>blr ST-6</i>	<b>Default</b> Institution failed to meet financial obligations





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