



**SAIHAM
TEXTILE
MILLS
LIMITED**

RIGHTS SHARE OFFER DOCUMENT





RIGHTS SHARE OFFER DOCUMENT
OF
SAIHAM TEXTILE MILLS LIMITED

Date: December 20, 2011

Rights Offer of 50,000,000 Ordinary Shares of Tk. 10.00 each issuing at Tk. 25.00, including a premium of Tk. 15.00 per share, totaling Tk. 1,250,000,000 offered on the basis of 2 (two) Rights share for 1 (one) existing share held.

RECORD DATE

(For Entitlement of Rights)

January 17, 2012

SUBSCRIPTION

Opens on: February 05, 2012

Closes on: February 19, 2012

(Within Banking Hours, both days inclusive)

CREDIT RATING STATUS

Long Term: A Short Term: ST-3

Date of Rating: January 17, 2011

RATING ASSIGNED BY

National Credit Ratings Limited

MANAGER TO THE ISSUE

SWADESH INVESTMENT MANAGEMENT LIMITED

Suite 01, Level 11, Unique Trade Center (UTC), 8 Panthapath,

Karwan Bazar, Dhaka-1215, Bangladesh

Phone: +88 02 8158166, **Fax:** +88 02 8158344

Website: www.swadesh.com.bd **E-mail:** mamunahmed@msn.com

FULLY UNDERWRITTEN BY

1. Banco Finance & Investment Limited	2. LankaBangla Finance Limited	3. PLFS Investments Limited
4. Prime Finance Capital Management Limited	5. Sonali Investment Limited	6. Swadesh Investment Management Limited

As per provision of the Depository Act, 1999 and regulation made there under, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

SAIHAM TEXTILE MILLS LIMITED

Registered Office:

House # 34, Road # 136, Gulshan-1, Dhaka-1212.

Phone: +88 02 9862284, 9863323, 9887441, **Fax:** +88 02 9894607, 8826254

E-mail: scmlbd@yahoo.com, fsmlbd@yahoo.com, **Website:** www.saiham.com



RIGHTS ISSUE OF SHARES

Saiham Textile Mills Limited

Registered Office:
House # 34, Road # 136, Gulshan-1, Dhaka-1212.

January 17, 2012

Dear Shareholder(s)

We are pleased to inform you that the shareholders of the company in the Extra Ordinary General Meeting held on 09th October, 2011 decided to issue 50,000,000 Rights Shares of Tk. 10.00 par value issuing at Tk. 25.00 each including a premium of Tk. 15.00 per share at 2:1 ratio i.e. 2 (two) Rights share for every 1 (one) ordinary share held. The purpose of issuance of rights shares is to expand the company's business by establishing a new and modernized spinning mill having 30,960 spindles.

To maintain further growth and increase the capital base of the company, we hope you would come forward with your full support and assistance to make the offer a success.

A self-explanatory Rights Share Offer Document prepared in the light of the Securities and Exchange Commission (Rights Issue) Rules, 2006 is enclosed herewith for your information and evaluation.

On behalf of the Board of Directors,

Sd/-
Syed Md. Faisal
Managing Director

**DEFINITIONS AND ELABORATIONS OF THE ABBREVIATED WORDS AND TECHNICAL TERMS USED IN THE RIGHTS SHARE OFFER DOCUMENT**

Allotment	Letter of Allotment for Shares
BMRE	Balancing Modernization Rehabilitation & Expansion
BO	Beneficiary Owner
BTMA	Bangladesh Textile Mills Association
CDBL	Central Depository Bangladesh Limited
Certificate	Share Certificate
CIB	Credit Information Bureau
Commission	Securities and Exchange Commission
CSE	Chittagong Stock Exchange Limited
DSE	Dhaka Stock Exchange Limited
Entitlement	Right
FC Account	Foreign Currency Account
FID	Financial Institutions Department of Bangladesh Bank
GATT	General Agreement on Tariffs and Trade
Issue	Right Issue of Shares of STML
MFA	Multi-Fiber Arrangement
NAV	Net Asset Value of the Company
NBR	National Board of Revenue
NRB	Non- Resident Bangladeshi
Offering Price	Price of the share of Saiham Textile Mills Limited being offered
PTS	Primary Textile Sector
R&D	Research and Development
Registered Office	Head Office of the Company
Renunciation	Rejection
RMG	Ready Made Garments
ROD	Right Offer Document
Securities	Shares of Saiham Textile Mills Limited
Securities Market	The Share Market of Bangladesh
SIML	Swadesh Investment Management Limited
Sponsors	The Sponsor Shareholders of Saiham Textile Mills Limited
STD Account	Short Term Deposit Account
STML	Saiham Textile Mills Limited
Stockholder	Shareholder
Subscription	Application Money
VAT	Value Added Tax

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CORPORATE DIRECTORY

REGISTERED OFFICE: _____

House # 34, Road # 136,
Gulshan-1, Dhaka-1212.
Phone:+88 02 9862284, 9863323, 9887441, Fax: +88 02 9894607, 8826254
E-mail: scmlbd@yahoo.com; Website: www.saiham.com

FACTORY: _____

Saihamnagor, Noyapara, PO- Saihamnagor,
Thana - Madhob Pur, Hobigonj.
Fax: 0832756172

AUDITOR: _____

Rahman Mostafa Alam & Co.
Paramount Heights (7th floor-D-2)
65/2/1, Box Culvert Road,
Purana Paltan, Dhaka-1000.
Phone : +88 02 9553449, 9551128

MAIN BANK: _____

Janata Bank Limited
Nowapara, Hobigonj.
&
Janata Bank Limited
Motijhel Corporate Branch,
48, Motijhel, C/A, Dhaka-1000.

LEGAL ADVISOR : _____

Mr. Md. Samsul Huq
Flat No. 9B (9th Floor),
Fayanaz Property, 37/2,
Purana Paltan, Dhaka.

TAX ADVISOR: _____

Jasim Chowdhury
Paramount Heights,
65/2/1, Box Culvert Road,
Purana Paltan, Dhaka-1000.
Phone: +88 02 9553449, 01711856306

INSURANCE COMPANY: _____

Green Delta Insurance Company Limited
2 Dilkusha C/A, Dhaka-1000.

Karnaphuly Insurance Company Limited
64, Motijhel C/A, Dhaka-1000.

Islami Insurance Bangladesh Limited
Malibag Branch, Dhaka-1217.

ISSUE MANAGER: _____

Swadesh Investment Management Limited
Suite - 01, Level - 11, Unique Trade Center (UTC),
8 Panthapath, Karwan Bazar, Dhaka-1215.
Phone: +88 02 8158166 ; Fax: +88 02 8158344
Website: www.swadesh.com.bd; E-mail: mamunahmed@msn.com

BANKERS TO THE ISSUE: _____

BRAC Bank Limited
1 Gulshan Avenue, Gulshan-1, Dhaka-1212.

Premier Bank Limited
IQBAL Center (4th Floor)
42 Kemal Ataturk Avenue, Banani, Dhaka-1213.

Investment Corporation of Bangladesh
Head Office, 13th Floor, NSC Tower,
Purana Paltan, Dhaka-1000.

HIGHLIGHTS OF THE COMPANY

Date of Incorporation	March 27, 1981
Date of Commencement of Business	March 27, 1981
Listing with Dhaka Stock Exchange	August 06, 1988
Listing with Chittagong Stock Exchange	March 13, 1999
Authorized Capital	Tk. 1,500.000 million
Paid-up-Capital (September 30, 2011)	Tk. 250.000 million
Shareholders' Equity (September 30, 2011)	Tk. 987.509 million
Total Net Income (September 30, 2011)	Tk. 21.157 million
Total Assets (September 30, 2011)	Tk. 1223.037 million
Number of Employees (June 30, 2011)	619
Number of Shareholders (June 30, 2011)	4,356

THE RIGHTS OFFER

INFORMATION ABOUT THE COMPANY

1. SAIHAM TEXTILE MILLS LIMITED:

During the period of 1980's to accelerate the desired economic growth, the Government emphasized on the rapid industrialisation of the country. The Government had widened the scope of private sector investment for the development of industries. Taking the opportunity of liberal investment policy of the Government, Saiham Textile Mills Ltd. revealed itself as a Public Limited Company. With an authorised capital of Tk.10 crores and financial assistance from Bangladesh Shilpa Rin Sangstha, Investment Corporation of Bangladesh and other consortium members comprising of financial institutions, Saiham started functioning in the year 1981. The authorised capital was raised to 39.00 crores in the year 1989.

At a later stage to upgrade the quality of products and for strengthening the operational, financial position, the sponsors expanded its mill by vertical integration by setting up a spinning unit with 14,400 spindles under BMRE with the financial assistance from Bangladesh Shilpa Rin Sangstha. Subsequently the capacity was raised to almost 26,000 spindles by importing additional machineries from own resources.

The Mill is situated in the least developed area of the country having all infrastructural facilities like road and rail communication, electricity , Gas, telecommunication etc. and thus the location is ideal for procurement of raw materials and movement of finished goods. It may be mentioned that the mill is situated in the main tea producing zone of the country, thereby enjoying the scenic beauty and charming ecological atmosphere. The climatic condition is congenial to health and ideal for hard work.

The main objective of Saiham was to establish a most modern textile industry in the most remote rural area of a country and try to develop the area through it's economic activities by job creation and poverty reduction. Almost 30 years down the line, Noyapara, Habiganj has emerged as one of the top investment friendly industrial belt in the Greater Sylhet enjoying an Investment of over Tk. 7,500.00 million and employment generation of over 8,000 people. With the present trend more and more business conglomerates are coming ahead to set up their industries in this locality and it is believed that the investment and job cretion will double in next three years.

Management's adherence to the standard and ethics of export trade like quality, commitment and timely shipment earned them more and more buyers' confidence that helped turning a small factory in one of the most resourceful group in Bangladesh.

The right combination of the business intellect and their co-operation is leading Saiham to high - end of corporate practice to refer high - end quality and this is the company's philosophy. Most advanced approach in the field of Strategic Planning, Finance, Management Information System (MIS) has made Saiham faster to deliver triumphant quality to its valued customers.

1.1 PRODUCTS/SERVICES

1.1.1 Capacity Utilization of the Existing Unit during the period of 2008-09, 2009-10 & 2010-11.

Year	Products	Installed Capacity (in Lac)	Actual Production (in Lac)	Capacity Utilization (%)
2008-09	Yarn	20.00 kg	15.69 Kg	78.45
2009-10	Yarn	20.00 Kg	19.35 Kg	96.75
2010-11	Yarn	30.00 Kg	23.32 Kg	77.70

1.1.2 Expansion Scheme:

Management of Saiham Textile Mills Limited (STML) plans to implement an expansion scheme to produce high end Melange Yarn with around 30,960 Spindles with machineries to be imported brand new from European Origin. The whole products of the Company would be used by export oriented garment industries of the country. The cost of the expansion scheme has been estimated to be Tk. 1,650.938 million including net working capital of Tk. 186.308 million. Investment in existing project is Tk. 1,030.425 million including net working capital of Tk. 142.359 million as on 30-09-2011. The capacity of the existing unit and the proposed expansion unit are mentioned below:

Existing			Proposed		
	Type of Yarn	Tons		Type of Yarn	Tons
a.	Polyester	990	a.	20s Melange	1,155
b.	Cotton	1,023	b.	24s Melange	1,155
			c.	26s Melange	990
			d.	30s Melange	2,640

The expansion scheme of the project would be implemented utilizing the proceeds of Rights Share Issue under consideration. The company management intends to issue 50,000,000 ordinary shares of Tk. 10.00 par value at a price of Tk. 25.00 per share including a premium of Tk. 15.00 per share. A sum of Tk. 1,250.000 million is expected to be collected from the Rights Share Issue. The amount in excess of Rights Issue proceeds that would be required for implementing the expansion scheme is planned to be met through bank loans.

2. CURRENT STATUS OF TEXTILE INDUSTRY IN BANGLADESH:

Bangladesh had a glorious past in the field of production of quality fabrics. Its Muslin was once considered as the finest fabric in the world. Textile sector is regarded as an engine for economic development of any country. This is particularly important for a technologically backward and manpower surplus country like ours. For the economic uplift of the country and to accelerate the on-going industrialization process, development of the textile sector is of great importance.

Recognizing the importance and immense potential of the textile industry in Bangladesh, the Government formulated Textile Policy in 1995 with a view to attain eventual self-sufficiency in Textile & Clothing by the year 2005. As a result, a good number of spinning & weaving mills have been set up and many more are in the pipeline. Existing capacity of the Textile Industry of the country is not enough to compete in the global textile market. As per policy of the government, huge investment are to be made in the Textile Sector. The Textile Sector of the country occupies an important position in Bangladesh; it is the largest manufacturing sector contributing about 5% to the GDP and around 70% of the total export earnings of the country.

Bangladesh has enormous investment potential for investment in Textile Spinning Sector. Recently globalization of textile under new GATT agreement and the eventual Phasing out of the Multi Fiber Agreement (MFA) has become a key issue towards Textile Sector Development. Bangladesh's access in Textile and Clothing Trade is limited to garments export of few product categories.

Yarn is the key Raw Material for production of cloth. To ensure adequate supply of cloth for domestic consumption as well as to meet the demand for export oriented readymade garment industries, it is essential to develop spinning sub-sector.

3. MARKET SIZE AND GROWTH RATE:

The demand of yarn is increasing day by day and the taste of fashion, design etc. is also changing day by day. So there is a good opportunity for the project to cope with this demand. The product has been marketed mainly to cater export oriented Knit industries.

4. TECHNICAL ASPECTS: THE PROJECT

Spinning unit is the mother of the textile industries and not a single meter of fabric can be produced without the assistance of spinning unit and as such is considered the PTS (Primary Textile Sector). The project produces high quality cotton yarn of different counts for export market. With the implementation of the new proposed project, Saiham will be in a position to cater the needs of 100% Cotton Yarn, 100% Synthetic and Blended Yarn and also the much demanded Melange Yarn and thus expand and consolidate its market share.

5. FUTURE PLANS OF THE COMPANY:

Textile industry holds vital position in the economy of Bangladesh. Its contributions to the national economy in terms of value addition and employment is very significant. The foremost and basic need of the people are food and cloth. As such the demand of the yarn in the international market is increasing day by day, the large demand gap in the spinning sub-sector provides a big opportunity for expanding the Melange Spinning Mills Unit, a 100% export oriented industry with most modern machineries and latest technology. Thus, it will help the country in employment and to earn foreign currency for the country.



THE RIGHTS ISSUE:

The Board of Directors of the Company in its Board Meeting held on 4th September, 2011 decided to raise paid up capital through issuance of Rights Share of 50,000,000 Ordinary Shares of Tk. 10.00 each at an issue price at Tk. 25.00 each including a premium of Tk. 15.00 per share at a ratio of 2:1 {2 (two) rights shares for 1 (one) existing share held} on existing paid up capital of Tk. 250.00 million.

ISSUE PRICE:

In the Extra-Ordinary General Meeting of the Company held on October 9, 2011 honorable shareholders approved Rights Offer of 50,000,000 Ordinary Shares of Tk. 10.00 each at an issue price of Tk. 25.00 each including a premium of Tk. 15.00 per share totaling Tk. 1,250.00 million offered on the basis of 2 (two) rights shares for 1 (one) existing share held.

RISK FACTORS AND MANAGEMENT'S PERCEPTION FOR REDUCTION OF SUCH RISKS

The company is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments by the investors. All investors should carefully consider all of the information, including the risk factors, both external and internal, and management perception thereabout enumerated hereunder before making an investment decision. Any investment always associates with risks. Among those risks some can be averted, others are beyond control, which may cause loss. Before making any investment decision, investors should take the risk factors into consideration. So the management of Saiham Textile Mills Ltd. perceives the risk factors which are as below:

INTEREST RATE RISKS:

Interest rate risk is concerned with borrowed funds of short-term and long-term maturity. Interest rate risk is the risk that company faces due to unfavorable movements in the interest rates. Volatility in money market and increased demand for investment funds raise the rate of interest. A change in the Government's monetary policy also tends to increase the interest rates. High rate of interest enhances the cost of fund of a company and could adversely affect the business and future financial performance. Such rises in interest rates mostly affect companies having floating rate loans.

Management Perception:

The management of the company is running the business mostly on equity based financing to reduce the dependency on borrowings. Therefore, management perceives that the fluctuation of interest rate on borrowing would have little impact upon the performance of the company.

EXCHANGE RATE RISKS:

The Company is mostly export oriented. Exchange rate risk is quite relevant for Saiham Textile Mills Limited since a large proportion of its raw materials need to be imported from abroad. The Company imports raw materials against payment of foreign currency and the price of raw material in the international market is relatively

volatile. If local currency is depreciated against foreign currency, companies can make more revenue against sale in local currency and vice-versa. On the other hand, if local currency is appreciated against foreign currency companies can generate more profit as import expense is decreased.

Management Perception:

Volatility of Taka against Dollar and local currency devaluation may expose foreign currency risk. The exchange rate of the country is traditionally witnessed in upward trends, which makes ample opportunity of export. With the new project operating as a 100% export oriented unit this risk will be minimized to a greater extent as the earning will be in foreign currency.

INDUSTRY RISKS:

Industry risk refers to the risk of increased competition from foreign and domestic sources leading to lower prices, revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and results of operation. Textile is the largest industrial sub-sector in Bangladesh. It contributes highest in the country's total export earnings, gives employment to over four million people, meets the second basic need for clothing of the country and contributes around 50% of the industrial value addition. But, after phasing out of the MFA, the global textile trade is now free from quota restriction. The phasing out of MFA has created a tough competitive environment, where Bangladesh is now competing the countries like China, India, Pakistan, Indonesia, Thailand, Vietnam etc. which are very strong in production of textile goods. The textile industry has successfully coped with the post MFA competitive situation. The force, which is helping the sector for its strong existence is emergence of backward linkage industry. Backward linkage industries are supporting for minimizing lead-time and cost of production. The Company is a first state of backward linkage industry of Textile production that facilitates for better existence.

Management Perception:

Saiham Textile Mills Limited is known in the market as innovative technology driven capital intensive company. It has track record to upkeep with technology investment which proven them as trend setters. Also due to its superior quality and competitive pricing, Saiham Textile Mills Limited has been able to capture a dominant position in the market .The company is continuously working on product development through

research and development (R&D) being the market leader with the best quality product, operational efficiency, organized marketing and distribution network, there is little opportunity for others to become a significant competitor.

MARKET RISKS:

Market risk refers to the risk of adverse market conditions affecting the sales and profitability of the company. Mostly, the risk arises from falling demand for the product or service which would harm the performance of the company.

Management Perception:

STML is able to produce quality products at affordable prices. The company set its focus mostly on local market. The company has established relationship with potential buyers across the country and expects to find market for its capacity despite competition prevailing in the sector. Further, the commercial banks and financial institutions provide a thrust in the textile sector as they provide credit facilities to RMG & Knitting industries to acquire the textile for their final products. STML is continuously penetrating new markets to minimize the risk.

TECHNOLOGY RELATED RISKS:

Technology always plays a vital role for the existence of any industrial concern, ensuring better services to the customers and minimizing the cost in various aspects. The production facilities of the company are based on currently available technology. Any invention of new and more cost effective technology may cause technological obsolescence and negative operational efficiency. Any serious defects in the plant and machinery may affect production and profitability calling for additional investment for replacement.

Management Perception:

STML is continuously upgrading its technological levels and making it comparable to that of any other country. Establishment of new technology, on a regular basis substantially reduces cost & risk factors. STML has been known as modern technology and state of the art facilities with R&D infrastructure and shall be able to adapt to cope with the pace in harmony with modern textile world. The Company is continuing modernization program of its machinery. The Company has access to international/multinational companies for supplying appropriate technology and technical management support for operation of new projects.

POTENTIAL OR EXISTING GOVERNMENT REGULATIONS:

The Company operates under Companies Act 1994 and other related Regulations, Income Tax Ordinance 1984, Security and Exchange Commission (SEC)'s Rules and Value Added Tax (VAT) Rules 1991. Any abrupt changes of the policies made by the regulatory authorities may adversely affect the business of the Company.

Management Perception:

Unless any policy change that may negatively and materially affect the industry as a whole, the business of the Company is expected not to be affected significantly. Government emphasizes on the growth of Textile Industry to boost up the export of RMG. Yet the promoters and the sponsors have endeavor to convince the policy makers for adopting favorable terms & conditions, which will eventually help the textile manufacturers of Bangladesh to compete with the low cost locations in the global arena.

POTENTIAL CHANGES IN GLOBAL OR NATIONAL POLICIES:

The performance of the company would also be hampered due to unavoidable circumstances both in Bangladesh and worldwide like political turmoil. Any scarcity or price hike of raw materials due to changes in policy in the international market might hamper the production and profitability. Furthermore, since the risk involved with the potential changes in global or national policies is a macro factor, it is beyond the capability of STML to control.

Management Perception:

The management of STML is always concerned about the prevailing and upcoming future changes in the global or national policy and shall response appropriately and timely to safeguard its interest. Due to the strong brand equity of the company in the market and with deep and profound knowledge the company will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which STML will achieve its maximum potential. Political turmoil and the disturbance are bad for the economy as a whole and so also for the company.

HISTORY OF NON OPERATION:

There is no history of non-operation in case of Saiham Textile Mills Limited since start of its commercial operation. To overcome such risk in future, STML has its own power backup and scientific inventory management system, which will reduce the risk.

OPERATIONAL RISKS:

Shortage of power supply, labor unrest, unavailability or price increase of raw material, natural calamities like flood, cyclone, earthquake etc. may disrupt the production of the Company and can adversely affect the profitability of the Company.

Management Perception:

The project of the Company is situated at a high land where there is less record of flood. The factory building has strong RCC foundation, RCC floor, pre-fabricated steel structure to withstand wind, storm, rain etc. along with good drainage facility. The risks from these factors are also covered through Insurance. The company is also facilitated to keep a rational reserve for any future price escalation of the raw materials.

MANAGEMENT RISK:

Turnover of key managerial personnel, executives and officers may have adverse impact on business, operating results and future growth.

Management Perception:

The Company places high priority in developing human resources. Importance is given to relevant on-the-job, in-house and external training programmers, so that the people are well equipped with necessary skills. In line with these beliefs, STML has been offering competitive package to its employees of all ranks to encourage professionalism, stimulate team-work and promote innovation reinforced with high ethical standards. The staff turnover ratio is at its lowest point. The company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment, increase in customer expectations and growing sophistication of technology and processes. Therefore, the management of STML feels that company is well prepared to handle the situation in the foreseeable future.

RISK ASSOCIATED WITH LABOR UNREST:

Smooth production is dependent on good relationship with the factory workers and their ability to provide high-quality services. In the event of disagreements with the workers, the company may experience adverse impact.

Management Perception:

STML maintains good atmosphere at the work place and provides all sort of facilities to the workers as per law of the land. The work force is well remunerated and most of them live in the surrounding areas or well equipped company provided accommodation facilities. So, it is unlikely for them to create such unrest. The company has healthy remuneration and welfare policies for its human resources, which may reduce the risk of labor unrest. Again, to meet unique situations, company has alternative ways to overcome such critical circumstances.

INPUT RISK:

STML is greatly dependent on imported raw materials and also, supply of those raw materials cannot be ensured locally in case of crisis. Moreover, the local sources of raw material may be affected by any uncontrollable event or country risk to transaction or political barrier.

Management Perception:

STML is currently importing major raw materials from overseas based on quality and competitive prices. It has highly qualified R&D team at head quarter which is capable to alternative combination, mix to mitigate/absorb input price/source risk. Therefore, the operational risk involved with the input materials is insignificant for the company. The management perceives raw material risk to be a manageable risk as the company has sustainable margin of safety.

TERMS & CONDITIONS OF THE RIGHTS OFFER

BASIS OF THE OFFER:

The Company records its share register of members on **January 17, 2012** for determining the shareholders who are eligible to receive this offer of shares on rights basis. The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the record date at Tk. 25.00 each (including a premium of Tk. 15.00 per share) in the ratio of 2:1 i.e. 2 (two) rights shares for 1 (one) existing share held.

ENTITLEMENT:

As a shareholder of the Company on the record date **January 17, 2012**, the shareholders are entitled to this Rights Offer. Only the holder(s) of a minimum of one fully paid ordinary share is entitled to receive the Rights Offer.

ACCEPTANCE OF THE OFFER:

A shareholder may accept and apply for the shares hereby offered, wholly or in part by filling in Application - Form A and submitting the same along with the application money to the Bankers to the Issue on or before **February 19, 2012**.

RENUNCIATION:

A shareholder may renounce all or part of the shares he/she is entitled to in favour of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her Rights/entitlement of shares by signing Renunciation Form-B. Renouncee(s) shall fill in Form-C appropriately.

GENERAL:

All applications should be made on the printed form provided by the Company in this Rights Share Offer Documents only and should be completed in all respects. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communications in connection with the application for the Rights Share should be addressed to the Company quoting the registered folio number/BO ID number in the form.

CONDITION OF SUBSCRIPTION:

2 (Two) Rights shares of Tk. 10.00 par value being offered at Tk. 25.00 per share including a premium of Tk. 15.00 each is offered against 1 (one) share held by existing Shareholder(s) whose name(s) appeared in the Company's Share Register at the record date as on **January 17, 2012**.

PAYMENT OF SHARE PRICE:

Payments for the full value of Shares applied for shall be made with designated branches of Bankers to the Issue by Cash/Pay Order/Demand Draft payable to "**Saiham Textile Mills Limited**" and crossed. The Pay Order/Demand Draft for payment of share price must be drawn on a bank in the same town to which the application form has been submitted.

SUBSCRIPTIONS:

Opens on: **February 05, 2012**

Closes on: **February 19, 2012**

(Within banking hours, both days inclusive)

Any changes or extension regarding subscription period will be notified through national dailies.

LOCK-IN ON RIGHTS SHARE:

The Rights Shares of Directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of 3 (three) years from the date of closure of the rights share subscription. In the event of renunciation of rights shares by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period shall be operative.



OTHERS:

The application not properly filled in shall be treated as cancelled and deposited money will be refunded. For any reason, no profit/compensation will be paid on the refunded amount.

The offer will be deemed to have been declined if completed Application Form-A with necessary payments have not been received by **February 19, 2012** or by such later date as may be notified through national dailies to that effect.

MATERIAL CONTRACTS

BANKERS TO THE ISSUE:

BRAC Bank Limited, Investment Corporation of Bangladesh, and Premier Bank Limited are the Bankers to the Issue who will collect the subscriptions money of the Rights Offer. Commission @ 0.10% of the amount collected will be paid to the Bankers to the Issue for the services to be rendered by them. The Rights Issue subscriptions money collected from the shareholders by the Bankers to the Issue will be remitted to the Company's Account No. **1501202006924001** with **BRAC Bank Limited**.

UNDERWRITERS:

Full amount of Rights Offer of STML have been underwritten by the underwriters as shown in the classified information part of ROD. Each underwriter will be paid underwriting commission @ 0.25% of the nominal value of shares underwritten by them out of the Rights Issue.

Simultaneously, with the calling upon an underwriter to subscribe and pay for any number of shares, the company will pay no additional commission to that underwriter on the nominal value of shares required to be subscribed by them.

MANAGER TO THE ISSUE:

Swadesh Investment Management Limited (SIML) is appointed as Manager to the Issue of the Rights Issue of the Company. Accordingly, an agreement was made between the Issue Manager and the Company. The Company will pay a @ 0.10% on Rights Issue amount to the Issue Manager.

PARTICULARS OF AGREEMENT EXECUTED BY STML:

Saiham Textile Mills Limited (STML) did not enter into any agreement with any parties except underwriting agreement retain to the current right issue, issue management agreement with Swadesh Investment Management Limited (SIML) to manage the current Issue and appointed BRAC Bank Limited, Investment



Corporation of Bangladesh and Premier Bank Limited as bankers for collection of subscription.

MATERIAL CONTRACTS OF THE VENDORS:

The Company currently has no Vendor's Agreement with any person or any other organization except Issue Management Agreement and Underwriting Agreement.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENTS:

The Company has not yet entered into any material contracts for acquisition of Property, Plant and Equipments.

PURPOSE OF THE RIGHTS SHARE ISSUE & UTILIZATION OF ISSUE PROCEEDS

Management of STML plans to establish a new unit having 30,960 spindles equipped with European origin machinery to increase the project's production capacity. Cost of expansion scheme has been estimated at Taka 1,650.938 million including additional Net Working Capital requirement of Tk. 186.308 million. The proposal for collecting fund through Rights share has been approved by General shareholders in the meeting held on 9th October, 2011. STML will issue 50,000,000 shares in the ratio of 2:1 right share (two rights share for each existing one share) against present 25,000,000 ordinary shares. Rights shares (50,000,000 shares of Tk. 10.00 each) would be issued at the price of Tk. 25.00 per share including a premium of Tk. 15.00 per share to raise a total sum of fund of Tk. 1,250.00 million.

Company would utilize Rights share issue proceeds of Taka 1,250.00 million in acquiring the assets as mentioned below:

Sl.No.	Particulars	BDT in million
1.	Land & Land Development	50.00
2.	Building & Other Civil Works	80.00
3.	Machinery with Duty, Tax & Installation etc.	1,080.00
4.	Local Machinery, Local Tax, Clearing & Forwarding, Internal Freight, etc.	40.00
	Total	1,250.00

IMPLEMENTATION SCHEDULE [RULE – 8(K)]

SI No.	Particulars	Timeline
1.	Subscription Close	February 2012
2.	Issue of Shares	March 2012
3.	Opening of LC for Imported Machinery	By end of March 2012
4.	Shipment of Machinery	November 2012- December 2012
5.	Arrival of Machinery at port (In different consignments)	December 2012 - January 2013
6.	Arrival of Machinery at project site	February 2013
7.	Completion of civil works	By end of March 2013
8.	Erection & Installation of Machinery	March 2013-April 2013
9.	Trail run	April 2013
10.	Commercial operation	May 2013

UTILIZATION OF IPO FUND:

Saiham Textile Mills Limited (STML) made its Initial Public Offer (IPO) of its shares of Tk. 25.000 million divided into 250,000 ordinary shares of Tk. 100.00 in May 1988. The whole amount of IPO proceeds was utilized in repaying bridging loan of Tk. 25.000 million received earlier from different Banks and Financial Institutions.

UTILIZATION OF FIRST RIGHTS ISSUE FUND:

During 1990-91 FY, Saiham Textile Mills Limited (STML) offered Rights Shares to its shareholders for the first time. STML offered 750,000 ordinary shares of face value Tk. 100.00 each in the ratio of 15:10 (Fifteen Right Shares for every ten shares held) and collected Tk. 75.000 million to implement the BMRE scheme undertaken at that time. Headwise utilization of fund was as below:

Sl. No	Details	Amount
1.	Land Development & Civil Works	36.416
2.	Machinery including Duty, Insurance, Tax, Freight & Transport	38.139
3.	Public Issue Related Expenses	0.445
	Total	75.000

CLASSIFIED INFORMATION & UNDERWRITERS [RULE-8(O)]

Issue Manager	Swadesh Investment Management Limited Suite-01, Level-11, Unique Trade Center (UTC), 8 Panthapath, Karwan Bazar, Dhaka-1215.
Auditor	Rahman Mostafa Alam & Co. Paramount Heights (7 th floor-D-2) 65/2/1, Box Culvert Road, Purana Paltan, Dhaka-1000.
Legal Advisor	Md. Samsul Huq Flat No. 9B (9 th Floor), Fayanaz Property, 37/2, Purana Paltan, Dhaka.
Bankers to the Rights Issue	BRAC Bank Limited 1 Gulshan Avenue, Gulshan-1, Dhaka-1212. Investment Corporation of Bangladesh Investment Corporation of Bangladesh 8, DIT Avenue (13 th to 16 th Floor), Dhaka. Premier Bank Limited IQBAL Center (4 th Floor) 42 Kemal Ataturk Avenue, Banani, Dhaka-1213.

UNDERWRITERS:

Saiham Textile Mills Limited (STML) is going to offer rights share of 50,000,000 ordinary shares at Tk. 25.00 each including a premium of Tk. 15.00 per share totaling Tk. 1,250,000,000. As per Securities and Exchange Commission's guideline, the issuer of a listed security making rights issue shall appoint one or more underwriters licensed under সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ to fully underwrite the rights issue on a firm commitment basis. Underwriting commission will be @ 0.25% on the underwritten amount and there will no additional commission for take-up unsubscribed portion of shares if any.

Name & Address of the Underwriters along with the number of Shares underwritten by each underwriter is given below:

(BDT in Million)

Sl. No.	Name of the institution	Contact Information	Number of shares	Face Value	Issue Price	Underwriting amount (in mn)
1.	Banco Finance & Investment Limited	14-15 Ispahani Building (3rd Floor), Motijheel C/A, Dhaka-1000	2,000,000	10.00	25.00	50.00
2.	Lanka Bangla Finance Limited	Safura Tower (Level-11), 20 Kamal Ataturk Avenue, Banani, Dhaka.	2,000,000	10.00	25.00	50.00
3.	PLFS Investment Limited	Paramount Heights (13th Floor), 65/2/1 Box Culvert Road, Purana Paltan, Dhaka-1000.	2,000,000	10.00	25.00	50.00
4.	Prime Finance Capital Management Limited	63 Dilkusha C/A, Dhaka.	2,000,000	10.00	25.00	50.00
5.	Sonali Investment Limited	11/A, Sara Tower (11 th Floor), Toyeeben Circular Road, Motijheel, Dhaka.	2,000,000	10.00	25.00	50.00
6.	Swadesh Investment Management Limited	Suite - 1, Level - 11, Unique Trade Center, 8 Panthapath, Karwan Bazar, Dhaka -1215.	40,000,000	10.00	25.00	1000.00
	Total		50,000,000			1250.00

UNDERWRITERS' OBLIGATION:

If and to the extent that the shares offered to the existing shareholders by the Rights Share Offer Document authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the Company shall within 10 (ten) days of the closure of subscription call upon the underwriters (for full unsubscribed amount) in writing with a copy of said letter to the Securities and Exchange Commission (SEC), to subscribe for shares not subscribed by the closing date and to pay for in cash in full for such unsubscribed shares within 15 (fifteen) days after being called upon to do so. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under the Underwriting Agreement, until such time as the Cheque/ Bank Draft has been encashed and the Company's share subscription amount has been credited. In any case, within **7 (seven)** days after the expiry of the aforesaid **15 (fifteen)** days, the Company shall send proof of subscription and payment by the underwriters, to the Commission.

**BANKERS TO THE ISSUE OF RIGHTS SHARE OF SAIHAM
TEXTILE MILLS LIMITED (STML)****BRAC Bank Limited**

1. Asad Gate Branch , 1 no, Asad Gate, Dhaka-1207.
2. Banani Branch , 10 Kamal Ataturk Avenue, Banani C/A, Dhaka-1213.
3. Bashundara Branch , Holding-193, Block-B, Safwan Road, Basundhara R/A, Dhaka.
4. Donia Branch , 342, Donia, Biswa Road, Dhaka-1236.
5. Eskaton Branch , Shahnaz Tower, 9, New Escaton Road, Dhaka.
6. Graphics Building Branch , Graphic Building, 9/G, Motijheel, Dhaka.
7. Gulshan Branch , House-50, Road-3. Gulshan Avenue, Gulshan-1, Dhaka.
8. Manda Branch , Holding-96, Monkha Bazar, North Manda, Dhaka.
9. Mirpur Branch , Plot No-3, Road No-3, Block-A, Sector-11, Mirpur, Dhaka.
10. Narayanganj Branch , 147 B. B. Road, Narayanganj 1400.
11. Nawabpur Branch , 172 Nawabpur Road (1 st Floor), Dhaka.
12. Rampura Branch , 455/1 West Rampura, Dhaka-1219.
13. Shyamoli Branch , 19-20 Ring Road, Shyamoli, Dhaka.
14. Uttara Branch , House No-1, Road-15, Sector No-3, Uttara, Dhaka.
15. Agrabad Branch , Progoti House, 1070 Sheikh Mujib Road, Agrabad Chittagong.
16. CDA Avenue Branch , Hosna Kalam complex, CDA Avenue, East Nasirabad, Chittagong.
17. Halisohor Branch , House-12, Road-1, Halihsara Housing Estate, Chittagong.
18. Kazirdeuri Branch , 18 S.S. Khalid Road, Kazir Deori. Khulshi, Chittagong.
19. Momin Road Branch , 02 Momin Road, Jamal Khan, Chittagong.
20. Bogra Branch , Sheikh mansion, 368/405 Rangpur Road, Barogola, Bogra.
21. Rajshahi Branch , House No-F-695, Kumarpara, P.O-Ghoramara Rajshahi.
22. Jessore Branch , 1 Hatkhola (M. K) Road, Jessore-7400.
23. Khulna Branch , “The Daily Probaha Bhaban”, KDA Avenue, Khulna.
24. Barisal Branch , F. Rahman Market (1 st Floor), 79 Sadar Road, Barisal.
25. Zindabazar Branch , New Golden City Complex, East Zindabazar, Sylhet.

Investment Corporation of Bangladesh

1. Head Office , BSB Building, 8, DIT Avenue, Dhaka-1000.
2. Chittagong Branch , Delwar Bhaban (3rd floor), 104, Agrabad Commercial Area , Chittagong.
3. Rajshahi Branch , Dr. Gaffar Plaza (2nd Floor), Main Road, Shaheb Bazar, Rajshahi.
4. Khulna Branch , Shilpa Bank Bhaban (3rd floor), 25-26, KDA Commercial Area , Khulna.
5. Barisal Branch , Barisal Plaza (2nd floor), 87-88, Hemayet Uddin Road, Barisal.
6. Sylhet Branch , Sylhet Ananda Tower (2nd floor), Jail Road , Sylhet.
7. Bagura Branch , Afsar Ali Complex(4th floor), Borogola, Raja Bazar Road, Bogra.
8. Local Branch , Kashfia Plaza (1st floor), 35/C, Nayapaltan, VIP Road, Dhaka.

Premier Bank Limited

1. Banani Branch , Iqbal Centre, 42 Kemal Ataturk Avenue, Banani, Dhaka-1213.
2. Dhanmondi Branch , House # 84, Road # 7/A, Dhanmondi, Dhaka-1209.
3. Dilkusha Branch , 44, Dilkusha C/A, Dhaka-1000.
4. Gulshan Branch , 140, Gulshan Avenue, Gulshan Circle 2, Dhaka-1212.
5. Kakrail Branch , 46/A (2nd floor), VIP Road, Kakrail, Dhaka-1000.
6. Karwan Bazar Branch , BTMC Bhaban (Ground Floor) 7-9, Kawran Bazar, Dhaka.
7. Mirpur Road Branch , 02, Mirpur Road "Sultana Tower", (1st floor) Kalabagan, Dhaka.
8. Motijheel Branch , 81, Motijheel C/A Dhaka-1000.
9. Rokeya Saroni Branch , Oriental Arabian Tower, Ground & 1st Floor, 849/3, Shawrapara, Begum Rokeya Sarani, Kafrul, Dhaka.
10. Uttara Branch , Ground floor, House # 39, Road # 7 Sector 4, Uttara, Dhaka.

JUSTIFICATION FOR THE ISSUE PRICE OF RIGHTS SHARES

The issue price at Tk. 25.00 each (including a premium of Tk. 15.00 each) is justified as per the guidelines of the Securities and Exchange Commission (Rights Issue) Rules, 2006 as detailed below:

1. NET ASSETS VALUE PER SHARE:

Net Assets Value (NAV) per share of STML as at 30th September 2011 presented below:

Sl. No.	Particulars	With Revaluation	Without Revaluation
	ASSETS:		
	Non Current Assets		
1	Property, Plant & Equipment (net of depreciation)	888,065,890	248,125,003
	Current Assets		
2	Inventories	254,723,303	254,723,303
3	Trade Debtors	30,668,535	30,668,535
4	Advance, Deposit and Prepayments	14,241,192	14,241,192
5	Cash & Cash Equivalents	35,338,001	35,338,001
	Total Current Assets	334,971,031	334,971,031
A	Total Assets	1,223,036,921	583,096,034
	LIABILITIES:		
	Long Term Liabilities:		
6	Deferred Tax Liability	42,916,093	25,718,933
	Current Liabilities:		
7	Bank Loan and Overdraft	47,412,873	47,412,873
8	Short Term Loan	10,158,607	10,158,607
9	Liabilities for Goods	111,004,294	111,004,294
10	Liabilities for Expenses & Other Finance	9,293,249	9,293,249
11	Provision for Tax	14,743,262	14,743,262
12	Total Current Liabilities	192,612,285	192,612,285
B	Total Liabilities (Other than Internal Liabilities or Equity)	235,528,378	218,331,218
C	Net Assets (A-B)	987,508,543	364,764,816
	Net Assets Value per Share at Tk. 10 of 25,000,000 shares	39.50	14.59

NAV per share is also equivalent to the Equity based value per share which is shown below:

Particulars	With Revaluation	Without Revaluation
Shareholders' Equity		
Share Capital	250,000,000	250,000,000
General Reserve	2,764,589	2,764,589
Retained Earnings	112,000,228	112,000,228
Revaluation Surplus (Revaluation of Fixed Assets)	622,743,726	-
Total Shareholder' Equity	987,508,543	364,764,817
Number of Shares at Tk.10 per share	25,000,000	25,000,000
Equity Based Value Per Share	39.50	14.59

2. EARNING BASED VALUE PER SHARE:

Period	Net Profit After Tax	No.of Share (Considering Face Value at Tk.10)	Weight of no. of shares	Weighted Average Net Income
30-Jun-07	14,028,046	12,500,000	0.1667	2,338,008
30-Jun-08	15,756,254	12,500,000	0.1667	2,626,042
30-Jun-09	14,405,842	12,500,000	0.1667	2,400,974
30-Jun-10	20,838,686	12,500,000	0.1667	3,473,114
30-Jun-11	82,755,175	25,000,000	0.3333	27,585,058
Total	147,784,003	75,000,000	1.00	38,423,196
EPS Based on Weighted Average of Net profit After tax				1.54
DSE Market P/E (As at 31st October, 2011)				13.36
At DSE P/E Price should be				20.57
DSE Textile Sector P/E (As at 31st October, 2011)				19.89
At DSE Textile Sector P/E Price Should be				30.63

The weighted average EPS for the last five years stands at **Tk. 1.54**. The price Earning Multiple (PE) at issue price of Tk. 25.00 each (including a premium of Tk. 15.00 per share) stands at **Tk. 16.23** as against the DSE Textile Sector PE of **Tk. 19.89** as on October 31, 2011. Based on Overall Market PE, earnings based value per share stands at **Tk. 20.57** and based on textile sector P/E, earning based value per share stands at **Tk. 30.63** a price much higher than the price offered.

3. AVERAGE MARKET PRICE:

Market Price	Month end closing price
29-Sep-11	67.00
25-Aug-11	83.60
31-Jul-11	85.50
30-Jun-11	64.10
31-May-11	64.50
28-Apr-11	76.40
Average Market Price	73.52

The data shown above depicts that the offered price of Tk. 25.00 each (including a premium of Tk. 15.00 each) fixed by the company is quite justified, reasonable and attractive as to the present market context.

Price attained in the foregoing calculations are summed up below:

Sl. No.	Particulars	Amount (BDT)
1.	Net Asset Value (NAV) per Share (as on September 30, 2011)	
	a. Before Revaluation	14.59
	b. After Revaluation	39.50
2.	Earning Based Value per Share	
	a. Based on Overall Market P/E	20.57
	b. Based on Industry P/E	30.63
3.	Average Price of Last Six Month DSE Closing Price	73.52

From the above analysis, it appears that the ordinary share of Tk. 10.00 being offered at Tk. 25.00 each (including a premium of Tk. 15.00 per share) by the Company is quite justified and reasonable.

LENGTH OF TIME DURING WHICH THE ISSUER HAS CARRIED ON BUSINESS [RULE-8(J)]

Saiham Textile Mills Limited (STML) is a public limited company categorized in private sector incorporated under the Companies Act, 1913 on 27th March 1981 and the Company has been successfully carrying its commercial operation for more than three decades.

PUBLIC LISTED COMPANY UNDER COMMON MANAGEMENT [RULE-8(N)]

There is no other company under common Management of Saiham Textile Mills Limited (STML) which are listed in any of Stock Exchanges.

**Auditors' Report
To
The Shareholders of Saiham Textile Mills Ltd.**

We have audited the accompanying financial statements of **Saiham Textile Mills Ltd.** which comprise the Statement of financial position, as at September 30, 2011, Statement of Comprehensive Income, the statement of changes in equity and Statement of cash flows for the period from July 01 to September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Saiham Textile Mills Ltd. as at September 30, 2011, and its financial performance and its cash flows for the period then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994, the Securities and Exchange 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 the law have been kept by the Company so far as it appeared from our examination of those books ;
- c) the Company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns ; and
- d) the expenditure incurred was for the purposes of the Company's business.

Dated : Dhaka
October 16, 2011

Sd/-
Rahman Mostafa Alam & Co.
Chartered Accountants



Saiham Textile Mills Limited
Statement of Financial position
As on September 30, 2011

	Notes	Amount in Taka	
		September 30, 2011	June 30, 2011
Assets			
Non-Current Assets :			
Property, Plant & Equipment (net of depreciation)	3	888,065,890	252,356,134
Current Assets :			
Inventories	4	254,723,303	284,599,985
Trade Debtors	5	30,668,535	62,568,728
Advances, Deposits & Prepayments	6	14,241,192	14,490,609
Cash & Bank Balances	7	35,338,001	23,676,231
Total current assets		334,971,031	385,335,553
Total Assets		1,223,036,921	637,691,687
Equity & Liabilities :			
Shareholders' equity:			
Share Capital	8	250,000,000	250,000,000
General Reserve	9	2,764,589	2,764,589
Revaluation Surplus (Revaluation of Fixed Assets)	10	622,743,726	-
Retained Earnings	11	112,000,228	90,843,019
Total Shareholders' Equity		987,508,543	343,607,608
Non-Current Liabilities :			
Deferred Tax Liability	12	42,916,093	25,894,625
Current Liabilities :			
Bank Loan & Overdraft	13	47,412,873	112,973,359
Short Term Loan	14	10,158,607	11,113,568
Liabilities for Goods	15	111,004,294	125,494,282
Liabilities for Expenses & Other Finance	16	9,293,249	7,726,615
Provision for current Tax	17	14,743,262	10,881,630
Total Current Liabilities		192,612,285	268,189,454
Total Liabilities		235,528,378	294,084,079
Total Equity & Liabilities		1,223,036,921	637,691,687

The annexed notes 1 to 26 and annexure 'A' form an integral part of these financial statement.

Sd/-

Chairman

Sd/-

Managing Director

Sd/-

**Chief Financial
Officer**

Signed in terms of our separate report of even date

Dated : Dhaka

October 19, 2011

Sd/-

Rahman Mostafa Alam & Co.
Chartered
Accountants



Saiham Textile Mills Limited
Statement of Comprehensive Income
For the period from July 01, 2011 to September 30, 2011

Particulars	Notes	Amount in Taka	
		September 30, 2011	September 30, 2010
Turnover (Net of VAT)	18	156,124,091	124,849,924
Less : Cost of goods sold	19	121,759,599	101,331,759
Gross profit		34,364,492	23,518,165
Less : Operating expenses		9,006,924	11,988,091
Administrative & Marketing expenses	20	4,894,233	4,887,538
Financial Expenses	21	3,112,691	6,134,303
Director's Remuneration		960,000	960,000
Auditor's Remuneration		40,000	6,250
Operating Profit		25,357,568	11,530,074
Non-Operating Income		444,000	-
Operating Profit before contribution to W.P.P.F		25,801,568	11,530,074
Less : Provision for W.P.P.F		1,228,646	549,051
Profit before tax		24,572,922	10,981,023
Less : Provision for tax		3,415,713	1,645,153
Current Tax	17	3,861,632	1,645,153
Deferred Tax	12	(445,919)	
Net Profit after tax		21,157,209	9,335,870
Total Comprehensive Income for the period		21,157,209	9,335,870
Earning per share	22	0.85	0.37
EPS Annualised		3.39	1.49

The annexed notes 1 to 26 and annexure 'A' form an integral part of these financial statement.

Sd/-
Chairman

Sd/-
Managing Director

Sd/-
Chief Financial Officer

Dated : Dhaka
October 19, 2011

Sd/-
Rahman Mostafa Alam & Co.
Chartered Accountants

**Saiham Textile Mills Limited****Statement of Cash Flow**

For the Period from July 01, 2011 to September 30, 2011

Particulars	Amount in Taka	
	September 30, 2011	September 30, 2010
Cash flows from operating activities - A		
Collection from Customers and other income	188,468,284	129,639,279
Payment to Suppliers and employees and other expenses	(108,584,709)	(140,229,431)
Income tax paid	(1,685,035)	-
Net cash flows from operating activities	78,198,540	(10,590,152)
Cash flows from investing activities - B		
Purchase of property, plant and equipment	(291,549)	-
Net cash used in investing activities	(291,549)	-
Cash flows from financing activities - C		
Loan (repaid) / received during the year	(66,515,447)	4,499,726
Adjustment of deferred Tax	270,226	-
Net cash used in financing activities	(66,245,221)	4,499,726
Net increase / (Decrease) in cash and cash equivalents (A+B+C)	11,661,770	(6,090,426)
Cash and cash equivalents at the beginning of the financial year	23,676,231	8,544,404
Cash and cash equivalents at the end of the financial year	35,338,001	2,453,978
Net Operating Cash Flow per Share	3.13	(8.47)
Net Operating Cash Flow per Share anualised	12.51	(33.89)

The annexed notes 1 to 26 and annexure 'A' form an integral part of these financial statement.

Sd/-
ChairmanSd/-
Managing DirectorSd/-
Chief Financial Officer

**Saiham Textile Mills Limited****Statement of Changes in Equity**

For the period from July 01, 2011 to September 30, 2011

Particulars	Amount in Taka					
	Share Capital	Tax Holiday Reserve	General Reserve	Capital Reserve	Retained Earnings	Total
Balance as at July 01, 2010	125,000,000	78,589,425	48,950,164		10,687,844	263,227,433
Net profit for the period July, 10 to September, 10					9,333,870	9,333,870
Balance as at September 30, 2010	125,000,000	78,589,425	48,950,164		20,021,714	272,561,303
Balance as at July 01, 2011	250,000,000	-	2,764,589	-	90,843,019	343,607,608
Revaluation surplus				622,743,726		622,743,726
Net profit for the period July, 11 to September, 11	-	-	-		21,157,209	21,157,209
Balance at September 30, 2011	250,000,000	-	2,764,589	622,743,726	112,000,228	987,508,543

Sd/-
ChairmanSd/-
Managing DirectorSd/-
Chief Financial Officer

Saiham Textile Mills Limited
Notes to the financial statements

As at and for the period ended September 30, 2011

1 Status and Activities:

1.1 Legal form of the Enterprise:

Saiham Textile Mills Limited was incorporated in Bangladesh on March 27, 1981 as a Public Limited Company under the Companies Act, 1913 (Subsequently repealed by the Companies Act, 1994) and listed with Dhaka Stock Exchange in the month of August, 1988. Head Office of the company is situated at House # 34, Road # 136, Gulshan-1, Dhaka-1212 while the factory is situated at Noyapara, Saiham Nagar, Habigonj.

1.2 Nature of Business Activities:

The company produces various counts of quality yarn.

2.0 Significant Accounting Policies & Relevant Information:

2.1 Preparation and presentation of financial statements

The financial statements of the company have been prepared under historical cost convention (except Property, plant and equipment) in a going concern concept and on accrual basis in accordance with generally accepted accounting principles and practice in Bangladesh in compliance with the Companies Act, 1994, The Securities and Exchange Rules, 1987 and International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standard (BAS) and other applicable laws and regulations.

2.2 Basis of Reporting

Specific accounting policies were selected and applied by the Company's management for significant transactions and events that have a material effect within the framework of BAS-1 "Preparation of Financial Statement" and BAS-34 "Interim Financial Reporting" in preparation and presentation of the financial statements. The previous period's figures were presented in the financial statements in according with the same accounting principles.

2.3 Accounting Estimates

Preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of Management estimates in these financial statements relate to the useful life of depreciable assets and valuation of inventories. However, assumptions and judgments made by Management in the application of accounting policies that have significant effect on the financial statements are not expected the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.4 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards requires Management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year. In accordance with the guidelines as prescribed by BAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- i) When the company has an obligation as a result of past events;
- ii) When it is provable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- iii) Reliable estimate can be made of the amount of the obligation.

2.5 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, the Company applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8.

2.6 Recognition of Property, Plant & Equipment and Depreciation:

Property, Plant & Equipment are stated at cost less accumulated depreciation in accordance with BAS-16 Property & Equipment cost represent cost of acquisition of construction and include purchase price and other directly attributable cost of bringing the assets to working conditions for its intended use, but do not include any capitalized borrowings cost. No depreciation is charged on land and land development Depreciation has been charged on all other fixed assets as computed using the estimated useful life. Expenditure for maintenance and repair are expenses, major replacements, renewals and betterment are capitalized. The cost and accumulated depreciation of depreciable assets retired or otherwise disposed off are eliminated from the assets and accumulated depreciation and any gain or loss on such disposal is reflected in profit and loss account for the year.

The annual depreciation rates applicable to the principal categories are:

Factory Building & other Construction	5.00%
Plant & Machinery	7.50%
Furniture & Fixtures	10.00%
Motor Vehicles	15.00%
Sundry Assets	10.00%
Office Equipments	10.00%

Depreciation has been charged to cost of goods sold & administrative expenses consistently.

2.7 Impairment of Assets:

The company reviews the recoverable amount of its assets at each reporting date. If there exists any indication that the carrying amount of assets is lower than the

recoverable amount, the company recognizes such impairment loss in accordance with BAS-36 "Impairment of Assets."

2.8 Revaluation of property, plant and equipment
Basis of valuation of land and land development:

Land and land development has been observed by the valuer Vigiland Survey Associates from their long experience that there is no uniformity of the land in due to demand, inflation and economical condition of the country. So, in fact it's a difficult task to get to the steady price of any land in which fluctuates customers to customers. It has reverted from valuer so many past survey that vary among the land side by side without any solid reason though both the plots have equal facilities. The valuer has valued the land on the basis of lands sold and purchase and current price of same category of land in the locality. Besides, finalizing the value we came across reliable people of different sector and came to a logical conclusion.

2.9 Revaluation surplus

When an asset's carrying amount is increased as a result of a revaluation, the increase amount should be credited directly to equity under the heading of revaluation surplus / reserve as per BAS-16, "Property plant and Equipment". The company revalued the assets of land and land development, factory building, electric installations, gas generator and plant and machinery during the year 2009 which is absolutely owned by the company and the increased amount transferred to revaluation surplus. The tax effects on revaluation gain are measured and recognized in the financial statements as per BAS-12, "Income Taxes".

2.10 Inventories:

Inventories on hand are valued at lower of average cost and net realizable value in accordance with BAS-2 "Inventories after making due allowance for any obsolete or slow moving item". Item wise valuation are as follows:

Row Cotton	At cost
Polyester Staple Fiber P S F	At cost
Stores & Spares	At cost
Packing Materials	At cost
Work-in-Process	100% Materials plus portion of labour charges, Gas charges, Electric charges.
Finished Goods (Yarn)	Cost and Market price which ever is lower

2.11 Trade and other receivable:

These are carried at original invoice amount and other receivable are unsecured and considered good and collectible.

2.12 Cash and Cash Equivalents:

Cash comprises of cash in hand and demand deposits. BAS-1 "Presentation of financial Statement" provides that cash and cash equivalents are not restricted in use. Considering the provisions of BAS-7 and BAS-1, cash in hand and bank balances have been considered as cash and cash equivalents.

2.13 Creditors and Accruals:

Liabilities are recognized for amounts to be paid in the future for goods and services received.

2.14 Provision

The preparation of the financial statements in conformity with the Bangladesh Accounting Standards BAS 37 “Provision, Contingent Liabilities and Contingent Assets” requires management to make estimates and assumptions that affect of the reported amounts of revenue and expenses, assets and liabilities and the disclosure requirements for contingent assets and liabilities at the date of the financial statements.

In accordance with the guidelines as prescribed by BAS 37 provisions were recognized in the following situations:

- i) when the company has a present obligation as a result of past event;
- ii) when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- iii) Reliable estimates can be made of the amount of obligation.

The provisions have been made in the financial statements at an appropriate level with regard to an adequate risks and uncertainties. An amount recorded as a provision represents the best estimate of the probable expenditure required to fulfill the current obligation on the balance sheet date.

2.15 Taxation:

The provision for Tax has been made for the period under review @15% as per S.R.O. No.207/L/2008 Dated 30.06.08

a) Current tax

Provision for current tax has been made in the financial statements on taxable profit at the rate of 15% as per SRO No. 207/L/2008 Dated 30.06.08 of Income Tax Ordinance 1984.

b) Deferred tax

Deferred tax is recognized on difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the profits will be available against which deductible temporary difference, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit. Considering the practices generally followed in Bangladesh the Company have been reserved deferred tax assets or deferred tax liabilities in accordance with BAS 12 “Income Tax”.

2.16 Cash Flow Statement:

Cash flow statement is prepared principally in accordance with BAS-7 Cash Flow Statement” and in the cash flow the operating activities have been presented direct method as prescribed by the Securities & Exchange rule 1987.

2.17 Risk and uncertainties for use of estimates in preparation of the Financial Statements.

The preparation of Financial Statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the affect Financial Statements and revenues and expenses during the period reported estimates are used for accounting of certain items such as long term contracts, depreciation and employees benefit plans, Taxes, reserves and contingencies.

2.18 Compliance with local laws:

The financial statements have been prepared in compliance with requirements of the companies act, 1994, the Securities and Exchange Rules 1987 and other relevant local laws and rules.

2.19 Transaction with related parties:

The company has carried on transaction with related parties in normal course of business.

2.20 Reporting Period:

Financial Statements of the company covers three months from 1st July, 2011 to 30th September, 2011.

2.21 Foreign Currency Transactions:

Transaction in foreign currencies are converted into Bangladesh Taka at the Exchange rate prevailing on the date of transaction in accordance with provisions of BAS-21 "The Effects of Changes in Foreign Currency Rate".

2.22 Revenue Recognition:

The company recognizes revenue when risk of ownership has been transferred to the buyer which satisfied all the condition for the revenue recognition as provided in BAS-18 "Revenue Recognition".

2.23 Earning Per Share (EPS):

The company calculates earning per share (EPS) in accordance with BAS-33 "Earning Per Share" which has been shown on the face of profit and loss account and the computation of EPS is stated in the financial statements.

2.24 Basic Earnings:

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend minority interest or extra ordinary terms, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

2.25 Basic Earning per share:

This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares issued by the company.

2.26 Diluted Earnings per Share:

No diluted EPS is required to be calculated for the period as there was no scope for dilution during the year under review.

2.27 Contribution to Workers Profit Participation/Welfare Fund:

The Company has provided @ 5% of net profit before tax after charging the contribution to WPPF as per provision of the companies profit (Workers Participation Act,1968) and is payable to workers as delivered in the said act.

2.28 Components of the Financial Statements:

According to the Bangladesh Accounting Standards BAS - 1 "Presentation of Financial Statements" the complete set of the financial statements includes the following components:

- I. Financial Position as at September 30, 2011.
- II. Comprehensive Income for the period ended September 30, 2011.
- III. Cash flow statement for the period ended September 30, 2011.
- IV. Statement of changes in Equity for the period ended September 30, 2011.
- V. Notes to the financial Statements

2.29 Lease:

Lease rental against acquisition of assets has been expensed on their due date.

2.30 Reporting currency and level of precision:

The figures in the financial statements represent Bangladesh currency (Taka), which have rounded off to the nearest Taka except where indicates otherwise.

2.31 Borrowing Costs

In compliance with the requirements of BAS-23 "Borrowing Costs" directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.32 Comparative information:

Comparative information has been disclosed in respect of the September 30, 2011 for all numerical information in the financial statement and also the narrative and descriptive information. Previous periods figures have been rearranged where ever necessary to conform the current period presentation. Comparative figures of Statement of Comprehensive Income for the period ended September 30, 2010 has been taken from the un-audited financial statements.

2.33 General

Figures appearing in these financial statements have been rounded off to the nearest Taka.

- a) The financial statement are presented in Bangladeshi Taka which in the company's financial currency. Figures appearing in these financial statements rounded off to the nearest Taka.

- b) The expenses, irrespective of capital or revenue nature, accrued / due but not paid have been provided for in books of the company.
- c) Figures of previous period / year have been re-arranged whenever necessary to confirm to current period presentation.

3 Property, Plant & Equipment (net of depreciation) :

	Amount in Taka	
	30.09.11	30.06.11
Balance as on July 01	645,262,912	627,745,097
Addition during the year	195,500	17,517,815
Total as on September 30	645,458,412	645,262,912
Accumulated depreciation	(392,906,778)	(373,400,351)
Depreciable value	252,551,634	271,862,561
Depreciation charged during the period	(4,522,680)	(19,506,427)
Revaluation Surplus during the period (Details in annexure -A)	639,940,887	-
Written down value as on September 30	887,969,841	252,356,134
Capital work in Progress	96,049	-
Total	888,065,890	252,356,134

The details of the Property, Plant and equipment have been shown in Annexure - A

4 Inventories :

	30.09.11 Taka	30.06.11 Taka
Raw Cotton	164,391,287	203,041,338
Polyester Staple Fiber	58,024,814	50,019,082
Stores & Spares	6,770,623	7,607,686
Packing Materials	489,750	430,389
Work-in-Process	12,003,879	8,509,812
Finished Goods (Yarn)	13,042,950	14,991,678
Total	254,723,303	284,599,985

4.1 Inventories are valued at cost price or net realizable value whichever is lower. Net realizable value is based on estimated selling price less any other cost anticipated to be incurred to make the sale.

4.2 Inventories were pledged and hypothecated to Janata Bank, Noyapara Branch, Habigonj as security of working capital loan.

5 Trade Debtors :

	Amount in Taka	
	30.09.11	30.06.11
Astro Stitch Art Ltd.		775,656
Apparels 4 Ltd.	2,171,393	3,469,060
Ambia Knitting & Dying Ltd.		2,953,861
Silken Sewing Ltd.		1,126,742
James Apparels Ltd.	817,297	817,297
Multifabs Ltd.	15,122,842	15,122,842
Dal Knitwears Ltd.	1,632,960	1,632,960
Seacotex Fabrics Ltd.	3,207,981	7,874,787
Niagara Textiles Ltd.	3,283,556	3,283,556
Eurotex Knitwear Ltd.		891,107
D.S Fashion Ltd.	2,299,208	2,299,208

Smart Knit Wears Ltd.		1,876,108
Nexus Knit	976,510	976,510
K.A.S Knitwear Ltd.	1,156,788	1,156,788
Ratan Enterprise	-	8,105,102
Orchi Yarn Trading	-	8,016,880
P.N Enterprise	-	2,042,264
Other Debtors : Greenland Pharmaceuticals Ltd.	-	148,000
Total	30,668,535	62,568,728

The above amount is receivable from debtors against sales
This is considered as good.

6 Advance, Deposits & Prepayments:

Habigonj Palli Bidyut Samity, Security Deposit	75,600	75,600
Habigonj Palli Bidyut Samity, Security Deposit	315,360	315,360
Jalalabad Gas T&D Systems Ltd, Security Deposit	384,855	384,855
Jalalabad Gas T&D Systems Ltd, Security Deposit	8,275,060	8,275,060
Insurance Prepaid	1,098,341	1,464,455
L/C Margin deposit	2,351,038	1,432,886
Deposit against VAT	55,903	185,358
Advance against Income Tax (Tax at Source)	1,685,035	885,035
Advance against Store Materials	-	1,472,000
Total	14,241,192	14,490,609

6.1 Security Deposits are made to statutory authorities and are considered good.

6.2 There is no advance due for a period of more than 12 months from the date of Balance Sheet.

6.3 There is no aggregate amount due by Directors and associated undertaking of the company.

7 Cash & Bank Balances :

Amount in Taka	
30.09.11	30.06.11

Cash in hand (note: 7.1)	1,642,297	1,097,673
Cash at Bank (note: 7.2)	33,695,704	22,578,558

35,338,001	23,676,231
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7.1 Cash in hand :

Head Office	1,102,909	862,803
Mill Office	539,388	234,870
	1,642,297	1,097,673

7.2 Cash at Bank :

Janata Bank Ltd, 48 Motijheel Corp Br.	27,701,105	19,709,318
Janata Bank Ltd., Noyapara	5,000	5,000
Dhaka Bank Ltd. Motijheel	137,759	1,296,124
Dutch Bangla Bank Ltd., Gulshan	5,851,840	1,568,116
	33,695,704	22,578,558

The Bank balances were confirmed and reconciled with Bank Statements and found in order.

8 Share Capital:

Authorized Capital:

15,00,00,000 Ordinary Shares @ of Tk. 10/- each 1,500,000,000 1,500,000,000

Issued, Subscribed & Paid up Capital:

12,500,000 ordinary shares @ Tk. 10 each fully paid up in cash	125,000,000	125,000,000
12,500,000 ordinary shares @ Tk. 10 each fully paid up other than cash	<u>125,000,000</u>	<u>125,000,000</u>
<u>25,000,000 Ordinary Shares</u>	<u>250,000,000</u>	<u>250,000,000</u>

Percentage of share holding position of different share holders are as follows:

	30.09.11		30.06.11	
	Number of Shares	% of holding	Number of Shares	% of holding
Sponsors	8,751,100	35.00	8,751,100	35.00
Local Financing Institution	619,700	2.48	619,700	2.48
Public	15,629,200	62.52	15,629,200	62.52
	25,000,000	100%	25,000,000	100.00

Classification of shareholders by holding:

The number of share holders and share holding position as at September 30, 2011 are given below:

Holdings	30.09.11		30.06.11	
	Number of Share Holders	% of holding	Number of Share Holders	% of holding
Less than & equal 5,000 shares	4,272	40.29	4,272	40.29
5,001 to 50,000 shares	49	2.41	49	2.41
50,001 to 1,00,000 shares	10	2.87	10	2.87
1,00,001 to 2,00,000 shares	8	5.45	8	5.45
2,00,001 to 3,00,000 shares	5	4.51	5	4.51
3,00,001 to 4,00,000 shares	4	5.49	4	5.49
4,00,001 to 5,00,000 shares	2	3.32	2	3.32
5,00,001 to above	6	35.66	6	35.66
	4,356	100	4,356	100

9 General Reserve (Restated) :

Balance as on July 01	2,764,589	49,175,164
Less : Stock dividend paid during the year	-	46,410,575
	<u>2,764,589</u>	<u>2,764,589</u>

10 Revaluation Surplus (Revaluation of Fixed Assets) :

Revaluation of Fixed Assets	639,940,887	-
Less: Adjustment for provision of tax on capital gain	17,197,161	-
Closing balance	<u>622,743,726</u>	

The revaluation of fixed assets has been reflected in the accounts as per certificate on revaluation of fixed assets and valuation report of Vigilant Survey Associates dated September 15, 2011 and as adopted in the Board meeting dated September 25, 2011.

11 Retained Earnings :

Amount in Taka	
30.09.11	30.06.11
Opening balance	8,087,844
Add: Profit made during the Period	82,755,175
Closing balance	<u>90,843,019</u>

12 Deferred tax liabilities:

Opening balance as on July 01	25,718,932	25,894,625
Add: Adjustment for revaluation of land	17,197,161	-
Closing balance as on September 30	<u>42,916,093</u>	<u>25,894,625</u>

12.1 Calculation of Deferred tax

	Particulars	Accounting Base	Tax Base	Temporary Difference Taxable / (Deductable)
A.	Property, plant and equipment as on September 30, 11	248,125,003	76,665,454	171,459,549
	Tax Rate			15%
	Deferred Tax Liability as on September 30, 2011			<u>25,718,932</u>
	Property, plant and equipment as on September 30, 10	249,789,710	75,357,371	174,432,339
	Tax Rate			15%
	Deferred Tax Liability as on September 30, 2010			<u>26,164,851</u>
	Deferred Tax expense /(Income) for 2011			<u>(445,919)</u>

B. Calculation for provision of tax of capital gain on revaluation of land

Revalued value of land	114,647,735	-	114,647,735
Tax Rate			15%
Deferred tax liability			<u>17,197,160</u>
Total deferred tax liability (A+B)			<u>42,916,093</u>

13 Bank Loan and Overdraft:

The Janata Bank Ltd., CC-44 (Hypo) loans are reconciled and confirmed Balanced of the loans as at August 31, 2011. The details are as follows:

Balance as on July 01	112,973,359	137,655,252
Less : Payment made during the period	<u>65,560,486</u>	<u>24,681,893</u>
Balance as on September 30	<u>47,412,873</u>	<u>112,973,359</u>

13.1 The above cash credit balances were due to Janata Bank Noyapara Branch, Habigonj.

13.2 The cash credit accounts are secured against mortgage of stock and Spare Parts, Yarn and Finished Goods.

13.3 Apart from the above credits, the company has not availed any other credit facilities.

14 Short Term Loan-Dhaka Bank Ltd. (Leased) :

Balance as on July 01	11,113,568	14,666,716
Less:Payment made during the period	<u>954,961</u>	<u>3,553,148</u>
Balance as on September 30	<u>10,158,607</u>	<u>11,113,568</u>

15 Liabilities for Goods :

Imported Raw Cotton & P.S.F	<u>111,004,294</u>	<u>125,494,282</u>
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Details of above amount are as follows:

Particulars	L/C No.	Date	Amount	Amount
Raw Cotton 1-1/8	JB-50032	19.12.2010	58,451,641	58,451,641
P.S.F	JB-50023	29.09.2010	9,867,248	9,867,248
P.S.F	JB-50002	05.01.2011	-	14,489,988
P.S.F	JB-50004	23.01.2011	14,584,838	14,584,838
P.S.F	JB-50007	20.02.2011	17,024,298	17,024,298
P.S.F	JB-50009	09.03.2011	11,076,269	11,076,269
Balance as on September 30			<u>111,004,294</u>	<u>125,494,282</u>

This represents the amount payable to various parties against supply of Raw & Store Materials, Service & Others, Provision for Worker's Participation Fund and Provision for expenses and the details are as follows:

	Amount in Taka	
	30.09.11	30.06.11
Electric charges	432,620	341,200
Gas charges	1,193,865	1,334,809
Audit Fees	80,000	40,000
Cost Audit Fees	6,000	6,000
Consultancy fees	40,000	115,000
Supply of Raw Materials & Store Materials	466,713	432,201
Unpaid Dividend	67,154	67,154
Workers Welfare Fund	22,300	22,300
Advance Received against Office Rent	888,000	500,000
W.P.P.F.(note:16.1)	6,096,597	4,867,951
Balance as on September 30	9,293,249	7,726,615

16.1 Workers Profit Participation Fund (WPPF):

Balance as on July 01	4,867,951	1,225,805
Provision made during the period	1,228,646	4,867,951
	6,096,597	6,093,756
Payment made during the period	-	1,225,805
Balance as on September 30	6,096,597	4,867,951

→ Electricity and Gas charges were subsequently paid in full.

→ Workers Participation Fund has been created @ 5% on Net Profit during the period under audit.

→ In the opinion of the Directors, no liabilities in the Balance Sheet are at a value less than the amount at which it is repayable at the date of the Balance Sheet.

17 Provision for current Tax :

Opening Balance as on July 01	10,881,630	1,049,872
Add : Provision made during the period	3,861,632	15,069,122
	14,743,262	16,118,994
Less : Adjustment of Advance Income Tax	-	3,600,000
Less: Income tax paid during the period	-	1,637,364
Balance as on September 30	14,743,262	10,881,630

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	30.09.11 Taka	30.09.10 Taka
Turnover :		
Finished Yarn	156,418,546	125,031,838
	156,418,546	125,031,838
Less : VAT on Turnover	294,455	181,914
Net Turnover	156,124,091	124,849,924

	Amount in Taka	
	30.09.11	30.09.10
19 Cost of Goods Sold:		
Opening Stock of finished goods	14,991,678	3,139,040
Add: Cost of Production Note-19 (a)	119,810,871	100,679,509
Cost of goods available for sale	134,802,549	103,818,549
Less: Closing Stock of finished goods	13,042,950	2,486,790
Cost of goods sold	121,759,599	101,331,759
19(a) Cost of Production :		
Spare Parts	1,925,268	1,869,786
Packing Materials	1,857,765	1,795,120
Raw Cotton	37,897,421	25,857,846
Polyester Staple Fiber	63,515,641	55,662,719
Direct Wages & Salaries	6,018,695	6,002,768
Factory Overhead 19a (i)	12,090,148	11,802,276
	123,304,938	102,990,515
Add : Opening Work-in-Process	8,509,812	4,542,484
	131,814,750	107,532,999
Less : Closing Work-in-Process	12,003,879	6,853,490
	119,810,871	100,679,509
19a(i) Factory Overhead :		
Electric Charges	1,069,719	1,483,251
Gas Charges	3,965,325	3,899,282
Carriage Inward	326,646	354,955
Insurance Premium	366,114	416,100
Clearing & Forwarding	1,634,965	1,078,320
Repairs & Maintenance	207,131	196,073
Fuel & Lubricants	338,563	176,611
Depreciation	4,181,685	4,197,684
	12,090,148	11,802,276
20 Administrative and Marketing Expenses :		
Salary & Allowances	2,698,734	2,657,446
Office Rent	60,000	60,000
Postage & Stamp	6,135	9,183
Printing & Stationery	158,550	133,272
Repairs & Maintenance	98,020	142,060
Maintenance of Vehicle	83,425	91,090
Traveling & Conveyance	104,236	65,121
Entertainment	205,606	201,473
Paper & Periodicals	4,598	5,005
Advertisement	43,130	52,500
Donation & Subscription	92,228	90,785
Insurance Premium	79,140	82,140
Form, Fees & Others	41,964	70,779

Board Meeting Fees	10,500	8,250
Medical & Welfare Expenses	267,398	248,950
Electric Expenses	56,662	77,653
Miscellaneous Expenses	24,720	19,242
Selling & Distribution	269,480	343,934
Office Maintenance	109,342	98,874
Telephone, Telex & Fax	52,126	51,927
Water & Sewerage Charges	47,244	20,502
Consultancy Fees	40,000	-
Depreciation	340,995	357,352
	4,894,233	4,887,538

21 Financial Expenses:

Bank Interest	2,691,213	4,409,246
Bank Charges & Commission	42,339	31,473
Lease Rental Charge	379,139	1,693,584
	3,112,691	6,134,303

Amount in Taka	
30.09.11	30.09.10

22 Earning Per Share (EPS) before split:

Net profit after tax	-	9,333,870
Divided by number of shares	-	1,250,000
Earnings per share (EPS)	-	7.47
EPS Annualised	-	29.87

Earning Per Share (EPS) after split

Net profit after tax	21,157,209	9,333,870
Divided by number of shares	25,000,000	25,000,000
Earnings per share (EPS)	0.85	0.37
EPS Annualised	3.39	1.49

Earning per Share has been calculated in accordance with BAS-33 " Earning Per Share (EPS)" Previous year's figures have been adjusted for the issue of bonus share. Denomination of share (face value) from Tk. 100/- to Tk. 10/- has been changed on 28.11.2010 and EPS has been calculated based on new number of shares as on 30.09.2011.

23 Related party Transaction

There is no Related party transaction during the period under review.

24 Disclosure as per requirement of Schedule XI, Part II of the Companies Act 1994.
A. Disclosure as per requirement of Schedule XI, Part II, note 5 of Para 3

Employees Position as on September 30, 2011

Salary Range (Monthly)	Officers & Staff			Total Employees
	Head Office	Factory Office	Workers	
Below 3,000		21	468	489
Above 3,000	16	72	42	130
	16	93	510	619

Disclosure as per requirement of Schedule XI, Part II, Para 4

Directors' Remuneration:

Name of Directors	Designation	Remuneration	Festival Bonus	Total
Mr. S.M. Faisal	Managing Director	240,000	Nil	240,000
Mr. S.F.A.M. Shahjahan	Chairman	180,000	Nil	180,000
Mr. Syed Ishtiaq Ahmed	Director	150,000	Nil	150,000
Mr. Syed Shafqat Ahmed	Director	150,000	Nil	150,000
Mrs. Yasmin Faisal	Director	90,000	Nil	90,000
Mrs. Rio Aziza Salim	Director	150,000	Nil	150,000
		960,000	Nil	960,000

B. Disclosure as per requirement of Schedule XI, Part II, Para 7

Details of Production Capacity utilization :

Particulars	In Lac		% of Achievement	% of Shortfall
	Installed Capacity	Actual Production		
Yarn (Converted N.E 30/1 Cotton Yarn)	30.00 Kg	6.75	22.50	2.5

C. Disclosure as per requirement of Schedule XI, Part II, Para 7

Value of raw cotton, Polyester Staple Fiber, Packing materials and store & spares

Particulars	Opening	Import	Local	Total	consumption	% of
			Purchase	Purchase		consumption
Raw cotton	203,041,338	-	-	203,041,338	37,897,421	19%
Polyester Staple Fiber	50,019,082	68,216,898	3,304,475	121,540,455	63,515,641	52.26%
Packing Materials	430,389	-	1,917,126	2,347,515	1,857,765	79.14%
Spare parts	7,607,686	-	335,575	7,943,261	1,925,268	24.24%

25 Events after reporting period:

These Financial Statements were authorized for issued by the Board of Directors on October 16, 2011. No material event had occurred after the Balance Sheet date of issue of these financial statements, which could affect the values stated in the financial statements.
financial statements.

26 General:

- There was no bank guarantee issued by the company on behalf of their directors or the company itself except bank loans.
- No commission was paid to sales agents.
- No brokerage was paid against sales during the period under audit.
- There was no sum for which the company contingently liable as on 30-09-2011.
- During the period, the Board of Directors of the company holds 02 meetings.
- There has no claim against the company not acknowledged as debt at the date of Balance Sheet.
No amount of money was spent by the company for compensating any member of the Board of special service rendered.



Saiham Textile Mills Limited
Property, Plant and Equipments
For the period from July 01, 2011 to September 30, 2011

(a) Assets at cost less depreciation

Annexure - A

Particulars	Cost			Rate of Dep %	Depreciation			Written Down Value as at 30th Septem, 2011
	As at 1st July, 2011	Addition during the Period	Total as at 30th Septem, 2011		As at 1st July, 2011	Charged during the Period	Total as at 30th Septem, 2011	
Land & Land Development	1,952,265	-	1,952,265	-	-	-	-	1,952,265
Factory Building & Other Constructiion	46,546,290	96,049	46,642,339	5	26,708,145	249,177	26,957,322	19,685,017
Building Office Space	17,380,400	-	17,380,400	5	1,694,589	196,073	1,890,662	15,489,738
Plant & Machinerys	557,197,195	-	557,197,195	7.5	347,463,440	3,932,508	351,395,948	205,801,247
Furniture & Fixtures	3,549,141	50,000	3,599,141	10	2,581,186	25,449	2,606,635	992,506
Motor Vehicles	7,654,942	-	7,654,942	15	6,744,461	34,143	6,778,604	876,338
Sundry Assets	8,765,100	-	8,765,100	10	6,643,289	53,045	6,696,334	2,068,766
Office Equipments	2,217,579	145,500	2,363,079	10	1,071,668	32,285	1,103,953	1,259,126
Sub-Total (a)	645,262,912	291,549	645,554,461		392,906,778	4,522,680	397,429,458	248,125,003

(b) Revaluation of Fixed Assets during the period

Particulars	Cost			Rate of Dep %	Depreciation			Written Down Value as at 30th Septem, 2011
	As at 1st July, 2011	Addition during the Period	Total as at 30th Septem, 2011		As at 1st July, 2011	Charged during the Period	Total as at 30th Septem, 2011	
Land & Land Development		114,647,735	114,647,735	-				114,647,735
Factory Building & Other Constructiion		160,640,988	160,640,988	5				160,640,988
Building Office Space		34,229,830	34,229,830	5				34,229,830
Plant & Machinerys		329,368,472	329,368,472	7.5				329,368,472
Motor Vehicles		1,053,862	1,053,862	15				1,053,862
Sub-Total (b)	-	639,940,887	639,940,887					639,940,887
Grand Total (a+b) Taka	645,262,912	640,232,436	1,285,495,348	-	392,906,778	4,522,680	397,429,458	888,065,890

Depreciation Charged to :

Cost of Production	4,181,685
Administrative and Marketing expenses	340,995
	<u>4,522,680</u>

Note :

- 1) Depreciation has been calculated on Fixed Assets for three month.
- 2) Revaluation of Fixed Assets has been made by Vigilant Servey Associates (VS), 27, Nandankanan, Chittiangong-4000 on 31st August, 2011, Which has been adopted as per Board Resolution dated September 25, 2011
- 3) No depreciation on revaluation of Fixed Assets has been given effect for the period ended September 30, 2011.

**AUDITOR'S REPORT IN PURSUANCE OF SECTION 135 (1) UNDER PARA 24
(1) OF PART II OF THE THIRD SCHEDULE OF THE COMPANIES ACT 1994**

(As per Right Issue Rules 2006, Rule-8 (h) of the SEC)

We have examined the Financial Statements of Saiham Textile Mills Limited for the period ended September 30, 2011 and years ended June 30, 2011 audited by us and those for the years ended June 30, 2007, 2008, 2009, 2010 audited by M. A. Malek Siddiqui Wali & Co. Chartered Accountants, in pursuance of Section 135 (1) under para 24 (1) of part II of the Third Schedule of the Companies Act 1994, we report that;

- i) The Company was incorporated on March 27, 1981 as a public limited company.
- ii) The Company has no subsidiary company as on the statement of financial position date
- iii) Figures related to previous years have been rearranged whenever necessary to conform to current year presentation
- iv) The statement of financial position and operating results of the company based on the audited financial statements are given below:

A. The statement of Financial Position of the Saiham Textile Mills Limited is as under:

**Saiham Textile Mills Limited
Financial Position**

(Figures in Million Taka)

Balance Sheet	As at					
	30/09/11	30/06/11	30/06/10 (restated)	30/06/09	30/06/08	30/06/07
Assets						
Non-Current Assets:						
Property, Plant & Equipment net of depreciation	888.066	252.356	254.345	247.637	241.690	258.914
Current Assets:						
Inventories	254.723	284.600	172.626	151.384	210.128	128.265
Trade Debtors	30.669	62.569	90.176	17.733	25.582	42.580
Advances, Deposits & Prepayments	14.241	14.491	6.862	27.205	13.065	11.633
Cash & Bank Balances	35.338	23.676	8.544	11.714	2.088	9.131
Total Current Assets	334.971	385.336	278.208	208.036	250.863	191.609
Total Assets	1223.037	637.692	532.553	455.673	492.553	450.523

Particulars	As at					
	30/09/11	30/06/11	30/06/10 (restated)	30/06/09	30/06/08	30/06/07
Equity & Liabilities:						
Shareholders' Equity:						
Share Capital	250.000	250.000	125.000	125.000	125.000	125.000
Tax holiday reserve	-	-	78.589	78.589	78.589	78.589
General Reserve	2.765	2.765	49.175	48.950	76.095	76.095
Revaluation Surplus	622.744	-	-	-	-	-
Retained Earnings	112.000	90.843	8.088	1.646	1.505	0.509
Total Shareholders' Equity	987.509	343.608	260.852	254.185	281.189	280.193
Non- Current Liabilities:						
Deferred Tax Liability	42.916	25.895	26.360	27.145	-	-
Current Liabilities:						
Bank Loan & Overdraft	47.413	112.973	137.655	138.623	157.561	144.574
Short Term Loan	10.159	11.114	14.667	17.513	7.725	17.425
Current Account with FSML	-	-	57.299	-	-	-
Current Account with SCML	-	-	-	-	39.000	-
Liabilities for Goods	111.004	125.494	-	-	-	-
Liabilities for Expenses & Other Finance	9.293	7.727	34.671	17.241	4.664	4.575
Provision for Tax	14.743	10.881	1.050	0.966	2.413	3.757
Total Current Liabilities	192.612	268.189	245.342	174.343	211.363	170.331
Total Equity & Liabilities	1223.037	637.692	532.554	455.673	492.552	450.524
Net Assets Value (NAV) per Share of Tk. 100	-	-	104.34	101.67	112.48	112.08
Net Assets Value (NAV) per Share of Tk. 10	39.50	13.74	-	-	-	-

Previous years' figure of Net Assets Value (NAV) per Share has been rearranged for issue of bonus share in 2010.

**B. The statement of operating results of the Saiham Textile Mills Limited is as under:**

Saiham Textile Mills Limited
Statement of comprehensive income

(Figures in Million Taka)

Profit & Loss Account	For the period from 01/07/2011 to 30/09/2011	For the year				
		2010-11	2009-10 (restated)	2008-09	2007-08	2006-07
Revenue	156.124	570.303	383.957	299.739	329.458	300.617
Cost of Revenue	121.760	420.759	310.206	243.497	264.343	236.609
Gross Profit	34.364	149.544	73.751	56.242	65.115	64.008
Non-operating Income	0.444	0.148	-	5.885	0.420	0.499
	34.808	149.692	73.751	62.127	65.535	64.507
Operating Expenses:						
Administrative & Marketing Expenses	4.894	21.091	17.637	15.326	14.470	13.971
Financial Expenses	3.113	22.488	26.501	26.636	28.238	30.073
Director's Remuneration	0.960	3.840	3.840	2.640	2.520	2.520
Auditor's Remuneration	0.040	0.040	0.025	0.025	0.020	0.020
Cost Audit Fee	-	0.006	0.006	0.006	0.006	0.006
Depreciation	-	-	-	0.736	0.818	0.588
Total Operating Expenses	9.007	47.465	48.009	45.369	46.072	47.178
Profit Before Contribution to W.P.P.F	25.801	102.227	25.742	16.758	19.463	17.329
Provision for W.P.P.F	1.229	4.868	1.226	0.798	0.927	0.825
Profit Before Tax	24.572	97.359	24.516	15.960	18.536	16.504
Provision for Tax	3.415	14.604	3.677	1.553	2.781	2.478
Current Tax	3.862	15.069	4.237	1.553	-	-
Deferred Tax	-0.446	-0.465	-0.560	-	-	-
Profit After Tax	21.157	82.755	20.839	14.407	15.755	14.026
Earnings Per Share of Tk. 100	8.46	33.10	8.34	11.53	12.60	11.22
Earnings Per Share of Tk. 10 (a)	0.85 (a)	-	-	-	-	-
Annualized (b)	3.38 (b)	3.31	0.83	.58	.63	.56

Previous years' figure of Earnings per Share has been rearranged for issue of bonus share in 2010.

C. The statement of Cash flow Statement of the Saiham Textile Mills Limited is as under:

**Saiham Textile Mills Limited
Statement of Cash Flow**

(Figures in Million Taka)

Cash Flow Statement	For the period from 01/07/2011 to 30/09/2011	For the year				
		2010-11	2009-10 (restated)	2008-09	2007-08	2006-07
Cash Flows from Operating Activities:						
Collection from Customers and Other Income	188.468	598.058	312.246	307.588	346.876	288.683
Payment to Suppliers and Employees and Other Expenses	-108.585	-531.936	-266.671	209.437	376.566	278.128
Income Tax Paid	-1.685	-3.600	-2.600	-3.450	-6.384	-2.715
Adjustment of Tax Paid	0.000	-1.637	-3.450	-4.765	0.000	0.000
Net Cash Flows / (Used) in Operating Activities	78.198	60.885	39.525	89.936	-36.074	7.840
Cash Flows from Investing Activities:						
Purchase of Property, Plant and Equipment	-0.292	-17.518	-26.381	-39.859	-0.756	-2.094
Sale Price of Land & Building	-	-	-	20.200	-	-
Net Cash Used in Investing Activities	-0.292	-17.518	-26.381	-19.659	-0.756	-2.094
Cash Flows from Financing Activities:						
Loan Repaid / Received	-66.515	-28.235	-3.814	-48.151	42.288	5.936
Dividend Paid	-	-	-12.500	-12.500	-12.500	-6.250
Adjustment Of Deferred Tax	0.270	-	-	-	-	-
Net Cash Flows from Financing Activities	-66.245	-28.235	-16.314	-60.651	29.788	-0.314
Net Increase / (Decrease) in Cash and Cash Equivalents	11.661	15.132	-3.169	9.626	-7.042	5.432
Cash and Cash Equivalents at the Beginning of the Financial Year	23.676	8.554	11.714	2.088	9.131	3.699
Cash and Cash Equivalents at the End of the Financial Year	35.337	23.676	8.544	11.714	2.089	9.131
Net Operating Cash Flow Per Share of Tk. 100	31.27	24.35	15.81	35.97	-14.42	3.14
Net Operating Cash Flow Per Share of Tk. 10	3.13	2.44	1.58	3.60	-1.44	0.31

Previous years' figure of Net Operating Cash Flow per Share has been rearranged for issue of bonus share in 2010.

D. Particulars of Dividends Declared:**Saiham Textile Mills Limited
Dividend Declared and Paid**

Financial year	Date of Dividend Declaration	Declared Dividend			
		Rate %		Total amount (TK.)	Total Cash Dividend Paid
		Cash	Bonus		
2006-07	30-Oct-07	10%	-	12,500,000	12,494,731
2007-08	13-Oct-08	10%	-	12,500,000	12,502,217
2008-09	29-Oct-09	10%	-	12,500,000	12,503,545
2009-10	2-Nov-10	-	100%	125,000,000	-
2010-11	4-Sep-11	15%	-	37,500,000	Payment is under process

Place: Dhaka
Dated: October 19, 2011

Sd/-
Rahman Mostafa Alam & Co.
Chartered Accountants

ASSUMPTIONS FOR THE PROJECTED FINANCIAL STATEMENT

The Various Assumptions Made During Calculations Of Financial Projections Of Saiham Textile Mills Limited Are As Below:

1. The capacity utilization of production has been estimated as per industry norms as follows :

	Existing	Expansion
	Unit	Unit
2011-12 (Oct 11 to Jun 2012)	80%	
2012-13	80%	65%
2013-14	80%	70%
2014-15	80%	75%

2. The cost of raw and process materials and sales prices are kept constant throughout the projected period, since it may be assumed that increase in costs of materials and that of sales prices shall have similar effect.
3. Depreciation and amortization have been considered to be as follows:

Building	5%
Plant and Machinery	10%
Transport/Vehicle	20%
Furniture and Fixture	6%
Other Fixed Assets	10%

However, project cost elements like Interest during construction, Technical know-how fees and Pre-operating expenses have been distributed on pro-rata basis while calculating the effective costs of machineries, building and other major fixed assets.

4. Other costs of utilities, costs of land and building constructions are taken at prevailing market rates in the country, as obtained through interviews/surveys. Details of which are given in respective chapters and Annexure.
5. Salaries wages are based upon rates in force in the similar industries in the country on which we have added suitable percentages to be comparable to existing rates that will prevail when the production will start, that is by about 12 months.
6. Costs of inward freight and outward freight and other related expenses have been taken at 1% of cost of materials and that of sales respectively.
7. Interest on term lending rate is taken at 12.50% and that for working capital at 14.00% which are going rates in the country.

8. Repairs and regular costs of maintenance and stores & spares on machinery have been considered as follows:

	Machinery	Building
	Repairs &	& other
	Spares	civ. works
2011-12 (Oct 11 to Jun 2012)	0.50%	0.50%
2012-13	0.50%	0.50%
2013-14	1.00%	0.50%
2014-15	1.50%	0.50%

9. Other factory overhead is taken at 1.50% of cost of materials.

10. The project enjoyed tax-holiday in its initial years. In current years, the project is required to pay income taxes @ 30.00% of net profit before tax. As a public limited company the project has to provide Workers' Profit Participation Fund (WPPF) at the rate of 5.00% on before tax profit.

11. Sales promotion and other administrative expenses have been taken at 1.00% of gross sales realisation.

12. Currency conversion rates have been considered at 1 US\$=Tk 75.00 1 IRs=Tk 2.75

13. All figures are given in financial calculations are in Tk. 1000/- unless specified. Square metre are approximated to 1550 square inches.

14. The project is assumed to work for 330 days in a year and 24 hours per day.

15. Sales Revenue at Rated Capacity :

The production capacity and sales revenue at 100% capacity is assumed as below:

I) Existing Unit:

Yarn a)

Item	Production quantity		Per Kg	Total Rev.
	daily in Kg	Yearly in kg	Rate (Tk)	Tk in 'million
	0			
Polyster yarn	1,250	412500	240	99.000
Blended yarn 65/35	1,750	577500	290	167.475
60s cotton (combed)	1,250	412500	505	208.313
62s cotton (combed)	1,250	412500	530	218.625
80s cotton (combed)	600	198000	575	113.850
		2,013,000		
Saleable waste	Cotton	40,013	90	3.601
	Polyester	10,313	70	0.722
				811.586

II) Expansion unit

Melange Yarn

	Production quantity		Unit	Total cost
Item	daily in Kg	Yearly in kg	Cost Tk.	Tk in 'million
Cotton 20/1	3,500	1,155,000	345	398.475
Cotton 24/1	3,500	1,155,000	350	404.250
Cotton 26/1	3,000	990,000	355	351.450
Cotton 30/1	8,000	2,640,000	350	924.000
		<u>5,940,000</u>		<u>2,078.175</u>

B) Saleable waste

Cotton		148,500	90	13.365
Polyester		0	70	0
TOTAL				2091.540

Year	(Quantity in Kg)		(Tk in 'million)		(Tk in 'million)		Total Revenue
	Quantity produced	capacity	capacity	Revenue earnings from			
	Existing Unit	Expansion unit	utilization Existing	utilization Expansion	Existing unit	Expansion unit	
2011-12(9m)	1610400		80%		649.2684		649.268
2012-13	1610400	3861000	80%	65%	649.2684	1359.501	2,008.769
2013-14	1610400	4158000	80%	70%	649.2684	1464.078	2,113.346
2014-15	1610400	4455000	80%	75%	649.2684	1568.655	2,217.923

16. Raw Materials Cost At Rated Capacity
A) Imported

Considering process loss to be 2.5%

Tk. in 'million

		Qty for	Qty after			Other	Expan-	Existing
		Existing	Expansion	C&F Price	Total C&F Price	charges	sion Unit	Unit
		(Kg)	(Kg)	(Tk)	'000	5%	R/M Cost	R/M Cost
1- ¹ / ₈ Staple length		591,938	591,938	105.00	62.153	3.108	65.261	65.261
1- ⁵ / ₁₆ Staple length (60s, 62s)		845,625	845,625	110.00	93.019	4.651	97.670	97.670
1- ⁷ / ₁₆ Staple length		202,950	202,950	150.00	30.443	1.522	31.965	31.965
Polyester (1.5 denier, 38mm)								
	staple length	422,813	422,813	165.00	69.764	3.488	73.252	73.252
1- ¹ / ₃₂ Staple length (20s)			1,065,488	105.00	111.876	5.594	117.470	
1- ¹ / ₁₆ Staple length (24-26s)			1,978,763	107.00	211.728	10.586	222.314	
1- ³ / ₃₂ Staple length (30s)			2,435,400	110.00	267.894	13.395	281.289	
Viscose staple fiber			608,850	245.00	149.168	7.458	156.627	
							1,045.847	268.148
	Total	2,063,325	7,542,975		255.379	12.769	1045.847	268.148

B) Local

			Tk. in 'million
Packing Materials	(Lum Sum)	Existing	3,500
		After Expansion	7,500

Total Raw Materials Cost

Tk. in 'million

	After
<u>Existing</u>	<u>Expansion</u>
271.648	1321.495

17. Wages and Salaries

Category	Existing Unit	A f t e r E x p a n s i o n	Monthly Salary/ Benefit(Tk)	Total Salary Tk. in 'million	Existing Unit Salary Tk. in 'million
	Nos.	Nos.			
Factory Manager	1	2	80,000	1.920	0.960
Maintenance Engineer	1	2	30,000	0.720	0.360
Quality Control Officer	1	1	25,000	0.300	0.300
Mechanical Foreman	1	2	15,000	0.360	0.180
Electrical Foreman	1	2	15,000	0.360	0.180
Shift supervisor	3	6	12,000	0.864	0.432
Electrician/Fitter	1	2	7,000	0.168	0.084
Sub station assistant	1	2	7,000	0.168	0.084
Generator assistant	1	2	7,000	0.168	0.084
Skilled Labour	200	400	4,000	19.200	9.600
Semi-skilled Labour	225	450	3,500	18.900	9.450
Un-skilled Labour	200	400	3,000	14.400	7.200
	636	1271		57.528	28.914

Yearly increment 5%
 Bonus 2 months' salary
 Fringe Benefit 50% of basic

	2011-12 (9m)	2012-13	2013-14	2014-15
Basic	28.914	57.528	57.528	57.528
Increment	0	1.446	4.322	7.199
Fringe Benefit	14.457	29.487	30.925	32.363
Bonus	4.819	9.829	10.308	10.788
Total	48.190	98.290	103.084	107.878

18. Manufacturing Overhead

Water: Source: Project's own deep tube-well

Power:

Source		REB	Power Cost Tk/KWH	Tk.
Connected Load	6000	KW	Dem Charge/KW/pm	50.00
Maximum Load	4800	KW	Service Charge/pm	60.00
			Govt. Elec. Duty/pm	0.15

Yearly Consumption 38016000 KWH

Cost of power

Tk.	
Elec cost	190080000
Dem chrg	2880000
Serv chrg	720
Govt duty	5702400
Total	198663120

It is assumed that 90% of the plant's operation will be done using gas generator and rest 10% will be done by utilizing REB power. As such electric power cost would be 19.866 million Taka.

Fuel & lubricants:

Items	Quantity		Rate (Tk)	Tk. in 'million
Grease	1000	Kgs	250	0.250
Lub oil	1500	Ltr	120	0.180
Gas	24166667	Cu.m	6	145.000
Diesel	66666.67	Ltr	45	3.000
Kerosine	1400	Ltr	45	0.063
	Total			148.493

Stores & spares:
Machinery

Tk. in 'million		
2011-12 (9m)	0.50%	2.686
2012-13	0.50%	9.121
2013-14	1.00%	18.242
2014-15	1.50%	27.364

Repairs & Maintenance

Tk. in 'million					
	<u>Machinery</u>		<u>Building</u>		<u>Total</u>
2011-12 (9m)	0.50%	2.686	0.50%	1.150	3.836
2012-13	0.50%	9.121	0.50%	1.600	10.721
2013-14	1.00%	18.242	0.50%	1.600	19.843
2014-15	1.50%	27.364	0.50%	1.600	28.964

Rent, Tax & Insurance 1% of fixed cost

Tk. in 'million	
2011-12 (9m)	8.881
2012-13	23.527
2013-14	23.527
2014-15	23.527

19. Depreciation

 Tk. in
million

Item	Revaluation	Value	Rate	Constn	AccmDep	Yrly Depr	Depr on
	Increase	After	of	Period	Upto	After	Revalued
	in assets	Expansion	Depr	9m	30/9/2011	Expansion	Amount
Machinery	329.368	1824.238	10%	53.724	358.092	182.424	32.937
Building	194.871	320.045	5%	11.502	28.848	16.002	9.744
Vehicles	1.054	6.931	20%	0.386	6.778	1.386	0.211
Furniture & Fixture		1.993	6%	0.060	2.606	0.120	
Office Equipment		2.889	10%	0.126	1.104	0.289	
				-	-	-	
				65.798	397.428	200.221	42.891

65.798 million Taka depreciation is chargeable on existing assets for whole year. So for nine months' period, depreciation would be Taka 49.348 million. Besides Taka 32.168 million will have to be added on account of revalued assets.

20. General, Administrative and Other Expenses
Administrative Expenses:

<u>Existing</u>			<u>After Expansion</u>		
No	Pay/Year	Category	No	Pay/month	Pay/year
	Tk. in 'million			(Tk)	Tk. in 'million
1	0.720	General Manager	1	60,000	0.720
1	0.300	Commercial Manager	1	25,000	0.300
1	0.150	Procurement Manager	1	12,500	0.150
1	0.150	Company secretary	1	12,500	0.150
1	0.150	Accountant	2	12,500	0.300
2	0.240	Assistant Accountant	4	10,000	0.480
2	0.288	Sales Assistant	4	12,000	0.576
2	0.240	Procurement assistant	4	10,000	0.480
1	0.090	Store officer	3	7,500	0.270
2	0.144	Office Assistant	4	6,000	0.288
2	0.060	Computer operator	3	2,500	0.090
3	0.108	Driver	6	3,000	0.216
12	0.432	Security guard	24	3,000	0.864
4	0.144	Peon/cleaner	6	3,000	0.216
<u>35</u>	3.216		<u>64</u>		<u>5.100</u>

General Expenses:

	Tk. In million			
	2011-12 (9m)	2012-13	2013-14	2014-15
Directors Remuneration	3.600	4.500	4.500	4.500
Postage Telephone	0.600	0.600	0.600	0.600
Stationery & Printing	0.300	0.300	0.300	0.300
Travelling & Conveyance	1.000	1.000	1.000	1.000
Advertisement	1.500	1.500	1.500	1.500
Audit fee	0.050	0.050	0.050	0.050
Misc. expenses	0.300	0.300	0.300	0.300
Total	7.350	3.150	8.250	8.250

Total of admin & gen expenses:

	Tk. in 'million			
Admin: Basic	3.216	5.100	5.100	5.100
Increment	0.161	0.322	0.577	0.832
Fringe Benefit	1.608	2.711	2.838	2.966
Bonus	0.563	0.904	0.946	0.989
General	<u>7.350</u>	<u>3.150</u>	<u>8.250</u>	<u>8.250</u>
		-	-	-
	<u>12.898</u>	<u>12.186</u>	<u>17.711</u>	<u>18.136</u>

21. Selling Expenses 1% of sales

		<u>LC Loan</u>	<u>Lease Loan</u>	<u>IDCP</u>
		-	-	-
Grace Period(years)		2	0	0
Repayment Period(years)		9	5	5
	Installments	18	10	5
Interest Rate(per annum)		12.50%	12.50%	12.50%

14% ST Bank Loan 14%

		Tk in 'million		
		2011-12 (9m)	2012-13	2013-14
		-	-	-
L.C. Loan	Principle	400.000	400.000	355.556
	Installment	0	44.444	44.444
	Balance	400.000	355.556	311.111
	Interest	50.000	47.222	41.667

23. Amortization of Preliminary Expenses

Assumed to be amortized over a period of

24. Workers' Profit Participation Fund

This has been provided @ 5.00% on pre-tax profit

25. Income-Tax/Tax-Holiday

Applicable tax rate 15% on taxable income

26. Dividends

Assumed to be provided at following rates

2011-12 (9m)	10.00%
2012-13	12.50%
2013-14	15.00%
2014-15	17.50%

YEAR-WISE SALES ESTIMATE

		Tk. in 'million			
		2011-12 (9m)	2012-13	2013-14	2014-15
Capacity utilization	Existing	80%	80%	80%	80%
	Expansion		65%	70%	75%
Sales at capacity utilization (9m)		486.951	2008.769	2113.346	2217.923
Add: Opening stock of WIP		12.004	4.536	18.303	19.379
Less: Closing stock of WIP		4.536	18.303	19.379	20.339
Quantity available for sale		494.419	1995.003	2112.271	2216.963
Add: opening stock of fin. Goods		13.043	23.066	91.730	100.182
Less: closing stock of fin. Goods		23.066	91.730	100.182	105.325
Sales value of quantity sold		484.396	1926.339	2103.819	2211.820

YEAR-WISE COST OF GOODS SOLD ESTIMATE

Tk. in 'million

	2011-12 (9m)	2012-13	2013-14	2014-15
Raw Materials (9m)	162.989	1057.196	1057.196	1057.196
Wages and salaries (9m)	36.143	98.290	103.084	107.878
Stores and spares (9m)	2.015	9.121	18.242	27.364
Water, power, fuel & lubricant (9m)	58.230	277.725	277.725	277.725
Repairs and maintenance (9m)	2.877	10.721	19.843	28.964
Rent tax and insurance (9m)	6.660	23.527	23.527	23.527
Other overhead expenses (9m)	1.834	15.858	15.858	15.858
Depreciation (9m)	81.517	200.221	200.221	200.221
Total Manufacturing Cost	352.264	1692.658	1715.695	1738.731
Add: opening WIP	12.004	3.312	15.418	15.737
Total WIP	364.268	1695.970	1731.113	1754.469
Less: closing WIP	3.312	15.418	15.737	15.950
Quantity available for sale	360.956	1680.552	1715.375	1738.519
Add: opening stock of fin. goods	13.043	17.000	77.161	81.479
Total goods available for sale	373.999	1697.552	1792.537	1819.998
Less: closing stock of fin. goods	17.000	77.161	81.479	82.727
Cost of Goods Sold	356.999	1620.391	1711.058	1737.271

Estimation Of The Project Cost & Means Of Finance (Existing & Proposed)
Project Cost :
Tk. in 'million

			Cost Incr.	Cost To Be Incurred			Total Cost
				30-Sep- 11	F . C .	L . C .	
Land and land development			116.600	0	70.000	70.000	186.600
Building & other civil works			230.045	0	90.000	90.000	320.045
Plant & Machinery	Imported		535.169	0	1200.00	1200.000	1735.169
	Local		0	0	40.000	40	40
Taxes, clearing local transport			0	0	30.000	30.000	30.000
Ins.,Freight & Other Charges			0	0	12.000	12.000	12.000
Erection & Installation			2.069	0	5.000	5.000	7.069
Transport & Vehicles			1.931	0	5.000	5.000	6.931
Office Equipment			1.259	0	1.630	1.630	2.889
Furniture & Fixture		1454.630	0.993	0	1.000	1.000	1.993
Preliminary Expenses			0	0	5.000	5.000	5.000
Commissioning & start-up Exp.			0	0	0	0	0
Deferred Revenue Expenditure			0	0	0	0	0
Interest During Constn. Period			0	0	0	0	0
Security Deposits			0	0	5.000	5.000	5.000
Investments			0	0	0	0	0
Miscellaneous Assets			0	0	0	0	0
Contingencies:Mach:		0%	0	0	0	0	0
	Bldg	0%	0	0	0	0	0
	Total Fixed Cost		888.066	0	1464.630	1464.630	2352.696
	Net Working Capital		142.359	0	186.308	186.308	328.667
Total cost of the project			1030.425	0	1650.938	1650.938	2681.363

Means Of Finance

The financing pattern and equity holding works out to be :

Paid-up Capital			250.000	0	500.000	500.000	750.000
Revaluation reserve			622.744	0	0	0	622.744
Share Premium			0	0	750.000	750.000	750.000
Ret. Profit/ (Loss)/Reserves			114.765	0	0	0	114.765
	R/E (Implmtn period)		0	0	7.038	7.038	7.038
	Total Equity		987.509	0	1250.000	1250.000	2237.509
L T Loan:		Lease loan	0	0	0	0	0
		L.C. Loan	0	0	400.000	400.000	400.000
Directors' Loan			0	0	0.938	0.938	0.938
Deferred Tax Liability			42.916	0	0	0	42.916
	Total Debt		42.916	0	400.938	400.938	443.854
Bank Short Term Loan			0	0	0	0	0
	Total Financing		1030.425	0	1650.938	1650.938	2681.363
Debt To Total Assets %			4.16		24.29	24.29	16.55
Equity To Total Assets %			95.84		75.71	75.71	83.45

Working Capital Requirements

Working Capital Requirements of the project has been calculated based on tied-up period as below :

a) Inventories :

I) Imported Raw Materials	90	Days
II) Local Raw Materials	30	Days
II) Goods-in Process	3	Days
III) Finished Goods	15	Days

b) Expenses :

I) Wages/Salaries	30	Days
II) Factory Overhead etc	30	Days
III) Administrative Expenses	30	Days
IV)Sundry Debtors	30	Days

c) Cash Credit Facilities:

It has been planned to opt cash credit facilities with the local bankers, for which different rate of margin has been proposed, which should not be a problem to arrange -

I) Materials	65%	margin
II) Goods-in Process	65%	margin
III) Finished Goods	65%	margin
IV) Fact.OH, Admin. exp., Wages/salaries	65%	margin
V) Sundry Debtors	65%	margin

Estimate Of Working Capital Requirement

CURRENT ASSETS	Tied-up Period(day)	Tk. in 'million		
		1st year	2nd year	3rd year
Imported Raw Materials	90	228.185	228.185	228.185
Local Raw Materials	30	0.545	0.545	0.545
Work-in-process	3	15.418	15.737	15.950
Finished Goods	15	77.161	81.479	82.727
Receivables at cost	30	147.308	155.551	157.934
Wages, Salaries & Overhead Exp	30	37.023	38.978	40.933
		-	-	-
Gross Working Capital Requirement		505.641	520.476	526.274

The cash credit facilities as per above considerations have calculated to be :

Margin on Working Capital	328.667	338.309	342.078
Provision For Cash Credit Facilities	176.974	182.166	184.196



Saiham Textile Mills Limited
Four year Projected Comprehensive Income Statement

Tk. in
'million

		2011-12 (9m)	2012-13	2013-14	2014-15
Sales at capacity utilization		484.396	1926.339	2103.819	2211.820
Cost of Goods Sold		356.999	1620.391	1711.058	1737.271
Gross Profit		127.397	305.948	392.761	474.549
Op. Exp:	Gen. & Admin	12.898	12.186	17.711	18.136
	Selling	4.844	19.263	21.038	22.118
Total Operating Expenses		17.742	31.449	38.749	40.254
Operating Profit		109.655	274.499	354.012	434.295
Financial Expenses:					
	Interest on LC Loan	0	50.000	47.222	41.667
	Dir. Loan	0	0	0	0
	ST Loan	8.060	0.000	0	0
Amortization of Prel. Expenses		0	1.000	1.000	1.000
Total Financial Expenses		8.060	51.000	48.222	42.667
Profit Before Workers' Fund		101.595	223.499	305.790	391.629
Workers' Profit Part. Fund		5.080	11.175	15.289	19.581
Profit Before Income Tax		96.515	212.324	290.500	372.047
Provision for Income Tax		14.477	31.849	43.575	55.807
Profit Available for Distribution		82.038	180.475	246.925	316.240
Dividends		75.000	93.750	112.500	131.250
Retained Profit		7.038	86.725	134.425	184.990
Cumulative Retained Profit		121.803	208.528	342.954	527.944

Ratios:

Gross Profit To Sales %	26.30	15.88	18.67	21.46
Operating Profit to Sales %	22.64	14.25	16.83	19.64
Net Inc. Bef. Tax To Sales %	19.92	11.02	13.81	16.82
Net Inc After Tax To Sales %	16.94	9.37	11.74	14.30
Dividends as % Paid-up Cap.	10.00%	12.50%	15.00%	17.50%
Dividend Payout Ratio %	91.42	51.95	45.56	41.50
Earnings per share (EPS)	1.09	2.41	3.29	4.22



Saiham Textile Mills Limited
Four year Projected Balance sheet

Tk.
in'million

	<u>30-Sep-11</u>	2011-12	2012-13	2013-14	2014-15
ASSETS		(9m)			
Current Assets					
Cash & Bank Balance	35.338	60.159	67.455	89.474	102.164
Short Term Investments	0	0	250.000	500.000	825.000
Inventory: Raw Materials	223.658	228.730	228.730	228.730	228.730
Work-in Process	12.004	7.709	15.418	15.737	15.950
Finished Goods	13.043	38.581	77.161	81.479	82.727
Stores & Spares	6.018	4.561	9.121	18.242	27.364
Accounts Receivable	30.669	162.039	184.135	233.326	276.384
Adv. Deposit & prepayments	14.241	10.000	15.000	17.000	18.000
Total Current Assets	334.971	511.778	847.021	1,183.989	1,576.319
Fixed Assets: at cost	1,285.494	2,740.124	2,740.124	2,740.124	2,740.124
Less: Accum. Depreciation	397.428	478.945	679.165	879.386	1,079.607
Net Fixed Assets	888.066	2,261.179	2,060.959	1,860.738	1,660.517
Security Deposits		5.000	5.000	5.000	5.000
Other Assets: Prel. Expenses		5.000	4.000	3.000	2.000
TOTAL ASSETS	1,223.037	2,782.958	2,916.979	3,052.727	3,243.836
CAPITAL AND LIABILITIES					
	<u>30-Sep-11</u>	2011-12	2012-13	2013-14	2014-15
Current Liabilities		(9m)			
ST Bank Loan	57.572	0.000	0	0	0
WPPF		5.080	16.255	31.544	51.126
Div. Payable		75.000	93.750	112.500	131.250
Taxes Payable		14.477	31.849	43.575	55.807
Others Payable	135.040	0	0	0	0
Total Current Liabilities	192.612	94.557	141.853	187.618	238.183
Long Term Liabilities					
LC Loan		400.000	400.000	355.556	311.111
Deferred Tax Liability	42.916	42.916	42.916	42.916	42.916
Dir/Other Loan	0.000	0.938	0.938	0.938	0.938
Total Long Term Liabilities	42.916	443.854	443.854	399.409	354.965
Equity: Paid-up Capital	250.000	750.000	750.000	750.000	750.000
Share premium		750.000	750.000	750.000	750.000
Retained Earnings	114.765	153.971	283.588	460.904	688.786
Revaluation Reserve	622.744	590.576	547.684	504.793	461.902
Total Equity	987.509	2,244.547	2,331.272	2,465.698	2,650.688
TOTAL LIAB. & EQUITY	1,223.037	2,782.958	2,916.979	3,052.725	3,243.835

Ratios:

Current Ratio(Times)	1.74	5.41	5.97	6.31	6.62
Debt To Total Assets %	4.16	16.51	15.99	13.94	11.81
Equity To Total Assets %	95.84	83.49	84.01	86.06	88.19
Break-up Value Per Share	39.50	29.93	31.08	32.88	35.34

BOARD OF DIRECTORS OF SAIHAM TEXTILE MILLS LIMITED

Sl.no	Name of the Subscribers	Address	Age (Years)	Educational Qualification	Occupation	Position
1	Mr. Syed Md. Faisal	H# 34/1, R#136,Gulshan-1, Dhaka-1212	70	M.A,L.L.B(DU)	Industrialist	Managing Director
2	Mr. S. F. A. M. Shahjahan	H# 34/1, R#136,Gulshan-1, Dhaka-1212	60	B.A(DU)	Industrialist	Chairman
3	Mrs. Yasmin Faisal	H# 34/1, R#136,Gulshan-1, Dhaka-1212	66	M.A	Industrialist	Director
4	Mr. Engr. Syed Ishtiaq Ahmed	H# 34/1, R#136,Gulshan-1, Dhaka-1212	39	Engr. MBA	Industrialist	Director
5	Mr. Syed Shafqat Ahmed	H# 34/1, R#136,Gulshan-1, Dhaka-1212	37	MBA	Industrialist	Director
6	Mrs. Rio Aziza Salim	H # 303,Eastern Lily Apartment, R # 51, Plot#13 Gulshan-2,Dhaka-1212	51	MSS(DU)	Industrialist	Director
7	Mr. Mostafa Moin	50, Alaul Avenue, Sector-6,Uttara,Dhaka.	36	BBA(USA)	Business man	Independent Director

SHORT BIO-DATA OF BOARD OF DIRECTORS**1. MR. SYED MD. FAISAL - MANAGING DIRECTOR**

Mr. Syed Md. Faisal, son of Late Syed Sayeed Uddin Ahmed, is currently the Managing Director of Saiham Textile Mills Limited. He is an MA as well as an L. L. B from the University of Dhaka. As a visionary entrepreneur, he set up one of the most sophisticated textile mills- Saiham Textile Mills Ltd, in the early 1980s in one of the remotest and most non- developed areas in Bangladesh i.e. Noyapara, Hobiganj. Within 20 years the same area has been transformed into an industrial region and now boasts more than Tk. 6000 million of investment and employment generation of over 8000 people. Mr. Faisal is the Chairman of Saiham Cotton Mills Ltd, Faisal Spinning Mills Limited and Saiham Knit Composit Limited. He is Ex-Director of Bangladesh Textile Mills Association (BTMA), the apex body of textile sector in Bangladesh and

also an Ex-Director of National Tea Company Limited. He was the Chairman of Saiham Cement Industries Limited, a cement manufacturing plant in Mongla. He is well renowned for his Philanthropic work in the locality.

2. MR. SYED ISHTIAQ AHMED - DIRECTOR

Engineer Syed Ishtiaq Ahmed, Son of Mr. Syed Md. Faisal, is the Managing Director of Saiham Cotton Mills Ltd. and Faisal Spining Mills Ltd. He is also Director of Saiham Textile Mills Ltd. and Saiham Knit Composite Ltd. He has graduated in Engineering from Michigan, USA and is also an MBA with a major in Finance from Institution of Business Administration (IBA), University of Dhaka. He has participated in a training on “Industry and Management” in Prato, Italy sponsored by Ministry of Foreign Trade, Italy. He is one of the members of the Board of Directors of BTMA. He has represented BTMA on a high level mission on Garment Technology and Textile Processing to IMB Cologne in Germany and also visited the London College of Fashion under University of the Arts London sponsored by United Nations Industrial Development Organizations (UNIDO). He has vast experience in technical, marketing and financial aspects of business.

3. MR. S. F. A. M. SHAHJAHAN - CHAIRMAN

Mr. S. F. M. Shahjahan, son of Late Syed Sayeed Uddin Ahmed, is a Chairman of Saiham Textile Mills Ltd. and Highway Inn Ltd. He is also a Director of Saiham Cotton Mills Ltd. and Saiham Knit Composite Ltd. He has more than 30 years of experience in textile business. His expertise is in the field of Marketing and Administration. He is also associated with different socio-cultural and philanthropic organization.

4. MR. SYED SHAFQAT AHMED - DIRECTOR

Mr. Syed Shafqat Ahmed graduated in Economics from Michigan State University and completed MBA from University and completed MBA from University of Texas at Arlington. He specializes in financial management and structuring/restricting of organizations. He worked as a financial analyst in Bowne of Dallas. His expertise in workflow designing was the key behind Saiham Cotton Mills Limited’s winning the “Best IT Use Award” in 2005 awarded by BASIS Bangladesh. He is currently acting as the Managing Director of Saiham Knit Composite Ltd. a sister concern of SCML, a 100% export oriented knit factory.

5. MRS. YASMIN FAISAL- DIRECTOR

Mrs. Yasmin Faisal M.A wife of Mr. S. M. Faisal is the Director of Saiham Textile Mills Ltd. and Faisal Spinning Mills Ltd. She has long experience in marketing, financial and product development & Administration. She traveled more than 30 countries including USA, Europe, Australia, and Far- East Asia for Business purposes. She is also associated with a member of social and cultural organization.

6. MRS. RIO AZIZA SALIM - DIRECTOR

Mrs. Rio Aziza Salim did her BSS (honors) in sociology and (Masters) in Sociology from Dhaka University. She lived and worked in UK and USA for a long time and acquired vast experience in social work. She also has long experiences in marketing, financial and product development. She has traveled India, USA, UK, France, Germany, Singapore and many other countries. She is associated with a number of social and cultural organizations in Bangladesh.

HEAD OFFICE EXECUTIVES OF SAIHAM TEXTILE MILLS LIMITED:

Sl.No	Name	Position	Education	Experience	Attachment with STML
1	Md. Abu Bakar Siddique	Chief Financial Officer (CFO)	B.Com	35 years	18 years
2	Md.Fazlur Rahman Talukder	Company Secretary	M.Sc (DU), LL.B(NU)	15 years	15 years
3	Syed Abdul Gafur	Deputy General Manager (DGM)	B.Com.	25 years	25 years
4	Syed Rakibul Hasan	Deputy General Manager (DGM)	M.Com.	23 years	23 years
5	Neyamat Ullah	Manager (Tax)	M.Com	6 years	6 years
6	Md.Atiar Rahman	Manager (Procurement)	M.Sc.(DU)	25 years	13 years
7	Md. Monirul Islam	In Charge (Sales)	Mechanical Engineer	8 years	4 years

GROUP WISE SHARE HOLDER POSITION:

Group Name	Share	Percentage (%)
Directors	8,113,600	32.45%
Promoter Shareholders	636,400	2.55%
General Public	11,850,000	47.40%
Financial Institution	4,400,000	17.60%
Total	25,000,000	100.00%

**QUANTITY OF SHARES HELD BY EACH DIRECTOR ON THE
DATE OF THE RIGHTS SHARE OFFER DOCUMENT**

Number of shares held by each Director of Saiham textile Mills Limited as on September 14, 2011.

Sl. no	Name of the Subscribers	No. of Shares held as per record date 14-09-2011	Percentage of total holding
1	Mr. Syed Md. Faisal	851,000	3.40%
2	Mr. S. F. A. M. Shahjahan	121,000	0.48%
3	Mrs. Yasmin Faisal	200,000	0.80%
4	Mr. Eng. Syed Ishtiaq Ahmed	2,472,000	9.89%
5	Mr. Syed Shafqat Ahmed	2,367,400	9.47%
6	Mrs. Rio Aziza Salim	2,102,200	8.41%
	Total	8,113,600	32.45%

**NO. OF SHARES HELD BY SPONSORS/DIRECTORS AND
SHAREHOLDER HAVING 5% OR MORE SHARES**

Sl. no	Name of the Subscribers	No. of Shares held as per record date 14-09-2011	Percentage of total holding
1	Engr. Syed Ishtiaq Ahmed	2,472,000	9.89%
2	Mr. Syed Shafqat Ahmed	2,367,400	9.47%
3	Mrs. Rio Aziza Salim	2,102,200	8.41%

DIRECTORS' TAKE-UP IN THE RIGHTS OFFER [RULE-8(Q)]

Director's are expected to exercise their portion of Right Offer in the following way:

Sl. no	Name of the Subscribers	No. of Shares held as on 14/09/2011	Percentage of total holding	Renounce from entitlement
1	Mr. Syed Md. Faisal	851,000	3.40%	Nil
2	Mr. S. F. A. M. Shahjahan	121,000	0.48%	Nil
3	Mrs. Yasmin Faisal	200,000	0.80%	Nil
4	Engr. Syed Ishtiaq Ahmed	2,472,000	9.89%	Nil
5	Mr. Syed Shafqat Ahmed	2,367,400	9.47%	Nil
6	Mrs Rio Aziza Salim	2,102,200	8.41%	Nil

FORM-A

[Rule 5 and Rule 8(t)]

Declaration (due diligence certificate) about responsibility of the Issue Manager in respect of the Rights Share Offer Document of Saiham Textile Mills Limited.

This Rights Share Offer Document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and the issuer and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

For
Swadesh Investment Management Ltd.

Place: Dhaka
Dated: October 20, 2011

Sd/-
Mamun Ahmed
Managing Director



FORM-B
[Rule 6 and Rule 8(t)]

Declaration (due diligence certificate) about responsibility of the Underwriter(s) in respect of the Rights Share Offer Document of Saiham Textile Mills Limited .

This Rights Share Offer Document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006, and also that we shall subscribe for the under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

Place: Dhaka

Dated: October 20, 2011

For

Banco Finance & Investment Limited

Lanka Bangla Finance Limited

PLFS Investment Limited

Prime Finance Capital Management Limited

Sonali Investment Limited

Swadesh Investment Management Limited

Sd/-

Managing Director(s)/CEO(s)

FORM-C

[See Rule 8 (h), 8 (i) & (t)]

Auditors' Report to the Shareholders

We have audited the accompanying Financial Statements for the period from July 1, 2011 to - September 30, 2011 of Saiham Textile Mills Limited (STML) in accordance with the International Standards on Auditing as adopted by the Institute of Chartered Accountants of Bangladesh, and we state that we have obtained all the information and explanations which we have required, and after due verification thereof, we report that, in our opinion:

- (a) These Financial Statements have been drawn up in accordance with the requirements of the Schedule to the Securities and Exchange Rules, 1987, as amended, the Companies Act, 1994 and other relevant laws where applicable, and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh;
- (b) These Financial Statements which are in agreement with the Books of Account of the Bank give a true and fair view of the state of its affairs as at September 30, 2011 and of the result of its operations and cash flows for the period then ended;
- (c) Proper Books of Account have been kept by the Bank as required by the relevant laws; and
- (d) The expenditure incurred was for the purposes of the Company's business.

We also certify that the above Company has declared the following dividend for each of the following five years immediately preceding the issue of Rights Share Offer Document under the Securities and Exchange Commission (Rights Issue) Rules, 2006, and that the company has duly paid off the following amounts of the declared dividend mentioned against respective year-

**Saiham Textile Mills Limited
Dividend Declared and Paid**

Financial year	Date of Dividend Declaration	Declared Dividend			
		Rate %		Total amount (TK.)	Total Cash Dividend Paid
		Cash	Bonus		
2006-07	30-Oct-07	10%	-	12,500,000	12,494,731
2007-08	13-Oct-08	10%	-	12,500,000	12,502,217
2008-09	29-Oct-09	10%	-	12,500,000	12,503,545
2009-10	2-Nov-10	-	100%	125,000,000	-
2010-11	4-Sep-11	15%	-	37,500,000	Payment is under process

Place: Dhaka
Dated: October 19, 2011

Sd/-
Rahman Mostafa Alam & Co.
Chartered Accountants

FORM-D

[Rule 8(t)]

Due diligence certificate by the Directors about their personal responsibility in respect of the Rights Share Offer Document

This Rights Share Offer Document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the Rights Share Offer Document, relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006.

We confirm, after making all reasonable enquiries, that all conditions concerning this Rights Issue and Rights Share Offer Document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made.

In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/-
S. F. A. M. Shahjahan
Chairman

Sd/-
Syed Md. Faisal
Managing Director

Sd/-
Yasmin Faisal
Director

Sd/-
Engr. Syed Ishtiaq Ahmed
Director

Sd/-
Syed Shafqat Ahmed
Director

Sd/-
Rio Aziza Salim
Director

Sd/-
Mostafa Moin
Independent Director

Place: Dhaka
Dated: October 20, 2011

For
Saiham Textile Mills Limited



Application Form-A

Saiham Textile Mills Limited

Registered Office: House # 34, Road # 136, Gulshan-1, Dhaka-1212, Bangladesh

LAST DATE OF ACCEPTANCE AND APPLICATION: FEBRUARY 19, 2012

FORM OF ACCEPTANCE AND APPLICATION FOR SHARES

The Managing Director
Saiham Textile Mills Limited.
House # 34, Road # 136, Gulshan-1,
Dhaka-1212, Bangladesh.

Dated:/...../2012

Dear Sir,

I/We apply for allotment of ordinary shares indicated below in response to your letter of Rights Offer and subject to the Memorandum and Articles of Association of the Company. I/We hereby agree to accept the shares as may be allotted to me/us on the terms laid down in the letter of offer and enclose the necessary remittance @ Tk. 25.00 per share (including a premium of Tk. 15.00 per share) in cash or by Draft/Pay order/Cheque no dated drawn on Bank..... Branch.

Folio/BO Account No.	No. of Shares held at the close of business on January 17, 2012	No. of Shares offered	No. of Shares Accepted	Total Amount Paid

Yours faithfully,

1. Name (in block letters).....Signature.....
Address:.....

2. Name (in block letters).....Signature
Address:.....

BO Account No.

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As per provision of the Depository Act, 1999 and regulations made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Note: Signature must be the same as was furnished to the Company earlier.

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk..... (Taka) only from Mr./Mrs Folio/BO Account No for..... no.(s) of rights shares of Saiham Textile Mills Limited in Cash/Pay order/Draft/Cheque No..... date..... of Bank.....Branch.

Application Sl. No (Bank's Seal)

Signature of Receiving Officer
Date:

ENTITY CREDIT RATING REPORT ON

SAIHAM TEXTILE MILLS LIMITED

17th January, 2011

**RATINGS (17TH JANUARY 2011)
SAIHAM TEXTILE MILLS LIMITED
(STML)**

RATING	INITIAL
LONG TERM	A (Single A)
SHORT TERM	ST-3 (ST Three)

FINANCIAL DATA

TK (mln)

	June-10	June-09
Total Assets	535.16	455.67
Equity	263.23	254.18
Net Turnover	384.69	299.74
Net Income	22.22	13.16
EBITDA	69.47	61.39
ROE %	8.59	5.08
Interest Coverage (X)	2.62	2.31
Net Debt/ (Net Debt + Equity) %	35.33	36.23

ANALYSTS

Sarmin Sultana
+0088-02-9359878
ncr.sarmin@gmail.com

Gazi Md. Fazlur Karim
+0088-02-9359878
ncr.karim@gmail.com

Strong capacity for timely servicing of financial obligations offering adequate safety. Such institutions carry low credit risk.

RATING RATIONALE

The above rating reflects STML's satisfactory track record, rich experience of the promoters, experienced management team, efficient production process, sound financial profile characterized by healthy operating cash flow, good PAT and low leverage. The ratings are however constrained by relatively moderate size of operations and long working capital cycle resulting in moderate short term coverage.

ASSESSMENT

- The business performance of Saiham Textile Mills Ltd has improved in FY2009-10, as the actual production has increased by 23.33%. In spite of a sales growth of 28.34% in FY2009-10 relative to FY2008-09, the gross margin remained steady at 19.17% just because of increase of the cost of production by 80.83%. The sales mix of STML is dominated by local sales of yarn (Cotton: 31.20% and Polyester Staple Fiber: 41.67%) which constitute 72.87% of the total sales and the rest 27.13% is exported (Polyester Staple Fiber). However, the company maintained healthy operating margins and bottom-line profitability in FY2009-10.
- Going forward, STML intends to persist with its current strategy of focusing deemed export rather than direct sells to the foreign market. The company envisages for expansion to set up 100% export oriented Mélange Spinning mills with most modern machineries and latest technologies. The budgeted capital expenditure of TK.1500 million is to be financed by issuing 1:1.5 right shares at 300% premium.
- The company primarily depends on short term borrowings to manage the working capital requirements and maintain the inventory level. For longer realization of local and export sales results in an ineffective CCE (Cash Conversion Efficiency). The Cash Cycle improves a little in FY2009-10 relative to the previous financial year though it's still longer.
- The gross revenue of the company improves over the periods where as EBITDA does not increase in accordance with the growth of revenue. Albeit the net cash flow from operation is positive but it has declined by 56.05% in the FY2009-10 relative to the FY2008-09. The impact of deterioration of cash position during 2009-10 induces the longer total debt payback period. The short term coverage of STML is not satisfactory due to indicative short term coverage ratio of 0.85 times during FY2009-10. The overall coverage position of the company however found healthy, even it shows increasing trend over the periods.
- STML is an equity based company. The company enjoys financial flexibility to meet financial requirements during stress situation by utilizing funds from reserve revenue. Any material increase in leveraging would impact the financial profile of the company, which would have negative rating implication.

PROFILE

- Saiham Textile Mills Limited (STML) commencing its commercial operations in March 27, 1981, is a part of the Saiham Group (SG) which includes other manufacturing units namely Saiham Cotton Mills Ltd, Faisal Spinning Mills Ltd. and Saiham Knit composite Ltd. The shareholding pattern of the company is found diversified. The majority (47.40%) of the shares is held by general public and second largest slice (35%) owned by the sponsors. All the directors (sponsors) and chairman are also directors and chairman of other sister concern of Saiham Group. STML is a modern composite Textile Mills located at Noyapara, Saiham Nagar, Hobigong having installed capacity of around 30000 spindles. The product line of the company are 30/1, 41/1, 74/1, 82/1 counts cotton, 45/1, 30/1 counts polyester staple fiber (PSF) and 45/1 counts mixed of Polyester (65% Polyester & Cotton 35%). STML offers its products to both domestic and export market.
- The company's BoD comprises of 7 members including one independent director. Each of them holds a position in other companies of the Saiham Group. The management is accountable to the BoD. The management team is headed by the Managing Director, Mr. S.M. Faisal who has 30 years of experience in textile sector. STML maintains good business practices through transparency in corporate financial reporting and take steps for improvement of standards, controls and accountabilities as suggested by the BoD.

DISCLAIMER

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1. RATINGS

- Strong Capacity

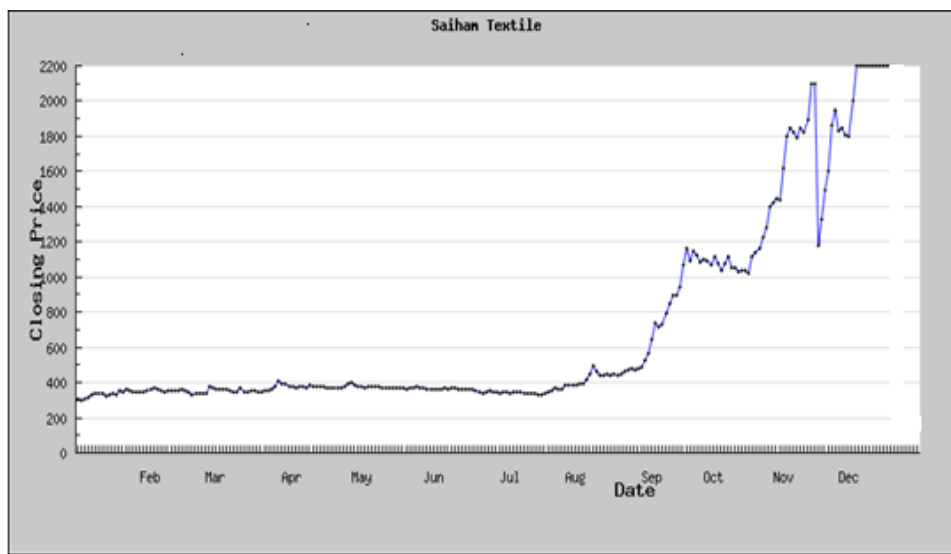
RATING	INITIAL
LONG TERM	A (Single A)
SHORT TERM	ST-3 (ST Three)

*Strong capacity for timely servicing of financial obligations offering **adequate safety**. Such institutions carry **low credit risk**.*

2. PROFILE

- STML is a sister concern of Saiham Group
- The majority of its earnings emanating from local sales
- Going for expansion

2.1 Saiham Textile Mills Limited (hereinafter referred as ‘STML’ or The Company) commencing commercial operations in March 27, 1981 with new Japanese machineries having capacity of 7 million yards of finished fabrics per year. In addition, a modern Yarn Spinning Unit was added to the Textile Unit with brand new Japanese machinery in 1992. STML was listed with the Dhaka Stock Exchange Limited in August, 1988. STML paid dividends to its shareholders every year. The following graph reveals the trading history of STML’s stock over a period of last twelve months.



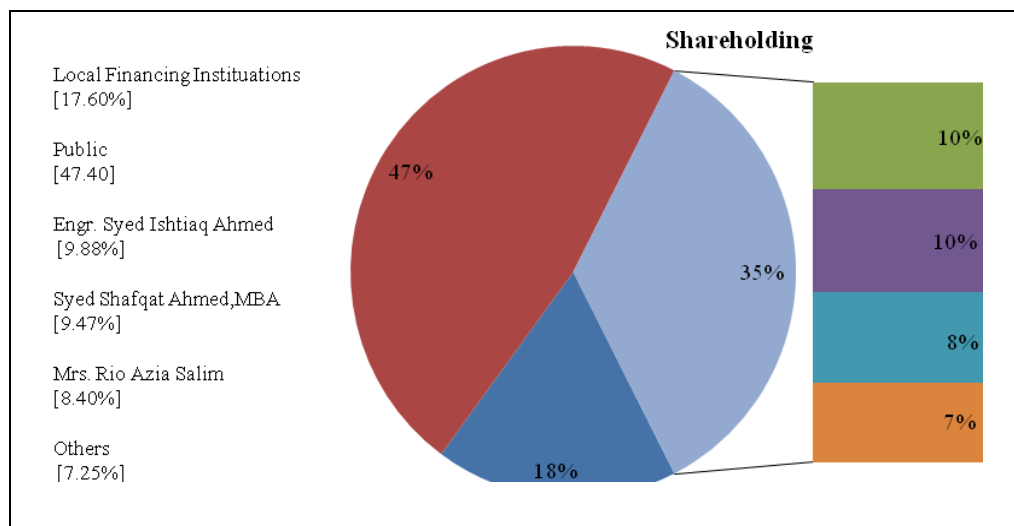
2.2 STML is a modern composite Textile Mills located at Noyapara, Saiham Nagar, Hobigong having installed capacity of around 30000 spindles. The plant is built on 5.42 acres of land, of which 2.29 acres are committed towards commercial and manufacturing activities. The product line of the company are 30/1, 41/1, 74/1, 82/1 counts cotton, 45/1, 30/1 counts polyester staple fiber (PSF) and 45/1 counts mixed of Polyester (65% Polyester & Cotton 35%). STML offers its products to both domestic and export market.

2.3 STML mainly involves in the manufacturing and selling of various counts of yarn. The majority of its earnings emanating from local sales (FY2009-10: 72.87%, FY2008-09: 72.66%). Local and Export sale are routed via a centralized marketing department. STML does not export its products to the foreign market directly rather it sells to the export oriented garments factories in Bangladesh against Back to Back L/Cs all treated as “deemed exporter”. STML envisages for expansion of the existing unit by setting up new 100% export oriented Mélange Spinning mills with most modern machinery and latest technologies. Currently, the company is employing more than 1,000 people.

3.0 OWNERSHIP

- Diversified shareholding pattern

3.1 The shareholding pattern of the company is found diversified. The majority (47.40%) of the shares is hold by general public and second largest slice (35%) owned by the sponsors. As on June 30, 2010, the latest shareholding pattern of the company is illustrated below:



The second largest slice of shareholding is owned by seven directors of the STML. All the directors and chairman are also directors and chairman of other sister concern of Saiham Group.

4.0 GROUP PROFILE

- Diversified line of business

4.1 Saiham Group has diversified the line of business through three Spinning Mills and one 100% export oriented Knit Composite Mills. But its core products are cotton yarn, polyester yarn & knit dying fabrics. At Present almost 3000 employees are working fulltime in various mills of the group. All factories of Saiham Group are located in Noyapara under Habiganj district of Bangladesh with daily capacity of 10 tons. Saiham Group consists of the following companies:

No.	Name	Description
1	Saiham Textile Mills Ltd.	Established in 1981 and 1982 Saiham Textile Mills Ltd commencing business operation with new Japanese machineries with production capacity of 7 million yards per year. The company produces cotton and polyester yarns for domestic and export market. Later, 15000 spindles were added as a modern Yarn Spinning Unit in 1992. The present spindles capacity is around 30000 spindles.
2	Saiham Cotton Mills Ltd.	Saiham Cotton Mills Ltd concentrates to produce only cotton yarns for the export oriented knitting industry of Bangladesh. The company was established in 2004 with 30,000 spindles with new European machinery and with a capacity of 5000 MT Combed and carded Yarn.
3	Faisal Spinning Mills Ltd.	100% export oriented 30960 spindles spinning unit producing various kinds of cotton yarn, established in 2008, with state of art machineries from Europe and with an annual Capacity of 6000 MT cotton Yarn.
4	Saiham Knit composite Ltd.	Saiham Knit composite Ltd established in February, 2009. It's 100% composite knitting dying and garments unit with an annual capacity to produce 3,500 MT of dyed fabric and almost 1 million dozens of finished garments per annum. The project is already in trail production.

5.0 GOVERNANCE 5.1 The company’s BoD comprises of 7 members including one independent director. Each of them holds a position in other companies of the Saiham Group. The BoD, with diversified background and expertise, is a key source of guidance to the management. The board is responsible for policy formulation and overseeing the management reports on periodic basis. For compliance of regulatory requirements, the board has formed a three-member audit committee, which is headed by Mr. Syed Shafqat Ahmed, Director of STML.

5.2 Brief profile of board members is given below:

No.	Name	Key Experience	Relationships among BOD	Committees
1	Mr. S.F.A.M Shahjahan [BA, DU]	Chairman - Saiham Textile Mills Ltd. Highway Inn Ltd. Director - Saiham Cotton Mills Ltd. Saiham Knit Composite Ltd.	Son of Late Syed Sayeed Uddin Ahmed	-
2	Mr. S.M. Faisal [MA, LLB -DU]	Managing Director - Saiham Textile Mills Ltd. Chairman - Saiham Cotton Mills Ltd. Faisal Spinning Mills Ltd. Saiham Knit Composite Ltd.	Son of Late Syed Sayeed Uddin Ahmed	-
3	Engr. Syed Ishtiaq Ahmed [MBA]	Director - Saiham Textile Mills Ltd. Saiham Knit Composite Ltd. Managing Director - Saiham Cotton Mills Ltd. Faisal Spinning Mills Ltd.	Son of Mr. S.M. Faisal	-
4	Mr. Syed Shafqat Ahmed, [MBA]	Director - Saiham Textile Mills Ltd. Saiham Cotton Mills Ltd. Faisal Spinning Mills Ltd. Managing Director -Saiham Knit Composite Ltd.	Son of Mr. S.M. Faisal	Chairman - Audit Committee
5	Mrs. Yasmin Faisal [MA]	Director - Saiham Textile Mills Ltd. Faisal Spinning Mills Ltd.	Wife of Mr. S.M. Faisal	-
6	Mrs. Rio Azia Salim [BSS, Masters -DU]	Director - Saiham Textile Mills Ltd. Saiham Knit Composite Ltd.	N/A	Audit Committee
7	Mr. Mostafa Moin	Independent Director - Saiham Textile Mills Ltd.	N/A	Audit Committee

5.3 There are four committees at the board level, namely the Performance Review Committee, Quality Compliance Committee, Audit Committee and Finance committee. Each committee is headed by a board member and consists of other board members.

Committee	No of Members	Frequency of meetings	Function
Performance Review Committee	4	Monthly	To review the monthly performance against present targets for each individual company division

Finance committee.	3	Fortnightly	The committee is responsible for reviewing and providing guidance for the organization's financial matters. The Finance Committee reviews all financial statements and reports on financial activity to the full board.
Quality Compliance Committee	3	Need based	To address quality control concerns and review quality audit findings.
Audit Committee	3	Quarterly	The committee performs supervision of all matters related to audit and finalization of the company's financial statements.

5.4 The management is accountable to the Board. STML maintains good business practices through transparency in corporate financial reporting and take steps for improvement of standards, controls and accountabilities as suggested by the BoD.

6.0 MANAGEMENT

▪ Experience management team

6.1 The management team has organized with a good blend of youth and experience. The management team is headed by the Managing Director, Mr. S.M. Faisal who has 30 years of experience in textile sector. The organizational structure of the company is divided into seven functional departments, namely: (1) Plant management & production (2) Marketing & Sales (3) Accounts & Finance (4) Import (5) Purchase & Procurement (6) Quality and Assurance and (7) Human Resource. Finance and marketing departments are directly supervised by Mr. Syed Ishtiaq Ahmed (Director). The heads of the other departments report directly to the Managing Director.

N0	Name of Department	Head of Department	Qualifications	Experience
1	Plant management & production	Md. Shafiqur Rahman	B.Sc Engineer (Textile)	25-year
2	Marketing & Sales	Md. Monirul Islam	Mechanical Engineer	8-year
3	Accounts & Finance	Abu Bakar Siddique	C.A (Inter & group-II)	25-year
4	Import department	Syed Abdul Gafur	B.Com(Cost Mgt. part-I)	24-year
5	Purchase & Procurement	Md. Atiar Rahman	M.sc (DU)	14-year
6	Quality and Assurance	Md. Ariful Islam	Diploma in Textile	10-year
7	Human Resource	Syed Rakibul Hasan	M.Com (DU)	22-year

6.2 The heads of departments have the capability to promote and run the business smoothly. STML offers attractive compensation packages to its employees including gratuity, attendance bonus and efficiency bonus etc. Total number of officers and staffs in the company stood at 109 as on June 30, 2010.

7.0 SYSTEMS & CONTROL

7.1 STML utilizes a “Set Account” application to provide a seamless integration of information flowing through the various functions of the business. The customized system is currently supporting the procurement, account and inventory management system. This

- Uses “Set Account” application software is equipped with on-spot report generation capabilities, facilitating STML in real time end-to-end process monitoring. The company keeps inducting latest technology in all its manufacturing processes to ensure quality and cost effectiveness. In-addition, real time, efficient and accurate control and monitoring system are present throughout the plants.
 - On-spot report generation capabilities **7.2** The company has a well-trained quality control department, responsible for ensuring the quality of all products of the company that meets the most stringent international standards. Extensive testing and quality audit procedures are established throughout the production process. Each bale of cotton is tested in the Fiber Testing Laboratory before being consumed in the spinning process. Furthermore, all yarn is tested for specific physical characteristics in the Yarn Testing Laboratory. STML uses lean manufacturing methods, statistical process control and statistical quality control in their factory production line to maintain the quality. Throughout the manufacturing process, the quality and assurance division ensures compliance with STML’s quality standards that allow the company to retain its market niche.
- 7.3** The company meets its energy requirements through their own captive generator by two gas generators. REB powers are also available as stand by.

8.0 BUSINESS RISK

- STML holds 0.45% market share **8.1** The spinning sector is a robust sub sector of textile industry in Bangladesh. The overall production capacity of spinning mills is 1340 million Kg or 6.988 million spindle as on December 31, 2007 in which private sector contributes 97% and rest of 3% comes from public sector. The textile sector showed growth rate of 25.3% in the FY2005-06. With the given growth (over 25%) the industry would need about 1.52b kg of yarns and 9.17b meter of fabrics by 2010 for both domestic and export market. In order to meet this demand, Bangladesh textile industry would require additional 200 spinning mills of about 25,000 spindle producing capacities each, 217 Weaving Units, 216 Knitting Units and 175 Fabric Processing units. In addition, as we know Primary Textile Sector (PTS) meets 90% domestic demand of yarn and fabrics. The spinning sector in Bangladesh uses high quality and comparatively cheaper Uzbek cotton, mostly Strict Middling and Good Middling grade and 1-1/8” and longer staple as major raw materials. This unit does not export its production in the foreign market directly rather it targets local garments industry. The major players of our spinning sector include Malek Spinning Mills Ltd, Square Textile Mills Ltd, Prime Textile, Delta spinners Ltd, Badsha Spinning Mills and Matin Spinning Mills Ltd etc.
- Diversified and strong customer base
- Increased business performance

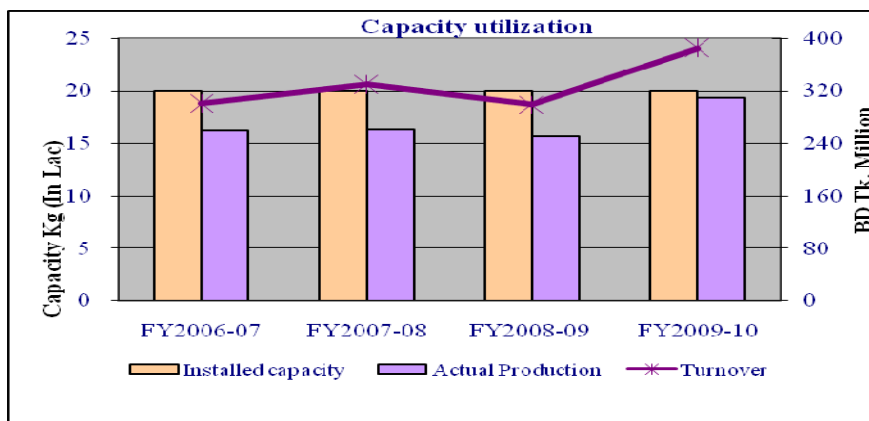
8.2 The textile industry is playing an important role in the economy of Bangladesh. The textile exports have remarkable contribution to the GDP. Around 77% export earnings come from this sector. The achievement has been possible due to fiscal incentives offered by the govt. allowing the import of textile machinery at zero duty/tax and other incentives. Moreover, there are three synergic factors such as resources, opportunities & policy decision and intrinsic factors that triggered the textile sector in Bangladesh. The resources include abundant labour forces, low cost energy and natural gas. In Bangladesh the labour cost is only 23 cents/hr whereas, in India, Pakistan and China the labour cost is 43, 41 and 89 cents/hr, respectively. Even that, gas burned energy cost in Bangladesh is less than two cents/KWH compared to India, Pakistan and China.

Bangladesh has a tremendous opportunity to access to European market through GSP (Generalized System of Preference) agreements for its Ready Made Garments (RMG) and also has uncomplicated access in the U.S. market. Bangladeshi entrepreneurs successfully take this opportunity to the fullest extent to expand and secure their markets. During the FY 2010-11, the Government has offered TK 8.50 billion cash incentives to exporters also provides support such fiscal benefits, financial benefits and institutional support to help them maintain their competitive edge in the global market.

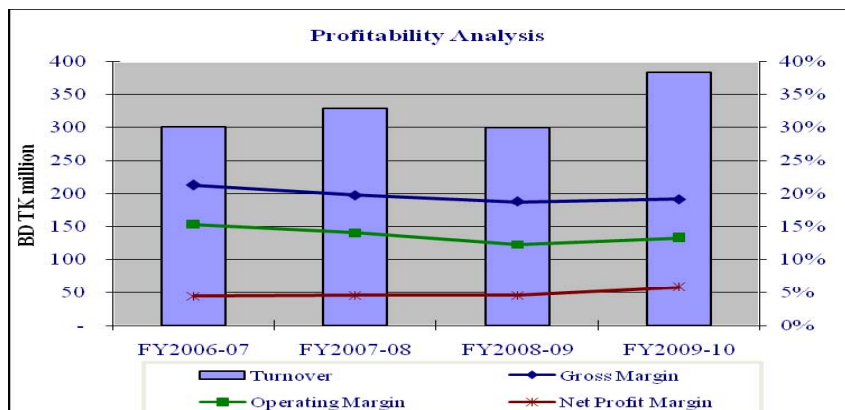
8.3 The company is equipped with machinery and technologies from Germany, Switzerland, and Japan, the top suppliers in the international market. STML maintains quality for their products by using standardized machineries. In quality control of the products the company

uses High Volume (HBI Repel), Advance Fiber Information System (AFIS) and Uster Tester machine which translate less than 1% error. The average yearly wastage is about 7% - 8% which is re-sellable and re-course able. At present SMTL have more than 1000 employees having male to Female ratio of 80:20. The factory operated for 24 hours under three shifting. The company has also storage capacity of 8,000 bales for maintaining raw inventory for four months in advance but there is no need for storage of finished goods. STML holds 0.45% market share in terms of production capacity of the spinning sector.

8.4 The business performance of Saiham Textile Mills Ltd has improved in FY2009-10. The company reports increase of actual production to 1.935 million kg in the FY2009-10 from 1.569 million kg in FY2008-09 registering a growth of 23.33%. This eventually translated into a significant growth of turnover by 28.34% in the FY2009-10. On the other hand, the ratio of operating cost to sales revenue decreased to 80.83% in FY2009-10 as against 81.24% in the FY2008-09 in spite of an increase of operating expenses by 16.38% in the FY2009-10. The unusual increase of operating expenses in FY2009-10 due to the increase of depreciation expenses by 110.55%.



During the FY2009-10, the overall sales mix of STML is dominated by local sales of yarn (Cotton: 31.20% and Polyester Staple Fibre: 41.67%) which constitute 72.87% of the total sales and the rest 27.13% is exported (Polyester Staple Fibre). Though STML have been faced with declining turnover in FY2008-09 as compared to FY2007-08, carried a healthy gross margin of 18.76% due to control over the operating cost. In spite of a sales growth of 28.34% in FY2009-10, the gross margin remained steady at 19.17%. However, the company maintained healthy operating margins during the last four years. The financial cost of STML remained more or less the same for over the years, the bottom-line profitability remained healthy in FY2009-10.



8.5 STML has a diversified and strong customer base. Maximum revenue are generated from local market sales at Narayangonj and the rest from sales to corporate customers such as S.B

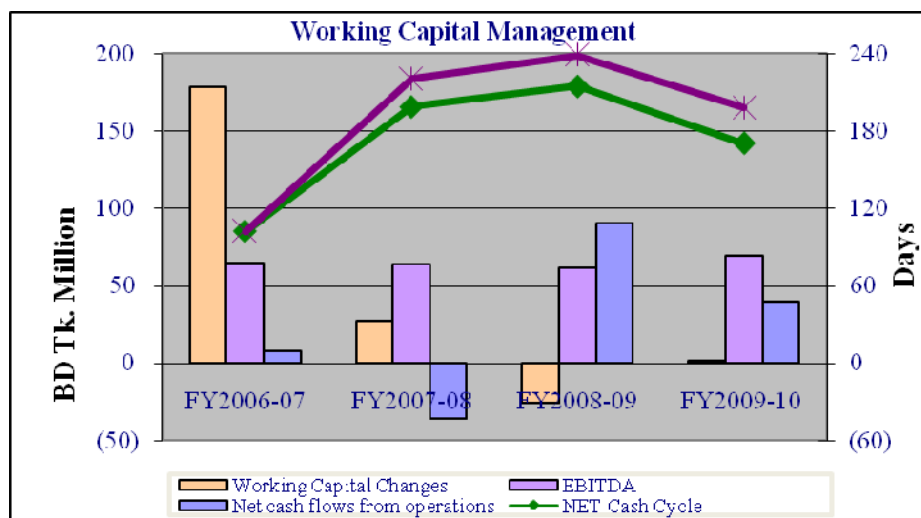
Knitting, Fakir Knit Wear, Unialliance Knit Wear, Zeanith Fashion and Rafiq knit Garments.

8.6 The leverage ratio and assets turnover shows that there is a scope for expansion of the project to enhance the profitability. STML identifies the opportunity and envisages for expansion of 25000 spindles capable of producing 12 M.T. daily. Proposed plant will add the new product Milance (Cotton + Vescorse) with the existing product line. The budgeted capital expenditure of TK.1500 million is to be financed by issuing 1:1.5 right shares at 300% premium. STML is going to set up 100% export oriented Melange Spinning mills with most modern machineries and latest technologies.

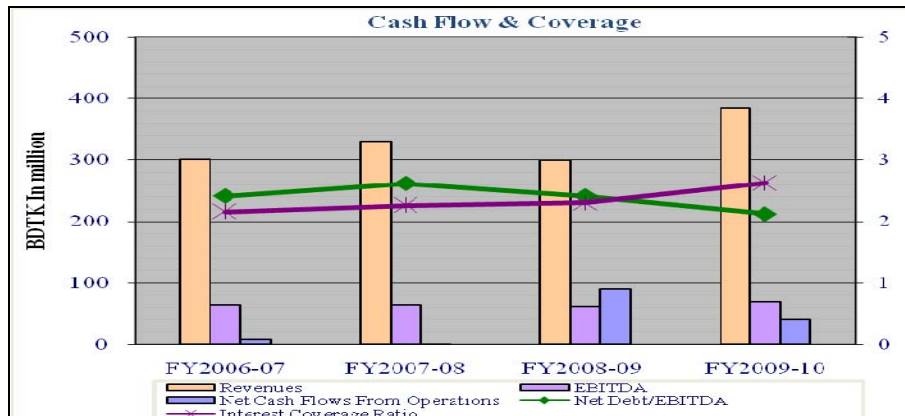
9.0 FINANCIAL RISK

- An equity based company
- Enjoys financial flexibility
- Healthy coverage position

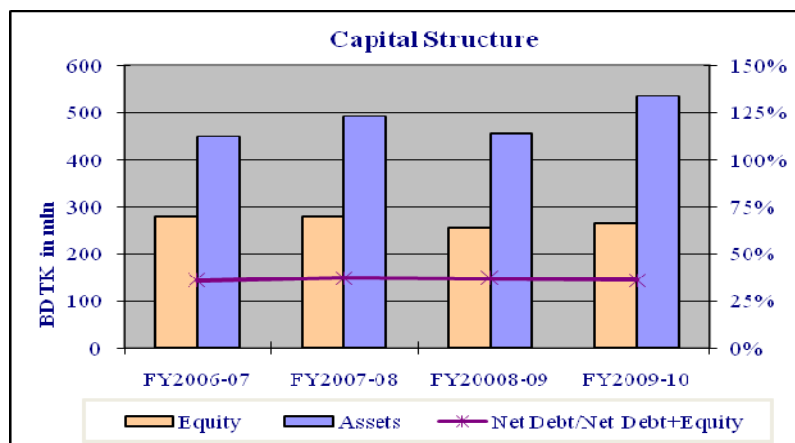
9.1 The company primarily depends on short term borrowings to meet the working capital requirements and maintain the inventory level. The company has written policy to handle the inventory management and credit control. The purchase of stock and spares are made by both cash & credit. The payment against credit purchases are settled within a month. The local sales are realized within a month and export proceeds are realized by 90 days to 180 days as per the L/C terms. For longer realization of local and export sales results in an ineffective CCE (Cash Conversion Efficiency). Moreover, longer average held of raw material (133.97 days: FY2009-10) and average trade receivables (51.19 days: FY2009-10) are the consequence of extended Cash Cycle (170.40 days: FY2009-10). The Cash Cycle improves a little in FY2009-10 relative to the previous financial year though it's still longer. However, the reported Cash Cycle remains within the industry range and STML enjoys positive cash flow from operations over the periods



9.2 The gross revenue of the company improves over the periods where as EBITDA does not increase in accordance with the growth of revenue. Albeit the net cash flow from operation is positive but it has declined by 56.05% in the FY2009-10 relative to the FY2008-09. During FY2009-10 the cash flow position eventually deteriorated. The impact of deterioration of cash position induces the longer total debt payback period. Although short term coverage of STML is not satisfactory due to indicative short term coverage ratio of 0.85 times during FY2009-10. The overall coverage position of the company found healthy, even that it shows increasing trend over the periods.



9.3 STML is an equity based company. The equity mix is composed of share capital (47.48%:FY2009-10), reserves (48.45%:FY2009-10) and retained earnings (4.07%:FY2009-10). The liabilities of the company are composed of lease finance, short term loan and overdraft. Ratio of Current Debt to Total Debt is 90.37%, which implies that short term debts constitute the major part of the debt obligations. During FY2009-10, the company gave emphasis on trade creditors rather than short term borrowings to manage the operating activities. Moreover, STML has made capital expenditure of TK. 26.38 million in the FY2009-10 and Tk. 50.03 million in the FY2008-09. The company enjoys financial flexibility to meet financial requirements during stress situation by utilizing funds from reserve revenue. Any further material leveraging might impact on the financial risk and that should also impact on the ratings.



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National Credit Ratings- Scales and Definition Long Term Credit Ratings (Corporate)	
Rating	Definition
AAA	Entities with this rating are considered to be of best quality, offering highest safety for timely servicing of financial obligations. Such institutions carry minimum risk . Changing economic conditions are unlikely to have any significant impact on this category of entities.
AA	Entities with this rating are considered to offer high safety for timely servicing of financial obligations. The credit risk inherent in these institutions differ only slightly from the highest rated institutions Such institutions carry very low risk .
A	Entities with this rating are considered to offer adequate safety for timely servicing of financial obligations. Such institutions carry low credit risk . However changes in circumstances or economic conditions may have a greater impact on this category of institutions than those rated in the higher categories.
BBB	Entities with this rating are considered to offer moderate safety for timely servicing of financial obligations. The rating category denotes a moderate credit risk. However changes in circumstances or economic conditions are more likely to affect the capacity for timely servicing of financial obligations than those rated in the higher categories.
BB	Entities with this rating are considered to offer inadequate safety for timely servicing of financial obligations. Such institutions carry high credit risk . The level of rating indicates an entity to be as Speculative Grade that remains more vulnerable to adverse economic changes over time.
B	Entities with this rating are considered to offer low safety for timely servicing of financial obligations. Such institutions carry very high credit risk . Institutions rated in this category are currently meeting obligations but capacity for continued timely payment is contingent upon a sustained, favorable business and economic environment.
C	Entities with this rating are considered to have a very high risk for timely servicing of financial obligations. Capacity for meeting financial obligations depends solely upon sustained, favorable business and economic environment
D	Entities with this rating are of lowest category. They are either in default or likely to be in default soon.

Short Term Credit Ratings- Corporate)	
Rating	Definition
ST-1 (Strong Capacity)	Indicates the strongest capacity for timely payment of financial commitments and carry lowest credit risk.
ST-2 (Satisfactory Capacity)	Indicates satisfactory capacity for timely payment of financial commitments and carry very low credit risk. However the margin of safety is not as great as in the case of the instruments with higher rating.
ST-3 (Moderate Capacity)	Indicates moderate capacity for timely payment of financial commitments and carry low credit risk. However such capacity is more susceptible to near- term adverse changes than for financial obligations in the higher rated categories.
ST-4 (Uncertain Capacity)	Indicates uncertain capacity for timely payment of financial commitments and carry high credit risk. Capacity for meeting obligations solely depends on a sustained, favorable business and economic conditions.
ST-5 (Default)	Indicates actual or inherent payment default .

Note: The suffix of +/(-) may be used with the assessment symbol to indicate the comparative position of the borrower within the group covered by the symbol.