RIGHTS SHARE OFFER DOCUMENT

January 11, 2012

Rights Offer of **139,141,230** Ordinary Shares of **Tk.10.00** each at an issue price of **Tk.20.00** each including a premium of **Tk.10.00** per share totaling **Tk.2,782,824,600** offered on the basis of 1 (one) rights share for 1 (One) existing share held on record date.

Record Date for Entitlement of Rights Offer
January 31, 2012

Subscription	**Opens on: February 19, 2012**
	Closes on: March 13, 2012
Within Banking Hours	

CREDIT RATING STATUS

	Rating Year	Long Term	Short Term
Entity Rating	2010	A	ST-3
Date of Rating	April 26, 2011		
Validity	April 26, 2012		
Rating Assigned By: Credit Rating Information and Services Limited (CRISL)			

MANAGER TO THE ISSUE

AAA CONSULTANTS & FINANCIAL ADVISERS LTD.
PARTNERSHIP OF TRUST

Amin Court(4th Floor), Suit # 403-405
31, Bir Uttam Shahid Ashfaquus Samad Road
(Previous 62-63, Motijheel C/A) Dhaka-1000
Phone: +88029559602, +88029567726, **Fax:** 880-2-9558330
Web-site: www.aaawebbd.com, **E-mail:** info@aaawebbd.com

FULLY UNDERWRITTEN BY

Union Capital Limited Noor Tower (5th floor), 1/F Free School Street 73, Sonargaon Road, Dhaka-1205	**Banco Finance & Investment Ltd.** Ispahani Building (3rd Floor) 14-15, Motijheel C/A, Dhaka-1000
FAS Capital Management Limited Suvastu Imam Square(4th floor) 65, Gulshan Avenue, Gulshan, Dhaka-1212	**Bangladesh Mutual Securities Ltd.** Shareef Mansion (6th Floor), 56-57, Motijheel C/A, Dhaka-1000
AAA Consultants & Financial Advisers Ltd. Amin Court, 4th Floor (Suit#403-405) 62-63 Motijheel C/A, Dhaka-1000	**Alpha Capital Management Ltd.** National Scout Bhaban (5th Floor) 70/1, Inner Circular Road, Dhaka-1000

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com
Web site: www.rnspinningmills.com

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.

TABLE OF CONTENTS

DEFINITION AND ELABORATION OF THE ABBREVIATED WORDS AND TECHNICAL TERMS USED IN THE RIGHTS SHARE OFFER DOCUMENT

AAA	:	AAA Consultants & Financial Advisers Ltd.
Allotment	:	Allotment of Share
BB	:	Bangladesh Bank
Commission	:	Securities and Exchange Commission
Companies Act	:	Companies Act, 1994 (Act. No. XVIII of 1994)
CSE	:	Chittagong Stock Exchange Limited
DSE	:	Dhaka Stock Exchange Limited
EPS	:	Earnings Per Share
EPZ	:	Export Processing Zone
Issue	:	Rights Issue
Issue Manager	:	AAA Consultants & Financial Advisers Ltd.
Issuer Company	:	R. N. Spinning Mills Limited
RNSML	:	R. N. Spinning Mills Limited
NAV	:	Net Assets Value
Offering Price	:	Price of the Securities of R. N. Spinning Mills Limited
Registered Office	:	Head Office of the Company
RI	:	Rights Issue
Rights Issue Rule	:	Securities and Exchange Commission (Rights Issue) Rules, 2006
RJSC	:	Registrar of Joint Stock Companies & Firms
SEC	:	Securities and Exchange Commission
Securities	:	Shares of R. N. Spinning Mills Limited
Securities Market	:	The Share Market of Bangladesh
Sponsor	:	The Sponsor Shareholders of R. N. Spinning Mills Limited
Stockholder	:	Shareholder
Subscription	:	Application Money

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com, **Web site:** www.rnspinningmills.com

RIGHTS ISSUE OF SHARES

January 31, 2012

Dear Shareholder(s)

We are pleased to inform that the shareholders of the Company in the **9th Extra Ordinary General Meeting** held on **April 21, 2011** approved to issue **139,141,230** Ordinary Share of **Tk. 10.00** each at an issue price of **Tk. 20.00** each including a premium of **Tk. 10.00** totaling **Tk. 2,782,824,600** offered on the basis of 1(one) new shares for 1(one) existing share through Rights Issue. The purpose of Rights Issue is expansion of the project by addition of Plant & Machinery, Generator & AC Plant, Factory Re-structuring, IT Development, Head Office Floor purchase and Working Capital of the company.

Due to satisfactory operation, the Company has Net Profit of **Tk. 754,122,642** for the period ended on **September 30, 2011**. This success has been achieved due to strong support from our customers and efficient direction of the Board of Directors as well as patronization and active participation of all our valued shareholders.

To maintain further growth and increase the capital base of your 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 of the Securities and Exchange Commission is enclosed herewith for your kind information and evaluation.

On behalf of the Board of Directors

Sd/-

Md. Abdul Kader Faruk
Managing Director

THE RIGHTS OFFER

The Company

R.N. Spinning Mills Limited is one of the pioneers spinning mill in Bangladesh. The Company was incorporated on November 04, 2004 as a private company limited by shares and converted into a Public Limited Company on February 20, 2007 and started commercial operation on July 05, 2007. In the year 2009 the company went to the Capital market by issuing 3,000,000 ordinary shares of Tk. 100.00 each at par totaling Tk. 300,000,000. The company was primarily engaged in production of 100% synthetic/acrylic yarn. The company sees as a means to the well-being of the shareholders and all other stockholders, society as well as the national interest as a whole. Its mission is to provide world class quality products to the valued customers, strictly maintain ethical standard in business.

The Rights Issue

The Board of Directors of the Company in its Board Meeting held on March 20, 2011 recommended to raise paid up capital through issuance of Rights share of 139,141,230 Ordinary Shares of Tk. 10.00 each at an issue price at Tk. 20.00 each including a premium of Tk. 10.00 per share at a ratio of 1:1{1(one) rights share for every 1(one) existing share held on record date as on **January 31, 2012**.

Issue Price

In the 9th Extra Ordinary General Meeting (EGM) of the Company held on April 21, 2011 honorable shareholders approved Rights Offer of 139,141,230 Ordinary Shares of Tk. 10.00 each at an issue price of Tk. 20.00 each including premium of Tk. 10.00 per share totaling Tk. 2,782,824,600 offered on the basis of 1(one) right shares for every 1(one) existing share held on record date as on **January 31, 2012**.

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

The Company operates in a field involving some internal /external risk factors and among those some are avertable; others are beyond control, which may be causes of loss. The management of **R. N. Spinning Mills Limited** perceives the risk factors which are as follows simultaneously:

Industry Risk:

Textile industry is a highly competitive industry but the largest industrial sub-sector in Bangladesh. Its contributes is the highest in the country's total export earnings, gives employment to over four million people and contributes around 50% of the industrial value addition. The company faces a number of aggressive competitors within the country as well as after phasing out of the Multi Fiber Agreement (MFA). The global textile trade is now free from quota restriction. So the textile industry of Bangladesh is now facing competition from China only which is very strong in production of textile goods.

Management Perception

The company has successfully entered in to the market by offering better quality products at competitive terms as well as the textile industry of Bangladesh has also successfully coped with the post Multi Fiber Agreement (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 Acrylic yarn producing that facilitates for better existence.

Interest Rate Risks:

Interest/financial charges are paid against any kind of borrowed fund. Volatility in money market and increased demand for loan presses interest rate structure to be fixed at high. Raising of interest rate increases the cost of fund for a company, which has borrowed fund, and consequently profit is squeezed.

Management Perception

The management of the Company is always aware of interest rate, which is connected to the cost of fund of the Company. The Management prefers procuring the long-term fund with minimum fixed interest rate and the short-term fund with reasonable competitive rate. On the other hand management of the Company is emphasizing on equity based financing.

Exchange Rate Risk:

If exchange rate is increased against local currency opportunity is created for getting more revenue against sale in local currency. On the other hand if exchange rate goes down margin is squeezed in local currency.

Management Perception

The products of the company are sold against foreign currency and payments for raw materials are also made in foreign currency. The exchange rate of the country traditionally witnessed upward trends, which makes ample opportunity of export. It notes that in case of R.N. Spinning Mills Limited earnings is made only by export in the currency of US Dollars and payment is also made from earnings US dollars. As the Company is 100% export oriented and in future it will be the same, volatility of exchange rate will have no impact on profitability of the Company and exchange rate risk factor minimize to foreign business transaction.

Market and Technology related Risk:

(i) Market Risk:

R.N. Spinning Mills Limited produces Acrylic yarn and sells it to 100% export oriented dyeing factories using it as raw materials of 100% export oriented sweater factory. At present country's 80% of total demand is imported from different countries especially from China.

M.L. Dyeing, is a forward linkage company of R.N. Spinning and the highest procurer of their product. But greater market demand indicates that R.N. Spinning Mills Limited is not dependent to sell their products on M.L. Dyeing Ltd.

Moreover, to satisfy the portion of increased local demand, R.N. Spinning has 30,608 spindles of spinning machinery. Actually R.N. Spinning Mills covers-up 10% to local demand. It means that to consider national demand of Acrylic Yarn, R.N. contributes 10% of market volume. Thus, there is no risk of marketing within the company.

(ii) Technology related Risk:

Technology always plays a vital role for existence of any industrial concern. Innovation of new and cost effective technology may obsolescence existent technology, which may cause negative impact.

The project is equipped with world's modern and latest machineries and technology and to cope with the pace in harmony with modern textile world, the Company is continuing modernization program of its machinery.

Changes in Economic & Political Condition:

Changing economic conditions may affect the demand for the product offered by the company. Downturn of economic activity or uncertainty may result in a downturn in demand for loan funds for industry.

Management Perception

Social unrest due to political reasons may cause downturn the economic activity which will have impact on demands of textile. But as elected Government is in place, we can expect that political rivalry within democratic environment will not affect the manufacture sector.

Potential Changes in Global and National Policies:

The performance of the company may be affected by the political and economical instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

Management Perception

The company can prosper in a situation of political stability and a congenial business environment. Political turmoil and disturbance are bad for the economy and so also for this sector. This is why WTO and Asian Development Bank emphasize development of textile sector in chalking out their respective policies. The Company is always aware of all types of turmoil and even though if the smooth supply of raw material (TOW) is hampered or faces any kind of disruptions it will produce it in future and try to keep the production smooth.

Energy costs may rise:

Due to the adverse power situation in the country, production may be hampered and wastage might rise.

Management Perception

The Company itself sufficient in generating power by its own generators. However, in case of gas shortfall and subsequent rationing if any, then the productivity will be reduced. In that scenario, the overall sector will be affected.

History of non-operation, if any:

Is there any history of non operation of R.N. Spinning Mills Limited?

Management Perception

R.N. Spinning Mills Limited was incorporated on November 04, 2004 and started commercial operation on July 05, 2007 successfully. The company also listed with the stock exchanges and it has no operation failure history yet. Chance of non-operative in future is minimum.

Operational risks:

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

Management Perception

The compensation as well the benefit package will restrain the employees to leave their assignment and go for any employee movement for higher benefit packages. The project of the Company is situated at a high land where less amount of flood is recorded. 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.

DATE OF OPENING AND CLOSING OF SUBSCRIPTION LISTS

Subscription opens for the rights shares offer on **February 19, 2012** and subscription closes for the rights share offer on **March 13, 2012.**

UTILIZATION OF PREVIOUS IPO FUND

R.N. Spinning Mills Limited went for Public Issue in the year 2009 by issuing 3,000,000 Ordinary Shares of Tk.100.00 each totaling Tk. 300,000,000.00 with the objective to loan payment and business expansion of the company. The Company has utilized the entire fund to paid loan amount of Social Islami Bank Limited & The City Bank Limited. Which has already been reflected in the audited accounts of 2010 the subsequent year of public issue.

Particulars	Utilization Date/Period	Amount in Taka
Bank Loan Repayment	February 08, 2010	248,500,000
Business Expansion	08.02.2010 to 31.03.2010 01.04.2010 to 30.06.2010 01.07.2010 to 30.09.2010	28,256,000 13,700,600 9,543,400
Total Utilization		**3,000,001,000**

Sd/-
Md. Humayun Kabir, ACMA
Director (Finance) & Company Secretary

Sd/-
Md. Abdul Kader Faruk
Managing Director

5 (Five) Years Information Regarding AGM Held and Dividend Declared by the Company

Accounting year	Date of AGM held & Dividend declared	Declared Dividend	
		Rate (%)	Total Amount Taka
2006	Nil	Cash- Nil	-
		Stock-Nil	-
2007	Nil	Cash- Nil	-
		Stock-Nil	-
2008	Nil	Cash- Nil	-
		Stock-Nil	-
2009	20 June, 2010	Cash- Nil	-
		Stock-10%	TK. 97,301,560
2010	21 April, 2011	Cash- Nil	-
		Stock-30%	Tk. 321,095,140

Sd/-
Md. Humayun Kabir, ACMA
Director (Finance) & Company Secretary

Sd/-
Md. Abdul Kader Faruk
Managing Director

HIGHLIGHTS OF THE COMPANY

i. The Company was incorporated on **November 04, 2004** as a Private Limited Company by shares and converted into public limited on **February 20, 2007**.

ii. The Company started commercial operation on **July 05, 2007** and already completed 04(four) years of successful operation

iii. The company went to IPO in **2009** by issuing **3,000,000** ordinary shares **Tk. 100** each at par totaling Tk. **300,000,000**.

iv. The Company was listed with the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in **February 09, 2010**.

v. The authorized capital of the Company is **Tk. 3,500** million

vi. In the **9th Extra Ordinary General Meeting** of the Company held on **April 21, 2011** honorable shareholders approved Rights Offer of **139,141,230** Ordinary Shares of **Tk. 10.00** each at an issue price of **Tk. 20.00** each including a premium of **Tk. 10.00** per share totaling **Tk. 2,782,824,600** offered on the basis of 1 (one) rights share for every 1 (one) share held on record date.

vii. Total Equity structure of the Company as on **September 30, 2011** is shown below:

Sources of Fund	30-Sep-2011 (Tk.)
Ordinary Shares	1,391,412,300
Retaining Earning Balance	1,086,160,159
Total Shareholders' Equity	**2,477,572,459**
Number of Shares of Tk. 10.00 each Outstanding	**139,141,230**
Equity Based Value Per Share / NAV Per Share	**17.81**

FINANCIAL HIGHLIGHTS OF THE PREVIOUS YEARS

Amount in BDT

Particulars	30.09.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Paid-up Capital	1,391,412,300	1,070,317,160	973,015,600	673,015,600	236,665,600	236,665,600
Total Equity	2,477,572,459	1,723,449,817	1,184,164,984	763,975,796	245,165,233	236,665,600
Profit after Tax	754,122,642	578,572,263	139,832,903	82,460,563	8,499,632	-
Number of Shares	139,141,230	107,031,716	9,730,156	6,730,156	2,366,656	2,366,656
Face Value	10.00	10.00	100.00	100.00	100.00	100.00
NAV Per Share	17.81	16.10	121.70	114.00	100.00	100.00
EPS	*5.42	*5.04	*1.78	*1.93	*0.35	-
Dividend	-	Stock: 30%	Stock: 10%	Stock: Nil	Stock: Nil	Stock: Nil
Cash flow from Operating activities	140,237,842	415,528,306	126,245,475	(224,060,527)	(67,769,899)	(1,007,593,256)

*Share Value Considering Tk. 10.00 per Share

MARKET PRICE PER SHARE OF THE COMPANY FOR LAST 6 (SIX) MONTHS

Date	Market Performance	
	Face Value (Tk.)	Price (Tk.)
Market Price per Share as on 30 November, 2011	10.00	72.60
Market Price per Share as on 31 October, 2011	10.00	69.70
Market Price per Share as on 29 September 2011	10.00	86.10
Market Price per Share as on 25 August, 2011	10.00	94.50
Market Price per Share as on 31 July 2011	10.00	107.90
Market Price per Share as on 30 June 2011	10.00	78.40
Average Market Price Per Share	**10.00**	**84.86**

(Source: DSE monthly review)

PURPOSE OF THE RIGHTS ISSUE

Particulars	Amount in Crore
Plant & Machinery	170.00
Generator and AC Plant	20.00
Factory Re-Structuring- Civil Work	15.00
IT Development	3.80
AIT Payment	4.20
Head Office Floor Purchase	15.00
Working Capital	50.00
Total	**278.00**

Purpose of the Right Share issue is for project expansion, which describes as stated below:

Plant and Machinery: Tk. 170.00 crore

To import capital machinery letter of credit already opened before around 6 months through Bank Asia limited. All newly imported capital machinery country of origin is Switzerland and Germany. By the new capital machinery substantial amount of production will be increased with high quality cotton yarn, named COTTON SLUB (FENCY) YARN, which quality or grade of cotton slub (fancy) yarn are now 100% importing from other countries. Newly install capital machinery's production capacity will be standing 11,000 Kg per day (considering 24 working hour). Value addition of the products minimum 110%. Management thought that after reach to commercial production net earnings will be increased substantial amount and significant positive effect will come to yearly dividend and in sequence of that shareholder also will get the more benefit. Breakup of the capital machinery as stated below:

SL. NO.	Name of the Machine	Quantity	Unite price in Taka (in crore)	Total Value in Taka (in crore)	Country of origin
1	Chillar	Full Set	6.21	6.21	German
2	Blow Room with chute fitting	02 sets		49.94	Reiter/ German
3	Comber Machine	09 sets			
4	Draw Fram-SB-D-45	05 sets		12.39	Reiter/ German
5	Draw Fram-RSB-D-45	05 sets			Reiter/ German
6	Draw Fram-RSB-D-20	05 sets			Reiter/ German
7	Draw Fram-RSB-D-22	05 sets			Reiter/ German
8	Auto Cone X 5	12 sets	1.76	21.13	Switzerland
9	Uster HVI 1000	01set	4.6	4.60	Switzerland
10	Uster tester 5 s 400	05 sets	0.83	4.13	Switzerland
11	Ring Frame	28 sets		51.87	Reiter/ German
12	Ring Attachment (Slab / Core)	full set			German
13	Bus Bar Trucking	full option		6.19	German
14	Bus Bar Trucking	full option			German
15	Simples	10 sets		13.54	Reiter/ German
16	Heating Machine	02 sets			German
	Total Value in Taka			**170.00**	

In addition to above local expenses (clearing, carrying, loading, unloading and installation) will be made approx. Taka 3.00 crore, which will be provided from Company's own fund.

Generator and AC plant: Tk.20.00 crore

To install new capital machinery power generator and A/c plant will be required to un-interrupted power supply for production as well produce high quality costly FENCY SLUB YARN.

Factory re-structuring- Civil work: Tk.15.00 crore

New capital machinery will install in the existing factory shade and present factory shade has been made for Acrylic yarn machinery. To install the new capital machinery factory shade will be required to restructuring.

IT (information technology) Development: Tk.3.80 crore

To develop with most modern IT software with computerized account, inventory management as personal management as well connection between factory and Head office. So management thought that to compete with the present world market as well transparent information modern IT section will be required.

AIT payment: Tk.4.20 crore

To make the payment of 5% Tax on share premium value.

Working Capital: Tk.50.00 crore

Management always thought that if cost of fund reduces, earnings should be increased by avoiding bank interest. In that thinking working capital will not be taken from Bank and it will be generated from equities

Building Purchase for Head Office: Tk.15.00 crore

To purchase two or more floor for making head office because at present the company has no own head office building or floor.

Total Cost: Tk.278.00 Crore

Sd/-	Sd/-
Md. Humayun Kabir, ACMA	**Md. Abdul Kader Faruk**
Director (Finance) & Company Secretary	Managing Director

EXISTING PRODUCTS RENDERED BY THE COMPANY

R.N. Spinning Mills Limited is one of the leading companies in the carded acrylic / synthetic yearn market of Bangladesh. The company owns a large factory for manufacturing 100% export oriented synthetic/acrylic yarn from acrylic fiber and sales thereof.

Name of the existing products/services with capacity and capacity utilization for the last 3 years:

R. N. Spinning Mills Limited is involved in manufacturing and marketing of high quality 100% synthetic/acrylic yarn. The current product line of the company includes different color of synthetic/acrylic yarn.

2010	2009	2008
INSTALLED CAPACITY OF PRODUCTION		
30,608 Spindle	20,608 Spindle	20,608 Spindle
10,713 M.Ton	7,213 M.Ton	7,213 M.Ton
ACHIEVABLE CAPACITY IN M. TON		
10,177 M.Ton	6,418 M.Ton	6,418 M.Ton
UTILIZATION OF CAPACITY IN M. TON		
8,493 M.Ton	6,444 M.Ton	4,877 M.Ton
79%	89%	76%

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Educational Qualification	Occupation	Address	
					Present (Business)	Permanent
1	Al-Haj Mustafizur Rahman	Chairman	Graduation	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	32/6,Noyatola, Moghbazar Dhaka-1000.
2	Al-Haj Md. Abdul Kader Faruk	Managing Director	M. COM	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	22/A, Chamelibag, Motijheel, Dhaka-1000.
3	Abdul Quayum Mamun	Director	M B A	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	32/6,Noyatola, Moghbazar Dhaka-1000.
4	Mrs. Shirin Faruk	Director	M.A	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	22/A, Chamelibag, Motijheel, Dhaka-1000.
5	Kim Jong Suk	Director	B.SC	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	339-24, Shimgok 3 Dong, Wonmi Ku Bughun City, Kyung Ki Do, South Korea.
6	Abid Mostafizur Rahman	Director	M B A	Business	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	32/6,Noyatola, Moghbazar Dhaka-1000.

MANAGEMENT EXECUTIVES

Sl. No.	Name Of Executives	Address	Educational Qualification	Designation	Occupation	Place of Posting
1	Md. Abdul Kader Faruk	22/A, Chamelibag, Motijheel, Dhaka-1000.	M. Com	Managing Director	Service	Head office
2	MD. Humayun Kabir , ACMA	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	M. Com. ACMA	Director Finance & Company Secretary	Service	Head office
3	Mohammad Humayun Kabir	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	M. Sc	Director Marketing	Service	Head office
4	Jahada Khandaker	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	MBA, LLB	E.D (H.R & Administration)	Service	Head office
5	Major (Retd.) Hafiz Uddin	M. L. Tower (5th Floor), 1 East Rampura D.I.T Road, Dhaka-1219	MBA	E.D (Commercial)	Service	Head office

CORPORATE INFORMATION
As on September 30, 2011

R.N. SPINNING MILLS LIMITED

M. L. Tower (5^{th} floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com,
Web site: www.rnspinningmills.com

Date of Incorporation	:	November 04, 2004
Date of Commencement	:	July 05, 2007
Listing with Dhaka Stock Exchange	:	February 09, 2010
Listing with Chittagong Stock Exchange	:	February 09, 2010
Authorized Capital	:	Tk. 3,500 million
Paid-up-Capital	:	Tk. 1,391.41 million
Shareholders' Equity	:	Tk. 2,477.57 million
Net Operating Income	:	Tk. 7,907.39 million
Total Assets	:	Tk. 2,914.09 million
Number of Employees (as on 31-12-2010)	:	1,307
Number of Shareholders	:	21,782 Nos.
Business Lines	:	Manufacturing 100% synthetic/acrylic yarn

Managing Director
Md. Abdul Kader Faruk

Director Finance & Company Secretary
Md. Humayun Kabir, ACMA

Auditor
Shiraj Khan Basak & Co.
Chartered Accountants
Planners Tower, Suite # 06 (9^{th} Floor), 13/A Sonargaon Road, Dhaka-1000

BANKERS TO THE ISSUE OF RIGHTS ISSUE OF R. N. SPINNING MILLS LIMITED

Jamuna Bank Limited

1 Mohakhali Br., Dhaka
2 Sonargaon Road Br., Dhaka
3 Dilkusha Br., Dhaka
4 Shantinagar Br., Dhaka
5 Gulshan Br., Dhaka
6 Dhanmondi Br., Dhaka
7 Motijheel Br., Dhaka
8 Uttara Br., Dhaka
9 Mirpur Br., Dhaka
10 Narayanganj Br. N.Gonj
11 Agrabad Br., Chittagong
12 Rajshahi Br., Rajshahi
13 Jublee Road Br., Chittagong
14 Jessore Br., Jessore
15 Comilla Br., Comilla

Social Islami Bank Limited

1 Principal Br., Dhaka
2 Agrabad Br., Chittagong
3 Khulna Br., Khulna
4 Sylhet Br., Sylhet
5 Rajshahi Br., Rajshahi
6 Gulshan Br., Dhaka
7 Babu Bazar Br., Dhaka
8 Moulvi Bazar Br., Dhaka
9 Begum Rokeya Sarani Br., Dhaka
10 Sonargaon Br., Sonargaon
11 Foreign Exchange B.r, Dhaka
12 Dhanmondi Br., Dhaka
13 Jubilee Road Br., Chittagong
14 Uttara Br., Dhaka
15 Mirpur Br., Dhaka

Bank Asia Limited

1 MCB Dilkusha Br., Dhaka
2 Gulshan Br., Dhaka
3 Scotia Br., Dhaka
4 MCB Banani Br., Dhaka
5 North South Road Br., Dhaka
6 Dhanmondi Br., Dhaka
7 Mirpur Br., Dhaka
8 MCB Sk. Mujib Road Br., Ctg.
9 CDA Avenue Br., Chittagong
10 Sylhet Main Br., Sylhet
11 Rajshahi Br., Rajshahi
12 Bogra Br., Bogra
13 Jessore Br., Jessore
14 Khulna Br., Khulna
15 Shantinagar Br., Dhaka

Investment Corporation of Bangladesh (ICB)

1 Head Office, Dhaka
2 Chittagong Branch Agrabad C/A, Ctg.
3 Rajshahi Br. Rajshah
4 Khulna Br., Khulna
5 Barishal Br. Barishal
6 Sylhet Br.,Sylhet
7 Bogra Br., Bogra
8 Local Office, Nayapaltan, VIP Road, Dhaka

JUSTIFICATION OF THE ISSUE PRICE OF RIGHTS SHARES

Particulars		Amount (Tk.)
Method 1:	**Equity Based Value Per Share**	**17.81**
Method 2:	**Historical Earnings Based Value Per Share**	**50.14**
Method 3:	**Average Market Price Per Share**	**84.86**

Method 1: Equity Based Value Per Share

Sl. No.	Particulars	Amount (BDT)
A	Ordinary Shares as Per Audited Accounts September 30, 2011	1,391,412,300
	Retaining Earning Balance	1,086,160,159
	Total Shareholders' Equity(As on September 30, 2011)	**2,477,572,459**
B	**Total Number of Share**	**139,141,230**
C	**Equity Based Value Per Share (A/B)**	**17.81**

Method 2: Historical Earnings Based Value Per Share

Year	No. of Share	Net Profit after tax	Weight of No. of Shares	Weighted Average of Net Profit after tax
2010	107,031,716	578,572,263	0.8504	492,024,707.16
2009	9,730,156	139,832,903	0.0773	10,810,505,.22
2008	6,730,156	82,460,563	0.0535	4,409,488.76
2007	2,366,656	8,499,632	0.0188	159,827.71
	125,858,684	**809,365,361**	**1.0000**	**507,404,528.85**
Total Number of Share (As per Audit Accounts September 30, 2011)				**139,141,230**
EPS based on Weighted Average of Net Profit after tax				**3.65**
Market PE (As per DSE Review November 30, 2011)				**13.75**
Earnings Based Value per Share (3.65 x 13.75)				**50.14**

Method 3: Average Market Price Per Share

Particulars	Face Value	Price
Market Price per Share as on 30 November, 2011	10.00	72.60
Market Price per Share as on 31 October, 2011	10.00	69.70
Market Price per Share as on 29 September 2011	10.00	86.10
Market Price per Share as on 25 August, 2011	10.00	94.50
Market Price per Share as on 31 July 2011	10.00	107.90
Market Price per Share as on 30 June 2011	10.00	78.40
Average Market Price Per Share	**10.00**	**84.86**

(Source: DSE Monthly Review)

LENGTH OF TIME DURING WHICH THE ISSUER HAS CARRIED ON BUSINESS

R.N. Spinning Mills Limited is one of the pioneers as a Acrylic / Synthetic yearn spinning mill in Bangladesh. The Company was incorporated on November 04, 2004 as a private company limited by shares and converted into a Public Limited Company on February 20, 2007 and started commercial operation on July 05, 2007. The Company already completed 04 years of successful business operation. Company situated in Comilla Export Processing Zone by acquired by lease 32 industrial plots and measuring 32,000 sq. meters.

IMPLEMENTATION SCHEDULE [RULE-8(K)]

It is expected by the management of **R. N. Spinning Mills Limited** that the Company will expand its production capacity along with better quality through installation of Brand new machinery and completion period as stated below:

Purpose	Details of purpose	Expected Execution Time
Plant and Machinery	Letter of credit has already been opened for capital machinery as a expansion of the project. *	2012 July will be the time of Trial production
Generator and AC plant	At present factory captive power generation and to extent the production facilities by installing new capital machinery power generation facilities will be required more as well AC plantation also. To increase the power generation and to cover more area by AC plant.	2012 July
Factory re-structuring- Civil work	For Cotton yarn machinery factory Shade re-structuring will be required	Within 15th February 2012
IT Development	To development modern IT section	Within September 2012
AIT payment	Payment as a Advance tax for premium right issue	As per Govt. rule
Head office floor purchase	To purchase two or three floor for use as Head Office	Three month after received Rights Issue fund
Working Capital	To use import raw materials	From after received Rights Issue fund

*** The capital machinery has already been entered into factory premises.**

Sd/-
Md. Humayun Kabir, ACMA
Director (Finance) & Company Secretary

Sd/-
Md. Abdul Kader Faruk
Managing Director

QUANTIY OF SHARES HELD BY EACH DIRECTOR ON THE DATE OF THE RIGHTS SHARE OFFER DOCUMENT [Rule-8(I)]

Sl. No.	Name of Directors	Position	Number of Shares	Percentage (%)
1	Al-Haj Mustafizur Rahman	Chairman	8,580	0.006
2	Al-Haj Md. Abdul Kader Faruk	Managing Director	271,700	0.195
3	Abdul Quayum Mamun	Director	5,720	0.004
4	Mrs. Shirin Faruk	Director	28,600,000	20.550
5	Kim Jong Suk	Director	31,113,181	22.360
6	Abid Mostafizur Rahman	Director	14,300	0.010
	Total		**60,013,481**	**43.13**

QUANTITY OF SHARES HELD BY DIRECTORS AND SPONSORS ON THE DATE OF THE RIGHTS SHARE OFFER DOCUMENT

Sl. No.	Name of Directors	Position	Number of Shares	Percentage (%)
1	Al-Haj Mustafizur Rahman	Chairman	8,580	0.006
2	Al-Haj Md. Abdul Kader Faruk	Managing Director	271,700	0.195
3	Abdul Quayum Mamun	Director	5,720	0.004
4	Mrs. Shirin Faruk	Director	28,600,000	20.550
5	Kim Jong Suk	Director	31,113,181	22.360
6	Abid Mostafizur Rahman	Director	14,300	0.010
7	M.L. Dyeing Limited	Sponsor	26,546,000	19.080
	Total		**86,559,481**	**62.21**

COMPOSITION OF SHAREHOLDING POSITION OF THE COMPANY (As on November 23, 2011)

Particulars	No. of Shares Held	No. of Shareholders	Total Amount of Shares	% of Total Shares
Sponsors & Directors	86,559,481	7	865,594,810	62.21
General Public	52,581,750	21,775	525,817,500	37.79
Institutions	Nil	Nil	Nil	Nil
Government	Nil	Nil	Nil	Nil
Total	**139,141,231**	**21,782**	**1,391,412,310**	**100.00**

BENEFICIAL OWNERS HOLDING SHARES 5% OR ABOVE

As per Rule-8(I) of the Securities and Exchange Commission (Rights Issue) Rules, 2006; the following beneficial owners are holding shares of 5% or above.

Name of Shareholder	Position	Percentage
Mrs. Shirin Faruk	Director	20.550
Kim Jong Suk	Director	22.360
M. L. Dyeing Limited	Sponsor Shareholder	19.080

PUBLIC LISTED COMPANY UNDER COMMON MANAGEMENT

As per the Securities and Exchange Commission (Rights Issue) Rules, 2006; there is no Public Listed Company under the common Management of R. N. Spinning Mills Limited.

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

A	**Issue Manager**	**AAA Consultants & Financial Advisers Ltd.** Amin Court (4th Floor), 62-63, Motijheel C/A, Dhaka-1000
B	**Auditors**	**Shiraj Khan Basak & Co.** Chartered Accountants Planners Tower, Suite # 06 (9th Floor), 13/A Sonargaon Road, Dhaka-1000
C	**Bankers to the Issue**	**i) Investment Corporation of Bangladesh** Head Office: BSB Building (13th floor), 8, Rajuk Avenue, Dhaka-1000 **ii) Jamuna Bank Limited** Chini Shilpa Bhaban, 3, Dilkusha C/A, Dhaka -1000. **iii) Social Islami Bank Limited** 15, Dilkusha C/A, Dhaka -1000. **iv) Bank Asia Limited** Corporate Office: Tea Board Building (1st Floor) 111-113, Motijheel C/A, Dhaka-1000

R. N. Spinning Mills Limited is going to offer rights share of **139,141,230** Ordinary Shares at **Tk. 10.00** per share at an issue price of **Tk. 20.00** each including a premium of **Tk. 10.00** per share totaling **Tk. 2,782,824,600**. 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 wmwKDwiwUR I G·‡PÄ Kwgkb (gv‡P›U e¨vsKvi I †cvU‡dwjI g¨v‡bRvi) wewagvjv, 1996 to fully underwrite the rights issue on a firm commitment basis. Underwriting commission will be **@ 0.10%** on the underwritten amount and there will be no additional commission for take-up unsubscribe portion of shares if any.

Name of Underwriters	No. of Shares to be Underwritten	Offer price (BDT)	Total Amount of Underwritten (BDT)
Union Capital Limited Noor Tower (5th floor), 1/F Free School Street 73, Sonargaon Road, Dhaka-1205	25,000,000	20.00	500,000,000.00
FAS Capital Management Limited Suvastu Imam Square(4th floor) 65, Gulshan Avenue, Gulshan, Dhaka-1212	50,000,000	20.00	1,000,000,000.00
AAA Consultants & Financial Advisers Ltd. Amin Court, 4th Floor (Suit#403-405) 62-63 Motijheel C/A, Dhaka-1000	14,141,230	20.00	282,824,600.00
Banco Finance & Investment Ltd. Ispahani Building (3rd Floor) 14-15, Motijheel C/A, Dhaka-1000	20,000,000	20.00	400,000,000.00
Bangladesh Mutual Securities Ltd. Shareef Mansion (6th Floor), 56-57, Motijheel C/A, Dhaka-1000	15,000,000	20.00	300,000,000.00
Alpha Capital Management Ltd. National Scout Bhaban (5th Floor) 70/1, Inner Circular Road, Dhaka-1000	15,000,000	20.00	300,000,000.00
Total	**139,141,230**	**20.00**	**2,782,824,600.00**

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 writing to the Securities and Exchange Commission, to subscribe for shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, 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 commitment under this Agreement, until such time as the Cheque/Bank Draft has been encashed and the Company’s account 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.

Directors' Take-Up in the Rights Offer [Rule-8(Q)]

Directors Take-Up in the Rights Offer [Rule-8(Q)] is as under:

Sl. No.	Name of Directors	Status	No. of Shares held	No. of Rights Share Offered	No. of Rights Shares to be Renounced
1	Al-Haj Mustafizur Rahman	Chairman	8,580	8,580	Nil
2	Al-Haj Md. Abdul Kader Faruk	Managing Director	271,700	271,700	Nil
3	Abdul Quayum Mamun	Director	5,720	5,720	Nil
4	Mrs. Shirin Faruk	Director	28,600,000	28,600,000	Nil
5	Kim Jong Suk	Director	31,113,181	31,113,181	Nil
6	Abid Mostafizur Rahman	Director	14,300	14,300	Nil
Total			**60,013,481**		**Nil**

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Basis of the Offer

The Company records its share register of members on **January 31, 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 book closure in the ratio of **01:01** i.e. 1 (one) existing rights share for 1 (one) shares held on the record date.

Entitlement

As a shareholder of the Company on the record date on **January 31, 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 the Closing Date of subscription of **March 13, 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

Rights Offer of **139,141,230** Ordinary Shares of **Tk. 10.00** each at an issue price of **Tk. 20.00** each including a premium of **Tk. 10.00** per share totaling **Tk. 2,782,824,600** are offered on the basis **of 01 (R):01** i.e. 01 (one) Rights share for 01 (one) existing shares held by the shareholder(s) whose name(s) appeared in the Company's Share Register at the record date as on **January 31, 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 "**R. N. Spinning 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. It is to be noted that transaction above **Tk. 1.00** (One) lac must be affected through Demand Draft/Crossed Cheque/Pay Order.

Subscription	**Opens on: February 19, 2012**
	Closes on: March 13, 2012
Within Banking Hours	

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 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 **March 13, 2012** or by such later date as may be notified through national dailies to that effect.

MATERIAL CONTRACTS

Bankers to the Issue

Jamuna Bank Limited, **Social Islami Bank Limited, Bank Asia Limited** and **Investment Corporation of Bangladesh** are the bankers to the issue who will collect the subscriptions money of the rights offer and they will get commission **@.10%** on the amount of collection of subscription money. The Rights Issue subscription money collected from the shareholders by the Bankers to the Issue will be remitted to the Company's STD Account No. **00736000754** with **Bank Asia Limited, Scotia Branch, Dhaka**.

Underwriters

Full amount of rights offer of R. N. Spinning Mills Limited have been underwritten by **06 (six)** underwriters as shown in the classified information part of ROD. Each underwriter will be paid underwriting commission **@ 0.10%** 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

AAA Consultants & Financial Advisers Ltd. 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 issue management fee **@ 0.36%** on issue amount to the manager to the issue.

Acquisition of Property, Plant and Equipments

Fixed assets schedule mention in the Annexure A/1 of the Audited accounts for the period ended September 30, 2011. There is no acquisition of property, plant and equipments after the balance sheet date.

Material Contracts of the Vendors'

No specific contract exists other than Vendors Agreement with Mr. Kim Jung Suk regarding Capital Machinery supply, which was made on 2nd August 2008 with any particular suppliers of raw materials. The company uses basic raw material of acrylic yarn and other raw materials procure from different suppliers on the basis of price and shipment lead time conditions, which vary from month to month.

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 R. N. Spinning 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 AAA Consultants & Financial Advisers Ltd.

Place: Dhaka
Dated: April 26, 2011

Sd/-

(Khwaja Arif Ahmed)
Managing Director & CEO

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 R. N. Spinning 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: April 26, 2011

For
(Name of Underwriters)
Union Capital Limited
Alpha Capital Management Ltd.
Banco Finance & Investment Ltd.
Bangladesh Mutual Securities Ltd.
FAS Capital Management Limited
AAA Consultants & Financial Advisers Ltd.

Sd/-
Managing Director(s)

FORM-C
[see rule 8(h), 8(i) and 8 (t)]
Auditors' report to the shareholders

We have audited the accompanying financial statements for the period from 2006 to September 2011 of **R. N. Spinning Mills Limited** in accordance with the International Standards of Auditing, as applicable in 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 Securities and Exchange Rules, 1987, as amended, the Companies Act, 1994 and other relevant laws where applicable, and the International Accounting Standards, as applicable in Bangladesh.

(b) These financial statements which are in agreement with the books of account of the issuer company give a true and fair view of the state of its affairs as at 30th September 2011 and of the result of its operations and cash flows for the period/year then ended.

(c) Proper books of account have been kept by the issuer company as required by the relevant laws.

(d) The expenditure incurred was for the purposes of the issuer company's business.

We also certify that the above issuer 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-

Financial Year	Date of Dividend Declaration	Rate (%)		Total Amount(TK.)	Total Paid (Tk.)
		Stock	Cash		
2006					
2007					
2008					
2009	May 17, 2010	10	nil		
2010	March 20, 2011	30	nil		

Sd/-
Shiraj Khan Basak & Co.
Chartered Accountants

Place: Dhaka,
Date : 22.12.2011

FORM-D

[see rule 8(t)]

Due diligence certificate by the directors about their personal responsibility in respect of the rights share offer document of R. N. Spinning Mills Limited

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/- **Al-Haj Mustafizur Rahman** Chairman	Sd/- **Al-Haj Md. Abdul Kader Faruk** Managing Director	Sd/- **Abdul Quayum Mamun** Director
Sd/- **Mrs. Shirin Faruk** Director	Sd/- **Kim Jong Suk** Director	Sd/- **Abid Mostafizur Rahman** Director

SHIRAZ KHAN BASAK & CO.
CHARTERED ACCOUNTANTS

Planners Tower
Suite # 6 (9th Floor)
13/A, Sonargaon Road, Dhaka-1000
Tel:0088-02-8651165, 9673403
Mobile: 01711520770, 01711609915
Fax: 0088-02-8621575, 8650902
Email: info@harvestbd.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
R. N. SPINNING MILLS LIMITED

We have audited the accompanying Balance Sheet of **R. N. SPINNING MILLS LIMITED** as of September 30, 2011 and the related Income Statement, Statement of Cash Flows and Changes in Equity Statement for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the Company's affairs as of September 30, 2011 and of the results of its operations and it's cash flows for the period then ended and comply with the applicable section 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 accounts as required by law have been kept by the company so far as it appeared from our examination of those books;

c) The company's Balance Sheet, Income Statement, Statement of Cash Flows and Changes in Equity Statement dealt with by the report are in agreement with the books of accounts; and

d) The expenditure incurred was for the purposes of the company's business.

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka, October 18, 2011.

R. N. SPINNING MILLS LTD.
Balance Sheet
As at September-30, 2011

Particulars	Notes	Amount in Taka 30-09-2011	31-12-2010
Application of fund:			
Fixed Assets:		**3,034,920,290**	**1,332,144,443**
Property, Plant & Equipment	Annex-A/1	3,030,548,015	1,327,772,168
Security Deposits	3	4,372,275	4,372,275
A. Current Assets:		**1,769,475,176**	**1,212,783,939**
Inventory	4	804,384,934	450,055,441
Advances, Deposits and Prepayments	5	37,863,412	186,866,485
Bills Receivable	6	812,563,600	470,824,787
Cash and Cash Equivalents	7	112,543,230	102,417,226
STD Account (IPO)		2,120,000	2,620,000
B. Current Liabilities:		**1,890,296,007**	**384,951,565**
Creditors and Accrues	8	11,256,300	7,481,843
Bills Payable	9	59,001,863	160,913,826
Liability for Capital Machinery		1,522,358,760	
Short term loan from Bank	10	295,559,084	213,935,896
Share money deposit (IPO)	11	2,120,000	2,620,000
Net Current Assets (A-B)		(120,820,831)	827,832,374
Total Assets		**2,914,099,459**	**2,159,976,817**
Sources of fund:			
Share Capital		**2,914,099,459**	**2,159,976,817**
Ordinary Shares	12	1,391,412,300	1,070,317,160
Preference Shares	13	436,527,000	436,527,000
Retaining Earning Balance	14	1,086,160,159	653,132,657
Total Liabilities		**2,914,099,459**	**2,159,976,817**
Net Asset Value Per Share		**17.81**	**16.10**

Sd/-
Md. Mustafizur Rahman
Chairman

Sd/-
Md. Abdul Kader Faruk
Managing Director

Sd/-
Md. Humayun Kabir, ACMA
Director Finance &
Company Secretary

Subject to our separate report of even date

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka October 18, 2011.

R. N. SPINNING MILLS LTD.
Income Statement
For the period ended September-30,2011

		Amount in Taka	
Particulars	**Notes**	**30-09-2011**	**30-09-2010**
Export	15	2,246,045,830	1,444,245,100
Less Cost of goods sold	16	1,431,806,168	1,068,095,931
Gross Profit		**814,239,662**	**376,149,169**
Less operating expenses	17	22,933,513	17,509,450
Operation income		**791,306,149**	**358,639,719**
Less: Other operating expenses:		567,098	348,240
Trading and consulting Fees		-	-
Welfare Expenses		567,098	348,240
Net operating Income		**790,739,051**	**358,291,479**
Financial expenses	18	15,916,543	12,458,385
Net operating profit		**774,822,508**	**345,833,094**
Add: Other non-operation income	19	8,765,708	8,673,053
Net profit before tax		**783,588,216**	**354,506,147**
Provision for taxation		-	-
Profit after tax		**783,588,216**	**354,506,147**
Dividend on Preference Share	20	29,465,574	29,465,574
Profit for Ordinary Shareholder		**754,122,642**	**325,040,573**
Earning Per Share	21	**5.42**	**3.04**

Sd/-
Md. Mustafizur Rahman
Chairman

Sd/-
Md. Abdul Kader Faruk
Managing Director

Sd/-
Md. Humayun Kabir, ACMA
Director Finance &
Company Secretary

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka October 18, 2011.

R. N. SPINNING MILLS LTD.
Cash Flow Statement
For the Period ended September-30, 2011

Particulars	Amount in Taka Year-2011 Jan to Sept 30	Year-2010 Jan to Sept 30
A. **Cash Flow From Operating Activities:**		
Collection from Turnover	1,904,307,017	854,708,337
Collection from other non-operating income	8,765,708	4,965,430
Payment for Cost of Expenses	(1,735,801,675)	(457,151,878)
Paid for operating Expenses	(20,549,567)	(8,153,151)
Expenses paid for other operating activities	(567,098)	(242,560)
Payment for financial Expenses	(15,916,543)	(6,193,065)
Net cash flow from Operating activities	**140,237,842**	**387,933,113**
B. **Cash Flow From Investing Activities:**		
Purchase of Fixed Assets	(181,769,452)	(89,979,336)
Increase in Security Deposits		-
Net cash flow from investing activities	**(181,769,452)**	**(89,979,336)**
C. **Cash Flow From Financing Activities:**		
Increase / (Decrease) in Short term loan from bank	81,623,188	(375,328,860)
Decrease in Long term loan from bank		(212,370,659)
Decrease in Share Money Deposit	(500,000)	
Issuance of Share Capital		300,000,000
Dividend paid on Preference shares	(29,465,574)	
Net Cash flow from financing activities	**51,657,614**	**(287,699,519)**
D. Increase/(Decrease) cash and cash equivalents (A+B+C)	10,126,004	10,254,258
E. Opening cash and cash equivalents	102,417,226	1,279,602
F. **Closing cash and cash equivalents (E + D)**	**112,543,230**	**11,533,860**
Operating Cash flow per Share	**1.01**	**3.62**

Note: Direct Method has been followed in preparing the cash flow statement.

Sd/-	Sd/-	Sd/-
Md. Mustafizur Rahman	Md. Abdul Kader Faruk	Md. Humayun Kabir, ACMA
Chairman	Managing Director	Director Finance & Company Secretary

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka October 18, 2011.

R. N. SPINNING MILLS LIMITED
Changes in Equity Statement
For the period ended September-30 ,2011.

For the period ended september - 30, 2011 : **Amount in Taka**

Particulars	Ordinary Share Capital	Preference Share	Retained Earnings	Total
As at January 01, 2011	1,070,317,160	436,527,000	653,132,657	**2,159,976,817**
Addition- Stock Dividend 30%	321,095,140	-		**321,095,140**
Less: Transfer to Share Capital			(321,095,140)	**(321,095,140)**
Net Current period net profit	-	-	754,122,642	**754,122,642**
Total	**1,391,412,300**	**436,527,000**	**1,086,160,159**	**2,914,099,459**

R. N. SPINNING MILLS LIMITED
Changes in Equity Statement
For the year ended December-31,2010.

For the year 2010 : **Amount in Taka**

Particulars	Ordinary Share Capital	Preference Share	Retained Earnings	Total
As at January 01, 2010	973,015,600	436,527,000	211,149,384	**1,620,691,984**
Addition- Bonus Shares 10% (2009)	97,301,560	-		**97,301,560**
Less: Transfer to Share Capital			(97,301,560)	**(97,301,560)**
Net Profit during the year	-	-	539,284,833	**539,284,833**
Total	**1,070,317,160**	**436,527,000**	**653,132,657**	**2,159,976,817**

Sd/-
Md. Mustafizur Rahman
Chairman

Sd/-
Md. Abdul Kader Faruk
Managing Director

Sd/-
Md. Humayun Kabir, ACMA
Director Finance &
Company Secretary

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka October 18, 2011.

R. N. SPINNING MILLS LTD
Schedule of Property, Plant & Equipment
As at September-30, 2011.

Annexure-A/1

Particulars	Cost			Rate of Dep. / Amortization (%)	Depreciation			Written Down Value as at 30-09-2011	Written Down Value as at 31-12-2010
	Balance as on 1st January 2011	Addition during the year	Balance as on 30 Sept 2011		Balance as on 01-01-2011	Charge during the year	Balance as on 30 Sept 2011		
Leasehold Land Development	49,026,916		49,026,916	3.33%	5,714,086	1,632,596	7,346,683	41,680,234	43,312,830
Building	334,438,328	95,358,764	429,797,092	2.50%	23,949,069	7,762,231	31,711,300	398,085,792	310,489,259
Plant & Machinery	1,013,428,790	1,698,100,729	2,711,529,519	10%	251,004,841	76,242,395	327,247,236	2,384,282,283	762,423,949
HAVC (Humidification Plant)	25,375,525	326,587	25,702,112	10%	7,795,207	1,758,032	9,553,239	16,148,874	17,580,318
Generator	170,243,605		170,243,605	10%	52,341,396	11,790,221	64,131,617	106,111,988	117,902,209
Fork Lift	6,106,720	2,425,687	8,532,407	10%	1,130,675	497,605	1,628,279	6,904,128	4,976,045
Electrical Installation	62,232,559	9,865,278	72,097,837	10%	17,686,833	4,454,573	22,141,406	49,956,432	44,545,726
Furniture & Fixture	976,179		976,179	10%	193,857	78,232	272,089	704,090	782,323
Mixture Machine	343,015		343,015	20%	184,954	31,612	216,566	126,449	158,061
Office Equipment	4,614,286	3,265,780	7,880,066	10%	378,349	423,594	801,943	7,078,123	4,235,937
By-Cycle	4,900		4,900	20%	2,642	452	3,094	1,806	2,258
Cookeries	59,328		59,328	20%	31,748	5,516	37,264	22,064	27,580
Boiler	3,466,350		3,466,350	10%	1,065,730	240,062	1,305,792	2,160,558	2,400,620
Transformer	1,872,300		1,872,300	10%	508,094	136,421	644,515	1,227,785	1,364,206
Air Compressor	19,644,489		19,644,489	10%	6,039,698	1,360,479	7,400,177	12,244,312	13,604,791
Water & Gas Installation	4,178,996		4,178,996	10%	1,260,191	291,881	1,552,071	2,626,925	2,918,805
Chiller	1,500,000	243,648	1,743,648	10%	452,749	104,725	557,474	1,186,174	1,047,251
Total	**1,697,512,286**	**1,809,586,473**	**3,507,098,759**		**369,740,120**	**106,810,625**	**476,550,746**	**3,030,548,015**	**1,327,772,167**

Allocation of depreciation

Manufacturing Expenses	98.80%	105,528,898
Administrative Expenses	0.84%	897,209
Selling & Distribution Expenses	0.36%	384,518
	100%	**106,810,625**

Leasehold Land Development represents the cost incurred to develop land after taken-over from BEPZA. Soil filling, internal road and boundary wall are the components of this amount. Total area of the factory is 32000 Sq. meters as per lease agreement and the lease term is for 30 years. Accordingly the Leasehold Land Development cost is being amortized over a period of 30 years on Straight Line Method w.e.f 01-07-2007.

Depreciation has been charged on acquisition of Fixed assets during the year irrespective of the date of acquisition.

R. N. SPINNING MILLS LTD.
Notes to the Financial Statements
For the year Period ended September 30, 2011

1.00 The Company and its operations

1.01 Legal form of the Company

The Company was incorporated on November 4, 2004 as a 'Private' Limited Company by Shares Registered under the Companies Act 1994 as adopted in Bangladesh vide certificate of incorporation No. C-54808 (1493)/04. The company converted to 'Public' Limited Company on 20.02.2007.

1.02 Address of the Registered and Corporate office

The registered office of the company is located at M.L.Tower (5^{th} floor), 1, East Rampura, DIT Road, Dhaka.

1.03 Nature of Business activities

The principal activities of the Company shall be to carry on the business of Textile Spinning Mills to produce 100% Synthetic Yarn / Acrylic Yarn for 100% export oriented dyeing / Textiles industries and export thereof.

1.04 Capital Structure of the Company:

Mr. Kim Jung Suk (Korean National) owns 22.36% of the fully paid up ordinary shares and 43,652,700, 9% redeemable Preference shares of R. N. Spinning Mills Limited as detailed at note # 12.03 and note # 13.00.

1.05 Production Unit

Production unit of the company is situated at Comilla Export Processing Zone and its status is category 'B'.

2.00 Summary of significant accounting as per rules

2.01 Basis of preparation and presentation of the financial statements

The financial statements have been prepared and the disclosures of information made in accordance with the requirements of the Companies Act 1994, the Securities and Exchange Rules 1987 as applicable, and BAS's adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), & Bangladesh Financial Reporting Standard (BFRS) as long as applicable for the company. The balance sheet and profit and loss account have been prepared According to BAS 1 Presentation of Financial Statements based on accrual basis of Accounting following going concern assumption under generally accepted accounting Principles and practices in Bangladesh and cash flow statement according to BAS 7.

2.02 Accounting convention and assumption

The financial statements are prepared under the historical cost convention.

2.03 Principal accounting policies

The specific accounting policies have been selected and applied by the company's management for significant transactions and events that have a material effect within the Framework for the preparation and presentation of financial Statements. Financial Statements have been prepared and presented in compliance with applicable BAS. Previous year's figures were re-arranged for companies, there were no significant changes in the accounting policies and valuation policies affecting the financial position and performance of the Company. However, changes made to the presentation are explained in the note for each respective item.

Accounting and valuation methods are disclosed for reasons of clarity. The company classified the expenses using the function of expenses method as per BAS 1.

2.04 Application Accounting Standards of the company

The following BAS are applicable to the financial statements for the year under review:

BAS	1	Presentation of Financial Statements
BAS	2	Inventories
BAS	7	Cash Flow Statements
BAS	8	Accounting policies, Changes in Accounting Estimates and Errors
BAS	10	Events after the Balance sheet Date
BAS	16	Properties, Plant and Equipment
BAS	17	Leases
BAS	18	Revenue
BAS	19	Employee Benefits
BAS	21	The effects of Changes in Foreign Exchange Rates
BAS	22	Business Combination
BAS	23	Borrowing Costs
BAS	24	Related Party Disclosures
BAS	26	Accounting and reporting by retirement benefit plans
BAS	27	Consolidated Financial Statements and accounting for Investment in Subsidiary
BAS	33	Earnings per Share
BAS	37	Provisions, Contingent liabilities and Contingent Assets
BAS	38	Intangible Assets

2.05 Property, Plant and equipment

Tangible fixed assets are accounted for according to BAS 16 Property, Plant and Equipment at Historical cost less accumulated depreciation and the Capital work-in-progress is stated at cost. Both tangible and intangible assets are depreciated/ amortized according to the Straight-line depreciation method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as non operating income and reflected in the profit and loss account.

2.06 Depreciation of fixed assets

Depreciation is provided on reducing balance method except Leasehold land Development (Comilla EPZ) on the cost at which the asset is carried in the books of account over the lease term of 30 years.

Depreciation is provided on Leasehold land Development (comilla EPZ) on straight-line method.

Half year's depreciation has been charged on additions irrespective of the date of acquisition.

The depreciation /amortization rate(s) are as follows:

Category of fixed assets	Rate %
Leasehold land Development (Comilla EPZ)	3.33
Buildings – on leasehold land	2.50
Plant & Machinery	10
Humidification Plant (HAVC)	10
Generator	10
Folk Lift	10
Electrical Installation	10
Boiler	10
Transformer	10
Air Compressor	10
Water and Gas Installation	10
Chiller Plant	10
Mixture Machine	20
Office equipment	10
Furniture, fixtures & fittings	10
By-Cycle	20
Cookeries	20

2.06.1 Accelerated depreciation allowance

The Company has entitled to Accelerated depreciation has been charged vide order Ref: no#. 269-L/86, dated 1 July, 1986 on capital machinery as per section 10 of the Bangladesh Export Processing Zones Authority Act 1980 (XXXVI of 1980) to the extent of hundred percent of the actual cost of the machinery or plant within the tax exemption period of five or ten years.

2.07 Valuation of stocks

Inventories are stated at the lower of cost or net realizable value in compliance with the requirements of Para 21 and 25 of BAS 2.

Category of stocks	Basis of valuation
Raw & packing materials including w-i-p	: Moving average (Weighted) Cost
Finished Goods at Factory	: At lower of cost or net estimated Realizable value
At warehouses	: At cost
Stores Items	: At cost
Materials in-transit incurred	: Book value i.e. cost so far

Cost comprises of the value of materials and attributable direct labor, depreciation & production overheads.

2.08 Current Liabilities

The current portion of long term liabilities payable within one year from the balance sheet date may be calculated at Tk. Nil as follows:

Current Portion of Long Term Loan	30-09-2011	31-12-2010
Mid Term Project Investment	0	0
Short Term Project Investment	0	0
Short Term Project Investment (SIBL)	0	0
Total:	-	0

2.09 Bills Receivable

Bills Receivable is carried at invoice amount without making any provision for doubtful debts, because of the fact that sales / export are being based on 100% confirmed letter of credit basis with fixed maturity dates.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc which are available for use by the company without any restrictions. There is an insignificant risk of change in value of the same.

2.11 Foreign currency transaction

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date in accordance with BAS 21 (the Effects of changes in Foreign Exchange Rates). Foreign currency transaction are translated at the balance sheet date are charged/credited to the profit and loss account whenever arise.

2.12 Creditors and accrued expenses

2.12.1 Trade and other payables

Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the company.

2.12.2 Provision

The preparation of financial statements in conformity with Bangladesh accounting standard BAS 37 Provisions, Contingent Liabilities and Contingent Assets requires management to make estimates and Assumption that affect the reported amounts of revenues and expenses, assets and liabilities, and the Disclosure requirements for contingent assets and liabilities during and at the date of the financial statements.

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

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

We have shown the provisions in the balance sheet at an appropriate level with regard to an adequate provision for 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.

2.13 Employee benefits (BAS 19)

2.13.1 Employees' retirement benefit & gratuity fund

The company has a plan to established Gratuity Fund and as such the Board of Directors passed a resolution at its meeting held on 24th August 2008. Fund will be created based on the valuation and recommendation of actuary. The Company will introduce gratuity scheme within shortest possible time.

2.14 Taxation

Provision is not made because R.N Spinning Mills Limited situated in Comilla export processing zone. As per income tax regulation for EPZ ref. # IRD SRO No. 289-Law/89, dated 19 August,1989, all industries operation in the export processing zone of Bangladesh have been exempted from payment of income tax for a period of 10 years from the date an industry goes into commercial production.

2.15 Contingent liabilities and assets

Contingent liabilities and assets are current or possible obligations or assets, arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events which are not within the control of the company. In accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets are disclosed in the notes to the financial statements.

2.16 Revenue recognition

In compliance with the requirements of BAS 18 Revenue, revenue is recognized only when;

a) The products are invoiced and dispatched to the customers;
b) Interest income is accrued on a time basis by reference to the principal outstanding at the effective interest rate applicable;
c) Income from export is recognized at delivery of the consignment on accrual basis.

2.17 Borrowing costs

In compliance with the requirements of BAS 23 Borrowing Costs, borrowing costs of operational. Period on short term loan and overdraft facilities from The City Bank Ltd and Bank Asia Ltd. was charged off as revenue expenditure as they incurred.

2.18 Lease arrangements

The company has 2 lease arrangements of 30 years with Bangladesh Export Processing Zone (BEPZA) for industrial plot # 100-1007 & 127-134. The lease is classified as an operating lease as it dose not transfer substantial risks and rewards incident to ownership consistent with the view laid down in BAS 17 Leases. The total area is 32,000 Sq meter.

2.18.1 Measurement of lease payments

Lease payments (excluding cost for services such as insurance and maintenance) are recognized as expense in the income statement.

2.19 Intangible Assets

In compliance with the requirements of BAS 38 intangible assets are usually absorbed as revenue charges as and when incurred, as being not that material in the company’s and / or local context.

2.20 Repairs, upkeep and maintenance charges

These are usually charged out as revenue expenditure in the period in which it is incurred.

2.21 Bad and doubtful debts

We are not making any provision for bad and doubtful debts because our sales / export are based on 100% confirm letter of credit doing with fixed maturity date.

2.22 Advertising and promotional expenses

All costs associated with advertising and promotional activities are charged in the year they were incurred.

2.23 Cash flow statement

Statement of Cash Flows is prepared principally in accordance with BAS 7 Cash Flow Statement and the cash flows from operating activities have been presented under direct method as required by the Securities and Exchange Rules 1987 and considering the provisions that 'Enterprises are Encouraged to Report Cash Flow From Operating Activities Using the Direct Method".

2.24 Earning per shares

The Company calculates Earning per Share (EPS) in accordance with BAS 33 Earning per share, which has been shown on the face Profit and Loss account the same has been calculated dividing surplus available for ordinary share holders by weighted average number of ordinary shares outstanding at the end of the year.

2.24.1 Basic earnings

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

2.24.2 Weighted average number of ordinary shares outstanding during the year

Computation of weighted average number of ordinary shares are not required as number of shares outstanding has been changed only by Bonus Share during the year under review.

2.24.3 Related Party Disclosure

The company has no transaction with related party in the normal course of business except the following:

Equity Participation:

M L Dying Limited owns 26,546,000 ordinary shares of Tk.10/- each at Investment cost amounting Tk. 204,200,000 being @ 19.78% of total ordinary shares of RN Spinning Mills Ltd.

Business Transaction

SL#	Name of company	Nature of transaction	Balance as at 31-12-2010 (Taka)
01.	M. L. Dying Limited	Bills Receivable (Trade)	38,42,15,786

2.24.4 Reporting period:

The financial period of the Company covers nine months period from January 01,2011 to September,30 2011.

2.25. Other:

Financial Information for the period ended 30-09-2010 are un-audited and ascertained on prorate basis.

3.00 Security Deposits: Tk. 4,372,275

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Land Leases at BEPZA, Plot # 100-107	1,032,827	1,032,827
Land Leases at BEPZA, Plot # 127-134	1,039,302	1,039,302
Flat Rent of BEPZA Flat # A-2/8 & B-2/2	124,415	124,415
Bakhrabad Gas System Ltd. (BGSL)- Gas line	1,903,153	1,903,153
Bakhrabad Gas System Ltd. (BGSL)- Gas line	119,778	119,778
Electricity	152,800	152,800
Total	**4,372,275**	**4,372,275**

4.00 Inventory: Tk. 804.384,934

The above balance is made up as follows:

Particulars	Notes	30-09-2011	31-12-2010
Raw Materials	4.01	224,565,897	129,689,411
Work in process	4.02	8,564,789	7,925,600
Packing Materials	4.03	653,871	465,257
Finished goods	4.04	569,169,893	310,549,695
Store items	4.05	1,430,484	1,425,478
Total		**804,384,934**	**450,055,441**

4.01 Raw Materials: Tk. 224,565,897

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening	129,689,411	28,734,506
Add: Purchase during the year	1,401,581,180	1,464,748,012
Raw materials available for production	**1,531,270,591**	**1,493,482,518**
Less input to production	1,306,704,694	1,363,793,107
Closing balance	**224,565,897**	**129,689,411**

4.02 Work in process: Tk. 8.564,789

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening	7,925,600	7,739,811
Add: Current year	1,306,704,694	1,363,793,107
	1,314,630,294	1,371,532,918
Less: Transfer to finished goods	1,306,065,505	1,363,607,318
Closing balance	**8,564,789**	**7,925,600**

4.03 Packing Materials: Tk. 653,871

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening	465,257	375,675
Add: Purchase during the year	3,123,687	2,106,050
	3,588,944	2,481,725
Less Consumption during the year	2,935,073	2,016,468
Closing balance	**653,871**	**465,257**

4.04 Finished Goods : Tk. 569,169,893

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening	310,549,695	259,060,638
Add: Production during the year	1,483,295,225	1,556,266,716
Production available for export	1,793,844,920	1,815,327,354
Less: Cost of goods sold	1,224,675,027	1,504,777,659
Closing balance	**569,169,893**	**310,549,695**

4.05 Store items: Tk. 1,430,484

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening	1,203,071	1,099,760
Add: Purchase during the year	8,536,587	10,612,452
	9,739,658	**11,712,212**
Less Consumption during the year	8,309,174	10,509,141
Closing balance	**1,430,484**	**1,203,071**

Raw materials: It consist of import value and local expenses upto incurred warehouse. Inventory system maintained on FIFO basis.

Work in process: It consist of cost of raw materials only.

Finished Goods: It includes the cost incurred upto cost of goods available for sale.

Store Items: It is consist of the total cost of spare parts, loose tools and consumable items.

Physical verification of inventories: The management has physically verified the inventories as of the Balance Sheet date.

5.00 Advances, Deposits & Prepayments: Tk.37,863,412

The above balance is made up as follows:

Particulars		30-09-2011	31-12-2010
L/C open for Capital Machinery		20,285,932	175,668,071
Container		1,727,000	1,727,000
Sundry Advances	**5.01**	14,778,606	7,400,091
M/s. Kalu Bricks Field		-	572,600
M/s. Rahman Timber		-	100,200
M/s. Shovon Hardware Store		-	153,300
M/s. Ladu Enterprise		-	152,400
M/s. Sikder Bricks Field		-	160,949
BITAC		45,874	45,874
M/s. I.K.Enterprize		550,000	550,000
M/s. tnter Touch		420,000	280,000
Broad Band		56,000	56,000
Total		**37,863,412**	**186,866,485**

5.01 Sundry Advances: Tk.14,778,606

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
M/S. Steel Mills	-	5,000
M/S. Adex Corporation	80,000	80,000
M/s. Denmark Refrigerator Works	1,916,000	1,866,000
M/S. Gazi Enterprise	5,344	4,361
Md. Abul Khair Manik	1,228,044	578,044
Mr. David Kim	-	70,000
Prestress Technology & Construction	3,000,000	-
Md. Security Camera World	270,000	270,000
M/s. Paradise cables Ltd	-	-
M/S Mita Engineering	51,310	-
Md. Shajedur Rahman	32,172	276,926
M/S SI Enterprise	1,699,675	-
M/s. Prithvi Engineers Ltd.	200,000	100,000
M/s. Helal Enterprise	310,000	280,000
M/s. Abul Khair Steel	720,300	1,770,450
Adv.Agst. Factory Expenses	5,265,761	2,099,310
Total	**14,778,606**	**7,400,091**

6.00 Bills Receivable: Tk.812,563,600

The above is the amount of receivable against export bills as on September 30, 2011.

Particulars	Notes	30-09-2011	31-12-2010
Bills Receivable		812,563,600	393,008,166
Total		**812,563,600**	**393,008,166**

7.00 Cash and Cash Equivalent: Tk. 112,543,230

The above balance is made up as follows:

Particulars	Notes	30-09-2011	31-12-2010
Cash in hand		8,272	3,715
Cash at Bank		111,274,958	75,887
FDR		1,260,000	1,200,000
Total		**112,543,230**	**1,279,602**

8.00 Creditors and Accrues: Tk.11,256,300

The above balance is made up as follows:

Particulars	Notes	30-09-2011	31-12-2010
Gas Bill		476,028	554,626
Electricity Bill		54,114	261,511
Water Bill		56,481	54,097
Gas Bill - guest house		880	6,203
Medical subscription -BEPZA		22,230	21,135
Salary & Wages		3,012,365	4,093,665
Director Remuneration and Fees		153,300	153,300
Sundry Creditors	8.01	6,624,471	1,575,616
M/s. Sikder Traders		-	455,230
Audit and Professional Fees		-	250,000
M/s. Rahman Stationary		846,985	23,650
M/s. Art Printing Press		5,236	28,600
M/s. Bangal Drink Supply		4,210	4,210
	Total :	**11,256,300**	**7,481,843**

8.01 Sundry Creditors: Tk.6,624,471

The above balance is made up as follows:

Particulars		30-09-2011	31-12-2010
M/S. Feni Iron Mart		232,848	232,848
M/S. Bappi Traders		48,250	48,250
M/S. Karim Carrier Services		1,658,762	602,600
M/S. Mahbub Enterprises		5,248	7,285
M/S. Mita Engineering		65,325	228,690
M/S. Popular Trading Agency		8,751	107,330
M/S. Prattasha Enterprise		-	20,000
M/S. Rafique & Brothers		3,255,955	12,000
M/S. Shadhana Builders		-	4,287
M/S. SIEMENS		246,587	31,556
M/S. United Trade Centre		6,358	6,300
M/S. Jamuna Plastic & Rubber Works		2,158	6,190
M/S. Won Chong Apron		103,180	103,180
M/S. Daclin Starlet Co		38,500	38,500
M/S.AMJ Narrow Fabrics (Pvt) Ltd		865,247	84,000
M/s.Hydro Mech Engineering		32,657	15,000
M/s. Chowdhury Engineering		54,645	27,000
M/s. Rainbow Printers		-	420
Saju Mia		-	180
	Total:	**6,624,471**	**1,575,616**

9.00 Bills Payable: Tk.59,001,863

The above balance is made up as follows:

Particulars	Note	30-09-2011	31-12-2010
Bills Payable		59,001,863	21,816,606
Total	**Total:**	**59,001,863**	**21,816,606**

Liabilities are recorded at the amount of bills payable for settlement in respect of goods and services received by company.

10.00 Short Term Loan: Tk. 295,559,084

The above balance is made up as follows:

Particulars		30-09-2011	31-12-2010
Demand Loan (BMDI)		-	290,081,673
Bi-Moazel Commercial		-	10,892,187
Trust Receipt		186,525,876	-
FDBP		109,033,208	194,355,000
	Total :	**295,559,084**	**495,328,860**

10.01 Bank Asia Limited sanctioned a composite working capital limit for Tk. 70.00 crore to make stock of raw materials, work in process and finished goods in form of:

a). L/C limit for Tk 50.00 crore

c). Trust receipt (TR) for Tk 20.00 crore and

e). Rate of profit 12% per annum

10.02 Present status of sanctioned limit: Tk. 700,000,000

The above balance is made up as follows:

Particulars		30-09-2011	31-12-2010
L/C Limit		500,000,000	140,000,000
Trust Receipt (TR)		200,000,000	120,000,000
Bi-Moazel Commercial		-	10,000,000
	Total :	**700,000,000**	**270,000,000**

11.00 Share Money Deposits: Tk. 2,120,000

The above balance is made up as follows:

Particulars	30-09-2011	31-12-2010
Opening Balance	2,620,000	5,013,140,000
Less: Return up to 30-09-2011	500,000	5,010,520,000
Share Money Deposits	**2,120,000**	**2,620,000**

The above balance has been certified by the City bank in issuance of bank certificate.

12.00 Share Capital:

12.01 Split off shares: Face value of the shares changed into Tk 10/= (ten) from Tk 100/= (one hundred) and as a result numbers of shares has been changed into 10,70,31,716.

12.02 Authorized Capital :	30-09-2011	31-12-2010
35,00,00,000 ordinary shares of Taka 10/= each.	**3,500,000,000**	**1,500,000,000**

12.03 Issued, subscribed, called-up and paid-up capital:	30-09-2011	31-12-2010
139141230 ordinary shares of Tk 10/= each fully paid-up	1,070,317,160	973,015,600
Issue Bonus Share 10% on existing ordinary Shares	321,095,140	97,301,560
	1,391,412,300	**1,070,317,160**

The shareholding position of the company are as under:

Name	No of shares	Percentages %	Amount in Tk
Al-Haj Mustafizur Rahman	8,580	0.006	85,800
Al-Haj Mohd. Abdul Kader Faruk	271,700	0.195	2,717,000
Abdul Quayum Mammun	5,720	0.004	57,200
Mrs. Shirin Faruk	28,600,000	20.555	286,000,000
Mr.Abid Mostafizur Rahaman	14,300	0.010	143,000
Mr. Kim Jung Suk	31,113,180	22.361	311,131,800
M.L.Dyeing Limited	26,546,000	19.078	265,460,000
Initial Public Offer (IPO)	52,581,750	37.790	525,817,500
Total	**139,141,230**	**100.000**	**1,391,412,300**

12.04 The authorized capital has been increased from Taka 150 crore to 350 crore in the year 2010 and duly noticed to RJSC including resolution for such change to incorporate in clause no,(V) of Memorandum of Association and clause no, (8) of Articles of Association of the company.

12.05 Particulars		**31-12-2010**
Paid up Capital at the beginning of the year		1,070,317,160
Add : Issue bonus shares 30% on existing shares		321095140
	Total	**1,391,412,300**

12.06 **Foreign Investment : Tk. 747,658,800**

The above balance is made up as follows:

Particulars	**30-09-2011**	**31-12-2010**
Ordinary shares 31,113,180 of Tk 10/= each	311,131,800	266,715,600
9% redeemable preference shares 4,36,52,700 of Tk 10/= each	436,527,000	436,527,000
Total	**747,658,800**	**703,242,600**

13.00 **Preference Shares: Tk. 436,527,000**

4,36,52,700, 9% redeemable preference shares of Tk 10/= each.	**436,527,000**	**436,527,000**

As per Companies Act 1994, clause 154-(2), the redemption of 9% redeemable preference shares will be started after two years of operation and will be completed within three years from the date of starting the redemption.

The Company allotted 4,36,52,700, 9% redeemable preference shares of Tk. 10/= each in favour of foreign

14.00 **Retained Earnings: Tk.1,086,160,159**

The above balance is made up as follows:

Particulars	**30-09-2011**	**31-12-2010**
Opening balance	653,132,657	211,149,384
Less Transfer to Share Capital	(321,095,140)	(97,301,560)
Add: current year profit	754,122,642	539,284,833
Closing balance as on 30.09.2011	**1,086,160,159**	**653,132,657**

15.00 Particulars of import, export, production and stock in quantity during the period: Kg 69,49,788

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Opening raw materials	665,159	186,236
Add: purchase during the Year	8,935,687	6,730,292
	9,600,846	**6,916,528**
Less: Input to production	7,563,258	6,371,099
Closing stock raw materials	2,037,588	625,479
Input to production	7,563,258	6,371,099
Add: opening work in process	51,555	50,164
	7,614,813	6,421,263
Less: Closing work in process	52,478	53,547
	7,562,335	6,367,716
Add: Opening finished goods	1,752,910	1,205,394
	9,315,245	7,573,110
Less: Wastage	212,547	354,716
Finished goods available to Export	9,102,698	7,218,394
Less: closing finished goods	2,152,910	1,225,647
Export in quantity during the year:	**6,949,788**	**5,992,747**

16.00 Cost of goods exported: Tk.1,431,806,168

The above balance is made up as follows:

Particulars	Notes	30-09-2011	30-09-2010
Raw materials consumed	16.01	1,306,704,694	998,688,055
Packing materials consumed	16.02	2,935,073	1,301,334
		1,309,639,767	**999,989,389**
Work in process- opening		7,739,811	5,400,932
Work in process- closing		7,925,600	7,739,811
Change in work in process		**(185,789)**	**(2,338,879)**
Total consumption		**1,309,453,978**	**997,650,510**
Add: Manufacturing Overhead	16.03	68,312,349	68,252,611
Add: Depreciation		105,528,898	117,000,119
Cost of production		**1,483,295,225**	**1,182,903,240**
Finished goods - opening		259,060,638	144,528,329
Finished goods - closing		310,267,065	259,060,638
Change of finished goods stock		**(51,206,427)**	**(114,532,309)**
Cost of free issue		(282,630)	(275,000)
Total:		**1,431,806,168**	**1,068,095,931**

Manufacturing unit situated in Comilla Export Processing Zone, Comilla and covered Category-B (Bangladesh and foreign investment joint venture Company). By the law of Ref: No= SRO No. -88-98/1739/Custom Act. Dated May 28/1998. The Company totally exempted from VAT.

16.01 **Raw materials consumed: Tk.1,306,704,694**

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Opening Stock	129,689,411	28,734,506
Add: Purchase during the year	1,401,581,180	1,099,642,960
Raw materials available for production	1,531,270,591	1,128,377,466
Less: Closing Stock	224,565,897	129,689,411
Total	**1,306,704,694**	**998,688,055**

16.02 **Packing materials consumed: Tk 2,935,073**

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Opening Stock	465,257	275,675
Add: Purchase during the year	3,123,687	1,401,334
Packing materials available for packing.	3,588,944	1,677,009
Less: Closing Stock	653,871	375,675
Total	**2,935,073**	**1,301,334**

16.03 **Manufacturing overhead: Tk.68,312,349**

The above balance is made up as follows:

Particulars	Notes	30-09-2011	30-09-2010
Salary & Wages		30,584,162	30,403,784
Fuel, Water & Power		17,564,876	15,346,589
Store & Spares Consumed		8,309,174	10,509,141
Insurance		1,865,249	2,488,633
Rent, Rate and other Taxes		7,565,784	8,531,017
Printing & Stationary		532,648	-
Travelling & Conveyance		126,548	-
L/C and Bank Charges		834,658	274,123
Repairs & Maintenance	**16.03.A**	803,263	653,816
Other Overhead		125,987	45,508
Total		**68,312,349**	**68,252,611**

16.03.A **Repairs & Maintenance: Tk. 1,139,617**

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Plant and Machinery	256,987	175,276
Building	125,648	361,931
Others	420,628	116,609
Total	**803,263**	**653,816**

17.00 **Operating Expenses: Tk. 22,933,513**

The above balance is made up as follows:

Particulars	Notes	30-09-2011	30-09-2010
Warehouse, Distribution & Selling Exp.	**17.01**	7,710,091	7,158,847
Administrative Expenses	**17.02**	15,223,421	10,350,603
Total		**22,933,513**	**17,509,450**

17.01 **Warehouse, Distribution & Selling Exp.: Tk.7,710,091**

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Advertising Expenses	75,326	139,000
Salary & Welfare	1,987,524	2,474,620
Transpiration and Handling expenses	3,199,591	2,613,740
Repair and Maintenance	326,598	-
Rent	245,328	270,980
Electricity, water and gas	352,178	41,136
Sales promotion expenses	265,387	256,500
Traveling Expenses	268,791	344,407
Entertainment Expenses	158,642	142,331
Miscellaneous Expenses	163,578	183,980
Cost of free issue	282,630	275,000
Depreciation	384,518	417,153
Total	**7,710,091**	**7,158,847**

17.02 Administrative Expenses: Tk.15,223,421

The above balance is made up as follows:

Particulars	Notes	30-09-2011	30-09-2010
Salary & Welfare		2,477,133	2,365,878
Postage & Telecommunication		325,065	320,658
Traveling, Haultage & passage		189,173	429,730
Repair & Maintenance		303,213	79,256
Electricity, Fuel & Water		610,425	560,874
Printing and Stationery		641,270	689,245
Rent, Rates and Taxes		5,981,046	2,687,610
Subscription & Donation		47,340	35,264
Entertainment		89,210	756,524
Legal & Professional Charge		2,233,723	135,687
Initial Public Offer (IPO) Expenses		-	221,643
AGM Expenses		492,560	420,800
Audit & Professional fees		250,000	250,000
Miscellaneous Expenses		77,520	52,870
News paper & periodical		-	25,687
Director Remuneration & Fees	**22.03.B**	306,600	306,600
Gust house expenses		301,934	295,687
Depreciation		897,209	716,590
	Total:	**15,223,421**	**10,350,603**

18.00 Financial Expenses: Tk 15,916,543

The above balance is made up as follows:

Particulars		30-09-2011	30-09-2010
Interest on Loan	**18.01**	15,916,543	12,458,385
	Total:	**15,916,543**	**12,458,385**

18.01 Interest on loan: Tk.15,916,543

The above balance is made up as follows:

Particulars		30-09-2011	30-09-2010
Interest on Mid Term Project Investment		-	1,593,673
Interest on Short Term Project Investment		-	466,492
Interest on Demand Loan (BMDI) The City Bank Ltd.		-	5,427,457
Interest on Demand Loan (BMDI) Bank Asia Ltd.		3,625,478	3,942,570
Interest on Bai-Moazel Commercial- The City Bank Ltd.		-	511,314
Interest on Trust Receipt- The City Bank Ltd.		-	-
Interest on Trust Receipts- Bank Asia Ltd.		11,531,981	
Interest on MPI (LIM) The City Bank Ltd.		-	-
Interest on FDBP		759,084	516,879
	Total:	**15,916,543**	**12,458,385**

19.00 Other non-operating income: Tk.8,765,708

The above balance is made up as follows:

Particulars		30-09-2011	30-09-2010
Wastage raw materials		436,232	222,145
Wastage W-I-P		125,600	-
Wastage finished goods		8,065,387	-
Interest on share money deposit		78,952	8,136,982
interest income		3,250	5,914
Other Income		56,287	308,012
	Total:	**8,765,708**	**8,673,053**

20.00 Dividend on Preference Share: Tk.29,465,574

The above balance is made up as follows:

Particulars		30-09-2011	30-09-2010
9% dividend on preference share		29,465,574	29,465,574
	Total:	**29,465,574**	**29,465,574**

21.00 Basic earning per share(EPS) :Tk. 5.42

The above balance is made up as follows:

Particulars	30-09-2011	30-09-2010
Earning during the year	754,122,642	325,040,573
Number of weighted ordinary shares	139,141,230	107,031,716
Earning Per Share	**5.42**	**3.04**

22.00 General

22.01 Comparative figures

Wherever considered necessary, previous year's figures have been restated, in order to conform to current years presentation. Comparative figures have been given as per the instruction of BAS-01 Para 36.

22.02 Presentation currency

The annexed financial statements are presented in Bangladeshi currency (Taka), which have been rounded off to the nearest Taka.

22.03 Disclosure as per requirement of Schedule XI, part II of Companies Act 1994

22.03.A Disclosure as per requirement of Schedule XI, part II, note 5 of Para 3

Employee Position (as on 31st December 2010)

Salary Range	Officer & Staff		Worker	Total Employee
	Factory	Head Office		
Below 3200	12	3	365	380
Above 3200	65	42	820	927
Total	**77**	**45**	**1185**	**1307**

22.03.B Disclosure as per requirement of Schedule XI, part II, Para 4 of companies act 1994

Payment to directors with on the period 2011

Director Remuneration & Fees: Tk.306,600

Director are entitle Tk 300 as Board Meeting fee for attending each Board Meeting as per Articles of Association. Managing Director and CEO monthly remuneration entitle Tk 25,000/=

This is made up as follows:

Name of Board of Directors		Meeting attending Fees	Salary & Benefits	Amount in Taka
Mr. Kim Jong Suk	Director	900	-	900
Mr. Abdul Kader Faruk	Managing Director	900	225,000	225,900
Mrs. Shirin Faruk	Director	900	-	900
Mr. Al-Haj Mostafizur Rahman	Chairman	900	-	900
Mr. Abdul Quaim Mamun	Director	900	-	900
Mr. Abid Mostafizur Rahaman	Director	600	-	600
Total				230,100

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

Details of Capacity has given below:

Particulars	Licence Capacity	Installed Capacity in KG	Actual Production in KG
Annual Production of Acrylic yarn in KG	Not mentioned in licence	105,00,000	7,562,584

22.03.D Disclosure as per requirement of Schedule XI, part II, Para 8 of companies Act 1994

Value of raw material, spare parts, packing materials and Capital goods

Value of export:

Particulars	Amount in foreign currency US$	Amount in Tk
Export	29,709,601	2,246,045,830

23.00 Particulars of Audit Committee

An audit committee has been formed by the board of directors of the company in its Board Meeting held on November 6, 2006. The committee constituted with a chairman and two members. At 31st December 2010, the members of the committee were as follows:

Name	Position	Status with committee	Educational qualification
Mrs. Shirin Faruk	Director	Chairman	M.Com
Abdul Quayum Mamun	Director	Member	M.Com
Md. Humayun Kabir	Director Finance & Company Secretary	Member	M.Com. ACMA

During the year 2010, the followings number of meetings of the audit committee held with the company's Senior Management to consider and review the company's financial statements and risk management.

Meeting	Date of meeting
1	16-Jan-11
2	22-Mar-11
3	25-Jun-11
4	30-Sep-11

24.00 Related Party:

The nature of transactions and their total value have been set out in accordance with the provisions of BAS 24 "Related Party Disclosures" as follows:

Name of the Company	Type of owner ship	Type of Transaction	Amount
M. L. Dyeing Ltd.	Fully owned by the sponsor of the company	Finished Goods Sold	

25.00 Internal control:

Following steps have been taken for implementation of an effective internal control procedures of the Company:

1. A strong internal control and compliance division has been formed with a view to establish a well designed system of internal control.

2. Regular review of internal audit reports with a view to implement the suggestion of internal auditors in respect of internal control techniques.

3. To establish an effective management system that includes planning, organizing and supervising culture in the factory as well as at Head Office.

Sd/-	Sd/-	Sd/-
Md. Mustafizur Rahman	Md. Abdul Kader Faruk	Md. Humayun Kabir, ACMA
Chairman	Managing Director	Director Finance & Company Secretary

TO WHOM IT MAY CONCERN

We have compiled the accompanying statements of R.N Spinning Mills Limited. U/S 135 (1) and Para 24 (1) Part II of the Third Schedule of Companies Act 1994. The statement comprises of the financial information for the period ended September 30, 2011 audited by Siraj Khan Basak & Co, Chartered Accountants and for the years ended December 31, 2008, 2009 and 2010 audited by M/S. A. Wahab & Co., Chartered Accountants. It also includes financial information for the years ended December 31, 2007 and December 31, 2006 audited respectively by M/S. Syful Shamsul Alam & Co. Chartered Accountants and M/S. Huda Hossain & Co. Chartered Accountants. Our report is as under:

1.The R.N Spinning Mills Limited was incorporated on November 4, 2004.

2. The operating results of the Company over the last 5 years is as follows:

Particulars		Amount in Taka			
	9/30/2011	31-12-2010	31-12-2009	31-12-20008	31-12-2007
Application of fund:					
Fixed Assets:	**3,034,920,290**	**1,332,144,443**	**1,366,680,750**	**1,348,618,605**	**1,121,048,867**
Property, Plant & Equipment	3,030,548,015	1,327,772,168	1,362,372,507	1,344,310,362	1,116,769,201
Security Deposits	4,372,275	4,372,275	4,308,243	4,308,243	4,279,666
A. Current Assets:	**1,769,475,176**	**1,212,783,939**	**6,009,874,912**	**583,608,481**	**320,116,788**
Inventory	804,384,934	450,055,441	297,113,701	277,618,420	127,114,750
Advances, Deposits and Prepayments	37,863,412	186,866,485	5,333,443	4,308,731	2,142,849
Bills Receivable	812,563,600	470,824,787	393,008,166	301,056,293	190,855,996
Cash and Cash Equivalents	112,543,230	102,417,226	1,279,602	625,037	3,193
STD Account (IPO)	2,120,000	2,620,000	5,313,140,000	-	-
B. Current Liabilities:	**1,890,296,007**	**384,951,565**	**5,543,493,019**	**431,810,735**	**311,754,322**
Creditors and Accrues	11,256,300	7,481,843	13,207,553	10,304,846	2,898,865
Bills Payable	59,001,863	160,913,826	21,816,606	44,256,051	184,405,107
Liability for Capital Machinery	1,522,358,760				
Short term loan from Bank	295,559,084	213,935,896	495,328,860	377,249,838	124,450,350
Share money deposit (IPO)	2,120,000	2,620,000	5,013,140,000	-	-
Net Current Assets (A-B)	**(120,820,831)**	**827,832,374**	**466,381,893**	**151,797,746**	**8,362,466**
Total Assets	**2,914,099,459**	**2,159,976,817**	**1,833,062,643**	**1,500,416,351**	**1,129,411,333**
Sources of fund:					
Share Capital	**2,914,099,459**	**2,159,976,817**	**1,620,691,984**	**1,200,502,796**	**681,692,233**
Ordinary Shares	1,391,412,300	1,070,317,160	973,015,600	673,015,600	236,665,600
Preference Shares	436,527,000	436,527,000	436,527,000	436,527,000	436,527,000
Retaining Earning Balance	1,086,160,159	653,132,657	211,149,384	90,960,196	8,499,633
Non-Current Liabilities:	**-**	**-**	**212,370,659**	**299,913,555**	**447,719,100**
Long term loan from bank	-	-	212,370,659	299,913,555	243,357,000
Inter Company Balance	-	-	-	-	204,362,100
Total Liabilities	**2,914,099,459**	**2,159,976,817**	**1,833,062,643**	**1,500,416,351**	**1,129,411,333**

3. The statement of operating results of the company is as follows:

Particulars	Amount in Taka				
	9/30/2011	31-12-2010	31-12-2009	31-12-2008	31-12-2007
Export	2,246,045,830	2,085,432,500	1,147,456,701	1,040,508,594	376,950,237
Less: Cost of goods sold	1,431,806,168	1,504,777,659	925,862,295	893,295,153	331,210,800
Gross Profit	**814,239,662**	**580,654,841**	**221,594,406**	**147,213,441**	**45,739,437**
Less: operating expenses	22,933,513	18,457,275	36,046,905	13,058,512	20,224,230
Operation income	**791,306,149**	**562,197,566**	**185,547,501**	**134,154,929**	**25,515,207**
Less: Other operating expenses:	567,098	248,532	103,580	29,555	244,600
Trading and consulting Fees	-	-	-	-	114,000
Welfare Expenses	567,098	248,532	103,580	29,555	130,600
Net operating Income	**790,739,051**	**561,949,034**	**185,443,921**	**134,125,374**	**25,270,607**
Financial expenses	15,916,543	25,241,650	70,085,130	55,587,251	18,000,956
Net operating profit	**774,822,508**	**536,707,384**	**115,358,791**	**78,538,123**	**7,269,651**
Add: Other non-operation income	8,765,708	41,864,879	24,474,112	3,922,440	1,229,981
Net profit before tax	**783,588,216**	**578,572,263**	**139,832,903**	**82,460,563**	**8,499,632**
Provision for taxation	-	-	-	-	-
Profit after tax	**783,588,216**	**578,572,263**	**139,832,903**	**82,460,563**	**8,499,632**
Dividend on Preference Share	29,465,574	39,287,430	19,643,715	-	-
Profit for Ordinary Shareholder	**754,122,642**	**539,284,833**	**120,189,188**	**82,460,563**	**8,499,632**

EPS of R.N Spinning Mills Limited is shown below based on Audited Reports of 2007, 2008, 2009 , 2010 and 2011.

Particulars	**Amount in Taka**				
	30.09.2011	**31.12.10**	**31.12.09**	**31.12.08**	**31.12.07**
Net Profit After Tax	754122642	539,284,833	120,189,188	82,460,563	8,499,632
Weighted average number of Share	139,141,230	107,031,716	6,738,375	4,258,124	2,366,618
Face Value per Share	10	10.00	100.00	100.00	100.00
Earning per Share in Tk.	**5.42**	**5.04**	**17.84**	**19.37**	**3.59**

4 Cash Flow Statement

	Particulars	Amount in Taka				
		9/30/2011	31-12-2010	31-12-2009	31-12-2008	31-12-2007
A.	**Cash Flow From Operating Activities:**					
	Collection from Turnover	1,904,307,017	2,007,615,879	1,055,504,828	930,308,297	186,094,241
	Collection from other non-operating income	8,765,708	41,864,879	24,474,112	3,922,440	1,229,981
	Payment for Cost of Expenses	(1,735,801,675)	(1,404,419,384)	(826,733,087)	(1,089,742,991)	(228,128,763)
	Paid for operating Expenses	(20,549,567)	(204,042,886)	(56,811,668)	(11,965,502)	(8,719,803)
	Expenses paid for other operating activities	(567,098)	(248,532)	(103,580)	(29,555)	(244,600)
	Payment for financial Expenses	(15,916,543)	(25,241,650)	(70,085,130)	(56,553,216)	(18,000,955)
	Net cash flow from Operating activities	**140,237,842**	**415,528,306**	**126,245,475**	**(224,060,527)**	**(67,769,899)**
B.	**Cash Flow From Investing Activities:**					
	Purchase of Fixed Assets	(181,769,452)	(81,275,597)	(136,483,321)	(15,982,995)	(154,593,347)
	Increase in Security Deposits		(64,032)	-	(28,577)	(2,175,731)
	Net cash flow from investing activities	**(181,769,452)**	**(81,339,629)**	**(136,483,321)**	**(16,011,572)**	**(156,769,078)**
C.	**Cash Flow From Financing Activities:**					
	Increase / (Decrease) in Short term loan from bank	81,623,188	(281,392,964)	118,079,022	252,799,488	124,450,350
	Decrease in Share money deposit	(500,000)				
	Decrease in Long term loan from bank		(212,370,659)	(87,542,896)	(11,943,445)	(41,865,791)
	Share Money Collect (IOP)		300,000,000	-	(204,362,100)	141,684,366
	Dividend paid on Preference shares	(29,465,574)	(39,287,430)	(19,643,715)	204,200,000	100,000
	Net Cash flow from financing activities	**51,657,614**	**(233,051,053)**	**10,892,411**	**240,693,943**	**224,368,925**
D.	**Increase/(Decrease) cash and cash equivalents (A+B+C)**	10,126,004	101,137,624	654,565	621,844	(170,052)
E.	**Opening cash and cash equivalents**	102,417,226	1,279,602	625,037	3,193	173,245
F.	**(E+D)**	**112,543,230**	**102,417,226**	**1,279,602**	**625,037**	**3,193**

5. The company was incorporated as "Private" limited company & obtained the certificate of commencement under the Companies Act 1994, on November 4, 2004. Subsequently it was converted to public limited company on February 20, 2007, under the same certificate of incorporation.

6. The company started its manufacturing since July, 2007. The statement of operating results and cash flow statement therefore have been given since then.

7. The Company declared stock dividend @ 10 % and 30% for the year 2009 and 2010 respectively.

8. The Company has no subsidiaries.

9. No proceeds or part of proceeds of the issue of share were applied directly to the company in the purchase of any business.

Sd/-
(Shiraj Khan Basak & Co.)
CHARTERED ACCOUNTANTS

Dated: Dhaka, November 21, 2011

Selected Ratio as specified in rule 8 B (20) I-Annexure B of the Securities and Exchange Commission (Public Issue) Rules, 2006.

Particulars	Formula	30.09.2011		31.12.2010		31.12.2009		31.12.2008		31.12.2007	
				Calculation	Result	Calculation	Result	Calculation	Result	Calculation	Result
Liquidity Ratios											
Current Ratio (Times)	Current Asset/ Current Liability	1,769,475,176 / 1,890,296,007	**0.94**	1,212,783,939 / 384,951,565	**3.15**	6,009,874,912 / 5,543,493,019	**1.08**	583,608,481 / 431,810,735	**1.35**	320,116,788 / 311,754,322	**1.03**
Quick Ratio (Times)	(Current Asset-Stock-Prepaid Exp)/Current Liability	(1,769,475,176-804,384,934-37,863,412 / 1,890,296,007	**0.49**	(1,212,783,939-450,055,441-186,866,485) / 384,951,565	**1.50**	(6,009,874,912-297,113,701-5,333,443) / 5,543,493,019	**1.03**	(583,608,481-277,618,420-4,308,371) / 431,810,735	**0.7**	190,859,189 / 311,754,322	**0.61**
Time Interest Earned Ratio (Times)	EBIT/ Int.Charges	790,739,051 / 15,916,543	**49.68**	561,949,034 / 25,241,650	**22.26**	185,443,921 / 70,085,130	**2.646**	134,125,374 / 55,587,251	**2.41**	26,500,588 / 18,000,956	**1.47**
Debt-Equity Ratio (Times)	(Long Term Loan+ Current Portion of Long Term Loan+Pref.Share)/ Owners Equity	436,527,000 / 2,477,572,459	**0.18**	436,527,000 / 1,723,449,817	**0.25**	(212,370,659+436,527,000) / 1,184,164,984	**0.54**	(299,913,555+436,527,000) / 763,975,796	**0.96**	679,884,000 / 245,165,233	**2.77**
Operating Ratios											
Accounts Receivable-Turnover Ratio	Sales/ Average Receivable	2,246,045,830 / 641,694,194	**3.50**	2,085,432,500 / 431,916,477	**4.83**	1,147,456,701 / 347,032,230	**3.31**	1,040,508,594 / 245,956,145	**4.23**	376,950,237 / 95,427,998	**3.95**
Inventory-Turnover Ratio	COGS/ Average Inventory	1,431,806,168 / 627,220,188	**2.28**	1,504,777,659 / 373,584,571	**4.03**	925,862,295 / 287,366,061	**3.22**	893,295,153 / 202,366,585	**4.41**	331,210,800 / 63,557,375	**5.21**
Asset - Turnover Ratio	Sales/ Average Assets	2,246,045,830 / 3,674,661,924	**0.61**	2,085,432,500 / 4,960,742,022	**0.42**	1,147,456,701 / 4,654,391,374	**0.25**	1,040,508,594 / 1,686,696,371	**0.62**	376,950,237 / 720,582,828	**0.52**

Particulars	Formula	30.09.2011		31.12.2010		31.12.2009		31.12.2008		31.12.2007	
				Calculation	Result	Calculation	Result	Calculation	Result	Calculation	Result
Profitability Ratios											
Gross Margin Ratio (%)	Gross Margin/ Sales	814,239,662 / 2,246,045,830	**36.25%**	585,654,841 / 2,085,432,500	**28.08%**	221,594,406 / 1,147,456,701	**19%**	147,213,441 / 1,040,508,594	**14%**	45,739,437 / 376,950,237	**12.13%**
Operating Income Ratio (%)	Operating Income/ Sales	790,739,051 / 2,246,045,830	**35.21%**	561,949,034 / 2,085,432,500	**26.95%**	185,443,921 / 1,147,456,701	**16.16%**	78,538,123 / 1,040,508,594	**8%**	7,269,651 / 376,950,237	**1.93%**
Net Income Ratio (Before Tax) %	NIBT/ Sales	783,588,216 / 2,246,045,830	**34.89%**	578,572,263 / 2,085,432,500	**27.74%**	139,832,903 / 1,147,456,701	**12.19%**	82,460,563 / 1,040,508,594	**8%**	8,499,632 / 376,950,237	**2.25%**
Net Income Ratio (after Tax) %	NABT/ Sales	783,588,216 / 2,246,045,830	**34.89%**	578,572,263 / 2,085,432,500	**27.74%**	139,832,903 / 1,147,456,701	**12%**	82,460,563 / 1,040,508,594	**8%**	8,499,632 / 376,950,237	**2.25%**
Return on Assets (%)	Net Profit/ Fixed Assets- Dep	783,588,216 / 3,034,920,290	**25.82%**	578,572,263 / 1,332,144,443	**43.43%**	139,832,903 / 1,366,680,750	**10.23%**	82,460,563 / 1,348,618,605	**6%**	8,499,632 / 1,121,048,867	**0.76%**
Return on Equity (%)	Net Profit/ Shareholders Equity	754,122,642 / 2,477,572,459	**30.44%**	539,284,833 / 1,070,317,160	**50.39%**	120,189,188 / 973,015,600	**12%**	82,460,563 / 673,015,600	**12%**	8,499,632 / 236,665,600	**3.59%**
Earning Per Share	Earnings/ No. of ordinary shares (Weighted)	754,122,642 / 139,141,230	**5.42**	539,284,833 / 107,031,716	**5.04**	120,189,188 / 6,737,062	**17.84**	82,460,563 / 6,730,156	**12.25**	8,499,632 / 2,365,618	**3.59**

CREDIT RATING REPORT
ON
R.N. SPINNING MILLS LTD

REPORT: RR/699/11

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.
CRISL followed Corporate Rating Methodology published in CRISL website www.crislbd.com

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 7173700-1
Fax: 88-02-9565783
Email:
crisldhk@crislbd.com

Analysts:
Md. Touhidul Islam
touhidul@crislbd.com

Shazeda Akther
shompa@crislbd.com

Entity Rating
Long Term: A
Short Term: ST-3

Outlook: Positive

R.N. SPINNING MILLS LTD

ACTIVITY
Manufacturer of Acrylic Yarn

CHAIRMAN
Al- Haj Mostafizur Rahman

MANAGING DIRECTOR
Mr. Md. Abdul Kader Faruk

EQUITY
Tk. 2159.97 Million

TOTAL ASSETS
Tk.2544.92 Million

TOTAL TURNOVER
Tk.2085.43 Million

PAID-UP CAPITAL
Tk.1070.32 Million

	Long Term	Short Term
Entity Rating	A	ST-3
Outlook	Positive	
Date of Rating	April 26, 2011	

1.0 RATIONALE

CRISL has assigned 'A' (pronounced as single A) rating in the Long Term and 'ST-3' rating in the Short Term to R.N. Spinning Mills Ltd. (hereinafter called 'RNSML') based on both relevant quantitative and qualitative information up-to the date of rating. The above ratings have been assigned based on good fundamentals of the company which includes equity-based capital structure, good financial and operating performance, good solvency, sound production facilities, good repayment history etc. CRISL also takes into account the considerable demand of the product and the company's market leadership in the industry into rating consideration. However, the above factors are constrained by same factors in the areas of corporate governance, raw material supply risk, absence of inter-company cost sharing policy etc.

The long term rating indicates that entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more volatile and greater in the periods of economic stress than those rated in the higher categories. The short term rating indicates good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good with small risk factors.

CRISL also placed the company with "Positive Outlook" in consideration of its proposed expansion, prospective business growth as well as demand for the products which will likely to have positive impact on overall operation of the company.

2.0 CORPORATE PROFILE

2.1 Background

R.N. Spinning Mills Ltd., a Public Limited Company (Plc), was incorporated on November 04, 2004 as a Private Limited Company under Companies Act 1994 and converted into Public Limited Company (Plc)on in February 20, 2007. The company started its commercial operation on July 5, 2007 with the vision to manufacture and deliver all types of high quality acrylic and synthetic yarn as well as to minimize the import demand of the same. Initially, the company was a sister concern of FAR Group having joint investment of Korean and Bangladeshi citizens. The company started its operation with a paid up capital of Tk. 2.00 million against authorized capital of Tk.1000.00 million which was subsequently increased to Tk.1070.32 million against Tk.3500.00 million respectively. The company went into IPO in the year 2009 and it was listed with both the bourses of the country. Currently the company is operating with 30000 spindles having a production capacity of 10.50 million Kg annually. The company is planning to issue rights share for further expansion. The factory is built on 32000 sq meter land at Comilla EPZ having building area of 2.1 million sft with all utility facilities. The Head Office of the company is located at M.L. Tower (5th floor), 1 East Rampura, DIT Road, Dhaka-1219.

2.2 Ownership and Control

Being a publicly listed company, the ownership pattern of RNSML is diversified among the sponsors, own associate company and general investors. Under the major shareholding group, the sponsors hold 47.06% (of which local investors hold 20.77% and foreign investor, Mr. Kim Jung Suk holds 26.29%), associate (M. L. Dyeing Ltd.) holds 19.08% and the general investors hold remaining 33.86% (of which 15.4% shares held by institutional shareholder

Control Remains with the Sponsors

and 18.46% by individual investors) of the total outstanding shares as on December 31, 2010, Chairman Al- Haj Mostafizur Rahman (71) and his family members/relatives hold the total local sponsorship of shares of which 52.07% is owned by the Managing Director and his wife. The innovative attitude of Managing Director along with long attachment of owners supported by considerable product demand makes them able to take risk for their business growth. From the above shareholding structure it is revealed that even being a listed Public Limited Company, the control remains with the sponsors.

3.0 CORPORATE GOVERNANCE

Corporate governance is the blend of rules and regulations affecting the way a corporate is directed, administered or controlled to perform efficiently and generates long term economic value for its shareholders while respecting the interest of its stakeholders and the society as a whole. The specific areas covered are transparency in disclosure of relevant reliable financial and operational information, information on ownership and control, information on internal processing of management. In pursuit of the above facts CRISL examines and evaluates the following:

3.1 Board and its committee

No Independent Director in Board

The Board consists of seven directors where six are family member of the Chairman. The Board of RNSML is chaired by Mr. Al-Haj Mostafizur Rahman. Md. Abdul Kader Faruk (son of chairman) is working as a Managing Director who is also the founder of the company as well as FAR Group. Mr. Faruk is a Commerce Graduate from University of Dhaka and has profound knowledge in the textile sector. Beside the Managing Director, the foreign investor Mr. Kim Jung Suk works as Director having vast experience and Knowledge in modern method and technology related to production, Marketing & Management of textiles industries. The Board has no independent director. The Board held six meeting in the year 2010 against five in the previous year.

Inclusion of Chief Finance Officer in Audit Committee

RNSML has a 3-member Audit Committee (AC) headed by Director Mrs. Shirin Faruk who is also the wife of the Managing Director. Mrs. Faruk completed Masters in Commerce from University of Dhaka. The above are not in line with corporate best practices. The other members of the AC are Director, Abdul Quaim Mamun and Md. Humayun Kabir (Chief Finance Officer & Company Secretary). CRISL is in opinion that inclusion of finance professional is not in line with Corporate best practices as it weakens the objectivity and independence of the committee. The main objective of the AC is to identify the suspected or presumed fraud or irregularity or material defect in the internal control system, the overall regulatory framework and compliance issues, recommends various courses of action, as approved by the board, on internal and external auditors for removing the irregularities referred to and other relevant issues. However, the committee still reports to Managing Director and the Board is yet to set any guideline or authorization to make the functions of the above committees effective which is essential for best Corporate Governance practices. The committee held 5 meeting in this year.

3.2 Corporate Management and Human Resources

Experienced Management Team

The company is being operated under the common management of the Group as the company has no separate corporate management team. However, the company does not have any articulated inter-company cost sharing agreement among the business unit. The overall operational activities of the company are being supervised by the Managing Director Mr. Md. Abdul Kader Faruk who has 20 years of working experience in the various business sectors including textile industry. The operational activities are divided into four departments such as Commercial, Accounts & Finance, Marketing and Administration which are being headed by experienced professional team members. The top management of the company consisted as follows:

Name	Designation	Qualification	Experience (Years)	
			With the company	Total
Mr. Md. Abdul Kader Faruk (50)	Managing Director	M.Com	20	20
Mr. Md. Humayun Kabir (51)	Fin. Dir. & Company Secretary	M.Com, ACMA	04	25
Mr. Mohammad Humayun Kabir (45)	Director (Marketing)	M.Sc	10	21
Mrs. Jahadha Khandakar (39)	Executive Director (Production)	LLB	07	09
Major A.K.M Hafiz (Rtd.) (57)	Executive Director (Commercial/HR/Administration)	MBA	07	11

Besides the above, the management has also formed two committees, Management Committee (MANCOM) and Purchase Committee which are headed by the Managing Director of the company.

Comply with the BEPZA Rules and Regulations

RNSML has no formal service rule and structured compensation package for the human resources which describe the detailed job responsibilities and other job related policy of the employees. Moreover, the company has no provident fund and gratuity for employees. However, RNSML comply all the rules of BEPZA related with worker's benefit. Total Human Resource base of the company stood at 1300 as on December 31, 2010 of which 1200 are factory worker. Out of the factory workforce 40% are skilled, 40% semi skilled while rest 20% is unskilled workers. Among the total workers 70% workers are permanent and 30% workers are working on temporary basis. RNSML is an equal opportunity employer and has significant portion of female employees in the factory. HR turnover of the company was found insignificant. The average wages of the workers at factory level Stood at Tk.3150.

3.3 MIS and Internal Control Mechanism

Inadequate IT Infrastructure in MIS

Absence of Internal Control Mechanism

The Management Information System of RNSML is not found at satisfactory level. The company has no separate IT department. However, company uses 16 no of PC for daily operation and most of the cases uses package software for daily activities of the management. The company is still using manual system for accounting, inventory management and quality assurance purposes. The company does not have any separate internal control mechanism except board audit committee to safeguard the assets, promote operating efficiency and ensuring compliance with applicable policies and regulations.

3.4 SEC Best Practice Guidelines

Though RNSML is a Public Limited Company; the Board, formation of management structure, style of management, disclosures etc are all based on ownership criterion. In order to comply with the minimum requirement of Securities and Exchange Commission (SEC) corporate governance guideline, the company needs to have at least one Independent Director in the Board and a Board Audit Committee (AC) with at least three directors including one Independent Director. Although the company formed an AC, the same does not fulfill the spirit in real sense. Again according to SEC best practice guidelines, the company should appoint a Chief Financial Officer (CFO), a Head of Internal Audit and a Company Secretary. But RNSML does not fully comply with this guideline as the company does not have any Internal Audit Department as well as have no Head of Internal Audit.

4.0 GROUP PROFILE

Good Group Image

As mentioned earlier, RNSML is a concern of FAR Group which started with a manufacturing unit named Sweater Farms Ltd. in 2001 as a Private Limited Company with Chong Won ARS Ltd and Far Apparels Ltd. The initiative was taken by Mr. Abdul Kader Faruk with the objective to set up a 100% sweater producing company. The commercial operation of the Group was started in 2001. At the time of inception, the ownership of the Group was confined to family members of the Group Chairman which was also reflected in RNSML. Subsequently, the Group started growing in size every year and vertically expanded to textile, garments and hotel business with the inclusion of Korean investment in the Group. Recently the Group diversified its operation into real estate business. Due to the continuation of investment, the Group managed to ensure large employment opportunities and contribution towards the economy. The Group has currently given employment to around 3000 people. And total turnover of the Group during the period 2010 was USD 57.46 million. FAR Group believes in maintaining global standard production quality through implementation of latest production techniques and quality control methods. Being an acrylic and synthetic yarn manufacturer FAR Group is largest and pioneer in Bangladesh. The success story of FAR Group was driven by the leadership of Mr. Md. Abdul Kader Faruk being supported by his eligible successors.

Latest information as on December 31, 2010 regarding the Groups' business units, their assets, liabilities, equities, turnover, and net income are stated below:

(Amount in Million)

Business Units	Nature of Business/Major Products	Assets	Liabilities	Equity	Sales	Net Income
R.N. Spinning Mills Ltd.	Acrylic Yarn Manufacturing	2544.00	384.00	2159.00	2085.00	539.00
M.L. Dyeing Ltd.	Acrylic and Cotton Yarn Dyeing	2840.00	1644.00	1196.00	1752.00	436.00
Chong Won ARS Sweater Ltd.	Sweater Manufacturing	659.00	127.00	532.00	631.00	125.00
FAR Chemicals Industries Ltd.	Chemicals Manufacturing	287.00	22.00	265.00	105.00	15.00
FAR Homes Ltd.	Real Estate	3504.00	-	3504.00	125.00	27.00
M.L. Hotel Tower Ltd.	Hotel	351.00	-	351.00	76.00	21.00
M.L. Steel	Steel Manufacturing	Started operation from September, 2011				
Total		9185.00	2177.00	8007.00	4774.00	1163.00

All the business units of the Group is managed and controlled under the umbrella of common control mechanism of the Group being guided and supervised by the Managing Director of the Group and sharing the resources of the Group Head Office and Commercial Office. The Group does not have any articulated pricing policy for inter-company fund transfer. CRISL, however, factored the Group strength as an added advantage since it has created a good funding flexibility as well as support service.

5.0 INDUSTRY OUTLOOK

Textile sector of Bangladesh is playing a very important role in the economic development of the country by earning huge foreign exchange which is next to wage earners remittance. Besides creation of employment opportunities and supporting government policy of poverty alleviation, textile sector has become the accelerator of economic growth. Over more than a decade, the sector experienced significant development and export earnings of textile & clothing increased from $0.12 billion in 1994 to $13.22 billion in FY2009-10. Keeping the momentum, Bangladesh has already become one of the major suppliers of clothing in EU market, the sector also has remarkable contribution to GDP (around 10%) as around 77% of the export earnings come from this sector. At this moment 100% demand for raw materials for knit RMG are being met by local sources.

Since after liberation, the number of spinning mills gradually increased over the years which stood at 350 in 2009. Spindle capacity increased to 7.60 million having yarn production capacity of 640,000 tons. Loom capacity also increased to 5000 million having fabric production capacity of 1600 million meters. Considerable size of backward linked industry has been established for which knit sub sector also achieved phenomenal growth. The achievement so far made was possible due to permitting textile machinery at zero duty/tax and other incentives. However, due to significant involvement of capital machineries, the sector, on an average, is highly leveraged having 70% borrowing in the capital structure.

The spinning industry is basically manufacturing two types of yarn, cotton yarn and synthetic yarn (acrylic yarn). The acrylic yarn is 100% used in sweater industry. Bangladesh is almost entirely dependent on imports to meet rapidly growing demand for raw cotton and acrylic fiber (a petro- chemical by product). Domestic production of raw cotton can hardly meet 2% of its demand of the country. More than 40% of raw cotton imports are used for the export oriented RMG sector. On the other hand, in Bangladesh, the total demand for acrylic yarn is about 133 million MT per year where around 85% of the same are imported from abroad. The remaining portions (15%) of the required demand are being fulfilled by local producer of the country. There are 350 spinning mills, 400 weaving mills, 310 dyeing and finishing mills, 800 knitting and knit dyeing mills and 4500 garment factories in Bangladesh. Bangladesh Primary Textile Sector (PTS) meets around 100% of domestic yarn and fabric requirements, 85-90% yarn requirements for export oriented knitwear and 34-40% yarn requirement for woven ready-made garments. Uzbekistan for raw cotton and Germany, New Zealand for acrylic fiber are continuing to be the major supplier, enjoying 47% market share due to competitive prices and short delivery period.

In FY2009-10, consumption of yarn was estimated at 880,000 tons which was 7% higher from 2008-09 consumption due to strong demand from weaving and knitting sub-sectors in the country. Spinning and weaving mills in recent years are capable to supply quality yarns and fabrics required for the export oriented RMG sector but typically at 10-12 percent higher price compared to those sourced from China and India. Bangladesh Textile Mills Association source indicated that in last December the price of 30 count yarn imported from India was $2.1 per kilogram while the price of local yarn of the same count was around $2.35 per kilogram. Several spinning mills were forced to sell their yarn at lower than cost prices to clear their inventory. Consequently, 35 spinning mills stopped operation and a large number of other mills cut down their production by around 35 percent.

However, the production of yarn and cloths are not being increased in line with demand resulting to considerable demand-supply gap. But due to global economical recession and India's unrestrained dumping poses as a serious threat for this industry. Again, due to irregular gas supply and electricity problem, textile production started reducing which resulted up to 50% production loss. The problem started since March 2009 and now-a-days has reached to worst situation in Dhaka, Chittagong, Gazipur, Savar and Narayangong zones. At the time of recovering from the impact of global recession, gas and electricity crisis has been a big menace for the sector which can even cause the loss of the international market.

Yarn and fabric imports for the export oriented RMG sector enjoy a duty draw back incentive provided by the government. To mitigate the global recession the Government on last November has announced a stimulus package to the tune of Taka 1000 crore ($149 million) covering textile and clothing industry. The package provides the primary textile industry with bank loan rescheduling facilities, 5% cash incentive for export of yarn, and access to Export Development Fund (EDF) for import of raw cotton. However, the local industry has been asking the government to raise the cash incentive to 15% rate, withdrawal of import duties on capital machinery and spare-parts for the textile industry, and provide other export subsidies and adopt a liberal tax policy in order to help the industry. Despite the fact, Bangladesh has ample scope to consolidate the sector to explore maximum benefit out of it for which fair deal by the government in terms of infrastructure, utilities, policies, financial support and necessary market protection from illegal entry of textile raw materials and finished goods is required.

6.0 BUSINESS ANALYSIS

6.1 Product

Production Capacity is 10.5 Million with 81% Efficiency

RNSML produces high quality acrylic and synthetic yarn ranging from 2/20 counts to 2/32 counts. Due to having considerable demand of the products, the company increased the production capacity in the last year. As the company regularly conducts technological up-gradation and works for the same buyer over the years, it gets competitive edge in the area of cost reduction and quality improvement. Currently, the company has the capacity to produce 10.5 million Kg yarn with 100% efficiency against which the company produced around 8.50 million Kg yarn with around 81% efficiency in the year 2010 against 4.9 million Kg against the capacity of 7.00 million kg in the previous year.

6.2 Major Raw Material and its sources

Depends on Imported Raw Materials

The major raw material of the company is acrylic fiber (TOW) which is petro-chemical by product. The major raw materials are imported from Germany (80%), New Zealand (10%) and other countries (10%).

6.3 Procurement Process and Storage Facility

Good Supply Chain Relationship

The Purchase Committee is headed by Manager Director of the company, directly supervises and manages the procurement process of sourcing, bargaining and order placing by analyzing the existing demand of company and buffer stock. Subsequently the orders are executed through Commercial Department. The procurement process is executed through L/C and the company maintains a good supply chain relationship with the raw material suppliers for minimizing the supply risk. The average lead time for importing tow is about 8 weeks.

RNSML has its own 86000 sft warehouse in the factory for raw materials with a capacity of 45000 MT for acrylic fiber (TOW) as well as for finished goods in its factory premises. The company usually keeps 18000 MT TOW for 2-3 months production requirements as inventory before further order is placed. As the product has seasonal demand variation (2.5%), the company keeps finished goods of 90 days production as inventory to meet the seasonal demand.

6.4 Distribution and Marketing Strategy

The high quality acrylic yarn attracts a large number of buyers which supports a backward linkage in the Sweater industry. All of its buyers are export oriented local companies and the finished products are usually supplied against back to back L/C. Firstly, most of the products of RNSML are usually supplied to different yarn dyeing company including M. L. Dyeing where yarn are dyed & finished and subsequently sold to sweater manufacturer and exporter as their major raw materials. The major customers of the company are repeat buyers which includes M. L Dyeing (35%), Dragon Sweater (25%), M. I Yarn Dyeing Ltd. (15%), Shephared Yarn Dyeing Ltd. (10%) and others (15%). There was no rejection experience of the company for its major customers which puts the company in comfort zone.

6.5 Market Position and Prospects

Around 40% Contribution to Local Demand

In Bangladesh, to meet the total demand of acrylic yarns, the country have to depends on almost import from abroad. Among the local producer of the country of acrylic yarn, around 40% (around 6% of total demand) are contributed by RNSML. Currently, RNSML has the highest capacity to produce acrylic and synthetic yarn in the country and produced 8.50 million Kg in the last year. The other market players are Purbani Synthetic Mills Ltd., Ring Shine Spinning Mills Ltd., Daewoo Spinning Mills Ltd., Kung Keng Spinning Mills Ltd. and Chin Hung Fibre Ltd. etc. Considering the existing market scenario, CRISL foresees favorable business outlook of the company.

7.0 PRODUCTION FACILITIES AND TECHNICAL ANALYSIS

7.1 Infrastructure and Facilities

Good Production Facilities

The production infrastructure of RNSML is located at Comilla EPZ, Comilla. Total land area of the project is 32000 sq meter with factory building of 2100000 sft and warehouse of 86000 sft. The company acquired sufficient additional area of 6000 sq meter for further expansion of the project. In factory premises the company has enough source of utilities support like electricity and water. RNSML has 6 sets own gas generator of Deutz brand from Germany having capacity of 0.6 MW each for uninterrupted power supply, which were installed at the time of installation of other machineries. In addition the company also maintains BEPZA electricity line. Factory is connected with 96000 cu. Meter/month PSI gas line. The company also has sufficient fire fighting equipments. Since its commercial production, RNSML has been using renowned machineries for production for core operation. Most of their machines are imported from Italy, Japan, and Germany etc. The main machineries used in production section include 27 sets Reeling Machines, 11 sets Breaker, 6 sets Auto Leveler, 7 sets High Grill, 7 sets Bi-Coiler, 6 sets Rover, 62 sets Ring Spinning, 25 sets Auto Corner, 11 sets Doubling, 45 sets Doubling and some other different kinds of machines for facilitating the production. The machineries set up of the company are soundly balanced in each stage of operation and production volume cannot further be increased significantly under the existing setup. However, the company has the plan to enhance its production capacity and product diversity (cotton yarn) after successful flotation of rights share. RNSML uses modern technology to assure quality of the products starting from raw materials to finished goods. The Quality Control Team continuously monitors Yarn Quality at every stage from TOW breaking to finishing.

The company has insurance coverage of Tk. 338.13 million with Union Insurance Company Ltd. for building, humidification plant and machinery, Electrical installations, stocks of raw material, finished goods and work in process with a premium of Tk. 1.09 million which is valid up to 29.03.2012.

8.0 BUSINESS PERFORMANCE ANALYSIS AT A GLANCE

Key Operating Performance	2010	2009	2008
Production Capacity (in Kg)	10.50	7.00	7.00
Production (in)	8.50	4.90	4.55
Capacity utilization (%)	81	70	65
Turnover (Tk. in Millions)	2,085.43	1,147.46	1,040.51
Turnover growth (%)	81.74	10.28	176.03
Cost of Goods Sold (Tk. in Millions)	1,504.78	925.86	893.30
COGS growth (%)	62.53	3.65	169.71
Net Profit (Tk. in Millions)	578.57	139.83	82.46
Net Profit growth (%)	313.76	69.58	870.17

9.0 FINANCIAL PERFORMANCE ANALYSIS

9.1 Financial Performance

Good Financial Performance

Overall financial performance of RNSML is good during year 2010. The sales revenue stood Tk.2085.43 million in 2010 against Tk.1147.46 million in 2009 representing 81.74% growth over the previous year. Similarly the net profit after-tax stood at Tk.578.57 million in the same period against Tk.139.83 million in the year 2009 indicating around 3 times growth. On the basis of this performance the ROAA, ROAE, ROACE positively affected during the year 2010 against the previous year.

Profitability Ratios	2010	2009	2008
Return on Average Assets Before Tax (ROAA)%	11.66	3.00	4.89
Return on Average Equity Before Tax (ROAE)%	30.61	9.91	8.76
Return on Average Assets After Tax (ROAA)%	11.66	3.00	4.89
Return on Average Equity After Tax (ROAE)%	30.61	9.91	8.76
Return on Average Capital Employed (ROACE)%	28.98	8.39	6.27
Gross Profit Margin%	28.07	19.31	14.15
Operating Profit Margin%	26.95	16.16	12.89
Net Profit Margin%	27.74	12.19	7.93
Net Profit Margin without Non-operating Income%	25.74	10.05	7.55

Good Profitability

The above was mainly because of increase in sales which was led by increase in both capacity and production volume compared to the growth in cost of production and finance cost during the last year. The lower growth in cost of production was mainly contributed by decrease in overhead cost to sales ratio due to optimum uses of plant and other for expansion. The same also affect the gross profit margin as well as well as the net profit margin which stood at 28.07% and 27.74% respectively against 19.31% and 12.19% in the previous year. The net profit margin during the period 2010 does not changed so much compared to gross profit margin. The above is due to increase in non operating income of Tk.42.86 million compared to previous year and discharge of financial expenses to Tk. 25.24 million in year 2010 from Tk.70.08 million in year 2009.

9.2 Operating Efficiency

Profitability Ratios	2010	2009	2008
Cost to Revenue Ratio (%)	72.16	80.69	85.85
Administrative Exp to Revenue Ratio %	0.64	2.66	0.83
Finance Cost to Revenue ratio (%)	1.21	6.11	5.34

Good Operating Efficiency

The overall operating efficiency of the company is found good. The cost efficiency ratio (cost of goods sold to sales) significantly improved and stood at 72.16% in the year 2010 against 80.69% in previous year. This is due to higher growth in sales revenue in compare to cost of production and overhead cost. Administrative Expenses to Revenue ratio stood at 0.64% and 2.66% in 2010 and 2009 respectively due to increase in sales volume. Finance Cost to Revenue Ratio stood at 1.21% and 6.11% in 2010 and 2009 respectively. This is mainly due to discharge of long term loan in last year which decreased the finance cost.

10.0 FINANCIAL STRENGTH AND SOLVENCY

Being strategic business units of FAR Group, the company enjoys considerable funding facilities from other business units of the Group which is a key consideration for long run sustainability. However, solvency position of the company in isolation of the Group is found good and the company has available current assets to meet the current obligations. The capital structure of the company is shown below:

Good Solvency

Particulars	2010	2009	2008
Current Assets	1,212.78	6,009.87	583.61
Less: Current Liabilities			
Short Term Loan	213.94	495.33	377.25
Other Current Liabilities	171.01	5048.16	54.56
Net current assets	827.83	466.38	151.80
Fixed Assets- Net	1,332.14	1,366.68	1,348.62
Net Capital Employed	2,159.97	1833.06	1500.42
Financed by:			
Non-current liability -	-	212.37	299.92
Adjusted Capital:			
Share Capital	1,506.84	1,409.54	1,109.54
Retained Earnings	653.13	211.15	90.96
Total	2,159.97	1833.06	1500.42
Leverage Ratio (X)	0.18	3.55	0.61
Debt Service Coverage Ratio (X)	28.48	4.68	4.08
Interest Coverage Ratio (X)	23.92	3.00	2.48

Equity Based Capital Structure

RNSML is an equity based company without having any outside long term liabilities during the year 2010. The capital structure is comprised of 69.76% by share capital and 30.24% by retained earnings. The share capital pie is composed of 71.04% paid up capital of which 47.06% is sponsors investments, 19.08% institutional investment 33.86% individual's investments and rest of share capital pie is invested by preference shareholders. Moreover, recent plan to go for rights offer, the capital base will be enhanced to a great extent. The company availed a short term bank loan of Tk.213.94 million in the year 2010 to meet the working capital requirement under its working capital planning.

Against the above capital structure, outside liabilities (short term) stood at Tk.384.29 million representing the leverage ratio 0.18 times at year 2010 against 3.55 times at 2009. Net asset value (NAV) per share increased to Tk.16.10 at 2010 against Tk. 121.70 at 2009.

11.0 LIQUIDITY POSITION

Liquidity Indicators	2010	2009	2008
Current ratio	3.15	1.08	1.35
Quick ratio	1.50	1.03	0.70
Net Working Capital (in Million Taka)	827.83	466.38	151.80
Operating cash Flow	415.53	126.25	(224.06)

Average Liquidity

The company is operating with average liquidity although the same is in improving trend due to discharge of fixed charge financial obligation in the last year. The current ratio and the quick ratio of RNSML respectively stood at 3.15 times and 1.08 times in 2010 against 1.50 times and 1.03 times in 2009. While reviewing the cash flow statement it found that, the cash flow from operation was Tk.415.53 million in Year 2010 against negative Tk.126.25 million in year 2009. The Cash Conversion Cycle of RNSML is around 149 days consisting Average No. of Days Inventory in Stock (DIO) 91 Days, Average No. of Days Receivables Outstanding (DSO) 76 days. Average No. of Days Payable Outstanding (DPO) stood at 18 days. The cumulative effect of the same adversely affects the cash conversion cycle of the company that ultimately puts pressure on liquidity.

12.0 CREDIBILITY AND BANKING RELATIONSHIP

12.1 Liability position and Exposure Ratings

RNSML has been enjoying working capital facilities from Bank Asia Ltd. The details of loans' status are defined in following table:

Good Repayment History

(Amount in million Tk.)

Bank	Mode	Limit	Outstanding Amount As on 31.03.2011	Repayment Status	Security Details & (Details in 12.2)
Bank Asia Ltd.	L/C	860.00	360.00	Regular	1
	LTR	200.00	194.20		
Total		1060.00	554.20		

12.2 Security Arrangement & Ratings

The mode of the security offered under each banking facilities are summarized below:

SL No	Name of the Banks	Security Packages
1.	Bank Asia Ltd.	**Primary Security:** 1. Hypothecation of stocks of the company duly insured as well as book debts and receivables. 2. Hypothecation on all floating assets of the company including inventory along with another participant bank.
		Collaterals and Others: 1. 1st parri passu charge on factory building of 253724 sft valued at Tk. 504.98 million and machinery valued at Tk. 687.17 million. 2. Personal guarantee of all Directors of the company 3. Notarized Irrecoverable Power of Attorney empowering the bank to sell hypothecated stocks.

13.0 RISK ANALYSIS

13.1 Raw Material Supply Risk

The main raw materials of the company is acrylic fiber (TOW), a petroleum by product from which RNSML manufactures the Acrylic yarn for sweaters. Bangladesh being a non acrylic fiber producing country has dependency on acrylic fiber for acrylic yarn which is required to be imported from abroad, mainly from Germany, New Zealand and other countries. Moreover, the bargaining power of the company in the acrylic fiber market is also found weak. However, the company has a good supply chain relationship with the suppliers. CRISL views that, considering the dependency on imported raw material RNSML is exposed to raw material supplies risk.

13.2 Regulatory Risk

The Company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission (SEC)'s rule and rules adopted by other regulatory organizations. The company has no Independent Director in Board and no structured Audit Committee to comply the SEC's rules and regulations. On the other hand, any unexpected changes in the policies formed by those bodies will impact the business of the Company adversely. So considering the above CRISL views that, the company is exposed to regulatory risk.

13.3 Exchange Rate Risk

Exchange rate risk arises from currency fluctuation in international trade. If Bangladeshi Taka is devalued and/or foreign currency revalued then the price of imported acrylic fiber will go up which will decrease the overall profit margin. Similarly, appreciation of foreign currency will adversely affect sales revenue of the company. For last couple of month, the Bangladeshi Taka found carrying floated value against dollar as well as other foreign currencies and expected to follow the same which exposes to significant exchange rate risk.

13.4 Operation Risk

Technology is a continuous process of development. On the other hand innovation of new and cost effective technology may obsolescence existent technology, which may cause negative impact. The project is equipped with good machineries and technology and to cope with the pace in harmony with modern textile world, the Company is continuing modernization program of its machinery. On the other hand, the management personnel both in head office and production premise seem to be competent and experienced to run the operation. However, better human resources development plan for both officers and workers may increase the efficiency in operation. The company is yet to introduce HR policy and other related issue. In order to reduce the operational risk, an internal control mechanism is also yet to be structured. Computerization in the total operational process is yet to be established. So considering the above CRISL views that, the company is exposed to operational risk.

13.5 Power Generation Risk

Currently a circular from government has been emerged to arrange alternate of gas within 6 months due to recent acute gas crisis which is very essential requirement for spinning industry to produce power from captive power plant. As the factory of RNSML is in Comilla EPZ, the company enjoyed all the utility facilities provide by BEPZA. Currently the company connected with 2.02 PSI gas line. The necessary gas pressure for RNSML is found up to the expected level. Other things being constant CRISL does not foresee significant power generation risk.

13.6 Price fluctuation risk

RNSML imports all raw materials (TOW) from abroad and finally it finished product (acrylic yarn) sales to different sweater manufacturing company which export to abroad. However, the company has flexibility to some extent to adjust sales price according to price fluctuation of raw material. But considering the the volatility of raw material price in the international market CRISL foresee that, the company is exposed to price fluctuation risk.

14.0 OBSERVATION SUMMARY

Rating Comfort:	Rating Concern:
• Equity based capital structure • Good financial and operating performance • Good solvency • Sound production facilities • Good repayment history • Major market player in the industry • Considerable demand of the product	• Below average Corporate Governance • Absence of inter-company cost sharing policy • Inadequate IT infrastructure in MIS • Exposed to raw materials supply risk
Business Prospects:	**Business Challenges:**
• Further Expansion • Availability of Cheap Labor • Largest industry of Bangladesh • Wide export market	• Political instability • Increased global competition • World's economic meltdown • Quality maintenance • Exchange rate fluctuation

15.0 PROSPECTS

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

Despite the inherent limitations of the industry, being one of the promising quality yarn producing entity, ATML is capable of making full use of the opportunities. The company is definitely in the comfort zone for its sound production facilities equipped with modern technology as well as group support. It is expected that in today's competitive market the company will avail its area of competitive strengths and keep trying to overcome the drawbacks. The spinning sector of Bangladesh becoming flourished due to acting as a backward linkage of knitwear sector which is growing year by year to capture the vast demand in the world.

END OF THE REPORT

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

CREDIT RATING REPORT
ON
R.N. SPINNING MILLS LTD

16.0 FINANCIAL STATEMENT

A. Balance Sheet (As on December 31)

(Amount in million Taka)

Particulars	2009-10	2008-09	2007-08
Non-Current Assets:	---	---	---
Property, Plant & Equipt.	1,327.77	1,362.37	1,344.31
Capital work in progress			
Intangible Assets(net)	4.37	4.31	4.31
Other Non-Current Assets			
Total Non-Current Assets	**1,332.14**	**1,366.68**	**1,348.62**
Current Assets:		---	
Inventories	449.46	297.11	277.62
Trade Debtors	471.04	393.01	301.06
Adv. Deposits & Prepayments	186.33	5.33	4.31
Short Term Investment	102.42	5,313.14	
Other Current Assets			
Total Current Assets Other than Cash	1,209.24	6,008.60	582.98
Cash & Bank Balances	2.62	1.28	0.63
Total Current Assets	**1,211.86**	**6,009.87**	**583.61**
Current Liabilities:			
Short Term Loan	213.94	495.33	377.25
Long Term Loan-CP			
Trade Creditors	167.73	35.02	54.56
Liabilities for Expenses			
Proposed Dividend			
Other ST Liabilities	2.62	5,013.14	
Total Current Liabilities	**384.29**	**5,543.49**	**431.81**
Net Current Assets	**827.56**	**466.38**	**151.80**
Net Assets	**2,159.71**	**1,833.06**	**1,500.42**
Non-Current Liabilities:		---	---
Long Term Loan		212.37	299.91
Deferred Liabilities			
Other Non-Current Liab.			
Total Non-Current Laib.	**-**	**212.37**	**299.91**
Total Liabilities	**384.29**	**5,755.86**	**731.72**
Shareholders' Equity:			
Share Capital	1,506.84	1,409.54	1,109.54
Share Premium			
Capital Reserve			
Other Reserve			
Retained Earnings	652.87	211.15	90.96
Total Shareholder's Equity	**2,159.71**	**1,620.69**	**1,200.50**
Total Equity and LT Liab.	**2,159.71**	**1,833.06**	**1,500.42**
Total Assets	**2,544.00**	**7,376.56**	**1,932.23**

B. Income Statement (for the year ended December 31)

(Amount in million Taka)

Particulars	**2009-10**	**2008-09**	**2007-08**
Sales Revenue	**2,085.43**	**1,147.46**	**1,040.51**
CoGS Excluding Dep.	1,385.56	808.86	805.27
Depreciation-Mfg	114.49	117.00	88.02
Cost of Goods Sold	**1,500.04**	**925.86**	**893.30**
Gross Profit	**585.39**	**221.59**	**147.21**
Salary & Allowances	2.48	5.09	4.64
Depreciation-Admn.	0.97	0.99	0.75
Other Admin. Expenses	11.85	24.41	3.21
Total Adm.	**15.30**	**30.50**	**8.60**
Selling & Distribution Exp.	8.16	5.55	4.46
Other Operating Exp.	0.25	0.10	0.03
Profit from Operation	**561.68**	**185.44**	**134.13**
Financial Cost	25.24	70.09	55.59
Non Operating Income	41.86	24.47	3.92
Other Non-Operating Exp.			
Profit Before Tax	**578.30**	**139.83**	**82.46**
Income Tax	-	-	-
Profit After Tax	**578.30**	**139.83**	**82.46**
Proposed Cash Dividend	39.29	19.64	
Ret. Profit Transferred to BS	**539.02**	**120.19**	**82.46**
EBITDA	**719.00**	**327.91**	**226.82**

CREDIT RATING REPORT
ON
R.N. SPINNING MILLS LTD

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

CREDIT RATING REPORT
ON
R.N. SPINNING MILLS LTD

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

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com,
Web site: www.rnspinningmills.com

Folio/BO Account No :

Name :

Address :

LETTER OF OFFER FOR RIGHTS ISSUE

Dear Shareholder (s)

We are pleased to inform you that the Board of Directors at its meeting held on 20th March, 2011, recommended to issue Rights Shares in the ratio of **01(R):01** i.e., 1 (one) rights share for 1 (one) share held on record date which was approved by the Shareholders in the **9th** Extra Ordinary General Meeting held on **April 21, 2011**. As a registered Shareholder as on **January 31, 2012** (Record date for entitlement), you are entitled to subscribe your rights for ordinary share of Tk. 10.00 each at an issue price of Tk. 20.00 each including a premium of Tk. 10.00 per share.

If you wish to accept the above Rights Share in full or in part, you are required to submit completed Application **Form-A** annexed hereto with necessary payments.

You may, however, renounce your rights in respect of all or part of your entitlement in favor of others in which case the Renunciation **Form-B** and **Form-C** annexed here to be submitted duly filled in by you and the renouncee(s) along with necessary payments.

The rights cannot be exercised for fraction of a share i.e. below full unit of share.

All the payments for accepted shares are to be made in cash or by P.O/DD/Cheque @ Tk. 20.00 each including a premium of Tk.10.00 per share and to be deposited with any of the branches of Bankers to the Issue during banking hour's from **February 19, 2012 to March 13, 2012** (both days inclusive). Any extension of time will be notified through national dailies. Payments through P.O/DD/Cheque payable to "**R.N. Spinning Mills Limited**" and must be drawn on a Bank in the same town where the Branch of Bankers to the Issue in which the application form has been submitted is situated. It is to be noted that transaction above **Tk. 1.00** (One) lac must be affected through Demand draft/Crossed cheque/Pay order.

The offer will be deemed to have been declined if completed Application **Form-A** and/or Renunciation **Form-B** and **Form-C** with necessary payments have not been received by **March 13, 2012** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Documents is attached for your kind information and evaluation.

By order of the Board

Sd/-
Md. Abdul Kader Faruk
Managing Director

Application Form-A

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com,
Web site: www.rnspinningmills.com

Rights Issue of **139,141,230** Ordinary Shares of Tk. 10.00 each at an issue price of Tk. 20.00 each including a premium of Tk. 10.00 per share totaling **Tk. 2,782,824,600** offered on the basis of **01(R):01** i.e. 1 (one) Rights share for 1 (one) existing share held on the record date **January 31, 2012.**

LAST DATE OF ACCEPTANCE AND APPLICATION: MARCH 13, 2012

FORM OF ACCEPTANCE AND APPLICATION FOR SHARES

The Managing Director Dated: ..../............./2012
R.N. Spinning Mills Limited
M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219

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. 20.00** each including a premium of **Tk. 10.00** 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 31, 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.

As per provision of the Depository Act, 1999 and regulations 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.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

....

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk..(Taka...)only from

Mr./Ms...Folio/BO Account No...

for................................no.(s) of rights shares of **R. N. SPINNING MILLS LIMITED** in Cash/Pay Order/ Draft/Cheque No........................date..................................of..Bank.............................Branch.

Application Sl. No. **(Bank's Seal)** **Signature of Receiving Officer**

Renunciation Form-B

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com,
Web site: www.rnspinningmills.com

Rights Issue of **139,141,230** Ordinary Shares of Tk. 10.00 each at an issue price of Tk. 20.00 each including a premium of Tk. 10.00 per share totaling **Tk. 2,782,824,600** offered on the basis of **01(R):01** i.e. 1 (one) Rights share for 1 (one) existing share held on the record date **January 31, 2012.**

LAST DATE OF ACCEPTANCE AND APPLICATION: MARCH 13, 2012

FROM OF RENUNCIATION

The Managing Director Dated: ..../........../2012
R.N. Spinning Mills Limited
M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219

Dear Sir,

I/We hereby renounce my/our rights to the shares offered to me/us as noted below in favor of person(s) accepting the same and signing in Application by Renouncee(s) and apply for allotment in his/her/their name(s).

Folio/BO Account No.	No. of Shares held at the close of business on January 31, 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:...

Name(s) of Renouncee(s) **BO A/C No.**

1. Name..

2. Name..

N.B. use photocopy in case of renouncement favoring more than 2 (two) persons

As per provision of the Depository Act, 1999 and regulations 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.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

Renunciation Form-C

R.N. SPINNING MILLS LIMITED

M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219
Tel: 9337472, 9338232,8312878, **Fax:** 880-2-9337862
Email: rnspinning@gmail.com ; fargroup123@gmail.com,
Web site: www.rnspinningmills.com

The Managing Director — Dated: ..../.........../2012
R.N. Spinning Mills Limited
M. L. Tower (5th floor), 1 East Rampura D.I.T Road, Dhaka-1219

Dear Sir,

As the share holder(s) at pre-page has/have renounced his/her/their rights to the shares offered, in my/our favor, I/We do hereby apply for the number of share noted above as renounced, by making payment of Tk. .... being the value of .... Shares @ **Tk. 20.00** each including a premium of **Tk. 10.00** per share.

Yours faithfully,

1. Signature	2. Signature ....
Name (in block letters)	Name (in block letters) ....
S/O. D/O. W/O.	S/O. D/O. W/O. ....
Address:...	Address:...
....	....
BO No.	**BO No.**

N.B. use photocopy in case of renouncement favoring more than 2 (two) persons

Signature of the Renouncer (s): 1. .... 2. ....

As per provision of the Depository Act, 1999 and regulations 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.

Note: Folio No. is to be mentioned only in case of existing shareholder(s). Incomplete or incorrectly filled application form may be rejected.

....

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk..(Taka...)only from Mr./Ms...Folio/BO Account No... for................................no.(s) of rights shares of **R. N. SPINNING MILLS LIMITED** in Cash/Pay Order/ Draft/Cheque No........................date..................................of..Bank.............................Branch.

Application Sl. No. — **(Bank's Seal)** — **Signature of Receiving Officer**