

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Mir Akhter Hossain Limited (MAHL), I welcome you all to the 41st Annual General Meeting. It is a pleasure of the directors to present before you the Audited Financial Statements of the Company for the year ended June 30, 2021, Auditors' Report and the Directors' Report thereon along with Company's performance and other matters in terms of Companies Act 1994 and Bangladesh Securities and Exchange Commission Notification No. SEC/ CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, Listing Regulations of DSE and CSE, International Financial Reporting Standards, International Accounting Standards, and other applicable rules and regulations.

Background

Mir Akhter Hossain Limited is a public limited company by shares. Initially, Mir Akhter established its business and commenced its operation as partnership firm in 1968. Later on, it was incorporated as a private limited company on July 18, 1980 vide registration no. C-8196/35 of 1980-81. Subsequently the company was converted into a public Limited Company on January 10, 2017. On 26th January, 2021 the company was listed with both the Dhaka and Chittagong stock exchange limited.

Principal Activities

MIR AKHTER HOSSAIN LIMITED continues to hold a unique place in the country's engineering and constructions sector as a well-diversified and leading company with operations in projects including constructions of roads, bridges, highways, railway tracks, airports, 5-star luxury hotels, discharge channels, civil construction of power plants, functional buildings, factory buildings and complex infrastructural projects. The company is also actively engaged in river dredging, gas pad drilling using high-tech utility rigs, manufacturing of railway sleepers and poles, and soil stabilization.

(i) Industry outlook and possible future developments in the industry

The sector, in which Mir Akhter Hossain Limited operates, continues to be the key focus of government in delivering strategies and outcomes relevant to the development of Bangladesh. This is a sector that is benefiting from an increasing capital allocation from annual development budget of government. The implementation of Annual Development Program (ADP) has grown at an annual rate of 27.20% from BDT 1,55,380 crore in 2019-20 to BDT 1,97,643 crore in 2020-21. The approved budget allocated for Annual Development Program for the FY 2021-22 is BDT 2,25,324 crore. Mir Akhter is a leading company in this sector being amongst the top 3 organizations in terms of capacity.

The high growth in ADP is directly attributable to planned construction of industrial complexes, roads & bridges, power stations and civil infrastructures; which is a prerequisite for achieving the goal of overall national and economic development. Bangladesh's economy has been growing rapidly in real terms during the last decade and in this journey, the construction industry has consistently played a pivotal role. In FY 19-20, the industry stood amongst the top contributors to the GDP of Bangladesh.

In maintaining the country's healthy economic growth, infrastructural development remains a key driver. The impressive trend of both the economy and the construction engineering sector is set to continue because of the government's development focus and future plans. Being one of the pioneers and leading engineering construction companies in Bangladesh, Mir Akhter remains a highly active participant in this sector, fully equipped and ready to capitalize this wide horizon of future opportunities.

Review of Business

MIR AKHTER is currently working on 29 projects. Some of the mentionable projects are –

- Development of Osmani International Airport, Sylhet
- Development of Shah Amanat International Airport, Chattogram
- Site Preparation and Earthworks” for Hazrat Shahjalal International Airport Expansion Project (Sub-contract)
- Construction of 595m PC Box Girder Bridge Over Bakkhali River at Kusturi Ghat under Sadar Upazila of Cox’s Bazar District
- Rehabilitation of Road from Badarkhali Naval Police Station to Yunuskhali including new 680m Kohelia Bridge under Matarbari Ultra Super Critical Coal Fired Power Project
- Improvement of Road from Bangabandhu Bridge (West Side) to Hatikamrul (19.80 km) to a 4-Lane Highway
- Construction of 6 (six) 14-storied residential buildings in block A of Dhaka Elevated Expressway Project
- Improvement of road from Dulla Mari Road to Tangail (22.4 km) from 2-lane to 4-lane including structures
- Construction of 7.35 km Road from Rajghat to Mohoriguna, in Moheshkali Upazila of Cox’s Bazar under Matarbari Ultra Super Critical Coal Fired Power Project (RHD Part)
- Patenga Container Terminal (PCT) Project of Chittagong Port Authority.
- Construction of 595m long PC Box Girder Bridge over Bakkhali River at Kusturi Ghat under Sadar Upazila of Cox’s Bazar District.

(ii) Segment- wise or product wise performance

Segment information is presented in note 31 to the financial statements of this report.

(iii) Risk and concerns

MAHL is exposed to some risks by virtue of its business nature and the industry dynamics. The company reviews the risk aspects regularly which are given below:

a) **Project Completion Risk**

The successful implementation of the project depends on the ability of the company’s construction of the facilities, weather condition, labor and supply of raw materials within due time. As a leading construction company, Mir Akhter Hossain Limited has a good past track record to complete the project in time.

Mir Akhter is an effective ‘One-stop Construction Management Service Provider’ in the country. Majority of Mir Akhter’s clients are government bodies and renowned corporate entities. Hence, the risk of not getting available funds and infrastructural facilities are very slim for Mir Akhter Hossain Limited. The company also receives fund from bank through work-order financing, by which loans are taken to finance specific construction projects. Besides, the company procures the raw material from various sources and maintains a strong liaison with the suppliers. Weather conditions sometimes affect the business of construction industry. During the rainy season, work is somewhat affected in the overall construction sector but through careful planning Mir Akhter performs a greater portion of work during the dry season to minimize seasonal impact.

b) **Market and Technology Related Risk**

If there is any reduction of demand for construction services industry, businesses in the construction sector will get affected. The market for construction services is growing rapidly. As the economy is developing, there is an increased demand for major construction projects. Existing construction services businesses will also be affected for any major swing in technology that these businesses use. Although investment in new technology might be costly, new technology may increase efficiency of the work.

c) Credit Risk

All projects of Mir Akhter are backed by contracts and majority of the projects are government projects. The company recognizes revenue based on these contracts. Thus, Mir Akhter does not foresee any significant credit risk.

d) Liquidity Risk

Liquidity risk refers to any company's inability to meet its short term financial demand. If the company fails to generate cash from its short term assets to pay short term liabilities as the payment becomes due, liquidity risk arises. The current ratio of the company is very high which provides evidence of strong liquidity position that should act as a safeguard against any potential liquidity issues.

e) Exchange rate risks

From time to time, Mir Akhter imports various construction materials and capital machineries from foreign countries and makes payments in foreign currency. The company also receives part of its revenue in foreign currency. Hence, there is a natural hedge between this receipt and payment. For last few years the exchange rate between USD and BDT are in a stable condition and Bangladesh's Foreign Exchange Reserve is increasing significantly which is pivotal for this exchange rate stability. However, if the BDT appreciates or depreciates significantly, this will be a nationwide phenomenon experienced by the whole industry.

f) Industry risks

Companies operating in the construction services industry will be affected if there is any adverse change in the industry. As Bangladesh is progressing through phases of economic development, there is an increasing need for construction services. Hence, the management does not foresee any significant industry related risk over the short term period.

g) Potential or existing changes in global or national policies

Any changes in the global and national policy will affect the industry as a whole. Due to significant financial and operational strength of the company, Mir Akhter is in a better position to withstand any adverse changes in global or national policies.

(iv) Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

Profit from Operation	2020-2021		2019-2020	
	Amount	Percentage	Amount	Percentage
Turnover	3,242,277,000	100%	2,694,959,701	100%
Cost of execution of contract	2,306,555,858	71.14%	1,928,782,658	71.57%
Gross Profit	935,721,142	28.86%	766,177,043	28.43%
Net Profit for the year	459,446,537	14.17%	375,006,997	13.91%

Cost of execution of contract was Tk. 230.66 crore in the current year compared to Tk. 192.88 crore in previous year. Gross Profit margin was 28.86% in the current year as compared to 28.43% of previous year.

(v) Discussion on continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. No events of extra ordinary gain or loss occurred during the reporting period requiring adjustment or disclosure in the financial statements.

(vi) Related party transactions

Mir Akhter Hossain Limited had to enter into transactions with the related parties as defined in the “Bangladesh Accounting Standards 24: Related Party Disclosures”. Related Party Transactions are disclosed in the note 32 of the notes to the financial statements.

(vii) Utilization of proceeds from Public Issue

Mir Akhter Hossain Limited raised Tk. 1,250 million from the market to expand its business by increasing capacity of construction business through investing in heavy equipment for different projects. The company has planned to procure a dredger, cranes, asphalt plant, concrete batching plant, aggregate processing plant, and build a large-scale warehouse and workshop for equipment maintenance and refurbishment. In the coming days, the company wishes to undertake even larger infrastructure development projects with the expanded capacity. The Company is also planning to repay a portion of its bank loan from the IPO proceeds.

Statement of utilization of IPO proceeds (Up to 30th June 2021)

Purpose Mentioned in the Prospectus	Amount as per prospectus	Total Utilized Amount	Utilized %	Total Un-utilized Amount	Total Un-utilized %
Heavy Equipment	503,000,000	-	0%	503,000,000	100%
Aggregate Processing Plant	127,000,000	-	0%	127,000,000	100%
Asphalt Plant	46,750,000	-	0%	46,750,000	100%
Concrete Batching Plant	37,400,000	-	0%	37,400,000	100%
Warehouse and Workshop	100,850,000	62,500,000	62%	38,350,000	38%
Repayment of Bank Loan	400,000,000	400,000,000	100%	-	0%
Estimated IPO Expenses	35,000,000	35,000,000	100%	-	0%
Total IPO Proceeds	1,250,000,000	497,500,000		752,500,000	

(viii) Explanation if the financial results deteriorate after the Company goes for IPO

Similar to all other organizations, MAHL was also not immune to the impact of Covid-19. There were some delays in the completion of several on-going projects during the current year and prior year. As a result, there was a reduction in revenue recognized by the Company compared to the prior year. With the partial improvement of the pandemic in the country and vaccination roll-outs, the overall economy has started to recover. The Company has managed to earn a positive Operating Cash Flow which shows that the overall liquidity position of the Company is still sound. The Company is always monitoring the market, industry partners and the overall economy for any potential future impact of this pandemic.

(ix) Explanation of significant variance occurs between Quarterly Financial Performance and Annual Financial Statements

There was no event of significant variance between quarterly financial performances and annual financial statements during the year under reporting.

(x) Remuneration paid to Directors including Independent Directors

The information related to Directors remuneration is presented in the note 32 to the financial statements for the year ended June 30, 2021. Independent directors draw only board meeting attendance fees.

(xi) Fairness of Financial Statement

The financial statements together with the notes thereon have been drawn up in conformity with the International Accounting Standards/ Financial Reporting Standards, Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

Description of subsidiaries and associates

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases

Mir Securities Limited

Mir Securities Limited ('MSL') was incorporated in Bangladesh on 2 March 2021 vide registration # C-169341 /2021 as a private company limited by shares under the Companies Act, 1994. The registered office of the Company is situated at Red Crescent Borak Tower, Level # 7 & 10, 37/3/A, Eskaton Garden, Dhaka. It is a subsidiary Company of Mir Akhter Hossain Ltd that holds 99.75% ownership of the Company.



The main objective of Mir Securities Limited is to act as a member of stock exchanges, the central depository system (CDS) companies and to carry on the business of broker, jobbers or dealers in stocks, shares,

securities, bonds, debentures. The Company is currently in the process of obtaining their stock dealer and stock broker license from Bangladesh Securities and Exchange Commission (BSEC)

(xii) Maintenance of proper books of account

Proper books of account have been maintained by the Company.

(xiii) Adoption of appropriate accounting policies and estimates

Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgment.

(xiv) Compliance with Accounting and Financial Reporting Standards

International Accounting Standard (IAS), International Financial Reporting Standard (IFRS) as applicable in Bangladesh have been followed in preparation of the Financial Statements and any departure therefore has been adequately disclosed.

Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiary, Mir Securities Limited ('MSL') has been fully consolidated as Mir Akhter Hossain Limited ('MAHL') directly controls more than 50% of the voting rights of MSL. The accounting policies of MSL have been aligned with the policies adopted by Mir Akhter Hossain Limited.

(ii) Non-controlling interests

Non-controlling interest (NCI) is the equity interest in MSL not attributable to MAHL. NCI is calculated at MSL's proportionate share of identifiable net assets at the date of acquisition as para19 of IFRS 3: Business combinations.

(iii) Loss of control

When MAHL loses control over its subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of the equity. Any resulting gain or loss is recognized in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Soundness of Internal Control System

The company maintains a sound internal control system which gives reasonable assurance against any material misstatement. The internal control system is regularly monitored by the Audit Committee in each meeting and by the company Executive committee on quarterly basis.

(vi) Protection of interest of minority shareholders

The Board of Directors is keenly cognizant of and committed to the protection of interest of minority shareholders. Management has been instructed to take sincere and timely measures to address any valid

grievances raised by the shareholders. Contact numbers with email address of the concerned person have been published on the website of the Company for communication.

(vii) Ability to continue as going concern

The company has adequate resources to continue its operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources and credit facilities of the company are sufficient to meet the present requirements of its existing business.

(viii) Significant deviations in Operating Results compared to last year

Impact of COVID-19 pandemic has been explained in the Financial Statements under note no. 2.7

(ix) Key operating and financial data of preceding 5 (five) years

Financial Highlights

Particulars	Amount in Taka				
	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Turnover	3,242,277,000	2,694,959,701	4,267,036,996	3,133,017,235	2,619,127,354
Gross Profit	935,721,142	766,177,043	1,132,227,751	822,095,341	656,438,535
Profit from Operation	737,259,673	621,526,707	886,975,950	588,436,704	459,087,557
Net Profit before tax	311,619,523	243,582,182	522,064,312	418,864,005	312,463,261
Net Profit after Tax	459,446,537	375,006,997	632,493,857	618,773,965	529,125,555
EPS	4.30	3.43	5.79	5.66	4.84
Net assets value per share	50.95	35.21	31.78	25.99	19.34
Net Operating Cash Flow per Share	2.23	0.58	12.88	4.43	2.80

(x) Reasons for not declaring dividend

The board of directors has recommended cash dividend @12.5% i.e. Tk. 1.25 per share of Tk. 10 each for the year ended 30 June, 2021 to the shareholders whose name shall appear on the member's register on the record date.

(xi) No bonus share or stock dividend has been declared or shall be declared as interim dividend

No bonus share or stock dividend has been declared or shall be declared as interim dividend.

(xii) The total Number of Board Meetings held during the year and attendance

4 (Four) nos. of Board of Directors Meeting were held during the year. The attendance record of the directors is as given below:

Name of Directors	Meeting Held During His /Her Duration	Attendance
Mrs. Sohela Hossain	4	4
Mr. Mir Nasir Hossain	4	4
Mrs. Mahbuba Nasir	4	4
Mr. Shama E Zaheer	4	4
Mr. Md. Faid Uddin	4	4
Mr. A.K.M. Faizur Rahamn	4	4
Prof. Dr. Muhammad Shariat Ullah	2	2
Prof. Nausheen Rahman	2	2

(xiii) Shareholding pattern as on June 30, 2021 is shown as below:

	Name of Shareholders	Position	Shares Held	%
a.	Parent/Subsidiary/Associated companies and other related parties			
b.	Directors, Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their Spouse and Minor Children:			
	Mrs. Sohela Hossain			
	Mr. Mir Nasir Hossain	Chairman	15,000,000	12.42%
	Mrs. Mahbuba Nasir	Managing Director	18,000,000	14.90%
	Mr. Shama E Zaheer	Director	14,000,000	11.60%
	Mr. Md. Faid Uddin	Director	11,667,000	9.66%
	Mr. A.K.M. Faizur Rahamn	Independent Director	Nil	Nil
	Prof. Dr. Muhammad Shariat Ullah	Independent Director	Nil	Nil
	Prof. Nausheen Rahman	Independent Director	Nil	Nil
	Mr. Parymal Kumer Sarker, FCA	Independent Director	Nil	Nil
	Mr. Md. Masbaus Sunnah	Chief Financial Officer	Nil	Nil
	Mr. Md. Ashraful Islam	Company Secretary	Nil	Nil
		Head of Internal Audit	Nil	Nil
c.	Executives	-	Nil	Nil
d.	Shareholders holding 10% or more voting interest in the Company	Mrs. Sohela Hossain	15,000,000	12.42%
e.	Shareholders holding 10% or more voting interest in the Company	Mr. Mir Nasir Hossain	18,000,000	14.90%
f.	Shareholders holding 10% or more voting interest in the Company	Mrs. Mahbuba Nasir	14,000,000	11.60%

xiv) Appointment/ re-appointment of Directors

As per Para 95 of the articles of association of the company the following Directors will retire and being eligible they have offered themselves for re-election. The board recommends their reappointment.

SL. No.	Name of the Directors of the Company
1	Mrs. Mahbuba Nasir
2	Mr. Shama-E Zaheer

The following Independent Directors will be appointed at the annual general meeting:

SL. No.	Name of the Directors of the Company
1	Prof. Dr. Muhammad Shariat Ullah
2	Prof. Nausheen Rahman

The following Independent Directors also will be re-appointed for tenure:

SL. No.	Name of the Directors of the Company
1	Mr. Md. Farid Uddin
2	Mr.A.K.M. Faizur Rahman

The brief profile of Directors and Independent Directors has been given on page 10-17 of the annual report.

xv) Management's discussion and analysis of the company's position and operations

Management's discussion and analysis of the company's position and operations along with a brief discussion of changes in the financial statements signed by the Managing Director has been given in the page number 21-23

xvi) Declaration or certification by the CEO and the CFO to the Board

Declaration or certification by the CEO and the CFO to the Board as required under condition no. 3(3) has been given on page 44.

xvii) Corporate governance compliance report

Mir Akhter Hossain Limited strictly follows the corporate governance guideline and complied with all the requirements of corporate governance notification as issued by the Bangladesh Securities and Exchange Commission dated 3rd June 2018. Corporate governance report has been annexed in this report in page number 43-56.

The Board of Directors has recommended M/S. Shafiq Basak & Co. Chartered Accountants as Corporate governance compliance auditors for the year 2021-22.

External Statutory Auditors

The Board of Directors recommended the M/S.G. Kibria & Co Chartered Accountants as the auditors for the Company for the year 2021-22 subject to approval of the shareholders in the next Annual General Meeting.

Integrity policy

The company has the integrity policy for ensuring principles of fairness & integrity with the clients, consultants, sub-contractors, vendors and suppliers, resisting any/all forms of corruption, strictly adhering to all the prevailing laws of the country and assuring impartial opportunity to its employees, customers, suppliers & community at large.

Quality, environment, health & safety

Presently Mir Akhter Hossain Limited is at the forefront of construction industry of Bangladesh and they aspire to maintain this coveted position by strictly observing the latest construction technology and honestly adhering to their commitment to quality as well as health, safety and environment factors.

The company is committed to continuous improvement of its organizational establishing and following quality objectives and implementing those regularly and effectively at all levels by upgrading all available resources, facilities, technical know-how & training of manpower with the able assistance of its highly skilled technical and professional manpower maintaining quality requirement for specific job.

The company is also committed to comply with the applicable statutory and regulatory requirements. The company is currently complying with all the requirements of ISO 9001:2015, ISO 14001:2015 & OHSMS 45001: 2018. So that, we can assure better quality, environment as well as occupational health and safety to all interested parties nationally and globally.

Acknowledgment

The company and its Board of Directors would like to thank all employees of the company for their contributions, commitment, sincerity and hardworking during this COVID-19 pandemic. During this difficult period they showed their incredible spirit in managing the business.

The Board of Directors would like to extend its foremost regard and appreciation to the valued shareholder and other stakeholder for their continued support, active cooperation, assistance and valuable advice.

We are thankful to the Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), Registrar of Joint Stock Companies & Firms (RJSC), Central Depository Bangladesh Limited (CDBL), RHD, BBA, LGED, BIWTA, CAAB, CDA, Government and private sector Organization for their co-operation and support.

For and on behalf of the Board of Directors



Mrs. Sohela Hossain

Chairman