Directors' Report to the Shareholders

Dear Shareholders:

In terms of provision of Section 184 of the Companies Act 1994, Rule 12 (and the schedule thereunder) of the Securities and Exchange Rules 1987 and Bangladesh Securities & Exchange Commission Notification, no.SEC/CMRRCD/2006 158/134/Admin/44 dated 7 August 2012 on compliance of corporate governance guidelines, it is the pleasure of the Board of Directors to submit its Report to the Shareholders for the year ended 30 September 2014 in the following paragraphs:

Industry Outlook

Textiles have been an extremely important part of Bangladesh's economy for a very long time as the industry holds 15 percent share of GDP, providing huge employment to the country, and contributing 5% of the total national income.

Bangladesh, the top 4th denim fabric producer in the world, produces 30 million yards of denim a month, and has at least 25 factories around the country. Bangladesh is the second largest denim-made garments exporter after China, the country exports denim fabrics and denim-made garments worth more than $1200 million a year.

The quality of the denim fabric produced has been improved significantly and its price competitiveness, leading to a great increase in the demand for Bangladeshi denim fabrics in both the international market, as well as the export oriented garment industries of Bangladesh. More than 66 international brands have turned to Bangladesh in the last couple of years for importing denim products.

Exporting quality denim products worldwide can act as recovery after retailers have lost their confidence on the country following the tragic incidents and the image crisis in recent times.

Bangladesh's textile industry is going through a difficult time and performing below its capacity due to recent political turmoil and has recently started showing signs of recovery.

The state of the Company's affairs

Envoy Textiles Limited (ETL) is a 100% export oriented denim fabric manufacturer and the first denim project in Bangladesh with rope dyed technology having installed capacity of 50 million yards per year of which attainable capacity is around 80 to 85% of installed capacity. Out of total, 16 millions yards of newly installed capacity is in commercial operation from July 2014 and remaining 10 millions yards of installed capacity is still in trail production. ETL is specialized in 4.5 oz to 14.75 oz ring and open-end denim fabric. Company's core focus area is product development through research and innovation and its effort is to produce diverse range of denim fabrics to compete in the higher value added market segment.

The Company has started to set up its SPINNING project having a production capacity of 17,500 MT per year to have a vertical backward linkage. This will enable the Company to have a price competitiveness and shorter lead time in delivery, which is expected to come into operation from the first quarter of 2016. The total estimated project cost is USD 30 Million, out of the total estimated project cost, HSBC and BRAC Bank Ltd. have expressed their willingness to finance a total of USD 20 Million under offshore financing arrangement and rest of USD 10 Million will be provided from the Company's own source. The major capital machineries to be imported for setting up the project are primarily from Germany, Switzerland and Japan in origin. The production of yarn will mostly be used for the Company's own consumption and may also increase the yearly profit by BDT 40-45 crore approximately from expected turnover of USD 50 Million p.a. on completion of implementation of the spinning unit.

Production Capacity verses actual Production for last five years in operation:

	2013-14	2012-13	2011-12	2010-11	2009-10
Installed Production Capacity (in Yard)	50,000,000	37,000,000	24,000,000	24,000,000	20,000,000
Actual Production (in Yard)	26,486,900	22,844,730	19,823,911	17,357,052	15,474,093
Capacity Utilized (in Percentage)	86.40%*	87.86%	82.60%	82.65%	77.37%
Loom Machine Capacity					
a) Numbers of Loom Machine Installed	275	204	132	126	100
b) Numbers of Loom Machine in Operation	218	132	132	126	100

** Considering weighted average capacity utilization, details in note 43.00 of the financial statements*

Risks and Concerns

The Company is aware of its following various risks and concerns and is prepared to meet those by systematic control:

Industry Market Risk-Bangladesh has to compete with other established manufacturers in countries like China, India, Pakistan, Cambodia and Vietnam. India and Pakistan are the two leading denim exporters that have become very lucrative to international buyers as the countries local currency devaluated against the dollar exchange rate. Besides, Pakistan recently is enjoying a GSP facility in the EU market. Due to the rising cost in China, buyers are already planning to move to other cost efficient destinations like Bangladesh. Moreover, Bangladesh Denim Textile Industry has a competitive advantage as we have a very developed garments infrastructure and continuously upgrading skills of human resources enabling us to bring out high quality and cost competitive products. Though, political instability is still quite certain industry risk for Bangladesh.

Demand Risk- The demand for denim products is not growing at the expected level, as the younger generation now are more fascinating with electronic gadgets rather than buying fashionable denim wears. Climate changes have a seasonal demand variation and it could have a significant impact in some years.

Financial Risk-Risk and uncertainties for use of estimates in preparation of financial statements has been disclosed under note 4.02 of the Financial Statements.

Raw Material Price Risk-Yarn price in the world market is volatile, since yarn price is directly correlated with cotton production. As the Company is operating in intermediary process such price fluctuation can be adjusted within a short lead period.

Foreign Exchange Risk-As payment for Raw Materials is set-off by realization from export proceeds in the same foreign currency. Foreign Exchange rate fluctuation risk is very minimal which is adjusted through natural hedge.

Operational Performance

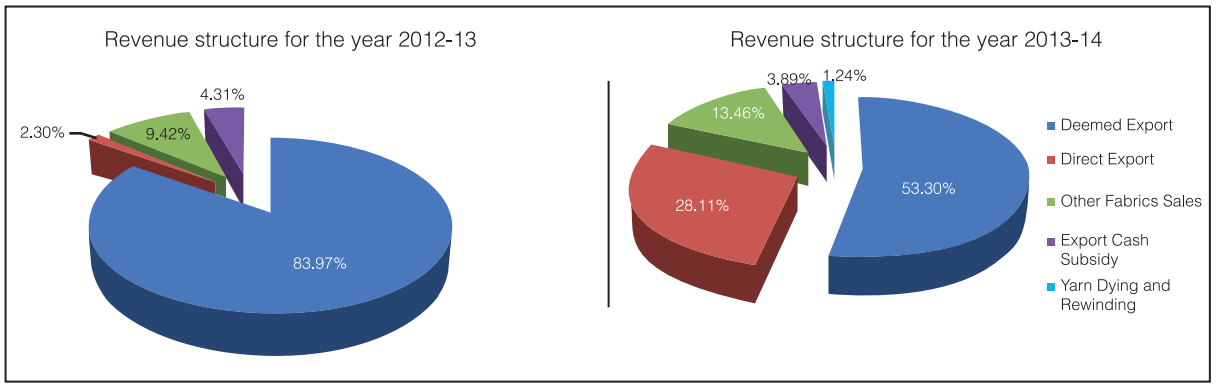
Segment-wise

The Company has single product line, producing and exporting quality denim fabrics in diverse shade, quality, recipe, color, weight, fashion, etc to the different countries.

Revenue comes from different segment, core revenue sources of ETL are from deemed export through export oriented RMG against back to back LC and direct export selling of denim fabric to the world-renowned foreign buyer. The Company is receiving cash subsidy at the rate of five percent on export proceeds, subject to procuring raw materials from local source. There are also some turnover from weaving & finishing, B grade fabric sales, sample sales and stock fabric sales. We have newly introduced a fresh revenue segment by yarn dyeing and rewinding for local knit RMG. In the FY 2012-13, ETL's revenue was BDT 3,983.61 million, which has increased to around BDT 4,391.17 million in the FY 2013-14. Average revenue growth rate is 10.23% over the period from FY 2012-13 to FY 2013-14.

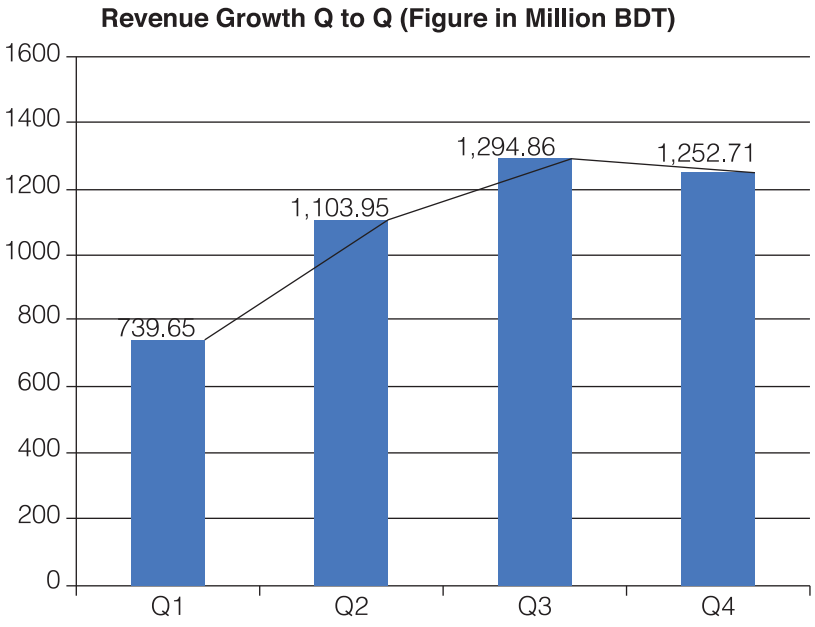
Year to year segment-wise Revenue performance:

Revenue :	2013-14	In %	2012-13	In %	+/- In Amount	In %
i) Deemed Export	2,340,382,181	53.30%	3,345,006,723	83.97%	(1,004,624,542)	(25.21%)
ii) Direct Export	1,234,465,691	28.11%	91,584,019	2.30%	1,142,881,672	28.69%
iii) Others Fabric Sales	590,918,091	13.46%	375,190,587	9.42%	215,727,504	5.41%
iv) Export Cash Subsidy	170,798,399	3.89%	171,829,537	4.31%	(1,031,138)	(.03%)
v) Yarn Dying and Rewinding	54,607,280	1.24%	-		54,607,280	1.37%
Total	**4,391,171,642**	**100%**	**3,983,610,866**	**100%**	**407,560,776**	**10.23%**



Quarterly performance

	Q1	Q2	Q3	Q4	Total
Revenue	739,653,542	1,103,948,229	1,294,861,241	1,252,708,630	4,391,171,642
% of Increased from Q to Q	-	49.25%	17.29%	(3.25%)	-
Net Profit after Tax	39,360,916	61,832,413	113,351,094	96,380,639	310,925,062

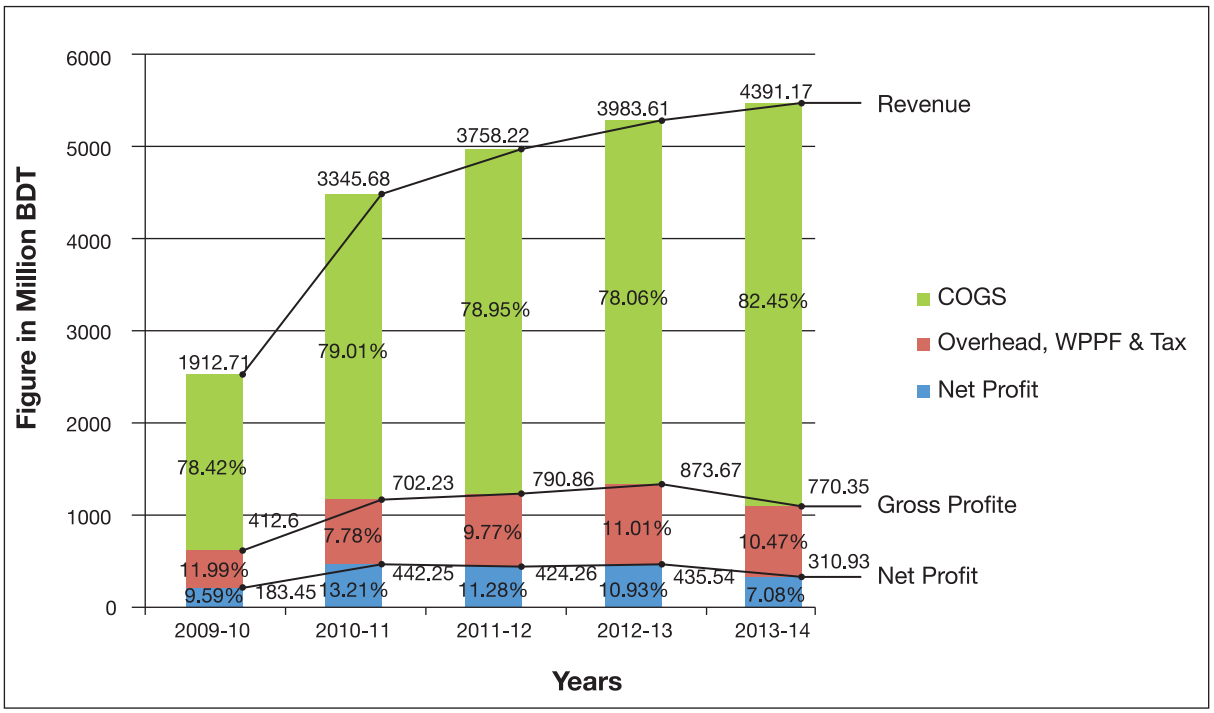


During the 1st quarter from October to December 2013, the demand status was very low as international buyers were reluctant to place order due to collapse of Rana Plaza and some other incidents relating to RMG. Moreover, due to political turmoil during that period, the buyers were not able to visit Bangladesh and worried about the execution of orders. Over the period of time, ETL had stretched its limits to overcome the situation, and now, the market has started to stabilize again and a prospect for business growth has improved substantially.

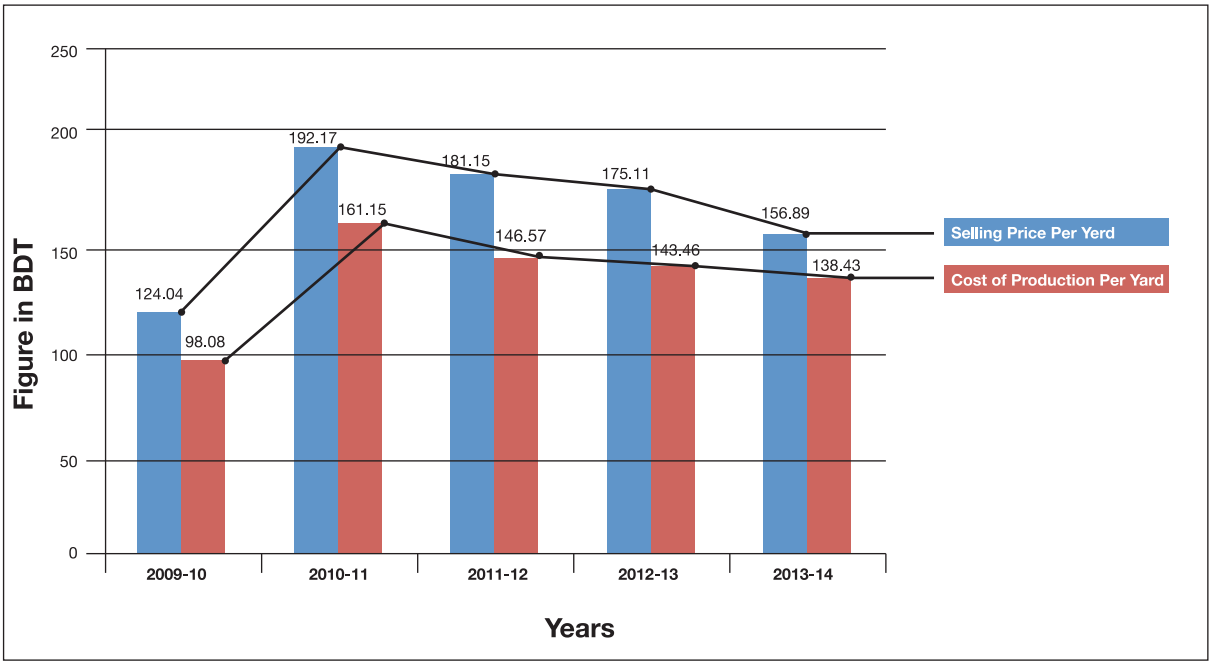
Cost of Production, COGS, GP Ratio and NP Ratio for last five years (all figures in BDT):

	2013-14	2012-13	2011-12	2010-11	2009-10
Raw Materials Consumed	3,074,714,458	2,810,189,376	2,522,201,465	2,463,330,318	1,306,978,495
i) Yarn	2,636,227,121	2,482,187,464	2,224,076,910	2,211,565,275	1,113,349,485
ii) Chemical	422,115,895	312,458,183	283,011,977	242,704,209	193,629,010
iii) Packing Material	16,371,442	15,543,729	15,112,578	9,060,834	-
Other Production Overhead	591,879,788	467,064,249	383,386,992	333,798,662	210,757,004
Total Cost of Production	**3,666,594,246**	**3,277,253,625**	**2,905,588,457**	**2,797,128,980**	**1,517,735,499**
Cost per Yard	138.43	143.46	146.57	161.15	98.08
Raw Materials Cost to Production:	83.85%	85.74%	86.81%	88.07%	86.11%
i) Yarn	71.89	75.74	76.55	79.07	73.36
ii) Chemical	11.51	9.53	9.74	8.68	12.75
iii) Packing Materials	0.45	0.47	0.52	0.32	-
Cost of Goods Sold (COGS)	**3,620,820,176**	**3,109,944,679**	**2,967,364,792**	**2,643,450,397**	**1,500,112,729**
Revenue	4,391,171,642	3,983,610,866	3,758,220,888	3,345,676,799	1,912,708,265
COGS to Revenue	82.45%	78.06%	78.95%	79.01%	78.42%
Gross Profit (GP)	770,351,466	873,666,187	790,856,096	702,226,402	412,595,536
GP Ratio	**17.54%**	**21.93%**	**21.04%**	**20.98%**	**21.57%**
Net Profit after Tax	310,925,062	435,542,579	424,258,533	442,252,097	183,450,525
NP Ratio	**7.08%**	**10.93%**	**11.28%**	**13.21%**	**9.59%**

Comparative analysis of COGS, Overheads and Net Profit to Revenue for last five years :



Average Selling price verses Cost of Production per yard for last five years:



As reflected in the above figure, average selling price per yard has fallen down by 10.40% and the cost of production per yard reduced by 3.50%, where the gross margin in net of negatively has had an impact of 6.90% only due to the fall of the fabrics selling price in the year 2013-14 as compared to the year 2012-13.

Due to political instability in recent past periods, the international buyers were not comfortable to place order in Bangladesh. This resulted in price cutting to attract the buyers. In addition to this, the slump of cotton price in the international market also further reduced the fabrics selling price.

Cost of Production per yard decreased as compared to the previous year mainly due to efficient raw materials sourcing, cotton price reduction in the international market and production efficiency through utilizing optimum production capacity.

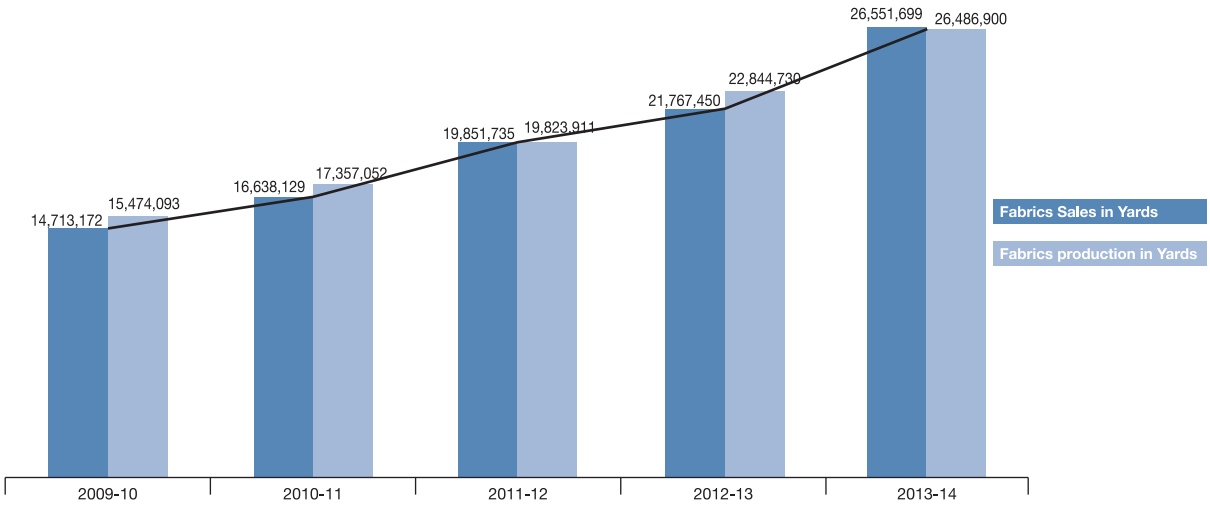
Financial expenses increased significantly as investments made through new bank loans for the 2nd denim unit in capital machineries and infrastructure, and a considerable amount of Bank's credit facility utilized against additional working capital requirement for extended production capacity. For efficient raw material sourcing, we have availed low cost EDF fund instead of procuring raw materials through supplier's credit under deferred LC arrangement, the reason behind a significant amount of accounts payable for raw materials converted into short term bank liabilities, as well as interest accrued thereon. However, financial cost would efficiently be reduced in the following years as the company is availing low cost offshore fund substituting high cost local bank finance from the end of the reporting period.

In spite of unfavorable business environment where survival was a big challenge, not only for your Company, but also for the Industry, the Company earned an acceptable net Profit after tax of BDT 310.925 million through professional management capacity, competitive raw material sourcing, extended production capacity, cost efficiency, collective marketing effort, product diversity and widening revenue segment.

Marketing Operation:
Quantity Sold (in Yards)

	2013-14	2012-13	2011-12	2010-11	2009-10
Deemed Export- Local Garments Industry	13,175,258	18,339,603	17,218,882	14,729,444	13,435,187
Export- International Market	7,595,501	646,735	241,756	387,646	67,130
Others Fabrics Sales	5,780,940	2,781,112	2,391,097	1,521,039	1,210,855
Total Sales in Yards-	**26,551,699**	**21,767,450**	**19,851,735**	**16,638,129**	**14,713,172**

Fabrics Sales vs. Production in Yards



Selling Price Per Yard in BDT

	2013-14	2012-13	2011-12	2010-11	2009-2010
Export- Local Garments Industry	177.63	182.39	185.35	194.93	122.87
Export- International Market	162.53	141.61	202.50	239.55	165.75
Others Fabrics Sales	102.21	134.91	148.77	153.43	134.72
Average Selling Price per Yard	**156.89**	**175.11**	**181.15**	**192.17**	**124.04**

Sales in BDT

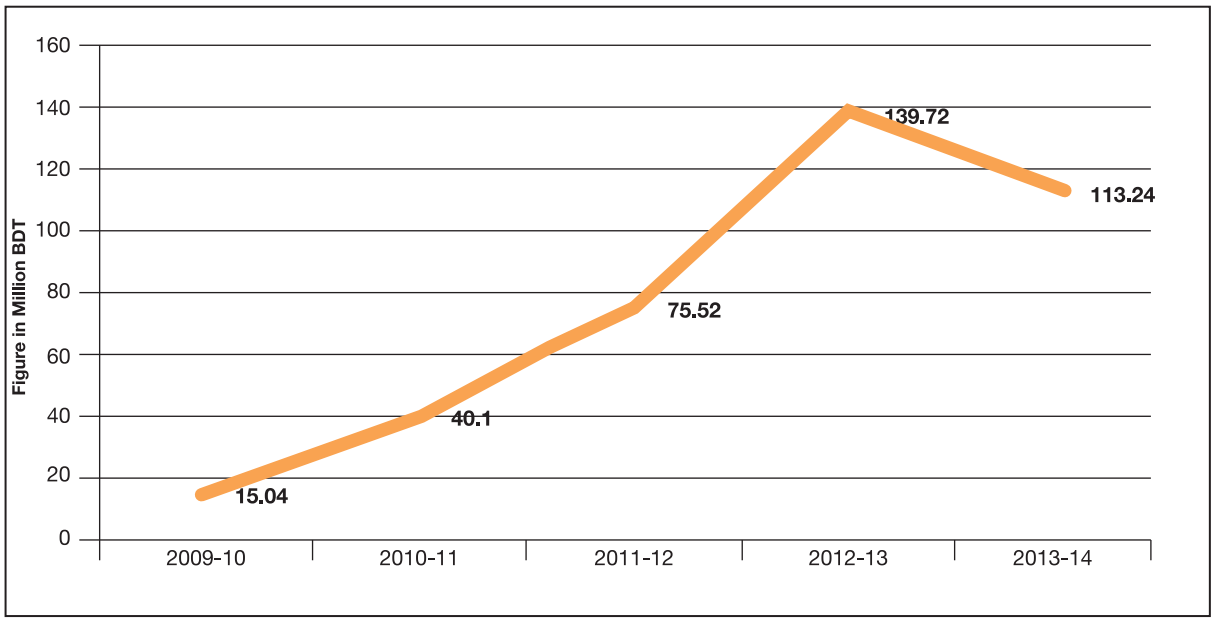
	2013-14	2012-13	2011-12	2010-11	2009-2010
Export- Local Garments Industry	2,340,382,181	3,345,006,723	3,191,520,950	2,871,237,387	1,650,834,320
Export- International Market	1,234,465,691	91,584,019	48,955,659	92,861,392	11,126,952
Others Fabrics Sales	590,918,091	375,190,587	355,720,449	233,373,081	163,126,338
Total Sales	**4,165,765,963**	**3,811,781,329**	**3,596,197,058**	**3,197,471,860**	**1,825,087,610**

Contribution to National Exchequer:

	2013-14	2012-13	2011-12	2010-11	2009-10
Corporate Income Tax	34,061,798	46,641,705	27,396,542	130,490	-
Advance Income Tax (Deduct at Source)	60,476,287	75,735,432	38,650,477	27,060,013	4,565,474
VAT	14,047,628	9,853,163	5,912,087	1,764,306	404,766
Import Duties	1,639,174	1,170,798	2,063,919	9,275,055	7,512,795
Stamp Duties	382,574	2,594,822	850,859	855,758	513,247
License Fees etc.	2,636,531	3,725,088	650,604	1,016,363	2,041,553
Total Amount in BDT	**113,243,992**	**139,721,088**	**75,524,488**	**40,101,985**	**15,037,834**

In 2012-13, an amount of taka 18,000,000 was TDS on share premium and rate of TDS on export proceeds was @ .8%, which has been reduced to .6% in reporting period that had a negative impact in the growth for the year 2013-14.

Contribution to National Exchequer in Graph



Foreign Exchange Earned/Saved:

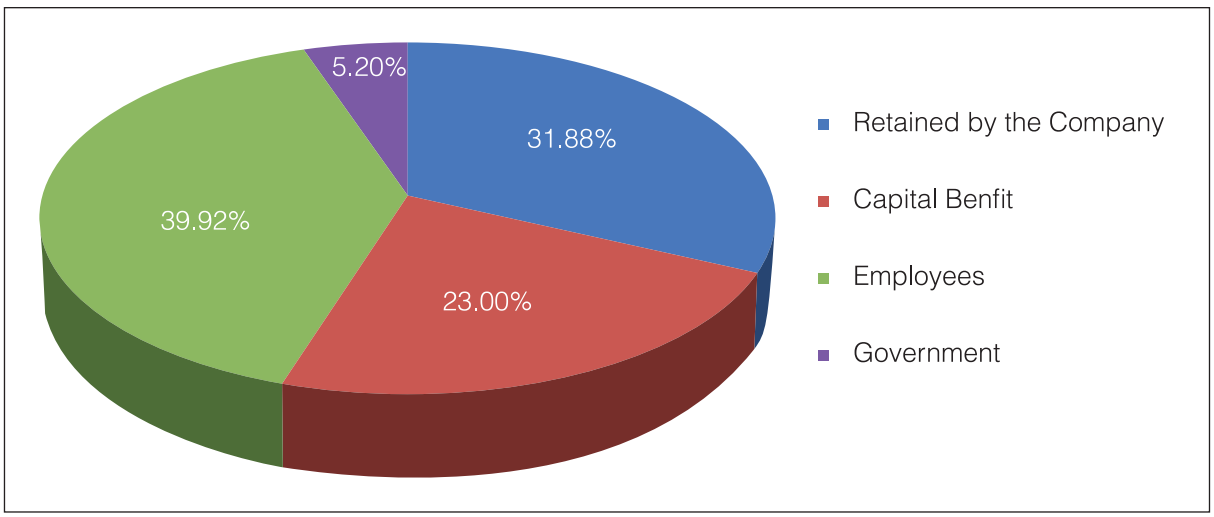
(Amount in Million BDT)

	2013-14	2012-13	2011-12	2010-11	2009-10
Total Export Earnings:	3,574.85	3,436.59	3,240.48	2,964.10	1,661.96
Less: Foreign Import Cost:					
Raw Material Yarn	2,829.85	2,485.06	2,211.59	2,286.43	1,238.72
Raw Material Dyes & Chemicals	470.23	311.62	286.62	258.97	220.25
Spare Parts	44.30	40.18	23.16	4.16	8.98
Miscellaneous	.32	0.89	1.82	3.24	1.59
Net Export Earned / saved	**230.15**	**598.84**	**717.29**	**411.30**	**192.41**

Value Added Statement:

Particulars		Amount in Taka 30 Sept. 2014	Amount in Taka 30 Sept. 2013
Source of Fund:			
Net Sales		4,391,171,642	3,983,610,866
Les: Purchase of Raw Materials and Services		(3,483,183,321)	(3,033,517,627)
Other Income		8,844,309	(1,077,406)
	Total -	**916,832,631**	**949,015,833**
Application of Fund:			
Employees			
Salary, Wages and Other Benefits		349,008,990	237,654,725
Contribution to Workers Profit Participation Fund		16,992,257	24,402,875
		366,001,247	**262,057,600**
Government			
Corporate Tax		28,920,086	52,514,926
Other Government Duties		18,705,907	17,343,871
		47,625,993	**69,858,797**
Capital Benefit			
Dividend		**210,892,500**	**273,000,000**
Retained by the Company			
Depreciation & Ammortization		192,280,329	181,556,858
Retained Earnings		100,032,562	162,542,578
		292,312,890	**344,099,436**
	Total -	**916,832,631**	**949,015,833**

Distribution of Value addition in 2013-2014



Corporate and Financial Reporting Framework

The Directors, in accordance with BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012; confirm compliance with the financial reporting framework for the following:

a. The financial statements prepared by the management of ETL, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
b. Proper books and accounts of the Company have been maintained;
c. Appropriate accounting policies have been consistently applied except for the changes disclosed in the financial statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d. International Accounting Standards (IAS), Bangladesh Accounting Standards (BAS), International Financial Reporting Standards (IFRS), Bangladesh Financial Reporting Standards (BFRS) as applicable in Bangladesh, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
e. The system of internal control is sound in design and has been effectively implemented and monitored;
f. There was a significant deviation from the operating result of the last year and the reasons thereof have been explained under operational performance Para in this report.
g. There was no significant variance between the quarterly and the Annual financial performance of the company during the year 2013-14
h. There was no extra-ordinary gain or loss during the year 2013-14
i. There was no related party transactions during the year 2013-14
j. The CEO and CFO have certified to the Board that they have reviewed the Financial Statements and believe that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
k. The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions made by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.

Key Operating and Financial Data

Key operating and financial information for the last five years as per requirement of the condition 1.5(xviii) of BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, are presented as Annexure I titled under Key Operating and Financial data.

Shareholding Pattern

Shareholding patterns of the Company as on 30 September 2014, are stated in Annexure II of this report as required by condition 1.5(xxi) of the BSEC Notification dated August 7, 2012

Board Meeting, Attendance & Remuneration to the Directors

During the year ended 30 September 2014, a total of fifteen (15) Board Meetings were held and the attendance by the Directors are summarized in Annexure III of this report. The remuneration of the Directors, including meeting attendance fees of Independent Directors has been mentioned in Note 37.01 & 37.02 of the Financial Statements. The Directors of the Company other than Independent Directors have forgone their meeting attendance fees for the year 2013-14.

Proposed Dividend

The Board recommended Cash Dividend @ 12% (i.e. Taka 1.20 per share of Taka 10.00 each) and stock Dividend @ 3% (i.e. 3 shares for every 100 ordinary shares held) for the year ended 30 September 2014.

Distribution of Profit

Considering the need for expansion and product innovation, increasing cost of external sources of fund, the Board of Directors have proposed and recommended for appropriation as follows:

a.	Net Profit after Tax for the year ended 30 September 2014	Taka	310,925,062
b.	Proposed appropriation:		
	(i) Cash Dividend	Taka	168,714,000
	(ii) Issuance of Stock Dividend	Taka	42,178,500
c.	Transferred to Retained Earnings and Reserve-	Taka	100,032,562

Directors Re-appointment

As per Article- 125 of the Articles of Association of the Company, the following two Directors will retire from the office of the Company in ensuing 19th Annual General Meeting:
Mr. Kutubuddin Ahmed
Mrs. Sharmin Salam
Being eligible for re-election as per Article- 126 of the Articles of Association of the Company, they applied for re-appointment.
Brief Resume of appointee Directors is enclosed as Annexure IV in compliance with the Provision 1.5(xxii) of BSEC Notification dated August 7, 2012.

Auditors Re-appointment

In 18th Annual General Meeting, shareholders appointed M/s MABS & J Partners (formerly M/s Saha Mazumder & Co.), Chartered Accountants, as the external auditors for auditing the financial statements of the Company for the year 2013 -14 until the conclusion of 19th Annual General Meeting at a remuneration of Tk.120,000. Being eligible for re-appointment, the existing auditors, M/s MABS & J Partners, Chartered Accountants, offered themselves for re-appointment. As proposed by the Audit Committee, the Board recommended M/s MABS & J Partners (formerly M/s Saha Mazumder & Co.), Chartered Accountants, for further appointment as the auditor of the company until completion of the next Annual General Meeting.

Going concern

The directors, having made appropriate enquiries, have satisfied themselves that no material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified, and they have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis.

Utilization of proceeds from public issues

The Company's IPO was made in the year 2012. The proceeds from public issues have been fully utilized and reported accordingly. No further issue by any instrument was made during the reporting period.

Status of Corporate Governance Compliance

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 is enclosed as Annexure V, VI & VII.

Management Appreciation

The Board of Directors record with deep appreciation the performance of the management, the officers, staff and workers whose continuous effort helped increase the productivity as well as the net profit despite the natural and unnatural adverse factors of production and marketing throughout the country and the world. It is expected the employees and the management will continue to improve the results for the interest of shareholders whose unswerving trust in management has always been an inspiration to the Board of Directors. The directors express their gratitude and acknowledge with keen interest the cooperation and unflinching support received from various agencies including Bangladesh Securities and Exchange Commission, Stock Exchanges, National Board of Revenue, Board of Investment, Bank/Financial Institutions and other agencies of the public.

On behalf of the Board of Directors,

Kutubuddin Ahmed
Chairman