



## Directors' Report to the Shareholders

Bismillahir Rahmanir Rahim

**Dear Shareholders,**

Assalamu Alaikum Wa Rahmatullah,

The Board of Directors' of Silva Pharmaceuticals Limited highly pleased to welcome you to the 19<sup>th</sup> Annual General Meeting of the company and present before you to receive, consider and adopt the Audited Financial Statements of the company for the year ended on 30 June, 2020 together with the Auditors Report and Directors' Report thereon, for your valuable guidance, opinion and consideration. We express our gratitude to the almighty Allah for the company's business achievement in 2019-2020.

In line with the requirements of the compliance with section 184 of the Companies Act, 1994 and BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 3 June, 2018, our company has been presenting Directors' Report covering the financial results and other developments during the year ended 30 June, 2020.

### Background:

Silva Pharmaceuticals Limited was incorporated in 24 April, 2001 as a private company limited by shares and registered with the Registrar of Joint Stock Companies & Firms of Bangladesh under the Companies Act, 1994 vide registration no. CH-42959(2318)/2001. On 22 April, 2014 the company registered itself as a Public Limited company under the Companies Act, 1994. The company was getting a consent letter ref: no. BSEC/CI/IPO-269/2017/429 dated June 28, 2018 from Bangladesh Securities and Exchange Commission (BSEC) regarding the raising of share capital of Taka 30.00 (Thirty ) crore through Initial Public Offering (IPO) and the Company was listed with Dhaka Stock Exchange Limited (DSE) on 23<sup>th</sup> September 2018 and Chittagong Stock Exchanges Limited (CSE) on 16<sup>th</sup> September, 2018. From 10<sup>th</sup> October, 2018 the shares of the company's are traded in both Stock Exchanges.

### Main Objective of the Company

The Company's main objective is to play the role usually offering the healthcare service of highest standard through production and marketing of quality pharmaceuticals finished products in Bangladesh and abroad.

### Industrial Prospects

Silva Pharma tried to maintain the continuity of its productivity and best ethical standard of business affairs preferring the principles of sustainable development in the year under review. Alhamdulillah.

The Company has been able to hold its customer satisfaction upright providing the quality products with competitive price in the competitive business environment. The Company gives the utmost importance in extending business activities through supply of products as per demand keeping in view of future challenge depending on the modern technology.

### Bangladesh Pharma Market

In the year under review, the growth of pharmaceuticals market of Bangladesh stood 4.30%. The Silva Pharmaceuticals Limited achieved 4.22% growth which is good with respect to the growth of pharma market of Bangladesh

## Business Analysis

The year under review, in spite of severe competition and distresses of COVID-19 prevailed in the national and international business area, we have been able to maintain an overall progressive growth trend due to timely action taken by the Board of Directors, managing the finance efficiently through visionary steps and ensuring proper investment procedures.

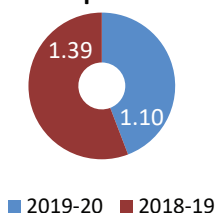
As a result, it became easy and usual to produce quality medicine and deliver the same at the doorsteps of the customers. The company has played a significant role in applying modern technology ensuring quality control, smooth distribution, and delivery of the medicine to the patients and customers.

## Financial Results:

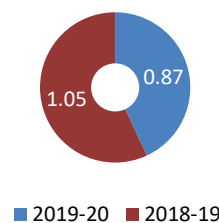
The overall financial results of the company for the year ended 30 June, 2020 as compared to previous year ended 30 June, 2019 are summarized as follows:

| Particulars                          | Amount in Taka           |                          |
|--------------------------------------|--------------------------|--------------------------|
|                                      | 01/07/2019 to 30/06/2020 | 01/07/2018 to 30/06/2019 |
| Turnover                             | 763,335,406              | 732,450,190              |
| Cost of Goods sold                   | (464,525,568)            | (440,501,039)            |
| Gross Profit/ (Loss)                 | 298,809,838              | 291,949,151              |
| Operating Expenses                   | (151,457,138)            | (141,697,442)            |
| Operating Income                     | 147,352,700              | 150,251,709              |
| Net Profit/ (Loss) before Income Tax | 159,087,248              | 157,318,884              |
| Income Tax Expenses                  | (40,144,317)             | (13,995,468)             |
| Net Profit/ (Loss) after Income Tax  | 118,942,931              | 143,323,416              |
| Earnings Per Share (EPS)             | 0.87                     | 1.05                     |
| Retained Earnings                    | 833,109,877              | 833,442,946              |
| Net Asset Value (NAV)                | 2,198,109,877            | 2,133,442,946            |
| Net Asset Value (NAV) per Share      | 16.10                    | 15.63                    |
| Net Operating Cash Flow per Share    | 1.10                     | 1.39                     |

Net Operating Cash Flow per Share



Earnings per Share



## Corporate Governance Compliance Report

The Corporate Governance Compliance Auditors has issued a Satisfactory Report on the overall level of compliance by the company.

Silva Pharmaceuticals Limited is committed to run the organization in adherence to the code of corporate governance (Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, Dated: 03 June, 2018) issued by the Bangladesh Securities and Exchange Commission (BSEC). During the year under review the code applicable for the company was duly followed. The compliance of the Corporate Governance Code certified



by the compliance Auditors and status of compliance of the company is reflected respected respectively in 'Annexure-B' and "Annexure-C" of the Annual Report page No. 59-68

### Compliance to the Labor Laws

In order to maintain labor friendly atmosphere in all aspects, the Company duly comply with the Bangladesh Labor Act, 2006 (As amended 2018) and other laws and regulations applicable to the Company. As per the Bangladesh Labor Rules, 2015 the requisite committees like Participatory Committee, Safety Committee, Canteen Management Committee and Sexual Harassment Protection Committee were formed. These committees are serving for the wellbeing of the workers within the purview of the provisions.

### Pollution Free Environment

In order to protect from risk of human health and environment, caused by increasing manmade pollution; Silva Pharmaceuticals Limited is trying its best to keep pollution free environment through ETP and follow the required laws and rules of Directorate General of Drug Administration and Department of Environment of the Government in the factory and its surrounding as well.

### Board of Directors

The Board of Directors is the highest governance body of the Company and represents the interests of all shareholders and stakeholders, irrespective of who elected its directors. The Board of the company comprises with 8 (Eight) Directors, of whom 4 (Four) directors are shareholder Directors, 2 (Two) nominee directors and 2 (Two) independent directors. Independent Directors are appointed as per provision of the Corporate Governance Codes of Bangladesh Securities and Exchange Commission (BSEC) vides reference no. BSEC/CMRRCD/2006-158/207/Admin/80; dated 3 June, 2018. The Board's essential role is to approve the Company's strategy and oversee compliance.

### Implementation of IAS, IFRS and Other Applicable Laws and Regulations

The Board of Directors of the Company is entrusted to ensure the disclosure of the actual financial position and preparation and maintenance of all types of Statutory Statements as per the Bangladesh Securities and Exchange Commission (BSEC), the Companies Act-1994 and Bangladesh Financial Reporting Act (FRA)-2015. The Board of Director's is absolutely responsible to prepare all types of financial reports in line with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and other applicable rules and regulations.

### Financial Report and Accountability

The Board of Directors discharged their due responsibilities through timely preparation and publication of 1<sup>st</sup> quarter, half yearly, 3<sup>rd</sup> quarter and annual financial report at the end of each financial period and the affairs of the company performed in the year under review. Audit Committee, sub-committee of Board examined the fairness, exactness and transparency and completeness of these reports before placement of the same to the Board of their approval.

The Company Published the report (un-audited Financial Statements) of 1<sup>st</sup> Quarter, half yearly and 3<sup>rd</sup> Quarter Financial Statements as per notification of Bangladesh Securities and Exchange Commission (BSEC) and Listing rules 2015 of Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd.(CSE) through Company's Website, Newspapers and online News portal and submitted the same timely to BSEC, DSE, CSE and other regulatory authorities.

### Management Discussion and Analysis

Detailed discussion on the operating and financial performance of the company along with other disclosures as required under Corporate Governance Code of Bangladesh Securities and Exchange Commission (BSEC)



through Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 has been separately reported by the Managing Director in page no. 34-36.

### About the Related Party Transactions

The business related Party Transaction of the Company is being made based on the business principle and as per International Accounting Standard IAS-24. During the year under review, the standard, nature and the manner of related party transactions in the ordinary course of business carried out arm's length basis at commercial rates with related parties were reflected transparently in the financial statements which is given in the page no. 110-111 of the Annual Report.

### Audit Committee

As per BSEC's notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018, the Audit Committee consisting of three members including one Independent Director having prominent reputation and versatile knowledge and experience have been working effectively. The Audit Committee has detailed discussion and analysis on its report as directed by BSEC and the Board with regards to internal audit system, preparation of annual financial report and the observations of external auditors. As there was no evidence of slightest mistakes, dissemblance or information contrary to the truth, the financial report was considered as realistic and transparent. Report of the Audit Committee is presented in the page no. 45-47 of the Annual Report.

### Beneficiary Insider Trading Prohibition Policy

The Company has outlined the beneficiary insider trading prohibition policy regarding the trading of Company's share its directors, employees and concerned persons. The policy is being followed accordingly.

### Independent Director

As per notification no-BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 of Bangladesh Securities and Exchange Commission (BSEC), two learned and veteran professionals respectively Mr. Md Musfiqur Rahman, FCA and Mr. Muhammad Moniruzzaman, FCA have been performing the duties as Independent Director.

### Respect to the Laws

The laws of the state and other applicable rules and regulations of the company and the affairs thereon have duly been complied with the highest preference and timely actions on the same have been ensured. The Company is committed to abide by the rules of regulatory bodies and other legislative authorities as always.

### Statutory Payments

All statutory payments in relation to the employees and the government have duly been made up to date.

### Compliance to the Laws of the Capital Market

Since listing in both the stock Exchanges, the Company strictly abides by all the laws, regulations and directions circulated time to time by Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) and other related authorities.

### The Key Information of the Financial Statements

As per direction of the Bangladesh Securities and Exchange Commission (BSEC), the key information of the financial statements of preceding five years has been summarized in the page no. 37 of the Annual Report.



### **Statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress:**

As a constant policy of the company, interests of minority shareholders have been protected meticulously by the management. The management protects interest of Minority shareholders from abusive actions by or in the interest of, controlling shareholders acting either directly or indirectly and has effective means of redress in place.

### **Discussion on Continuity of any extra-ordinary activities and their implications (gain or loss):**

During the Financial year 2019-2020, no extra ordinary activities occurred in the Company.

### **An explanation on the reasons if the company has not declared dividend (cash or stock) for the year:**

During the year, the Board of Directors of the Company recommended 5% Cash Dividend to its general Shareholders including ICB.

### **Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend:**

During the Financial Year 2019-2020 no Bonus share or Stock Dividend has been declared by the board as interim dividend.

### **Workers Profit Participation and Welfare Fund**

In the year under review 5% of the Company's profit Tk. 79,54,362.00 will be transferred to the workers profit participation fund and welfare fund as per Labor Law 2006 (As amended in 2018).

### **Internal Control**

Internal Control System of the Silva Pharmaceuticals Ltd. is founded on specified set code approved by the board. The Board of Directors incorporates necessary norms and practices of Internal Control System for development of control management.

### **A Going Concern**

By the grace of the Almighty Allah, the Board of Directors after analysis of the business trend of the Company has confirmed that the Company has enough ability to carry on business activities in the coming days as a Going Concern and the financial statements have been prepared on the basis of going concern assumption basis. As per management assessment there is no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

### **Company's Position in the Share Market**

In the year under review, the market share of the Company did not face ups and downs significantly in Dhaka Stock Exchange Ltd. (DSE) or Chittagong Stock Exchange Ltd. (CSE). The shareholders had always been confident on Silva shares. In the year 2019-20, the company shares were traded in both stock exchanges at minimum of Tk. 13.60 to maximum of Tk. 24.30 as against the face value of Tk. 10.00.



### Risk & Concerns:

Pharmaceuticals industry faces many of the challenges like lack of power, labour unrest, political unrest resulting hartal causing disruption of production and cost of fund. Changes in the existing global or national policies can have either positive or negative impacts for the company. Any insufficiency or price hike of raw materials due to change in policy in the international market might hamper the production and profitability. Changes in currency exchange rates might also affect the pricing and thereby the profitability of the Company. The performance of the company may also be affected negatively by the political and economic instability both in Bangladesh and worldwide. Moreover, risks and concern of the industry solely depends on the upcoming government policy as well.

The potential impact of the Corona Virus outbreak on the Company's trading performance and supply continuity remains uncertain. Up to the date of this report, the outbreak has not had a material impact on the trading results of the industry. However, we continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees. The situation could change at any time and there can be no assurance that the corona virus outbreak will not have a material adverse impact on the future results of the company.

### Code of Ethics and its Implementation

Highest emphasis is given on the implementation of code of ethics and principles so that the concerned officials and personal can take appropriate decision complying the required laws and professionals manner.

### Workers-Officers Relationships

There exists devotion to work and respectful and harmonious relationships among all levels of officers and employees in The Silva Pharmaceuticals Industry Ltd. which has accelerated the Company's progress and productivity.

### Nomination and Remuneration Committee and their Report

In accordance with the condition 6 of Bangladesh Securities and Exchange Commission's Code of Corporate Governance, BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, the Board formed the Nomination and Remuneration Committee (NRC).

The report from the Nomination and Remuneration Committee (NRC) about their activities performed during the year under review is mentioned in the page no. 48-50 of the Annual Report.

### Directors Remuneration

This information is incorporated in the Notes 34.01 of the Notes to the Financial Statement in the page no. 111 of Annual Report with reference to the "Directors Fees and Remuneration" figures relation to the Board of Directors including Independent Directors.

### Wage-Remuneration Policy

The salary and wages of the employees are usually determined considering the prevailing inflation, price index and in commensuration with the existing salary structure in other competitors' companies. The procedure of evaluation and determining the honorarium of the functional directors are being followed within the criteria recommended by the Nomination and remuneration Committee (NRC) duly approved by the Boards as per corporate governance code of BSEC.

### Election of Director's

Ms. Silvana Mirza, Dr. Saira Khan and Mr. Monsur Rahman (Nominated Director of Adarsha Fisheries & Poultry Farm Ltd.) retire from the office in this Annual General Meeting as per clause 94 of Articles of



Association of the company. As per law, the retired directors are eligible to be re-elected to act as Director. The Independent Director Mr. Musfiqur Rahman was completed his 3 (three) years tenure as on 24.05.2020. The ICB change his nominated director Mr. Md. Nazrul Islam, DGM in place of Mr. Nazrul Islam Khan, GM as on 20 January, 2020. The board of directors in its 84<sup>th</sup> meeting was agreed to re-appointment of Mr. Musfiqur Rahman for another one tenure only (i. e. three years' time) subject to the approval from the shareholders in its 19<sup>th</sup> Annual General Meeting (AGM). The brief resume along with the required information of the directors is given under the Directors Profile of this Annual Report.

### Events after the Reporting Period

Events after the reporting period for the year 2019-20, no necessity arose for subsequent adjustment or no pecuniary issues thereto happened which is mentionable in the Financial Statement.

### Dividend Policy

The management of the company sincerely believes that at the end of yearly operation of the company, the highest benefit i.e. dividend is given to the shareholders after retaining a portion of earnings so that the company can maintain the ability for future expansion and also extending facilities to the shareholders in future. Keeping this policy in mind, the company declares dividend giving importance on a balance between the present expectation of the shareholders and that of potential beneficiaries considering all relevant applicable laws and best practices in this connection.

### Dividend

Based on the overall performance as reflected in the Financial Statements for the year 2019-20 of the Company, the Board of Director's proposed cash dividend of 5% for general shareholders (including ICB) only as against per share of Tk. 10 each.

### Reserves and Surplus

In the year 2019-20, Company's reserves and surplus rose to Tk. 83,31,09,877.00 which was Tk. 83,34,42,946.00 in the previous year.

### Appointment of Statutory Auditors'

M/s. Mahfel Huq & Co., Chartered Accountants, existing statutory auditors of the company, audited the Accounts for the year 2019-2020. M/s. Mahfel Huq & Co., Chartered Accountants retire at this meeting. As per law, the existing auditors are not eligible for re-appointment as statutory auditors, since their three years' time after IPO has been completed as per para 2(2) of Bangladesh Securities and Exchange Commission (BSEC) notification No. BSEC/CMRRCD/2006-158/208/Admin/81 Dated: 20 June 2018 and as per para 15(2) of DSE/CSE Listing Regulation. In this reason a new statutory auditor to be appointed for the next year. In the above situation, M/S. Shiraz Khan Basak & Co., Chartered Accountants has given their expression of interest to be appointment as statutory auditors for the year ended June 30, 2021. The above audit firm is enlisted by the Commission and ICAB.

The Audit Committee reviewed the performance of audit acted in the last year and reviews the profile of the new Audit Firms M/S. Shiraz Khan Basak & Co., Chartered Accountants and recommended in favor of M/S. Shiraz Khan Basak & Co., Chartered Accountants, for appointment as Statutory Auditors of the company for the next financial year 2020-2021.

Being eligible as per law, the Board of Directors has concurred with the recommendation of the audit committee to be appointed M/S. Shiraz Khan Basak & Co., Chartered Accountants as Statutory auditors of the Company for the financial year 2020-21 and recommended remuneration of Tk. 200,000.00 (Taka two lac) only subject to approval by the Shareholders in the AGM of the company.





### Compliance Auditors' Appointment

As per Corporate Governance Code issued by Bangladesh Securities and Exchange Commission (BSEC), M/s. S. R. Islam & Co., Chartered Accountants, compliance auditors of the company audited the compliance status of the company for the year 2019-2020. M/s. S. R. Islam & Co., Chartered Accountants retire at this AGM. Being eligible as per 'Corporate Governance Code' the existing Auditors offered themselves to be re-appointed as Compliance Auditors for the year 2020-21.

The Board of Directors recommended for the re-appointment of M/s. S. R. Islam & Co., Chartered Accountants as the Compliance Auditors of the Company for the year 2020-2021 and fixing the auditor fees of Tk. 30,000.00 (Thirty Thousand).

### Disclosures from the Directors about Additional Compliance Information

The objective of Corporate Governance is to run the company effectively and legitimately with a sense of accountability and transparency to the Shareholders and the society as a whole. The Company is complying with the "Corporate Governance Code" of Bangladesh Securities and Exchange Commission.

The Board of Directors has confirmed the standard of corporate good governance incorporating the following additional statements (a-p) in the Annual Report:

- (a) The industry outlook and possible future development of the company is stated in the page No. 43 of the Annual Report.
- (b) The information about the segment -wise or product-wise performance is stated in the page No. 44 of the Annual Report.
- (c) The report regarding the utilization IPO proceeds is stated in the page no. 42 of the Annual Report.
- (d) The information about the cost of goods sold, gross profit margin and net profit margin is stated in the page no. 44 of the Annual Report.
- (e) The company did not pay any remuneration or any other facilities or perquisites except board meeting attending fees to its directors (including independent directors) except Managing Director during the financial year ended 30 June, 2020. A statement of remuneration paid to the directors including independent directors is stated in the page no. 111 of the Annual Report.
- (f) The financial statement prepared by the management present fairly the state of affairs of the Company, results of its operations, cash flow and changes of equity.
- (g) The Books of accounts of the Company have been properly maintained as per section 181 of the Companies Act, 1994.
- (h) Principles of accounting have been followed in preparing the statement of accounts and estimates related to accounting have been reasonably and with prudence.
- (i) The internal control system was proper and effective application and monitoring was confirmed.
- (j) The ability of the company as going concern has been proved.
- (k) There have been no remarkable deviations in the operational affairs as compared to the previous year's except the following:

During the year ended 30 June, 2020 the net profit after tax had been decreased compared with the previous year. The above deviations occurred mainly for increase significant amount (Tk. 1,63,35,486.00) of depreciation in this year as against the previous year and a deferred tax benefit incurred during the corresponding previous year which causes the increase of previous year's net profit after tax. Since, the company listed with stock exchanges during the year 2018-2019 and a deferred tax income has arisen Tk. 2,60,62,798.00 due to changes of income tax rate from 35% to 25% for being a listed company in the first time.





- (a) The attendance in Board of Directors meetings has been described in page no. 43 of the Annual Report.
- (b) The Shareholding pattern of the company has been presented in page no. 39-40 of the Annual Report.
- (c) During the financial year 2019-2020, Annual financial statements are almost in consonance with the quarterly financial performances of the company. As such, no significant variance has been observed between quarterly financial performances and annual financial statements.
- (d) Declaration or Certification by the Managing Director and Chief Financial Officer to the Board of Director's as required by the notification of BSEC is disclosed in the page no. 58 of the Annual Report.
- (e) The report of compliance on the Corporate Governance Code audited by Compliance Auditor has been incorporated as per proforma prescribed by BSEC which is shown in "Annexure-B and page no. 59 of Annual Report.

### Relation and Communication with the Shareholders

The Company has been arranging regular Annual General Meetings (AGM) as per Companies Act, 1994 through which Shareholders are informed about the Company's progress, important activities and the development activities undertaken during the year under review. As a result, the shareholders concerned organizations and the people get various information about the company in due time. The Shareholders of the company are able to collect all required information from our share department through land phone, mobile phone, e-mail service and website ([www.silvapharma.com](http://www.silvapharma.com)) as well.

### Recognition and Compliments

The Board of Directors extends its heart felt gratefulness to the Ministry of Health, Directorate General of Drug Administration, respected Doctors, Chemists, Patrons and all concerned with the pharmaceuticals industry for their all-out support to us. The Board of Directors remembers the co-operation of Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchanges Ltd. (DSE) and Chittagong Stock Exchanges Ltd, (CSE) gratefully. The Board thanks the banks and the financial institutions for their support.

The Board of Directors wishes all levels of officers, employees, buyers, consumers, patrons, well-wishers and all concerned for their sincere contribution towards our business success, we are also grateful to our beloved shareholders for their comprehensive support to the company.

The shareholders trustworthiness to the Board of Directors makes them confident and deeply inspired. The management and employees of all levels are committed to uphold this.

May Allah accept all our efforts for the development of our company, Nation and the country at large. We pray to the Almighty Allah for his blessing for continual overall progress and prosperity of our beloved country People's Republic of Bangladesh.

Allah Hafiz

Approved by the Board of Directors and signed on its behalf,

Mrs. Silvana Mirza

Chairman

Dhaka, 27 October, 2020