

**Queen South Textile Mills Ltd.  
Utilization of the IPO Proceeds  
For the Month of July 2020**



Solution....Begins

**Independent Auditors' Report to the Bangladesh Securities & Exchange Commission (BSEC)  
on the utilization of the IPO Proceeds  
of Queen South Textile Mills Ltd.  
For the Month of July 2020**

**Qualified Opinion**

We have audited the Report on the utilization of IPO Proceeds (hereinafter "the Report") of **Queen South Textile Mills Ltd.** for the month of July 2020.

In our opinion, except for the effect of the matters described in the Basis for Qualified opinion section of our report the accompanying the Report of the Company for the month June 2020 is prepared, in all material respects, following section 2,3,4,5 and 6 of Part-C of conditions under sections 2CC of the Securities and Exchange Ordinance 1969 of SECTION (ii): CONDITIONS IMPOSED BY THE COMMISSION IN THE CONSENT LETTER for INITIAL PUBLIC OFFER (IPO) of the company as mentioned in the prospectus (hereinafter "THE CONDITIONS").

**The basis for Qualified Opinion**

1. The company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 sets of Stainless Steel trolleys as per IPO prospectus and this revision of the IPO proceeds utilization plan was approved by the shareholders in the 17th Annual General Meeting held on December 22, 2019. Intimated to BSEC of the said revision on December 24, 2019, without explanation as required by THE CONDITIONS.
2. IPO proceeds utilization period extended up to October 31, 2019, in the 16<sup>th</sup> Annual General Meeting (AGM) of the shareholders and subsequently up to June 30, 2020, in 17th AGM. Intimation to BSEC of the said revision with the explanation as required by THE CONDITIONS. Again the company failed to utilize the entire IPO proceeds in the stipulated time, i.e. June 30, 2020 as per THE CONDITIONS and they notified to BSEC at July 29, 2020.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of IPO proceeds of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

**Emphasis of Matter**

We draw attention to the fact that this report is prepared to assist the company to meet THE CONDITIONS. As a result, the Report may not be suitable for another purpose. Our report is solely for the company and regulator BSEC and should not be distributed to parties other than the company or regulator BSEC. Our opinion is not modified in respect of this matter.

**Other Matters**

According to THE CONDITIONS, the report on the utilization of IPO Proceeds from April 2018 to February 2020 was audited by Messers Ahmed Zaker & Co., Chartered Accountants and subsequent periods up to this report are audited by us.

*(Handwritten signature)*

### Other Reporting Requirement

Subject to our qualified opinion and basis for the qualified opinion we also report that-

- a) The Company has utilized an amount of Taka 97,215,837 till July 31, 2020, for the purposes/heads as specified in the prospectus and as per the decision of shareholders in the Annual General Meeting (AGM) held on December 22, 2019, out of total IPO proceeds of Taka 150,000,000. Balance IPO proceeds amounting to Taka 52,784,163 remain unutilized on the reporting month which has been disclosed in Annexure-A.
- b) IPO proceeds have not been utilized in line with the prospectus but approval of the revision of IPO proceeds utilization taken in 17<sup>th</sup> AGM held on December 22, 2019, as per THE CONDITIONS.
- c) The utilization of IPO proceeds have not been completed within the time schedule/implementation schedule as specified in the published prospectus and as approved in the 16<sup>th</sup> and 17<sup>th</sup> AGM of the Company. IPO proceeds utilization period extended up to 31<sup>st</sup> October 2019 in its 16<sup>th</sup> AGM of the shareholders held on December 27, 2018, and subsequently up to June 30, 2020 in 17<sup>th</sup> AGM held on December 22, 2019, IPO proceeds to amount to Taka 52,784,163 remain unutilized on the last date of utilization (July 31, 2020) and failed to utilize proceeds as per THE CONDITIONS.
- d) The utilization of IPO proceeds was accurate and made for the purpose of the company as mentioned/specified in the published prospectus and revised implementation schedule as approved by the shareholders in their 16<sup>th</sup> AGM and 17<sup>th</sup> AGM held on December 27, 2018, and December 22, 2019, respectively. Intimation of the said revision was made with BSEC on January 06, 2019 and December 24, 2019, respectively without explanation as required by the condition no. 6 of THE CONDITIONS.
- e) We couldn't verify whether the assets have been procured/imported/constructed maintaining proper/required procedures at a reasonable price as because comparative statements of procured goods were not made available for our verification.
- f) Verification of all necessary documents /papers/vouchers has been made in support of IPO proceeds making reconciliation with bank statements except as mentioned above.

**Dated: Dhaka**  
August 13, 2020



**Rahman Mostafa Alam & Co.**  
Chartered Accountants

## Report on the Utilization of IPO Proceeds

For the month of July 2020

: Queen South Textile Mills Ltd.

: Tk. 150,000,000

: January 15, 2018

: January 25, 2018

: Within June 30, 2020 Following the approval in the 17th AGM

Name of the Company

Amount (BDT) of Capital Raised Through IPO

Date of Close of Subscription

Proceeds Receiving Date

Last Date of Full Utilization of Fund as per Prospectus

Sl.	Purpose Mentioned in the Prospectus	Timeline as per Prospectus	Revised timeline (Up to June 30, 2020)	Amount as per Prospectus	Utilized Amount		Un-utilized (%)	Remarks
					This month	Total Utilized Amount		
a)	Construction of Automatic warehouse System	Within 12 months of receiving IPO fund	Up to June 30, 2020, as approved in the 17th AGM held on December 22, 2019	74,644,050	27,844,050	27,844,050	37.30%	46,800,000 62.70%
b)	Acquisition & Installation of Machinery for modernization of existing factory	Within 12 months of receiving IPO fund	-	56,012,034	-	50,027,871	89.32%	5,984,163 10.68%
c)	Repayment of short term bank loan	Within 3 months of receiving IPO fund	-	6,343,916	-	6,343,916	100.00%	- 0.00%
d)	IPO Expenses	As and when required	-	13,000,000	-	13,000,000	100.00%	- 0.00%
<b>Total</b>				<b>150,000,000</b>	<b>27,844,050</b>	<b>97,215,837</b>		<b>52,784,163</b>
Net Interest on IPO Proceeds				8,897,427				
Un-Utilized IPO Proceeds				52,784,163				
<b>Total Un-Utilized IPO Proceeds with Interest Income</b>				<b>61,681,590</b>				

Net Interest on IPO Proceeds

Un-Utilized IPO Proceeds

**Total Un-Utilized IPO Proceeds with Interest Income**

**Percentage:**

Interest on IPO Proceeds: 5.93%

Un-Utilized IPO Proceeds with Interest Income: 41.12%

**Notes:**

- During the month, The company has utilized Tk. 30,403,561. (Tk. 27,844,050 used from IPO Fund and Tk. 2,559,511 from FDR interest account due to USD-\$ conversion rate under import payment of USD-\$ a) 356,975 and \$245,925.56 payment from own source/STL)
- b) The Company had opened a Letter of Credit (L/C No. DC DA0964037) under Proforma Invoice No. NT0019001 on November 24, 2019, with HSBC Bank of total L/C value of USD 1,493,995 for importing automatic warehouse system machinery among which USD 956,975 has been paid as margin deposit from the IPO Fund and remaining USD 537,020 (USD 1,493,995 - USD 956,975) will be paid from own source from Bank Account No.050-002120-005, HSEC Bank, Dhaka Gulshan Branch. (i) Invoice No. NT-IV-20017, USD-\$ 169,013.16, BL number. 599180142 (ii) Invoice No. NT-IV-20019, USD \$33,887.40, BL Number 599180175, Automatic Warehouse System machinery goods already arrived at the designated destination (Factory Premises), and Invoice No. NT-IV-20022, USD-\$ 506,423.18, BL Number 599180270 which goods as shipped on Board as on date 21 July 2020.
- c) In respect of Acquisition & Installation of Machinery for modernization of the existing factory, The company had opened a Letter of Credit with Woori Bank, L/C No.200010219210699 valued EUR 300,000 dated; November 20, 2019 The Company has purchased natural gas engine generator set through the said L/C and paid EUR 300,000 equivalent to Tk. 29,290,500 from own source from the company's other bank account No. 1509230010757. The company will adjust Tk.5,984,163 from an un-utilized IPO fund after the encashment of FDR No. 0102 24300053090 upon receiving the importing machinery. The machinery has been reached at the designated destination but is not installed yet. It is mentionable here that the company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 sets of Stainless Steel trolleys as per prospectus and this plan was approved by the shareholders on the 17th Annual General Meeting and notified to BSEC.
- d) The Company has maintained Fixed Deposit Receipts (FDR) of Tk. 10,000,000 with Premier Bank Limited, Gulshan Branch, (FDR A/C NO. 0102 24300053090) as per bank certificate No. Premier/Gulshan/GB/2020/349 dated August 05, 2020.
- e) The Company has got permission from BEPZA (Bangladesh Export Processing Zones Authority) Dated: November 13, 2018, for the Construction of an Automatic warehouse system and has started the construction work in February 2019.
- f) The Time Frame for utilization of IPO Proceeds has been extended up to 31st October 2019 and approved by the Shareholders on the 16th Annual General Meeting held on December 27, 2018. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC). It is mentionable here that the Time Frame for utilization of IPO Proceeds has been extended for the 2nd time up to 30th June 2020 and approved by the Shareholders on the 17th Annual General Meeting held on December 22, 2019, and notified to Bangladesh Securities and Exchange Commission (BSEC). Due to the current pandemic situation of COVID-19, we did not complete utilization on time which is informed to BSEC vide our letter No. QSTML/2019/CS/116 date 28 July 2020 and the revised IPO Utilization plan is yet to be submitted to the Bangladesh Securities and Exchange Commission (BSEC).

Chief Financial Officer

Goutam Chandra Roy

Chief Financial Officer

Rahman Mostafa Alam & Co.

Chartered Accountants

Company Secretary

Massum Rana

Company Secretary

Queen South Textile Mills Ltd.

CEO

Liang Chln Haien

Chief Executive Officer

Queen South Textile Mills LTD.



Queen South Textile Mills Ltd.  
Reconciliation of IPO/RI Fund Utilization  
For the month of July 2020

Particulars		Annexure A Amount in Tk.
Closing balance as per IPO/RI bank statement		401,181
A/C: 2148315001062(BDT)	283,667	
A/C: 2148511000154(EUR) (207.6x96.3556)	20,000	
A/C: 2148517000877(USD) (1187.00x82.20)	97,513	
A/C: 2148517005124(GBP) (0.00x109.8808)	-	
FDR: 0102 24300053090 (Disclosed in Annexure A-1)		10,269,289
Advance Margin payment for L/C From IPO Fund		46,800,000
Advance Margin payment for L/C From interest received on IPO Fund		4,311,097
Less: Un-Allocated Share Apply Money		100,000
Payment of L/C No. 200010219210699		
<b>Balance shown as un-utilized in the Report as on July 31, 2020</b>		<b>61,681,590</b>







## Queen South Textile Mills Ltd.

### Statement of Fixed Deposit Receipt

For the month of July 2020

Anexxure A-1

Sl No.	FDR No.	Bank Name	Principal (Previous Cumulative Balance)	Interest	TDS	Excise Duty	Encashed	Closing
1	0102 24300052606	Premier	100,000,000	8,017,739.93	801,774	50,000	107,165,966	-
2	0102 24300052679	Premier	12,800,000	874,629.73	87,463	24,000	13,563,167	-
3	0102 24300052935	Premier	88,531,550	3,342,342.68	334,234	25,000	91,514,658	-
4	0102 24300053090	Premier	10,000,000	301,987.50	30,199	2,500	-	10,269,289
	<b>Total</b>		<b>211,331,550</b>	<b>12,536,700</b>	<b>1,253,670</b>	<b>101,500</b>	<b>212,243,791</b>	<b>10,269,289</b>

Net Interest earned so far July 31, 2020

**11,181,530**

	Amount
FDR No. 0102 24300052606 interest has been received during the month of August 18	2,193,750
FDR No. 0102 24300052679 interest has been received during the month of September 18	280,800
FDR No. 0102 24300052606 interest has been received during the month of November 18	1,494,583
FDR No. 0102 24300052679 interest has been received during the month of December 18	139,591
FDR No. 0102 24300052679 interest has been received during the month of January 19	14,716
FDR No. 0102 24300052606 interest has been received during the month of February 19	1,516,076
FDR No. 0102 24300052679 interest has been received during the month of March 19	193,929
FDR No. 0102 24300052679 & 0102 24300052679 interest has been received during the month of May 19	2,095,687
FDR No. 0102 24300052935 interest has been received during the month of August 19	1,195,176
FDR No. 0102 24300052935 interest has been received during the month of November 19	1,211,311
FDR No. 0102 24300052935 interest has been received during the month of December 19	576,622
FDR No. 0102 24300053090 interest has been received during the month of March & June 20	269,289

**11,181,530**

