



# হাক্কানী পাল্প এন্ড পেপার মিলস্ পিএলসি HAKKANI PULP & PAPER MILLS PLC.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Dear Fellow Shareholder(s),

It gives me great pleasure to extend a warm welcome to you all to the **29th Annual General Meeting** of *Hakkani Pulp & Paper Mills PLC*.

On behalf of the **Board of Directors**, I am pleased to present the **Annual Report** of the Company, comprising the **Directors' Report**, the **Audited Financial Statements**, and the **Auditors' Report** for the financial year ended **30 June 2025**, for your kind consideration, adoption, and approval.

This Annual Report has been prepared and presented in accordance with the provisions of **Section 184 of the Companies Act, 1994**, and in full compliance with the **Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code** (Notification No. **BSEC/CMRRCD/2006-158/207/Admin/80**, dated **03 June 2018**).

### 1.0 Outlook of Paper & Tissue Industry in Bangladesh (FY 2024–25)

#### Papers and allied products — macro backdrop

Bangladesh remains a fast-growing emerging economy with important structural drivers that support medium-term demand for paper and tissue products — rising urbanisation, expanding literacy, increasing per-capita income and continued industrialisation. However, FY 2024–25 was marked by a more challenging operating environment: elevated input and energy costs, tighter foreign-exchange and logistics frictions, and episodic domestic disruptions that weighed on production and demand. These mixed macro and micro conditions mean that while structural demand is intact, near-term industry performance is uneven.

#### Capacity, production and market structure

Private sector investment has rapidly increased domestic capacity. Independent industry studies estimate that Bangladesh now hosts roughly **100–105 paper mills**, with the combined annual production capacity of domestic mills exceeding **~1.5 million metric tonnes** (across writing, printing, board, packaging and tissue grades), although not all capacity is fully utilised at all times. This capacity build-out has materially reduced dependence on imports for many grades but has also increased competitive intensity and risks of over-supply in some segments.

#### Tissue sector dynamics

The tissue and hygiene segment has been one of the faster-growing subsectors over the past decade, supported by hygiene awareness, retail modernisation and export opportunities. Historical reporting shows that national tissue production capacity rose sharply in recent years (previously cited figures put capacity above **~84,000 tonnes**), and many local manufacturers now export finished tissue products to multiple markets. Nonetheless, FY 2024–25 saw a moderation in tissue volumes and tighter margins for some players due to higher pulp/imported raw-material and energy costs. The medium-term outlook remains favourable for well-positioned, cost-efficient producers.

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## Demand, supply gap and exports

Earlier industry projections for domestic demand had suggested the potential for around 1.0 million tonnes annually for certain paper grades; however, the rapid capacity expansion combined with demand softness in parts of FY 2024–25 has produced pockets of oversupply. On the positive side, exports of paper and allied products accelerated—industry reporting indicates export growth (recent coverage noted a sharp year-on-year rise in paper and allied exports), creating opportunities for capacity utilisation and foreign-exchange earnings for competitive producers. Still, export growth faces headwinds from regional logistics changes and higher trade costs. [The Daily Star+1](#)

## Key risks observed in FY 2024–25

- **Input-cost pressure:** Imported pulp, waste-paper, chemicals and fuel/energy costs rose, squeezing margins — especially for mills running older technology. [thepulpandpapertimes.com](#)
- **Utilisation & oversupply:** Significant installed capacity has reduced price discipline; several mills have reported subdued utilisation or pressure on revenues. [Research and Markets+1](#)
- **Trade & logistics:** Policy and cross-border transit changes (notably the withdrawal of certain trans-shipment facilitation arrangements) and global trade frictions have increased export logistics costs for some exporters. [Reuters](#)
- **Operational disruptions:** Episodes of industrial and market disruption during FY 2024–25 (including intermittent shutdowns in certain periods) negatively affected production and demand in parts of the year. [thepulpandpapertimes.com](#)

## Opportunities for FY 2025 and beyond

- **Shift to higher-value grades:** Packaging, specialty board, and premium tissue products continue to show stronger demand and better margin profile. [The Daily Star](#)
- **Export diversification:** Global supply contractions in certain sourcing countries (e.g., closures/reductions in some Chinese/European capacity) create openings for competitive Bangladeshi mills to expand exports — provided they maintain quality and cost competitiveness. [The Daily Star+1](#)
- **Technology & sustainability:** Investment in energy-efficient processes, recycling, and pulp substitution can materially lower operating costs and improve compliance with international buyer requirements. [Research and Markets](#)

## Implications for Hakkani Pulp & Paper Mills PLC

In FY 2024–25 the company should continue to prioritise: (i) **optimising capacity utilisation**, (ii) **tight control of input and energy costs**, (iii) **diversification of product mix toward higher-value grades (tissue & packaging)**, and (iv) **export development** supported by quality certifications and resilient logistics planning. These actions will help mitigate near-term margin pressure and position the Company to capture upside as global and regional demand conditions improve.

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## 2.0 Segment-wise or Product-wise Performance

For management and reporting purposes, the Company operates under two distinct business segments based on the nature of its products:

1. **Paper Unit Segment** – engaged in the production and sale of various grades of newsprint and writing paper to a network of dealers and institutional buyers.
2. **Tissue Unit Segment** – engaged in the manufacturing of a wide range of tissue paper products, including facial tissue, napkin tissue, hand towel, toilet tissue, and kitchen towel.

The segmental performance of the Company for the financial year ended **30 June 2025**, compared with the previous year, is presented below:

Products	Production (Metric Ton)		Sales (Metric Ton)	
	2024-2025	2023-2024	2024-2025	2023-2024
Newsprint Paper	4,030.80	3,840.30	4,015.03	3,767.12
Tissue Paper	2,517.40	2,940.85	2,556.46	2,823.37
<b>Total</b>	<b>6,548.20</b>	<b>6,781.15</b>	<b>6,571.49</b>	<b>6,590.49</b>

### Performance Overview

During the financial year **2024–2025**, total production stood at **6,548.20 metric tons**, compared to **6,781.15 metric tons** in the previous year, reflecting a marginal decline of approximately **3.4%**. This shortfall was primarily attributable to the **breakdown of the boiler and generator, temporary shutdowns of production machinery, scheduled maintenance of the running plant, and frequent load shedding coupled with inadequate electricity and gas supply** during the period.

The **Newsprint Paper Segment** registered moderate growth, supported by improved operational efficiency and stable demand. Production increased by **5.0%**, reaching **4,030.80 MT**, while sales rose by **6.6%** to **4,015.03 MT** compared to the previous year.

Conversely, the **Tissue Paper Segment** experienced a decline in output, primarily due to overall cost pressures. Production decreased to **2,517.40 MT** from **2,940.85 MT**, and sales fell to **2,556.46 MT** from **2,823.37 MT** in the prior year.

Despite these challenges, the Company maintained a strong focus on **quality assurance, cost control, and brand strengthening**, positioning itself to benefit from the gradual recovery in domestic and export demand in the coming financial year.

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## 3.0 Risk and Concerns Including Internal and External Risk Factors, Threats to Sustainability, and Environmental Impact

Every business enterprise operates within an environment of inherent risks—some manageable through proactive strategies, while others remain beyond direct control. Accordingly, **risk identification, assessment, and mitigation** remain vital components of the Company's sustainable business management framework.

During the year under review, the operating environment of the **paper and tissue industry** in Bangladesh continued to face multiple challenges, particularly relating to the **shortage and high cost of power and gas, fluctuation in raw material prices, increased import costs, and volatile foreign exchange rates**. The ongoing **energy crisis** and **inconsistent gas supply** significantly impacted production efficiency and cost management across the industry.

Despite these external adversities, **Hakkani Pulp & Paper Mills PLC** has taken a proactive approach to mitigate such risks by emphasizing **efficient resource utilization, preventive maintenance of machinery, cost optimization, and enhanced operational discipline**. The Company continues to strengthen its **supply chain management** and **energy efficiency initiatives** to minimize operational disruptions and maintain steady production.

The **Board of Directors** and **Management** maintain continuous oversight of internal control systems, risk exposures, and environmental compliance to ensure the long-term **profitability, sustainability, and reputation** of the Company. Environmental management remains a top priority, with the Company adhering strictly to applicable environmental laws and focusing on reducing emissions, ensuring safe effluent discharge, and promoting eco-friendly production practices.

Notwithstanding these measures, it is recognized that risks such as **economic volatility, energy scarcity, and environmental constraints** continue to influence the Company's operations and financial outcomes. Therefore, investors and stakeholders are advised to consider these potential factors in their evaluation of the Company's performance and future prospects.

A detailed discussion of the major risks, along with the Company's mitigation strategies and management responses, is provided in **Note No. 37** of the **Financial Statements** and the **Management Discussion and Analysis** section of this Annual Report.

## 4.0 Discussion on Cost of Goods Sold, Gross Profit Margin, and Net Profit Margin

The **Cost of Goods Sold (COGS)** represents the direct costs associated with the production of goods, including raw materials, direct labor, and manufacturing overheads. During the financial year **2024–2025**, the Company's COGS stood at **Tk. 881.74 million**, compared to **Tk. 860.05 million** in **2023–2024**, reflecting an increase of approximately **2.46%** primarily due to higher input and utility costs.

The **Gross Profit Margin**, a key indicator of operational efficiency and pricing strategy, stood at **15.34%** during the year under review, up from **14.44%** in the previous year. This improvement was mainly attributable to enhanced sales performance, optimized resource utilization, and disciplined cost management despite a challenging cost environment.

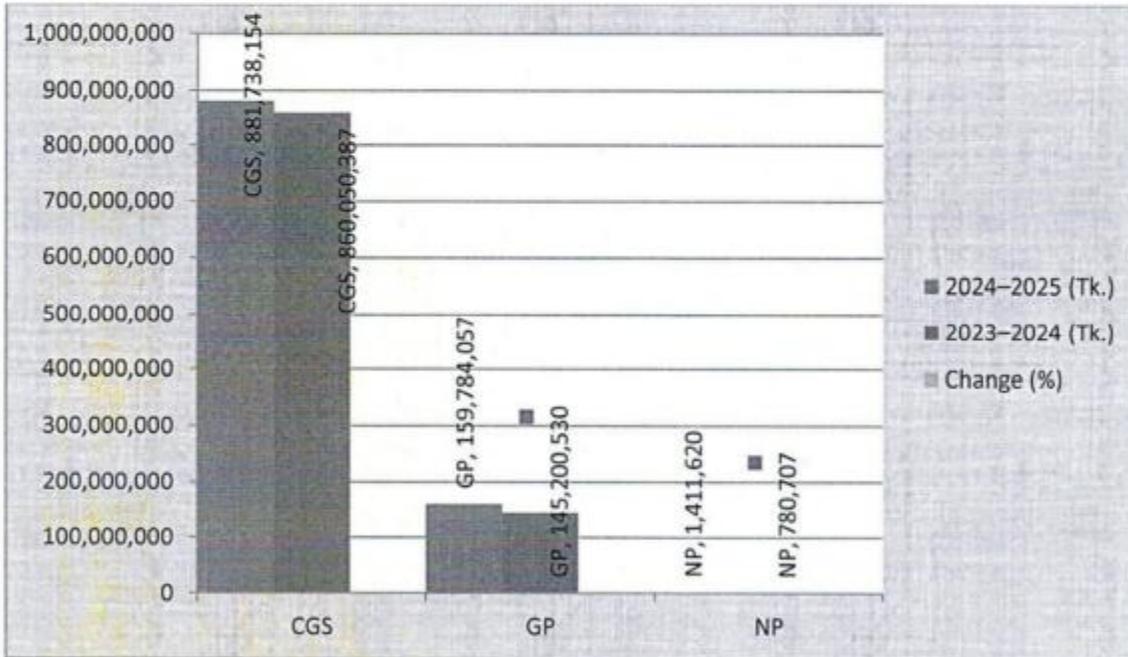


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The **Net Profit Margin**, which reflects the Company's overall profitability after tax and other expenses, increased to **0.14%** from **0.08%** in the preceding year. The **net profit after tax** for the year amounted to **Tk. 1.41 million**, compared to **Tk. 0.78 million** in **FY 2023–2024**, registering a growth of approximately **44.69%**. The positive trend demonstrates the Company's continued focus on operational efficiency, cost control, and prudent financial management.

A comparative summary of key financial indicators is presented below:

Particulars	2024–2025 (Tk.)	2023–2024 (Tk.)	Change (%)
Cost of Goods Sold	881,738,154	860,050,387	2.46%
Gross Profit	159,784,057	145,200,530	9.13%
Net Profit	1,411,620	780,707	44.69%



## 5.0 Extra-Ordinary Activities and their Implications (Loss or Gain):

Extraordinary items represent gains or losses that are both **infrequent in occurrence** and **unusual in nature**, arising outside the normal course of a company's regular business operations and having a **material impact** on financial performance.

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During the financial year 2024–2025, Hakkani Pulp & Paper Mills PLC did not incur or engage in any such extraordinary transactions or events that could materially affect its financial position or operating results. Accordingly, there were no extraordinary gains or losses recognized in the financial statements for the year under review.

The Company's operations during the year continued to reflect its regular business activities, and all income and expenditures recorded in the financial statements pertain solely to ordinary course of business.

## 6.0 Discussion on Related Party Transactions

During the financial year, Hakkani Pulp and Paper Mills PLC engaged in several transactions with its related parties. All such transactions were conducted in the normal course of business, in accordance with applicable laws, regulations, and the company's internal policies.

The Company ensures that related party transactions are carried out with due transparency and proper documentation, maintaining the integrity of financial reporting.

Comprehensive details of these related party transactions — including the amounts involved, nature of the relationships and type of transactions — are disclosed in Note No. 39 of the Audited Financial Statements.

## 7.0 Utilization of Proceeds Raised through Public Issues and Rights Issues

The Company hereby confirms that there are no unutilized proceeds remaining from the Public Issues or Rights Issues. The entire amount of proceeds raised was fully utilized during the financial years 2002–2003 and 2003–2004, respectively.

All utilizations were made strictly in accordance with the objectives and purposes disclosed in the respective prospectuses and duly approved by the regulatory authorities. The Company maintains proper documentation and accountability for the deployment of such funds, ensuring full transparency and compliance with the relevant laws, rules, and regulations.

## 8.0 Financial Performance Following Initial Public Offering (IPO) and Rights Share Issue

The Company affirms that no deterioration or adverse change in its financial performance has occurred subsequent to the Initial Public Offering (IPO).

Since its listing, the Company has continued to demonstrate stable operational performance, consistent earnings, and sustainable profitability. This reflects prudent financial management, effective operational control, and a continued commitment to maintaining the confidence of shareholders and stakeholders.

## 9.0 Significant Variance between Quarterly Financial Performances and Annual Financial Statements

During the financial year 2024–2025, the Company reported the following Earnings Per Share (EPS) in its quarterly financial statements:

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- First Quarter (July 2024 – September 2024): Tk. 0.03
- Second Quarter (October 2024 – December 2024): Tk. 0.23
- Third Quarter (January 2025 – March 2025): Tk. 0.03
- Annual EPS: Tk. 0.07

Upon review, it is observed that the Company maintained a **generally consistent financial performance** throughout the year. The variations in quarterly earnings are attributable to **normal seasonal and operational factors** inherent to the Company's business cycle and do not represent any **material deviation** or **significant variance** when compared with the annual financial results.

Accordingly, there has been **no significant inconsistency** or irregularity between the quarterly financial performances and the annual audited financial statements.

## 10.0 Remuneration Paid to the Directors Including Independent Directors

The **Managing Director** and **Deputy Managing Director** of the Company were remunerated in accordance with the provisions of the **Nomination and Remuneration Policy** and as duly approved by the **Board of Directors**.

The **Directors**, including the **Independent Directors**, did not receive any remuneration other than the **attendance fees** for participating in the meetings of the **Board of Directors**, the **Audit Committee**, and the **Nomination and Remuneration Committee (NRC)**. The structure and amount of such fees were also approved by the Board in line with the Company's policy and applicable regulatory guidelines.

A detailed statement showing the **Directors' remuneration and related disclosures** is presented in **Note No. 27** of the **Audited Financial Statements**.

## 11.0 Statement on the Fair Presentation of Financial Statements

The **Board of Directors** acknowledges its responsibility to ensure that the **financial statements** of the Company reflect a **true and fair view** of its financial position, performance, cash flows, and changes in equity, in accordance with sound corporate governance practices.

In compliance with the **Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code**, Notification No. **BSEC/CMRRCD/2006-158/207/Admin/80** dated **June 03, 2018**, the Board of Directors hereby confirms, to the best of its knowledge and belief, that:

- a) The **financial statements** prepared by the management of the Company **present fairly** its **state of affairs**, the **results of operations**, **cash flows**, and **changes in equity** for the year ended.
- b) **Proper books of account** have been maintained by the Company as required by law.
- c) **Appropriate accounting policies** have been consistently applied in the preparation of the financial statements, and the **accounting estimates** are based on reasonable and prudent judgment.

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- d) The applicable **International Accounting Standards (IASs)** and **International Financial Reporting Standards (IFRSs)**, as adopted in Bangladesh, have been **duly followed** in the preparation of the financial statements, and any departures therefrom have been **adequately disclosed** in the notes to the accounts.

## 12.0 System of Internal Control

The **Board of Directors** ensures that the Company maintains a **robust and effective system of internal control** designed to safeguard its assets, ensure the reliability of financial reporting, and uphold compliance with all applicable laws, regulations, and internal policies.

The Company has adopted comprehensive Standard Operating Procedures to strengthen its internal control framework and minimize operational, financial, and compliance risks. An **Internal Audit Department** operates independently to evaluate and enhance the effectiveness of internal control systems and to ensure continuous compliance with established policies and procedures.

The **Audit Committee**, as a sub-committee of the Board, provides active oversight of the internal control and audit functions. It **regularly reviews internal audit reports**, discusses significant findings, and monitors the implementation of corrective actions by management.

In accordance with the **Corporate Governance Code**, the Board has constituted two sub-committees—

- the **Audit Committee**, and
- the **Nomination and Remuneration Committee (NRC)**.

Both Committees play a pivotal role in ensuring sound governance and an effective internal control environment.

During the year under review, the **Audit Committee** met on a quarterly basis to review the **quarterly and annual financial statements**, discuss key audit observations, evaluate the **effectiveness of the internal control systems**, and ensure compliance with **accounting policies and standards**. The Committee's observations and recommendations were duly considered and acted upon by the management.

The **Nomination and Remuneration Committee** convened during the year to develop and recommend the **policy for nomination, evaluation, and remuneration** of the Directors and top-level executives, ensuring alignment with regulatory requirements and good governance practices.

## 13.0 Protection of Minority Shareholders' Interest

The **Board of Directors** is committed to upholding the rights and protecting the interests of **minority shareholders**. The Board ensures that minority shareholders are **protected from any abusive actions** by controlling shareholders or management, whether direct or indirect, and that **effective mechanisms for redress** are in place.

All shareholders are treated equitably, and the Company maintains a transparent framework for disclosure and communication to enable minority shareholders to exercise their rights effectively and participate meaningfully in corporate decisions.

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## 14.0 Ability to Continue as a Going Concern

The **Board of Directors** confirms that the **Company** possesses **adequate financial, operational, and managerial resources** to continue its operations for the **foreseeable future**. Accordingly, the Directors have adopted the **going concern assumption** in the preparation of the financial statements.

Based on the Company's **current financial performance, revenue generation capacity, and resource availability**, the Board is satisfied that the Company remains **well-positioned to meet its existing obligations** and to sustain its ongoing business operations without material disruption.

Therefore, the **financial statements have been prepared on a going concern basis**, and the Board affirms that there exists **no material uncertainty** that may cast significant doubt on the Company's ability to continue as a going concern.

## 15.0 Significant Deviations from the Last Year's Operating Results

The **statement of profit or loss and other comprehensive income** reflects the results derived from the Company's core business operations. Since its inception, **Hakkani Pulp and Paper Mills PLC (HPPMPLC)** has demonstrated **steady growth and consistent operational performance** across its business segments.

During the financial year **2024–2025**, the Company reported **Net Sales Revenue** of **Tk. 1,041,522,211**, representing an **increase of 3.48%** compared to the previous year. The **Profit after Tax** stood at **Tk. 1,411,620**, while the **Earnings Per Share (EPS)** amounted to **Tk. 0.07**, as against **Tk. 0.04** in the previous financial year.

The key factors contributing to the year-on-year variations in **Earnings Per Share (EPS)** and **Cash Flows From operating Activities** are explained in **Note No. 32.00** and **Note No. 35.00** of the **Audited Financial Statements**. The following is a summary of the principal movements and management's analysis thereof:

### Revenue

During the year under review, total **sales revenue** increased by **Tk. 36,271,294** compared to the previous year, primarily driven by higher sales volume and improved product mix. This reflects the Company's enhanced market presence and efficient marketing strategies.

### Cost of Sales

The **cost of sales** increased compared to the previous year due to the **rise in unit prices of gas and electricity**, which directly impacted production costs. Despite the increase, the Company continued to maintain efficient production control and waste reduction measures.

### Administrative Expenses

The Company's **administrative expenses** decreased compared to the previous year, mainly due to a reduction in **employee-related costs** and other **operating overheads**, reflecting the management's ongoing focus on cost optimization and operational efficiency.



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## Selling Expenses

**Selling and distribution expenses** increased notably during the year, primarily due to higher **carriage outward** and related logistics expenses. This increase corresponds with the growth in sales activities and market expansion efforts.

## Financial Expenses

The Company's **financial expenses** increased significantly compared to the previous year. The increase was mainly attributable to higher **bank interest charges** on **Bai-Muazzal Loan, Baim Wes Bills, LATR facilities from Social Islami Bank PLC, and CC Hypo Loan from Mercantile Bank PLC**. The Company continues to manage its borrowings prudently to balance growth financing with cost efficiency.

## Earnings Per Share (EPS)

The **Earnings Per Share (EPS)** for the year stood at **Tk. 0.07**, compared to **Tk. 0.04** in the previous year, marking a notable improvement in shareholder returns. The growth in EPS was primarily driven by **increased sales revenue, better operational efficiency, and effective cost management**. This improvement demonstrates the Company's strengthened profitability and enhanced ability to generate value for its shareholders.

## Net Operating Cash Flows Per Share (NOCFPS)

The **Net Operating Cash Flows Per Share (NOCFPS)** for the year amounted to **Tk. 4.94**, compared to **Tk. 7.15** in the previous year. The decrease in operating cash flows was primarily due to higher **cash outflows for payments to suppliers, operating expenses, and other working capital requirements**. This reduction reflects a temporary decline in cash generated from core operations, consistent with the Company's increased business activities during the year.

Overall, despite fluctuations in certain cost components and cash flows, **Hakkani Pulp and Paper Mills PLC** maintained its operational resilience, demonstrating consistent growth in profitability and a continued commitment to sustainable value creation for its shareholders.

## 16.0 Key Operating and Financial Data of the Last Five Years

The Company presents below a summary of **key operating and financial data** for the last five (5) financial years, providing a comparative overview of its performance and financial position. This data is intended to offer shareholders and stakeholders a clear perspective on the Company's operational trends and financial growth over the period:

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Key operating and financial data of preceding 5 (Five) years:						
Particulars	Parameter	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021
<b>Operation and Market:</b>						
Production Capacity	MT	13,500	13,500	13,500	13,500	13,500
Actual Production	MT	6,548	6,781	6,770	4,914	3,918
Sales Quantity	MT	6,781	6,590	6,835	4,993	3,881
<b>Financial Results:</b>						
Sales Revenue	TK.	1,041,522,211	1,005,250,917	1,085,427,111	538,238,090	389,968,195
Gross Profit	TK.	159,784,057	145,200,530	137,443,325	54,955,601	72,982,633
	%	15.34%	14.44%	12.66%	10.21%	18.72%
Operating Profit	TK.	83,564,288	68,642,858	68,466,812	13,464,201	32,004,346
	%	8.02%	6.83%	6.31%	2.50%	8.21%
Net Profit before Tax	TK.	17,474,215	7,209,572	15,773,401	(17,802,266)	(23,034,016)
	%	1.68%	0.72%	1.45%	-3.31%	-5.91%
Net Profit after Tax	TK.	1,411,620	780,707	16,912,856	(24,610,668)	(24,306,924)
	%	0.14%	0.08%	1.56%	-4.57%	-6.23%
Earnings Per Share (EPS)	TK.	0.07	0.04	0.89	(1.30)	(1.28)
Dividend (Cash)	%	5 % Cash Dividend to only General Shareholders	2% Cash Dividend to All Shareholders	2% Cash Dividend to All Shareholders	1% Cash dividend to only General Shareholders.	1% Cash Dividend to only General Shareholders.
<b>Financial Position:</b>						
Paid- up Capital	TK.	190,000,000	190,000,000	190,000,000	19,00,00,000	19,00,00,000
Current Ratio		1.78:1	1.74:1	1.32:1	1.31:1	1.37:1
Non- Current Assets with Revaluation	TK.	869,398,864	875,669,422	861,182,096	867,751,848	828,686,944
Current Assets	TK.	750,272,773	664,450,362	663,371,090	609,601,670	640,110,861
Current Liabilities	TK.	422,328,046	382,629,738	501,833,284	465,532,422	467,248,409
Net Current Assets	TK.	327,944,727	281,820,624	161,537,806	144,069,248	172,862,452
Net Assets Value with Revaluation	TK.	460,514,917	461,487,017	464,607,789	447,546,925	474,282,768
Net Assets Value without Revaluation	TK.	226,498,176	219,789,349	214,705,715	188,880,440	-206,252,742
Net Assets Value Per Share with Revaluation	TK.	24.24	24.29	24.45	23.56	24.96
Net Assets Value Per Share without Revaluation	TK.	11.92	11.57	11.30	9.94	10.86
Net Operating Cash Flow Per Share	TK.	4.94	7.15	4.63	(0.08)	0.21



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## 17.0 Dividend

During the financial year 2024–2025, Hakkani Pulp and Paper Mills PLC (HPPMPLC) achieved a Profit After Tax of Tk. 1,411,620, with Earnings Per Share (EPS) of Tk. 0.07. As of 30 June 2025, the Company's Retained Earnings amounted to Tk. 26,668,816, and the Dividend Equalization Reserve stood at Tk. 11,237,712. In addition, the Net Operating Cash Flows per Share (NOCFPS) was Tk. 4.94.

In light of the Company's financial performance and to ensure equitable distribution of profits, the Board of Directors has recommended @ 5% (Five Percent) Cash Dividend, only for shareholders other than Sponsors, for the year ended June 30, 2025, subject to approval in the 29th AGM. The board also confirms the following information-

- o Total number of sponsor shares: 8,982,130
- o Total number of public (non-sponsor) shares: 10,017,870
- o Total amount of dividend: Tk. 5,008,935 (on public shares only)

The Board further confirms that no bonus shares or stock dividends have been, or will be, declared as interim dividends during the year.

## 18.0 Number of Board Meetings Held and Attendance by Directors

During the financial year 2024–2025, the Board of Directors of Hakkani Pulp and Paper Mills PLC convened a total of four (4) Board Meetings to review and deliberate on strategic, operational, and governance matters. These meetings provided a platform for thorough discussion, decision-making, and monitoring of the Company's performance.

The attendance record of the Directors at these meetings is as follows:

S.L	Name of Director	Position	Total Number of Board Meetings	Attendance of Director
1	Md. Golam Rasul Muktadir	Chairman	4	3
2	Md. Golam Kibria	Managing Director	4	4
3	Prof. S. M. Nasrul Quadir	Independent Director	4	4
4	Prof. Dr. Rafiuddin Ahmed	Independent Director	4	4
5	Md. Golam Morshed	Deputy Managing Director	4	4
6	Mrs. Hosne Ara Begum	Director	4	4
7	Mrs. Farhana Ferdous	Director	4	4

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**Active participation of the Board is essential** to ensure effective oversight, strategic guidance, and sound corporate governance. The Board's commitment to regular attendance and constructive engagement enables informed decision-making in the best interests of the Company and its stakeholders.

## 19.0 Shareholding Information

The **shareholding structure** of the Company as of **30 June 2025** is detailed in **Annexure-II** of this Annual Report. The annexure provides a comprehensive breakdown of **share ownership**, including major shareholders, institutional holdings, and distribution among individual investors.

**Transparency in shareholding** is a cornerstone of good corporate governance, as it fosters trust among investors, ensures equitable treatment of all shareholders, and enhances accountability. By disclosing detailed shareholding information, the Company demonstrates its commitment to openness, regulatory compliance, and the protection of shareholder rights.

## 20. Directors' Appointment, Retirement & Re-appointment

The appointment, retirement, and re-appointment of Directors are governed by the Articles of Association of the Company and the Companies Act 1994. Accordingly, at the forthcoming Annual General Meeting (AGM), the following Directors will retire and are eligible for re-appointment:

1. **Mr. Mohammed Golam Rasul Muktadir**
2. **Mrs. Hosne Ara Begum**
3. **Mrs. Farhana Ferdous**

Their reappointment will be placed before the shareholders for approval at the AGM. Brief résumés of these Directors are provided in the Annual Report.

## 21.0 Independent Director

In compliance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code (Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018), every listed company is required to appoint Independent Directors constituting at least one-fifth of the Board of Directors.

As per the Code, Independent Directors must possess integrity and professional knowledge to ensure compliance with financial, regulatory, and corporate laws. They are expected to make meaningful contributions to the company's business operations and must have a minimum of twelve (12) years of corporate management or professional experience.

Hakkani Pulp and Paper Mills PLC has appointed two highly experienced professionals as Independent Directors, each with a proven track record in corporate governance and business management, in line with the directives of the BSEC Corporate Governance Code.

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## ▪ Appointment of Independent Director

The Board of Directors of Hakkani Pulp and Paper Mills PLC, in its 169th meeting held on 29th April 2025, approved the appointment of Mr. Amirul Islam, FCA, FCS, as an Independent Director. The appointment was subsequently approved by the Bangladesh Securities and Exchange Commission on 12th August 2025. This appointment will also be submitted to the shareholders for approval at the forthcoming AGM. Brief résumés of the Independent Directors are provided in the Annual Report.

## 22.0 Credit Rating

The Credit Rating Agency of Bangladesh Limited (CRAB) has assigned the following credit ratings to the Company for the fiscal year 2024–2025:

Category	Rating	Outlook
Long Term	BBB1	Stable
Short Term	ST-3	Stable

## 23.0 Management's Discussion and Analysis

A comprehensive analysis of the Company's operational and financial performance for the year ended 30th June 2025 is presented in a separate **annexure**. This includes a discussion of key changes in the financial statements and other significant developments affecting the Company.

## 24.0 Declaration/Certification by the CEO and CFO

In compliance with Condition No. 3(3) of the Corporate Governance Code, detailed declarations and certifications by the CEO and CFO have been submitted to the Board. The full declaration is attached as a separate **annexure**.

## 25.0 Audit Committee

In accordance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code (Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018), the Company has an **Audit Committee** as a subcommittee of the Board of Directors with clearly defined Terms of Reference (TOR).

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The current Audit Committee was reconstituted by the Board in its 165th meeting held on 29th April 2024 and comprises the following members:

Committee Members	Board Position	Role in Committee
Prof. S.M. Nasrul Quadir	Independent Director	Chairman
Prof. Dr. Rafiuddin Ahmed	Independent Director	Member
Mrs. Farhana Ferdous	Non-Executive Director	Member
Mr. Mohammad Musa	Company Secretary	Secretary

The Audit Committee is responsible for reviewing the results of internal and external audits with management, including matters required to be communicated under generally accepted auditing standards. The members possess significant expertise in corporate law, finance, business management, and financial statement analysis, ensuring effective oversight of the Company's financial reporting and internal controls.

## 26. Nomination & Remuneration Committee

In compliance with the BSEC Corporate Governance Code, Hakkani Pulp and Paper Mills PLC has established a **Nomination and Remuneration Committee (NRC)** as a Board subcommittee.

The NRC was reconstituted in the 165th Board meeting held on 29th April 2024 and comprises the following members:

Committee Members	Board Position	Role in Committee
Prof. S.M. Nasrul Quadir	Independent Director	Chairman
Prof. Dr. Rafiuddin Ahmed	Independent Director	Member
Mrs. Farhana Ferdous	Non-Executive Director	Member
Mr. Mohammad Musa	Company Secretary	Secretary

The Committee held its seventh meeting during the year, focusing on reviewing policies, processes, and corporate governance matters. Key deliberations and recommendations included:

1. Reviewed the implementation status of decisions taken in the previous meeting.

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2. Reviewed and recommended the appointment of **Mr. Amirul Islam, FCA, FCS** as **Independent Director** of the Company in accordance with Clause 1(2) of the Corporate Governance Code.
3. Reviewed the **Management Letter** issued by the External Auditors, particularly points 3, 4, and 5 concerning **Employee Benefits, Workers' Profit Participation Fund (WPPF), and uninvested participation funds**. The Committee recommended the formulation of **Service Rules** and a comprehensive **Human Resource Policy** to address these issues.
4. Recommended the appointment of **Mr. Saleh Ahmed** as **Chief Financial Officer (CFO) (In-Charge)** from internal resources until the appointment of a permanent CFO from external sources.
5. Reviewed and recommended new appointments and promotions of employees within the Company during the reporting period.
6. Reviewed and approved the **Code of Conduct** for the Chairperson, Managing Director, and other Board Members.
7. Reviewed and recommended the **Terms of Reference (ToR)** for the Audit Committee.
8. Reviewed and recommended the **ToR and Policy** for the Nomination and Remuneration Committee (NRC) itself.
9. Reviewed the **criteria for determining qualifications and positive attributes** of top-level executives.
10. Reviewed and recommended the **remuneration structure** for top-level executives.
11. Reviewed and recommended the **Roles and Responsibilities** of the Chairperson, Managing Director, Company Secretary, Chief Financial Officer, and Head of Internal Audit.
12. Reviewed and recommended the **criteria for evaluating the performance** of Independent Directors and other Board Members.

The NRC ensures that the Company's leadership and governance framework aligns with best practices and statutory requirements, promoting transparency, accountability, and merit-based management.

## 27.0 Appointment of Statutory Auditors

The existing statutory auditors, **M/S. Khan Wahab Shafique Rahman & Co., Chartered Accountants**, were appointed at the 28th Annual General Meeting and have successfully completed their responsibilities for the year under review. The auditors have expressed their willingness to continue, being eligible for reappointment.

The Board of Directors of Hakkani Pulp and Paper Mills PLC has recommended the reappointment of **M/S. Khan Wahab Shafique Rahman & Co., Chartered Accountants** as statutory auditors for the financial year 2025–2026. The proposed audit fee is **BDT 350,000/- (Three Lac Fifty Thousand) excluding VAT**. This recommendation will be submitted to the shareholders for approval at the 29th Annual General Meeting.

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## 28.0 Appointment of Compliance Auditors

The existing compliance auditors, M/S. Shafiq Basak & Co., Chartered Accountants, were appointed at the 28th Annual General Meeting and have successfully completed their responsibilities for the year under review.

The Board of Directors has recommended the reappointment of M/S. Shafiq Basak & Co., Chartered Accountants as Corporate Governance Compliance Auditors for the financial year 2025–2026, with a proposed fee of **BDT 35,000/- (Fifty Thousand) excluding VAT**. This matter will also be placed before the shareholders for approval at the 29th Annual General Meeting.

## 29. Reporting and Certification on Compliance with Corporate Governance

The Company's compliance with the requirements and conditions of the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018 on Corporate Governance has been duly reviewed. A detailed report on the status of compliance is provided in **Annexure-C.31.0** of this Annual Report

## 30. Auditors' Observation:

Auditors' Observation:	Management's Explanation and Commentary
<p>Significant decreased in net operating cash flow per share (NOCFPS):</p> <p>As disclosed in Note 35, the Company's Net Operating Cash Flow per Share (NOCFPS) has significantly decreased to Tk. 4.95 for the year ended June 30, 2025, compared to Tk. 7.15 for the year ended June 30, 2024. This decline is mainly attributable to higher cash outflows related to payments to suppliers, increased operating expenses, and other operating disbursements.</p>	<p>The Management acknowledges the auditors' observation regarding the decrease in Net Operating Cash Flow per Share (NOCFPS) for the year ended June 30, 2025.</p> <p>The decline to Tk. 4.95 from Tk. 7.15 in the previous year primarily resulted from higher cash outflows for raw material purchases, increased utility and operating expenses, and timing differences in supplier payments.</p> <p>Despite the temporary reduction in operating cash flow, the Company maintained stable sales and profitability during the year, supported by efficient operations and prudent cost control. Management expects the NOCFPS to improve in the following fiscal year as supply chain conditions stabilize, working capital requirements normalize, and operational efficiency initiatives continue to yield benefits.</p>

## 30. Subsequent Events

No subsequent events have occurred between the date of the Financial Position and the date of this report that could materially affect the users' ability to evaluate the Company's financial statements.

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## 31. Declaration of the Board of Directors

The Board confirms that:

- Financial statements fairly present the state of affairs;
- Proper books of account have been maintained;
- Accounting policies have been consistently applied;
- IAS/IFRS have been followed and any departures disclosed;
- Internal controls are sound and effectively implemented;
- Minority shareholders are protected;
- The Company is a going concern;
- Key financial data of the past five years are summarized;
- Dividend and bonus share policies, if any, are explained.

## 32. Acknowledgements

The Board expresses sincere gratitude to all employees, investors, shareholders, bankers, financial institutions, insurance companies, regulatory authorities (BSEC, DSE, CSE, NBR, Bangladesh Bank), customers, and dealers for their continued support and contribution.

### Farewell Message from the Chairman

As we conclude another year of resilience, I extend my heartfelt thanks to our shareholders, employees, and partners for their unwavering trust. Our journey is built on strong governance, dedication, and the collective effort of all stakeholders. I am confident that Hakkani Pulp and Paper Mills PLC will continue to achieve greater milestones while upholding the highest standards of corporate governance and integrity. Together, we look forward to a future of sustainable growth and shared success.”

— Md. Golam Rasul Muktadir

On behalf of Board of Directors.

Chairman,  
Hakkani Pulp and Paper Mills PLC