

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Board of Directors of eGeneration Limited with immense pleasure take this opportunity of presenting the Directors' Report along with the Audited Financial Statements for the year ended 30 June 2020 together with the Auditors' Report thereon for your consideration and approval.

The Directors' Report has been prepared in compliance with the Companies Act 1994, Notification of BSEC and other applicable rules and regulations. We believe that the report will provide the insights of the Company's performance during the year. The key financial results and other developments for the year ended 30 June 2020 in eGeneration Limited Limited's business are discussed in this report.

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

Growing Industry

The IT/ITES industry of Bangladesh is thriving now. The general industry outlook is as follows:

- Demand for software in the local market: US\$ 1.18 Billion
- No. of IT/ITES Professionals: 3,00,000 (appr.)
- Market value of IT/ITES: US \$400+ Million (Ministry of Finance)
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The sector shows high potential for growth in coming future with advent of updated technologies.

The industry is very competitive with 400+ local software companies being member of BASIS. However, eGeneration being the only LSP of Microsoft and Premier partner of SAP (ERP Solutions Provider) gives our company a superior competitive advantage.

Government Benefits

Here is a list of taxation policies that will give companies in IT sector a competitive edge in the overall market:

- Income tax exemption on Software & ITES till 2024
- VAT exemption rule & Submission procedure for Software/ITES Exporters
- VAT exemption on Software
- VAT Exemption for Software at Import and Production Level

Available Human Resources

- There is a future prospect of high skilled workers available to drive the IT/ITES industry forward:

- Leveraging ICT for Growth, Employment & Governance (LICT) Project Total 75,000+ Youth to be trained over next three years
 - 10,000 Top-up Training
 - 20,000 Foundation Skills Training Program
 - 20,000 Online Outsourcing Training
- Under the Skills for Employment Investment Program (SEIP), total 1.25 million Youth to be trained by 2021
- Under the Support to Development of Kaliakair Hitech Park project, 4,981 youths have received ICT training.
- To increase self-dependency, Learning and Earning project is working on creating 55,000 freelancers.
- Under the Bari Boshe Borolok (Getting Rich at Home) project, 14,750 youths have been trained as freelancers of whom 70 percent are women.
- Bangladesh Hi-Tech Park Authority (BHTPA) has imparted trainings to around 6,500 youths in different areas of Information and Communication Technology (ICT). Around 6,500 youths so far to enable them to get employment capitalizing on their skills in the field of ICT. Of them, around 4,700 trainees have already got jobs under Employment Incentive Program.

Low cost of labor

Compared to other countries, which operate in IT related businesses, the country has low cost of labor. This gives the Bangladeshi IT/ITES industry an overall edge in the market.

THE SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Product wise performance for the last two years is given below:

Name of the Product	30-Jun-20	30-Jun-19	Increase / (Decrease)
ERP Software	106,747,702	83,025,913	23,721,789
CRM Software	3,350,000	5,224,300	(1,874,300)
Solutions Developed in Microsoft Platform	226,364,111	218,808,264	7,555,847
Database Solutions	8,789,571	6,919,333	1,870,238
Cyber Security Solutions	1,494,343	10,671,460	(9,177,117)
Data Analytics	6,410,000	7,062,508	(652,508)
HR Management System	1,828,470	3,034,390	(1,205,920)
Fertilizer Recommendation System	2,500,000	2,580,050	(80,050)
Social media Monitoring	1,850,000	2,563,169	(713,169)
Web Designing & Olympus	843,475	1,735,080	(891,605)
AI & Natural Language Processing	442,896	-	442,896
Networking Solutions	274,538	10,194,786	(9,920,248)

Data Center Solution	6,500,000	-	6,500,000
Digital Platform Development	28,926,021	12,126,744	16,799,277
Total	396,321,127	363,945,996	32,375,131

RISKS AND CONCERNS INCLUDING INTERNAL AND EXTERNAL RISK FACTORS, THREAT TO SUSTAINABILITY AND NEGATIVE IMPACT ON ENVIRONMENT

The Board of Directors recognizes the importance of sound risk management practices and internal controls to safeguard shareholders' investments and the Company's assets. The Board affirms its overall responsibility for the Company's system of risk management and internal control, which includes the establishment of an appropriate control environment and framework, along with reviewing its adequacy and integrity.

Board of Directors always carefully considers the sectors related risk such as credit risk, liquidity risk, industry risks, economic and political risks, market and technology-related risk, potential or existing government regulations, potential or existing changes in global and national policies, competitive condition of the business etc. We identify and manage risks to reduce the uncertainty associated with executing our business strategies and maximizing opportunities that may arise. Detailed risk factors and management perceptions about the risks are given under the heading of risk management of the company of this annual report.

COST OF GOODS SOLD, GROSS PROFIT MARGIN AND NET PROFIT MARGIN

- Cost of Services and Sales:** The reporting period's cost of sales was Tk. 239.45 million. The last year's cost of sales was Tk. 207.10 million. The cost of sales is increased due to the increase in sales and production costs.
- Gross Profit:** During the year, gross profit earned was Tk. 156.87 million against last year's gross profit of Tk. 156.82 million. The gross profit margin is decreased due to the increase in the cost of sales.
- Net Profit:** Net profit (after tax) earned during the year was Tk. 93.16 million compared to last year's Net Profit (after tax) of Tk. 109.04 million. Increase in the operational and financing cost is the main reason for the reduction in net profit after tax.

Key Operating and Financial Data of Preceding 5 (Five) Year

Key operating and financial data of preceding 5 (Five) years is shown under the heading of Summary of Key Operating & Financial Data of this annual report.

An Explanation on the Reasons for Not Declaring Dividend (Cash or Stock)

The Company has not declared any dividend as per the consent letter of IPO, Ref: BSEC/CI/IPO-291/2018/292, Dated: December10, 2020, Clause No:15

Board's Declaration Regarding Interim Dividend

Board of Directors confirm that no bonus shares or cash dividend has been declared as interim dividend during the period under review.

Shareholding Pattern

The Company is currently going through the processes of Initial Public Offering.

Category wise shareholding structure with percentage before and after the present issue and after conversion of convertible instruments is given below:

Sl. No.	Name/Category of Shareholders	No. of Ordinary Shares Hold		Percentage of Holding	
		Pre-IPO	Post-IPO	Pre-IPO	Post-IPO
1	Sponsors & Directors	28,045,723	28,045,723	46.74%	37.73%
2	Institutional	20,114,876	24,614,876	33.52%	32.82%
3	Mutual fund	1,200,000	2,700,000	2.00%	3.60%
4	Individual	10,129,401	17,629,401	16.88%	23.51%
5	Non-Residential Bangladeshis (NRBs)	510,000	2,010,000	0.85%	2.68%
Total		60,000,000	75,000,000	100.00%	100.00%

Management Discussion and Analysis

A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements is presented in the Annexure-1 of the annual report.

Declaration or Certification by the CEO and the CFO to the Board

Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) has been disclosed in the Annexure-A

The Report as Well as Certificate Regarding Compliance

The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 has been disclosed in the Annexure-B and Annexure-C.

Extra-Ordinary Gain or Loss

During the year, there was no realized extra-ordinary gain or loss made by the Company.

Related Party Transactions

Related parties with whom transactions have taken place and their relationship as identified and certified by Management. In the ordinary course of business, the company has no other related party transaction as disclosed in Note 30.08 of the audited financial statements.

UTILIZATION OF PROCEEDS FROM PUBLIC ISSUES

Sources of Fund

Issue Size (Number of Shares to be issued)	Issue Price	Amount in Taka
15,000,000 Shares	10	150,000,000
Less: IPO Expenses		(17,611,000)
Net IPO Proceeds		132,389,000

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from Initial Public Offering (IPO) will be used for Purchase of Commercial Space for Office, IT Infrastructure for Platform Development, Loan Repayment, and IPO Expenditure. The details of which is stated below:

Sl. No.	Particulars	Amount in BDT	Implementation Schedule
1	Purchase of Commercial Space for Office	80,000,000	Within 24 months after receiving IPO Fund
2	Loan Repayment	34,000,000	
3	Digital Healthcare Platform Development	18,389,000	
4	IPO Expenditure	17,611,000	
Total		150,000,000	

Financial results after the Company goes for Initial Public Offering (IPO)

BSEC has already approved the Initial Public Offer of the company. The company is performing well with a steady growth. Financial Results of the company are detailed in the audited financial statements attached in this annual report. Some results are affected by the COVID-19 situation.

Variance between Quarterly Financial performance and Annual Financial Statements

Though there was an impact of COVID-19 on the business during the Quarter of April-June 2020, variance between quarterly performance and annual financial statements was not material considering the overall economy of the country.

Remuneration to Directors Including Independent Directors

Details of remuneration paid to Directors during the financial year are given in the Note No:30.07 in the Financial Statements of this annual report.

CORPORATE & FINANCIAL REPORTING

The Board is responsible to present a fair, balanced and understandable assessment of the Company's position and prospect as a part of the good governance and to that end the Directors in accordance with the Bangladesh Securities and Exchange Commission's

Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018; confirm compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- 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 the financial statements and any departure there-from has been adequately disclosed. The list of BAS/BFRS complied is listed on note no. 3 of the Financial Statement.
- The systems of internal control are sound and have been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There are no significant deviations in operating result of the business of the company compared to last year

Minority Shareholders' Interest Protection

During the year under review, the minority shareholders' interest has duly been protected with effective means of redress. No abusive actions either directly or indirectly with regards to the interest of controlling shareholders was observed.

Key Operating and Financial Data of Preceding 5 (Five) Years

Key operating and financial data of preceding 5 (Five) years is shown under the heading of Summary of Key Operating & Financial Data of this annual report.

Deviation from the Last Year's Operating Results

There was no significant deviation from last year's operation. Due to Covid-19 impact around the world, overall profitability of the company declined slightly comparing the overall economy of the country.

Appropriation of Profit & Dividend

The Board of Directors has recommended no dividend for the year ended June 30, 2020, to those shareholders whose names would appear in the Share Register of Members of the Company.

Interim Dividend

The Board of Directors has declared no dividend for the interim period.

Board of Directors Meeting

During the year 8 (Eight) Board Meetings were held. The Chief Financial Officer, Head of Internal Audit & Compliance and Company Secretary were present in the Board meetings. The attendance by each Director is mentioned below:

Name of Director	Position	Meeting Held	Attendance
Shameem Ahsan	MD	8	8
SM Ashraful Islam (Nominated by eGeneration Sourcing Limited)	Nominated Director	8	8
Syeda Kamrun Nahar Ahmed	Chairman	8	8
Ariful Hasan	Independent Director	8	8
ABM Hamidul Mishbah	Independent Director	8	8

Appointment/re-appointment of directors of the Company

As per the Articles of Association of the Company and the Companies Act 1994, one-third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for re-election. In this connection the following Director will retire in the 17th Annual General Meeting and being eligible, offered for re-election:

1. Syeda Kamrun Nahar Ahmed

Brief profiles of Syeda Kamrun Nahar Ahmed are given in the *Profile of the Board of Directors* section of the Annual Report.

Corporate Governance Compliance Report

According to the Bangladesh Securities and Exchange Commission requirements, the "Corporate Governance Report" is annexed in Annexure B.

Appointment of Statutory Auditors

FAMES & R, Chartered Accountants has expressed their interest to be the statutory auditor of the company for the year 2020-2021 and the Board has recommended the auditor to be approved in the 17th AGM of the company.

Appointment of Compliance Auditors

The board in its meeting held on 29 October 2020 recommended to reappoint Asraf Uddin & Co-Chartered Accountants as the compliance auditor of the company to audit the "corporate governance code" for the year 2020-21.

Syeda Kamrun Nahar Ahmed

Chairperson