



REPORT OF THE BOARD OF DIRECTORS

for the year ended 30 June 2013

(Under Section 184 of the Companies Act 1994 and Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 of the Bangladesh Securities and Exchange Commission.)

Dear Valued Shareholders,

On behalf of the Board of Directors, I welcome you all to the 19th Annual General Meeting of M. I. Cement Factory Limited and present the Directors' Report together with the Audited Financial Statements of the company for the year ended 30 June 2013 for your consideration, approval and adoption.

Industry Outlook

The cement industry, like most capital-intensive commodity industries, is cyclical in nature with respect to supply. Cement demand is closely linked to the growth of the construction sector. Hence, when the construction sector is strong, cement demand increases.

As per the statistical data, in our country per capita cement utilization among some developing countries is very low, which will prove the potentiality of cement industry in Bangladesh. It is also observed that the real estate sector in Bangladesh is booming day by day, the country's physical infrastructure needs to be developed to a great extent, the capital and other cities of the country needs civil construction with heavy structures, our rural areas are stepping towards a modern look with the improvement of the rural economy. In addition, although some steel structures have been developed in recent time, no direct substitute of cement has yet been developed. All these factors can act as a positive catalyst for development of the cement industry in the country.

Some governmental initiatives may give further momentum to the cement industry. In Thailand, Nigeria and even our neighboring country India most of recent roads are constructed in RCC structure which gives much greater durability with only 10-15% higher cost. In our country almost all roads constructed in last 2/3 decades are of asphalt concrete structure which is very much susceptible to water and get damaged very quickly. If Bangladesh Government pays attention to this issue, durability of roads can at least be doubled or tripled with RCC structure which will also increase demand of cement.

Furthermore, apart from Padma Bridge quite a few big infrastructural projects of Bangladesh Government like- Dhaka City Elevated Expressway, Dhaka-Chittagong Access Control Highway, Sky Rail around Dhaka City, Dhaka Metro Rail Transit, Dhaka-Naryanganj-Gazipur-Dhaka Elevated Expressway, and Deep Sea port in Chittagong are in planning stage and will create huge demand of cement.

However, global demand for cement is rotating according to the growth of the construction sector in each region. High demand for cement had been observed in Europe and America during 1960-70. After 1970, cement demand shifted to India, Malaysia, Hongkong, Singapore and Korea. High Demand for cement continued in these areas till 1990. From 2000, developing countries of Asian regions like Bangladesh, Pakistan, Nepal and Myanmar are now enjoying high growth rate of cement consumption. This trend is expected to continue for a pretty long time. Hence, we can hope that Cement Industry of Bangladesh will grow further.

Future Plan

In view of the Industry Outlook stated above, the Board of Directors of M. I. Cement Factory Limited is planning to enhance the production capacity of the plant. Besides, installation of new silo for the existing plant is under active consideration of the Board of Directors. These programs, on implementation, will enable your company to gain the market share from the prevailing competitive market environment.

Risk Factor

The Board of Directors had taken adequate measures to minimize the probable risks forecasted in this industry. Although, risks of the industry are continuously evolving, the company has taken reasonable steps to identify material risks that may hamper the business of the company and was adopted preventive measures in this respect.

Discussions on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

From the Statement of Comprehensive Income, you may notice that the Cost of Goods Sold for the year ended 30 June 2013 is Tk. 5,681.66 million as against Tk. 4,911.28 million for the corresponding year. The increase in the cost of goods sold in the current year compared to the last year is mainly due to current year's higher sales volume comparing to that of the last year. The Gross Profit Ratio has been improved to 16.81% from 13.19% of the corresponding year, as revenue has been increased by 20.72% as opposed to 15.69% increase, a relatively lower rate, in cost of sales.

At operating profit level, Operating Profit Ratio has slightly been increased to 12.04% from 10.16% of the last year reflecting the effect of increase in Gross Profit. However, had the other operating income not been reduced by Tk. 77.67 million such operating profit ratio would be further improved. Further to that, financial income by Tk. 103.25 million having net effect of (a) rise in interest expenses of Tk. 148.12 million and (b) increase in net exchange gain by Tk. 77.81 million.

State of Company's Affairs

The accounting year ended on 30 June 2013 was another successful year for your company. Your company was able to perform better during the year under reference. The current year's turnover was Tk. 6,829.70 million as against Tk. 5,657.60 million of the last years, resulting 20.72% growth in the current year compared to the previous year. The Gross Profit grew by 53.83% that meant to a good leap from Tk. 746.32 million to Tk. 1,148.04 million. Again, the current year's Net Profit after Tax was Tk. 665.37 million as against Tk. 565.76 million of the last year, resulting 17.60% growth in the current year compared to the previous year.

Export

M.I. Cement Factory Ltd. is the largest cement exporter in Bangladesh. The major export market for your product 'Crown Cement' is the northeastern states of India including Tripura, Meghalaya, eastern and western region of Assam. The company has won National Export Trophy (Gold) for consecutive two years 2008-2009 and 2009-2010 for its extraordinary contribution to the country's economy through foreign currency earnings. During the year under review we earned foreign exchange to the tune of about Tk.705 million.

Information Technology (IT)

Information Technology is a vital part of your company's value chain through which we create customer value. We believe investment in Information Technology in the form of process automation, business to customer business model establishment can bring competitive advantages.

We also consider investing in Information Technology security to safeguard valuable customer data and other business information. In coming years, we plan to move for upgrading our existing Enterprise Resource Planning System to serve our stakeholders even better.

Safety, Health and Environment

Ensuring Safety, Health and Environment is pre-requisite for any factory. In line with the requirement, your company has declared it as top priority. Your company strives for zero risk of accidents, injuries and occupational illness by emphasizing more attention in preventive measure. The company is also committed to comply with all applicable environmental laws, standards and requirements and takes a proactive and long term view on environmental issues to

prevent pollution and improve performances.

Financial Results

The financial results for the year ended 30 June 2013 is given below:

Retained earnings - (Carried forward from previous year)	Tk. 267,067,457
Add: Net Profit for the year	<u>Tk. 665,368,662</u>
Total funds available for appropriation	Tk. 932,436,118
Proposed Dividend: Cash Dividend @ 40%	<u>Tk. 594,000,000</u>
Unappropriated profit	<u>Tk. 338,436,118</u>

Dividend

Considering the business growth of the company, the Board of Directors is pleased to recommend a cash dividend of 40% i.e. Tk. 4.00 for each Ordinary Share of Tk. 10.00 for the year ended 30 June 2013.

Contribution to the National Exchequer

During the accounting year ended 30 June 2013, the company has contributed Tk. 1,667,974,369 to the National Exchequer in the form of Corporate Tax, Customs Duty, VAT etc.

Election of Directors

Pursuant to the provisions of the Companies Act 1994 and clause No. 81 of the Articles of Association of the Company one-third of the Directors shall retire by rotation in every Annual General Meeting. Accordingly, 2 (two) directors of the company will retire in the 19th Annual General Meeting. The retiring directors are:

1. Mr. Mohammed Alamgir Kabir and
2. Mr. Molla Mohammad Majnu

Being eligible they offer themselves for reelection.

Compliance of Corporate Governance Guideline

The compliance status of the Corporate Governance Guideline as per the Notification No. SEC/CMRRC/2006- 158/134/Admin/44 dated 7 August 2012 of the Bangladesh Securities and Exchange Commission is presented through Annexure No. I to Annexure No. IX at the end of the Directors' Report.

Independent Directors

As per the Corporate Governance Guidelines dated 7 August 2012 issued by the Bangladesh Securities and Exchange Commission (BSEC), considering 6 (six) Shareholder Directors in the Board, two Independent Directors need to be appointed by 31 December 2012. In our 18th AGM held on 23 December 2012 the appointment of Independent Director Mr. Golam Mohammad had been approved by the shareholders. Another Independent Director Professor Dr. Shaikh Shamsuddin Ahmed has been appointed by the Board of Directors after the 18th AGM held on 23 December 2012 but within 31 December 2012, which will be placed for the shareholders approval in the 19th AGM to be held on 24 December 2013.

Auditors

The existing auditors of the company M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants shall retire at the 19th Annual General Meeting. Being eligible, they have expressed their willingness to be re-appointed as external auditor for the year ending 30 June 2014. The Board of Directors has accepted the willingness of M/s. Hoda Vasi Chowdhury & Co. for appointment as external auditors for the year ending 30 June 2014, which is being placed in the 19th Annual General Meeting for shareholders' approval.

Post Balance Sheet Events

Subsequent to the Balance Sheet date, the Board of Directors has recommended a Cash Dividend of 40%.

IPO Fund Utilization

There was a statement of account of the IPO Fund Utilization in the last year's Annual Report. There is no amount left unutilized of the IPO Fund and no deterioration of the IPO Fund took place during the year under review.

CSR Activities

Corporate Social Responsibility (CSR) has become a fundamental business practice and has gained much attention from Board of Directors and executive management team of M.I. Cement Factory Ltd. The company understands that a strong CSR program is an essential element in achieving good business practices and efficient leadership. That's why the company has made a clear vision for CSR activities.

The following are the areas M.I. Cement Factory Ltd. has made contribution during the year under reference:

- Merit Scholarship
- Environmental Issues
- Full Education Support to a number of Underprivileged Students
- Financial Support to Autistic People

Acknowledgements

The Board of Directors would like to extend its foremost regards and appreciation to the valued shareholders and other stakeholders of the company for their persistent support and guidance to the company that led to its achievement. The Board also recognizes that its journey to attainment during the year was possible because of the cooperation, positive support and guidance that it had received from the Government of Bangladesh, National Board of Revenue (NBR), Board of Investment (BOI), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository of Bangladesh Limited (CDBL), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE), the company's Bankers, Insurers and Financial Institutions, Vendors, the Press and Media and other Business Partners. Accordingly, the Board offers its utmost gratitude to them. The Board would also thank each and every customer for their continued support and making the company's brand as their most preferred ones.

We also extend to the Management and Employees our warmest greetings and felicitations for being the essential part of the M. I. Cement Factory Limited during the year. It was your unrelenting commitment, dedication and diligence throughout the year that led the company towards achieving the success.

We are proud of you all and look forward to your continued support as we march ahead to take M. I. Cement Factory Limited further forward as a leading player within the Bangladesh Business Community.

On behalf of the Board



(Mohammed Jahangir Alam)
Chairman

Dated: Dhaka
30 November 2013