



DIRECTORS' REPORT

Directors' Report

to the Members for the year ended 30 June 2017

The Board of Directors of M. I. Cement Factory Limited (MICFL) welcomes you to the 23rd Annual General Meeting (AGM) of the Company. It is our pleasure to place herewith the Directors' Report and the Auditors' Report along with the Audited Financial Statements of the Company for the year ended 30 June 2017 for your valued consideration, approval and adoption.

The Directors' Report is prepared in compliance with the provisions of Section 184 of the Companies Act, 1994 and the Listing Rules of the Dhaka Stock Exchange Limited (DSE) and the Chittagong Stock Exchange Limited (CSE) and Bangladesh Securities and Exchange Commission's (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012.

Industry Outlook and Possible Future Development in the Industry

Bangladesh is one of the fastest developing countries in the world with a GDP of around 7%. Thus, expecting a growth in demand for cement is considered logical and is thus expected to have major infrastructure, housing and services development in the coming years. The cement sector of Bangladesh has been considered as the 40th largest market in the world. Moreover, every month on an average 15,000-20,000 MT of cement is being exported by the industry.

Bangladesh's economic growth is reflected by acceleration in urban development, with the construction of houses, apartment blocks, road infrastructures and public facilities. The country's increasing urbanization has stimulated the building materials sector and has generated considerable demand for cement with a CAGR of around 10% in the past decade.

Risk Factors

There are various risk factors associated with carry out of the activities of the Company. Although, the risks of the industry are continuously evolving, the Company has taken reasonable steps to identify material risks that could have hampered the Business of the Company and had adopted preventive measures in this respect.

(a) Credit risk

Credit risk have the peculiarity that failure to perform obligation by one party brings about financial loss to the other related party or parties. Credit risk is the risk that one party to a financial instrument would cause a financial loss for the other party by failing to discharge an obligation. It mainly comprises of receivables from customer, trade and investment securities. To avert the credit risk against trade receivable the Company has a policy to obtain security instruments from credit availing customers.

(b) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that have to be settled by delivering cash or another financial assets or liabilities. The Company's approach in managing liquidity is to ensure that it will always have sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputations.

(c) Market risk

Market risk is defined as the risk that the fair value or future cash proceed of a financial instrument will adversely fluctuate because of changes in market prices. The objective of market risk management is to manage and control risk exposures within acceptable parameters while optimising the return. Market risk comprises three types of risks: Currency Risk, Interest Rate Risk and Commodity Risk.

(i) Foreign currency risk

The risk that the fair value of future cash proceeds of a financial instrument might fluctuate because of adverse changes in foreign exchange rates. The Company is exposed to currency risk on its certain short and long-term debts and purchases that are denominated in foreign currencies.

(ii) Interest rate risk

Interest rate risk arises from the fluctuation of interest rate assigned with certain financial asset or liabilities. Exposure to interest risk of the Company at the reporting dates is only related with outstanding offshore loan/commitment having its relation to LIBOR plus interest rate.

(iii) Commodity risk

Commodity risk arises from fluctuation of value of commodity in terms of price, quantity, cost and political condition of the market from or to which the Company procure or sell product respectively. Exposure to commodity risk of the Company at the reporting date may not be significant.

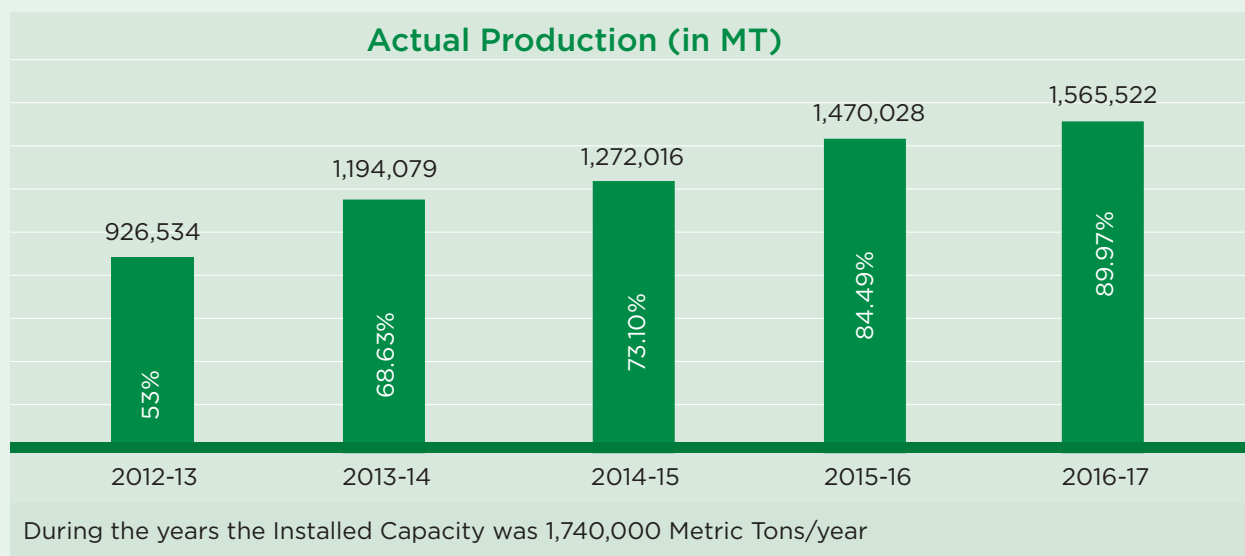
With general risks and all other categories of risks discussed above, it may be deemed that the Company is in almost safe and risk free position. In addition, the best that can be achieved is reasonable management of the risk to which the Company is exposed through a sound management process based on most accurate, timely and comprehensive management information available.

Company's Operations:

The total installed capacity and actual output of the Company for the year ended 30 June 2017 compared to 30 June 2016 was as follows:

Particulars	2016-2017	2015-2016
Installed Capacity	1,740,000 MT	1,740,000 MT
Actual Output	1,565,522 MT	1,470,088 MT
Capacity Utilization	89.97 %	84.49 %
Growth of actual output in 2016-2017	6.49 %	

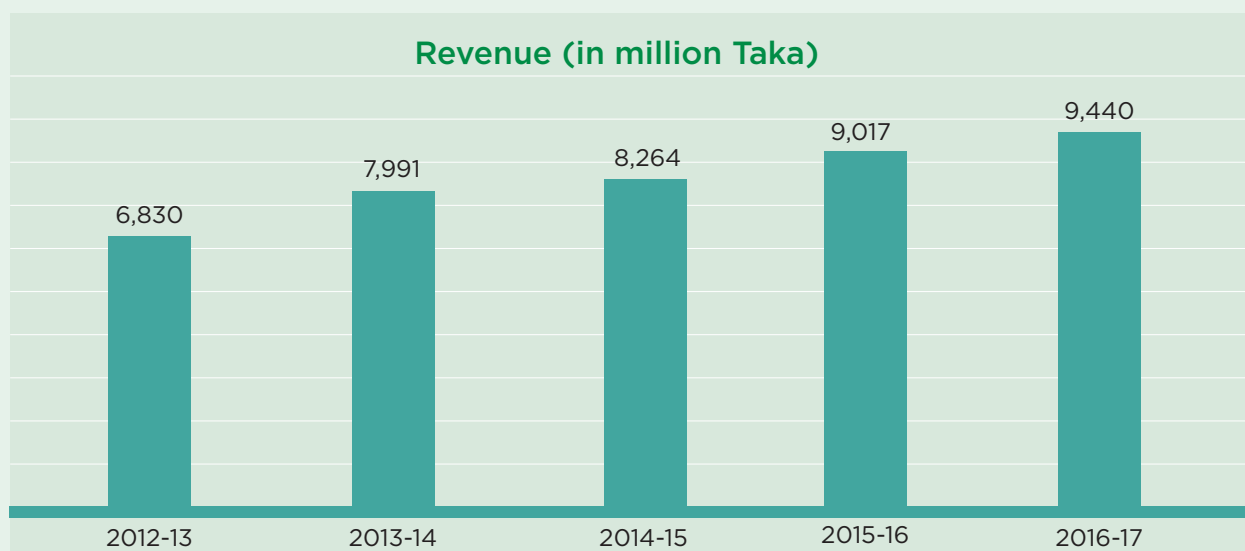
The trend of Production in line with Installed Capacity of last five years is given below:



Sales Performance

Over the years the Company enjoyed an increase of its sales revenue. This revenue enhancement is a combination of the superior quality of our products and value added services, the strength of our distribution channel and the promotional activities adopted by the Company. The quality of our products are rigorously monitored in order to ensure that these exceeds the parameters set in the standards like ISO 9000:2008, Bangladesh Standards & Testing Institution (BSTI) and Bureau of Indian Standards (BIS).

A graphical view of sales performance of last five years is given below:



The Company faced stiff competition from major players in the industry who increased capacity considerably widening the gap between supply and demand thereby creating pressure on prices to utilize their excess capacity. Despite such intense competition, your company has successfully weathered this storm and increased revenue over the previous year. During the Financial year 2016-2017, sales volume increased by 10.36% in the year 2016-2017 over the year 2015-2016. Domestic Sales Revenue increased by 4.22% and Export Sales Revenue increased by 14.18 % respectively compared to that of previous Financial Year 2015-2016.

Sl. No.	Particulars	Amount in BDT		Amount in Quantity (Metric Ton)	
		2016-2017	2015-2016	2016-2017	2015-2016
1	Domestic Sales	8,949,178,857	8,586,857,080	1,562,873	1,422,952
2	Export Sales	490,641,164	429,691,549	92,485	77,055
	Total	9,439,820,021	9,016,548,629	1,655,358	1,500,007

Overall Company Performance

Gross Profit decreased by 2.95% from Tk. 1,659 million to Tk. 1,610 million. Despite an increase of 4.69% on turnover, cost of sales increased by 6.42% compared to that of the previous year mainly brought about by escalation in prices of clinker and other cementitious materials. Faced with intense competition including significant brand spend by our competitors and the continued need to invest in building the brand, Selling and Distribution Expenses increased by 13.25% compared to last year. Despite the above adverse factors, decline in Operating Profit was contained at 7.22% with control over other areas of cost.

Remunerations of Directors

Two of the Directors namely Mr. Md. Alamgir Kabir and Mr. Mollah Mohammad Majnu who are entrusted with some specific responsibilities of Additional Managing Directors are contributing their mite with their conscious performance in running the Company, in addition to Managing Director. While Mr. Md. Alamgir Kabir is looking after Marketing & Sales and Finance, Mr. Mollah Mohammad Majnu is looking after Factory Operations. The Directors remuneration, Meeting Attendance Fees has been mentioned in the Note No. 27.05, 29.00 and 30.00 of the Notes to the Financial Statements.

The System of Internal Control

The Board of Directors assures its Shareholders that the Company has a competent risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may likely to hamper business. It systematically reviews these risks control measures in the light of changing internal and external environment.

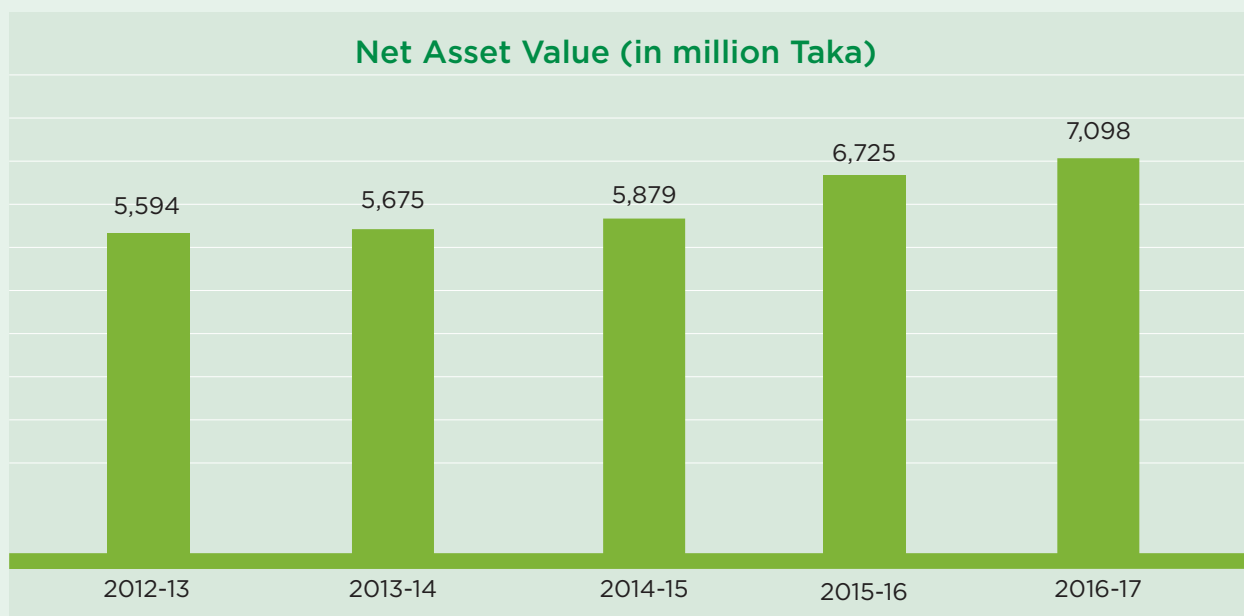
Dividend Recommendation

Considering the Business growth of the Company, the Board of Directors in their meeting held on 22 October 2017 has recommended cash dividend @ 20% i.e. Tk. 2.00 (Taka two) only per share of Tk. 10.00 each aggregating to Tk. 297,000,000.00 for the year ended 30 June 2017 subject to the approval of the shareholders' in the Annual General Meeting scheduled to be held on 4 December 2017.

The appropriation of the Net Profit earned during the year 2016-2017 is made in the following manner:

Particulars	Amount (Taka)
Retained earnings (Carried forward from previous year)	1,299,350,972
Add: Revaluation Reserve and deferred tax liability realized	35,588,759
Total Reserve	1,334,939,731
Add: Net Profit for the year	661,079,097
Total funds available for appropriation	1,996,018,828
Less: Proposed Dividend: Cash Dividend @ 20%	297,000,000
Undistributed Profit	1,699,018,828

The Board of Directors of M. I. Cement Factory Ltd. is committed to ensure maximization of shareholders wealth over the long term by adequate returns on the capital invested by them. The graphical view of Net Asset Value (NAV) of last five years of your company is given below:



Director's Election and Re-appointment

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 23rd Annual General Meeting. The Retiring Directors are:

1. Mr. Mohammed Jahangir Alam
2. Alhaj Md. Khabiruddin Mollah

Being eligible they offer themselves for re-election. A brief profile of the Directors are disclosed in Annexure-IV as per clause 1.5 (xxii) of BSEC Notification date 7 August 2012

Re-appointment of the Managing Director

Pursuant to the provisions of the Companies Act, 1994, the Managing Director shall retire after every 5 (five) years. Accordingly, the Board of Directors in its meeting held on 22 October 2017 has re-appointed Alhaj Md. Khabiruddin Mollah as Managing Director for further term of 5 (five) years w.e.f. 4 December 2017 as per the Companies Act, 1994 and seek General Members' approval in the Annual General Meeting. Brief resume and other information of Alhaj Md. Khabiruddin Mollah is depicted in Annexure-IV.

Directors' Declaration as to Financial Statements

The Directors are responsible for the governance of the Company and as part of preparation and presentation of the financial statements, the Directors confirm, to the best of their knowledge that:

- 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 account 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;
- The International Accounting Standards (IAS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure has been adequately disclosed;

Other Regulatory Disclosures

- The company's IPO was made in 2011. No further issue of any instrument was made during the year.
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as "extraordinary gain or loss" in the financial statements. The financial statements have been prepared accordingly.
- No significant variations have occurred between quarterly and final Financial results of the Company during 2016-2107.
- The company's ability to continue as a going concern remains unhindered.
- The Financial statement have been prepared by the management of the Company.

CSR Activities

Your company recognizes the need for being a responsible corporate citizen. As a part of sustainable development, it takes seriously its corporate social responsibilities. Some of the CSR activities are detailed in Annexure-IX.

Export

Before 1995, Bangladesh was only importing cement. However, export of cement started in the year 2003. The brand that pioneered export was none other than 'Crown Cement', the brand of M. I. Cement Factory Ltd.

Presently exports are also being carried out competing with the product of importing countries. Cement export data says that Crown Cement exported the major portion of the national export volume in cement and significantly contributes to country's economy by earning foreign currency.

By taking a Bangladeshi product beyond the Borders, 'Crown Cement' is the only brand, which has been awarded with National Export Trophy (Gold) twice consecutively for the years 2008-2009 and 2009-2010 and National Export Trophy (Bronze) in the year 2013-2014. During the Financial year 2016-2017 under review we earned foreign exchange to the tune of about Tk. 490.64 million.

Information Technology (IT)

Your company strongly believes that IT is a business enabler and will be a game changer for the future. Crown Cement Group's Information Technology (CCG-IT) has been playing a very important role in ensuring sustainable growth of the company. In parallel to the management's 'Vision 2020', the department embarked SAP Version S4HANA during the fiscal year. The project was successfully implemented and considered as first of its kind in Bangladesh using IBM's Power Systems platform. A state-of-the art Data Centre with separate Power Distribution and Network Switch Room have been commissioned in CCG's new corporate office at Gulshan, Dhaka to provide ease of access to the sophisticated network without compromising with the security. The Data Centre is awaiting certification from Panduit, a leading global manufacturer of physical IT infrastructure and network equipment.

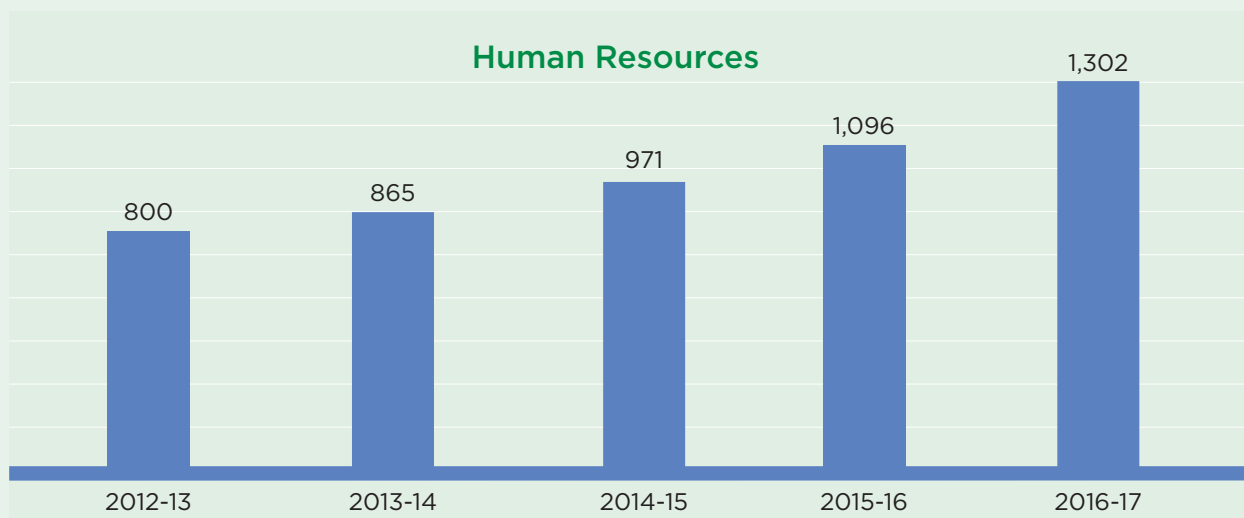
Our next effort will be on ensuring zero downtime in network operations. We have already obtained several redundant and concurrent connectivity by fiber optic and radio to our factory and nation-wide RMC's as well. CCG-IT also extended its support to the Programmable Logic Controller (PLC) devices and software, currently operating in various locations of the country.

Human Resources:

M. I. Cement Factory Limited is a Company where employees enjoy working with pride and are strongly motivated to gain and maintain professional excellence to convert the human resource into human capital.

We, at M. I. Cement Factory Limited, carefully manage a learning environment, career development strategy and talent management. The organization strives to provide an environment where employees enjoy working that unleashes the best in them. We offer a competitive compensation package. We relentlessly look for individuals with quality education, team-spirit, drive for professional excellence, creative approaches who can, in turn, produce desired end result.

The manpower of our Company of last five years is shown to the following graph:



Safety, Health and Environment

Environment, Health and Safety is a vital part of Crown Cement's Journey towards sustainable and safe development. Our goal is to ensure "0" Harm to people keeping Health and Safety as a core principal of the business. We believe in visible leadership and accountability for Health and Safety at all levels throughout the organization.

The Company is accountable for prevention of Injuries and Occupational Illness. Injuries and Occupational Illness is being minimized through continuous training and development of all employees. We also provide job specific Personal Protective Equipment (PPE) to all employees and contractors which in turn ensures a strong safety culture.

With all these attributes in plan, our target is to achieve the ISO-14001 EMS (Environmental Management System) and OHSAS-18001 (Occupational Health and Safety Assessment Series) certifications within the quickest possible time.

Contribution to the National Exchequer

During the Accounting year ended 30 June 2017, the Company has contributed Tk. 2,237 Million to the National Exchequer through following manner:

Particulars	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Advance Income Tax	336	258	321	329	335
VAT	1,359	1,378	1,196	1,169	921
Customs Duty	543	594	554	472	411
Total	2,237	2,230	2,071	1,970	1,667

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 have been appointed, namely Mr. Golam Mohammad a retired Corporate Official with vast experience. Another Independent Director Professor Dr. Shaikh Shamsuddin Ahmed, Professor of Finance Department, Dhaka University. It may be mentioned here that the above noted two Independent Directors are going to complete their second year of their second tenure.

Post Balance Sheet Events

- Subsequent to the Balance Sheet date, the Board of Directors has recommended a Cash Dividend of 20%.
- Mr. Masud Khan, FCA, FCMA has joined the Company as Chief Executive Officer (CEO) on 1 November 2017.

The Audit Committee of the Board

The Audit Committee reviews the quarterly, half-yearly and annual Financial Statements and statements of related party transactions. Also, it reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. It is also responsible for overseeing the Management Letter along with performance, appointment and re-appointment of external auditors. Currently, our Audit Committee consists of the following Directors:

Sl. No.	Name	Position	Status
1	Mr. Golam Mohammad	Independent Director	Chairman
2	Mr. Md. Alamgir Kabir	Director	Member
3	Mr. Molla h Mohammad Majnu	Director	Member
4	Mr. Md. Mizanur Rahman Mollah	Director	Member
5	Mr. Md. Mozharul Islam, FCS	Company Secretary	Member Secretary

Auditors

The existing Auditors of the Company M/s. Syful Shamsul Alam & Co., Chartered Accountants shall retire at the 23rd Annual General Meeting. Being eligible, they have expressed their willingness to be re-appointed as External Auditor for the year ending 30 June 2018. The Board of Directors has accepted the willingness of M/s. Syful Shamsul Alam & Co., Chartered Accountants for re-appointment as External Auditors for the year ending 30 June 2018, which is being placed in the 23rd Annual General Meeting.

Governance, Ethics and its Compliance

Good governance and ethical conduct provide the foundation for everything we do at M. I. Cement Factory Ltd. They help us earn trust, manage risks, foster sustainable growth, and build a resilient business. We aim to tackle challenging issues head on, make our communications and processes simple, hold everyone accountable, and empower all our employees to do what's right. Our Code of Business Conduct as well as our internal ethics upkeeps and tailored training, helps employees make ethical decisions. We believe continuous supervision in every business practice is the key to sustain in a leadership role. Therefore, our Company is directed, administered and complied with the set of laws, policies and procedures exerted in Bangladesh Securities & Exchange Commission's (BSEC) Notification No. SEC / CMRRCD / 2006-158 / 134/ Admin/44 dated 7 August 2012, Companies ACT, 1994 and the Listing Regulations, 2015 by Dhaka Stock Exchange Ltd. The Directors' declaration, Pattern of Shareholding and MD's & CFO's declaration to the board for the year ended 30 June 2017 are appended as Annexure- I, III and VI respectively. Further, the Corporate Governance Compliance Report and a Certificate of Compliance required under the said Guidelines, as provided by M/s. ACNABIN, Chartered Accountants is also annexed to this report as Annexure- VII & VIII.

Our Gratitude

Our laudable performance of the year under review demonstrates the dedication and support to Company by our customers, employees, shareholders and all other stakeholders. In this context, the Board of Directors would like to extend its foremost regards and appreciation to the valued stakeholders of the Company for their continued patronage and guidance to the Company that brought this Company to its heights of success.

We gratefully acknowledge the valuable help and advice that we have always received from our esteemed shareholders, not only during the Deliberations of the Annual General Meeting, but at other times as well. We greatly value the unstinting and ready support and co-operation of our clients and we assure them that it will be our constant endeavor to prove worthy of the trust they have reposed in us. To them and to the growing member of our well wishers we offer our profound thanks.

We also deeply appreciate the help and co-operation that we have received from the various Ministries, the Government of the People's Republic of Bangladesh, National Board of Revenue (NBR), Bangladesh Investment Development Authority (BIDA), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository 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 and its staff have always been very helpful and their advice and guidance have made it possible for us to run the affairs of the Company Smoothly. We would like to express our sincere thanks for extending their helpful hands.

We are proud of the unswerving loyalty and devotion of our staff, whose drive, energy and skill have helped the Company to reach its present position.

On behalf of the Board of Directors



Mohammed Jahangir Alam
Chairman

Dated, Dhaka
22 October 2017