



DIRECTORS' REPORT



DIRECTORS' REPORT

to the Members for the year ended 30 June 2020

The Board of Directors of M. I. Cement Factory Limited (MICFL) welcomes you to the 26th Annual General Meeting (AGM) of the Company. It is a pleasure and a privilege on the part of the Board of Directors to present the Directors' Report and the Auditors' Report together with the Audited Financial Statements of M. I. Cement Factory Limited for the year ended 30 June 2020 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. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018.

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENT IN THE CEMENT INDUSTRY

The industry started well in the first two months of 2020. Upto February, the YTD growth was around 10%. However, with the onset of COVID in the month of March, the industry suffered the steepest decline in decades. At the close of May 2020, the YTD decline was around 13% compared to the same period last year. However, from June 2020, the industry started showing signs of recovery. By the close of September 2020, the decline narrowed down to 5.7% compared to the same period of previous year. We expect this recovery to continue and end the year close to the demand of the previous year. Demand in 2020 is expected to be around 34 million tons.

On the supply side, big players continue to add capacity. Total effective capacity is around 78 million tons with additional capacities coming up in the ensuing years. This has resulted in intense competition with big players trying to increase their capacity utilization. Cement prices are flat with all the players offering various discounts and offers to increase their volumes. On the cost side, raw material prices came down in the last quarter of the financial year with the onset of the pandemic. Other overheads also declined for most players mainly due to reduced spending as a result of the pandemic. The unbridled increase in finance costs have been arrested with the government initiative to cap the interest rate to 9% and the stimulus package given in the last quarter. However, there has been an adverse impact due to increase in receivables pushing up finance costs.

The biggest challenge to the industry has been from Income tax, custom duty & VAT. Currently, advance income tax is being deducted at source at the rate of 3% on all imports under section 53. If the impact of assessment value is considered, the effective advance income tax comes to around 3.4%. In addition, tax is being deducted at source under Section 52 by customer at the rate of 3%. Hence, the effective advance tax rate would be around 7%.

This is now the minimum tax under Section 82(C) for cement, steel industry and ferroalloy producers, that is highly discriminatory.

In the current intense competitive situation, the minimum tax of around 7% cannot be adjusted against profits. As a result, all these companies are making losses this year and the situation is likely to worsen in the coming years.

In addition, threshold for computing disallowance on account of expenditure on overseas travelling has been decreased from the existing rate of 1.25% to 0.50% of disclosed turnover. Promotional expenses exceeding 0.50% of disclosed business turnover will be disallowed. This will have a major impact to all corporate houses since promotion expense is vital to increase sales.

Looking at 2021, much will depend upon how the economy will grow. The second wave of the pandemic has started hitting the western world. This will depress demand for imports leading to a decline in our exports as well as prices of apparels. The remittance from migrant workers may also be impacted. However, the Bangladesh economy is resilient with a strong domestic economy. Hence, we can expect a rebound but the extent of growth is shrouded in uncertainty. Cement demand may again touch the magical double digit depending upon how the economy fares. The government's continuing focus on development and specially the mega projects will mainly fuel demand.

Growth of the industry will however hinge on whether the government adopts a business friendly approach to the cement industry. Unless the issues relating to customs, tax and VAT are addressed, the industry will continue to be in the red. This may lead to some players defaulting in their loans resulting in freezing of facilities and stoppage of business. As explained

at the outset, the margins are already squeezed due to the overcapacity situation. If this situation persists in the medium and long term, most of the players in the industry will become sick. The country cannot afford to see this promising sector in a plight that is vital for the economic growth of the nation.

RISK FACTORS

There are various risk factors associated with the nature 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 hamper the business of the Company and has adopted preventive measures in this respect.

Over Capacity Related Risk

Over capacity in the industry is a matter of concern as it can significantly intensify competition and price confrontation among the Cement Companies. But your Company is well aware of this risk as we strive to explore new locations for export of cement. At the same time, we are leveraging our deep understanding of the market combined with our strong brand equity backed by our high-class sales and marketing workforce to improve our sales. At the same time, our core strength remains in our uncompromising quest for quality.

Technology Related Risks

Technology is evolving at a blistering pace. Your Company is keeping a close eye on the evolving technologies, be it manufacturing or IT and implementing the same in a cost-effective manner.

Sales Risk

As explained above, your Company is well position to capitalize on sales opportunities in a fast-growing market.

Price Risk

Price risk represents the risk of major cost increases that the Company is unable to pass on to its customers. The Company continually evaluates its product cost and looks for profitable channels of distribution. At the same time, it continuously strives to adjust prices in line with cost increases keeping in mind the market forces that are determining price.

Operational Risk

Operational risks may arise in the supply chain and in the manufacturing process. Your Company continually evaluates the risks and takes appropriate steps to mitigate the same. This includes having long term partnerships with suppliers and contracts with them. We also continually explore the option to broaden our supplier base to reduce our dependency and optimize cost. Spare parts planning and management is another crucial area where your Company places considerable focus.

Quality Control Risks

Your Company's main pillar lies in an uncompromising stance on quality. This has earned the respect of the customers and enhanced the brand equity. Quality is a way of life and a philosophy in your Company. Other than production, we continually monitor all business processes so that these can be professionally managed.

Credit risk

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 alleviate the credit risk against trade receivable the Company has a policy to obtain security instruments from customers and strong control over overdue balances.

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 to

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.

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control risk exposures within acceptable parameters while optimizing 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 flows of a financial instrument might fluctuate because of 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 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.

Your Company continuously looks for alternate sources of supply to minimize cost increases. Wherever practicable, contracts are signed to freeze the prices for a certain period.

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

In the year 2019-2020, Sales Revenue has decreased by 5.14% compared to 2018-2019 mainly due to decrease in sales volume by 4.79%. However, we are happy to inform you that the Export of our cement has increased by 9.13% amounting to Tk. 4.41 Crore compared to the previous year. Cost of Goods Sold (COGS) has decreased by 1.92% in the year 2019-2020 over previous year due to suspension of cement production and the price drop on COVID-19 situation. The Earnings Per Share (EPS) of the Company sharply decreased and stood at Tk. (0.89) in 2019-2020 where as in 2018-2019 it was Tk. 1.69. In the year 2019-2020 Factory Overheads decreased by 5.47% i.e. Tk. 9.40 Crore compared to 2018-2019.

Although the Gross Profit decreased by 26.32% from Tk. 1,929.82 million in 2018-2019 to Tk. 1,421.85 million in 2019-2020, the Gross Profit Margin decreased by 22.33%. In 2019-2020 Administrative Expenses and Selling and Distribution Expenses decreased by 18.71% and 11.76% respectively. Administration Expenses and Selling and Distribution Expenses have decreased across the line since the Company took steps to contain costs with the outbreak of the COVID-19 virus in the last quarter of the financial year. Advertisement and Promotional Expenses reduced by Taka 6.86 Crore with the balance reduction coming out of the other heads.

Net Finance Cost increased by Taka 9.91 Crore. Reduced profitability has led to decline in Operating Cash Flow with consequent increase in borrowings. Current Tax charge has marginally gone up by Taka 97 lacs despite the Company having a loss before tax. Minimum tax rate of 0.60% of receipts has been applied plus increased disallowance under Section 30 of the Income Tax Ordinance, 1984.

Non-operating Income reduced by Taka 82 lacs mainly due to increased loss from investment in shares amounting to Taka 86 lacs, Dividend Income by Taka 18 lacs, Other Income by Taka 16 lacs mainly offset by reduced loss in sales of fixed assets

amounting to Taka 30 lacs. Share of Profit from Associates has declined by Taka 71 lacs mainly due to decline of business of Mother Company that has a spin off effect in the Associate Company leading to reduced profitability.

As a result, in 2019-2020, the Net Profit (after tax) decreased from Tk. 251.15 million to Tk. (132.45) million as well as Net Profit Margin (after tax) also decreased compared to the previous year.

RELATED PARTY TRANSACTIONS

During the year the Company carried out a number of transactions with related parties in the normal course of business. The name of the related parties, relationship, nature and their value are shown in the Note No. 43.0 of the Financial Statements.

Explanation on significant variance that occurs between Quarterly Financial Statements and Annual Financial Statements:

Particulars	First Quarter 2019-2020	Half Year 2019-2020	Third Quarter 2019-2020	July 2019- June 2020
Revenue	3,195,596,691	6,949,954,908	11,445,311,329	13,876,211,430
Gross Profit	454,060,175	744,536,049	1,383,606,965	1,421,850,621
Profit before Tax	113,029,546	(10,273,612)	141,926,802	(28,220,185)
Net profit after Tax	84,772,160	(280,059,824)	(236,888,199)	(132,453,273)
Shareholders' Equity	7,247,001,064	6,735,420,276	6,780,343,097	6,887,115,714
Total Assets	20,559,974,077	20,467,754,089	19,583,597,550	19,084,838,495
Total Current Assets	11,970,432,265	12,003,797,241	11,227,376,117	10,506,676,128
Total Current Liabilities	11,031,143,323	11,577,551,114	10,900,552,069	10,419,742,836
Total Liabilities	13,312,973,019	13,732,333,813	12,803,254,454	12,197,722,782
Current Ratio (Time)	1.09	1.04	1.03	1.00

REMUNERATIONS OF DIRECTORS

Two Members of the Board namely Mr. Md. Alamgir Kabir and Mr. Molla Mohammad Majnu are working full time as executive directors in the Company. Mr. Md. Alamgir Kabir is looking after the overall Factory Operations whereas Mr. Molla Mohammad Majnu is looking after Marketing & Sales. The Directors Remuneration, Meeting Attendance Fees has been mentioned in the Note No. 30.0, 32.0 and 33.0 of the Notes to the Financial Statements.

THE SYSTEM OF INTERNAL CONTROL

M. I. Cement Factory Ltd. being a listed Company, has a well-defined Internal Control System based on its high-tech large scale production capacity to ensure the business operations. The system ensures reasonable assurance of the internal checking system of monetary transactions and safeguarding of assets. The Internal Control System ensures the statutory compliance of regulatory bodies. The Internal Control Systems are reviewed by the Internal Audit & Compliance Department of the Company and reported to the Audit Committee. Annual planning defines budget on the basis of macroeconomic analyses based on market conditions and cost targets. The Internal Control System ensures receiving of quality raw materials, stores & spares and non-current assets and producing quality cement for the customers. Quality of the goods are tested by recognized testing authorities.

In order to establish a strong Internal Control System in the Company, Statutory Auditors' play a vital role through reporting of true and fair view of income, expense, assets and liabilities of the Financial Statements. They ensure the interest of the Investors and safeguarding of the Company's assets and also ensure complete application of Corporate Governance vide Code No. BSEC/CMRRCD/2006-158/207/Admin/80. The code of International Accounting Standards (IAS) and International Standards of Auditing (ISA) with stipulated disclosures of important items of Financial Statements. Corporate Governance involves decision making process for any going concern corporate body for the present and future benefit of all

stakeholders. These aspects of governance are followed by the Board of Directors, Management, Operational participants and workers and others in achieving common goals like to increase in the profit of the Company.

EXPLANATION ON SIGNIFICANT DEVIATION FROM THE LAST YEAR'S OPERATING RESULTS

Revenue:

Decrease in total revenue by 5.14% has mainly arisen from decrease in volume 4.79% with the remaining due to marginal decrease in average selling price. The volume and price drop is mainly the effect of COVID-19 in the last quarter of the financial year that led to severe depletion in cement demand.

Cost of Goods Sold:

Cost of Sales increased by Taka 7.93 per bag. Raw Material cost went up by Taka 4.09 per bag and factory overhead by Taka 3.84 per bag. Increase in raw material cost was across all raw materials. Total factory overhead went up by Taka 9.40 Crores mainly due to increase in depreciation rate of mother vessel that led to an increase of Taka 11.61 Crore. Had the depreciation rate remained the same, factory overhead would have decreased by Taka 2.61 Crore.

Gross Profit:

Gross Profit percentage declined by 2.94% mainly for marginal reduction in selling price and increase in cost of sales for reasons explained above.

Operating Profit:

Administration Expenses have reduced by Taka 5.80 Crore. Expenses have decreased across the line since the Company took steps to contain costs with the outbreak of the COVID-19 virus in the last quarter of the financial year. Selling and Distribution Expenses have reduced by Taka 7.13 Crore. Advertisement and Promotional Expenses reduced by Taka 6.86 Crore with the balance reduction coming out of the other heads.

Earnings Per Share (EPS):

During 2019-2020, the EPS decreased by Tk. 2.58 from the previous year due to sharp decrease in revenue and sales quantity due to outbreak of the COVID-19 virus.

5 YEAR'S OPERATING AND FINANCIAL DATA

Summary of key operating and financial data of preceding five years and the current year are presented in Annexure-I.

DIVIDEND RECOMMENDATION

Despite the fact that the Company has incurred a net loss for this year the Board has decided to declare a dividend using its retained earnings. The Board is of the opinion that this has been an unusual financial year leading to this loss and is confident that the Company will return to profit in the coming year once normalcy returns. The Board of Directors in their meeting held on 14 November 2020 has recommended Cash Dividend @ 10% i.e. Tk. 1.00 (Taka one) only per share of Tk. 10.00 each aggregating to Tk. 148,500,000 for the year ended 30 June 2020 subject to the approval of the shareholders' in the 26th Annual General Meeting scheduled to be held on 29 December 2020.

The appropriation of the Net Profit earned during the year 2019-2020 is made in the following manner:

Particulars	Amount (Taka)
Retained Earnings (Carried forward from previous year)	1,957,937,216
Add: Revaluation Reserve, Adjustment against lease assets and Depreciation on Revaluation Assets realized	28,605,629
Total Reserve	1,986,542,845
Add: Net Profit for the year	(132,453,273)
Total funds available for appropriation	1,854,089,572
Less: Proposed Dividend: Cash Dividend @ 10%	148,500,000
Undistributed Profit	1,705,589,572

ATTENDANCE OF THE BOARD MEETING, AUDIT COMMITTEE MEETING AND NOMINATION & REMUNERATION COMMITTEE MEETING

During the year ended 30 June 2020, Board Meeting, Audit Committee Meeting and Nomination & Remuneration Committee (NRC) Meeting were held as per the compliance of the Corporate Governance Code and the attendance of the Directors are shown below:

Board Members	Position	Board Meeting Attendance	Audit Committee Meeting Attendance	NRC Meeting Attendance
Mr. Mohammed Jahangir Alam Non-executive Director	Chairman	9/9	-	-
Mr. Md. Alamgir Kabir Executive Director	Vice Chairman	9/9	-	-
Mr. Molla Mohammad Majnu Executive Director	Managing Director	9/9	-	-
Mr. Md. Mizanur Rahman Mollah Non-executive Director Member, Audit Committee Member, Nomination & Remuneration Committee	Additional Managing Director	8/9	2/4	1/1
Mr. Md. Almas Shimul Non-executive Director Member, Audit Committee Member, Nomination & Remuneration Committee	Director	5/9	3/4	1/1
Mr. Zakir Ahmed Khan Independent Director Chairman, Audit Committee	Independent Director	6/9	4/4	-
Prof. Dr. M. Abu Eusuf Independent Director Chairman, Nomination & Remuneration Committee	Independent Director	9/9	-	1/1
Mr. Md. Mozharul Islam, FCS	Company Secretary	9/9	4/4	1/1

SHARE HOLDINGS PATTERN

The Shareholding Pattern of the Company for the period ended 30 June 2020 is shown in Annexure-II.

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 26th Annual General Meeting. The Retiring Directors are:

1. Mr. Mohammed Jahangir Alam
2. Mr. Md. Mizanur Rahman Mollah

Being eligible they offer themselves for re-election. A brief profile of the two Directors is disclosed in Annexure-III as per clause 1(5)(xxiv) of BSEC Notification dated 3 June 2018.

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:

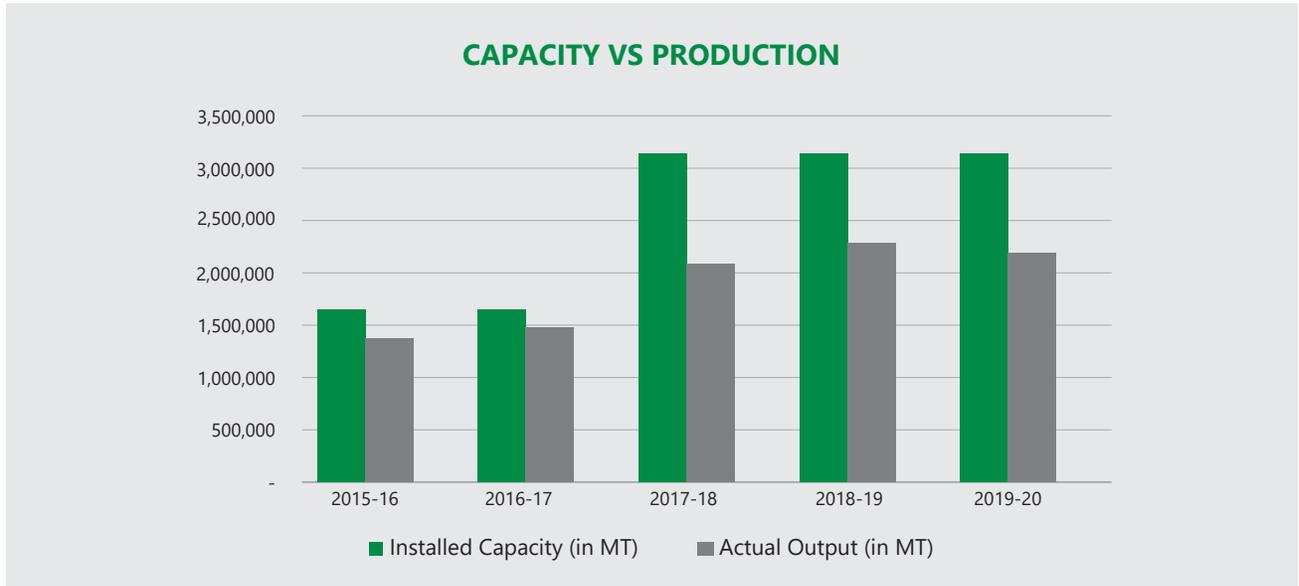
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as "extraordinary gain or loss" in the financial statements. Accordingly, recognized in the financial statements.
- The financial statements have been prepared by the Management of the Company, present 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) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- Based on the available information on the future, the Directors consider that the Company has the plans and resources to manage its business risks successfully, as it has a diverse range of businesses and remains financially strong. The Board of Directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the Company to continue its operations for a foreseeable period. Directors are convinced and have a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Therefore, the Company adopted the going concern basis in preparing these financial statements.
- No bonus shares or stock dividend has been declared as interim dividend.
- There is no amount left unutilized of the IPO Fund and no deterioration of the IPO Fund took place during the year under review.

COMPANY'S OPERATIONS

The total installed capacity and actual output of the Company for the year ended 30 June 2020 compared to 30 June 2019 was as follows:

Particulars	2019-2020	2018-2019
Installed Capacity (Metric Ton)	3,324,000 MT	3,324,000 MT
Actual Output (Metric Ton)	2,306,260 MT	2,408,302 MT
Capacity Utilization	69%	73%
Growth of actual output in 2019-2020	(4.24%)	

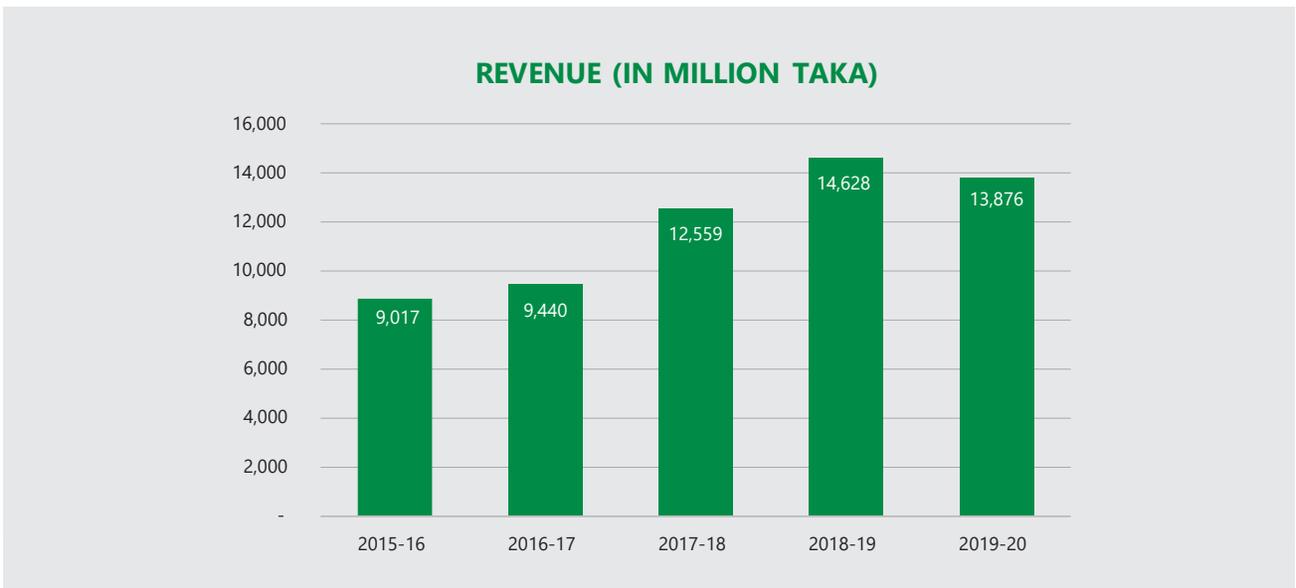
The trend of Production in line with Installed Capacity of last five years is given below:



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 is 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:



FINANCIAL RESULTS

The Company's operating and financial results of 2019-2020 as compared to the previous year 2018-2019 are summarized hereunder:

Particulars	2019-2020 Taka	2018-2019 Taka
Revenue	13,876,211,430	14,628,432,591
Cost of Goods Sold	(12,454,360,809)	(12,698,608,615)
Gross Profit	1,421,850,621	1,929,823,976
Net Profit (Before Tax)	(28,220,185)	435,412,444
Net Profit (After Tax)	(132,453,273)	251,150,155
Total Assets	19,084,838,495	19,277,983,869
Net Asset Value (NAV)	6,887,115,713	7,160,477,708
Net Operating Cash Flows	548,157,464	266,848,976
Earnings Per Share (EPS)	(0.89)	1.69
NAV Per Share (NAVPS)	46.38	48.22
Net Operating Cash Flows Per Share (NOCFPS)	3.69	1.80
Gross Margin	10.25%	13.19%
Net Margin (Before Tax)	(0.20%)	2.98%
Net Margin (After Tax)	(0.95%)	1.72%

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-VIII.

EXPORT

Before 1995, Bangladesh was 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 2019-2020 under review we earned foreign exchange to the tune of about Tk. 527 million which is 9.13% more compared to the previous year of Tk. 483 million. A graphical view of export sales performance of last five years is given below:



INFORMATION TECHNOLOGY (IT)

Information Technology (IT) Department is one of the core parts of the M. I. Cement Factory Ltd. (Crown Cement Group). The department has been playing important role in accomplishing group’s mission by providing and protecting information in all forms.

During the time of COVID-19 pandemic, the IT department provided support to all Strategic Business Unit (SBU) of the group through remote communication platform. All units are now under the IT platform and we were able to reduce the response and support time by a significant margin. A great number of IT devices were upgraded through cost effective solution and those were delivered to new ghats.

In the coming days, more robust apps will be used to process business data. This secondary system will be integrated with the existing S/4HANA ERP.

HUMAN RESOURCES

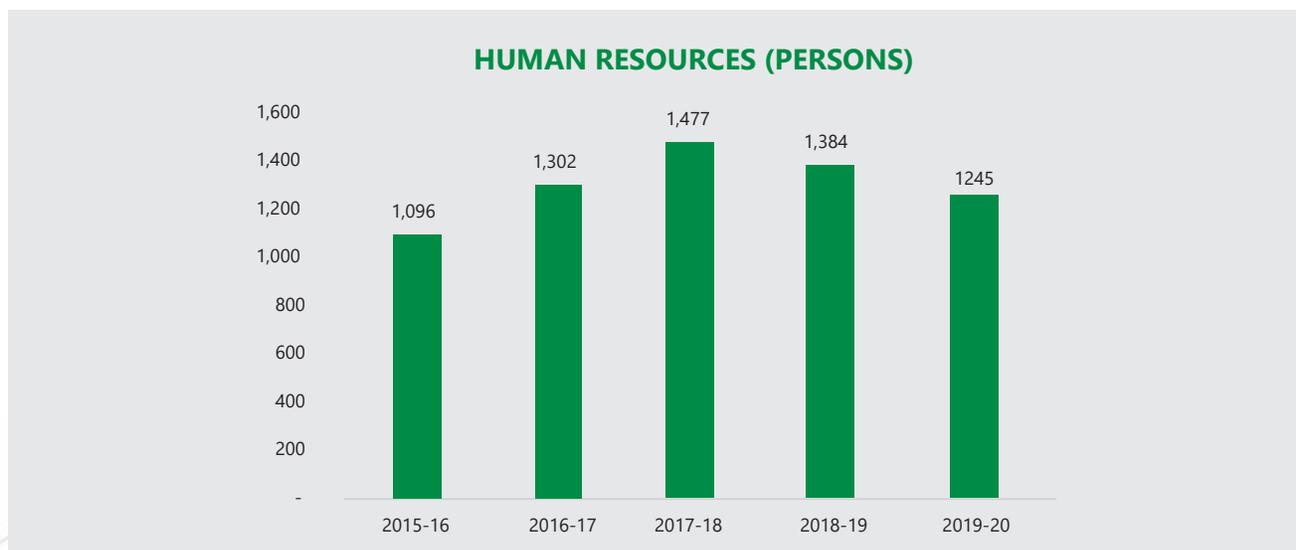
M. I. Cement Factory Ltd. (Crown Cement) considers its employees as one of the important resources of the Company. Therefore, In June 2014, Human Resource Department separately started its journey from HR & Admin Department with 03 personnel. Now It has a team of 10 (ten) persons within the Company. Our purpose is to provide an enabling and learning environment to our employees so that they are motivated to unleash their full potential and usher a climate of efficiency and effectiveness across the organization.

We have developed Company KPI along with Departmental & Individual KPI as per Company budget and targets. We have uploaded individuals KPI in our ERP Software, so each employee can see their own KPI in their individual account. Based on KPI target, we regularly follow the individuals KPI achievements. We do the annual evaluation as per popular Bell Curve Matrix and find out the performer and non-performer employees. In the coming year, we will do the online evaluation.

In this year 2020, the whole world faced a new era that is Covid-19. WHO (World Health Organization) declared a pandemic worldwide. In this new normal situation, we also took some precautions for our employees to ensure that they are protected from infection. If any employee became Covid-19 positive, we provided him maximum 21 days’ special paid leave and some allowances for treatment from Employee’s Welfare Fund. We took initiative to do the corona virus test for Covid-19 suspected employees. In the initial stage of country lockdown, we allowed employees for home office and roster duty. We also developed a policy for Covid-19 of Do’s and Dont’s, safety measures etc.

We have developed a survey format for employee’s satisfaction to the Company. We have taken initiative to digitalize the HRIS from manual. Due to Pandemic situation, we took interviews of candidates for recruitment via Skype or Zoom Apps. Because of this pandemic, rather than outside training we encouraged our in-house trainer to develop employee’s skill as per need and working on online Training Portal for knowledge sharing with each other.

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



SAFETY, HEALTH AND ENVIRONMENT

At M. I. cement Factory Ltd. safety is a core value that remains one of our top priorities. We are committed to the safety of our employees, our contractors and our local communities. Our safety programmes are designed to reinforce the safety culture among all personnel. EHS (Environment, Health and Safety) policy is based on sound principles and includes compliance and applicable national and international legislation, industry standards and best practices, managing EHS with the same value as all business operations and promoting a positive EHS culture within the Company and Bangladesh. M. I. Cement factory Ltd. seeks to achieve the satisfactory level of EHS management systems and recently voluntarily pursued and received accreditation to the highest international standards for our quality management system ISO-9001. As a part of our commitment, we are processing a fully integrated EHS management system which will certify by the internationally recognized ISO-14001, ISO-45001 standards.

In 2020, M. I. Cement Factory Ltd. continued to improve its Environment Health & Safety performance in all regions, with strong progress in the long-term injury frequency rate and the fatality. At the end of June 2020, our Lost Time Incident Frequency Rate (LTIFR) was 1.3 and there was zero fatality. To fulfil our Environmental Health and Safety (EHS) departmental zero fatality commitment we engaged responsible initiatives, various intensive safety programs, training, creation of positive mindset regarding EHS, Safety culture and Work Permit on the following top six high risks task responsible for on-site fatalities and critical incidents:

- Confined Spaces
- Work at Height
- Hot Work
- Electrical Work
- Maintenance Work and
- Demolition Work

We conduct Periodic Medical Examinations (PME) of our employees. We are planning to start fitness to work' examination procedure. In addition, the First Aid Centre provides 24x7 health service for employees and contractors, ensuring that all who need medical care are able to receive it immediately. M. I. Cement Factory Ltd. was revamped the safety training courses provided to its employees and contractors, including class-room based training in the local languages of the workers.

Environment, Health and Safety Award recognizes outstanding accomplishments in the field of EHS in its various operations.

We are also committed to take responsible indicatives to minimize pollution of the environment. M. I. Cement Factory Ltd. has implemented dust emission monitoring program within and surrounding its facilities to characterize emissions, verify compliance with local government emission standards and identify areas where improvement is necessary. The emission rate data has many additional values, such as forming the basis for developing policies and implementing practices and technologies to better control and limit emissions and also measure their effectiveness. M. I. Cement Factory Ltd. are strictly controlling emissions of dust by the use of dust-extraction systems in loading areas, water sprinkling system, tree plantations, dust collector, good cleaning system, enclosing source of dust emission through some inspection and increasing overall consciousness among the employees regarding Environmental Aspect and Impact. Also, we are planning to set up Eco-Hopper, Fixed Vacuum Piping System, Mechanical Road Sweeper, Trailer Vacuum Machine, changing some process and so on.

Care of people and the environment is a top priority at M. I. Cement factory Ltd. which enables us to fulfil our responsibilities that nobody who works for, or with M. I. Cement factory Ltd. is hurt or injured and they return home to their families safely.

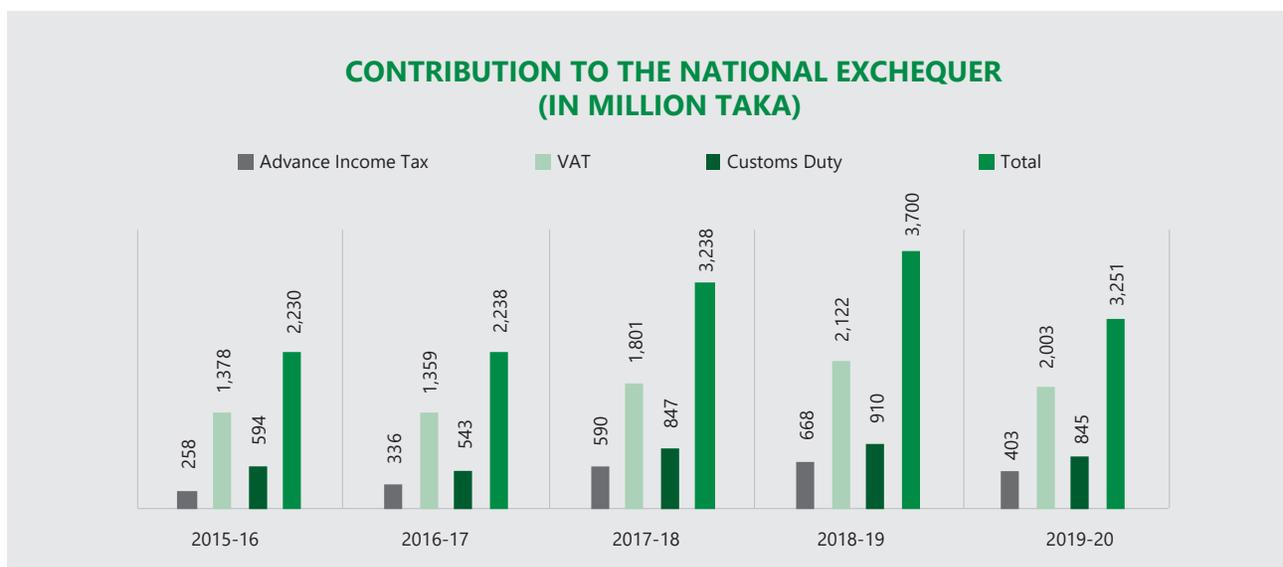
CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the Accounting year ended 30 June 2020, the Company has contributed Tk. 3,251 Million to the National Exchequer through following manner:

(in Million Taka)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Advance Income Tax	258	336	590	668	403
VAT	1,378	1,359	1,801	2,122	2,003
Customs Duty	594	543	847	910	845
Total	2,230	2,238	3,238	3,700	3,251

The Contribution to the National Exchequer of your Company of last five years is shown to the following graph:



POST BALANCE SHEET EVENTS

The subsequent events to the Balance Sheet date are as follows:

- The Board of Directors in their meeting held on 14 November 2020 have recommended cash dividend 10% i.e. Taka 1.00 (one) per share of Taka 10 (Ten) each aggregating to Taka 148,500,000 for the year ended 30 June 2020 subject to approval of the shareholders' in the Annual General Meeting scheduled to be held on 29 December 2020.
- Approved cancellation of the transfer of the 3 (three) mother vessels of M. I. Cement Factory Limited (MICFL) to the 3 (three) separate fully owned Subsidiary Companies, which was decided in MICFL's board meeting held on 8 October 2020. The approval process of the transfer of the mother vessels requires approval of various overseas offices. With the outbreak of world wide Covid-19 pandemic, all the international offices stopped working, with the result that the transfer formalities could not be completed. Also, it now appears that the transfer will subject the Companies to unforeseen onerous tax burden, both internationally and nationally that does not justify the earlier benefit envisaged for transferring the mother vessels. Therefore, the 3 (three) mother vessels will remain the asset of MICFL. This will be approved in the Annual General Meeting (AGM) on 29 December 2020. In this regard, the 3 (three) Subsidiary Companies which were formed to transfer the mother vessels will be wound up.
- Approved postponement of setting up of the 6th Unit of the M. I. Cement Factory Limited (MICFL) board meeting held on 8 October 2020. Both the technical and commercial negotiations with the international contractors got suspended with the outbreak of Covid-19 as well as the financing arrangement. With the outbreak of Covid-19, cement industry has seen a sharp decline in demand with the entire industry operating at substantially lower capacity levels. The demand is expected to remain tepid in the next two to three years until the economy makes a rebound. The Board is therefore of the opinion that the existing capacity will be able to fulfill the cement demand over this period. As such the decision for this unit can be considered at a later stage.

- The Board of Directors approved taking on lease of the entire business operations of Crown Mariners Ltd. and Crown Polymer Bagging Limited by M. I. Cement Factory Limited by which M. I. Cement Factory Limited will be able to increase efficiency and reduce raw materials cost and cost of goods sold.
- Late Alhaj Md. Khabir Uddin Mollah, the former Managing Director of M. I. Cement Factory Limited died on 25 May 2019. The Succession Certificate has been issued by the honorable Court on 1 October 2020, which we received after the year ended 30 June 2020.

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. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018; Companies Act, 1994 and the Listing Regulations, 2015 of Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. The Summary of key operating and financial data of preceding five years, Pattern of Shareholding, Management's Discussion and Analysis and MD's & CFO's declaration to the Board for the year ended 30 June 2020 are appended as Annexure- I, II, IV and V respectively. Further, the Corporate Governance Compliance Certificate and Report of Compliance required under the said Guidelines, as provided by M/s. Ahmed Zaker & Co., Chartered Accountants is also annexed to this report as Annexure- VI & VII.

OUR GRATITUDE

Our 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. We offer our profound thanks to them and to the growing member of our well-wishers.

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
14 November 2020