



Report of the Board of Directors for the year ended 30 June 2014

(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,

It is the pleasure and privilege of the Board of Directors to welcome you all to the 20th 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 2014 for your consideration, approval and adoption.

Industry Outlook and possible future development in the industry

The cement industry of Bangladesh has witnessed significant growth in the past two decades. The demand of Cement, approximately 20 million Metric Ton is still lower than the industry capacity of 33.20 million Metric Ton. Bangladesh is ready to receive the wave of much anticipated development in terms of public infrastructure, communication and housing facilities. According to the Global Cement Directory 2014, the Chinese Cement Industry consists of 802 integrated cement plants with a combined production capacity of 1.34 Bnt/yr. It is a burning example of what is in store for cement brands operating in countries with a genuine developmental focus. Bangladesh fits the descriptions just right. So in a way the cement industry in Bangladesh is headed for a revolution.



In recent studies, the per capita cement consumption of Bangladesh was found to be 107 KG, which is behind India's 210 KG, Pakistan's 265 KG, Sri Lanka's 310 KG, and Korea's 570 KG. High densities of people in cities, unplanned urbanization and rapid economic development are likely to expand cities vertically rather than horizontally to achieve maximum utilization of available space and to ensure future food security by not urbanizing fertile land. To achieve this there is no alternative to cement. A tunnel from Bir Shrestha Shaheed Jahangir Gate to Agargaon Rokeya Sarani is a promising future project, indicating the cities vertical expansion, in this case vertically down. The proposed Dhaka – Ashulia Elevated Expressway is another example of vertical expansion apart from many flyovers which have already been completed.

The tropical climate of Bangladesh is unfriendly for traditional Asphalt Roads. Asphalt Roads here gets damaged by corrosion from water and flood every year and cause communication difficulty, fatal road accidents and unprecedented repair costs. With around 40% increase in construction cost, it is possible to use RCC to construct roads and increase its durability by a minimum of 20 years. We hope that the Bangladesh Cement Industry will go a long way ahead.

Future Plan

In view of the Industry Outlook stated above, the Board of Directors of M. I. Cement Factory Limited has decided to set up another Packing Unit and 1,500 Metric Ton Capacity OPC Silo, which will enable us to enhance the delivery capacity of cement. Besides, enhancement of production capacity, installation of new silo for the existing plant is under active consideration of the Board of Directors. Successful implementation of these programs, we believe, will enable your company to gain the market share from the prevailing competitive market environment.

VISION 2020

We forecast that a brand like us has to go beyond the boundaries of being a mere product and become an extraordinary customer experience of satisfaction. On top of that, it is a social entity that has to keep its surrounding, environment, people and the nation in mind and exist for a greater good. Hence, the birth of Crown Vision 2020, an initiative of a brand which has pioneered the Bangladeshi cement export, and till date proudly, leading the industry- Crown Cement. Crown Vision 2020 is strongly based on six pillars:

Portfolio: We aim to venture into prospective and winning business ideas and concepts.

Productivity: The source of our growth will be efficient productivity of our resources.

Profit: We exist for wealth and profit maximization of our shareholders and we intend to maintain it as we did in the past.

People: We take care of our people i.e. employees and we want to take pride by saying Crown Cement – “run by you, run for you”.

Planet: The planet is our home and we must keep our home clean and through sustainable development and make it a better place for living for the next generation.

Partners: A winning brand like Crown Cement needs winning partners and we are looking to grow together with our partners.



Risk Factor

There are various risks associated with running of the activities of the Company, such as- Foreign Currency Risk, Interest Rate Risk, Operational Risk, Commodity Risk, Market Risk, Quality Control Risk etc. 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 2014 is Tk. 6,731.73 million as against Tk. 5,731.17 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.

At operating profit level, Operating Profit has been increased to Tk. 937.10 million from Tk. 822.47 million of the last year reflecting the effect of increase in Gross Profit. During the year under review the Non-operating income has been increased to Tk. 40.98 million as against Tk. 18.50 million compared to the last year. However, Financial Expenses has stood at Tk. 66.21 million as against the Financial Income of Tk. 74.67 million mainly due to decrease in Financial Income having net effect of (a) increased requirement of working capital (b) encashment of FDR and (c) increase in net exchange loss.

State of Company's Affairs

The accounting year ended on 30 June 2014 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. 7,990.64 million as against Tk. 6,829.70 million of the last years, resulting 17% growth in the current year compared to the previous year. The Gross Profit grew by 14.60% that meant to a good leap from Tk. 1,098.52 million to Tk. 1,258.92 million. Again, the current year's Net Profit after Tax was Tk. 674.39 million as against Tk. 665.37 million of the last year.

Export

Before 1995, Bangladesh imported Cement and started exporting from 2003. The brand that pioneered export was none other than 'Crown Cement' the brand of M. I. Cement Factory Ltd. Till date 'Crown Cement' competes internationally to maintain 45% of the cement export market of Bangladesh and significantly contribute 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 Export Gold Trophy twice in a row for the years 2008-2009 and 2009-2010. During the year under review we earned foreign exchange to the tune of about Tk. 509.49 million.

Information Technology (IT)

Information Technology is playing a vital role in creating customer value and retention of customer satisfaction of your company. We are committed to keep synchronization of our business process and new establishment with modern upgraded day to day technology.

As a part of "Vision 2020" we are planning to go paper less. This will helps to grow green and keep environment clean. We have introduced our hotline (16397) to reach our "Contact Centre", which is open 24X7. We will also secure our stakeholders valuable data by ensuring Confidentiality, Integrity and Availability (CIA).



To facilitate our customer's transaction transparent, we have implemented Global Standard "Enterprise Resource Planning" system replacing present ERP. We have also introduced new communicating software "Sales Superman", which will help our customer to transact with the company from their business premises.

Thus we are transforming ourselves along with our stakeholders into a digital arena to achieve our goal "Vision 2020".

Safety, Health and Environment

Your Company is committed to provide a safe and healthy work environment for its stakeholders and to conduct its business in a safe manner. Health & Safety are core values that must be incorporated into all aspects of our business. We integrate health and safety objectives into our management systems at all levels ensuring the usages of Personal Protective Equipment (PPE). Everyone working for the Company expects a safe and healthy work environment. The Company is accountable for the prevention of injuries and occupational illnesses. It is also expected that everyone will demonstrate the Health & Safety as the core values through visible commitment and active engagement of each other.

The issue of safety means, we believe the only acceptable number is zero – zero fatalities, incidents or occupational illnesses. Reaching this goal is critical for us to reach excellence.

The Company is also committed to comply with all appreciable environmental laws, standards & requirement and task a proactive & long term view on environmental issues to prevent pollution & improvement performance.

Financial Results

The financial results for the year ended 30 June 2014 is given below:

Retained earnings - (Carried forward from previous year)	Tk. 338,436,118
Add: Revaluation Reserve and deferred tax liability realized	Tk. 2,515,888
	Tk. 340,952,006
Add: Net Profit for the year	Tk. 674,389,464
Total funds available for appropriation	Tk.1,015,341,470
Proposed Dividend: Cash Dividend @ 30%	Tk. 445,500,000
Unappropriated profit	Tk. 569,841,470

Dividend

The Board of Directors is pleased to recommend a cash dividend of 30% i.e. Tk. 3.00 for each Ordinary Share of Tk. 10.00 for the year ended 30 June 2014.

Contribution to the National Exchequer

During the accounting year ended 30 June 2014, the company has contributed Tk. 1,969,838,314 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 20th Annual General Meeting. The retiring directors are:

1. Mohammed Jahangir Alam and
 2. Alhaj Md. Khabiruddin Molla
- 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/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 of the Bangladesh Securities and Exchange Commission is presented through 9 (nine) number of annexure 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 have been appointed, namely- Mr. Golam Mohammad, a retired corporate officials with vast experience and Professor Dr. Shaikh Shamsuddin Ahmed, Professor of Dhaka University.

Auditors

The existing auditors of the company M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants shall retire at the 20th Annual General Meeting. Being eligible, they have expressed their willingness to be re-appointed as external auditor for the year ending 30 June 2015. 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 2015, which is being placed in the 20th 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 30%.

IPO Fund Utilization

We had published the final status of the IPO Fund Utilization in the Annual Report for the year ended 30 June 2012. 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

Apart from profit making, your Company equally emphasize its obligation towards the society. You would be happy to note that we have been continuing various activities to perform Corporate Social Responsibility, some of which are mentioned below:

1. Education of the Blinds.
2. Merit Scholarship.
3. Winter Cloth distribution.
4. Awarding Financial Assistance to the meritorious son and daughter of our Dealer's/Retailers.
5. Financial Assistance in repairing Bridge/Culvert etc.

Acknowledgements

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), Board of Investment (BOI), 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



(Mohammed Jahangir Alam)
Chairman

Dated, Dhaka
25 October 2014