



Report of the Board of Directors

for the year ended 30 June 2015

(Under Section 184 of the Companies Act 1994 and Notification No. SEC/CMRRCD/2006-15B/134/Admin/44 dated 7 August 2012 of the Bangladesh Securities and Exchange Commission.)

Dear Valued Shareholders,

It is the great pleasure and privilege of the Board of Directors of M. I. Cement Factory Limited to welcome you all to the 21st Annual General Meeting of M. I. Cement Factory Limited and present the Directors' Report together with the Audited Financial Statements for the year ended 30 June 2015 as well as the Auditors' Report of the Company for your kind 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. Till the last of the nineteenth century Bangladesh was fully dependent on imported cement. Some enthusiastic entrepreneurs ventured into setting up cement plants during 1997 to 2000 which opened a new era in this sector. Gradually, observing the potentiality of this sector, one after another cement factory began to set up, some existing one are also resorted to expanding with additional capacities and situation had soon reached such a stage that capacity exceeded demand leading to acute unhealthy competition. The manufacturers then began to seek market in overseas countries, which also proved bleak excepting exporting to neighboring country in a limited scale.

The demand of Cement in our country, approximately 20 million Metric Ton is still more than two times lower than the industry capacity of 40 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 105 KG, which is behind India's 217 KG, Malaysia 570 KG, South Korea 705 KG, China 1700 KG. These statistics focused the claim that Bangladesh is yet to undertake much physical infrastructure development efforts. Cement is the basic material for infrastructural development, which the country needs for fostering of trade and commerce.

In a six seasoned country like Bangladesh has recently built concrete road in some areas, the construction cost of which is 20-25% high rather than the asphalt road. But the longevity of concrete road is more than several times comparing with traditional asphalt road so that concrete road is economical and sustainable. So concrete building will play a vital role for economic development. Some countries like Southeastern area of China, Vietnam, Indonesia, Malaysia, Nigeria and neighboring India have taken comprehensive implantation plan for concrete road, so far they have implemented a wide range area and the result is very encouraging. Adopting this process of road construction the utilization of cement will be increased in one hand on the other public exchequer will not be drained out in maintaining of roads and highways every year. There are many other unearth application for cement not yet harnessed. So our cement industry has great potentiality for development. We hope that the Bangladesh Cement Industry will go a long way ahead.

Performance

Over the years the Company experienced an increase of its sales revenue. This increase was driven by the superior quality of our products, the strength of our distribution channel and the promotional activities adopted by the Company. For instance, the chemical composition and grinding fineness of our products are closely monitored in order to ensure compliance to Bangladesh relevant standard ISO 9000:2008, Bangladesh Standards & Testing Institution (BSTI), Bureau of Indian Standards (BIS). In reality the Quality of our products overlaps these standards.

Future Plan

The demand for our cement is increasing day by day. To meet the increasing demand, we are going to set up our 5th unit with an additional capacity of 4,200 MT per day, in addition to our existing capacity of 5,800 MT per day, thereby raising the total production capacity to 10,000 MT Per day. The increased Production capacity will meet the targeted Sales through our effective promotional branding and efficient sales workforce. As the production capacity increasing, to maintain the availability of quality raw material we are adding another Ocean Going Mother Vessel "M. V. Crown Victory" with a capacity of 43,980 MT. We believe, this 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 it's 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. 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.

Interest Rate Risk

As the Company uses working capital loan and other facilities with variable interest rates, it is highly exposed to interest rate risk. To minimize this exposure, the Company is emphasizing on offshore financing, the interest rate of which is substantially lower as such this will minimize the Interest rate risk.

Exchange Rate Risk

As the Company imports raw material and exports cement, it is exposed to exchange rate risks. As revenue from exports makes up a small portion of our total revenue and also raw materials is imported by almost every cement companies in this country, so any exchange rate fluctuation will equally affect all the Cement companies. Therefore, any exchange loss can be absorbed by an increase in product price.

Overcapacity Related Risk

Overcapacity in the Industry is a matter of concern as it can significantly increases competition and price confrontation among the Market of the Cement companies. But your company is well aware of this risk as we strive to explore new export potential geographic areas with our efficient Sales & Marketing workforce and our best effort to ensure quality products as well as ascendancy in customers reach will facilitate us to increase our capacity utilization rate.

Technology Related Risk

An expert workforce is working on the support for the Harmonious technological innovation. So that the innovation might not turn these machineries obsolete. However, management is very much aware about such technology related risks and continuously keeping the Company technologically updated.

Sales Risk

As the rapid expansion of production capacity, the Company has started huge promotional activity with a large number of expert sales workforces to mitigate sales risk.

Price Risk

Price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices. Finance department estimates the product cost and the marketing department, on comparing other similar industries determines the market price of a product after adding reasonable profit to make it competitive.

Operational Risk

The increasing production led to an immediate increase in sales due to high demand of our product. However, as revenue soared rapidly, the Company also had to incur additional costs associated with higher sales. As the Company increased its production and operating efficiency over the year, the increase in revenue was much higher than that of its cost. Thus the operational risk is minimized.

Quality Control Risk

In the face of a higher competitive market quality is most important than the price. The company exerts much emphasis on ensuring of maintenance of high quality of its products. In this respect all measures have been undertaken and continuous vigilance are being made. Have updated its lab with required testing instruments and employing qualified experts.

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.

State of Company's Affairs

In 2015, your Company faced stiff competition as competitors with increased capacity forced cement prices down. Despite a very competitive and challenging year, your company was able to perform better during the year under reference. The current year's turnover was Tk. 8,264.24 million as against Tk. 7,990.64 million of the last year, resulting 3.42% growth in the current year compared to the previous year. The Gross Profit grew by 12.29% that meant to a good leap from Tk. 1,258.92 million to Tk. 1,413.69 million.

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. Presently exports are also being carrying out competing with the product of importing countries. Cement export data says that Crown Cement achieved around 37% 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. During the year under review we earned foreign exchange to the tune of about Tk. 452.63 million.

Information Technology (IT)

To address the requirement of Generation Y, a new group of tech-savvy consumers spark an immersive, interconnected and individualized cultural milieu, Information technology (IT) has become a vital and strategic corner stone of our business. As we are growing as a customer service oriented company, the role of IT is getting bigger day by day. Attempt to build IT governance backed environment can be traced in our company by looking at how it is being used across the businesses.

With the mindset of "Go Green", we move towards with our "Vision 2020" goal. We increase our electronic transactions instead of paper works. We are transforming our daily activities into computer based system which helps our client to get their services on time.

We believe, it is our duty to update our valued stakeholders about our activities. We are going to launch our new dynamic, e-commerce based and interactive website by this year.

To fulfill our customer's requirements, we are expanding our IT Facilities further by including Global Standard ERP, setting independent IT facilities and Data Recovery (DR) sites.

Safety, Health and Environment

Safety, Health & Environment is a vital part of Crown Cement's journey towards sustainable development. Our goal is to ensure 'Zero' harm to people. We believe that health & safety are core values that must be incorporated into all aspect of our business. We equip our employees and contractors with job specific Personal Protective Equipments (PPE), which leading us to establish a strong safety culture. We have sufficient equipments to control and prevent environmental degradation. The company is accountable for prevention of injuries and occupational illness which has been minimized through proper training to all level of employees.

We believe in visible leadership and accountability for health & safety at all levels throughout the organization.

Financial Results

The financial results for the year ended 30 June 2015 is given below:

Particulars	Amount (Taka)
Retained earnings - (Carried forward from previous year)	Tk. 569,841,470
Add: Revaluation Reserve and deferred tax liability realized	Tk. 2,390,093
Total Reserve	Tk. 572,231,563
Add: Net Profit for the year	Tk. 648,850,994
Total funds available for appropriation	Tk. 1,221,082,557
Proposed Dividend: Cash Dividend @ 25%	Tk. 371,250,000
Unappropriated profit:	Tk. 849,832,557

Dividend

Considering the Business growth of the Company, the Board of Directors is pleased to recommend a cash dividend of 25% i.e. Tk. 2.50 for each Ordinary Share of Tk. 10.00 for the year ended 30 June 2015.

Contribution to the National Exchequer

During the accounting year ended 30 June 2015, the Company has contributed Tk. 2,070,601,855 to the National Exchequer through following manner:

	(Taka in million)				
	2014-15	2013-14	2012-13	2011-12	2010-11
Advance Income Tax	321	329	335	419	163
VAT	1,196	1,169	921	766	544
Customs Duty	554	472	411	276	270
Total	2,071	1,970	1,668	1,461	978

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 21st Annual General Meeting. The retiring directors are:

1. Md. Mizanur Rahman Molla
2. Md. Alams Shimul

Being eligible they offer themselves for reelection. A brief profile of the Directors are disclosed in Annexure-V.

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 Listing Regulations, 2015 by Dhaka Stock Exchange Limited. The Directors' declaration, Shareholding pattern and MD & CFO's declaration to the board for the year ended 2015 are appended as Annexure I, IV and VII 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 VIII.

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-

- a) Mr. Golam Mohammad, a retired corporate officials with vast experience and
- b) Prof. Dr. Shaikh Shamsuddin Ahmed, Professor of Finance Dept., Dhaka University.

It may be mentioned here that the above noted two Independent Directors will complete their tenure of the first term and as per Corporate Governance Guideline they are eligible for reappointment for the second term. The Board of Directors approved their appointment for the second term, which will be placed before the honorable Shareholders in the upcoming 21st Annual General Meeting for approval.

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 Mohammad Majnu	Director	Member
4	Mr. Md. Mizanur Rahman Molla	Director	Member

Auditors

The existing auditors of the Company M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants shall retire at the 21st Annual General Meeting and has completed a consecutive three years term. As per Bangladesh Securities & Exchange Commission (BSEC) notification no. SEC/CMRRCD/2009-193/104/Admin dated 27 July 2011; every public listed company shall not appoint any firm of Chartered Accountants as its statutory auditors for a consecutive period of three years. Therefore, M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants become ineligible to get appointed for any further year. Under the circumstances, from among some of the proposals for appointment of auditors the Board of Directors has recommended M/s. Syful Shamsul Alam & Co., Chartered Accountants to be appointed as external auditors for the year ending 30 June 2016.

Post Balance Sheet Events

Subsequent to the Balance Sheet date, the Board of Directors has recommended a Cash Dividend of 25% and purchased another Ocean going Mother Vessel for the Company.

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 Dealers/Retailers.
5. Financial Assistance in repairing Bridge/Culvert etc.

Our Gratitude

Our stupendous performance of the year under review demonstrates the dedication and support to Company by its employees at the front and by those numerous stakeholders and our brand users offstage. In this context, 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 continued patronage and guidance to the company that led to the achievements.

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

Dated, Dhaka
27 October 2015

On behalf of the Board



(Mohammed Jahangir Alam)
Chairman