



DIRECTORS' REPORT ▶

DIRECTORS' REPORT

to the Members for the year ended 30 June 2019

The Board of Directors of M. I. Cement Factory Limited (M. I. Cement Factory Ltd.) welcomes you to the 25th 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 for the year ended 30 June 2019 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/CMRRC/2006-158/207/Admin/80 dated 3 June 2018.

CEMENT INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENT IN THE CEMENT INDUSTRY

Cement industry continues to show double digit growth in 2019 as indicated by the available data till date. It is expected that the year will close with a 10% plus growth. Demand in 2018 was around 31 million tons and hence we expect the year will close with an approximate demand of 34 million tons. On the supply side, big players continue to add capacity. Total installed capacity is around 68 million tons with an effective capacity of 58 million tons. Major players are now trying to utilize their additional capacity that continues to exert pressure on selling prices. As a result, the spiraling cost increases cannot be passed to the customers.

Looking at the market segments, demand from Individual Home Builders continues to be steady with improvement in inward foreign remittances. Demand from commercial developers is gradually picking up mainly fueled by investment in new industrial undertakings and commercial buildings coming up in the Upazillas. However, the biggest demand is coming from investments in infrastructure such as Roopur Nuclear Power Plant, Padma Bridge, the Dhaka Elevated Expressway, the Dhaka Metro Rail, Payra Deep Sea Port, the Mirershorai EPZ and Special Economic Zones (SEZ).

On the cost side, the freight market is now looking chaotic. Tensions in the Persian Gulf have escalated freight costs. As a result, clinker prices came down marginally in the earlier part of the year but is now sharply escalating due to increased freight costs. Fly Ash prices have gone up. Slag and Gypsum prices are increasing mainly led by freight cost increase. Devaluation of Taka continues to have impact on costs. There is also a large adverse effect coming from sharp increase in financial costs due to liquidity crisis in the banking sector.

Looking at 2020, we expect demand to show double digit growth. However, capacities will see further increase that will continue to put further pressure on prices. Demand growth will be mainly led by the mega projects. In particular, the Matarbari – Moheshkhali project will see a big demand of cement. The ongoing mega projects will continue to fuel cement demand. On the cost side, the freight market is uncertain. The recent imposition of low Sulphur fuel will lead to cost increase since refiners will take time to switch to this fuel leading to a demand supply mismatch. If the Taka devalues further, there will be additional cost increase. Electricity costs may see further escalation with increase in Gas price. Change in domestic fuel price will increase transport cost that is quite significant for the industry. All the above factors indicate that the industry will continue to face margin pressures despite the buoyant demand.

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

Overcapacity 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. The company has a well-documented credit policy and the exposure to credit is monitored on a daily basis to ensure collection within stipulated time.

To avert the credit risk against trade receivable the company has a policy to obtain security instruments from credit availing customers, exceptions being made for customers with impeccable reputation in the market.

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.

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 optimizing the return. Market risk comprises three types of risks: Foreign 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.

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 2018-2019, the Sales Revenue has increased by 16.47% compared to 2017-2018 mainly due to increase in sales volume by 9.10%. Cost of Goods Sold (COGS) has increased by 16.33% in the year 2018-2019 over previous year due to increase in cost of raw materials consumed, packing cost, fuel/power consumption cost and factory overheads which were beyond the control of the management. The Earnings Per Share (EPS) of the Company decreased by 20.04% and stood at Tk. 1.69 in 2018-2019 where as in 2017-2018 it was Tk. 2.13. In the year 2018-2019 Factory overhead increased sharply due to increase in electricity bill & depreciation by Tk. 6.39 Crore & Tk. 6.96 Crore respectively compare to the year 2017-2018. Besides, Lubricant & fuel consumption has increased by almost Tk. 1.00 Crore compared to the last year due to increased utilization of machineries to support increased production.

Although the Gross Profit increased by 17.43% from Tk. 1,643.42 million in 2017-2018 to Tk. 1,929.82 million in 2018-2019, the Gross Profit Margin increased only by 0.11%. In 2018-2019 Administrative Expenses and Selling and Distribution Expenses increased by 0.67% and 25.82% respectively. As a part of our Vision 2020 strategy, we want to establish our Crown Cement Brand at the Top of Mind. Hence, we continuously strive for making improvement in Above the Line (ATL), Below the Line (BTL), Public Relationship (PR) and better customer service. As a reflection of the above statement, we have spent Tk. 0.85 Crore more in advertisement & publicity, Tk. 2.94 Crore for increment in salary and allowances as we recruited additional manpower for giving better customer services. Depreciation has been increased by Tk. 5.68 Crore due to asset addition Tk. 43.26 Crore for bulk carrier & others during the year. Every sector of Selling and Distribution Expenses has increased relatively from last year due to large sales in the competitive market.

Financial Cost also increased by 25.80% because Interest expenses has gone up by Tk. 20.59 Crore due to Tk. 38.61 Crore loan increased compared to the financial year 2017-2018. Utilization of CC, SOD and OD has increased by Tk. 487.92 Crore compared to the financial year 2017-2018. Besides, average interest rate increased by 1.24% on STL, and 3.65% in working capital loan, 2% on CC and 0.23% on Term Loan compared to the financial year 2017-2018. In addition, Bangladesh Bank has issued a Circular to charge Excise Duty every year on both of the outstanding loan and loan paid during the year. Loan arrangement fees of Tk. 0.93 Crore and earlier settlement fees of Tk. 0.69 Crore that leads to increase finance cost.

Other non-operating income has gone up by Tk. 4.47 Crore for considering rental income from Crown Cement Concrete & Building Products Limited of Tk. 2.75 Crore for using of Unloader.

As a result, in 2018-2019, the Net Profit (after tax) decreased by 20.42% from Tk. 315.61 million to Tk. 251.15 million.

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. 41.00 of the Financial Statements.

EXPLANATION ON SIGNIFICANT VARIANCE THAT OCCURS BETWEEN QUARTERLY FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

(Taka in '000)

Particulars	First Quarter 2018-2019	Half Year 2018-2019	Third Quarter 2018-2019	July 2018- June 2019
Revenue	3,390,739.87	6,945,000.13	10,975,167.62	14,628,432.59
Gross Profit	413,100.95	858,745.10	1,426,396.99	1,929,823.98
Income Before Tax	92,673.40	154,207.40	210,929.44	435,412.44
Net profit for thr year	69,505.05	115,655.55	158,197.08	251,150.16
Shareholders' Equity	7,195,646.44	7,020,833.87	7,065,162.34	7,160,826.04
Total Assets	20,903,878.72	21,672,396.83	21,643,658.88	19,270,753.26
Total Current Assets	12,209,885.36	12,804,096.09	12,898,490.44	10,624,328.54
Total Current Liabilities	10,867,303.09	11,940,733.70	11,982,365.72	9,667,634.97
Current ratio (Time)	1.12	1.07	1.08	1.10

Revenue has increased significantly between the comparing periods. However, there has been sharp escalation in cost of sales. At the same time, other selling and administrative expenses have also gone up. There has also been a big escalation in financial costs due to the 5th Unit expansion as well as depreciation charge.

REMUNERATIONS OF DIRECTORS

Two Members of the Board namely Mr. Md. Alamgir Kabir, Vice Chairman and Mr. Molla Mohammad Majnu, Managing Director are working full time as executive directors in the Company. Mr. Md. Alamgir Kabir is looking after Marketing & Sales and Finance whereas Mr. Molla Mohammad Majnu is looking after the overall operations. The Directors Remuneration, Meeting Attendance Fees has been mentioned in the Note No. 28.05, 30.00 and 31.00 of the Notes to the Financial Statements.

THE SYSTEM OF INTERNAL CONTROL

M. I. Cement Factory Ltd. has a well-defined internal control system commensurate with size, scale and complexity of operation to support the business operations to ensure statutory compliance. The system is designed to provide reasonable assurance that internal checks have been built in to cover all monetary transactions with proper delegation of authority, which provides for checks and balances at every stage and accurately recorded; that assets are safeguarded; resources are utilized in optimized way; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with applicable accounting principles. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Internal control systems and procedures are also periodically reviewed to keep pace with the growing size and complexity of Company's operations through annual risk assessment which is carried out to find out the areas that requires attention and process audit is carried out upon the approved annual audit plan. The observations and recommendations are shared with concerned departments and follow-up audit is carried out in order to ensure that development has been made as per the agreed recommendations.

In addition to that, external auditors' report through statutory audit reassure the stability of the internal control systems. The Company has a strong system of budgetary control which covers all aspects of operations, finance, capital expenditure at macro level and on a monthly basis reported directly to top management. The Company has an Audit Committee of the Board of Directors to review financial statements to shareholders. The role and terms of reference of the Audit Committee cover the area mentioned under BSEC Corporate Governance Code (No. BSEC/CMRRCD/2006-158/207/Admin/80) besides other assignments referred to by the Board of Directors from time to time.

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

Revenue

Revenue increased by Tk. 206.91 Crore (16.47%) in 2018-2019 compared to last year due to expansion of capacity and various marketing and sales initiatives taken by the Company.

Cost of Goods Sold

Price of clinker, gypsum, fly ash and slag went up during the year both for FOB price increase as well as increase in cost of freight. In addition, there was an impact of devaluation of the taka. Transport Cost also went up due to weight restriction imposed by the Government on highways.

All these factors resulted in cost of sales increase by Tk. 178.27 Crore (16.33%). In addition to that depreciation expense also increased due to capitalization of the 5th Unit assets during the year 2018-2019 that impacted Cost of Goods Sold.

Gross Profit

Increase in cost of sales by 16.33% was compensated by an equivalent increase in Revenue by 16.47% that resulted in Gross Profit growing by 17.43% i.e. Tk. 28.64 Crore.

Operating Profit

Administrative Overhead and Selling Overhead increased by 0.67% and 25.82% respectively in the reporting year. Operating Profit increased by Tk. 17.61 Crore (17.59%).

Earnings Per Share (EPS)

During 2018-2019, the EPS decreased by Tk. 0.44 from the previous year due to sharp increase of Finance Cost by Tk. 20.59 Crore. This was mainly led by the Interest Expenses of the Term Loan for the 5th Unit. Moreover, Overhead Expenses also significantly increased in 2018-2019 which also affected the EPS.

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.

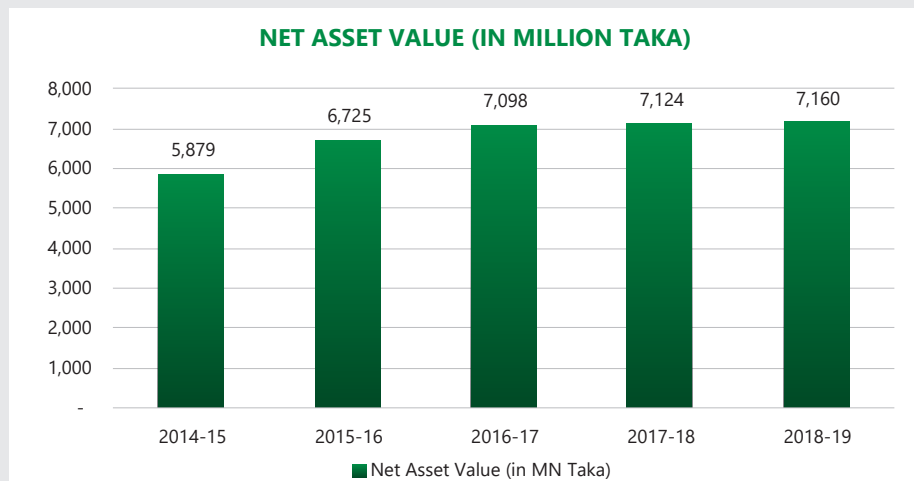
DIVIDEND RECOMMENDATION

Considering the financial results of the Company, the Board of Directors in their meeting held on 27 October 2019 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 2019 subject to the approval of the shareholders' in the 25th Annual General Meeting scheduled to be held on 19 December 2019.

The appropriation of the Net Profit earned during the year 2018-2019 is made in the following manner:

Particulars	Amount (Taka)
Undistributed Profit (Carried forward from previous year)	1,824,394,674
Add: Revaluation Reserve and deferred tax liability realized	30,892,387
Total Reserve	1,855,287,061
Add: Net Profit for the year	251,150,155
Total funds available for appropriation	2,106,437,216
Less: Proposed Dividend: Cash Dividend @ 10%	148,500,000
Undistributed Profit (Carried forward to following year)	1,957,937,216

The Board of Directors of M. I. Cement Factory Ltd. is committed to ensure maximization of shareholder's 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:



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

During the year ended 30 June 2019, Board Meeting, Audit Committee Meeting and Nomination & Remuneration Committee (NRC) Meeting were held as per the compliance of the Corporate Governance Code and the attendances of the Directors are shown below:

Board Members	Position	Board Meeting Attendance	Audit Committee Meeting Attendance	NRC Committee Meeting Attendance
Mr. Mohammed Jahangir Alam Non-executive Director	Chairman	12/12	-	-
Alhaj Md. Khabir Uddin Mollah Executive Director (Died on 25 May 2019)	Former Managing Director	8/12	-	-
Mr. Md. Alamgir Kabir Executive Director Member, Audit Committee of the Board (Tenure completed on 6 December 2018)	Vice Chairman	12/12	2/2	-
Mr. Molla Mohammad Majnu Executive Director Member, Audit Committee of the Board (Tenure completed on 6 December 2018)	Managing Director	12/12	2/2	-
Mr. Md. Mizanur Rahman Mollah Non-executive Director Member, Audit Committee of the Board (Re appointed on 6 December 2018) Member, Nomination & Remuneration Committee of the Board (Appointed on 6 December 2018)	Additional Managing Director	10/12	3/4	1/1
Mr. Md. Almas Shimul Non-executive Director Member, Audit Committee of the Board (Appointed on 6 December 2018) Member, Nomination & Remuneration Committee of the Board (Appointed on 6 December 2018)	Director	9/12	2/2	1/1
Mr. Zakir Ahmed Khan Independent Director Chairman, Audit Committee of the Board (Appointed on 6 December 2018)	Independent Director	4/7	2/2	-
Prof. Dr. M. Abu Eusuf Independent Director Chairman, Nomination & Remuneration Committee of the Board (Appointed on 6 December 2018)	Independent Director	6/7	-	1/1
Mr. Golam Mohammad Former Independent Director Chairman, Audit Committee of the Board (Tenure completed on 6 December 2018)	Former Independent Director	5/5	2/2	-
Professor Dr. Shaikh Shamsuddin Ahmed Former Independent Director (Tenure completed on 6 December 2018)	Former Independent Director	3/5	-	-
Mr. Md. Mozharul Islam, FCS	Company Secretary	12/12	4/4	1/1

SHAREHOLDING PATTERN

The Shareholding Pattern of the Company for the period ended 30 June 2019 is shown in Annexure-II.

MANAGING DIRECTOR'S APPOINTMENT

Late Alhaj Md. Khabir Uddin Mollah was appointed as the Managing Director since incorporation of our Company on 31 December 1994. Unfortunately, our beloved and honourable Managing Director breathed his last on 25 May 2019. Mr. Molla Mohammad Majnu has been appointed as the Managing Director of M. I. Cement Factory Ltd. by the Board in its 212th Meeting held on 20 June 2019.

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 25th Annual General Meeting. The Retiring Directors are:

1. Mr. Md. Alamgir Kabir
2. Mr. Molla Mohammad Majnu

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:

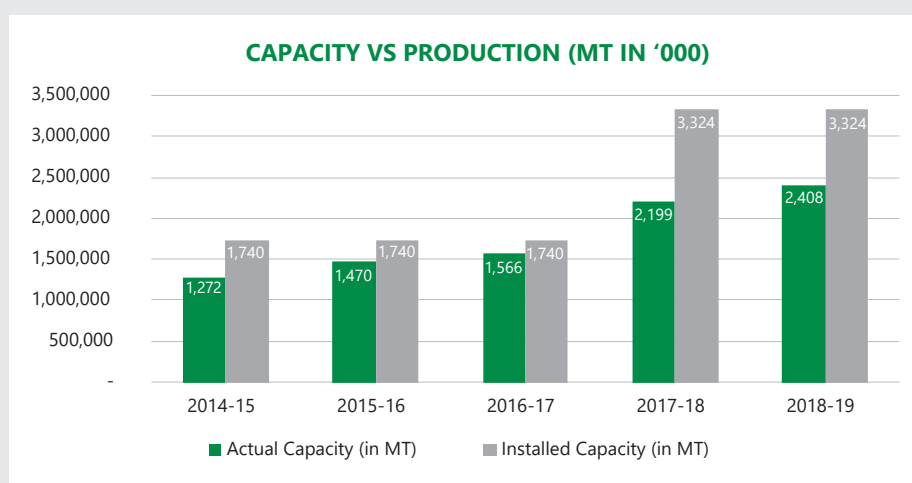
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as "extraordinary gain or loss" in the financial statements. Accordingly, recognized in the financial statements.
- The financial statements have been prepared by the Management of the Company, present 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 2019 compared to 30 June 2018 was as follows:

Particulars	2018-2019	2017-2018
Installed Capacity (Metric Ton)	3,324,000 MT	3,324,000 MT
Actual Output (Metric Ton)	2,408,302 MT	2,198,822 MT
Capacity Utilization	73%	66%
Growth of actual output in 2018 -2019	9.53%	

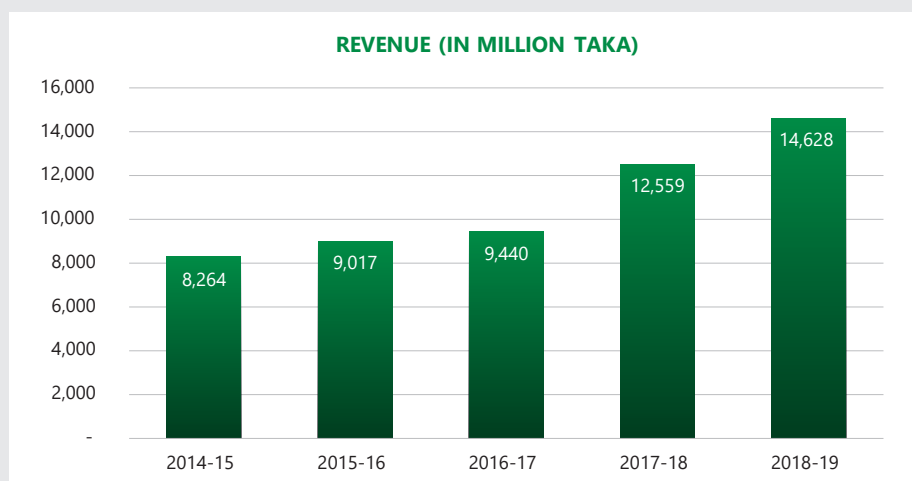
The trend of Production in line with Installed Capacity of last five years is given below:



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 product 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 2018-2019 as compared to the previous year 2017-2018 are summarized hereunder:

Particulars	2018-2019 Taka	2017-2018 Taka
Revenue	14,628,432,591	12,559,311,599
Cost of Goods Sold	12,698,608,615	10,915,891,226
Gross Profit	1,929,823,976	1,643,420,373
Net Profit (Before Tax)	435,412,444	410,224,858
Net Profit (After Tax)	251,150,155	315,612,768
Total Assets	19,270,753,264	19,713,912,115
Net Asset Value (NAV)	7,160,477,708	7,124,354,456
Net Operating Cash Flow	530,864,255	201,912,899
Earnings Per Share (EPS)	1.69	2.13
NAV Per Share (NAVPS)	48.22	47.98
Net Operating Cash Flow Per Share (NOCFPS)	3.57	1.36
Return on Equity (ROE)	3.51%	4.44 %
Gross Margin	13.19%	13.09%
Net Margin (Before Tax)	2.98%	3.28%
Net Margin (After Tax)	1.72%	2.52%

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 2018-2019 under review we earned foreign exchange to the tune of about Tk. 482.46 million.

INFORMATION TECHNOLOGY (IT)

Information Technology is now recognized as a strong business enabler and a key differentiator for companies. The management of M. I. Cement Factory Ltd. Has prioritized Information Technology by adopting cutting edge technology in IT.

During 2018-2019, Information Technology Department further refined and consolidated the use of SAP S/4HANA based ERP in all its operations.

Keeping in mind the future challenges, establishment of a secondary Data Center or Disaster Recovery (DR) site is one of the major IT initiatives management has planned for the next year.

HUMAN RESOURCES

Human resource is considered the most important resource of an organization compared to other resources of an organization such as human, physical, financial, and information resources. In June 2014, Human Resources Department separately started its journey from HR & Admin Department with three personnel. Now, the organization is manned with ten personnel with the aim to make a people centric organization where employees are motivated to unleash their best performance.

HR department has developed a number of policies and procedures within the whole group. We keep updated the pay scales after continuously scanning the market. We are worked continuously for employee's efficiency development through individual and group training by local & international trainer. We have arranged soft skill, behavioral improvement, technical and job-related trainings within the company, within the country and even outside of the country as per Training Need Assessment (TNA). We started Individual KPI based performance management system and are now monitoring individual KPI along with Departmental and Company KPI in line with budget & target of the company. Online KPI Tracking and Performance Appraisal is planned to be introduced this year which is under process. We have In-house trainer pool for development of soft skills, technical skill and job-related skills.

We are now revamping the annual performance appraisal system to link performance with reward and usher in a performance culture. We will soon start Quarterly Recognition & Reward Program.

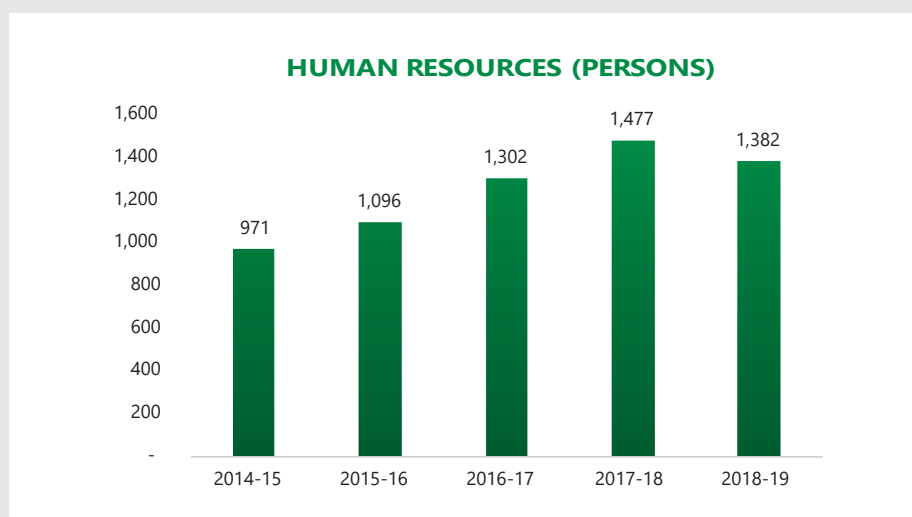
Succession planning is done throughout the company. We have introduced three step Recruitment Process for each level to find out the best for the company. We regularly celebrate individual employee's birthday, Int. Women's Day and Pahela Baishakh programs.

We also work on Employer Branding to introduce Crown Cement to prospective employees. We regularly attend JOB Fairs and Seminars in different public and private universities to guide fresh graduate students on career planning. We offer internship to the students of different institution all over Bangladesh in the Research and Planning Team.

We are in the process of introducing online training portal. We will initiate coaching and mentoring session and will take formal feedback session from Heads of Department. We will ensure 360 Degree feedback for Top talents through 70:20:10 method. We have proposed to do competency-based training program through finding out the individual gap analysis.

We will arrange Health Programs, Blood Donations Club for employee's welfare and will introduce Health Insurance for each & every employee.

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



SAFETY, HEALTH AND ENVIRONMENT

We believe that leading environmental, health and safety performance contribute to our competitive strength and benefits our customers, shareholders and employees as well as the environment. The safety of our workforce and the protection of our environment are of primary importance to M. I. Cement Factory Ltd. To protect our employees, the environment and our property; we foster the concept of providing a safe and healthy working environment as a prerequisite to our operations; continuous improvement in minimizing our environmental impacts, preventing pollution and limiting depletion of natural resources; and the on-going reduction of risks at our operating sites.

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.

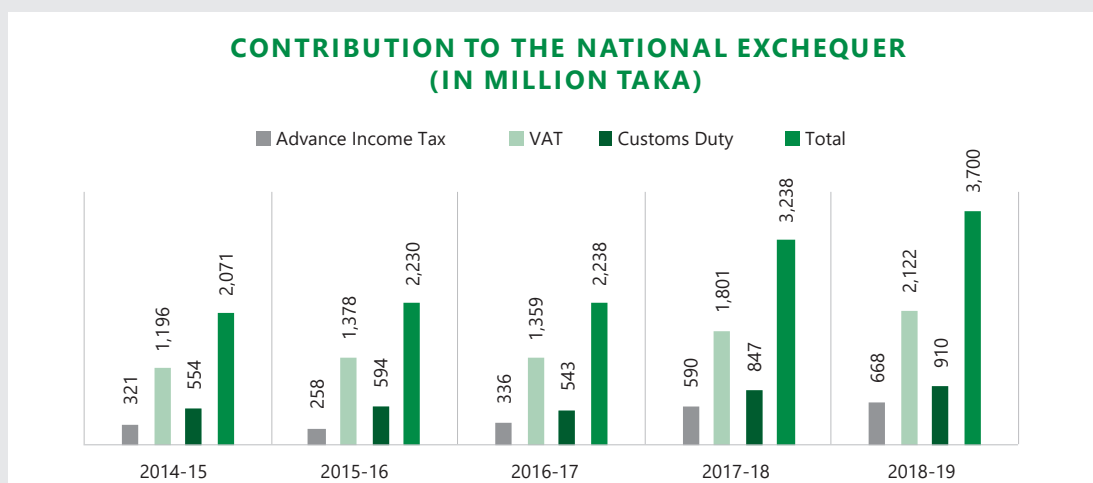
Environment Health and Safety (EHS) is a core value and a foundational pillar at M. I. Cement Factory Ltd. and is of paramount importance in our 24/7 operations. At M. I. Cement Factory Ltd., we believe that all incidents and injuries are preventable. Our goal is to ensure that employees and contractors who works for, or with M. I. Cement Factory Ltd., is not hurt or injured and they return home to their families safely. In order to achieve this, M. I. Cement Factory Ltd. makes significant investments in Health and Safety relating to people, processes and equipment. M. I. Cement Factory Ltd. EHS policy is based on sound principles and includes compliance and applicable national environmental 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.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the Accounting year ended 30 June 2019, the Company has contributed Tk. 3,700 Million to the National Exchequer through following manner:

Particulars	2014 -15	2015 -16	2016 -17	2017 -18	2018 -19
Advance Income Tax	321	258	336	590	668
VAT	1,196	1,378	1,359	1,801	2,122
Customs Duty	554	594	543	847	910
Total	2,071	2,230	2,238	3,238	3,700

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 appointed Mr. Masud Khan, FCA, FCMA as Chief Adviser to the Board of the Company in its 214th Board Meeting held on 1 September 2019, before that he was the Chief Executive Officer of the Company.
- The Board of Directors appointed Mr. Md. Mukter Hossain Talukder, FCA as Chief Executive Officer of the Company in its 214th Board Meeting held on 1 September 2019, before that he was the Chief Operating Officer of the Company.
- The Board of Directors recommended a Cash Dividend @ 10% i.e. Tk. 1.00 (Taka one) only per share of Tk. 10.00 each in its 217th Board Meeting held on 27 October 2019.

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 2019 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 endeavour 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
27 October 2019