

Corporate Governance

Report of the Board of Directors

In the name of Allah, the Most Gracious, the Most Merciful

Dear shareholders,

Assalamu Alaikum Wa-Rahmatullah

On behalf of the Board of Directors and Management, we welcome you all at the 21st Annual General Meeting (AGM) of Premier Cement Mills PLC. In compliance with the provisions of section 184-186 of the Companies Act 1994 and notification No. BSEC/CMMRRCD/2006-158/207/Admin/80 dated on 3rd June 2018 of the Bangladesh Securities and Exchange Commission (BSEC), we are delighted to place the Directors' Report and Auditor's Report together herewith the Audited Financial Statements of the Company for the year ended June 30, 2023 thereon for your valued consideration, approval and adoption.

Bangladesh Economy:

Bangladesh's gross domestic product (GDP) is expected to grow by 6.5% in FY2024, compared to the 6.0% growth in the previous fiscal year, according to the latest Asian Development Bank (ADB), As per The Business standard TBS Report Published on September 20, 2023. The report of Asian Development Outlook (ADO) dated on September 2023 states that the slightly faster growth forecast reflects an improvement in domestic demand and better export growth due to economic recovery in the euro area. Inflation is projected to ease to 6.6% in the current fiscal from 9.0% in FY2023. The current account deficit is expected to slightly narrow, from 0.7% of GDP in the previous fiscal to 0.5% in FY2024, as remittance growth improves. The main risk to this growth projection is a further deterioration in export growth if global demand is weaker than expected. The government is managing relatively well against the external economic uncertainties, while advancing infrastructure development and critical reforms to improve the investment climate. These key structural reforms include strengthening public financial management, enhancing domestic resource mobilization, improving logistics, and deepening the financial sector, which are critical for private sector development, export diversification and productive job creation in the medium term.

Cement Industry in Bangladesh

The history of Cement Industry of Bangladesh is not as old as other countries have a deep-rooted legacy of construction materials. The attempt to produce cement in Bangladesh dates back to 1941 when the first Cement Factory called "Chattak Cement Factory Ltd" (formerly known as Assam Bengal Cement Company Limited) was established in Sylhet, north-eastern part of the country, during the regime of British India.

After the emergence of Bangladesh, the second factory called "Chittagong Cement Clinker and Grinding Factory Ltd" (Currently being operated by Heidelberg Cement) took place in 1973 in Chittagong. After that, no such factory came in until early nineties. Although the demand was growing in a quicker manner during the period covering early seventies to early nineties, the requirement had been fulfilled through import mainly from countries like Indonesia, China, Malaysia, and India. It is relevant to add here that Bangladesh lacks limestone, the basic raw material of Cement and resultantly this sector had failed to draw the attention of investors for a long time. However, in the early nineties, some enthusiastic entrepreneurs attempted into setting up cement plants which opened a new era in this sector.

Despite all the above inspiring indicators, some challenges are ahead of the Cement Industry of Bangladesh. The market has already been oversaturated and yet the big players are on an expansion spree. We predict existing overcapacity will get further deteriorated with the implementation of expansion projects by large players in the next 2/3 years. However, in order to be able to utilize this surplus capacity, the industry may require 5 to 7 years from now.

Challenges

Overcapacity

According to a report by The Daily Star in December 2020, cement manufacturers currently have an annual combined production capacity of 58 million tons, whereas the local demand is only 33 million tons. This means the cement industry has a surplus production capacity of 43% of the total demand. According to the Bangladesh Cement Manufacturers Association (BCMA), as the big players in the industry will increase their production capacity in the next 2/3 years, the overcapacity rate may increase further for some time. Due to overcapacity, factories have to face issues like increased utility bills or additional production costs. As cement is a heavy product, it is not possible to export extra cement in large quantities later. As a result, this increases the production and operating expenses and impacts the profit margin.

Dependency on Imported Raw Materials

According to a report by The Dhaka Tribune published on September 04, 2022, Import of raw materials used to produce cement locally increased in recent months despite their price hike. This in turn caused manufacturers to raise the price per bag of the binder, who blamed it on the US dollar rates against the weakening Taka. Some 5.12 million tonnes of clinker, granulated slag, limestone, gypsum and fly ash were imported in July and August of the ongoing FY23. These were worth Tk2,303.84 crore, 34% more than what was brought in the same period of the previous fiscal. Clinker, the main raw material, cost \$62.14 per tonne on an average in August. The price has effectively gone up 17.5% year-on-year. The price of 50-kilogram bags of every brand has been raised by Tk50-70 in the span of a month to currently sell for Tk470-510. The exchange rate hit Tk95 per US dollar on the interbank platform in early August. Over the past one year, the currency of Bangladesh depreciated by 12.02%. According to Bangladesh Cement Manufacturers Association, there are 37 active cement factories in Bangladesh and more than Tk30,000 crore has been invested in the industry. Manufacturers have a combined annual production capacity of 58 million tonnes against a local demand of 33 million tonnes. According to Chittagong Customs, some 30-35 million tonnes of raw materials are annually imported, mostly from Thailand, Vietnam and China, through Chittagong and Mongla ports. The import volume has gradually increased, doubling in the past five years. Around 36.1 million tonnes of raw materials were imported last fiscal year.

High Logistic Cost

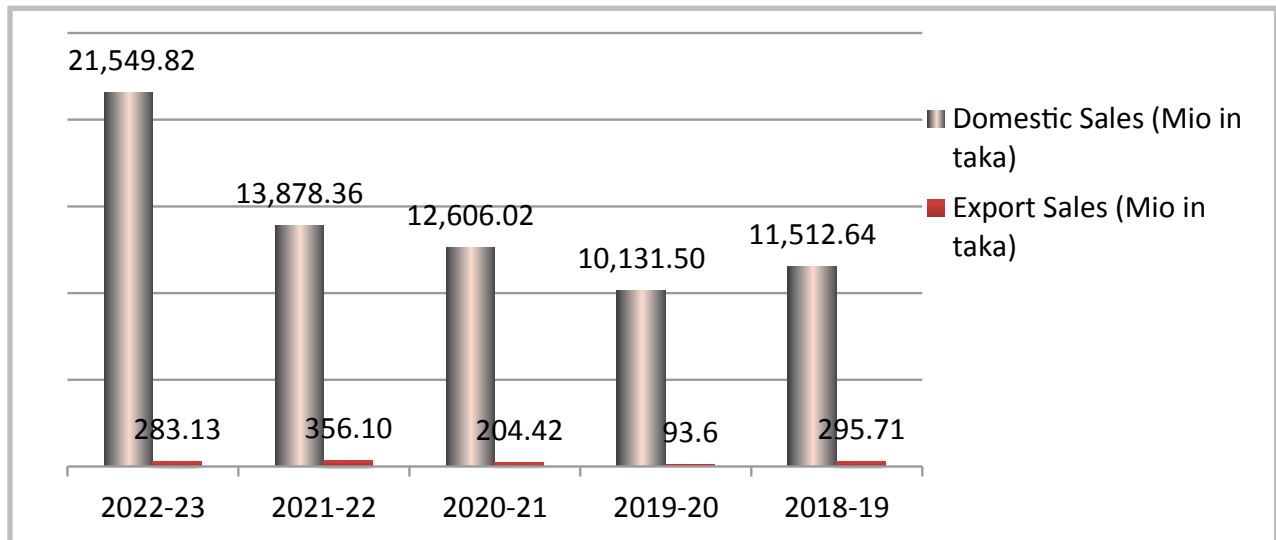
Due to the poor road connectivity and infrastructure in Bangladesh, the cost of transportation of manufacturers increases significantly with each step, from sourcing raw material to delivering customer orders. On the other hand, to reduce the pressure on the roads of the country, the government of Bangladesh formulated a policy to reduce the truckload. As a result, manufacturers need multiple trucks for delivery and this has increased the production cost. Producers, on the other hand, want to transport cement and raw materials by boat, but this is not possible due to a lack of cargo boats.

Segment wise standalone Performance:

We believe Premier Cement Mills PLC could have achieved greater sales revenue growth in these years. In spite of the many obstacles in this year, we have achieved a positive outcome in terms of sales volume from standalone point of view and our strong financials indicate more well-off position in our current business operation. Comparative standalone sales can be found in the following chart”

Risks and Concerns:

The details of risks and concerns of the Company are discussed in ‘Risk Management and Control Environment’s on page no 110 in this annual report



Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin:

The details discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin of the Company are discussed in Section "The Management Discussion & Analysis" on page no 40 of this annual report.

Discussion on Continuity of any Extra-Ordinary gain or loss:

During the year exchange loss was BDT 1,045.05 Million.

Related Party Transaction:

In the FY 2022-23, a number of transactions with related parties were carried out in the normal course of business on an arm's length basis. In note 36.00 of consolidated financial statements, a brief description of related party transaction is given including names of the respective related parties, nature of relationship with them, nature of those transactions and their values in amount.



An explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing etc.

There was no deterioration of financial results during the period under review after the above-mentioned events.

IPO Fund Utilization:

No IPO was made in the financial year 2022-23.

Safety, Health and Environment Issues:

Ensuring healthy and safe working conditions for employees is one of the most important issues to consider for the cement industry. Premier Cement takes all possible measures to ensure that all its employees as well as communities within which it operates remain safe at all times. Company's safety measures, continuous risk assessment policy ensure a healthy and hazard free work environment for all employees in the workplace. Moreover, we comply with zero tolerance policy in sacrificing our community's health issues as we firmly believe that we all are integral part of the society. Environment preservation is therefore one of our top agenda. Premier Cement is a certified Company from the Department of Environment; Government of People's Republic of Bangladesh and has been successfully abiding by all the laws and regulations exerted by the above-mentioned authority.



Quarterly disclosed financial performance and Annual financial performance:

As stipulated by law, the Company is required to publish the report of its 1st 2nd and 3rd quarterly financial performance and the yearly performance are indicated in the following table:

Quarterly performance- PCMPLC (Stand Alone)

Particulars	Tk. in Mio				
	Q-1	Q-2	Q-3	Q-4	2022-2023
Revenue	3,736.86	5,138.15	6,014.99	6,942.96	21,832.96
Gross Profit	363.25	537.74	1,049.55	64.70	2,015.25
Profit from operation	240.25	388.95	901.10	(359.30)	1,171.01
Profit before tax	(141.71)	69.99	485.55	(967.66)	(553.82)
Profit after tax	(260.24)	13.73	294.25	(887.97)	(840.23)
Total assets	30,010.62	30,907.59	31,437.36	33,543.44	33,543.44
Total liability	23,623.12	24,506.37	24,847.34	27,715.89	27,715.89
Total equity	6,387.49	6,401.22	6,590.02	5,827.55	5,827.55
EPS	(2.47)	0.13	2.79	(8.42)	(7.97)
NAV per share	60.57	60.70	62.49	55.26	55.26
NOCFPS	2.87	5.55	5.67	5.69	5.69

Significant variance between Quarterly Financial performance and Annual Financial Statement.

The Company was successfully able to maintain a remarkable performance in both operational and financial perspective throughout the period. The Company recorded quarterly revenue was Tk. 3,736.86 million, Tk. 5,138.15 million, 6,014.99 million and 6,942.96 million respectively from Q-1, Q-2, Q-3 and Q-4. At the end of the Q-4 revenue increased by Tk. 3206.10 million or 85.80% from first quarter. The quarterly EPS were BDT (2.47), BDT 0.13, BDT 2.79 and BDT (8.42) respectively. During the 4th quarter net profit decreased significantly compared to previous year due to increase of USD exchange rate to BDT from 93.45 to 108.00, resulting in EPS decrease annually to BDT (7.97) in the FY 2022-23 from (10.93) in the FY 2021-22. The company was able to restore more than 53.38 % revenue from the FY 2021-22.

Remuneration of Directors:

None of our Board of Directors including independent directors receives any remuneration or benefits from the Company other than BoD meeting attendance fee.

Internal control and adequacy of Audit Committee:

Our Company has a well-defined internal control system to support efficient business operations and statutory compliance. External Auditors carry out concurrent audit of financials which adds to the stability of the entire internal control systems. Suitable internal checks have been built in to cover all monetary transactions with proper delineation of authority, which provides transparency at every stage of operation.

The Company has a strong system of budgetary control which covers all aspects of operations, finance and capital expenditure at a macro level by a monthly basis reporting directly to top management. Financial performances and efficiency parameters are monitored periodically and actions are taken then and there. Currently, our Audit Committee consists of the following Directors:

Mr. A.K.M. Delwer Hussain, FCMA	- Chairman
Mr. Fakhruul Islam	- Member
Mr. Mohammed Ershadul Hoque	- Member

Going concern:

Going concern is one of the fundamental assumptions of accounting on the basis of which financial statements are prepared. According to going concern a business will continue its business for the foreseeable future without the need or intention on part of management to liquidate the entity or to significantly curtail its operational activities.

Our Company has adequate resources to continue its operation for the foreseeable future. Thus, the directors are of the opinion that the Company is a going concern; and its financial statements are prepared on a going concern basis.

Significant deviation from the last year's operating results and the reasons behind deviations

The detail about significant deviation from the last year's operating results and the reasons behind deviations are discussed in "The Management Discussion & Analysis" on page no 38 of this annual report.

Comparative 5 years' operating, financial data and performance indicator:

Summary of five years' operating, financial data and performance indicator are presented in page no 61 of this Annual Report.

Reserve and Surplus

Consolidated Retained earnings of the Company in FY-2022-23 stood at BDT 1,668.51 million against BDT 2,482.18 million in FY-2021-22. Revaluation reserve stood at 3,091.32 million as on the year-end 2021-22 against BDT 3,099.89 million as on the corresponding previous year.

Events after the reporting Period

Subsequent events after the reporting period the Board of Directors have recommended cash dividend 10% for the year 2022-23.

The number of Board meetings during the FY-2022-23 and the attendance of the Directors:

During the FY-2022-23, a total of 5 (Five) meetings of the board were held. Attendance by the Directors has been summarized in corporate governance report of this annual report page no 98

Pattern of shareholding:

The pattern of shareholding (along with name wise details) of parent/subsidiary/associate companies and other related parties, Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Auditor and their spouse and minor children, executives, shareholders holding 10% or more voting interest in the Company as at June 30, 2023 are duly stated in the following report.

- A. Parent/ Subsidiary/ Associated Company and other related: Nil.
- B. Shares held by Chairman/Managing Director/Director their spouses and minor children (name wise details) as on June 30, 2023:

Name of the Directors	Position	Nos. of Shareholding	%	Spouse or Minor Children	%
Mr. Mohammad Mustafa Haider	Chairman	11,473,150	10.88%	Nil	Nil
Mr. Mohammed Amirul Haque	Managing Director	11,599,500	11.00%	Nil	Nil
Mr. Mohammed Jahangir Alam	Director	10,425,313	9.89%	Nil	Nil
Mr. Md. Alamgir Kabir	Director	4,416,562	4.19%	Nil	Nil
ANCIENT PROPERTIES LTD. Representative by Mr. Mohammed Ershadul Hoque	Director	2,113,500	2.00%	Nil	Nil
Mr. Mohammed Ershadul Hoque Representative by ANCIENT PROPERTIES LTD.	Nominated Director	Nil	Nil	Nil	Nil
Mr. Fakhru Islam	Independent Director	Nil	Nil	Nil	Nil
Mr. A.K.M. Delwer Hussain, FCMA	Independent Director	Nil	Nil	Nil	Nil

- C. Shares held by Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit & Compliance as on June 30, 2023.

Particulars	Position	No. of shareholding	%	Spouse or Minor Children	%
Mr. Tarique Kamal	COO	Nil	Nil	Nil	Nil
Mr. Md. Selim Reza FCA, CMA	CFO	Nil	Nil	Nil	Nil
Kazi Md. Shafiqur Rahman	CS	132	0.0001	Nil	Nil
Mr. Md. Aminul Islam	HolAC	Nil	Nil	Nil	Nil

- D. Shareholders holding ten percent (10%) or more votes interest in the Company (name wise details) as on June 30, 2023: Nil.
- E. Shareholding of Senior Executives (Top Five salaried executives other than the Directors, CEO, CFO, CS, & HIAC) as on June 30, 2023: Nil.
- F. On the other hand, the Premier Cement Mills PLC. (PCMPLC) hold 96% stake in the shares of Premier Power Generation Limited (PPGL, Subsidiary) and 18.67% stake in the shares of National Cement Mills Limited (NCML, Associate) as on the Statement of Financial Position date.

Directors Profile:

A brief profile of all directors is provided in the section “**Directors profile**” of this report on page no 48

CSR Activities:

Since we are conducting our business in a society, we confess that we have some responsibilities towards our society and its welfare. Apart from doing business and making profit, we also engage ourselves for the welfare of the society in which we are operating our business. We carry out regular analysis to find out the most effective way of rendering service to people and to accelerate society’s welfare. After a comprehensive analysis, we finally choose a way to execute our responsibility towards the society. Because of our CSR program not only the people of our society are being benefited but we are being benefitted as well. It helps us to enhance our corporate image in the society. A summary of sustainable development initiatives and CSR initiatives of the Company during the years is discussed on page 143-150 of this annual report-2023.

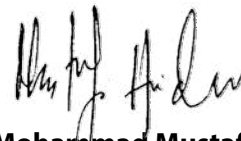
Corporate Governance

To ensure the spirit of the corporate governance with accountability, for inspiring confidence of investors, regulators, financiers and other stakeholders Premier Cement Mills PLC. is committed to comply with all the requirements of Corporate Governance (CG) as required by Bangladesh Securities and Exchange Commission (BSEC). Details about the initiatives is discussed in Corporate Governance Report under Annexure-

Status of Compliance

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission’s Notification No.BSEC/CMMRRCD/2006-158/207/Admin/80 dated on 3rd June 2018 has been enclosed in Annexure-X

On behalf of Board



Mohammad Mustafa Haider
Chairman

Date : October 28, 2023
Place : Dhaka

