



Report of the Board of Directors

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

Dear shareholders,
AssalamuAlaikumWa-Rahmatullah

On behalf of the Board of Directors and Management, we welcome you all at the 18th Annual General Meeting (AGM) of Premier Cement Mills Limited. 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, 2020 thereon for your valued consideration, approval and adoption.

Bangladesh Economy:

The unprecedented Covid-19 pandemic has largely unsettled global trade, business, and education and Bangladesh has been equally affected by this contagion. The economic consequences of the Covid-19 outbreak are tough to handle as the entire of the global supply chain has been interrupted due to worldwide transportation shutdown. On the other hand a large number of people live from hand to mouth and have no savings. This large group of people is the ones who are most severely affected amidst this ongoing crisis.

However, it is the positive sign that in the midst of this Corona pandemic, investment in the fiscal year (FY) 2019-20 rose by 10.63 percent year-on-year, the country's Gross Domestic Product (GDP) increased a relatively healthy 5.24 percent and the country's per capita income reaching \$2064. Consumption and savings grew by 9.5 percent and 12 percent respectively during the period. The Bangladesh Bureau of Statistics (BBS) came up with these details in its periodic report on 10 August 2020 (The Business Standard 11 August 2020). The GDP growth that the country saw the last time was in FY 2001-02, which was 4.36 percent, according to data from the BBS. GDP growth was 8.13 percent in FY-19, 7.86 percent in FY-18 and 7.28 percent in FY-17. The growth in the industrial sector among the major sectors fell by almost half from 12.67 percent to 6.48 percent in the last fiscal year. The service sector's growth also slowed to 5.32 percent from 6.78 percent and agriculture saw a 3.11 percent decline from 3.92 percent in FY-19. The manufacturing sector dropped to 5.84 percent from 14.20 percent in the previous fiscal year. According to the BBS, the market value of GDP stood at Tk.27,96,378.2 crore in the last fiscal year. Agriculture contributed 13.02 percent, industry 31.13 percent and services 55.86 percent. According to the report, for the first time, the country's per capita income (GNI) has increased by 8.12 percent to \$2,064, which is equivalent to Tk.1,74,888. Per capita income was \$1,909 in FY-19 and \$1,751 in FY-18. The public and private sectors together invested BDT 887,988 crore in the last fiscal year, according to the BBS, which is 10.63 percent higher than that in the previous fiscal year. A total of 31.75 percent of GDP has been invested –

the highest in the history of the country. In FY-20, private investment grew to 23.63 percent from 23.54 percent in FY-19, while public investment rose to 8.12 percent from 8.03 percent. Savings rose by 12.26 percent to Tk.8,419,65.1 crore. In the last fiscal year, Gross National Savings increased from 29.50 percent of the GDP to 30.11 percent. This rate of savings is also the highest in history.

Cement Industry scenario:

The Bangladeshi cement and construction industries have been directly and indirectly affected by the ongoing measures taken by the country's government to control the spread of the coronavirus pandemic. The country has been on holiday from the 26th of March 2020 to 30th May 2020 and it impacted the cement supply chain and continue to disrupt the implementation of large projects including the Padma Bridge, Rooppur nuclear power plant, Matarbari power plant, Karnaphuli river tunnel and Dhaka metro rail according to local media reports. One of the reasons for the suspension of construction works, is that neither foreign nor local employees can work under the prevailing situation, which will definitely slow down the progress of the projects.

Bangladesh cement industry is one of the fastest-growing cement markets in the world and has observed double-digit growth over the last decade. The per capita cement consumption has also increased following the trend from 95 kg (2011) to 200kg in 2020. This massive growth of the cement industry was backed by the massive infrastructure investment by the government, growing remittance income, rising urban population, and impressive GDP growth.

Since the outbreak of the recent COVID-19, global economy has been significantly affected and consequently the Bangladesh economy will have to follow the same fate. This implies that just like the Garments sector; Cement production will also suffer a major drawback amidst the global crisis. Unlike the Garments sector, the cement industries are mostly local sales based. This implies a kind of similar but different challenge for the market to recover from the current crisis.

Following the global spread of the Coronavirus, Bangladesh experienced its first case on 8th March 2020. No significant effect was observed on February and March was a real success in terms of sales for most of the local and multinational cement companies. Had there been no occurrence of this pandemic, April could have been another very high yielding month for all of the major players. But it eventually turned out to be a complete disaster after the pandemic took its full toll. At the start of April, the industry reported around 60%-65% reduction in cement production as the sales had plummeted from 25 lakh bags daily sale to only 5 lakh bags.

Since the industry is 100% import based, banking and port operations play key roles for the import and supply of raw materials. The recent government enforced country-wide lockdown has limited the bank operations which is limiting the transactional capacity of the Importers. Importers are restricted from opening new LC (Letter of Credit) or debenture for importing essential raw materials from abroad. Limited hours banking, limited resources in Customs and Port Operation, higher turn-around time in local logistics altogether had made the tasks very dismaying overall.

Premier Cement during COVID-19 Outbreak:

Amidst the outbreak of the ongoing pandemic, a few companies have shown relatively better performances and were able to somehow address the crisis. Although the stock price of most companies have dropped significantly, Premier Cement Mills Ltd is one of few companies in the country whose stock price have increased. Seven companies in the cement sector are listed on the stock exchange, among which two are multinational companies. Six out of the seven companies including the two multinationals have lost bids in the corona outbreak. However, Premier Cement is the only company in the list which have gone against this trend and have been able to raise their stock prices. The performance of Premier Cement during the ongoing crisis has been quite satisfactory and should encourage other companies to handle the crisis in a better way. Segment wise standalone Performance:



VRM Mill
 Model: OK™ 54-6
 Capacity: 460 MT/hour

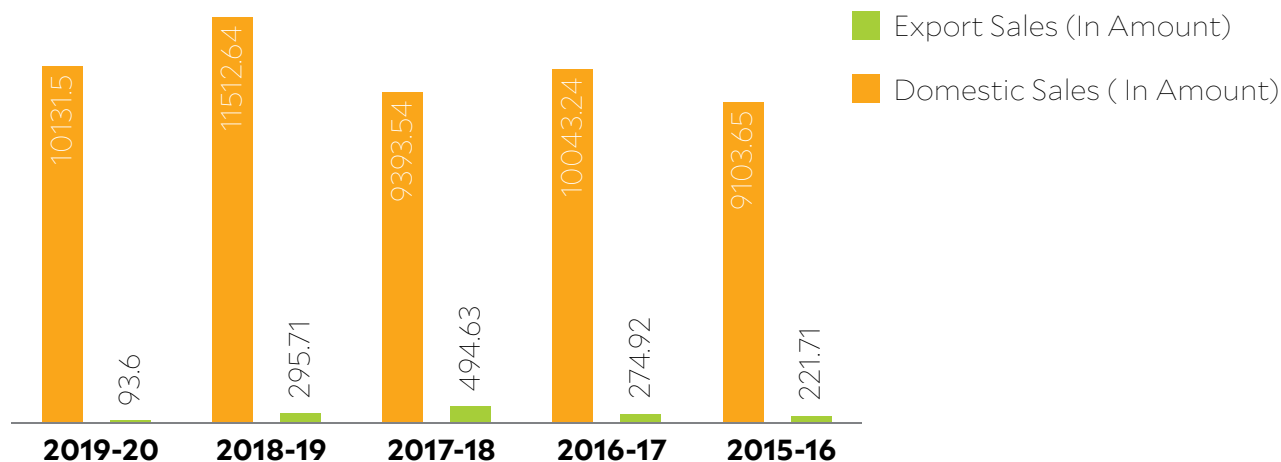
&

VRM Mill
 Model: OK™ 39-4
 Capacity: 270 MT/hour

We believe Premier Cement Mills limited 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 97 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 43 of this annual report.

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

There was no extra-ordinary gain or loss during the mentioned period.

Related Party Transaction:

In the FY -2019-20, a number of transactions with related parties were carried out in the normal course of business on an arm’s length basis. In note 35 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.

IPO Fund Utilization:

No IPO was made in the financial year 2019-20.

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 ensures 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 agendas. 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.

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.

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- PCML (Stand Alone)

Tk in Mio

Particulars	Q-1	Q-2	Q-3	Q-4	2019-2020
Revenue	2,558.37	2,733.82	3,184.73	1,983.67	10,460.67
Gross Profit	380.03	466.47	354.4	249.05	1,449.98
Profit from operation	289.07	357.29	237.11	107.06	990.55
Profit before tax	129.49	183.59	82.55	(101.58)	294.05
Profit after tax	28.17	64.10	8.33	124.83	225.44
Total assets	19,544.96	19,369.95	20,305.17	21,463.03	21,463.03
Total liability	14,845.28	14,606.16	15,533.05	16,566.08	16,566.08
Total equity	4,699.68	4,763.78	4,772.12	4,896.95	4,896.95
EPS	0.27	0.61	0.18	1.08	2.14
NVA per share	44.57	45.18	45.25	46.44	46.44
NOCFPS	1.44	1.37	2.75	3.71	6.46

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. 2,558.37 million Tk. 2,733.88 million 3,184.74 and 1,983.67 respectively from Q-1, Q-2, Q-3 and Q-4. At the end of the Q-4 revenue decreased by Tk. 574.70 million or 22.46% from first quarter. The quarterly EPS were BDT 0.27, BDT 0.61, BDT 0.18, BDT 1.08 respectively. Due to the emergence of covid-19 pandemic, the government imposed lockdown from 26 March 2020 to 30 May 2020 in order to stop the spread of the virus which directly affected the business performance. The company was able to restore only 18.96 Per cent production in the fourth quarter.

Remuneration of Directors:

Mr. Mohammad Mustafa Haider and Mr. Mohammed ErshadulHoque, Members of our Board of Directors are working diligently and sincerely for the Company. Mr. Mustafa Haider is looking after the Sales and Marketing division and Mr. ErshadulHoque is responsible for the overall operation. Each of them receives a yearly remuneration of BDT 12,00,000/- (Twelve lacs). None of other BoD members including independent directors receive 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:

- * M. MahfuzurRahman - Chairman
- * Fakhrul Islam - Member
- * Mohammed ErshadulHoque - 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.

Other concern

It is regrettable that a dispute has been arisen between Rupayan Housing Estate Limited and the Company. The Rupayan Housing Estate Limited had agreed to sell an office space of 21,507 sft (11th Floor) and 6 car parking spaces (4 in Basement-1 and 2 in Basement -2) at the Rupayan Trade Centre (a 18 storied building) at Bangla Motor area for Tk. 17,94,07,400.00 (Taka Seventeen Crores Ninety Four Lakhs Seven Thousands Four Hundreds Only). The agreement for sale was duly registered by Registered Deed No. 4169 on 12th May 2010 and the Company paid BDT 12.5 Crore to Rupayan at the time of registration. Subsequently, Rupayan sold the same property to a third party for at a higher price i.e. BDT 20 crores 33 lakhs 13 thousands and 7 hundred. Afterbeing informed of this incident, PCML's authority filed a case in the District and Session Judge Court against Rupayan and applied for imposing restriction on transfer of the said property to any other third party except the plaintiff, (case no.-61/2010.) The District and Session Judge Court on 13.07.2014 gave decree in favour of PCML after hearing of the case. Afterwards Rupayan appealed against the decision but that too went against their favor. Denying the Court verdict,Rupayan gave SubkobraRegistry in favour of the said third party only at a price of Tk. 5 crore, Sales deed no.-4312/15 dated 30.06.2015. Drawing attention to this regard PCML again appealed to DurnityDomon Commission (DUDOK).In a new development Rupayan Housing Estate Limited has handed over a floor space of 17,023 including 6 car parkingat Rupayan Shopping Square.

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 deviationsare discussed in "The Management Discussion& Analysis" on page no-43 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-30 of this Annual Report.

Reserve and Surplus

Consolidated Retained earnings of the Company in FY-2019-20 stood at BDT 3,256.48million against BDT3,083.64 millionin FY-2018-19. Revaluation reserve stood at 492.31 millionas on the year-end 2019-20against BDT 501.20as on the corresponding previous period.

Post Balance Sheet Events

1. Subsequent to the Balance Sheet date, the Board of Directors has recommended a cash dividend of 10%.

2. In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world including business locations of the Company has adversely impacted global commercial activities and contributed to significant declines and volatility in financial markets. However, management are ensuring that staffs are trained with safety guidelines provided by Government in this pandemic situation. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. Therefore, the full extent to which coronavirus may impact the Company’s results of operations, liquidity or financial position is uncertain. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Company, its performance, and its financial results.

The number of Board meetings during the FY-2020 and the attendance of the Directors:

During the FY-2019-20, a total of 6 (six) meetings of the board were held. Attendance by the Directors has been summarized in corporate governance report of this annual report page no-85

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, Company Secretary, Chief Financial Officer, Head of Internal Auditor and their spouse and minor children, executives, shareholders holding 10% or more voting interest in the Company as at 30 June 2020 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 30 June 2020:

Name of the Directors	Position	Nos. of Shareholding	%	Spouse or Minor Children
Mohammad Mustafa Haider	Chairman	11,473,150	10.88	Nil
Mohammed Amirul Haque	MD	11,599,500	11.00	Nil
Md. Jahangir Alam	Director	10,425,313	9.88	Nil
Md. Alamgir Kabir	Director	4,416,562	4.19	Nil
ANCIENT PROPERTIES LTD Representative By Mr. Mohammed Ershadul Hoque	Director	2,113,500	2.00	Nil
Mohammed Ershadul Hoque Representative By ANCIENT PROPERTIES LTD	Nominated Director	Nil	Nil	Nil
M. Mahfuzur Rahman	Independent Director	Nil	Nil	Nil
Fakhrul Islam	Independent Director	Nil	Nil	Nil

- C) Shares held by Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit & Compliance as on 30 June 2020.

Particulars	Position	Nos. of shareholding	%	Spouse or Minor Children	%
Mr. Md. Shafiqul Islam Talukder	CFO	Nil	Nil	Nil	Nil
Kazi Md. ShafiqurRahman	CS	132	0.0001	Nil	Nil
Mr. Md. Selim Reza, FCA	HolA	Nil	Nil	Nil	Nil

D) Shareholders holding ten percent (10%) or more voting interest in the Company (name wise details) as on 30 June 2020.

Particulars	Position	Nos. of shareholding	%	Spouse or Minor Children	%
Mr. Hasnat MD. Abu Obida	General Shareholder	18,332,500	17.39	Nil	Nil

E) Shareholding of Senior Executives (Top three salaried executives other than CEO, CFO, & HIAC): **Nill whereas** CS has only 132 shares which is 0.0001%.

F) On the other hand the Company (PCML) hold 96% stake in the shares of Premier Power Generation Limited (Subsidiary) and 18.67% stake in the shares of National Cement Mills Limited (NCML) as on the balance sheet date.





Directors Profile:

A brief profile of all directors is provided in the section “Directors profile” of this report on page no-52

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 benefitted 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-64 of this annual report.

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 Limited is committed to comply with all the requirements of corporate governance as required by Bangladesh Securities and Exchange Commission (BSEC). Details about the initiatives is discussed in Corporate Governance Report under **Annexure-i**

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**

Place: Dhaka
Date: 12th November 2020

On behalf of Board

Mohammad Mustafa Haider
Chairman

