

STANDARD CERAMIC INDUSTRIES LTD.
Amin Court (3rd Floor), 62-63, Motijheel C/A,
Dhaka- 1000, Bangladesh.

**DIRECTORS' REPORT AT THE
37TH ANNUAL GENERAL MEETING**

Dear Shareholders,

We, on behalf of the Board of Directors, feel privileged to welcome you to the 37th Annual General Meeting of your Company and have the pleasure in presenting before you the Annual Report together with Annual audited financial statements for the financial year ended on 30th June 2021.

General Economics & Economic condition:

Covid-19 pandemic and high rate of inflation & increased cost of raw materials made negative impact on profitability through profitability improved compared to previous financial year. The purchase power of consumers has decreased due to loss of income. Therefore sales could not be accelerated at desired level to generate profit.

Industry outlook

Directors are trying hard to expand and explore market not only in our country but also in the other countries but economic condition has become the main constraint to achieve this objective.

Possible future development

Directors are also trying hard to enhancement of capacity and improvement of quality.

Cost Reduction

Directors are expecting that due to Rebuilt of Glost Kiln & repair of machinery, production cost will decrease subject to utilization of maximum capacity which will depend on improvement of general economic situation.

Segment-wise or product-wise performance

No segmental reporting is applicable for the company as the Company operates in a single industry segment and it is very difficult to separate Product wise performance reporting.

Risks and concerns

COVID 19 has increased the business Risk in almost all Sectors of business within/outside the country.

(a)Interest Rate Risk

The rate of interest is same compared to the previous year but risk of interest remains if the interest rate changed on upward near future.

(b) Exchange rate risk

Company always adjusts exchange risk for imported raw materials through increasing products price but in the present economic scenario, price increase may not be possible.

(c)Market Risk

The company is continuously upgrading its quality to minimize the market risks but purchasing power of customers has decreased.

(d) Operational Risk (Non-availabilities of Materials /Mechanical Failure of Equipments)

The Company has its scientific inventory management system and equipped with power backup which reduces operational risks. Utilization of plant capacity will depend on improvement of market condition.

(e) Trade Policy risk

Trade policy risk refers to the increase competition in the market due to change of trade policy. Increase of duty on imported raw-materials and decrease of duty on imported finished goods will increase risks. The Company continuously carries out research and development activities according to the customer choice which reduces industry risk.

(f) Threat to sustainability and negative impact on environment

There is no foreseeable sustainability threat, though the Ratio between Current Assets & Current Liabilities has distorted due to COVID 19.

State of Company's Affairs (Analysis of Cost of goods sold, Gross profit margin, Net profit margin) :

Turnover amounted to Taka 325.33 million in the year 2020-2021 as against taka 233.74 million in the year 2019-2020. This year cost of goods sold Taka 261.101 million as against 217.53 million in the year 2019-2020. The gross profit for the year was Taka 64.234 million as against Taka 16.20 million of the previous year.

Particulars	Figure in Thousand ('000) Tk.	
	2020-2021	2019-2020
Net Profit/(Loss) before Tax etc.	4,455	(36,675)
Less: WPPF	(222)	0
Less: Provision for tax etc.	(2,743)	(2,279)
Add: Deferred Tax (Exps)/Income	34	(1,868)
Net Profit/(Loss) after Tax etc.	1,524	(40,822)
Less: Previous years Retained Earnings/Accumulated Profit/(Loss)	(44,177)	(3,355)
Proposed Dividend	(646)	0
Retained Earnings)/Accumulated Profit / (Loss)	(43,299)	(44,177)

Contribution to National Exchequer:

Your company contributed a total amount of Taka 53.806 million to the National Exchequer in the form of Custom duty, AIT, VAT, except gas, electricity bill etc, during the year under report.

Continuity of Extra-ordinary Gain or Loss:

There was no extra- ordinary gain or loss during the year under report except effect of Covid-19.

Related party transaction

Company was not connected to related party transactions except note no-39.

Reply of the qualification remark in the audit report.**i) Provident fund**

The Company has taken loan from Provident Fund against which 8% interest being paid. This has been done to minimize borrowing cost & formalities required to obtained fund from alternative source. The Board of Trustees of Provident Fund has approved Loan from Provident Fund to the Company which is shown as Current Liability.

ii) Unclaimed Dividend

We have written letter to Bangladesh Securities & Exchange Commission to extension of time regarding transfer of the amount held Unclaimed Dividend Account to Capital Market Stabilization Fund (CMSF).

Dividend

The Company has a total accumulated loss (Opening Retained Earnings) of taka 44.18 million in the opening of the year. But the company earned a net profit of taka 1.523 million during the year. Considering the investors' interest, the Board of Directors has recommended cash dividend @1% from the current year's profit on face value of share for all shareholders.

Utilization of Proceeds from Public Issue, right issue and through any others instruments

The Company did not raise share capital through Public Issue, right issue and through any other instruments during the year 2020-2021. However, the company raised its capital in 1996. The proceeds of the issue have been utilized in repaying Long Term Loan.

Significant variance between Quarterly Financial performances and Annual financial statements

The variances between Quarterly Financial performances and Annual financial statements were due to COVID 19.

Remuneration of Directors and Independent Director

Remuneration of the Directors have been disclosed in the accounts note no.23. The Chairman of the Board is a non-executive Director. Note that the Chairman, all other non-executive Directors and Independent Directors did not receive any remuneration except meeting fees.

Directors' Responsibilities Statement :

Pursuant to BSEC notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June, 2018 the Directors confirm that:

The Company has complied the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission.

Accordingly, the Directors are pleased to confirm the following:

- * The Financial Statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994, Financial Reporting Act, 2015 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- * Proper books of accounts of the Company have been maintained.
- * Appropriate Accounting Policies have been consistently applied in the preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- * The Financial Statements have been prepared in accordance with IAS/IFRS.
- * The system of internal control is sound and has been effectively implemented and monitored.
- * There are no significant doubts upon the Company's ability to continue as a going concern.
- * The key operating and financial data for the last five years is disclosed in Page no. 5.
- * No Bonus share or stock dividend has been declared as interim dividend.
- * The majority shareholders did not oppress any minority shareholders. The interest of minority shareholders was protected as required by Companies Act.

Significant deviation in operating results compared to previous year

Significant deviation in operating results compared to previous year has been disclosed in the accounts note no. 36 & 42.

Board Meetings and Attendance :

The Board of Directors consisted of 8 members and during the year four Board meetings were held.

The attendance record of the Directors were as follows:

Sl #	Name of the Directors	Position	Meeting attended	
01.	Mr. Lutfur Rahman	Chairman	4	
02.	Mr. Helal Uddin Ahmed	Managing Director	4	
03.	Mr. Nasir Uddin Ahmed	Director	4	
04.	Mr. Enamul Maqsood	Director	4	
05.	Mr. A.K.M. Alamgir Khan	Director	4	
06.	Mrs. Anwarun Nehar	Director	4	
07.	Mr. M. Ismail	Ex-Independent Director	1	Retired
08.	Md. Aftab Uddin Ahmed, FCA	Independent Director	1	Appointed on 10/1/2021
09	Mr. A.Z.M Nazrul Haque	Independent Director	4	

The Directors not attending the meetings were granted leave of absence.

Subsidiary Company

The Company has no subsidiary company.

Chairman of the Board and Chief Executive Officer

The position of the Chairman of the Board and Chief Executive Officer stand separated.

Duties of CEO and CFO

The provision of BSEC regulations has been complied.

Shareholding Structure:

The pattern of shareholding is as follows:

Sl #	Name wise details	Shares held
01.	Mr Lutfur Rahman, Chairman	3,73,880
02.	Mr. Helal Uddin Ahmed, Managing Director	3,73,880
03.	Mr Nasir Uddin Ahmed, Director	3,73,880
04.	Mr. Enamul Maqsub, Director	2,06,892
05.	Mr. A.K.M Alamgir Khan, Director	2,59,080
06.	Mrs.Anwarun Nehar , Director	129,680
07.	Mr. AZM. Nazrul Haque, (Independent Director)	nil
08.	Md. Aftab Uddin Ahmed, FCA, (Independent Director)	nil
09.	Mr. Jamal Uddin Bhuiyan, Company Secretary.	nil
10.	Mr. Abdur Rahim, Chief Financial Officer.	nil
11.	Mr. Serajul Islam, Head of Internal Audit and Compliance.	nil
	Executives:	
12.	Md. Abu Taher, Senior Manager (Import).	nil
13.	Mr. Mushfiquir Rahman, Manager Export	nil
14.	Mr. Kazal Or-Rashid, Dy. Manager (Custom)	nil
15.	Mr. Mustafizur Rahman, Dy. Manager (Share)	nil
16.	Md. Asaduzzaman Asad, Dy. Manager (Export)	nil

Retirement of Directors and their Re-election :

Mr. Lutfur Rahman and (2) Mr. AKM Alamgir Khan, Directors of the company who retired by rotation as per Article 44 of the Articles of Association of the Company, offered themselves for re-appointment and being eligible may be re-appointment.

Appointment of Independent Director

Mr. M. Ismail, Independent Director has retired as per Notification dt. June 3, 2018 of Bangladesh Securities & Exchange Commission. A post of independent Director has fallen vacant for his retirement. The Board of Directors has appointed Md. Aftab Uddin Ahmed, FCA as Independent Director of the company on 10/1/2021 for three years subject to the approval of shareholders in 37th AGM. The Board has also approved Md. Aftab Uddin Ahmed, FCA as Chairperson of the Audit Committee.

Brief resume of Directors:**A) Mr. Lutfur Rahman- Chairman.**

Mr. Lutfur Rahman is an honors graduate of Dhaka University and started his career with Peoples ceramic Industries Ltd (PCI Ltd.) in the 80's. He was also involved with Standard Ceramic Industries Ltd. in the early year of the Company. Mr. Rahman is the Managing Director of Peoples Ceramic Industries Ltd. was general Secretary of Bangladesh Ceramic Wares Manufacturers' Association (BCWMA), life member of IBA of Dhaka University & AOTS, Japan.

B) Mr. Helal Uddin Ahmed- Managing Director

Mr. Helal Uddin Ahmed is a graduate from BUET in Mechanical Engineering. He is a Shareholder and a Director of the company. He is also a director of Peoples Ceramic Industries Ltd. He has been engaged in ceramic line since 1987. He has also gathered vast experience in ceramic production and quality. In addition to his business, he is a member of IEB, BUET-87 Club, Association of BUET Alumni and the International Association of Lions Club. Mr. Helal is also associated with some social organizations.

A) Mr. Nasir Uddin Ahmed - Director.

Mr. Nasir Uddin Ahmed, a commerce graduate, is the Director of the company. He started his career in 1985 as management executive (now operative director) in Peoples Ceramic Industries Ltd., pioneer of ceramic sector in the country. He has acquired vast knowledge in technical and manufacturing during his service life and able to hold key position in the same field. He has got long 33 years experience as ceramic business expert. Long acquiring experience including various training from abroad like AOTS, Japan in respect of industrial concerns.

D) Mr. Enamul Maqsud –Director.

Mr. Enamul Maqsud is a graduate from BUET in Mechanical Engineering. He is a Shareholder and Operative Director of the company. He is also a director of Peoples Ceramic Industries Ltd. He has been working in ceramic sector since 1989. He has also gathered vast experience in ceramic production and quality. In addition to his business, he is a member of IEB, BUET-88 Club. Mr. Maqsud is also associated with some social organizations.

E) Mr. A.K.M Alamgir Khan- Director.

Mr. A.K.M Alamgir Khan is an M.B.A from IBA, DU. He is the director of the company. He was one of the earliest entries from the private sector in CNG through Delta CNG. Mr. Khan worked for 3 years as Consultant in Heidelberg Cement. He is a registered Professional Fellow with the US State Department. Mr. Khan also a life member of Dhaka Club, MBA Club etc.

F) Mrs. Anwarun Nehar- Director

Mrs. Anwarun Nehar was born in a respectable Muslim family in 1954. She is the daughter of Al-haj Ansar Uddin Ahmed, founder Chairman and Managing Director, Standard Ceramic Ind. Ltd. She is the shareholder of Peoples Ceramic Ind. Ltd. Mrs. Anwarun Nehar has completed B.Sc, B.Ed. She is also associated with some social organizations.

G) Md. Aftab Uddin Ahmed, FCA- Independent Director.

Md. Aftab Uddin Ahmed was born in 1963 in a respectable Muslim family at Chandpur in Cumilla. He is the son of Md. Habibur Rahman & Mrs. Mahmuda Khatun. He obtained Post Graduated Degree and also qualified Chartered Accountancy in 2001. He is the Fellow Member of Institute of Chartered Accountants of Bangladesh (ICAB), Enrolment no. 804. He is presently the independent auditor & Senior Partner of AZIZ HALIM KHAIR CHOUDHURY, Chartered Accountants. He is in practice in the last 18 years. Mr. Aftab Uddin is associated with some social organisations.

H) Mr. A.Z.M Nazrul Haque- Independent Director

Mr. A.Z.M Nazrul Haque obtained B.Com (Hons) M.Com in Management in the year 1971 from Dhaka University. He was engaged in Teaching profession in the Department of Management of the then Govt. Jagannath University College. Mr. Haque also served in Ceramic Industries in deferent positions almost 40 years and gathered vast experience. Mr. Haque is associated with some social organisations.

MANAGEMENT DISCUSSION AND ANALYSIS ON COMPANY'S POSITION AND OPERATION
Refer to Annexure -D Page no-24

REPORT OF THE AUDIT COMMITTEE
Refer to Annexure- E Page no-25

MD & CFO'S Declaration on Financial Statements

Refer to Annexure- A Page no-13

CERTIFICATE ON COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE CODE
Refer to Annexure B Page no-14.

Report of the Nomination and Remuneration the Nomination committee (NRC)

NRC committee consisting of the following members.

Particulars	Position in the committee
1. Mr. AZM Nazrul Islam, Independent Director.	Chairman
2. Mr. Lutfur Rahman, Director.	Member
3. Mr. A.K.M Alamgir Khan, Director.	Member

All the members of NRC are non-executive director.

A Meeting was held during the year, the committee will play its role as per guide line of BSEC. No top level executive was appointed & NRC reviewed remuneration of top level executives.

Refer to annexure-F, Page # 27.

Corporate Governance Compliance Report:

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" is annexed (Annexure –C).

Appointment of Statutory Auditors :

As per Securities & Exchange Commission Notification, auditors are eligible for three consecutive years. Presently M/s. MABS & J Partners, Chartered Accountants, SMC Tower, 7th floor, 33 Banani, Road no-17, Dhaka-1213, Bangladesh is the auditor of the Company whose period of appointment will expire on 37th AGM as well as they will fulfill conditions of appointment of two years period. They offered themselves for re-appointment as auditors of the Company for the year 2021-22. Accordingly, the Board of Directors recommended that M/s. MABS & J Partners , Chartered Accountants, be appointed as Auditors for the financial year 2021-2022 subject to the approval of the Shareholders in the AGM with Tk 225,000/= (Taka.Two lacs twenty five thousand) only as their remuneration for audit works only.

Appointment of Corporate Governance Auditors

Presently M/s. M. Ahmed & Co , Chartered Accountants, Shakila's Dream, House no-12-13,(Ground Floor) Suit # 103, Road # 5, Block# A Kaderabad Housing Society, Mohammadpur, Dhaka-1207 Bangladesh is the Corporate Governance auditors of the Company whose period of appointment will expire on 37th AGM. They offered themselves for re-appointment as auditors of the Company for the year 2021-22. Accordingly, the Board of Directors recommended that M/s. M. Ahmed & Co, Chartered Accountants, be appointed as Corporate Governance Auditors for the financial year 2021-2022 subject to the approval of the Shareholders in the AGM.

Acknowledgement :

We, on behalf of the Board of Directors of the company, express our sincere gratitude and thanks to all the respected Shareholders, Investors, Banks, Financial Institutions, Bangladesh Securities & Exchange Commission, Stock Exchanges, CDBL, ICB, Government Agencies, News & Press Media, Suppliers, Customers and employees of the company for their continued support & co-operation.

Conclusion :

Finally, we, on behalf of the Board of Directors express our deep appreciation to all workers, Staff and Officers, both in the Head Office and Factory for their dedicated hard work rendered during the year and hope that they will continue to maintain spirit of team work in the coming years for the continued growth of the Company.

On behalf of the Board of Directors

Date: 3 November, 2021
Place: Dhaka



(A.K.M Alamgir Khan)
Director



(Helal Uddin Ahmed)
Managing Director