

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

**DIRECTORS' REPORT AT THE
39TH ANNUAL GENERAL MEETING**

Dear Shareholders,

We, on behalf of the Board of Directors, feel privileged to welcome you to the 39th 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 2023.

General Economics & Economic condition:

The General economic condition in the Country was not favorable for smooth running of the industry.

Moreover, loss increased due to-

- a. Increased Gas Price (Unit Rate from Tk. 10.70 to Tk. 30.00).
- b. Decrease of demand due to increase of Cost of living of consumer caused by inflation of essential commodities & food grain etc.
- c. Cumulative negative effect on sales due to Ukraine - Russia War which caused low demand of products and decreases of production below breakeven point causing gross loss due to Low Sales & underutilized of production capacity.
- d. No export due to inability of International Competitiveness capacity.
- e. Raw materials cost increased due to Dollar rate increased. As a result production cost increased.

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, high Gas price, high cost of raw materials and low product demand have become the main constraint to achieve the 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

Cumulative effect of COVID 19 , Russia & Ukraine war, high Gas price , high cost of raw materials and low demand of products have increased the business Risk in almost all Sectors of business within/outside the country. Failure to supply of energy (Electricity & Gas) is also constraint

(a)Interest Rate Risk

The rate of interest is same compared to the previous year but risk of interest remains if there is upward changed in the interest rate.

(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, Russia & Ukraine war, Dollar rate fluctuation and irregular supply and high rate of Gas & electricity.

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

Turnover amounted to Taka 244.47 million in the year 2022-2023 as against taka 311.32 million in the year 2021-2022. This year cost of goods sold Taka 310.477 million as against 270.03 million in the year 2021-2022. The gross profit for the year was Taka (66.006) million as against Taka 41.28 million of the previous year.

Figure in Thousand ('000) Tk.

Particulars	2022-2023	2021-2022
Net Profit/(Loss) before Tax etc.	(123,098)	(17,654)
Less: Provision for tax etc.	(1,467)	(1,868)
Add: Deferred Tax (Exps)/Income	1,598	197
Net Profit /(Loss) after Tax etc.	(122,967)	(19,325)
Unrealized foreign exchange fluctuation gain	0	164
Add;Prior years adjustment	(15,805)	0
Less: Retained Earnings)/Accumulated Profit / (Loss) b/f	(62,460)	(43,299)
Dividend / Proposed Dividend (From General reserve)	0	0
Accumulated Retained Earning as on 30.06.2023	(201,232)	(62,460)

Contribution to National Exchequer:

Your company contributed a total amount of Taka 39.53 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.

Related party transaction

Company was not connected to related party transactions except note no-41.

Reply to the Qualification remark the Audit report

Work - In – Progress (inventory)

Commercial production of the company started in 1993. Damage, obsolete and trial production loss were not written off, hence included in the Work - In – Progress (inventory). No approval to write off the damage stock was taken from VAT authority which was hazardous.

Bank Statement

We have provided all bank statements to the auditors for balance confirmation.

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.

Unclaimed Dividend

We have written letter to Bangladesh Securities & Exchange Commission for extension of time regarding balance transfer of the amount held Unclaimed Dividend Account to Capital Market Stabilization Fund (CMSF). In the meantime company has deposited Tk. 10 lac to CMS fund.

Dividend

The Company has a total accumulated loss of taka 201 million which lowered our reserve position. In this situation, the Board of Directors has recommended no dividend of this year.

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 2022-2023. 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 cumulative negative effect of COVID 19 and Russia & Ukraine war, high cost of Gas price, high cost of raw materials and low demand of products.

Remuneration of Directors and Independent Director

Remuneration of the Executive Directors (Managing Director & Operative Director) have been disclosed in the accounts note no.24. On the other hand, Chairman, non-Executive Directors & 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 2020. 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 as applicable in Bangladesh.
- * 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 respective notes in the accounts. (note no. 37, 39 & 42)

Board Meetings and Attendance :

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

The attendance record of the Directors is as follows:

SI #	Name of the Directors	Position	Meeting attended	
01.	Mr. Lutfur Rahman	Chairman	5	
02.	Mr. Helal Uddin Ahmed	Managing Director	5	
03.	Mr. Nasir Uddin Ahmed	Director	5	
04.	Mr. Enamul Maqsdud	Director	4	
05.	Mr. A.K.M. Alamgir Khan	Director	4	
06.	Mrs. Anwarun Nehar	Director	5	
07.	Mr. Aftab Uddin Ahmed, FCA	Independent Director	5	
08.	Mr Mizanur Rahman, FCA	Independent Director	5	.

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:

SI #	Name wise details	Number of 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 Maqsdud, Director	2,06,892
05.	Mr. A.K.M Alamgir Khan, Director	2,59,080
06.	Mrs.Anwarun Nehar , Director	129,680
07.	Mr. Aftab Uddin Ahmed, FCA, (Independent Director)	0
08.	Mr. AKM Mizanur Rahman, FCA, (Independent Director)	0
09.	Mr. Jamal Uddin Bhuiyan, Company Secretary.	0
10.	Mr. Abdur Rahim, Chief Financial Officer.	0
11.	Mr. Serajul Islam, Head of Internal Audit and Compliance.	0
	Executives:	
12.	Mr. Md. Abu Taher, Senior Manager (Import).	0
13.	Mr. Hedayet, Manager Admin	0
14.	Mr Mustafizur Rahman ,Dy. Manager (Share)	0
15.	Mr. Md.Asaduzzaman Asad, Dy.Manager(Export)	0
16.	Mr. Ziaul Haque, PPO	0

Retirement of Directors and their Re-election :

Mr. Nasir Uddin Ahmed (2) A.K.M 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.

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) Helal Uddin Ahmed- Managing Director

Mr. Helal Uddin Ahmed is a graduate from BUET in Mechanical Engineering. He is 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

C) 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 36 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 Maqsd –Director.

Mr. Enamul Maqsd 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. Maqsd 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 19 years. Mr. Aftab Uddin is associated with some social organisations.

H) Mr Mizanur Rahman, FCA- Independent Director

Mr. A.K Mizanur Rahman, FCA is Managing Partner of Shafiq Mizan Rahman & Augustine, Chartered Accountants and Official Receiver, People's Republic of Bangladesh. He qualified as Chartered Accountant from the Institute of Chartered Accountants of Bangladesh (ICAB) in the year 1983. Mr. Rahman is a life Member of Bangladesh Red Crescent Society, Diabetic Association of Bangladesh, Bangladesh Society of Hypertension, Bangladesh Lions Foundation and Member of Dhaka Chamber of Commerce and Industry (DCCI), Japan-Bangladesh Chamber of Commerce & Industry. He attended various seminar and conference at home & abroad. He was the Chairman of Dhaka Regional Council of the ICAB in the year 1997 and Past President of Lions Club of Dhaka Shahabagh and OISCA International Japan. He was also a Member of Standing Committee of ICAB, DCCI and International Director, OISCA International, Japan and Director, Sadharan Bima Corporation and Beach Hatchery Ltd.

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. Mizanur Rahman, FCA, Independent Director.	Chairman
2. Mrs. Anwarun Nehar, Director.	Member
3. Mr. A.K.M Alamgir Khan, Director.	Member

One 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.

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 Auditors :

Presently M/s. ARTISAN, Chartered Accountants, Sonargaon Terrace (2nd Floor), House no-52, Road no-13/C, Block no-E, Banani, Dhaka-1213 Bangladesh is the auditor of the Company whose period of appointment will expire on 39th AGM as well as they will fulfill one year period. They have offered themselves for re-appointment as auditors of the Company for the year 2023-24. Accordingly, the Board of Directors recommended that M/s. ARTISAN, Chartered Accountants, be re-appointed as Auditors for the year 2023-2024 subject to the approval of the Shareholders in the AGM with Tk 225,000/= (Taka.Two lakh 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 39th AGM. They offered themselves for re-appointment as auditors of the Company for the year 2023-24. Accordingly, the Board of Directors recommended that M/s. M Ahmed & Co, Chartered Accountants, be appointed as Corporate Governance Auditors for the financial year 2023-2024 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: 18 November, 2023
Place: Dhaka


(Enamul Maqsud)
Director


(Helal Uddin Ahmed)
Managing Director