

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

**DIRECTORS' REPORT AT THE
40TH ANNUAL GENERAL MEETING**

Dear Shareholders,

We, on behalf of the Board of Directors, feel privileged to welcome you to the 40th 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 2024.

General Economics & Economic condition:

We deeply regret to inform you that we have had the worst financial year in our history. The spiralling cost of operations and the Banking channel crisis has crippled our company. Our company has suffered tremendously through the COVID years. Those years saw production levels drop significantly as social distancing resulted in extreme low turnouts in the factory. We were faced with the difficulty of accepting high fixed costs even with low production.

Like most people, we could not also foresee these troubled times and hence were not able to cope with the challenges. The world has gone into a recession following the COVID era & the Ukraine war that followed (Covid) increased prices of all products beyond expectation – not a single sector has been spared. Fuel costs increased to around 50% and Taka lost a lot of value against the Dollar. The 2022 turmoil of the Banking sector did not surface for many months.

Then came the biggest shock of all – in February 2023 the government increased the price of our main raw material (the Natural Gas) by 150% which pushed up the price of everything all over again including power. Foreign Exchange reserves dropped to such a level that it was difficult to get LCs issued. Bank margin was received in some loans 100% of total L/C value. It was also tough to raise funds to counter the crisis the company was faced with which ultimately led to the temporary closure of the factory in the early part of 2024.

Even with the best intentions and stern efforts of the management and people behind the company could not meet the challenges which we deeply regret.

Industry outlook

Directors are trying hard to re-open the factory but due to economic condition, high Gas price, high raw materials cost; liquidity crisis and low product demand have become the main constraint to achieving the objective.

Possible future development

Possible future development is depending on change of economic condition and Govt. policy which is beyond the control of Management.

Cost Reduction

Directors are thinking to set up fuel efficient kiln. So, 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 increased 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 cumulative effect of COVID 19, Russia & Ukraine war, Dollar rate fluctuation and irregular supply and high rate of Gas & electricity. If the above reasons is continues, so, there is threat to sustainability and negative impact on environment.

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

Turnover amounted to Taka 96.30 million in the year 2023-2024 as against taka 244.47 million in the year 2022-2023. This year cost of goods sold 192.33 Taka million as against 310.477 million in the year 2022-2023. The gross/(Loss) profit for the year was Taka (96.042) million as against Taka (66.00)million of the previous year.

Figure in Thousand ('000) Tk.

<u>Particulars</u>	<u>2023-2024</u>	<u>2022-2023</u>
Net Profit/(Loss) before Tax etc.	(154,294)	(123,098)
Less: Provision for tax etc.	(578)	(1,467)
Add: Deferred Tax (Exps)/Income	6,142	1,598
Net Profit /(Loss) after Tax etc.	(148,729)	(122,967)
Add;Prior years adjustment	0	(15,805)
Less: Retained Earnings)/Accumulated Profit / (Loss) b/f	(201,232)	(62,460)
Dividend / Proposed Dividend (From General reserve)	0	0
Accumulated Retained Earning as on 30.06.2024	(349,961)	(201,232)

Contribution to National Exchequer:

Your company contributed a total amount of Taka 13.99 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-42.

Reply to the qualified remarks of the Audit report

1. Subject to mitigation of constrains to restart the production, the company may be consider as a going concern. The mitigation of constrains is a policy of the government to save the industry shut down for indefinite period. Company may sale part of the unused vacant land of fixed assets to pay off the current liabilities not meet up by current assets.
2. The default loan may be regularized from the surplus of the fund to be generated from sale of unused land and improvement of capacity utilization which depend on market condition domestically and internationally.
3. The solution of the problem is dependent on the whole economic condition of the country which is beyond control of the management.
4. **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.
5. Information relating to fixed assets are preserved in the software. The auditor though verified the software and physically visited the factory but did not compare the recorded fixed assets in the software with those fixed assets physically available in the factory.
6. This issue will also be address in the next year .
7. **Bank Statement:**
We have provided all bank statements to the auditors for balance confirmation.

8. Unclaimed Dividend

The matter of extension of time is pending which is dependent on availability of fund by mitigation of constrains of improving the utilization of production capacity.

Emphasis of Metter:**1. VAT Return-**

We could not submit VAT return due to system of on line VAT return submission which does not allow without deposit of payable amount.

3. 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.

Dividend

The Company has a total accumulated loss of taka 349.961 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 2023-2024. 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 and fixed cost burden due to factory closure.

Remuneration of Directors and Independent Director

Remuneration of the Executive Directors (Managing Director & Operative Director) have been disclosed in the accounts note no.25. 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/CMRRC/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 if the constraints remove
- * 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. 38, 39 , 40 &43)

Board Meetings and Attendance :

The Board of Directors consisted of 8 members and during the year six 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	6	
02.	Mr. Helal Uddin Ahmed	Managing Director	6	
03.	Mr. Nasir Uddin Ahmed	Director	4	
04.	Mr. Enamul Maqsd	Director	5	
05.	Mr. A.K.M. Alamgir Khan	Director	6	
06.	Mrs. Anwarun Nehar	Director	5	
07.	Mr. Aftab Uddin Ahmed, FCA	Independent Director	4	
08	Mr Mizanur Rahman, FCA	Independent Director	3	.

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	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 Magsud, Director	2,06,892
05.	Mr. A.K.M Alamgir Khan, Director	337,988
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. S.M Mamun Kabir, General Manager.	0
13.	Mr. Md. Abu Taher, Senior Manager (Import).	0
14.	Mr. Hedayet, Manager Admin	0
15.	Mr Mustafizur Rahman ,Dy. Manager (Share)	0
16.	Mir Makhon Ali, Asstt. Manager (Accounts)	0

Retirement of Directors and their Re-election :

Mr. Lutfur Rahman (2) Mrs. Anwarun Nehar, 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 :

The Board of Directors in its meeting held on January 20, 2024 unanimously re-appointed Md. Aftab Uddin Ahmed, FCA as Independent Director of the company for next 3 years term from 1st February, 2024. The appointment is placed before the 40th Annual General Meeting for approval by the shareholders.

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

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 20 years. Mr. Aftab Uddin is associated with some social organisations.

H) Mr A.K 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 40th AGM as well as they will fulfill two years period. They have offered themselves for re-appointment as auditors of the Company for the year 2024-25. Accordingly, the Board of Directors recommended that M/s. ARTISAN, Chartered Accountants, be re-appointed as Auditors for the year 2024-2025 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 40th AGM. They offered themselves for re-appointment as auditors of the Company for the year 2024-25. Accordingly, the Board of Directors recommended that M/s. M Ahmed & Co, Chartered Accountants, be appointed as Corporate Governance Auditors for the financial year 2024-2025 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: 16 November, 2024
Place: Dhaka


(Enamul Maqsud)
Director


(Helal Uddin Ahmed)
Managing Director