

Directors' Report

For the year ended on 30 June 2020

Dear Shareholders

It is my great privilege and honor to welcome you all at the 29th Annual General Meeting of Confidence Cement Limited. It is a pleasure and a privilege on behalf of the Board of Directors to present Directors' Report together with the Audited Financial Statements for the year ended on 30 June 2020.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act, 1994; Rule 12 (and the schedule there under) of the Securities Exchange Commission Rules 1987, and the Listing Regulations of the Dhaka Stock Exchange Limited (DSE) and the Chittagong Stock Exchange Limited (CSE) and Bangladesh Securities and Exchange Commission's (BSEC) Notification No. BSEC/CMRRC-D/2006-158/207/Admin/80 dated 3 June 2018.

Cement Industry outlook in Bangladesh and possible future development

Bangladesh cement industry being one of the fastest-growing cement markets in the world has seen double-digit growth over the last decade. The per capita cement consumption has also increased following this trend from 95 kg (2011) to 200kg in 2019. This massive growth of the industry was backed by the massive infrastructure investment by the government, growing remittance income, rising urban population, and impressive GDP growth.

Sadly, those are all the good things that we all predicted and were happening for the construction domain of Bangladesh. As the global economy has been hit hard by the recent COVID-19 outbreak, it is experienced that the Bangladesh economy has followed the same fate. This means just like the Garments sector; a complete import base Cement production also got a massive hit following 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 had its first case on 7th March 2020. The market saw little to no effect in February; March was a real sales blockbuster for most of the cement companies. Thus, if it were another normal year, April could have been another very high yielding month for all of the major cement companies which eventually turned out to be a complete nightmare. 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.

The sector had been reeling from the unprecedented collapse in demand in April and May because of the pandemic, which hammered activity and brought the construction sector to a grinding halt. Cement Sales have started to bounce back almost to the pre-pandemic level in June of 2020.

Not only the Covid-19 pandemic but also the countrywide floods in mid 2020 have wreaked havoc on development work and the cement sector is bearing the brunt. The cement manufacturers have observed the severe fall in sales; despite they had expected double digit growth in 2020 after achieving above 7.0 per cent growth in previous year. The sales of individual manufacturers have dropped from 50 to 80 percent amid the country wise lockdown imposed by Govt. for Covid-19.

Apart from the ongoing decline in sales, the manufacturers are bearing the burden of their unused capacity, nearly 45 percent, installed for better days. Although more than 75 cement manufacturing companies have been installed in Bangladesh, currently 37 large and small scale companies producing cement for local and overseas markets.

According to BCMA, the annual demand for cement in normal situation around 33 million tons against the installed capacity of 78 million tons. Total investment in cement sector stood at Tk. 300 billion, of which Tk 190 billion came through the bank loan.

The 3 percent AIT is an unbearable burden because manufacturers are paying the minimum income tax regardless of whether they are making profit or not. Besides, Tk 500 in duty for importing a ton of intermediate raw materials, which is 13 percent in reality, is also too burden for the cement industry.

The Government, in the wake of the coronavirus(Covid-19) outbreak, has announced 19 stimulus packages worth TK 1.03 trillion which 3.7 percent of total GDP to revitalize the country's economic activities and production system, will help the cement industry to revive the earlier positions and more to grow.

Prospects for overall growth in the sector is bright for the country in terms of increasing demand due to: urbanization, real estate development, and government projects, however, uncertainty in price fluctuations due to imports of raw materials, fuel, logistics, and foreign exchange may get the better of the industry. Competitors are also expanding their capacity despite having unutilized facilities in anticipation of increasing demands. It is almost certain without a doubt that growth in this sector will continue, however, a question of profitability in terms of rising costs must be addressed for the industry to further flourish. In the same way that a large majority of cement producers have their own private road transportation, we may see an increase in barges for water transportation to reduce costs. New technologies are also being adopted in order to improve operational efficiencies to not only reduce wastage in the industry but also reduce the amount of clinker required for production without sacrificing quality. This is especially important in the future as new players enter the market, and competitors seek greater profits in a current situation of price wars between competitors.

Segment wise performance

This contained in the Note No. 42.00 of the Financial Statements (refer to page no-114 of the Annual Report-2019-2020).

Risks and Concerns

A details report on Risk and Concerns are given in Annexure-V, page no- 37 in this Annual Report.

Financial Results

The operating financial results of the Company for the year ended 30 June 2020 as compared to previous year are summarized hereunder:

Particulars	Separate		Consolidated	
	2019-2020	2018-2019 (Restated)	2019-2020	2018-2019 (Restated)
Revenue	3,947,575,496	4,832,893,768	4,876,698,175	4,832,893,768
Cost of Goods Sold	3,733,608,647	4,474,549,860	4,234,059,191	4,474,549,860
Gross Profit	213,966,849	358,343,908	642,638,984	358,343,908
Net Profit (Before Tax)	642,946,709	508,861,415	817,906,339	519,607,618
Net Profit (After Tax)	474,521,198	430,772,501	618,676,112	437,938,911
Total Assets	9,908,365,916	9,168,926,063	14,612,828,367	13,076,405,941
Net Assets Value	4,820,600,698	4,431,321,905	4,971,922,022	4,438,488,315
Net Operating Cash Flow	1,023,443,086	(423,191,222)	809,802,841	22,026,948
Earnings Per Share (EPS)	6.37	6.65	8.30	6.76
Net Assets Value Per Share (NAVPS)	64.70	68.39	66.73	68.51
Net Operating Cash Flow Per Share	13.74	(6.53)	10.87	0.34
Gross Margin	5.42%	7.41%	13.18%	7.41%
Net Margin (Before Tax)	16.29%	10.53%	16.77%	10.75%
Net Margin (After Tax)	12.02%	8.91%	12.69%	9.06%

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

In 2019-20, the total consolidated revenue stood at Tk. 4,877 million, Cost of Goods Sold at Tk. 4,234 million, Gross Profit Margin at Tk.643 million and Net profit Margin Tk. 619 million.

The total revenue of the Company separately stood at Tk. 3,947 million in FY 2019-20 compared to Tk.4, 833 million in FY 2018-19, which was 18 % less due to drastically sales volume drop for covid-19 situation in the last quarter of the financial year.

The Cost of Goods Sold has increased by 2 % in the year 2019-20 over the previous year due to total factory overhead increased by 25 million than that of the last year mainly newly added the jetty charges of Tk. 35 million.

The Gross Margin has decreased by 40% from Tk. 3,583 million in 2018-19 to Tk. 2,139 million in 2019-2020 mainly due to sharply decrease the sales in volume and value for the effect of Covid-19 virus and increase in cost of sales for reason explained above.

The Net Profit Margin (after tax) has increased by 10% in comparison with that of the previous year for the reasons as increase the share of profit from the associate companies by 21% than that of the previous year.

Share of profit from Associate Companies

You must be aware that the Company invested in four Associates companies such as Confidence Power Limited, Confidence Electric Limited, Confidence Batteries Limited and Confidence Power Holdings Limited. Upon judgment and Order of the Hon'ble High Court, Confidence Power Limited and Confidence Electric Limited among other amalgamated with the Confidence Steel Ltd, which subsequently changed its name to Confidence Infrastructure Limited, with effect from 31 December 2019 with a view to enhancing strategic flexibility to build a vibrant industrial platform, enabling a dedicated management focus to accelerate growth of the infrastructure material business and access to varied sources of funds for the rapid growth of the merged business. Confidence Infrastructure Limited (CIL) boosts stronger asset base and greater growth potentials than Confidence Power Limited and Confidence Electric Limited as individual company. On amalgamation, the Company was allotted 5,060,005 shares which is 8.03% of total shareholding of Confidence Infrastructure Limited (details are shown in the Note No. 6.02.03 of the financial statements, referred to page no.-87 of the report) and During the period under review of year ended 30 June 2020, Tk. 766.73 million has been earned as share of profit from the above associates Companies.

Comparative statements of share of profit from associates are stated below:

Company (s)	Ownership	2019-20 TK	2018-19 Tk. (restated)
Confidence Power Limited	25%	-	58,467,822
Confidence Electric Limited	49%	-	359,228,288
Confidence Batteries Limited	21%	21,954,722	41,942,112
Confidence Power Holdings Limited	43.66%	744,774,362	173,635,991
		<u>766,729,084</u>	<u>633,274,213</u>

The details description and calculation of the associates companies have depicted in the note I.03 and 36 of the financial statements, referred to page no.-74 & III of the report.

Production

During the period under review the Company was able to produce at cement plant 605,042 M.T as against 710,636 M.T in previous period and at Ready-mix plant 1,020,431 CFT as against 1,728,544 CFT in previous period which is summarized in the following table:

			2019-20	2018-19
Cement Plant	Production	M.T	605,042	710,636
	Capacity Utilization	(%)	50	59
Ready-mix Plant	Production	CFT	1,020,431	1,728,544
	Capacity Utilization	(%)	43	72

Sales

The overall sales performance for the year ended 30 June 2020 showed downward trend. During the period under review sales decreased at cement by 14.60% in volume and 15.55% in value. The volume and value drop is mainly the effect of outbreak of Covid-19 in the last quarter of the financial year that led to severe depletion of cement demand. On the other side, sales also decreased at Ready-mix by 40.97% in volume and 41.38% in value. The Company expected to boost sales in the coming year once normalcy returns after the effect of Covid-19 and for that the management declared various sales schemes for dealers and emphasis has given to improve the relationship with the valued customers to ensure future market growth.

Particulars	Unit	2019-20		2018-19		Growth %	
		Qty.	Tk.	Qty.	Tk.	Qty.	Tk.
Cement Plant	M.T	606,910	3,641,970,811	710,636	4,311,596,469	(14.60)	(15.55)
Ready mix Plant	CFT	1,020,431	305,604,685	1,728,544	521,297,299	(40.97)	(41.38)

Extra-Ordinary Gain/Loss

No events of extra ordinary gain or loss which would require adjustment or disclosure in the financial statements occurred during the reporting period.

Related Party Transaction

Disclosure of all related party transactions, including basis for such transaction, has been provided in the note 44.02 of the notes to the financial statements, referred to page no- 115 of this Annual Report.

Significant Variance between Quarterly Financial performance and Annual Financial Statements

The Earnings Per Share for the period from 01 July 2019 to 31 March 2020 i.e. Quarter ended 31 March 2020 was Tk. 6.57 and the Earnings Per Share for the year 30 June 2020 was Tk. 6.37 showed that there was no significant variance between the Quarterly Financial performance and the Annual Financial Statement.

Investment in Subsidiary

During the year, the Company holds 20,40,000 of Tk. 10 each of Zodiac Power Chittagong Limited. Zodiac Power Chittagong Limited is an 81% subsidiary of Confidence Cement Limited. Separate reports including Auditors' Report, audited financial statements and Directors' Report thereon for the subsidiary company are provided at the concerned sections of this report, referred to page no- 122. The financial statements of the subsidiary company have duly been consolidated with Confidence Cement Limited as per requirements of the Companies Act 1994, Securities and Exchange Rules 1987 and related notifications and also in line with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Governance of Board of Directors of Subsidiary Company

The Company's representation in the subsidiary company's board was in line with the Corporate Governance Code and accordingly an Independent Director of Confidence Cement Limited was in the Board of the subsidiary company, Zodiac Power Chittagong Limited. Minutes of the Board meetings of the subsidiary company were placed before the Board of Confidence Cement Limited and were then duly reviewed and recorded. Board of Directors of Confidence Cement Limited also reviewed the periodical and annual financial statements of the subsidiary.

Sale of Shareholding of Subsidiary Company

The Board of Directors decided to sell and transfer the entire shares (20,400,000 ordinary shares of Tk. 10 each) held by the Company in Zodiac Power Chittagong Ltd (ZPCL), a subsidiary of the Company, in favor of Confidence Power Holdings Ltd (CPHL), an associate of the Company in consideration of the sale value at an aggregate price of Tk. 434,532,240/- and on such terms and conditions, as per the loan agreement between the Company and CPHL.

Amendment of Memorandum of Association

The Company has felt it necessary to match with the business scenario of the present days, development of the corporate sectors, requirements of the financial institution as well as to cope with compliance issues, it is required to amend the Object Clause of the Company by inserting 03 (three) nos. of new Sub-Clause along with the present ones of the Object Clause of Memorandum of Association of the Company. Then the Board of Director has decided to amend the Memorandum of Association as follows:

“Resolved that pursuant to the provisions of section 12 and 13 and other applicable provisions, if any of the Companies Act, 1994 (including any amendment thereto or re-enactment thereof) and confirmation of the Competent Court of the High Court Division of Supreme Court of Bangladesh, the Object Clause III of the Memorandum of Association of the Company be and are hereby amended by the insertion of the following new sub-clauses numbered from 32, 33 and 34 after the existing sub-clause No. 31 which shall be inserted as follows:

32. To provide undertaking, guarantee, corporate guarantee, security, co-lateral security, hypothecation, mortgage and/or create any kind of charges on fixed assets and other assets of the company and/or its other sister concerns, and/or its associate company or companies, and/or its subsidiary or subsidiary companies, and/or the directors, shareholders and other individuals or persons to any person(s), body (ies), organization(s), banking and/or non-banking financial organizations/institutions against any types of loans, borrowings, financial benefits, facilities, assistances of any amount(s) for any period(s) as first party, second party and/or third party, mortgagor, guarantor and to revert, revoke, redeem, realize those in consideration as may the Board think appropriate.

33. To mortgage the property and assets of the company as security for loans and/or for any credit facilities to be given to any associate company or companies, and or subsidiary company or companies, and or third parties and also to give guarantee securing liabilities of such associate company or companies, and or subsidiary company or companies, and/or third party or parties for the interest of the Company.

34. To amalgamate with any other company or institution or body or person as deemed necessary for the greater interest of the company.” Consequent upon the aforesaid amendments in the existing the Object Clause III of the Memorandum of Association, a new Object Clause III of the Memorandum of Association containing 1 to 34 duly amended as above, be and are hereby adopted, which shall henceforth be the Object Clause III of the Memorandum of Association of the Company and a copy of which shall be submitted to the office of the Registrar of Joint Stock Companies & Firms, Government of Bangladesh, Chattogram Division, Chattogram as Annexure-A to the prescribed Form VIII

Amendment of Articles of Association

The Board has decided to amend the Articles of Association by inserting the 2 (two) Articles which allows the Company to hold the virtual meeting as follows:

“Resolved that pursuant to the provisions of section 20 and other applicable provisions, if any of the Companies Act, 1994 (including any amendment thereto or re-enactment thereof), the existing Articles of Association of the Company be and is hereby amended by the insertion of the new Article No. 81A after the existing Article No. 81 and new Article No. 140A after the existing Article No. 140 which shall be inserted as follows:

81A. The Annual General Meeting (AGM) or Extra Ordinary General Meeting (EGM) of the company shall be conducted through physical presence or using digital platform or using Hybrid System ((in combination of physical presence and digital platform) ensuring the rights or facility of members or shareholders of the company laid in the Companies Act and Securities Laws subject to the limitations and compliances in the regulatory framework.

140A. The Directors may meet together either physical presence or through video/telephone conference or conference/meeting or using digital platform or using Hybrid System (in combination of physical presence and digital platform) through any electronic or online or other media for the dispatch of business, adjourn and otherwise regulate their meetings, and proceedings, as they think fit.”

Consequent upon the aforesaid amendments in the existing Articles of Association, a new Articles of Association containing Articles I to 205 duly amended as above, be and are hereby adopted, which shall henceforth be the Articles of Association of the company and a copy of which shall be submitted to the office of the Registrar of Joint Stock Companies & Firms, Government of Bangladesh, Chattogram Division, Chattogram as Annexure-A to the prescribed Form VIII.

Delay of Annual General Meeting

The Company holds Annual General Meeting (AGM) in every calendar year but the Company could not be able to hold AGM in the year 2020 due to the ongoing Covid-19 pandemic, the associates companies could not be able to complete its audited financial statements within in the stipulated time bound. Not having the audited financial statements of the associate companies within in the time frame, the Company could not complete the audited financial statements for year ended on 30 June 2020 in time and could not able to hold AGM in the year 2020. Beyond the control of the Company and a consequence of unavoidable circumstances, the Company filed petition for seeking condonation of the delay in holding AGM in the year 2020 to the Hon'ble High Court. The Hon'ble High Court condoned the entire period of delay that has occurred in holding Annual General Meeting (AGM) of the Company for the calendar year 2020 and directed to hold AGM.

Company's Response to the Covid-19 situation

In this year 2020, the whole world faced a new era that is Covid-19. World Health Organization (WHO) declared a pandemic worldwide. In this new normal situation, we took some precautions for our employees to ensure that they are protected from infection. In the initial stage of country lockdown, we allowed employees for home office and roster duty. We also developed “COVID 19 Health and Safety Protocol” which is in compliance with DG Health Guidelines and ensured every employee strictly follows the SOPs/Protocols to prevent and combat the Covid-19 and any kind of breach of SOPs/Protocols must not be allowed. We took initiative to do the corona virus test for Covid-19 suspected employees.

Remuneration to Directors

This information is incorporated in the Notes 30.01 of the notes to the financial statements on page 108 with reference to the “Directors remuneration and benefits” figures concerning the Board of Directors including Managing Director.

Contribution to the National Exchequer

The company contributed total amount of Tk. 906,692,674 to the National Exchequer in the form of Customs duty, VAT and Advance Income Tax during the year. The break-up of these payments are shown in the table:

Govt. Revenue	2019-20 Taka	2018-19 Taka
VAT	542,195,336	614,925,931
Customs duty	236,621,220	328,125,701
Advance income tax	127,876,118	172,979,085
Total Taka	906,692,674	1,116,030,717

Dividend

The Board of Directors of Confidence Cement Limited recommended for declaration of dividend @ 20% (15% cash and 5% stock) for the year ended 30 June 2020 subject to approval in the 29th Annual General Meeting of the Company. Bonus shares (Stock Dividend) have been recommended in view of utilizing its retained amount as capital to continue investment to 5.6 MW Captive Power Plant at factory premises. The bonus share will be issued by utilizing amount of Tk. 37,254,634/- from Retained Earnings.

Election of Directors

Mr. Imran Karim and Mr. Shah Muhammed Hasan will retire from the office as per Article 132 of the Articles of Association. Being eligible, Mr. Imran Karim and Mr. Shah Muhammed Hasan have offered themselves for re-election. Brief resumed and other information of the above mentioned directors are given in the page no- 11 & 12 of this annual report.

Re-appointment of Managing Director

In consideration of the recommendation made by the Nomination and Remuneration Committee, the Board of Directors in its meeting held on 10th January 2021 re-appointed Mr. Zahir Uddin Ahmed as Managing Director for a further term of three years with effect from February 01, 2021 subject to approval of the shareholders in the ensuing Annual General Meeting. Brief resumed and other information of the Managing Director is given in the page no- 18 of this annual report.

Appointment of Statutory Auditors

The Current Auditors of the Company- M/s. Hossain Farhad & Co., Chartered Accountants retires at the ensuing 29th Annual General Meeting. Being eligible, they offered themselves for reappointment. Pursuant to Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/ Admin/ 81 dated 20/06/2018, the retiring Auditors are eligible for reappointment as Statutory Auditors for the year 2020-2021. The Audit Committee has recommended reappointing M/s. Hussain Farhad & Co., Chartered Accountants as the Statutory Auditors of the Company for the year 2020-2021. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of M/s. Hussain Farhad & Co., Chartered Accountants as the Statutory Auditors of the Company for the year 2020-2021 which is being placed in the 29th Annual General Meeting for approval of the shareholders.

Appointment of Corporate Governance Compliance Auditors

The Audit Committee recommended appointing M/s. A. Qasem & Co., Chartered Accountants as Corporate Governance Compliance Auditors of the Company for the year 2020-2021. The Board of Directors endorsed the recommendation of the Audit Committee for the appointment of M/s. A. Qasem & Co., Chartered Accountants as the Corporate Governance Compliance Auditors of the Company for the year 2020-2021 which is being placed in the 29th Annual General Meeting for approval of the shareholders.

Audit Committee of the Board

The Audit Committee reviews the quarterly, half-yearly and annual Financial Statements and statements of related party transactions. Also, it reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. It is also responsible for overseeing the management letter along with performance recommendation on appointment and re-appointment of External Auditors. Currently, Audit Committee consists of the following:

SL.No	Name	Status	Position
1.	Major General Abul Kalam Mohammad Humayun Kabir, (Retd)	Chairman	Independent Director
2.	Mr. Shamsul Alam, BU	Member	Director
3.	Ms. Rabeya Jamali	Member	Independent Director
4.	Mr. Md. Delowar Hossain, ACS	Secretary	Company Secretary

Nomination and Remuneration Committee of the Board

In pursuance of the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006 -158/207/Admin/80 dated 3 June 2018, the Board of Directors of the Company has constituted the Nomination and Remuneration Committee to set the principles, parameters and governance framework for the nomination and remuneration of the Directors, Key Managerial Personnel, top-level Executives and other employee comprising the senior management. The Composition of the Nomination and Remuneration Committee is given below:

SL.No	Name	Status	Position
1.	Ms. Rabeya Jamali	Chairman	Independent Director
2.	Mr. Shamsul Alam , BU	Member	Director
3.	Major General Abul Kalam Mohammad Humayun Kabir, (Retd)	Member	Independent Director
4.	Mr. Md. Delowar Hossain, ACS	Secretary	Company Secretary

Subsequent Events

The subsequent events to the Balance Sheet date are as follows:

- I) The Board of Directors recommended for declaration of dividend @ 20% (15% cash and 5% stock) for the year ended on 30 June 2020.
- II) The Board of Director has decided to amend the Memorandum of Association.
- III) The Board of Director has decided to amend the Articles of Association.
- IV) The Board of Director has also decided to sell and transfer the entire shares held by the Company in subsidiary company.

Corporate Governance and Compliance

CCL Board of Directors is committed to meeting the highest standard of corporate governance and disclosure. The Directors are conscious of their responsibilities in supervision and direction of the affairs of the Company in conformity with the practices of sound corporate governance. In fulfillment of those responsibilities the directors have set up for themselves the principles that will be followed by their own involvement in the corporate function and in setting up clear guidelines for the executive management.

We confirm that the Company has complied with most of the relevant conditions of Bangladesh Securities and Exchange Commission's (BSEC) Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. The compliance report is appended herewith as Annexure- C referred to page no - 45 to 55.

Further, a Certificate of Compliance required under the said conditions, is provided by M/s. Ahmed Zaker & Co, Chartered Accountants also annexed to this report in Annexure B referred to page no - 44.

Acknowledgement

The Company and its Board of Directors would like to extend its foremost regard and appreciation to the valued shareholders and other stakeholders of the Company for their present support and guidance to the Company that led to the cumulative achievements. They also express their gratitude to the Government of Peoples Republic of Bangladesh, National Board of Revenue (NBR), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), the Company's bankers and other business partners for their cooperation, positive support and guidance. We promise that we will continue our journey towards a bright future. We look forward to your continuing support in the coming years for the smooth growth of the Company.

Finally, Members of the Board of Directors also put on record their deep appreciation and thanks to all Executives, Staffs and Workers for their hard work, dedication, sincerity and commitment that they have shown for steady growth of the Company.

May Allah bless us all.

On behalf of the Board



Engr. Rezaul Karim
Chairman