

## DIRECTORS' REPORT

### *Dear Valued Shareholders*

ASSALAMU-ALAIKUM,

And Good Morning. On behalf of the Board of Directors and Management, I welcome you all to the 17<sup>th</sup> Annual General Meeting (AGM) of the Bangladesh Building Systems Ltd. (BBSL). It is my privilege to place before you the operating result, Directors' report together with the Annual Financial Statements of the Company for the year ended 30 June, 2020 along with the report of the auditors thereon for your valued consideration, approval and adoption. The report is generated in compliance with the Companies Act, 1994 and Bangladesh Securities and Exchange Commission Notification No: BSEC/CMRRCD/2006-158/207/Admin/80, dated: June 03, 2018.

### **INDEPENDENT DIRECTORS:**

The Independent Directors have been appointed in the Board as per the guidelines by BSEC. Two distinguished Independent Directors have been performing their duties and responsibilities efficiently for the greater interest of the company. BBSL is really benefited for their services. Their details resume are disclosed on page 21 to 22 of this Annual Report.

### **CHAIRPERSON AND MANAGING DIRECTOR:**

The Chairperson and The Managing Director of the Company are different individuals. The roles of the Chairperson and the Managing Director are clearly established, set out in writing and agreed by the Board to ensure transparency and better governance.

#### **CHAIRPERSON:**

Engr. Md. Abu Noman Howlader is the Chairperson of the Company. The profile of the Chairperson is disclosed on page 18 of this Annual Report. He is playing role as Non-Executive Director of the Company.

#### **MANAGING DIRECTOR:**

Engr. Hasan Morshed Chowdhury has been appointed as Managing Director of the Company by the Board of Directors of the Company for five years, Dated: August 12, 2018. The profile of the Managing Director is disclosed on page 19 of this Annual Report.

### **THE DIRECTORS REPORT TO SHAREHOLDERS ON:**

#### **INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS IN THE INDUSTRY:**

The details of Industry outlook and future developments in the Industry are disclosed on page 35 of this Annual Report.

#### **SEGMENT OR PRODUCT WISE PERFORMANCE:**

Bangladesh Building Systems Ltd. is a pre-engineered steel building manufacturer. Business activities of BBSL are not recognized on the basis of differences in products and services or variations in geographical areas of operations. BBSL has been manufacturing the steel structure in its factory and when the structure has left the factory BBSL recognized that the product has sold out. Basically, BBSL has to sale a package to its potential buyers. So no need to show the performance of segment-wise or product wise performance.

#### **RISKS AND CONCERNS:**

Every business faces uncertainties or risks in its operating environment, which, if not managed and mitigated, would not only disrupt the achievement of its strategic and operational objectives but may also cause losses that could result in financial and reputational loss as well. As with other co-existing companies, Bangladesh Building Systems Ltd.'s business is also exposed to diverse risks that arise both from internal as well as external fronts. The Company has always been prepared for issues stemming from competing markets, operational issues, legal knots, interest and exchange rate volatilities and potential changes in policies at the national or global level. However, BBSL has a befitting risk management policy and a periodic monitoring system to address the concerns and uncertainties that are likely to hit the Company's business activities, operations, liquidity and financial position for future performances. This aspect is discussed in the "Risk Factors & Management Perception" section of the Annual Report on page 39-41.

**DISCUSSION ON COST OF GOODS SOLD, GROSS PROFIT MARGIN AND NET PROFIT MARGIN:**

The details of COGS, Gross Profit Margin and Net Profit Margin are disclosed on page 30-32 of this Annual Report.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The details of management discussion and analysis are disclosed on pages 29 to 35 of this Annual Report.

**DISCUSSION ON CONTINUITY OF ANY EXTRA-ORDINARY GAIN OR LOSS:**

During the year, there is no any extra ordinary gain or loss in the business.

**BASIS FOR RELATED PARTY TRANSACTIONS:**

Details of the related party transaction has been given of this annual report on page 108.

**UTILIZATION OF PROCEEDS FROM PUBLIC ISSUES, RIGHTS ISSUES AND/OR THROUGH ANY OTHERS INSTRUMENTS:**

Utilization of proceeds from public issues is subject to previous accounting year and it was complied accordingly. Company had no unutilized IPO fund since 2014. The Company is maintaining a stable financial performance.

**SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL FINANCIAL STATEMENTS:**

The Company has registered a significant variance between quarterly and annual financial statements for the year ended 30<sup>th</sup> June, 2020 compared to the Financial Statements for the year ended 30<sup>th</sup> June, 2019.

The Revenue for Q1, Q2, Q3, Q4 and annually for the year ended 30<sup>th</sup> June, 2020 has been decreased by 23%, 53%, 47%, 69% and 46% subsequently compared to Q1, Q2, Q3, Q4 and annually for the year ended 30<sup>th</sup> June 2019 due to effects of COVID-19 pandemic and also slack industrialization during the year.

The Gross profit and profit after tax decreases for quarterly and also annually for the year ended 30<sup>th</sup> June, 2020 compared to the last year due to reducing sales, increasing of Finance cost.

**REMUNERATION TO DIRECTORS INCLUDING INDEPENDENT DIRECTORS:**

Directors were remunerated as per the decision of the Board and a detailed report of the Directors' Remuneration is disclosed on page 108 of this annual report.

**DIRECTORS' DECLARATION AS TO FINANCIAL STATEMENTS:**

The Board of Directors are also pleased to make the following declarations in their report:

- a) The financial statements prepared by the management of the Company fairly presents its state of affairs, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- d) International Accounting Standards and International Financial Reporting Standards as applicable in Bangladesh have been followed in preparation of the financial statements and any discrepancies have been adequately disclosed;
- e) The system of internal control is well structured and has been effectively implemented and monitored;
- f) There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;
- g) Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results and profit appropriation;
- h) Significant plans and decisions, such as future prospects, risks and uncertainties surrounding the Company has been outlined under the relevant captions of this report;

**SYSTEM OF INTERNAL CONTROL:**

The company maintains a sound internal control system which gives reasonable assurance against any material misstatement of loss. Details of the internal control is stated on pages 37 to 38 of this annual report.

**GOING CONCERN:**

While approving the financial statements, the Directors have made appropriate enquires and analyzed significant operating and indicative financials which enabled them to understand the ability of the Company to continue its operations for a foreseeable future. The Directors are convinced and have a reasonable expectation that the Company has adequate resources and legal instruments to continue its operations without interruptions. Therefore, the Company adopted the going concern basis in preparing these financial statements.

## OPERATING RESULTS: FINANCIAL PERFORMANCE

Particulars	2019-2020 (Taka)	2018-2019 (Taka)
Turnover	875,876,708	1,630,744,700
Cost of Goods Sold	(794,922,908)	(1,254,580,254)
<b>Gross Profit/(Loss)</b>	<b>80,953,800</b>	<b>376,164,446</b>
Operating Expenses	(102,914,725)	(108,616,213)
<b>Operating Profit</b>	<b>(21,960,925)</b>	<b>267,548,233</b>
Others Income	94,309,381	545,061
Finance Cost	(157,747,005)	(140,064,985)
<b>Net Profit/(Loss) from Operation</b>	<b>(85,398,549)</b>	<b>128,028,309</b>
Contribution to WPPF	(1,259,524)	(7,191,824)
Non Operating Income	57,937,320	-
Share of Profit from Associate	186,371,526	242,692,442
<b>Net Profit/(Loss) before Tax</b>	<b>157,650,773</b>	<b>363,528,927</b>
Income Tax Expenses	(48,913,146)	(84,307,966)
<b>Net Profit/(Loss) after Tax</b>	<b>108,737,627</b>	<b>279,220,961</b>

### KEY OPERATING AND FINANCIAL DATA FOR THE 5 YEARS:

The key operating and financial data as required herein attached on Page 30 of this Annual Report.

### CONTRIBUTION TO NATIONAL EXCHEQUER:

During the year the Company has contributed BDT 173.90 million to the National Exchequer as Income Tax and also deposited Customs Duty and Value Added Tax.

### APPROPRIATIONS OF NET PROFITS:

The Directors are pleased to present the financial results for the year 2019-2020 and recommend the following appropriations: During the year 2019-2020, net profit after tax of the company was amounting to Tk. 10.87 crore as compared to Tk. 27.92 crore in the year 2018-2019. Keeping these in view of the Directors would like to report the Company financial results for the year that ended on 30 June, 2020 with the recommendations for appropriation as follows:

Particulars	Amount in Crore Taka	
	2019-20	2018-19
Net Profit for the year ended 30 June	10.87	27.92
Profit brought forward	77.60	63.78
<b>Profit available for appropriation</b>	<b>88.47</b>	<b>91.70</b>
<b>Appropriations:</b>		
Proposed Stock Dividend	7.76	14.11
Proposed Cash Dividend	7.76	-
Transferred to Retained Earnings	72.95	77.60

### DIVIDEND:

The company follows a prudent dividend policy. It considers a fair return to the shareholders while ensuring that the profits retained are invested in the business for expansion, growth and higher profitability. The management feels that a fair return should be given to the shareholders from the earnings, therefore a Stock Dividend of 5% i.e. 5 Shares for each 100 shares and 5% cash dividend are being recommended for consideration and approval by the Shareholders in the AGM.

### JUSTIFICATION OF DIVIDEND

Board of Directors' resolution as to the declaration of Stock Dividend @ 5% and Cash Dividend @ 5% for the year ended 30<sup>th</sup> June, 2020. The Company declared to utilize its retained amount as capital for business expansion.

### OPERATION OF ASSOCIATE COMPANY

The only associate of the Company is BBS Cables Ltd. where the Company has invested 200 million and holding 16.03% of equity. BBS Cables Ltd. is a renowned company in Bangladesh. Both the operating and financial performance of the Company were as expected. The Company has earned net profit of Tk. 1,162.64 million for the year ended June 30, 2020. Earnings per share was Tk. 6.66, Net Asset Value per share was Tk. 32.52 and Net Operating Cash flow per share was Tk. 4.79. The Company has declared 10% Stock and 10% Cash Dividend for the year ended 30 June, 2020.

**INTERIM DIVIDENT:**

No bonus share or stock dividend has been declared as interim dividend during the period by the board of directors of the company.

**BOARD, BOARD MEETINGS AND ATTENDANCE:**

There are seven Directors of the Board up to the year end 2019-2020. In the year 2019-2020 a total no. of 07 Board Meetings were held. Details of the Board, Board Meetings and Attendance are disclosed on page 46 of this Annual Report.

**PATTERN OF SHAREHOLDINGS:**

The pattern of Shareholding is disclosed in the Annexure- D and Page no 64 of this Annual Report.

**DIRECTORS' RETIREMENT AND RE-APPOINTMENT:**

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Companies Act, 1994 and other related legislations. Accordingly, the following Director of the Board will retire at this Annual General Meeting. Engr. Md. Abu Noman Howlader is eligible for re-appointment. Brief profile of the Director being proposed for re-appointment is given on page 18 of the Annual Report, which fulfill condition 1(5)(xxiv) of the Corporate Governance Code of BSEC.

**CHANGES IN THE BOARD**

During the period under review, there were no changes in the Board. N.B. The board was reformed with some changes for the dated August 12, 2020.

**NON-EXECUTIVE DIRECTORS:**

During the period under review, the Board of Directors of the Company is comprised of Seven Directors. Among them, Four Directors are Non-Executive and Three Directors are Executive.

**CEO, CS, CFO AND HIAC:**

The company appointed Engr. Hasan Morshed Chowdhury as Managing Director/CEO, Mr. Mohammad Mohsin as Company Secretary, Mr. Md. Mamun Howlader as Chief Financial Officer, Mr. Md. Parves Alam as Head of Internal Audit & Compliance (HIAC). The Board of Directors is clearly defined respective roles, responsibilities and duties for each individuals.

**ATTENDANCE IN CFO, CS AND HIAC IN THE BOARD MEETING:**

In each Board meeting CFO, CS and HIAC were invited and then attended on the Board Meeting and contributed significantly to the Meetings.

**BOARD COMMITTEES:**

The Board of Directors has formed five sub-committees of the Board:

**AUDIT COMMITTEE**

The Details of the Audit Committee are disclosed on page 66 in Annexure-E of this Annual Report.

**NOMINATION & REMUNERATION COMMITTEE:**

The Nomination & Remuneration Committee as a Sub-Committee of Board has been reformed with the Independent Director as Chairperson and two others Directors as member, the Company Secretary acts as Secretary to the committee. Role of the Nomination & Remuneration committee as per provision of the BSEC regulation have been duly adopted by the Board. The Details of the Nomination & Remuneration Committee are disclosed on page 67-68 in Annexure-F of this Annual Report

**OTHER BOARD COMMITTEES:**

Executive Committee, Risk Management Committee, Environment & Social Responsibility Committee have been formed which are disclosed on page 4 of this Annual Report.

**FINANCIAL STATEMENTS CERTIFIED BY MD/CEO AND CFO:**

The Managing Director and the Chief Financial Officer have certified the Financial Statements after review to the Board and they believed that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading. Their statement of certification is enumerated in this Annual Report as Annexure-A on page 69.



### COMPLIANCE REPORT ON CORPORATE GOVERNANCE GUIDELINES:

As part of its corporate policy, BBSL has always strived to maintain high standards of compliance in corporate governance. The company's corporate governance charter, outlined in the corporate governance charter, governs the way the company will be operated and managed and the process in place to ensure high standards of transparency, accountability and integrity.

### COMPLIANCE STATUS:

We are pleased to confirm that the Company has complied with all necessary guidelines in accordance with the requirement of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018. The status of Compliance is attached on pages 51 to 63 in Annexure-C of this annual report.

The company obtained a certificate from Itrat Husain & Associates, Chartered Secretaries in practice regarding compliance of conditions of corporate governance Guidelines of the Commission, which is enclosed in Annexure-B on page 49 of this Annual report.

### EMPLOYEE BENEFITS:

Apart from the salaries and wages paid to the employees, the company offers other benefits as well. This includes Bonus, Provident Fund, Transport Facilities and WPPF fund accordingly in the past years.

### MINORITY INTEREST

BBSL believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company - the Shareholders. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency and accountability. The Board of Directors shall at all times act in a manner that will be in the best interest of the Company.

### APPOINTMENT OF STATUTORY AUDITORS AND CORPORATE GOVERNANCE COMPLIANCE AUDITOR

As per the Companies Act 1994 and the Articles of Association of Bangladesh Building Systems Ltd., the statutory auditors of the Company, "AHMED ZAKER & CO", Chartered Accountants, shall retire at this AGM. The Firm has expressed their unwillingness to be re-appointed.

As per audit committee's suggestion, the Board recommended "FAMES & R", Chartered Accountants; Address: H-3/1 & 3/2 (Flat-B2), Bijoy Nagar, Dhaka-1000, Bangladesh for appointment as Statutory Auditors of the Company for the year 2020-2021 and they have conveyed their willingness to accept for appointment for the said period at the fee of BDT 2.5 Lac plus VAT.

In compliance with the BSEC Corporate Governance Code, the Board appointed "ITRAT HOSSAIN & ASSOCIATES", Chartered Secretaries in Practice as Compliance Auditor of the Company at a fee of BDT 50,000/- plus VAT for the year 2020-2021 and the said appointment will be approved by the Shareholders in the ensuing 17<sup>th</sup> AGM.

### ACKNOWLEDGEMENT:

We would like to express our sincere appreciation and thanks to all the honorable members, employees of the Company who exemplified the BBSL spirit of putting the patient and customer first.

The Board also recognizes the contributions received from banks & financial institution, insurance companies, National Board of Revenue (NBR), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Central Depository Bangladesh Limited (CDBL), various Government authorities, suppliers, vendors, customers, end users, different medias and lastly the individuals and agencies who have helped us accomplished what we are today. We are honor bound to continue to uphold this trust that we hold so dear to our heart.

With the support of every one of you and other stakeholders, we excitedly expect even better results in the days coming ahead In-Sha-Allah!

On behalf of the Board,



(Engr. Md. Abu Noman Howlader)  
Chairperson