



# Directors' *Report*



## Directors' Report 2018

### Dear Shareholders,

The Board of Directors of Pragati Insurance Limited takes pleasure in presenting the audited financial statements of the Company, the Auditor's Report, and the Company's business performance for the year ended December 31, 2018.

**World Economic Scenario 2018** - A recent World Economic Outlook (WEO) report by International Monetary Fund (IMF) projects that the global economy has slowed down in 2018 and forecast for 2019 and 2020 have been revised downwards. This October 2018 report estimates that the world growth in 2018 will be 3.7 percent which will shrink down to 3.5 percent in 2019 and 3.6 percent in 2020. This downward movement is attributed mainly due to the negative impact resulting from the tariff increase stalemate between the US and China. Other factors that affected the world economy in 2018 included the political and geopolitical uncertainties in European and Middle Eastern countries. Growth rate were down in Germany as its automobile industry battled the European Union's imposition of the automobile fuel emission standards and the UK tackled with the Brexit quagmire. Growth in large economies such as China in India was modest. In 2018 the Chinese economy is estimated to have grown by 6.5 percent as opposed to India's 7.3 percent.

**Bangladesh Economic Scenario 2018** - According to Bangladesh Bureau of Statistics (BBS), the GDP grew by 7.86% in FY 2018 from 7.28% in FY 2017, driven by strong domestic demand with support from robust credit growth, exports, and remittance inflows. According to UN report titled "World Economic Situation and Prospects", Bangladesh will become the 3rd fastest growing economy in the world in 2019 in terms of increasing Gross Domestic Product.

**Agriculture sector** - The growth in agriculture sector increased to 4.2% in fiscal year 2018 from 3.0 % in fiscal year 2017. This growth in agriculture sector has been mainly achieved due to favorable weather, higher crop prices in timely supply of input and finance.

**Industry sector** - The industry sector grew around 12.1 percent in fiscal year 2018, up from 10.2% in fiscal year 2017, due to robust Manufacturing and Construction activities.

Growth in Manufacturing sub sector increased to 13.4% in fiscal year 2018 from 11.0 percent in fiscal year 2017. The growth in large and medium scale industry increased to 14.3% in fiscal year 2018 from 11.2% in fiscal year 2017, while growth in Electricity, Gas and Water Supply increased to 9.2% in fiscal year 2018 from 8.5% in fiscal year 2017. Also growth in Construction increased 29.9 percent in fiscal year 2018 from 8.8% in fiscal year 2017.



**Service sector** - The service sector underperformed in fiscal year 2018; growing to 6.4 percent as opposed to 6.7 percent in fiscal year 2017. Within the service sub sector, primary thrust came from the Wholesale and Retail trade, Transport and Financial Intermediation.

Export growth also maintained its momentum during FY 2018. According to Bangladesh Bank, who predict that if calmness in the domestic political situation prevail and with no further escalation of global trade-related clashes, the national GDP growth will grow between 7.5 percent to 7.7 percent in FY2019.

**Bangladesh Non-Life Insurance Scenario 2018** - The overall industry-wise non-life insurance premium statistics for 2018 are not yet available.

The gross premium of non-life private sector insurance companies increased from BDT 25,392.52 million in 2016 to BDT 27,373.13 million in 2017, a growth rate of 8.00 percent. The growth rate of premium of non-life insurance companies was 4.46 percent in 2016.

## **Pragati Insurance Limited Operational Result 2018**

### **Gross Premium Income**

In 2018 Pragati Insurance Limited achieved significant success in earning gross premium of Tk. 2053.44 million. Gross premium income increased by Tk. 389.00 million registering a growth of 23.35 percent compared to previous year.

### **CLASS WISE PREMIUM**

#### **Fire Insurance**

The Company had underwritten a total fire insurance premium of Tk.863.99 million as against Tk.695.08 of last year. After payment/provision for re-insurance premiums, claims and management expenses, the company has incurred underwriting loss of Tk. (25.08) million against underwriting loss Tk. (25.87) million of last year.

#### **Marine Insurance**

In the year 2018 gross premium earning in Marine insurance including Marine Hull was Tk.771.58 million against Tk.618.28 million of the year 2017. After providing for re-insurance and claims, we have earned underwriting profit of Tk.72.32 million against last year's underwriting profit of Tk.59.50 million.

#### **Miscellaneous Insurance**

From miscellaneous insurance business our total gross premium income in 2018 was Tk.417.86 million (both in Motor and Miscellaneous departments) against Tk. 263.24 million in 2017. After meeting expenses for re-insurance, claims and management expenses, we have earned underwriting profit of Tk.109.86 million against Tk.91.26 million in 2017.

### Investment Operation

Pragati Insurance Limited has concentrated its focus on diversifying its investment portfolio. Despite facing all the odds the company has earned Tk.26.57 million as capital gain out of share trading in 2018 against Tk.21.03 million in 2017.

### Contribution National Exchequer

During the year under report Pragati Insurance Limited has deposited Tk.1983.82 million to the Government Exchequer as Corporate Income Tax, Withholding Tax, Stamp Duty and VAT.

### Income Distribution

Underwriting Profit of non- life insurance Company is not at desired level due to ever increasing operational and other expenses. Growth of insurance company is also dependent on in its investment income. It is therefore important to explore all avenues to raise the return from investment. However, due to increase in income from share trading business and rental income the company's net profit before tax stood at Tk. 236.62 million against Tk.210.33 million in the year 2017. The net profit before tax has been proposed for appropriation as follows:

Particulars	Million Taka
Reserve for Exceptional Losses	69.45
Provision for Income Tax	51.50
Balance available for distribution	128.36

Taking into consideration the financial position and working capital requirement for smooth running of the company and with an aim to have a steady growth in per share dividend, the Board of Directors of Pragati Insurance Limited recommended 13% cash and 7% Stock dividend to the shareholders of the company for the year 2018. The whole scenario will look as follows:

Particulars	Taka
General Reserve	243,578
Divisible Profit	128,368,251
Total available	128,611,829
Less: Cash & Bonus Dividend for the year	122,598,746
Balance to be carried forward for the next year	6,013,083

### Credit Rating

Credit Rating of Pragati Insurance Ltd. was carried out by National Credit Ratings Limited for the year 2018-2019 and their assessments are as follows:

Long Term	AAA
Short Term	ST-1



### Board of Directors

In accordance with Articles 105, 106 & 107 of the company's Articles of Association, the under-noted Directors from Group-A shareholders shall retire from the office by rotation and eligible for re-election .

1. Mr. Mohammed A. Awwal
2. Engr. Md. Mushfiqur Rahman
3. Mrs. Nahreen Siddiqua

In accordance with the Article 107 the above mentioned 3(three) Directors are eligible for re-election. Accordingly, this was placed before the Board of Directors for their kind approval. The Board of Directors already approved the same and this will be placed in the in the ensuing 33rd Annual General Meeting of the company for approval of the Group-A shareholders.

In accordance with Articles 105 &106 of the company's Articles of Association, the under-noted Directors from Group-B shareholders shall retire from the office by rotation.

1. Mr. ASM Mohiuddin Monem
2. Mrs. Tahsina Rahman

The election to fill up the 2 (two) vacancies will be held on the day of the 33rd AGM of the company as on 27th June, 2019

As per Insurance Act 2010, Rules 1958 clause No.15B(3) the Election Notice has been published in the two national dailies.

The 2(two) shareholders i.e. (i) Mr. ASM Mohiuddin Monem & (ii) Mrs. Tahsina Rahman submitted their nomination papers within the stipulated time. Since no-body else has submitted any nomination papers other than above 2(two) candidates so, they will be taken as elected Directors from Group-B shareholders in the ensuing 33rd AGM scheduled to be held on 27th June, 2019 at KIB AUDITORIUM, Krishi Khamar Sharak , Farmgate, Dhaka-1215.

### Board meeting and Audit Committee meetings

11(eleven) meetings of the Board of Directors and 5(five) meeting of the Director's Audit Committee were held during the year 2018. Details are given below in comparison to last 3 years

Name of the Meeting	2018	2017	2016
Board of Director's	11	13	10
Directors Audit Committee	5	4	7

### **Audit Committee**

The Audit Committee of the company met 5 (five) times during the year and reviewed the followings with special emphasis on compliance of respective recommendations:

1. Audit and inspection Report(s) of the Audit Team and External Auditors.
2. Ensuring an effective Risk Management system of the Company through ongoing review of the company's internal control system.
3. The financial statements of the company for the year 2018 audited by the External Auditors.
4. Stressing on the importance of the Compliance Culture within the Company. This is to confirm that the company's Audit Committee is constituted as per terms & condition of BSEC'S Circular No. CMRRCD/2006-/158/207/Admin/80 dated 3 June, 2018

### **Corporate Governance Compliance status**

Pursuant to the clause 9 of the BSEC's Notification No. SEC/ CMRRCD/2006-/158/207 Admin/ 80 dated 3 June, 2018 we attached the company's compliance status as annexure-1.

### **Auditors**

M/S. Hoda Vasi Chowdhury & Co, Chartered Accountants was appointed as External Auditors of the company for the year 2018 at the 32nd Annual General Meeting. They have audited the books of account for the period covering 1st January, 2018 to 31st December 2018. This is the 2nd year that M/S. Hoda Vasi Chowdhury & Co has audited the Financial Statements of the company. M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants, have consented to continue in office and being eligible, automatically qualify for reappointment under section 210 (3) of the Companies Act,1994. A resolution will be placed at the AGM for their reappointment.



## Acknowledgement

On behalf of the Board Directors, we humbly take this opportunity to express our heartfelt gratitude to all of our valued clients, shareholders and well-wishers in home and abroad for their wholehearted co-operation. We are especially thankful to all Banks both in the private and public sector and the management of Multimode Group, Beximco Group, KDS Group, Abdul Monem Group, W & W Group, Square Group, Bata Shoe (BD) Ltd, Novartis (Bangladesh) Ltd, Heidelberg Cement Bangladesh, International Television Channel Ltd (NTV), National Television Ltd (RTV), Maasranga Television, ICDDR,B, Pacific Jeans Group of Companies, HKD Group of Companies, Jayson Group, Aristopharma Ltd, Karim Group, Square Air, DBL Group, MJL Bangladesh, MJL (Mobil), Saad Musa Group, Grameen Phone Ltd, Esquire Group, Mir Group, Pedrollo (NK) Ltd, PHP Group, Rahimafrooz Group, Envoy Group, Maksons Group, M.I. Cement Factory Ltd. (Crown Cement), Olympic Group, Robintex Group, Shanta Group, T.K. Group, Healthcare Pharmaceuticals Ltd. Khulna Power Company Ltd, Khan Jahan Ali Power Company Ltd, NEPC Consortium Power Ltd, Summit Group, United Group, High-Speed Navigation Company Ltd, RZ Power, G.B.B Power Ltd, Desh Energy Ltd, Eurostar Shipping Ltd, Peoples Shipping Ltd, Summit Shipping Ltd, Sealink Shipping Company, Poseidon Enterprise, Brave Royal Shipping, Central Navigation, Ace Bi Cycle (BD) Ltd, Denim Plus (BD) Ltd, Jay Jay Mills (BD) Pvt Ltd, J & J Industries Ltd, Jemina Accessories Ltd, Luna Lite Company. (BD) Ltd, Mamiya Op (BD) Ltd, Meghna Accessories Ltd, Merim Company. Ltd, Mitali Textile Industries (BD) Ltd, Modern Towels (BD) Ltd, Multi Safh Bags Ltd, MZM Textile Ltd, Padma Industries Ltd, Papella Shoe Ltd, Sanko Optical Company. (BD) Ltd, U-Jin Led Company. (BD) Ltd, Van Green (BD) Ltd, Kadena Sports Wear (BD) Ltd, Nawab Abdul Malek Jute Mills (BD) Ltd, Quality Feeds Ltd, Grameen Shakti, National Polymer Industries Ltd, Paxar (BD) Ltd, Care Bangladesh, Bangladesh Edible Oil Ltd, CEAT Bangladesh Ltd, Ruby Food Products, Ahad Jute Spinners Ltd, State Bank of India, Embassy of the United Arab Emirates, Alliance Francaise De Dhaka, Berger Paints (BD) Ltd, Asian Paints Bangladesh Ltd, Sanofi Aventis Bangladesh Ltd, Dhakarea Ltd, EXSACOMPANY Ltd, Renata Ltd, Nuvista Pharma Ltd, EPV Chittagong Ltd, Modele De Capital Ltd, North South University, Al-Muslim Group, Energypac Bangladesh, Independent Television, Paragon Group, Armana Group, IDLC, MGH Group, Pran Group, Trendex Furniture Industries Ltd, Singer Bangladesh Ltd, The Westin (Dhaka), Perfetti Van Melle Bangladesh Ltd, Global Fabrics, Campex (BD) Ltd, Social Marketing Company (SMC), Omera Petroleum Ltd, Paolo Footwear (BD) Ltd, Kenpark Bangladesh, Global Fabrics, Hopeful Textile, Denim Plus (BD) Ltd, Alita Group, Chihong Knit Ltd, Qualitex Group, Swan Lon Company, LSI Ind. Ltd, Daeyu (BD) Ltd, Lik Fung Garments, KAFCO, Queen South Textile Mills Ltd, Aventis Ltd, Monno Group of Companies, Navana Group, Bombay Sweets & Company., Ltd, Independent University Bangladesh, Edison Footwear Ltd, Bengal Group, Knit Plus Group, Zeil's Wear Ltd, AA Knitspin Ltd, Aman Group, Mosharaf Group, Opex-Sinha Group, Ha-Meem Group and many others for reposing their confidence in the company.

We would also like to convey our sincerest thanks to Insurance Development and Regulatory Authority, Bangladesh Securities and Exchanges Commission, Dhaka Stock Exchange, Chittagong Stock Exchange and Re-Insurers - Sadharan Bima Corporation, General Insurance Corporation of India (GIC) Best Re. Malaysia and Trust International and Re-Insurance Brokers- J.B. Boda, Protection Bahrain, Willis and others for their support and assistance. The Board also expresses its appreciation to M/S. Hoda Vasi Chowdhury & Co Chartered Accountants, the Auditor of the Company.

We take this opportunity to express my profound gratitude to the Managing Director and all the Executives, Officers and Staff of the company for their outstanding services throughout the year and look forward to the continued support and whole-hearted cooperation for the realization of the corporate goals in the year ahead. The Board of Directors has been pleased to reward its staff including Executives, Officers and Employees 2 (Two) Incentive Bonus based on individual performance to be decided by the management.

Lastly, with best regards to all our valuable shareholders, we promise to continue the growth of the company with your continued support.

Thank you all.

On behalf of the Board of Directors,



**Syed M. Altaf Hussain**  
Chairman



## **Directors' Report to the Shareholders**

*(Under Section 184 of the Companies Act 1994)*

### **We report that:**

- i. The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii. Proper books of account of the company have been maintained.
- iii. 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.
- iv. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the company's ability to continue as a going concern.
- vii. There are no significant deviations from last year operating result of the company.
- viii. During the year ended 31 December 2018 the Board of Directors held 11 (Eleven) meetings and the Directors serving on the Board attended in aggregate 55.05% of the total number of meetings.
- ix. At 31 December 2018, the pattern of shareholding are given below:
  - a) Shareholding of Parent/Subsidiary/ Associate companies and other related parties: Nil.
  - b) Shareholdings of Directors, CEO, Company Secretary, CFO and Head of Internal Audit and their spouses and minor children: Nil.