

Directors' report to the shareholders

Dear Shareholders

Assalamu Alaikum,

The Board of Directors of Navana CNG Limited is pleased to place herewith the Directors' Report and the Auditors' Report alongwith the audited financial statements of the Company for the year ended June 30, 2017.

PERFORMANCE:

REVENUE EARNINGS

As you aware that the Company at present running 19 CNG re-fueling stations, 10 CNG conversion workshops and a modern service center owned by the Company are in operation in different strategic locations of the country. The total sales of the year from CNG refueling stations, CNG conversion workshops, servicing workshops and spare parts stood at Tk. 159 crore.

'Navana Engineering Limited' the subsidiary Company earned during the year stood at Tk. 70.51 crore against Tk. 61.39 crore of last year which is Tk. 9.12 crore higher.

The earning of the subsidiary Company 'Navana Welding Electrode Limited' during the year sales stood at Tk. 29.90 crore compared to Tk. 30.15 crore of last year.

Financial Result and Appropriation of Profit:

amount in taka

Particulars	2017
Retained Earnings Brought Forward	1,250,462,254
Add: Total Comprehensive for the year	207,849,838
Profit available for appropriation	1,458,312,092
Proposed Cash Dividend	59,118,248
Net unappropriate profit	1,399,193,844
Total	1,458,312,092

Segment-wise or product-wise performance

The company is operating its business with its homogeneous products/services in a single economic and geographical segment within the territory of Bangladesh. However, segment report prepared and mentioned in notes 27 of the financial statements considering CNG re-fueling stations and CNG Conversion Workshop as two different segments.

Industry outlook and possible future developments in the industry

Your Board of Directors already has taken diversified business to get more financial benefit to the shareholders of the Company. Among two subsidiaries Company we are seeing the better prospect of Navana Engineering Limited and Navana Welding Electrode Limited. The 3rd subsidiary Company, Navana LPG Limited has already formed and expected to go into commercial production by end 2017.

Risks and concerns

The Conversion to CNG helped achieving the government's dual objectives of lowering air-pollution and improving the country's balance of payments. The prime raw-materials of the Company's business in CNG are presently in short supply. Exploration of new gas field can only improve the situation. The risk and concern of the CNG business solely depends on the government's policy e.g. increase of CNG price, high tariff on CNG cylinder and kits etc. The government suspended permission for setting up any new CNG re-fueling station, low gas pressure in CNG re-fueling stations etc.

A discussion on consolidated Cost of Goods sold, Gross Profit Margin and Net Profit Margin

Particulars	June 30, 2017	June 30, 2016
Cost of Sales	1,817,778,656	1,810,533,200
Gross Profit	778,744,127	794,233,555
Net Profit for the year	207,849,884	225,462,721

Discussion on continuity of any Extra-Ordinary gain or loss

There is no significant extra-ordinary gain or loss during the financial year.

Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business. The name of related parties, nature of transactions and total transaction value have been set out in accordance with the provisions of 'BAS 24: Related Party Disclosure' disclosed in the note 29 and note 29 (a) of the notes to the financial statements.

Variance within the Financial Year

There was no event of significant variance between quarterly financial performances during the year under review.

Fairness of Financial Statements

The financial statements fairly present the Company's state of affairs, the results of its operations, cash flow and changes in equity. In compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) notification dated August 7, 2012 Managing Director and Chief Financial Officer have given the declaration about the fairness of the financial statements which is shown on page 23 of the report.

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

Application of BAS and BFRS

Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) have been followed in preparation of the financial statements and any deviation there-from has been adequately disclosed.

Internal Control

The systems of internal controls were sound and were implemented and monitored effectively.

Going Concern

There are no significant doubts about the Company's ability to continue as a going concern.

The Board of Directors has reviewed the Company's business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the going concern basis.

Recommendations for Re-election

In terms of Article 127 of the Articles of Association of the Company, Mr. Sajedul Islam and Ms. Farhana Islam, Directors retire by rotation from the Board in the 13th Annual General Meeting. Being eligible under Article 128 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

BOARD MEETINGS ATTENDANCE

In accordance with directives of the regulatory authorities, the Board supervise, study and review the activities of the Company and make businesses decisions, etc. During the year the Board of Directors met sixteen(16) times.

Board meeting attendance during the year June 30, 2017

Name of Directors	Number of Board Meeting attended
Mr. Shafiul Islam	16
Mrs. Khaleda Islam	8
Mr. Saiful Islam	14
Mr. Sajedul Islam	5
Ms. Farhana Islam	4
Mr. M. Obaidur Rahman (Independent Director)	6
Mr. Ekramul Haq (Independent Director)	5

Information Regarding Subsidiary Companies:

i) Navana Engineering Limited

Company's revenue of Tk. 11 crore during the year from the sales of HDPE duct. Further from PVC Pipe Tk. 53.48 crore during the year from the sales of PVC Pipe. In addition, an amount of Tk. 5.16 crore during the year has been added by selling of HDPE coil, UPVC fittings, PPR pipe & fittings to the Company's turnover.

The operating results for the year ended June 30, 2017 as follows:

	amount in taka	
	2017	2016
Turnover	705,159,466	613,905,924
Gross Profit	248,004,584	227,532,851
Net Profit After Tax	74,215,973	70,956,682
Earnings Per Share (EPS)	7.42	7.60
Net Assets Value Per Share (NAVPS)	42.37	34.72

Navana Engineering Limited started its full-scale production at Kaligong, Gazipur. Market demand of products of Navana Engineering Limited is increasing rapidly. Navana Engineering Limited will yield desired profit and contribute substantially.

ii) Navana Welding Electrode Limited

The Company is working already have an R & D Lab and now it is manufacturing and selling around 20 types of electrode for construction, light engineering & ship building industries.

During the year Tk. 29.90 crore by selling welding electrodes.

The operating results for the year ended June 30, 2017 as follows:

	amount in taka	
	2017	2016
Turnover	299,082,740	301,548,596
Gross Profit	68,818,948	70,692,620
Net Profit After Tax	20,879,279	20,213,276
Earnings Per Share (EPS)	2.09	2.02
Net Assets Value Per Share (NAVPS)	16.67	14.58

iii) Navana LPG Limited

As regards, Navan LPG Limited it is expected to go into commercial production soon. The Board of Directors have already informed you earlier of its decision that the assets & liabilities of Navana LPG Unit of Navana CNG Limited shall be taken over by it's subsidiary Navana LPG Limited. With the commissioning of production of Navana LPG Limited, it is expected that it shall contribute a remarkable profit to the turnover of the Company.

FUTURE PROSPECT

The Board of Directors have plan to fix-up a sales target of Tk. 170 crore for Navana CNG Limited for the next financial year, consisting of Tk. 120 crore from CNG Re-fueling Stations, Tk. 25 crore from CNG Conversion Workshop and Tk. 25 crore from vehicle workshops & service revenues.

In addition to above, the Company have plan to earn Tk. 150 crore as revenue from Navana Engineering Limited and Tk. 40 crore from Navana Welding Electrode Limited, totaling Tk. 190 crore. Thus total sales target for Navana CNG Limited alongwith its two fully owned subsidiary companies will be Tk. 360 crore.

DIVIDEND

The Board of Directors of your Company has recommended cash dividend @ 15% for the year ended June 30, 2017 for the shareholders of the Company excluding the sponsor shareholders who have surrendered their portion of dividend. The sponsor shareholders surrendered their portion of dividend for utilizing the fund in LPG business and better growth of the Company.

The general shareholders whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date, i.e., November 13, 2017 will be entitled to the dividend subject to approval in the Annual General Meeting of the Company scheduled to be held on December 11, 2017.

APPOINTMENT OF AUDITORS

The existing auditors of the Company Malek Siddiqui Wali Chartered Accountants, has completed their audit for the year ended on June 30, 2017. Being eligible they have expressed their willingness to be re-appointed as statutory auditors of the Company for the year ending on June 30, 2018.

Pattern of Shareholding

Namewise details		No. of Shares held
a)	<u>Parent/Subsidiary/Associated Companies and other related parties</u> Aftab Automobiles Limited	105,404
b)	<u>Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:</u>	
	Mr. Shafiul Islam-Chairman	17,203,878
	Mr. Saiful Islam- Director & CEO	3,426,429
	Mrs. Khaleda Islam-Director	3,568,644
	Mr. Sajedul Islam- Director	3,401,792
	Ms. Farhana Islam- Director	1,447,842
	Mr. M. Obaidur Rahman- Independent Director	Nil
	Mr. Ekramul Haq- Independent Director	Nil
	<u>Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouse and minor children:</u>	Nil
c)	Executives	Nil
d)	<u>Shareholders holding ten percent (10%) or more voting interest in the Company:</u>	
	Mr. Shafiul Islam	17,203,878

Conclusion

The Company wishes to express its sincere appreciation to all employees of Navana CNG Limited for their contribution and at the same time, thank all the stakeholders for their continued support and confidence.

On behalf of the Board of Directors

Sd/-
(Saiful Islam)
Chief Executive Officer