

Directors' report to the shareholders

Dear Shareholders,
Assalamu Alaikum,

We have the pleasure to welcome you on behalf of the Board of Directors at the 18th Annual General Meeting of Navana CNG Limited and present before you to receive, consider and adopt the Audited Financial Statements of the Company for the year ended on 30 June 2022 together with the Auditors' Report and Directors' Report thereon, for your kind consideration.

PERFORMANCE

Revenue Earnings

The sales proceeds of 18 CNG re-fueling stations, 2 LPG stations and 7 CNG & LPG conversion workshops and modern service center are in operation in different strategic locations of the country. The total revenue of the year from CNG & LPG Conversion, CNG & LPG Gas Sales and service revenue stood at Tk. 128 crore.

Navana Engineering Limited, subsidiary of Navana CNG Limited has been contributed an amount of Tk. 43 crore during the present financial year.

The sale of Navana Welding Electrode Limited, subsidiary of Navana CNG Limited is Tk. 53 crore during the year under review.

Navana LPG Limited another subsidiary of Navana CNG Limited contributed on amount of Tk. 200 crore in the financial year ended 30 June 2022.

Financial Result and Appropriation of Profit:

Particulars	Amount in taka	
	June 30, 2022	June 30, 2021
Retained Earnings Brought Forward	1,514,055,572	1,538,647,565
Less: Adjustment for the application of IFRS 16 (lease)	393,684	96,282
Add: Total Comprehensive income for the year	11,194,167	14,916,454
Less: Stock Dividend	34,264,290	-
Less: Cash Dividend	19,706,082	39,412,165
Profit available for appropriation	1,470,885,683	1,514,055,572
Recommended for appropriation:		
Cash Dividend 5%	19,706,082	39,412,165
Stock Dividend 5%	34,264,290	-
Inappropriate profit carried forward	1,416,915,311	1,474,643,407
Total	1,470,885,683	1,514,055,572

Segment-wise or product-wise performance

Within the territory of Bangladesh, the Company is operating its business. However, the segment report prepared and mentioned in notes 39.01 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

We prospect the better business of Navana CNG Limited i.e: Navana Engineering Limited, Navana LPG Limited and Navana Welding Electrode Limited in the coming days.

Risks and concerns

Exploration of a new gas field can only improve the present situation. The risk and concern of the CNG business depends on the government's policy e.g., increase of CNG price, tariff on CNG cylinder/kits and market demand etc.

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

Particulars	Amount in taka	
	June 30, 2022	June 30, 2021
Turnover	4,248,855,417	5,024,180,366
Cost of sales	3,374,712,994	4,042,074,992
Gross profit	874,142,423	982,105,374
Net profit for the year	11,191,689	14,915,240

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 several 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 following the provisions of 'IAS 24: Related Party Disclosure' disclosed in the note 41 of the notes to the financial statements.

Variance with Quarterly and Annual Financial Statements

There was no event of significant variance between quarterly and annual 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 Bangladesh Securities and Exchange Commission (BSEC) Notification dated 3 June 2018, Managing Director and Chief Financial Officer have given the declaration about the fairness of the financial statements in page no. 22 & report of Compliance Auditors in page no. 23 of this Annual Report-2022.

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

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

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) have been followed in the preparation of the financial statements of the company and any deviation there-from has been adequately disclosed.

Internal Control

The systems of internal controls were sound, implemented and monitored effectively. The Audit committee always gives their suggestion and recommendation to the Board as and when required.

Minority Shareholders' Interest Protection

Rights and interests of the minority shareholders have been duly protected by means of transparent operations and proper disclosure of material information of the Company.

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 next financial year. Accordingly, the financial statements are prepared on a going concern basis.

Five Years Operating and Financial Data

The Key operating and financial data for the last five years have been disclosed at page no - 17.

Declaration by the Managing Director and the CFO

Declaration by the Managing Director and CFO has been given on Annexure-A (page no. 22)

Independent Directors

Mr. Md. Mustafizur Rahman appointed as Independent Director of Navana CNG Limited vide Board resolution dated 23.10.2022 for three years up to 22.10.2025 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Mustafizur Rahman is an experienced banker. He completed his graduation in Accounting and post-graduation in Finance from the University of Dhaka. Later on, he completed his DAIBB form The Institute of Bankers, Bangladesh (IBB). Mr. Rahman had started his career as a Financial Analyst at Sonali Bank Limited. He served the Bank over 35 years in different capacities across the country and abroad and retired from the Bank in 2014 as a Deputy Managing Director. Mr. Rahman attended various training courses on Banking & Finance, Basel II, Entrepreneurship development, Credit management, Bank management, Managerial Planning & Control, Project Appraisal & Evaluation, Urban Branch Management in Bangladesh and abroad.

Mr. Md. Dilwar Hossain Bhuiyan appointed as Independent Director of Navana CNG Limited vide Board resolution dated 23.10.2022 for three years up to 22.10.2025 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Dilwar Hossain Bhuiyan is a seasoned corporate leader who has more than 37 years of experience in Banking and Non-banking Financial Institutions. In his academic attainments, he completed his BA & MA from the University of Dhaka. Later on, he did MBA from Bangladesh Open University, Post Graduate Diploma in Personnel Management from BIM and Diploma in Banking from The Institute of Bankers, Bangladesh (IBB). Mr. Bhuiyan started his career at Bangladesh Krishi Bank and later on served at Rajshahi Krishi Unnayan Bank, Karmasansthan Bank, Bangladesh Development Bank, Sonali Bank and SBAC Bank in different capacities. He retired from Bangladesh Industrial Finance Company Limited (BIFC) as Managing Director in 2017. Mr. Bhuiyan is also Former adjunct faculty of the Royal University of Dhaka and a guest speaker at training institutes of different banks. He attended various training programs/workshops at home and abroad.

Remuneration paid to Directors and Independent Directors

An amount of Tk. 1,80,000 paid to Directors and Tk. 50,000 paid to Independent Directors for attending at Board of Directors meeting held during the financial year ended on 30 June 2022.

Re-election by Rotation of Directors

In terms of Article 127 of the Articles of Association of the Company, Mr. Shafiul Islam and Mrs. Khaleda Islam, Directors retire by rotation from the Board in the 18th Annual General Meeting. Being eligible under Article 128 of the Articles of Association of the Company, the retiring Directors are eligible for re-election by Rotation of Director.

Disclosure of information of the directors who are willing to be re-elected:

Mr. Shafiul Islam

Mr. Shafiul Islam joined the Islam Group, a reputed business conglomerate in Bangladesh in 1968 and started his career with automobile business as well as in the construction, real estate business. In the early years, he gained valuable experience by being involved in the management of the Group's diverse business operations. He played a major role in establishing "Navana" as the Toyota brand car trading company in Bangladesh, and finally set up Aftab Automobiles Limited. He was also in charge of the construction company named Bengal Development Corporation (BDC) where he was directly responsible for the construction work of BDC in the Middle East and from 1981, he was also taking care of Eastern Housing Limited, then the largest real estate development company in Bangladesh. In 1996, the then Chairman of Islam Group, separated from Islam Group with Navana Limited and Aftab Automobiles Limited and formed Navana Group. He has a very good relationship with all business key people in the country.

Mr. Shafiul Islam is the Chairman of Navana Group, consisting of companies involved amongst others in vehicles assembling, bus body fabrication, trading, real estate, construction, CNG/LPG conversion and CNG/LPG station, electronics, petroleum and renewable energy.

Names of companies in which Mr. Shafiul Islam also holds the directorship:

Navana Limited, Aftab Automobiles Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Building Products Ltd., Navana Interlinks Ltd., Navana Electronics Ltd., Navana Batteries Ltd., Navana Furniture Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Plastic Products Ltd., Navana Toyota Service Center Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Paints Ltd. and Navana LPG Ltd.

Membership in committees of the Board of other Companies-None.

Mrs. Khaleda Islam

Mrs. Khaleda Islam is the wife of Mr. Shafiul Islam, Chairman of the Navana Group. Mrs. Khaleda Islam has experience in business for more than 30 years. She traveled many countries in the world.

At present, Mrs. Khaleda Islam is a Director of Navana Group, involved amongst others in vehicles assembling, bus body fabrication, trading, real estate, construction, CNG/LPG conversion and CNG/LPG stations, electronics, petroleum and renewable energy.

Names of companies in which Mrs. Khaleda Islam also holds the directorship:

Navana Limited, Aftab Automobiles Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Electronics Ltd., Navana Toyota Service Center Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Interlinks Ltd., The Essential Industries Ltd., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Building Products Ltd. and Navana LPG Ltd.,

Membership in committees of the Board of other Companies-None.

Board of Directors Meetings

Total 10 (ten) meetings held during the year 30 June 2022 by the Board of Directors.

Name of Directors	Position	Number of Board Meeting attended
Mr. Shafiul Islam	Chairman	8
Mrs. Khaleda Islam	Director	5
Mr. Saiful Islam	Director	9
Mr. Sajedul Islam	Managing Director	10
Ms. Farhana Islam	Director	2
Mr. Farhad Fariduddin Ahmad	Alternate Director	2
Mr. Md. Kausar Alam FCMA	Independent Director	5
Dr. Melita Mehjabeen	Independent Director	5

* Mr. Farhad Fariduddin Ahmad appointed as Alternate Director on behalf of Ms. Farhana Islam on 27.04.2022.

Information Regarding Subsidiary Companies:**a) Navana Engineering Limited**

The Company earned an amount of Tk.26.31 crore during the year from the sales of HDPE product. Further from PVC Pipe earned an amount of Tk. 10. 51 crore during the year from the sales. Besides, an amount of Tk. 6.28 crore during the year has been added by selling of Plastic Items, Gas stove, water pump and others to the Company's turnover.

The operating results for the year ended 30 June 2022 as follows:

Particulars	Amount of taka	
	June 30,2022	June 30,2021
Turnover	431,155,504	345,204,712
Gross Profit	116,244,239	91,813,018
Net Loss After Tax	(73,164,650)	(83,953,076)
Earnings Per Share (EPS)	(7.32)	(8.40)
Net Assets Value Per Share (NAVPS)	36.12	43.43

b) Navana Welding Electrode Limited

The Company is manufacturing and selling various types of electrode for construction, light engineering & ship building industries. During the year Tk.53 crore added by selling welding electrodes.

The operating results for the year ended 30 June 2022 as follows:

Particulars	June 30, 2022	June 30, 2021
Turnover	532,631,622	693,179,581
Gross Profit	142,875,144	182,849,194
Net Profit After Tax	63,366,805	82,193,216
Earnings Per Share (EPS)	6.34	8.22
Net Assets Value Per Share (NAVPS)	42.71	36.38

c) Navana LPG Limited

During the year under review Navana LPG Limited added Tk.200 crore by selling LPG.

The operating results for the year ended 30 June 2022 as follows:

Particulars	June 30, 2022	June 30, 2021
Turnover	2,000,562,599	2,790,185,645
Gross Profit	368,873,798	490,199,091
Net Loss After Tax	(49,461,355)	(24,249,113)

Future Prospect

Due to covid-19 pandemic in worldwide and Russia-Ukraine War, the global economy continues to be weakened significantly. Disruptions occurred in trade, food and fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global & local financing conditions. As a result, Navana CNG Limited could not achieve its desire goal as assumed. However, we are optimistic that the Company has taken necessary steps to increase production and sales.

Corporate Governance Compliance

The Company also complied with the requirements of Corporate Governance Code.

- 1) Compliance Certificate on Corporate Governance Code in page no. 23 (Annexure-B)
- 2) Corporate Governance Compliance Report in page no. 24 (Annexure-C)
- 3) Pattern of shareholding in page no. 16
- 4) Audit Committee Report in page no. 33

Dividend

The Board of Directors of Navana CNG Limited in its meeting on 26 October 2022 has recommended dividend as follows:

- a) 5% Cash Dividend for the general shareholders only excluding Sponsors and Directors. The Sponsors and Directors are holding 3,05,72,243 shares out of total 7,19,55,021 shares of Navana CNG Limited. Dividend amount payable to the general shareholders only is Tk. 2,06,91,389/- for 4,13,82,778 shares; and
- b) 5% Stock Dividend for all shareholders including Sponsors and Directors.

The shareholders whose names appeared in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e., 20 November 2022 will be entitled to have the cash and stock dividend, subject to approval in the ensuing Annual General Meeting scheduled to be held on 28 December 2022.

Explanation for reducing profit

Navana LPG Limited subsidiary of Navana CNG Ltd. is in operation having gross profit. Due to the substantial amount of Loan the company has to incur a significant amount of financial expenses. The beefed-up financial expenses adversely affected the bottom-line profitability and consequently resulted in reducing the profit of the company as well as the business of the company.

Corporate Governance Compliance Report

Navana CNG Limited adheres to appropriate good Corporate Governance practices, as described on pages 20 to 32 of this Annual Report. The Company also complied with all the requirements of Corporate Governance Code as required by the Bangladesh Securities and Exchange Commission (BSEC). In accordance with the BSEC Notification on Corporate Governance Compliance Report is shown in Annexure-C of this Report. Further, in compliance with the BSEC notification dated June 3, 2018 AHMED ZAKER & Co., Chartered Accountants issued the Corporate Governance Compliance Certificate which is shown in Annexure- B of this report.

Appointment of External Auditors

The existing auditors of the Company A. Haque & Co., Chartered Accountants, has completed their audit for three consecutive years. As per Regulation No 15 (2) & 15 (3) of Dhaka Stock Exchange (Listing) Regulation, 2015 no auditors be eligible for performing the auditing of the financial statements of the issuer of listed securities for a consecutive period exceeding three years. In this connection, the Board of Directors in a meeting dated 26 October 2022 recommended to appoint FAMES & R, Chartered Accountants, as the statutory auditors of the Company for the year ending on 30 June 2023, Subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on 28 December 2022.

Appointment of Corporate Governance Compliance Auditors

Existing Corporate Governance Compliance Auditors Ahmed Zaker & Co., Chartered Accountants have completed their work as compliance Auditors for year ended 30 June 2022. The Board of Directors in a meeting dated 26 October 2022 recommended to appoint Snehasish Mahmud & Co., Chartered Accountants for the year ending on 30 June 2023, Subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on 28 December 2022.

Acknowledgement

On behalf of the Company, we would like to record our sincere thanks to all shareholders for their continued confidence in us, and employees of Navana CNG Limited and its subsidiaries for their contribution and at the same time thanks to all the stakeholders and other concern for their continuous support.

Best regards to all the shareholders. May you all have a healthy, peaceful and progressive life.

On behalf of the Board of Directors



(Shafiul Islam)
Chairman