

Directors' report to the shareholders

Dear Shareholders,
Assalamu Alaikum,

On behalf of the Board of Directors and Management, it is indeed a great privilege for me to welcome you to the 19th Annual General Meeting of the Company. We are pleased to place here with the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended on 30 June 2023 for your valued consideration, adoption and approval. These were approved by the Board of Directors on 26 October 2023.

PERFORMANCE

Revenue Earnings

The sales proceeds of 17 CNG re-fueling stations, 2 LPG stations and 6 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. 133 crore.

Navana Engineering Limited, subsidiary of Navana CNG Limited has been contributed an amount of Tk. 30 crore during the present financial year.

The sale of Navana Welding Electrode Limited, subsidiary of Navana CNG Limited is Tk. 40 crore during the year under review.

Navana LPG Limited another subsidiary of Navana CNG Limited contributed on amount of Tk. 207 crore in the financial year ended 30 June 2023.

Financial Result and Appropriation of Profit:

Particulars	Amount in taka	
	June 30, 2023	June 30, 2022
Retained Earnings Brought Forward	1,470,885,683	1,514,055,572
Less: Adjustment for the application of IFRS 16 (lease)	-	393,684
Add: Total Comprehensive income for the year	9,855,575	11,194,167
Less: Stock Dividend	35,977,510	34,264,290
Less: Cash Dividend	20,691,389	19,706,082
Profit available for appropriation	1,424,072,359	1,470,885,683
Recommended for appropriation:		
Cash Dividend 5%	20,691,389	19,706,082
Stock Dividend 5%	35,977,510	34,264,290
Inappropriate profit carried forward	1,367,403,460	1,416,915,311
Total	1,424,072,359	1,470,885,683

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 consolidated 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 and its subsidiaries 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, 2023	June 30, 2022
Turnover	4,094,196,308	4,248,855,417
Cost of sales	3,264,465,687	3,374,712,994
Gross profit	829,730,621	874,142,423
Net profit for the year	9,855,920	11,191,689

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-2023.

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

Internal control systems are the set of policies, processes, tasks, behaviors and other aspects of an organization that are taken together. The internal control system also facilitates to conduct of the organization efficiently, safeguarding the assets of the company, preventing and detecting fraud and other unlawful acts, completeness and accuracy of financial records. The systems of internal controls of the Company were sound, implemented and monitored effectively. The management and employees of the company are responsible to follow the internal control system. As per the Corporate Governance Code, two sub-committees are in the Board of Directors; one is Audit Committee and another is Nomination and Remuneration Committee. Both Committees play an important role in overseeing the company's internal control processes. During the year under review, the Audit Committee of the Company met quarterly to review the quarterly Financial Statements as well as Annual Financial Statements.

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.

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in the preparation of the Financial Statements and any departure therefrom has been adequately disclosed.

Human Resources

A dynamic business environment required having a well-trained work force. So, the Company develops the appropriate management skills to suit the challenging business environment. A wide range of training programs and workshops were carried out during the year. The management and employee relationship in the Company was excellent throughout the year.

Five Years Operating and Financial Data

The Key operating and financial data for the last five years have been disclosed at page no - 16.

Declaration by the Managing Director and the CFO

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

Shareholders Rights

The Company upholds the principle of equal shareholders' rights regardless of their shareholdings. All shareholders are encouraged to attend the shareholders' meeting. During the Annual General Meeting, shareholders are invited to vote on the adoption of the Annual Financial Statements and the Directors' Report, the election of the Board members, the appointment of Auditors and other matters which require their participation.

Remuneration paid to Directors and Independent Directors

Navana CNG Limited paid an amount of Tk. 2,10,000 to Directors and Tk. 35,000 paid to Independent Directors for attending at Board of Directors meeting held during the financial year ended on 30 June 2023.

Independent Directors

Mr. Md. Mustafizur Rahman, currently serving as an Independent Director of Navana CNG Limited, brings a wealth of expertise to his role.

Mr. 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 from 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. Abul Layes Afsary appointed as Independent Director of Navana CNG Limited vide Board resolution dated 15.06.2023 for three years up to 14.06.2026 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Abul Layes Afsary is a seasoned corporate leader who has more than 35 years of experience in Banking. In his academic attainments, he completed his graduation and post-graduation from the University of Dhaka. Later on, he completed his Banking Professional Examination JAIBB and DAIBB from the Institute of Bankers Bangladesh. Mr. Afsary had started his career as Senior Officer at Sonali Bank Limited and served the Bank till 2018 in different capacities across the country and abroad. Along with various career accomplishment Mr. Afsary achieved all business/remittance targets of about 200% in 2002 and 2003, and received letter of appreciation from the Chairman of the Board of Directors of Sonali Exchange Co. Inc. New York, USA & Managing Director of Sonali Bank Limited. He attended various training programs at home and abroad.

Re-election by Rotation of Directors

In terms of Article 127 of the Articles of Association of the Company, Mr. Saiful Islam and Ms. Farhana Islam, Directors retire by rotation from the Board in the 19th 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. Saiful Islam

Mr. Saiful Islam an MBA joined the Navana Group in 1996. In the early years, he gained valuable experience by being involved in the management of the Group's diverse business operations. He has been appointed as Managing Director of Aftab Automobiles Limited in 2006. He took various business-related professional courses at home and abroad. He traveled almost all the countries of the world.

At present, Mr. Saiful Islam is the Senior Vice-Chairman of Navana Group, consisting of companies, involved, amongst other, in vehicles assembling, bus body fabrication and trading, real estate, construction, CNG conversion and gas station, car rental, electronics, IT, petroleum and renewable energy.

Names of companies in which Mr. Saiful 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, The Essential Industries Ltd., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Paints Ltd. and Navana LPG Ltd.

Membership in committees of the Board - Audit Committee and NRC.

Ms. Farhana Islam

Ms. Farhana Islam a BBA is a young enthusiastic entrepreneur of the country, joined the Navana Group in 2007. In the early years, she gained valuable experience by being involved in the management of the Group's diversified business operations. She took various business-related professional courses at home and abroad. She traveled to many countries in the world.

Names of companies in which Ms. Farhana Islam also holds the directorship:

Navana Limited, Aftab Automobiles Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Electronics Ltd., Navana Batteries Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Furniture Ltd., Navana Interlinks Ltd., Essential Industries Ltd., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Paints Ltd., Navana Building Products Ltd. and Navana LPG Ltd.

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

Board of Directors Meetings

Total 11 (eleven) meetings held during the year ended on 30 June 2023 by the Board of Directors.

Name of Directors	Position	Number of Board Meeting attended
Mr. Shafiul Islam	Chairman	9
Mrs. Khaleda Islam	Director	9
Mr. Saiful Islam	Director	9
Mr. Sajedul Islam	Managing Director	11
Ms. Farhana Islam	Director	4
Mr. Md. Mustafizur Rahman	Independent Director	4
Mr. Md. Dilwar Hossain Bhuiyan	Independent Director	3
Mr. Abul Layes Afsary	Independent Director	-

* Mr. Md. Dilwar Hossain Bhuiyan, Independent Director has resigned on 3 April 2023

* Mr. Abul Layes Afsary appointed as Independent Director on 15 June 2023

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

The Company earned an amount of Tk.23.48 crore during the year from the sales of HDPE product. Further from PVC Pipe earned an amount of Tk. 3.72 crore during the year from the sales. Besides, an amount of Tk. 3.24 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 2023 as follows:

Particulars	Amount of taka	
	June 30, 2023	June 30, 2022
Turnover	304,586,949	431,155,504
Gross Profit	81,751,847	116,244,239
Net Loss After Tax	(97,242,002)	(73,164,650)
Earnings Per Share (EPS)	(9.72)	(7.32)
Net Assets Value Per Share (NAVPS)	26.40	36.12

b) Navana Welding Electrode Limited

The Company is manufacturing and selling various types of electrodes for construction, light engineering & ship building industries. During the year Tk. 40 crore added by selling welding electrodes.

The operating results for the year ended 30 June 2023 as follows:

Particulars	Amount of taka	
	June 30, 2023	June 30, 2022
Turnover	396,321,746	532,631,622
Gross Profit	69,036,842	142,875,144
Net Profit After Tax	19,454,910	63,366,805
Earnings Per Share (EPS)	1.95	6.34
Net Assets Value Per Share (NAVPS)	44.66	42.71

c) Navana LPG Limited

During the year under review Navana LPG Limited added Tk.207 crore by selling LPG.

The operating results for the year ended 30 June 2023 as follows:

Particulars	Amount of taka	
	June 30, 2023	June 30, 2022
Turnover	2,066,426,497	2,000,562,599
Gross Profit	427,046,596	368,873,798
Net Profit/Loss After Tax	7,674,577	(49,461,355)

Future Prospect

Due to the high price of fuels and scarcity of dollars, banks were reluctant to open LC with regular margins. As a result, the company had to sell LPG after procuring from local sources, which were only available for short period of time. Suppliers were paid at a higher rate, resulting in a significant decrease in revenue. 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. 15
- 4) Audit Committee Report in page no. 33

Dividend

The Board of Directors of Navana CNG Limited in its meeting held on 26 October 2023 has recommended 10% Cash Dividend for the general shareholders only excluding Sponsors and Directors. The Sponsors and Directors are holding 3,21,00,852 shares out of total 7,55,52,772 shares of Navana CNG Limited. Dividend amount payable to the general shareholders only is Tk. 4,34,51,920/- for 4,34,51,920 shares;

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 2023 will be entitled to have the cash dividend, subject to approval in the ensuing Annual General Meeting scheduled to be held on 28 December 2023.

Explanation for reducing profit

Profit of Navana Welding Electrode Limited, subsidiary of Navana CNG Ltd. reduced due to increase of raw material prices and dollar crisis. Higher raw material costs directly reduced the gross profit margin because the cost of goods sold (COGS) increased. Navana Welding Electrode Limited had to open Letters of Credit with over 100% margin which tied up more capital and affected the company's liquidity, impacting profitability.

Corporate Governance Compliance Report

Fundamentally, the conduct of the Company is guided by our core values, our code of ethics and a commitment to openness and transparency. Our corporate governance practices are a reflection of our value system encompassing our culture, policies, and relationships with our stakeholders. Integrity and transparency are key to our corporate governance practices to ensure that we gain and retain the trust of our stakeholders at all times. Navana CNG Limited adheres to appropriate good Corporate Governance practices, as described on pages 19 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 Snehasish Mahmud & Co., Chartered Accountants issued the Corporate Governance Compliance Certificate which is shown in Annexure- B of this report.

Appointment of External Auditors

Existing External Auditors FAMES & R., Chartered Accountants (Panel Auditors of BSEC) have completed their work as Auditors for the year ended 30 June 2023. Being eligible they have shown their interest to continue as External Auditors of the Company for the year 30 June 2024, The Board of Directors, in its meeting held on 03 December 2023, recommended their appointment, subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on 28 December 2023.

Appointment of Corporate Governance Compliance Auditors

Existing Corporate Governance Compliance Auditors Snehasish Mahmud & Co., Chartered Accountants have completed their work as compliance Auditors for year ended 30 June 2023. The Board of Directors in a meeting dated 03 December 2023 recommended to appoint MNA Associates 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 2023.

Acknowledgement

The Board of Directors extends its' heart felt gratitude to valued clients, shareholders, supplier and all stakeholders for their all-out support to us. The Board of Directors remembers gratefully the co-operation of Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange PLC (CSE) and other regulatory agencies of the Government. The Board thanks the Banks and the Financial Institutions for their support. The Board of Directors wishes all levels of officers, employees, customers, well-wishers and all concerned for their sincere contributions towards our business success.

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

On behalf of the Board of Directors



(Sajedul Islam)
Managing Director