

# Directors' report to the shareholders

**Dear Shareholders,**

**Assalamu Alaikum,**

We have the pleasure to place before you the Directors' Report and the Auditors' Report on behalf of the Board of Directors together with the consolidated audited financial statements of Navana CNG Limited for the year ended 30 June 2020. As you are aware of fact that total business of the company was detroitied due to global effect of Covid-19 pandemic.

## **PERFORMANCE**

### **Revenue Earnings**

The sales proceeds of 18 CNG re-fueling stations, 8 CNG conversion workshops and from modern service center 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. 135 crore.

Navana Engineering Limited, subsidiary of Navana CNG Limited has been contributed an amount of Tk. 70 crore during the present financial year.

The sale of Navana Welding Electrode Limited, subsidiary of Navana CNG Limited was Tk. 51 crore during the year under review.

Navana LPG Limited another subsidiary of Navana CNG Limited contributed on amount of Tk. 337 crore in the financial year ended 30 June 2020.

### **Financial Result and Appropriation of Profit:**

Amount in taka

<b>Particulars</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Retained Earnings Brought Forward	1,519,706,890	1,513,465,471
Less: Adjustment for the application of IFRS 16 (lease)	3,521,294	-
Add: Total Comprehensive income for the year	61,874,134	88,475,729
Less: Cash Dividend 10%	39,412,165	82,234,310
Profit available for appropriation	1,538,647,565	1,519,706,890
Recommended for appropriation:		
Cash Dividend 10%	39,412,165	39,412,165
Inappropriate profit carried forward	1,499,235,400	1,480,294,725
<b>Total</b>	<b>1,538,647,565</b>	<b>1,519,706,890</b>

### **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 29 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 Welding Electrode Limited and Navana LPG 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, high tariff on CNG cylinder/kits and market demand etc.

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

Amount in taka

<b>Particulars</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Cost of sales	4,676,102,307	4,592,915,543
Gross profit	1,251,950,542	1,293,703,173
Net profit for the year	61,873,020	88,473,588

**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 'BAS 24: Related Party Disclosure' disclosed in the note 31 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. Chief Executive Officer & Chief Financial Officer have given the declaration about the fairness of the financial statements in page 17 and report of Compliance Auditors in page 18 of this Annual Report-2020.

**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 and implemented and monitored effectively. The Audit Committee always gives their suggestion and recommendation to the Board as and when required.

**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.

**Independent Directors**

Mr. Syed Masud Hasan is the existing Independent Director of the company. Mr. M. Obaidur Rahman FCA was the Independent Director of the company who has expired on 07-10-2020.

**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 16th 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, Director**

Mr. Saiful Islam an MBA joined the Navana Group in 1995. 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, Navana Plastic Products Ltd., Navana power Generation Ltd., Navana Toyota Service Center Ltd., The Essential Industries Ltd., Eastern Printing Press Ltd., Orion Complex Ltd., Kenhill Paper Mills Ltd., Biponon Ltd., Navana Computer & Tech. Ltd., Navana Services Ltd., Road Linkers Ltd., Navana Taxi Cab Co. Ltd., Navana Power Co. Ltd., Navana Denims Ltd., Navana Knitting Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Lingerie Ltd., Navana fabrics Ltd., Navana Gas Co. Ltd., Navana Paints Ltd., Navana Equities Ltd., Navana Electrical and Energy Saving Products Ltd., Navana Properties Ltd. and Navana LPG Ltd.

Membership in committees of the Board of other Companies-Audit Committee of Navana CNG Limited.

**Ms. Farhana Islam, Director**

Ms. Farhana a BBA is a young enthusiastic entrepreneur of the country, joined the Navana Group in 2004. 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.

Ms. Farhana is a Director of Navana Group, consisting of companies, involved, amongst other, in vehicles assembling, trading, real estate, construction, CNG conversion and gas station, electronics, petroleum and renewable energy.

**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 Toyota Service Center Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Furniture Ltd., Navana Interlinks Ltd., Essential Industries Ltd., Eastern Printing Press Ltd., Orion Complex Ltd., Kenhill Paper Mills Ltd., Biponon Ltd., Navana Computer & Tech. Ltd., Navana Services Ltd., Road Linkers Ltd., Navana Taxi Cab Co. Ltd., Navana Plastic Products Ltd., Navana power Generation Ltd., Navana Power Co. Ltd., Navana Denims Ltd., Navana Knitting Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Lingerie Ltd., Navana fabrics Ltd., Navana Gas Co. Ltd., Navana Paints Ltd., Navana Building Products Ltd., Navana Equities Ltd., Navana Electrical and Energy Saving Products Ltd., Navana Properties 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 2020 by the Board of Directors.

<b>Name of Directors</b>	<b>Number of Board Meeting attended</b>
Mr. Shafiul Islam	8
Mrs. Khaleda Islam	4
Mr. Saiful Islam	10
Mr. Sajedul Islam	6
Ms. Farhana Islam	3
Mr. M. Obaidur Rahman (Independent Director)	5
Mr. Syed Masud Hasan (Independent Director)	2

We are saddened to inform you that M. Obaidur Rahman, Independent Director has expired on 07-10-2020.

## Information Regarding Subsidiary Companies:

### a) Navana Engineering Limited

The Company earned an amount of Tk. 10.47 crore during the year from the sales of HDPE product. Further from PVC Pipe earned an amount of Tk. 38.74 crore during the year from the sales. besides, an amount of Tk. 20.48 crore during the year has been added by selling of HDPE coil, UPVC fittings, PPR pipe, fittings and others to the Company's turnover.

#### The operating results for the year ended 30 June 2020 as follows

Particulars	Amount of taka	
	June 30, 2020	June 30, 2019
Turnover	696,863,366	777,913,306
Gross Profit	231,233,709	249,963,531
Net Profit After Tax	5,776,110	5,327,223
Earnings Per Share (EPS)	0.58	0.53
Net Assets Value Per Share (NAVPS)	51.83	51.28

### 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. 51 crore added by selling welding electrodes.

#### The operating results for the year ended 30 June 2020 as follows:

Particulars	June 30, 2020	June 30, 2019
Turnover	512,051,960	518,744,052
Gross Profit	129,805,195	128,305,199
Net Profit After Tax	44,995,940	40,734,797
Earnings Per Share (EPS)	4.50	4.07
Net Assets Value Per Share (NAVPS)	28.17	23.67

### c) Navana LPG Limited

Navana LPG Limited is getting a good response in the market. During the year Navana LPG Limited added Tk. 337 crore by selling LPG.

#### The operating results for the year ended 30 June 2020 as follows:

Particulars	June 30, 2020	June 30, 2019
Turnover	3,372,032,537	3,013,185,645
Gross Profit	592,822,415	531,010,489
Net Profit After Tax	(22,776,432)	(43,285,288)

#### Next Year Plan

The Board of Directors has an expected sales target of Tk. 140 crore from Navana CNG Limited for the next financial year, consisting of Tk. 125 crore from CNG Re-fueling Stations & other services, Tk. 10 crore from CNG Conversion Workshop and Tk. 5 crore from vehicle workshops & service revenues.

In addition to the above, the Company has planned to earn Tk. 90 crore as revenue from Navana Engineering Limited and Tk. 65 crore from Navana Welding Electrode Limited, and Tk. 360 crore from Navana LPG Limited. Thus total sales target for Navana CNG Limited along with its subsidiaries will be Tk. 655 crore.

#### Corporate Governance Compliance

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

- Declaration by Chief Executive Officer and Chief Financial Officer in page no. 17 (Annexure-A)
- Compliance Certificate on Corporate Governance Code in page no. 18 (Annexure-B)
- Corporate Governance Compliance Report in page no. 19 (Annexure-C)
- Pattern of shareholding in page no. 12

- e) Highlights of Financial key operating data in page no. 13
- f) Audit Committee Report in page no. 29

#### **Dividend**

The Board of Directors of Navana CNG Limited has recommended a cash dividend @10% for the year ended 30 June 2020 for the general shareholders only excluding Sponsors and Directors. The shareholders whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e., 18 November 2020 will be entitled to the dividend, subject to approval in the ensuing Annual General Meeting scheduled to be held on 29 December 2020.

#### **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.

#### **Appointment of External Auditors**

Being illegible the existing External Auditors of the Company, A.Haque & Co., Chartered Accountants, expressed their willingness to continue as External Auditors of the Company for the year ended 30 June 2021. The Board of Directors of the Company in a meeting dated 10 November 2020 recommended for re-appointment of A.Hoque & Co., Chartered Accountants for conducting audit as external an auditor of the Company for the year ended 30 June 2021. Matter to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 29 December 2020.

#### **Appointment of Compliance Auditors**

Existing Compliance Auditors, Ahmed Zaker & Co., Chartered Accountants, expressed their willingness to continue as compliance auditors for the year ended 30 June 2021. The Board of Directors of the Company in a meeting dated 10 November 2020 recommended for re-appointment of Ahmed Zaker & Co., Chartered Accountants, for conducting an audit on compliance with the Corporate Governance Code for the year ended 30 June 2021. Matter to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 29 December 2020.

#### **Acknowledgement**

The Board wishes to express its sincere appreciation to all employees of Navana CNG Limited for their contribution and at the same time, thanks to all the stakeholders and concerns for their continued support and confidence, even in this situation for the Covid-19 pandemic in the country and world wide.

On behalf of the Board of Directors



( Sajedul Islam )  
Chief Executive Officer