

# 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 17th 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 2021 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 sales of the year from CNG refueling stations, CNG conversion workshops, servicing workshops and spare parts stood at Tk. 120 crore.

Navana Engineering Limited, subsidiary of Navana CNG Limited has been contributed an amount of Tk. 35 crore during the present financial year.

The sale of Navana Welding Electrode Limited, subsidiary of Navana CNG Limited is Tk. 69 crore during the year under review.

Navana LPG Limited another subsidiary of Navana CNG Limited contributed on amount of Tk. 279 crore in the financial year ended 30 June 2021.

### Financial Result and Appropriation of Profit:

Particulars	Amount in taka	
	June 30, 2021	June 30, 2020
Retained Earnings Brought Forward	1,538,647,565	1,519,706,890
Less: Adjustment for the application of IFRS 16 (lease)	96,282	3,521,294
Add: Total Comprehensive income for the year	14,916,454	61,874,134
Less: Cash Dividend 10%	39,412,165	39,412,165
Profit available for appropriation	1,514,055,572	1,538,647,565
Recommended for appropriation:		
Cash Dividend 5%	39,412,165	39,412,165
Inappropriate profit carried forward	1,474,643,407	1,499,235,400
<b>Total</b>	<b>1,514,055,572</b>	<b>1,538,647,565</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 40.01 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, 2021	June 30, 2020
Cost of sales	4,042,074,992	4,676,102,307
Gross profit	982,105,374	1,251,950,542
Net profit for the year	14,915,240	61,873,020

**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. 20 and report of Compliance Auditors in page no. 21 of this Annual Report-2021.

**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. 16

### **Declaration by the Managing Director and the CFO**

Declaration by the Managing Director and CFO has been given on Annexure-A (page 20)

### **Independent Directors**

Mr. Md. Kausar Alam FCMA appointed as Independent Director of Aftab Automobiles Limited vide Board resolution dated 04-01-2021 for three years up to 03-01-2024 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Kausar Alam, M.Com. (AIS, DU), MBA (IBA), FCS, FCCA (UK), ACA (England & Wales), FCMA, is the Chief Financial Officer and Company Secretary of Seven Circle Cement (Bangladesh) Limited. He is a Fellow member of The Institute of Cost and Management Accountant of Bangladesh, an Associate member of the Institute of Chartered Accountants in England and Wales, a Fellow member of the Institute of Chartered Secretaries of Bangladesh and a Fellow member of the Association of Chartered Certified Accountant of United Kingdom. He has done his Masters in Accounting from the University of Dhaka and MBA from the Institute of Business Administration, University of Dhaka. He has about 25 years professional experience in global multinational, British American Tobacco and large business group, Rahimafrooz Bangladesh in top level finance positions as Head of Manufacturing Finance and Group CFO respectively. He holds vast knowledge in managing Finance and Accounts functions of large manufacturing, trading, retail and distribution businesses. He is a General Body Member of FBCCI for the year 2019-21 as a representative from IPAB. He is a member of Standard Setters Working group (SSWG), Financial Reporting Council (FRC) of Bangladesh. He is also one of the founding members of Intellectual Property Association of Bangladesh (IPAB) and current Executive Board Member and Treasurer of IPAB. He is an honorary Finance and Governance advisor of a reputed Non-Profit Organization, ARK Foundation, working in economic research and social development sectors of Bangladesh. Further, He is a life member of Bangladesh AOTS-HIDA and Bangladesh Japan Training Institute (BJTI). He is a part time faculty member in ICSB, ICMAB and in government and private Universities and contributors in professional Journals.

Dr. Melita Mehjabeen appointed as Independent Director of Aftab Automobiles Limited vide Board resolution dated 04-01-2021 for three years up to 03-01-2024 subject to approval by the shareholders in the ensuing Annual General Meeting.

Dr. Melita Mehjabeen, is an Associate Professor of the Institute of Business Administration (IBA), University of Dhaka. She was the Manager of Global Transaction Services, Citibank, N.A. She has done her MBA from the Institute of Business Administration (IBA), University of Dhaka and PhD from The University of Manchester, UK. She bears 11+ years of experience as an academia in teaching, research work and consultancy coupled with five years' experience in the corporate sector.

Mr. Syed Masud Hasan, Independent Director has resigned on 03-01-2021 from the Board.

**Remuneration paid to Directors and Independent Directors**

An Amount of Tk. 3,50,000/- per month has been paid to Managing Director of the Company as his remuneration. An amount of Tk. 4,65,000 paid to Directors and Tk. 5,000 paid to Independent Directors for attending at Board of Directors meeting held during the financial year ended on 30 June 2021.

**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 17<sup>th</sup> 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 Taxi Cab Co. 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 Taxi Cab Co. 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 21 (twenty-one) meetings held during the year 30 June 2021 by the Board of Directors.

Name of Directors	Position	Number of Board Meeting attended
Mr. Shafiul Islam	Chairman	16
Mrs. Khaleda Islam	Director	21
Mr. Saiful Islam	Director	19
Mr. Sajedul Islam	Managing Director	20
Ms. Farhana Islam	Director	17
Mr. Syed Masud Hasan	Independent Director	1
Mr. Md. Kausar Alam FCMA	Independent Director	-
Dr. Melita Mehjabeen	Independent Director	-

- Mr. Syed Masud Hasan, Independent Director has resigned on 03.01.2021
- Mr. Md. Kausar Alam FCMA and Dr. Melita Mehjabeen appointed as Independent Director on 04.01.2021. But they did not attend in the Board Meeting during the above period.

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

The Company earned an amount of Tk.11.01 crore during the year from the sales of HDPE product. Further from PVC Pipe earned an amount of Tk. 11. 93 crore during the year from the sales. Besides, an amount of Tk. 11. 58 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 2021 as follows:

Particulars	Amount of taka	
	June 30,2021	June 30,2020
Turnover	345,204,712	696,863,366
Gross Profit	91,813,018	231,233,709
Net Profit After Tax	(83,953,076)	5,776,110
Earnings Per Share (EPS)	(8.40)	0.58
Net Assets Value Per Share (NAVPS)	43.43	51.83

**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.69 crore added by selling welding electrodes.

The operating results for the year ended 30 June 2021 as follows:

Particulars	June 30, 2021	June 30, 2021
Turnover	693,179,581	512,051,960
Gross Profit	182,849,194	129,805,195
Net Profit After Tax	82,193,216	44,995,940
Earnings Per Share (EPS)	8.22	4.50
Net Assets Value Per Share (NAVPS)	36.38	28.17



**c) Navana LPG Limited**

During the year under review Navana LPG Limited added Tk.279 crore by selling LPG.

**The operating results for the year ended 30 June 2021 as follows:**

Particulars	June 30, 2021	June 30, 2020
Turnover	2,790,185,645	3,372,032,537
Gross Profit	490,199,091	592,822,415
Net Profit After Tax	(24,249,113)	(22,776,432)

**Future Prospect**

Due to covid-19 pandemic in worldwide, Navana CNG Limited did 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. 21 (Annexure-B)
- 2) Corporate Governance Compliance Report in page no. 22 (Annexure-C)
- 3) Pattern of shareholding in page no. 15
- 4) Audit Committee Report in page no. 31

**Dividend**

The Board of Directors of Navana CNG Limited in its meeting on 26 October 2021 has recommended dividend as follows:

- a) 5% Cash Dividend for the general shareholders only excluding Sponsors and Directors. The Sponsors and Directors are holding 2,91,16,427 shares out of total 6,85,28,592 shares of Navana CNG Limited. Dividend amount payable to the general shareholders only is Tk. 1,97,06,082.50 for 3,94,12,165 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., 17 November 2021 will be entitled to have the cash and stock dividend, subject to approval in the ensuing Annual General Meeting scheduled to be held on 30 December 2021.

**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 no. to 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**

Existing External Auditors A. Haque & Co., Chartered Accountants (Panel Auditors of BSEC) have completed their work as Auditors for the year ended 30 June 2021. Being eligible they have shown their interest to continue as External Auditors of the Company for the year 30 June 2022, which is to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 30 December 2021.

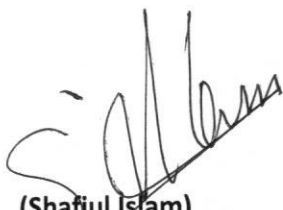
**Appointment of Corporate Governance Compliance Auditors**

Existing Compliance Auditors Ahmed Zaker & Co., Chartered Accountants have completed their work as compliance Auditors for year ended 30 June 2021. They have shown their interest to continue as Compliance Auditor for the year 30 June 2022, which is to be placed for approval in the ensuing Annual General Meeting scheduled to be held on 30 December 2021.

**Acknowledgement**

On behalf of the Company, we wish to express sincere appreciation to all 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 and confidence even in this situation of COVID-19 pandemic.

On behalf of the Board of Directors



(Shafiul Islam)  
Chairman