

## **REPORT OF THE BOARD OF DIRECTORS**

### **Dear Shareholders,**

It is my proud privilege to welcome you all, once again, to the 44<sup>th</sup> Annual General Meeting of your Company and to present before you my statement on affairs of the Company along with Auditors report & Audited Accounts for the year ended on 30<sup>th</sup> June 2023 and its future plan.

### **Industry outlook and prospect:**

In the recent years, Bangladesh had experienced for considerable economic growth (GDP more than 7 percent) with the stable unemployment rate and a rise in foreign investments. As a result, the purchasing power of individuals has risen along with the demand for cars, motorbikes and commercial vehicles. However, due to price hike, inflation, depreciation of taka against USD, the economic condition of all over the country was very much tight. Despite the tough economic condition in last year, the directors are very much confident for good economic condition in upcoming year as a result of the huge demand ranges from luxury inter-district buses to small sedans. To meet these demands, Bangladesh has to depend on imported vehicles as they are not manufactured in Bangladesh. A huge number of vehicles are imported every year. It is desired by the most of the imported car owner for conversion into CNG driven fuel car due to low cost and environment friendly fuel.

Compressed natural gas (CNG) as a vehicle fuel was first introduced to Bangladesh in 1982 through a World Bank pilot project. In 1999, four private companies obtained permission to set up about CNG refilling stations. Since the inception, the demand for CNG fuel is increasing. The major concern of this sector (CNG refuelling station) is uninterrupted gas supply from government. The increased cost of natural gas may make people be reluctant to vehicle conversation to CNG driven fuel.

### **Segment wise Business Performance:**

Currently, the company has two segment of product line. During the year, by the grace of Almighty Allah, the performance of the company was better than the previous year. We, board of directors of the company, present the summary of performance over the year below:

S L	Segment name	Sales performance	Gross Profit	Profit after tax	(%)
		In Value (BDT)			
01	CNG conversion Service	2,772,800	414,838	243,997	10.91%
02	CNG Sale	62,005,871	4,987,962	1,991,768	89.09%
Total		64,778,671	5,402,800	2,235,766	

### **Business Risks and concerns:**

#### **Risk management:**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility also includes developing and monitoring the Company's risk management policies. To assist the Board in

discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks and the risk management policies and procedures are summarized as follows:

**Credit risk:**

Credit risk is the risk that when one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to development affecting a particular industry. Credit risk of the Company arises principally from trade debts, loans and advances, and bank balances. The carrying amount of financial assets represents the maximum credit exposure.

Management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors before allowing them (customer) credit facility. As at the balance sheet date, there are no past due Accounts Receivable balances. Advances are made to statutory authority and hence secured. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

**Liquidity risk:**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances according to the treasury plan and availability of financing through banking arrangements like overdraft facility.

**Market risk:**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

**Price risk:**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company does have not any financial instrument that exposes the price risk.

**Interest rate risk:**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate risk arises from long and short-term borrowings from financial institutions.

**Currency risk:**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and Foreign Currency loan, which, are entered in a currency other than BDT. The company's currency risk is limited to very few import spare parts or capital machinery. Moreover, the transaction is settled by USD which does not fluctuate significantly, hence the company is facing very low risk in this respect.

**Industry risk:**

The Company's refueling station is totally depends on regular gas supply from Titas Gas Transmission & Distributing Co. Ltd. Without supply of natural gas from Titas Gas Transmission & Distributing Co. Ltd. the company will not be able to run its operation. Moreover, the increased trend of price of natural gas will pose further risk. However, none of the condition is under the control of the company.

**Political risk:**

Political risk refers to the risk that an entity's returns could suffer as a result of political unrest, sudden change of government, changes in governance procedure. However, the political risk is extremely difficult to quantify or control.

**Discussion on cost of sales and profitability margin:**

S L	Item	CNG Refueling			CNG conversion service		
		2023	2022	Change (%)	2023	2022	Change (%)
1	Sales Revenue	62,005,871	47,481,847	30.59	2,772,800	4,296,900	(35.47)
2	Cost of sales	57,017,909	43,127,371	32.21	2,357,962	3,308,725	(28.73)
3	Gross profit	4,987,962	4,353,476	14.57	414,838	988,176	(58.02)
4	Profit after tax	1,991,768	2,074,202	(3.97)	243,997	47,067	418.40
5	Other comprehensive income	0	0	nil	Nil	Nil	nil
6	Gross profit margin	8.04%	9.17%	(12.32)	14.96%	23.00%	(34.96)
7	Net profit margin	3.21%	4.37%	(26.54)	8.80%	1.10%	700.00

During the year, the overall profitability of the company has been increased as a result of increasing CNG sales materially. The GP margin has been reduced during the year due to increase of overhead cost. However, the CNG conversion service income was affected due to reduction of number of CNG conversion service is given by the company during the year.

**Extra ordinary activity:**

As per resolution in the company's 41st AGM (agenda no-7) the company has decided to write off the excess Advance Income Tax and Advance VAT balance of Tk. 21,95,974 and Tk. 10,70,772 respectively. Considering this fact, during the year, Tk. 6,90,000/- has been written off and cumulative written-off balance is Tk. 1,680,000/- and the remaining amount will be adjusted in the upcoming years.

**Transaction with related party:**

During the year, the company, in normal course of business, has carried out following transactions with other entities that fall within the definition of related party contained in International Accounting Standard 24: "Related Party Disclosures". All transactions

involving related parties arising in normal course of business are conducted on an arm's length basis at commercial rates on the same terms and conditions as applicable to the third parties. The detail of related transaction during the year is given below:

Name of the party	Nature of relationship	Nature of transaction	Transaction during the year		Balance	
			Dr.	Cr.	Dr./ Asset	Cr./ Liability
Mr. Mohammad Murad	Chairman	Rent	132,000	132,000		

**IPO Proceeds utilisation:**

During the year, the company did not raise any capital through IPO or RPO or Right share offering or Direct listing. So, further discussion is not required in this respect.

**Performance after utilisation of IPO or RPO or Right share offering or Direct listing:**

During the year, the company did not raise any capital through IPO or RPO or Right share offering or Direct listing. So, further discussion is not required in this respect.

**Analysing the quarterly performance:**

Report based on analysis of quarterly performance.

S L	Name of the directors	1st Quarter	2nd Quarter	3rd Quarter	Total
1	Sales Revenue	14,184,043	16,370,916	15,956,922	46,511,881
2	Cost of sales	11,939,083	14,600,073	15,533,499	42,072,663
3	Gross profit	2,244,960	1,770,833	423,423	4,439,218
4	Profit after tax	1,259,569	627,606	133,657	2,020,834
5	Other comprehensive income	nil	Nil	nil	nil

The result of 2nd, 3rd and 4th quarter was reduced due to charging of some one-off cost, e.g. written-off the unadjusted advance income tax, and increase of some operating overhead.

**Remuneration paid to the directors:**

No remuneration and board meeting fees is paid to the directors, during the year. Appropriate tax and VAT deduction has been made and deposited to the government authority accordingly. The details of board meeting fees is given below:

S L	Name of the directors	No. of meeting held by the company	Present in meeting by concerned director	Fee per meeting	Total
	Mr. Mohammad Murad	4	4	Nil	
	Mrs. Rina Momtaj	4	4	Nil	
	Mrs. Rehmat Banu	4	2	Nil	
	Mr. Rahim Murad	4	2	Nil	
	Mr. Kazi Khairul Alam	4	4	5,000/-	48,000/-
Total					48,000/-

**Preparation of the financial statements fairly and in accordance with International Accounting Standards and other applicable laws and regulations:**

The financial statements of the company have been prepared in accordance with International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs) and complying with the requirement of relevant schedule of the Companies Act 1994 and other applicable laws and regulations. We further assure you, to the best of our knowledge, that the financial statements are present fairly in the state of the company's affairs, the result of its operations, cash flows and the changes in equity.

**Maintenance of books of accounts:**

The company has maintained adequate records in following respect:

- All assets associated with title or acquisition documents that belongs to the company.
- Maintenance of fixed assets register.
- All liability that are obligation for the company.
- Residual interest of the shareholders.
- all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- all sales and purchases of goods by the company;
- the assets and liabilities of the company; and
- All vouchers and ledger associated with supporting documents are kept/preserved in good order.

**Accounting policy and estimation used for the preparation of the financial statements:**

We have followed the International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs) as applicable financial reporting standard and complying with the requirement of relevant schedule of the Companies Act 1994, the Bangladesh Securities and Commission Rules 1987, and other applicable laws and regulations. The accounting policies that adopted by the company are consistently applied during the year.

**Compliance with IASs/IFRSs:**

The preparation of financial statements in conformity with IASs/IFRSs that requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

For better understanding of the financial statements, the company provides adequate disclosure in respect of changes in accounting policy and accounting estimates, if any.

**Systems of internal control:**

The company has robust system of internal control to manage risk to a reasonable level of failure to achieve expected results and strategic objectives of the company. The internal control system of the company is consisted of the policies and procedures established to provide reasonable assurance that specific entity objectives will be

achieved. At least once a year, the board of directors review the system of internal control whether it is sufficient to achieve the company's objectives.

**Protection of the rights of interest of minority shareholders:**

All material decision taken by the Board of Directors of the company are being well informed to the shareholders through the publishing the news of price sensitive information. Such information is also available to the DSE website. Moreover, the Board of Directors desires to hear the voice of each shareholder in AGM or any other means of communication by the honorable shareholders to the company. Based on their suggestion, we made our work plan accordingly.

**Going concern:**

It is assumed that the company is going concern and it has ability to continue its operation for foreseeable future. On the other hand, the management has no plan to discontinue its operation. The board of directors assures you that there is no material uncertainty of the company for continuity of the company as going concern.

**Significant variance of financial statements:**

Despite the fact of reduction of CNG conversion service income was affected due to reduction, the overall profitability of the company has been increased during the year as a result of increasing CNG sales materially. The GP margin has been reduced during the year due to increase of overhead cost.

**Performance of the company over the year:**

SL	Item	Amount in BDT		
		2023	2022	Change (%)
1	Sales Revenue	64,778,671	51,778,747	20.07
2	Cost of sales	59,375,871	46,436,096	27.87
3	Net operating Cash Flows	7,495,304	6,982,161	7.34
4	Gross profit	5,402,800	5,342,651	1.13
5	Profit after tax	2,235,765	2,121,269	5.40
6	Other comprehensive income	0	0	0
7	Gross profit margin	8.34	10.31	(19.11)
8	Net profit margin	3.45	4.10	(15.85)
9	EPS	0.52	0.49	6.12

During the year, the overall profitability of the company has been increased as a result of increased CNG sales. However, the CNG conversion service income was affected due to reduction of number of CNG conversion service is given by the company during the year.

**Key operating and financial data over last five years:**

SL	Item	Amount in BDT ,000				
		2023	2022	2021	2020	2019
1	Sales Revenue	64,779	51,778	50,024	71,829	96,651
2	Cost of sales	59,376	46,436	45,460	65,679	83,318
3	Net operating Cash Flows	7,493	6,982	8,851	(226)	9,805
4	Gross profit	5,403	5,342	4,564	6,150	13,333
5	Profit after tax	2,236	2,121	1,580	1,491	6,606
6	Other comprehensive income	0	0	0	0	0
7	Gross profit margin	8.34	10.31	9.12	8.56	13.80%
8	Net profit margin	3.45	4.10	3.16	2.08	6.84%
9	Total asset	56,360	54,221	53,942	64,248	70,619

10	Total liability	24,773	23,659	24,291	34,880	38,416
11	Total equity	31,588	30,562	29,651	29,368	32,203

**Dividend:**

The Board of Directors of the company has decided to declare cash 2% dividend for the General Shareholders (Other than Sponsors and Directors) for the year ended 30<sup>th</sup> June, 2023 and it shall be effective after getting confirmation by the Shareholder of the Company at the 44<sup>th</sup> Annual General Meeting.

**The details of recommended dividend by the Board of Director is as follows:**

SL No.	Types of shareholder	Number		% of shareholding	Rate of Dividend	Dividend Amount
		Share owner	No. of the share			
1.	Sponsors & Directors	8	1,30,02,470	30.06%	nil	nil
2.	General Shareholders		3,025,7660	69.94%	2%	605,153/-
	Total		43,26,013	100%		605,153/-

Except that fact, no other dividend, such as interim dividend, has been declared or paid by directors during the year.

**Board Meeting:**

The company issues meeting notice to each director well before meeting held. The Board of Directors meets 4 (four) times during the year and the following Directors has attended those meetings as their following attendance:

Name	Title	Attended by concerned director
Mr. Mohammad Murad	Chairman	In the 4 meeting
Mrs. Rina Momtaj	Managing Director	In the 4 meeting
Mrs. Rehmat Banu	Director	In the 2 meeting
Mr. Rahim Murad	Director	In the 2 meeting
Mr. Kazi Khairul Alam	Independent Director	In the 4 meeting

**Status of paid up share capital:**

At the year end, the paid up capital of the company was Tk.43,260,130 and details of the shareholding is presented under:

- 1) Shareholdings position by directors/individual shareholders, who hold more than 10% of total share outstanding:

SL	Name	Position in the company	No. of share holding		% of shareholdings	
			2023	2022	2023	2022
	Shareholding by parent	N/A	N/A	N/A	N/A	N/A
	Shareholding by Directors, CEO, CS, CFO, HOI and their					

SL	Name	Position in the company	No. of share holding		% of shareholdings	
			2023	2022	2023	2022
	<b>spouse:</b>					
1	Mr. Mohammad Murad	Chairman	396,070	396,070	9.16	9.16
2	Mrs. Rina Momtaj	Managing Director/CEO	87,435	87,435	2.02	2.02
3	Mrs. Rehmat Banu	Director	246,606	246,606	5.70	5.70
4	Mr. Rahim Murad	Director	96,802	96,802	2.24	2.24
	Spouse :	N/A				
5	Mr. Kazi Khairul Alam	Independent Director	Nil	Nil	Nil	Nil
	Spouse Name:		Nil	Nil	Nil	Nil
6	Mrs. Rozina Murad Ali Lakhani	Sponsor	198,645	198,645	4.59	4.59
	Spouse Name: Karim Lakhani		Nil	Nil	Nil	Nil
7	Late. Mrs. Shirin Banu	Sponsor	45,097	45,097	1.04	1.04
8	Late. Habib Charania	Sponsor	45,097	45,097	1.04	1.04
9	Late. Murad Ali Habib	Sponsor	184,495	184,495	4.26	4.26
10	Mr. Shariful Islam	Acting Company Secretary	Nil	Nil	Nil	Nil
	Spouse Name: Aysha Begum		Nil	Nil	Nil	Nil
11	Md. Mostaque Ahmed	CFO	Nil	Nil	Nil	Nil
	Spouse Name: Nilufar Yasmin		Nil	Nil	Nil	Nil
12	Mahmud Hasan Amanoth	Head of Internal Audit	Nil	Nil	Nil	Nil
	Spouse Name: Nil	N/A	Nil	Nil	Nil	Nil
13	Any other person with 10% or more holdings	Nil	Nil	Nil	Nil	Nil
14	Others		3,025,766	3,025,766	69.94	69.94
	Total		<b>43,26,013</b>	<b>43,26,013</b>	<b>100</b>	<b>100</b>

Please note that:

1. Honorable Chairman and Managing Director of the company are the spouse of each other.
2. Honorable Director Mrs. Rehmat Banu and Sponsor Late. Murad Ali Habib of the company are the spouse of each other.
3. Honorable Sponsor Late Shirin Banu and Sponsor Late. Habib Charania of the company are the spouse of each other.

#### **Retirement and reelection of directors and their reappointment:**

During the year, Mr. Rahim Murad and Mrs. Rina Momtaj has retired from the board of directors by rotation as per Articles of Association of the company and as per requirement of the companies act, 1994 and eligible for re-appointment. The brief resume and nature of expertise of them is given page no. 13.

**Re-Appointment of the Independent Director:** As per BSEC Notification and for fulfilling the Compliance of Corporate Governance Policy, the Company to re-appoint Mr. Kazi Khairul Alam as a independent Directors for a period of one year and appointment of Mr. Pius Costa as an Independent Directors for a period of one year



which is subject to confirmation from the shareholders in the next Annual General Meeting.

**Appointment of Auditors:** The FAMES & R, Chartered Accountants, address: Hossain Tower (11th Floor) 116 Naya Paltan, Dhaka-1000 has retired from the position of the company's auditors and board of directors has recommended messer Malek Siddiqui Wali, Chartered Accountants, 9-G, Motijheel C/A, Dhaka-1000, for appointment as Company's auditors for the year 2023-2024. It is here by requested to shareholders to confirm the appointment Malek Siddiqui Wali, Chartered Accountants, 9-G, Motijheel C/A, Dhaka-1000 as Auditors of the Company and fixes their remuneration for the year 2023-2024.

**Management Discussion:**

The details of management discussion is shown in the Page # 11 in this annual report.

**Adverse opinion by the Company's Auditors:**

As per adverse opinion by the company's auditors, the company board of directors of the company, in accordance with the shareholders' resolution, has decided to written-off the advance income tax and advance VAT. As such, the company has already written-off Tk. 1,680,000/-. Please see the Extra Ordinary Activity paragraph of the Directors Report. Hopefully, the rest of the problem shall be addressed in near future.

**Acknowledgement:**

The success was only possible to achieve because of the collective effort of the valuable Shareholder, Employees of the Company, Financial Institution, Government Agencies, Regulatory Bodies, the general people-buyer of our product and every one of the company interacting in conducting the business. We are grateful to our shareholders for extending at all times the invaluable support and co-operation to bring the Company to the level it has reached today.

I avail this opportunity to express my sincere thanks to all concerned and look forward for the continued support and co-operation in the future as well.

On behalf of the Board

**Dhaka**  
**November 14, 2023**

**Mr. Mohammad Murad**  
Chairman