

Directors' Report to the Shareholders

Dear Shareholders,

I take the opportunity, to place before you the Directors' Report on behalf of the Board of Directors and the Auditors' Report alongwith the Audited Financial Statements of Aftab Automobiles Limited for the year ended 30 June 2019.

Principal Activities

The Principal activities of the Company during the year is summarized hereunder :

Vehicle Assembling Unit

This Unit has assembled a total of 231 units of Hino Diesel Bus chassis, Model: AK1JMKA. The unit has contributed an amount of Tk. 113.31 crore to the Company's turn-over.

Bus Body Fabrication Unit

This Unit has fabricated 159 units of Hino air-conditioned and non-air-conditioned bus body. An amount of Tk. 26.47 crore has been contributed to the sales of the Company.

Motorcycle Unit

This Unit has assembled 7,875 units of motorcycles and added an amount of Tk. 55.96 crore to the Company's sales.

Industry Outlook and Possible Future Development

To cover the market for Aftab Automobiles Limited, we explain the market of Buses and Motorcycles separately.

Bus

Sales of commercial vehicles are growing rapidly in Bangladesh and also increasing economic activities in the last one decade. According to Bangladesh Road Transport Authority (BRTA), Bangladesh has over 63,000 registered buses operating throughout the country. A study on the overall transport sector reveal that buses accommodating over 30% of all the trips made annually by the people. Bus operators are controlled by large fleet owners throughout the country and demand is dominated by non-air-conditioned bus. However, there is a growing demand for luxury air-conditioned buses owing to the increasing hot weather conditions, air pollution and growing income levels.

Motorcycle

The motorcycle & scooters market has achieved more than 10% growth year on year for the last 2 years. Demand is driven by increasing income, desire for personal transport, insufficient public transport, traffic condition etc. Motorcycle transport is inexpensive and fast making it a desired option among young generation, middle income household and city dwellers. Growth has been facilitated by government policy which promotes local manufacturing of motorcycles by providing duty benefit to qualified manufacturers. This growth is expected to continue since demand is ever increasing. Most of the major players in the market have already set up their own manufacturing plant due to duty difference between trading and manufacturing.

Risk and Concern

Our business may also be affected by risk and uncertainties. Presently, not known to us or that we currently believe to be immaterial.

A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin (Consolidated).

Amount in '000' taka

Particulars	June 30, 2019	June 30, 2018
Revenues (Turnover)	2,818,043	4,813,708
Cost of goods sold	2,115,826	3,868,847
Gross profit	702,217	9,44,861
Net profit for the year after tax	120,087	256,474

Margin Analysis

Gross profit margin and Net profit margin comparison with the previous year as hereunder :

	2019	2018
Gross Profit	24.92%	19.63%
Net Profit	4.26%	5.33%

Extra-Ordinary Events

No events of extra ordinary gain or loss which would require adjustment or disclosure in the financial statements occurred during the reporting period.

Variance between the Quarterly and Annual Financial Statements

Variance in financial performance from quarter to quarter have been considered usual based on variation of economic activities. It is not always happens to be same. However, Variance in sales revenue did not resulted any mismatch with EPS.

Board of Directors Meetings

Total 10 (ten) meetings held by the Board of Directors during the year 30 June 2019.

Name of Directors	Board Meeting attended
Mr. Shafiul Islam	8
Mrs. Khaleda Islam	4
Mr. Saiful Islam	6
Mr. Sajedul Islam	10
Ms. Farhana Islam	4
Mr. M. Obaidur Rahman	5
Mr. Ekramul Haq, Independent Director (upto 12.12.2018)	2
Mr. Syed Masud Hasan, Independent Director (from 12.12.2018)	3

Recommendations for Re-election

In terms of Article 125 and 126 of the Articles of Association of the Company, Mr. Sajedul Islam and Ms. Farhana Islam, Directors retire by rotation from the Board in the 39th Annual General Meeting. Being eligible under Article 127 of the Articles of Association of the Company, the retiring Directors have offered themselves for re-election.

Mr. Sajedul Islam

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

Navana Limited., Navana Real Estate Limited, Navana Construction Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Foods Ltd., Navana Electronics Ltd., Navana Toyota Service Center Ltd., Navana Furniture Ltd., Navana Interlinks Ltd., The Essential Industries Ltd., Eastern Printing Press Ltd., Kenhill Paper Mills Ltd., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Building Products Ltd.

Ms. Farhana Islam

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

Navana Limited., Navana Real Estate Limited, Navana Construction Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Foods Ltd., Navana Electronics Ltd., Navana Toyota Service Center Ltd., Navana Furniture Ltd., Navana Interlinks Ltd., The Essential Industries Ltd., Eastern Printing Press Ltd., Kenhill Paper Mills Ltd., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Building Products Ltd.

Fairness of Financial Statements

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and other related laws fairly present the Company's state of affairs, the results of its operations, cash flow and changes in equity. Managing Director and Chief Financial Officer have given the declaration about the fairness of the financial statements which is shown on page 17 of the report.

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

Appropriate accounting policies have been consistently applied in 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 preparation of the financial statements and any deviation there from has been adequately disclosed.

Internal Control

The systems of internal controls were sound and implemented and monitored effectively. The Company has strong internal Audit Department to ensure effective internal control mechanism. The Audit Committee always gives their suggestion and recommendation for official accomplishment of their work 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 foreseeable future. Accordingly, the financial statements are prepared on the going concern basis.

Significant Variance deviations from the Last year's Operating Result

Significant contributory to reduction of profit compared to previous year was 41% reduction in sales revenue, whereas expenses were almost fixed and increased to some extent. Reasons for dropping the sales are mainly company's policy to discourage credit sale and encourage cash sale and slow-down of private investment in transport sector.

Consolidated Financial Result and Appropriation of Profit:

The consolidated financial results for the year ended 30 June 2019 is given hereunder comparing with the previous year ended on 30 June 2018.

[amount in taka]

Particulars	June 30, 2019	June 30, 2018
Retained Earnings Brought Forward	2,854,661,684	2,720,243,834
Add: Net Profit for the year after tax	120,085,308	249,296,756
Recommended for appropriations:		
Cash Dividend @ $\frac{2019}{10\%}$ $\frac{2018}{12\%}$	(68,524,324)	(114,878,906)
Un appropriated profit carried forward	2,906,222,668	2,854,661,684

Aftab Automobiles Limited (AAL)

The operating results of AAL for the year ended 30 June 2019 is given hereunder compared to results of the previous year ended on 30 June 2018

[amount in taka]

Particulars	June 30, 2019	June 30, 2018
Turnover	1,957,393,139	3,359,756,688
Gross Profit	494,511,587	668,259,731
Net Profit for the year after tax	120,085,308	256,456,025
Earnings Per Share (EPS)	1.25	2.68
Net Assets Value Per Share (NAVPS)	60.95	60.89
Net Operating Cash Flow Per Share (NOCFPS)	3.74	(0.63)

Subsidiary Company of AAL– Navana Batteries Limited (NBL)

Navana Batteries Limited is a fully owned subsidiary company of Aftab Automobiles Limited (AAL). The operating results of NBL for the year ended 30 June 2019 comparing with previous year ended on 30 June 2018 are given below:

Particulars	June 30, 2019	June 30, 2018
Turnover	860,649,878	1,453,951,709
Gross Profit	207,705,511	276,601,512
Net Profit After Tax	3,660,091	32,231,423
Earnings Per Share (EPS)	0.20	1.75
Net Assets Value Per Share (NAVPS)	41.42	41.22

Investment in the associated company

Navana Real Estate Limited

Aftab Automobiles Limited is holding =60,00,000= shares of Tk. 10/- each of Navana Real Estate Limited at present. The acquisition cost of the said shares was Tk. 3.33 per share. As Navana Real Estate Limited is not listed, its market price cannot be determined. However, Navana Real Estate Limited's Earning per share (EPS) and Net asset value (NAV) as on 30 June 2018 stood at Tk. 2.76 and Tk. 56.36 per share respectively.

Corporate Governance Compliance

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

- Declaration by Managing Director and CFO 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: Annexure-D
- Highlights of Financial key operating data in Page no. 13: Annexure-E

Next Year Plan

The Vehicle Assembling Unit of the Company is expected to assemble 440 units of Hino Diesel Bus Chassis.

The Bus Body Fabrication Unit is expected to fabricate around 175 units of Bus Body in the next financial year.

The Motorcycle unit is expected to assemble 30,000 units of various types of Benelli and Keeway Brand motorcycles as per market demand.

Dividend

The Board of Directors of Aftab Automobiles Limited has recommended cash dividend @ 10% to the general shareholders only (excluding sponsors and directors) for the year ended 30 June 2019. The sponsors and directors surrendered their portion of dividend for better growth of the Company.

The general shareholders whose names will appear in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e. 25 November 2019 will be entitled to the dividend, subject to approval in the Annual General Meeting of the Company scheduled to be held on 23 December 2019.

Appointment of External Auditors

The Board of Directors in a meeting dated 18 November 2019 recommended to appoint A. Hoque & Co., Chartered Accountants for conducting audit of Aftab Automobiles Limited for the year 30 June 2020 subject to approval by the shareholders in the ensuing Annual General Meeting scheduled to be held on 23 December 2019. The existing auditors Ata Khan & Co., Chartered Accountants expressed their inability to continue as auditors of the Company.

Appointment of Compliance Auditors

The Board of Directors in a meeting dated 18 November 2019 recommended to appoint Ahmed Zaker & Co., Chartered Accountants for conducting Audit on Compliance of Corporate Governance Code for the year 30 June 2020, subject to approval by the shareholders in the ensuing Annual General Meeting scheduled to be held on 23 December 2019.

Acknowledgement

The Company wishes to express its sincere appreciation to all employees of Aftab Automobiles Limited for their contribution and at the same time, thanks all the stakeholders and the concerns for their continued support and confidence.

On behalf of the Board of Directors



(Saiful Islam)

Managing Director

The Pattern of Shareholdings of the Directors and others as on 30 June 2019 are as follows:

	Namewise Details	No. of Shares held
i.	Parent/Subsidiery/Associated Companies and other related parties	
ii.	Directors, Chief Executive Officer(CEO), Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their spouse and minor children:	
	Directors, Chief Executive Officer :	
	Mr. Shafiul Islam - Chairman	18,626,415
	Mr. Saiful Islam - Managing Director	1,988,215
	Mrs. Khaleda Islam - Director	2,603,467
	Mr. Sajedul Islam - Director	1,988,078
	Ms. Farhana Islam - Director	1,988,078
	M. Obaidur Rahman - Independent Director	Nil
	Syed Masud Hasan - Independent Director	Nil
	Chief Financial Officer, Company Secretary and Head of Internal Audit & Compliance and their spouse and minor children:	Nil
iii.	Executives	Nil
iv.	Shareholders holding ten percent (10 %) or more voting interest in the company :	
	Mr. Shafiul Islam	18,626,415

Annexure-E**HIGHLIGHTS of FINANCIAL and KEY OPERATING DATA**

[Consolidated]

(Amount in '000' Taka)

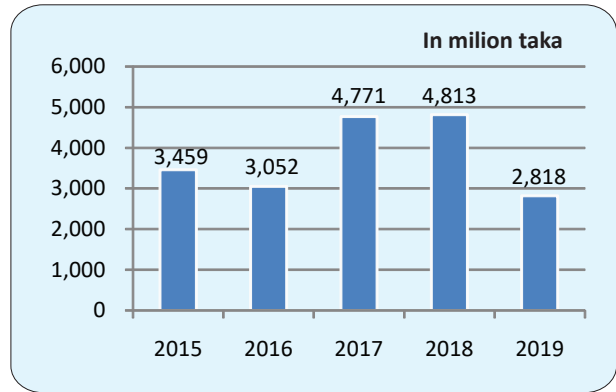
Particulars	2019	2018	2017	2016	2015
Authorized capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Paid-up capital	957,324	957,324	957,324	957,324	957,324
Face Value Per Share	Tk.10/-	Tk.10/-	Tk.10/-	Tk.10/-	Tk.10/-
Shareholders equity	5,834,726	5,829,520	5,673,466	5,367,358	5,198,109
Fixed asset	2,048,456	2,012,035	1,742,323	1,265,524	1,033,688
Turnover (Net)	2,818,043	4,813,708	4,771,209	3,051,578	3,459,065
Gross profit	702,217	944,861	1,064,989	763,416	840,812
Net profit after tax	120,087	256,474	394,535	267,707	291,928
Total comprehensive income for the period/year	120,087	249,297	396,736	276,763	311,101
Operating cash flow per share	3.74	(4.24)	1.32	10.44	(8.29)
Book value per share	60.95	60.89	59.26	56.07	54.30
Earnings per share	1.25	2.68	4.12	2.89	3.05
Cash dividend	10%	12%	16%	15%	16%
Number of shareholders	21,902	22,682	25,898	34,403	39,159

GRAPHICAL PRESENTATION

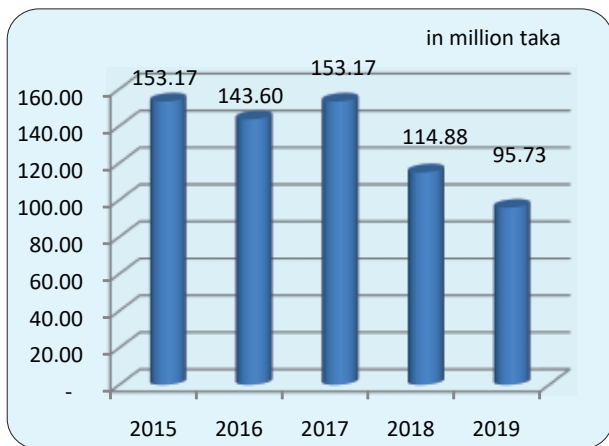
PRODUCTION (Assembling Unit)



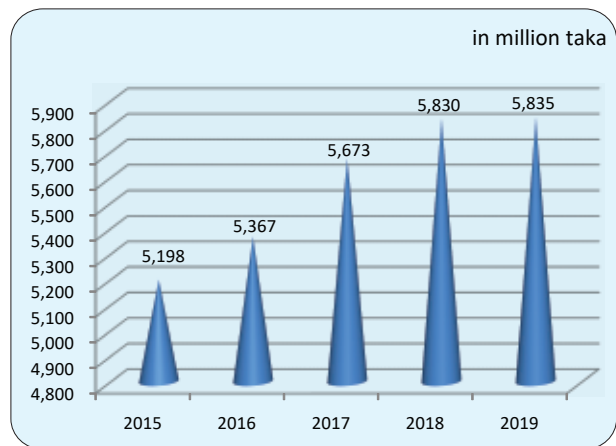
TURNOVER (Net)



DIVIDEND



SHAREHOLDERS EQUITY



VALUE ADDED STATEMENT

For the Period ended June 30, 2019

Sale/ Turnover	2,818,043
Bought in- Material & Service	<u>1,800,802</u>
Value Added	<u>1,017,241</u>
VALUE ADDED	
Application	
to National Exchequer	185,384
to Providers of Loan as Interest & Charges	443,833
to Providers Emp. Salaries Wages & other benefits	146,955
to Providers of Capital- as Dividend	120,982
Reserve & Surplus	120,087
	<u>1,017,241</u>

VALUE ADDED GRAPH

