

# Directors' Report to the Shareholders

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**Dear Shareholders,  
Assalamu Alaikum,**

The Board of Directors of Aftab Automobiles Limited is pleased to place herewith the Directors' Report and the Auditors' Report alongwith the audited financial statements of the Company for the year ended 30 June 2020.

You are aware that during the year business was disrupted and also hinder due to global effect of COVID-19 pandemic.

## **PRINCIPAL ACTIVITIES**

The principal activities during the year of the Company are summarized hereunder:

### **Vehicle Assembling Unit**

A total of 198 chassis of Hino Diesel Bus (Model:AK1JMKA) were assembled in this Unit of the Company. The Unit has contributed an amount of Tk. 91.01 crore to the Company's turn-over.

### **Bus Body Fabrication Unit**

This Unit has fabricated 111 units of Hino non air-conditioned bus body. An amount of Tk. 12.76 crore has been contributed to the sales of the Company.

### **Motorcycle Unit**

This Unit has assembled 2551 units of motorcycles and added an amount of Tk. 37.37 crore to the Company's sales.

### **Navana Batteries Limited**

Various types of batteries produced during the year, an amount of Tk. 53.56 crore added as sales of the company.

## **Industry Outlook and Possible Future Development**

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

### **Bus**

The Demand for Buses is growing rapidly in the country as well as increased economic activities in the last decade. Bus Operators are controlled by large fleet owners throughout the country and demand is dominated by non-airconditioned buses. However, there is a growing demand for luxury airconditioned buses owing to the increasingly hot weather conditions, air pollution and growing income levels.

### **Motorcycle**

The demand of motorcycle, scooters market has achieved growth in the last five years. Demand is driven by traffic conditions, insufficient public transport, motorcycle is a less expensive desired option among the young generation, middle-income group and city dwellers. Growth has been facilitated by government policy that promotes local manufacturing of motorcycles by providing duty benefit to manufacturers. This growth is expected to continue since demand is increasing. Most of the major players in the market have already set-up their manufacturing plant due to duty difference between trading and manufactures.

## Risk and Concern

Like others, our business may also be affected by risk and uncertainties. Presently, to the best of our knowledge, we do not have faced any material risk and uncertainties.

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

Amount in taka

Particulars	30 June 2020	30 June 2019
Revenues (Turnover)	1,947,024,768	2,818,043,017
Cost of goods sold	1,431,542,977	2,115,825,918
Gross profit	515,481,791	702,217,098
Net profit for the year after tax	8,409,450	120,087,299

## Margin Analysis

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Gross Profit	26.47%	24.92%
Net Profit	0.43%	4.26%

## Extra-Ordinary Events

No events of extra ordinary gain or loss reported in the financial statements which would require to adjust and/or disclosed during the reporting period.

## The Variance between the Quarterly and Annual Financial Statements

Variance in financial performance from quarter to quarter has been considered usual based on the variation of economic activities.

## Board of Directors Meetings

Total 11 meetings held by the Board of Directors during the year ended on 30 June 2020.

<u>Name of Directors</u>	<u>Board Meeting attended</u>
Mr. Shafiul Islam	8
Mrs. Khaleda Islam	5
Mr. Saiful Islam	9
Mr. Sajedul Islam	7
Ms. Farhana Islam	3
Mr. M. Obaidur Rahman, Independent Director	6
Mr. Syed Masud Hasan, Independent Director	3

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

## Recommendations for Re-election

In terms of Article 125 and 126 of the Articles of Association of the Company, Mr. Shafiul Islam and Mrs. Khaleda Islam, Directors retire by rotation from the Board in the 40th 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.

**Disclosure of information of the directors who are willing to be re-elected:****Mr. Shafiul Islam**

Mr. Shafiul Islam joined the Islam Group, a reputed business conglomerate in Bangladesh in 1967 and started his career with automobile business as well as in the construction, real estate business. In the early years, he gained valuable experience by being involved in the management of the Group's diverse business operations. He played a major role in establishing "Navana" as the Toyota brand car trading company in Bangladesh, and finally set up Aftab Automobiles Limited. He was also in charge of the construction company named Bengal Development Corporation (BDC) where he was directly responsible for the construction work of BDC in the Middle East and from 1981, he was also taking care of Eastern Housing Limited, then the largest real estate development company in Bangladesh. In 1996, the then Chairman of Islam Group, separated from Islam Group with Navana Limited and Aftab Automobiles Limited and formed Navana Group. He has a very good relationship with all business key people in the country.

Mr. Shafiul Islam is the Chairman of Navana Group, consisting of companies involved amongst others in vehicles assembling, bus body fabrication, trading, real estate, construction, CNG/LPG conversion and CNG/LPG station, electronics, petroleum and renewable energy.

Names of companies in which Mr. Shafiul 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., Navana Computer & Tech Ltd., Navana Services Ltd., Road Linkers Ltd., Navana Taxi Cab Co. Ltd., Navana Power Co. Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy 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-None.****Mrs. Khaleda Islam**

Mrs. Khaleda Islam is the wife of Mr. Shafiul Islam, Chairman of the Navana Group. She traveled many countries in the world.

At present, Mrs. Khaleda Islam is a Director of Navana Group, involved amongst others in vehicles assembling, bus body fabrication, trading, real estate, construction, CNG/LPG conversion and CNG/LPG stations, electronics, petroleum and renewable energy.

**Names of companies in which Mrs. Khaleda Islam also holds the directorship:**

Navana Limited, Aftab Automobiles Limited, Navana Real Estate Limited, Navana Construction Ltd., Navana Foods Ltd., Navana Electronics Ltd., Navana Toyota Service Center Ltd., Navana Engineering Limited, Navana Welding Electrode Limited, Navana Interlinks 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 Plastic Products Ltd., Navana Power Generation Ltd., Navana Power Co. Ltd., Navana Feed Mills Ltd., Navana Software Ltd., Navana Plantation Ltd., Navana Exports Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Gas Co. 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 under the Board of other Companies-Audit Committee and NRC in Navana CNG Limited.

**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 for the year ended 30 June 2020 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 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 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 a strong internal Audit Department to ensure effective internal control mechanism. The Audit Committee always gives their suggestion and recommendation for official the accomplishment of their work as and when required.

### Going Concern

There are no 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 a going concern basis.

### Significant Variance deviations from the Last year's Operating Result

Significant decrease in profit compared to the previous year due to a decrease in sales revenue. Reasons for dropping the sales are mainly company's policy to discourage credit sale & encourage cash sale, decreasing of market demand, slow-down of investment in the transport sector and effected also due to Covid-19 pandemic prevailing in the country and world wide.

### Consolidated Financial Result and Appropriation of Profit:

The consolidated financial results for the year ended 30 June 2020 is given hereunder comparing with the previous year ended on 30 June 2019.

Particulars	Amount in taka	
	30 June 2020	30 June 2019
<b>Retained Earnings Brought Forward</b>	2,906,222,668	2,854,661,684
Add: Net Profit for the year after tax	8411,576	120,085,308
<b>Recommended for appropriations:</b>		
	<u>2020</u>	<u>2019</u>
Cash Dividend @ 10% 10%	(68,524,324)	(68,524,324)
<b>Un appropriated profit carried forward</b>	<b>2,846,109,920</b>	<b>2,906,222,668</b>

### Aftab Automobiles Limited (AAL)

The operating results of AAL for the year ended 30 June 2020 is given hereunder compared to the previous year ended on 30 June 2019.

Particulars	Amount in taka	
	30 June 2020	30 June 2019
Turnover	1,411,377,402	1,957,393,139
Gross Profit	375,158,709	494,511,587
Net Profit for the year after tax	8,411,575	120,085,308
Earnings Per Share (EPS)	0.09	1.25
Net Assets Value Per Share (NAVPS)	60.20	60.95
Net Operating Cash Flow Per Share (NOCFPS)	(6.56)	5.90

## Navana Batteries Limited (NBL), subsidiary of Aftab Automobiles Limited

Navana Batteries Limited is a fully owned subsidiary company of Aftab Automobiles Limited. The operating results of NBL for the year ended 30 June 2020 comparing with previous yearended on 30 June 2019 are given below:

Amount in taka

Particulars	30 June 2020	30 June 2019
Turnover	535,647,366	860,649,878
Gross Profit	140,323,081	207,705,511
Net Profit After Tax	(3,907,971)	3,660,092
Earnings Per Share (EPS)	(0.21)	0.20
Net Assets Value Per Share (NAVPS)	41.21	41.42

### Investment in the associated company

#### Navana Real Estate Limited

At Present Aftab Automobiles Limited is holding =60,00,000= shares of Tk.10/- each of Navana Real Estate Limited. 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 2019 stood at Tk. 6.33 and Tk. 62.78 per share respectively.

### Corporate Governance Compliance

The Company 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
- Highlights of Financial key operating data in page no. 13

### Next Year Plan

The Vehicle Assembling Unit of the Company is expected to assemble 200-250 units of Diesel Hino Bus Chassis.

The Bus Body Fabrication Unit is expected to fabricate around 120-150 units of Bus Body in the next financial year.

The Motorcycle unit is expected to assemble 3000 units of various types of motorcycles as per market demand.

Navana Batteries Limited is expected to produce various types of Batteries. To meet the market demand.

### Dividend

The Board of Directors of Aftab Automobiles Limited has recommended a cash dividend @ 10% to the general shareholders only excluding sponsors and directors for the year ended 30 June 2020. 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., 18 November 2020 will be entitled to the dividend, subject to approval in the ensuing Annual General Meeting of the Company scheduled to be held on 29 December 2020.

### 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 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 Aftab Automobiles Limited for their contribution, thanks to all stakeholders and the concerns for their continued support and confidence, even in this invert situation for Covid-19 pandemic in the country and world wide.

On behalf of the Board of Directors



(Saiful Islam)  
Managing Director