

# Directors' report to the shareholders

Dear Shareholders,

Assalamu Alaikum,

We have the pleasure to welcome you on behalf of the Board of Directors of Aftab Automobiles Limited at the 42<sup>nd</sup> Annual General Meeting of the Company and present before you to receive, consider and adopt the Audited Financial Statements of the Company for the year ended on 30 June 2022 together with the Auditors' Report and Directors' Report thereon, for your valuable guidance, opinion and consideration.

## PRINCIPAL ACTIVITIES

Due to covid-19 pandemic in worldwide and Russia-Ukraine War, the global economy continues to be weakened significantly. Disruptions occurred in trade, food and fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global & local financing conditions. As a result, Aftab Automobiles Limited could not achieve its desire goal as assumed. However, we are optimistic that the Company has taken necessary steps to increase production and sales. We have summarized herewith Industry outlook and segment wise activities of the company during the year under review:

### Vehicle Assembling Unit

In the Vehicle Assembling Unit of the company a total of 78 chassis of Hino Diesel Bus were sold. The Unit has contributed an amount of Tk. 37.50 crore to the Company's turn-over.

### Bus Body Fabrication Unit

Bus Body Fabrication unit sold total of 37 units Hino non-air-conditioned bus body. An amount of Tk. 3.57 crore has been contributed to the sales of the Company.

### Motorcycle Unit

This Unit has assembled 87 units of motorcycles and added an amount of Tk. 1.10 crore to the Company's sales.

### Navana Batteries Limited

Various types of batteries produced during the year; an amount of Tk. 28.89 crore added as sales of the company.

## Industry Outlook and Possible Future Development

Over the years, Bangladesh achieved considerable economic growth and rise in foreign investments. As a result, the purchasing power of individuals has risen along with the demand for automobiles. To cover the market demand activities of Aftab Automobiles Limited and Navana Batteries Limited (a subsidiary of Aftab Automobiles Limited) are narrated hereunder:

### 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 mainly by large fleet owners throughout the country and demand is dominated by non-air-conditioned buses. However, there is a growing demand for luxury air-conditioned buses owing to the air pollution, environmental change and change of customers' choice.

### Batteries

Navana Batteries Limited a subsidiary of Aftab Automobiles Limited has produced various types of Batteries as per market demand.



## Risk and Concern

Due to global effect of Covid-19 pandemic and Russia-Ukraine War our business also affected by risk and uncertainties. However, we think uncertainties may be overcome in next 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 22 of the notes to the financial statements.

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

Amount in taka

Particulars	30 June 2022	30 June 2021
Revenues (Turnover)	710,591,300	1,254,020,565
Cost of goods sold	536,403,861	947,011,382
Gross profit	174,187,439	307,009,183
Net profit for the year after tax	1,092,907	(185,517,205)

## Margin Analysis

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

Particulars	30 June 2022	30 June 2021
Gross Profit	24.51%	24.48%
Net Profit	0.15%	(14.79)%

## Extra-Ordinary Events

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

## 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 2022 which is shown on page no. 21 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 therefrom has been adequately disclosed.

### Internal Control

The systems of internal controls were sound in design and has been effectively implemented and monitored. The Company has an internal Audit Department to ensure effective internal control mechanism. The Audit Committee always gives their suggestion and recommendation 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 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.

### Five Years key 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 21)

### Consolidated Financial Result and Appropriation of Profit:

The consolidated financial results for the year ended 30 June 2022 is given hereunder comparing with the previous year ended on 30 June 2021.

			Amount in taka	
Particulars			30 June 2022	30 June 2021
Retained Earnings Brought Forward			2,579,223,560	2,846,109,920
Add: Net Profit for the year after tax			1,092,907	(185,514,274)
Recommended for appropriations:				
	<u>2022</u>	<u>2021</u>		
Cash Dividend @	5%	5%	(35,181,170)	(33,505,875)
Stock Dividend @	5%	5%	(50,259,520)	(47,866,211)
Un appropriated profit carried forward			2,494,875,777	2,579,223,560

**Aftab Automobiles Limited (AAL)**

The operating results of AAL for the year ended 30 June 2022 is given hereunder compared to the previous year ended on 30 June 2021.

Amount in taka

Particulars	30 June 2022	30 June 2021
Turnover	421,726,379	747,914,378
Gross Profit	92,680,814	162,495,222
Net Profit for the year after tax	1,092,907	(185,514,274)
Earnings Per Share (EPS)	0.01	(1.85)
Net Assets Value Per Share (NAVPS)	54.88	57.89
Net Operating Cash Flow Per Share (NOCFPS)	2.02	6.31

**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 2022 comparing with previous year ended on 30 June 2021 are given below:

Amount in taka

Particulars	30 June 2022	30 June 2021
Turnover	288,864,921	506,106,187
Gross Profit	81,489,884	144,513,961
Net Profit After Tax	(5,152,951)	(5,387,042)
Earnings Per Share (EPS)	(0.28)	(0.29)
Net Assets Value Per Share (NAVPS)	40.64	40.92

**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. 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 2021 stood at Tk. 3.17 and Tk. 68.49 per share respectively.



## Board of Directors Meetings

Total 10 (ten) meetings held by the Board of Directors during the year 30 June 2022.

Name of Directors	Position	Board Meeting attended
Mr. Shafiul Islam	Chairman	10
Mrs. Khaleda Islam	Director	5
Mr. Saiful Islam	Managing Director	8
Mr. Sajedul Islam	Director	8
Ms. Farhana Islam	Director	3
Mr. Mian Saleem Sheikh	Alternate Director	2
Mr. Md. Kausar Alam FCMA	Independent Director	5
Dr. Melita Mehjabeen	Independent Director	5

\* Mr. Mian Saleem Sheikh appointed as Alternate Director on behalf of Ms. Farhana Islam on 27.04.2022.

## Independent Directors

Mr. Md. Mustafizur Rahman appointed as Independent Director of Navana CNG Limited vide Board resolution dated 23.10.2022 for three years up to 22.10.2025 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Mustafizur Rahman is an experienced banker. He completed his graduation in Accounting and post-graduation in Finance from the University of Dhaka. Later on, he completed his DAIBB form The Institute of Bankers, Bangladesh (IBB). Mr. Rahman had started his career as a Financial Analyst at Sonali Bank Limited. He served the Bank over 35 years in different capacities across the country and abroad and retired from the Bank in 2014 as a Deputy Managing Director. Mr. Rahman attended various training courses on Banking & Finance, Basel II, Entrepreneurship development, Credit management, Bank management, Managerial Planning & Control, Project Appraisal & Evaluation, Urban Branch Management in Bangladesh and abroad.

Mr. Md. Dilwar Hossain Bhuiyan appointed as Independent Director of Navana CNG Limited vide Board resolution dated 23-10-2022 for three years up to 22-10-2025 subject to approval by the shareholders in the ensuing Annual General Meeting.

Mr. Md. Dilwar Hossain Bhuiyan is a seasoned corporate leader who has more than 37 years of experience in Banking and Non-banking Financial Institutions. In his academic attainments, he completed his BA & MA from the University of Dhaka. Later on, he did MBA from Bangladesh Open University, Post Graduate Diploma in Personnel Management from BIM and Diploma in Banking from The Institute of Bankers, Bangladesh (IBB). Mr. Bhuiyan started his career at Bangladesh Krishi Bank and later on served at Rajshahi Krishi Unnayan Bank, Karmasansthan Bank, Bangladesh Development Bank, Sonali Bank and SBAC Bank in different capacities. He retired from Bangladesh Industrial Finance Company Limited (BIFC) as Managing Director in 2017. Mr. Bhuiyan is also Former adjunct faculty of the Royal University of Dhaka and a guest speaker at training institutes of different banks. He attended various training programs/workshops at home and abroad.



### **Remuneration paid to Directors and Independent Directors**

An amount of Tk. 1,80,000/- paid to Directors and TK. 50,000/- paid to Independent Directors for attending at Board of Directors meeting held during the financial year ended on 30 June 2022.

### **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 42<sup>nd</sup> 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 1968 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 Toyota Service Center Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Paints 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. Mrs. Khaleda Islam has experience in business for more than 30 years. 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., Biponon Ltd., Navana Logistics Ltd., Navana Renewable Energy Ltd., Navana Building Products Ltd. and Navana LPG Ltd.,

Membership in committees of the Board of other Companies-None.

**Corporate Governance Compliance**

The Company complies with the requirements of Corporate Governance Code.

- a. Compliance Certificate on Corporate Governance Code in page no. 22 (Annexure-B)
- b. Corporate Governance Compliance Report in page no. 23 (Annexure-C)
- c. Pattern of shareholding in page no. 15

**Next Year Plan**

Aftab Automobiles Limited could not achieve its target as expected due to covid-19 pandemic in worldwide and Russia-Ukraine War. However, the management of the Company has taken plan to grow its business significantly.

**Dividend**

The Board of Directors of Aftab Automobiles Limited in its meeting held on 26 October 2022 has recommended dividend as follows:

- a. 5% Cash Dividend for the general shareholders only excluding Sponsors and Directors. The Sponsors and Directors are holding 3,01,56,703 shares out of total 10,05,19,043 shares of Aftab Automobiles Limited. Dividend amount payable to the general shareholders only is Tk. 3,51,81,170 for 7,03,62,340 shares; and
- b. 5% Stock Dividend for the shareholders including Sponsors and Directors.

The general shareholders whose names appeared in the share register of the Company and/or Depository Register of CDBL as on Record Date i.e., 20 November 2022 will be entitled to have the cash and stock dividend, subject to approval in the ensuing Annual General Meeting of the Company scheduled to be held on 28 December 2022.

**Appointment of External Auditors**

The existing auditors of the Company A. Haque & Co., Chartered Accountants, has completed their audit for three consecutive years. As per Regulation No 15 (2) & 15 (3) of Dhaka Stock Exchange (Listing) Regulation, 2015 no auditors be eligible for performing the auditing of the financial statements of the issuer of listed securities for a consecutive period exceeding three years. In this connection, the Board of Directors in a meeting dated 26 October 2022 recommended to appoint Islam Quazi Shafique & Co., Chartered Accountants, as the statutory auditors of the Company for the year ending on 30 June 2023, Subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on 28 December 2022.

### **Appointment of Corporate Governance Compliance Auditors**


Existing Corporate Governance Compliance Auditors Ahmed Zaker & Co., Chartered Accountants have completed their work as compliance Auditors for year ended 30 June 2022. The Board of Directors in a meeting dated 26 October 2022 recommended to appoint Snehasish Mahmud & Co., Chartered Accountants for the year ending on 30 June 2023, Subject to approval by the shareholders of the Company in the ensuing Annual General Meeting scheduled to be held on 28 December 2022.

### **Acknowledgement**

On behalf of the Company, we would like to record our sincere thanks to all shareholders for their continued confidence in us, and employees of Aftab Automobiles Limited and its subsidiary for their contribution and at the same time thanks to all the stakeholders and other concern for their continuous support.

Best regards to all the shareholders. May you all have a healthy, peaceful and progressive life.

On behalf of the Board of Directors



(Shafiul Islam)  
Chairman