

NATIONAL POLYMER INDUSTRIES PLC.
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

DEAR SHAREHOLDERS,

The Board of Directors of National Polymer Industries PLC. has the pleasure to welcome you to the 36th Annual General Meeting (AGM) of the Company and to present you the Annual Report 2022-2023 comprising the Directors' Report, Auditor's Report, Audited Financial Statements and other relevant reports and statements prepared in compliance with section 184 of the Companies Act 1994 and Bangladesh Securities and Exchange Commission Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018. The Board of Directors is pleased to report you on the overall performance of the Company for the year ended on June 30, 2023 as follows:

PRINCIPAL ACTIVITIES

National Polymer Industries PLC. is actively engaged in manufacturing and supplying different sizes of UPVC, CPVC, PPR, HDPE Pipes & Fittings, PVC Sheets, Doors, Water Tanks, Water Taps etc. for water supply, sanitation, building and household usage and solutions.

INDUSTRY OUTLOOK & POSSIBLE FUTURE DEVELOPMENT

The Company has been in operation for over three decades and has established itself as a renowned brand name in the country. The Company has been operating its business activities with a view to becoming the market leader in the plastic sector of Bangladesh. We are committed to providing with the high quality innovative products to our valued customers that are environment friendly. Anticipating the sharp demand for our products at home and abroad, we have taken necessary measures to expand the production capacity and thus we have been implementing the 2nd unit at Valuka, Mymensingh, which is in progress in terms of factory development works. Some of the unit already in operations and rest will be in operation soon as per our projection, which will increase our production as well as sales volume to an optimum level.

BUSENESS OVERVIEW

During the year the global economy observed the adverse effects of US Dollar fluctuation, supply chain disruptions, rise of energy & food price, high inflation rate, exchange rate depreciation etc. due to various crisis. We have become successful to recover from the after-effects of COVID, but still have been fighting against the destructions of the Russia-Ukraine war started from the early 2022. Despite various global and national crisis, we could manage to complete the year 2022-2023 successfully by achieving a positive result in terms of business. During the year under review, we could achieve the positive growth of revenue and gross profit by 27.86% and 29.64% compared to the previous year. But the net profit for the year decreased due to foreign exchange loss for significant devaluation of Taka against US Dollar. Except foreign exchange loss, which is beyond our control, all other business indicators have positive sign. As per the audited financial statements for the year ended on June 30, 2023, a comparative view is given below for your better understanding on the overall performance of the Company:

Particulars	Amount in Taka		
	2022-2023	2021-2022	Growth (%)
Revenue	6,476,878,342	5,065,419,290	27.86%
Cost of Goods Sold	(5,338,491,661)	(4,187,329,642)	27.49%
Gross Profit	1,138,386,680	878,089,648	29.64%
Operating expenses	(327,914,665)	(296,261,753)	10.68%

Foreign Exchange loss	(268,633,736)	(3,894,750)	6,797%
Finance expenses	(355,385,068)	(302,835,740)	17.35%
Profit before WPPF & Tax	201,025,119	279,726,625	(28.14%)
Net Profit	152,591,224	213,125,047	(28.40%)

EXPORT EARNINGS

Crossing the national border we have entered into the global markets with our diversified quality products and have been contributing to the national economy by earning the foreign currency. Despite ongoing severe global crisis, we could managed to earn the export revenue of Tk. 6.41 crore during this year. We have been working relentlessly to earn more export revenue in coming days.

PRODUCTION, MARKETING AND DISTRIBUTION

As a production and sales oriented company, we always give priority on smooth production and sales activities. The production system of our company has been equipped with the competent manpower, latest technology, most advanced machineries and raw materials. Simultaneously, effective market promotional activities have been going on, which play a vital role for sales increment. The Company has also a well-managed distribution network all over the country for timely delivery of our products to the valued customers. Our smooth production system, efficient marketing strategy and strong distribution network etc. greatly help us to achieve our target.

APPROPRIATION OF PROFIT

Particulars	Amount in Taka	
	30 June 2023	30 June 2022
Retained earnings brought forward	546,280,722	425,835,699
Net Profit for the year	152,591,224	213,125,047
Total profit available for appropriation	698,871,946	638,960,746
Proposed appropriation:		
Cash Dividend	(72,848,890)	(72,983,668)
Tax adjustment against assessment (FY 2019-2020)	-	(19,696,357)
Retained earnings carried forward	626,023,056	546,280,722

DECLARATION OF DIVIDEND

The Board of Directors of the company is always sincere to provide with a good return to the shareholders of the company. Thus, a stable dividend policy is followed by the Board considering the benefit of the shareholders and safeguarding their valuable investments. Considering the overall business situation, the Board of Directors recommended **10.50% Cash Dividend** amounting Tk. 76,632,851 for the year ended on 30 June 2023, which will be distributed to the shareholders, whose names have been recorded in the Register of Members/Depository Register on the Record Date, i.e. November 19, 2023 within the stipulated time after having approval by the Shareholders in the next Annual General Meeting (AGM).

SEGMENT-WISE PERFORMANCE

The Company's operation is carried out and managed as a single operating segment for manufacturing and marketing of UPVC, CPVC, PPR, HDPE Pipes and Fittings, PVC Sheets, Doors, Water tank, Tap etc. for water supply, sanitation and building material solutions. So, no segment reporting is felt necessary.

RISKS AND CONCERNS

Risk and Concern is the integral part of business. Like others, our business may also be affected by risk and uncertainties. Details of risk factors and the ways to handle such events are stated in the Management's Discussion and Analysis.

COST OF GOODS SOLD, GROSS PROFIT MARGIN AND NET PROFIT MARGIN

As pre the annual audited financial statements of the company for the year ended 30 June 2023, the cost of goods sold, Gross Profit Margin and Net Profit Margin of the company are stated below:

Particulars	2022-2023 (Taka)	2021-2022 (Taka)
Cost of Goods Sold	5,338,491,661	4,187,329,642
Gross Profit	1,138,386,680	878,089,648
Net Profit	152,591,224	213,125,047

EXTRA-ORDINARY ACTIVITIES AND THEIR IMPLICATION (GAIN OR LOSS)

No such event of any extra-ordinary gain or loss occurred during the reporting year.

RELATED PARTY TRANSACTIONS

Related party transactions are stated in note no. 48.00 of the financial statements.

UTILIZATION OF PROCEEDS RAISED THROUGH PUBLIC ISSUES, RIGHTS ISSUES AND/OR ANY OTHER INSTRUMENTS

Bond Issue: Bangladesh Securities and Exchange Commission (BSEC) vide its letter no. BSEC/CI/DS-181/2021/758 dated 3rd March 2022 has given us consent for issuance of Transferable, Redeemable, Non-Convertible, Unsecured Zero-Coupon Bond of BDT 300 crore through private placement. The purpose of the said bond issue is to pay-off the existing high cost bank loan and also to finance the capital expenditure for enhancement of production capacity of the company. But as on 3rd October 2023 the Company could manage to collect only BDT 49.80 crore out of total Tk. 300 crore due to ongoing crises in the capital market, which has totally been used for re-payment of high cost loans of the company.

EXPLANATION IF THE FINANCIAL RESULTS DETERIORATE AFTER THE COMPANY GOES FOR IPO, RPO, RIGHTS SHARE OFFER, DIRECT LISTING ETC.

No such event occurred.

EXPLANATION ON SIGNIFICANT VARIANCE BETWEEN QUARTERLY FINANCIAL PERFORMANCES AND ANNUAL FINANCIAL STATEMENTS

No such event occurred.

REMUNERATION PAID TO THE DIRECTORS INCLUDING THE INDEPENDENT DIRECTOR(S)

The Directors of National Polymer Industries PLC. don't get any facilities/remuneration, bonus or any other form, excepting the Managing Director for his direct participation to the company's day to

day operations. Honorarium (meeting fees) paid to the Directors including the Independent Directors is disclosed in note no. 48.00 of the financial statements.

THE BOARD OF DIRECTORS ALSO REPORT THAT:

- Financial Statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the Financial Statements of the company and that the accounting estimates are based on reasonable and prudent judgments;
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements of the company.
- **Internal Control System:** National Polymer Industries PLC. has a well-defined internal control system to ensure smooth business operations. The internal control system ensures reasonable assurance of the internal checking system of monetary transactions and safeguarding of assets. The internal control systems are reviewed by the Internal Audit & Compliance Department and reported to the Audit Committee regularly. The internal control system ensures the receiving of quality raw materials, stores & spares of non-current assets and production of quality products for the customers. The quality of the goods are tested by the recognized testing authorities regularly.
- **The Minority Shareholders' Interests:** The Company believes in equal rights of all shareholders irrespective of the number of shares they hold. All the shareholders are treated equally and are provided with quarterly & annual financial statements, annual report and all other permissible information and are also welcomed to participate at the shareholders' meeting. The adoption of the annual financial statements, the Directors' report, election of Directors and the appointment of the Auditors are decided upon the participation of the shareholders at the Annual General Meeting.
- **Going Concern:** While approving the financial statements, the Board of Directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the company to continue its operations for a foreseeable period. The Board of Directors are convinced and have a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Therefore, the Management uses the going concern basis of accounting in preparation of the financial statements.
- **Explanation on significant deviations from the last year's operating results:** There is no significant deviations from the last year's operating results of the Company.
- The Company's key operating and financial data of at least preceding 5 (five) years have been disclosed in page no. 45 of the Annual Report.
- Explanation or the reasons if the company has not declared dividend (cash or stock) of the year:
Not Applicable
- No bonus share or stock dividend has been or shall be declared as interim dividend.

- The total number of Board Meetings and Committee Meetings held during the year and attendance by each Director/Member have been disclosed in page no. 48 of the Annual Report.
- The pattern of shareholding has been disclosed page no. 47 of the Annual Report.
- Information relating to the appointment or re-appointment of Director(s): With regard to the appointment or re-appointment of Director(s), the Company follows its Articles of Association, the Companies Act, 1994 and other related rules and legislations issued time to time by the Regulators and the information (brief resume, nature of expertise and name of companies in which they hold the directorship and the membership of committees of the Board) in case of such appointment or re-appointment has been disclosed in the Profile of Directors.
- Management's discussion and analysis is disclosed in page no. 21 of the Annual Report.
- Declaration or certification by the CEO and the CFO to the Board, as per Annexure-A has been disclosed in page no. 49 of the Annual Report.
- The report as well as certificate regarding the compliance of Conditions of Corporate Governance Code as required under condition No. 9 have been disclosed as per Annexure-B and Annexure-C in page no. 51 & 52 of the Annual Report.

UNCLAIMED DIVIDEND

As per the Condition No. 3 (vii) of the BSEC's Directive No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021, the Company maintains detailed information of unpaid or unclaimed dividend and rationale thereof, as per BO Account number-wise and Folio number-wise of the shareholders.

As per the BSEC's Directive No. SEC/SRMIC/165-2020/part-1/182 dated 19 July 2021, the Company transferred the unclaimed or undistributed Cash Dividend up to the FY 2009-2010 to the Capital Market Stabilization Fund's (CMSF) bank account and as per the BSEC's Directive No. SEC/SRMIC/165-2020/306 dated 24 November 2021, the Company transferred the unpaid or unclaimed or undistributed stock dividend/bonus shares/rights share up to the FY 2018-2019 to the Capital Market Stabilization Fund's BO Account. The details of the same have been disclosed in the Company's website.

The unpaid or unclaimed cash dividend for the FY 2019-2020 shall be transferred to the Capital Market Stabilization Fund's (CMSF) bank account duly as per the BSEC's Directive. The summary of unpaid or unclaimed or undistributed dividend account is disclosed in page No. 38 of the Annual Report.

DIVIDEND DISTRIBUTION POLICY

The Board of Directors has adopted the Dividend Distribution Policy in compliance with the BSEC's Directive dated 14 January 2021. This Policy has specified, among others, the procedures for declaration and distribution of dividend to the shareholders and also the management of unpaid or unclaimed dividend. The Dividend Distribution Policy has been disclosed in the Annual Report as well as published in the company's website.

NRC POLICY

The Board of Directors has adopted the Nomination and Remuneration Policy as per the BSEC's Corporate Governance Code-2018. This Policy has specified, among others, the composition of the Nomination and Remuneration Committee (NRC), the roles and responsibilities of the NRC and the

nomination, remuneration and evaluation criteria of the Directors and top level executives of the company. The Nomination and Remuneration Policy and the activities of the NRC during the year have been disclosed in the annual report.

INSIDER TRADING POLICY

The Board of Directors has adopted the ‘Insider Trading Policy’ as per the BSEC’s Insider Trading Prohibition Rules, 2022. This Policy has specified, among others, about the restrictions of insider trading and the nature of disclosure of Price Sensitive Information (PSI) and Material Information (MI) of the Company. This Policy has been disclosed in the official website of the company.

CODE OF CONDUCT

The Board of Directors of National Polymer is committed to operate the business with integrity. To ensure the transparency and accountability of the Directors, the Board has adopted the Code of Conduct based on the recommendation of the Nomination and Remuneration Committee (NRC). This Code of Conduct is applicable for the Chairperson of the Board, other Board Members and the Chief Executive Officer of the company. The Directors are responsible for maintaining the ethical code of conduct in relation to business as well as regulations of the Regulatory Authorities. The compliance of the Code of Conduct is reported to the Board annually. The Code of Conduct has been published in the official website of the company in compliance with the Condition No. 1(7)(b) of the BSEC’s Corporate Governance Code-2018.

QUALITY POLICY

The Company strictly maintains the quality procedures in all sectors of its operations with the aim of maximizing the customers’ satisfaction by adopting the high quality standards, using modern machineries & technology and hiring competent & qualified personnel. It is mentioned that National Polymer has adopted ISO 9001:2015, 14001:2015 & 45001:2018 certification and also the IS 4985: 2021 & 13592: 2013 certification provided by the Bureau of Indian Standards. Recently, the Company has been awarded the 1st Prize of National Productivity and Quality Excellence Award 2021 in recognition of its contribution to increase productivity and quality in large industry category in plastic sector of Bangladesh.

HUMAN RESOURCES

In real sense, National Polymer believes that employees are the best resources for the organization and their motivation is very important for the growth and development of the organization, because of their active participation to the productivity. National Polymer focuses on the employees to optimize their creativity, performance and sustainable improvement by ensuring the safe & healthy working environment, cohesive corporate culture, proper training, reward & recognition and various employee benefit schemes.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

As a corporate citizen, National Polymer endeavors to discharge its responsibilities towards the society and the environment. Our social responsibilities includes our valued customers, employees, shareholders, business associates and other stakeholders. The Board of Directors is aware of the social development as part of the corporate social responsibility (CSR), especially in the areas of race-religion-regional equality, non-employment of child labor, donation to the educational and charitable institutions, prevention of environmental pollution etc. We believe that our business objectives are not only to maximize the profitability but also to contribute to the society.

CORPORATE GOVERNANCE

Corporate Governance is the system of rules, regulations, practices, and processes by which a company is directed, operated, monitored, controlled and reviewed that helps the company to achieve its long-term corporate success and sustainable growth. As good corporate governance is one of the valuable assets of an organization, National Polymer is committed to ensuring the good governance system through the culture of compliance with all regulatory rules & regulations, accountability, transparency, well-understood policies & procedures. The details of corporate governance are discussed in the corporate governance statement.

WINDING UP OF SUBSIDIARY COMPANY

Considering the feasibility, the Board of Directors formed a subsidiary company named 'NPOLY TRADING LTD.' on 27 November 2022 and started necessary pre-commercial activities accordingly. But due to ongoing crisis situation in the business domain, it was no longer viable to run the business of the subsidiary company. Therefore, the Board of Directors has decided to wind up of the said subsidiary company voluntarily.

ELECTION/RE-ELECTION OF DIRECTOR(S)

As per clause no. 128 & 129 of the Articles of Association of the Company not less than one third of the total number of Directors retire every year. Accordingly, ICB Nominated Director **Ms. Mahmuda Akhter**, ICB Nominated Director retired by rotation from the Board this year. As per clause no. 130 of the Articles of Association of the Company, she is eligible for re-election. Upon her consent, the Board has re-elected her for the next term, subject to the approval of the shareholders in the next AGM. In terms of Condition No. 1 (5) (xxiv) of the BSEC's Notification dated 03 June, 2018, her brief resume, expertise and the name of companies in which he holds the directorship have been stated in page no. 9 of the annual report.

RE-APPOINTMENT OF MANAGING DIRECTOR

The Managing Director of the company **Mr. Riad Mahmud** completed his 5 (Five) years' term this year. As per section 110 of the Companies Act 1994, Mr. Mahmud is eligible for re-appointment for the next term. Upon his consent, the Board of Directors has re-appointed him as the Managing Director of the company for the next 5 years' term from the FY 2023-2024 to FY 2027-2028, subject to the approval of the shareholders in the next AGM. In terms of Condition No. 1 (5) (xxiv) of the BSEC's Notification dated 03 June, 2018, his brief resume, expertise and the name of companies in which he holds the directorship have been stated in page no. 8 & 9 of the annual report.

RE-APPOINTMENT OF ICB NOMINATED DIRECTOR

Investment Corporate Corporation of Bangladesh (ICB) through its letter dated 19 April 2023 has withdrawn Mr. Nuruzzaman Khan from the Board of Directors and at the same time has nominated Ms. Mahmuda Akhter in the Board of National Polymer Industries PLC. The Board of Directors in its Meeting held on 24 May 2023 has accepted the said nomination and appointed Ms. Mahmuda Akhter as the Nominated Director of National Polymer Industries PLC., subject to the approval of the shareholders in the next AGM. In terms of Condition No. 1 (5) (xxiv) of the BSEC's Notification dated 03 June, 2018, her brief resume, expertise and the name of companies in which he holds the directorship have been stated in page no. 9 of the annual report.

APPOINTMENT OF EXTERNAL AUDITOR

The Company's present Auditor **M/s Shiraz Khan Basak & Co., Chartered Accountants** has audited the financial statements of the Company for the FY 2022-2023. It is mentioned that Shiraz Khan Basak & Co., audited the financial statements of the company for the past consecutive 03

(three) (2020-2021, 2021-2022 & 2022-2023) years. As per the DSE's Listing Regulations, 2015, M/s. Shiraz Khan Basak & Co., Chartered Accountants is not eligible for re-appointment for the next year. In view of appointing the new External Auditor, the Company searched for several Audit Firms listed in the BSEC'S panel of Auditors and placed the same before the Board for consideration and approval. Accordingly, the Board of Directors selected and appointed **M/s. Islam Quazi Shafique & Co., Chartered Accountants**, who is a renowned Audit Firm listed in the BSEC'S Panel of Auditors, for the FY 2023-2024 with a remuneration of Tk. 300,000/- (Taka three lac only), subject to the approval of the shareholders in the next AGM.

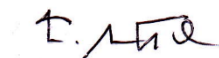
APPOINTMENT OF CORPORATE GOVERNANCE COMPLIANCE AUDITOR

M/s. Mahfel Huq & Co., Chartered Accountants has acted as the Corporate Governance Compliance Auditor of the Company for the FY 2022-2023 and retired this year. Being eligible, the Company offered them for re-appointment for the next FY 2023-2024. But they expressed their un-willingness for re-appointment. Therefore, the Board of Directors has appointed **M/s. Artisan, Chartered Accountants**, one of the BSEC's panel listed renowned Audit Firms, as the Corporate Governance Compliance Auditor for the next FY 2023-2024 with a remuneration of Tk. 35,000/- (Taka thirty five thousand only, subject to the approval of the shareholders in the next AGM.

APPRECIATION

The Board of Directors would like to express sincere thanks and appreciation to the Honorable Shareholders, valued Customers, Regulators, Bankers and financial institutions for their support, co-operation and guidance towards the company's business endeavors. The Board also expresses the heartfelt thanks to the Management Team as well as all the employees of the company whose perseverance, professionalism and hard works contribute a lot in achieving the company's objectives.

Thanking you all
For and on behalf of the Board of Directors



(Golam Murshed)
Chairman