

# **DRUK WANG ALLOYS LIMITED**

## **DIRECTOR'S REPORT FOR THE YEAR 2011**

To,  
The Shareholders,  
Druk Wang Alloys Limited,

**Dear Shareholders,**

On behalf of the Board of Directors, I would like to extend a warm welcome to all the Shareholders of Druk Wang Alloys Limited to the 7<sup>th</sup> Annual General Meeting of the Company.

I would like to present before you the Annual Report of the Company.

### **1. FINANCIAL REPORT**

(Nu. In million)

<b>Financial Performance</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Authorized Share Capital	250.000	250.000	250.000
Issued/subscribed & Paid-up equity	194.000	194.000	194.000
Gross Income	1,039.478	795.642	481.750
Gross Expenditure	804.701	653.821	505.744
Profit / (Loss ) before tax	234.777	141.821	(23.99)
Profit/ (Loss ) after tax	168.729	105.806	(23.99)
Provision for Corporate tax	66.048	36.015	-
Interim dividend	67.900	29.100	-
Final dividend	48.500	48.500	-

## PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2011	2010	2009
Opening Stock of [ FeSi ] MT	700.530	385.620	1,394.300
Production MT	13,935.550	12,818.710	9,703.100
Sales MT	141,21.000	12,503.800	10,711.780
Closing Stock of [ FeSi ]	515.080	700.530	385.620
Sales Realization [ Million ] Nu.	1,039.134	772.412	505.000
Plant Capacity utilization %	96.65%	89.02%	67%
Average Collection per month Million [ Nu. ]	86.594	64.376	42.083
Shut Down time of plant [ Hours ]	446.07	525.27	546.75

### PERFORMANCE OVERVIEW

During the year under review, your Company has improved its performance in comparison with the previous year. The Company has produced 13,935 MT of Ferro Silicon against 12,818 MT during the previous year and sold 14,121 MT of Ferro Silicon at a value of Nu. 1039.13 Million as against 12,503.80 MT at a value of Nu. 772.412 Million during the previous year.

Your Company has exported 935 MT of Ferro Silicon to various countries like Italy, Netherlands and Germany. Our quality has been well accepted in the European markets and we are confident that we can increase our market share in the coming year.

The profit after tax increased to Nu. 168.729 Million from Nu. 105.806 Million in the previous year.

### DIVIDEND

Your directors recommend a dividend of Nu. 25 (25%) per share for the financial year ended on 31<sup>st</sup> December, 2011. This is over and above the 35% interim dividend declared for the same year on 19<sup>th</sup> October, 2011.

## **PROJECTION FOR 2012**

The Management of your Company has proposed production and sales of 14400 mt of Ferro Silicon for the year 2012 at 100% of plant capacity. The management apprises the members that an ambitious target of production & sales more than this could not be set since the operation is being carried out at the optimum achievable level. The market has experienced a downturn and the selling price realization may not be as favorable as in the last year. The production costs have also increased due to increase in all the raw material costs. The management is trying its best to reduce costs where possible.

## **HUMAN RESOURCE MANAGEMENT**

Human Resource Development has always been accorded priority by your Company in accordance with the policy of the Royal Government and in keeping close pace with rapidly changing global economic scenario in all respect, persists to focus on growth and development of human resources. The management has trained a commendable number of nationals in different fields by way of in-house training and deputing the personnel for short-term training initiated by various Institutes or Ministries. We have trained several employees in the Indian Institute of Production Management (IIPM) at Kansbahal, Orissa, India in various technical fields.

As on 31<sup>st</sup> December 2011, we have 113 regulars and 67 muster roll employees, in total we have 180 employees, out of that 30 number are non-national and 150 numbers are national employee, 16.67% and 83.33% respectively. The Management continues to provide appropriate guidance and motivation to all workers towards enhancing their productivity.

A Staff Welfare Scheme was approved by your board of directors during the 25<sup>th</sup> Board Meeting held on 18<sup>th</sup> July, 2011 and it was implemented with immediate effect. This welfare scheme was introduced for the well being of all the employees and to assist them in times of need.

The employees of the company are administered in compliance to the Service Rules of the company amended from time to time, as per the requirements of Labour and Employment Act of the Royal government of Bhutan, 2007.

## **DIRECTORATE**

The following are the directors of your Company after the conduct of 06<sup>th</sup> AGM held on 25<sup>th</sup> March-2011.

Aum Naki Dorji, Chairperson  
Dasho Dorji Norbu, Director  
Dasho Pema Wangchhuk, Director  
Mr. Samdrup Norbu, Director  
Mr. Dawa Penjore, Director

Mr. Leki Dorji Norbu, Director  
Mr. Sonam Tobgay, Director  
Mr. Chimi Dorji Norbu, Managing Director

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance to the Company Act of Kingdom of Bhutan 2000, your directors confirm the following with regard to Annual Accounts, Accounting Policies, maintenance of accounting records etc:-

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year 2011 and of the profit or loss of the company for that period.
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act of the Kingdom of Bhutan, 2000, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That the directors had prepared the annual accounts on a going concern basis.

## **RETIREMENT /APPOINTMENT OF DIRECTORS IN THE BOARD**

Your directors deliberated that in compliance to the Companies Act of the Kingdom of Bhutan 2000, one-third of the directors have to retire every year.

In keeping with the rotation systems, the following directors are liable to retire from the Board of Directors and offer themselves for reappointment at the AGM:

Mr. Dasho Dorji Norbu, Director  
Mr. Samdrup Norbu, Director  
Mr. Dawa Penjore, Director

The Board recommends their reappointment.

It is put up to the AGM to note/approve the retirement/appointment of the directors of the company.

## **APPOINTMENT OF STATUTORY AUDITORS OF THE COMPANY FOR THE YEAR 2012.**

The 06<sup>th</sup> AGM had approved the appointment of M/s KGGT & Associates, Chartered Accountants who were empanelled as approved Auditors by the Royal Audit Authority. They have completed continuous audit for three years for your company and therefore it has become necessary to appoint a new auditor. Your Board of Director has accepted and recommends the request of appointment of M/S Subrata Banerjee & Co as statutory auditor for the financial year-2012.

## **FUTURE PLANS AND PROSPECTS**

The manufacture of Ferro Silicon is very power intensive, on an average 40% of the total production cost is due to power. Since the inception of the company the power cost has increased by 34% and continues to rise. Therefore your company feels that it would be prudent to have its own Captive Power Plant, your company has applied for a captive power plant to the Department of Industries and is awaiting response from the government.

Your company has also applied for an expansion of the existing plant with another 18MVA furnace, this is also under review of the government.

Your company has installed a Densification System for the silica fume, it will densify the silica fume to a standard that can be sold profitably in the construction industry.

Your company has maintained all the parameters and quality standards as an ISO-9001:2008 (Quality Management System) certified company by URS Certification Limited, the last surveillance audit was conducted and approved by them on the 10<sup>th</sup> May 2011.

## **ENVIRONMENT & POLLUTION CONTROL**

Your company has adopted an environment friendly policy and has complied with all the necessary standards set by the NEC. The company is running its pollution control system successfully and is operating it on a continuous basis as per the requirements of the National Environment Commission. The reports are submitted to the commission as required and are verified from time to time by the environment monitoring team from Ministry of Economic Affairs.

## **CONCLUSION**

In conclusion, I take it as my great privilege and honor to record the sincere gratitude of the Board and Management for your unstinted support and the financial institutions for their support and encouragement to your company.

The shareholders, the Board and I would like to acknowledge the exemplary effort rendered by the Managing Director, Executives, Staff and Workers of the Company for a successful and profitable year 2011. I am confident that the Management of DWAL will lead the Company to yet another successful year.

**Tashi Delek!**

**Date: 6<sup>th</sup> March 2012**

**For and on behalf of Board of Director of  
Druk Wang Alloys Limited**

**CHAIRPERSON**