

DRUK WANG ALLOYS LIMITED
DIRECTOR'S REPORT FOR THE YEAR 2012

To,
 The Shareholders,
 Druk Wang Alloys Limited.

On behalf of the Board of Directors of the Company and on my own behalf, I extend a warm welcome to all the shareholders of Druk Wang Alloys Limited to the 8th Annual General Meeting of the Company.

Your directors take great pleasure in presenting you this financial report for the year 2012.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2012	2011	2010	2009
Authorized Share Capital	250.00	250.00	250.00	250.00
Issued/subscribed & Paid-up equity	194.00	194.00	194.00	194.00
Gross Income	885.51	1,038.65	795.64	481.75
Gross Expenditure	801.16	778.70	653.82	505.74
Profit / (Loss) before tax	84.35	259.95	141.82	(23.99)
Profit/ (Loss) after tax	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	23.61	73.07	36.02	
Interim dividend	-	67.90	29.10	-
Final dividend	58.20	48.50	48.50	-

PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

		2012	2011	2010	2009
Opening Stock of [FeSi]	MT	515.08	700.53	385.62	1,394.30
Production	MT	12620.07	13,935.55	12,818.71	9,703.10
Sales	MT	12398.00	141,21.00	12,503.80	10,711.78
Closing Stock of [FeSi]	MT	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions		859.45	1,039.13	772.41	505.00
Plant Capacity utilization	%	87.63%	96.65%	89.02%	67%
Average Collection per month Nu. in Millions		63.64	86.59	64.38	42.08
Shut Down time of plant [Hours]		688.82	446.07	525.27	546.75

PERFORMANCE OVERVIEW

The year under review, your Company has produced 12620.074 MT of ferro silicon for the year 2012 which was less by 1315.476 MT of ferro silicon compared to 13935.550 MT produced during the previous year.

Your company has suffered a few setbacks in the year 2012 and could not perform at full capacity due to technical problems which lingered for about six months. The frequent shutdowns and the unbalanced operational parameters created a situation where the consumption of raw material and power increased drastically leading to low productivity and higher production costs. The management had taken every possible measure from, hiring a consultant from India, seeking help from other technical experts and change of operational parameters. The problems have now been rectified and the company hopes to perform better in the coming year.

The cost of coal and coal related products such as coke and electrode paste increased drastically during the year as a result of coal shortages in India. The cost of other raw material such as Millscale and Quartz also increased substantially due to high demand in the country. This added to the cost of production.

Sales were Nu 859.448 Million for this year, down from Nu 1039.134 Million in the previous year.

The profit after tax decreased to Nu. 60.728 Million from Nu. 186.872 Million in the previous year.

DIVIDEND

Your directors recommend a dividend of Nu. 30 per share for the financial year ended on 31st December, 2012.

PROJECTION FOR 2013

Your company and the Management of your Company have set a production target of 14,400 MT of Ferro Silicon and a profit before tax of Nu. 67,832,800 for the year 2013.

The management apprised the members that the production costs are increasing with the increase in raw materials costs and the selling price is not able to improve much due to the lack of demand due to the global economic situation. The target for the year 2013 has been fixed keeping the current scenario in mind.

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.

As on 31st December 2012, we have 121 regulars and 50 muster roll employees, in total we have 171 employees, out of that 33 number are non-national and 138 numbers are national employee, 19% and 81% respectively. The Management continues to provide appropriate guidance and motivation to all workers towards enhancing their productivity.

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 07th AGM held on 6th March-2012.

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 Companies 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 2012 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:

Aum Naki Dorji, Director
Dasho Pema Wangchhuk, Director
Mr. Leki Dorji Norbu, 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 2013

The 7th AGM had approved the appointment of M/S Subarata Banarjee & Co, Chartered Accountants as the statutory auditors who were empanelled as approved Auditors by the Royal Audit Authority. However the auditors could not complete the audit as they offered their resignation on 20th December 2012 citing internal problems and having their name deleted from the list of empanelled auditors maintained by the Royal Audit Authority.

Under the above stated circumstances KPMB & Associates, Chartered Accountants who are empanelled with the Royal Audit Authority offered their services as the statutory auditors with the same terms and conditions of your previous statutory auditors. Hence they successfully completed the statutory audit of your company for the year 2012.

We have received quotations from various audit firms for the financial year 2013. They are Biswas Dasgupta datta & ray (Chartered Accountants), Drami & associates (Certified Practicing Accountants), KGGT & Associates (Chartered Accountants), De & Bose and De Chakraborty & Sen (Chartered Accountants) and your board of directors recommends KGGT & Associates as the statutory auditors for the financial year 2013.

SERVICE TO THE COMMUNITY

Your Company also takes priority in fulfilling its Corporate Social Responsibility (CSR) both towards its own employees and the surrounding communities.

Your Company has contributed to various social welfare activities:

1. Donated an amount of Nu.5,00,000/- for rebuilding Wangduephodrang Dzong
2. Donated an amount of Nu.50,000/- for Tsirang Namgyal Choling Rabdey Dratshang.
3. Donated an amount of Nu.30,000/- to livestock sector, Samtse for construction of ward/ post- operative care unit for pet animals at dzongkhag veterinary hospital.
4. Donated an amount of Nu.30,000/- to Yeedzin football Club, Thimphu who promotes wholesome education for the youth. Yeedzin Football Club won the Championship this year.
5. Donated an amount of Nu. 100,000/- to Youth Development Fund for support of the youth of the country.

FUTURE PLANS AND PROSPECTS

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 10th May 2011.

ENVIRONMENT & POLLUTION CONTROL

Your company continues to comply with all the necessary standards set by the National Environment Commission (NEC). The company is running its pollution control system successfully and is operating it on a continuous basis as per the requirements of the NEC.

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 2012. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 22nd March 2013

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

CHAIRPERSON