

**DRUK WANG ALLOYS LIMITED**  
**DIRECTOR'S REPORT FOR THE YEAR 2014**

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 **10<sup>th</sup> Annual General Meeting** of the Company.

Your directors take great pleasure in presenting you this annual report for the year 2014.

**1. FINANCIAL REPORT**

(Nu. In million)

<b>Financial Performance</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Authorized Share Capital	250.00	250.00	250.00	250.00	250.00	250.00
Issued/subscribed & Paid-up equity	194.00	194.00	194.00	194.00	194.00	194.00
Gross Income	1122.95	1025.02	885.51	1,038.65	795.64	481.75
Gross Expenditure	950.57	857.56	801.16	778.70	653.82	505.74
Profit / (Loss ) before tax	172.37	167.45	84.35	259.95	141.82	(23.99)
Profit/ (Loss ) after tax	148.30	132.71	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	24.08	34.73	23.61	73.07	36.02	
Interim dividend	77.60	-	-	67.90	29.10	-
Final dividend	58.20	97.00	58.20	48.50	48.50	-

## PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2014	2013	2012	2011	2010	2009
Opening Stock of [ FeSi ] MT	246.440	737.820	515.08	700.53	385.62	1,394.30
Production MT	14282.12	13757.97	12620.07	13935.55	12818.71	9,703.10
Sales MT	13560.00	14249.35	12398.00	14121.00	12503.80	10,711.78
Closing Stock of [ FeSi ] MT	968.56	246.44	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions	1059.38	1046.95	859.45	1,039.13	772.41	505.00
Plant Capacity utilization %	99.18	95.54%	87.63%	96.65%	89.02%	67%
Average Collection per month Nu. in Millions	92.69	87.25	63.64	86.59	64.38	42.08
Shut Down time of plant [ Hours ]	216.68	565.55	688.82	446.07	525.27	546.75

### PERFORMANCE OVERVIEW

The year under review, your Company has improved its performance in comparison with the previous year. There was a year on year (YoY) increase of 524.15 MT of ferro silicon during the year 2014. The ferro silicon produced this year was 14,282.12 MT against the 13,757.97 MT produced during the previous year.

Your company has performed better than last year though there were a few mechanical problems and the planned shutdown for maintenance, the plant capacity utilization was at 99.18%. The company hopes to perform similarly this coming year.

Sales increased to Nu 1,059.38 Million this year from Nu 1,046.95 Million in the previous year.

Your company has exported 6,996 MT of ferro silicon to third countries like Greece, Netherlands, Turkey and Germany. This amounts to 53 % of the annual sales.

The profit after tax increased to Nu. 148.29 Million from Nu. 132.71 Million in the previous year.

### REVALUATION OF SHARES

The Royal Securities Exchange of Bhutan has revalued all shares to encourage trading in the stock markets. All shares have been divided by 10. Our share face value has been decreased to Nu. 10 from Nu.100 with effect from 1<sup>st</sup> August, 2014.

## **DIVIDEND**

Your directors recommend a final dividend of Nu. 3 per share for the financial year ended on 31<sup>st</sup> December, 2014.

An interim dividend of Nu.4 per share was released on 7<sup>th</sup> of November, 2014 as discussed and recommended in the 40<sup>th</sup> Board Meeting held on the 13<sup>th</sup> of October, 2014. This is also put for your approval and ratification.

## **PROJECTION FOR 2015**

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.74,588,880 for the year 2015.

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 power tariff has also been increased by the Bhutan Power Corporation Limited and this will have a major impact on our production costs. The target for the year 2015 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 31<sup>st</sup> December 2014, we have 161 regular and 41 muster roll employees, in total we have 202 employees, out of that 38 number are non-national and 164 numbers are national employee, 18.81% and 81.19% 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.

## **ISO CERTIFICATION**

To improve management and working environment of all the employees your company has upgraded and qualified for certification of ISO 14001:2004 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Management System on 24<sup>th</sup> July, 2014. Your company has been certified for

ISO 9001:2008 since 26<sup>th</sup> May, 2010 and has complied with all the standards regularly.

## **DIRECTORATE**

The following are the directors of your Company after the conduct of 09<sup>th</sup> AGM held on 7<sup>th</sup> March-2014.

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 2014 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 with 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. Samdrup Norbu, Director  
Mr. Dawa Penjore, 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 2015**

The 9<sup>th</sup> AGM had approved the appointment of M/S KGGT & Associates, Chartered Accountants as the statutory auditors who were empanelled as approved Auditors by the Royal Audit Authority. But M/S KGGT & Associates vide notification in kuensel dated 29<sup>th</sup> January – 2015 has been removed from the list of the statutory auditors for companies with effect from 5<sup>th</sup> December, 2014 by the Registrar of the company as per advice of Royal Audit Authority. Accordingly company asked for quotations with short notice from the empanelled auditors and got the offers from S.Guha & Associates and De Chakraborty & Sen Chartered Accountant. Your board of directors has appointed S. Guha & Associates and has successfully completed the statutory audit of your company for the year 2014.

We have received quotations from various audit firms for the financial year 2015. They are Span & Associates, S.Guha & Associates, Nag & Associates, L.B.Jha & Co., Soumya dutta & Associates, DE & BOSE (Chartered Accountants).

Your board of directors recommends Span & Associates as the statutory auditors for the financial year 2015.

### **SERVICE TO THE COMMUNITY**

Your Company takes pride in fulfilling its Corporate Social Responsibility (CSR) both towards its own employees and the surrounding communities. We are contributing regularly for the development of cultural and sports activities to promote and healthier and more meaningful lifestyle for people across the country, especially the youth.

Your Company has contributed to various social welfare activities in the year 2014

<b>Sl.No</b>	<b>Particulars</b>	<b>Amount (Nu.)</b>
1	Dzongkhag Tae-kwon-do Association for food, refreshments , bus fare and First aid Kits for the participants of Chukha Dzongkhag	20,000.00
2	Contribution towards Bhutan National Bank staff for Phuentsholing Sports association Monsoon football tournament	10,000.00

3	Contribution towards football tournament under Phuentsholing region categorized for Girls and boys under 15 years	10,000.00
4	Contribution towards Chumithang middle secondary school for Khandro sengdongmai drupchoe organized by rigde maha guru chhoetshok	15,000.00
5	Contribution to visually impaired children of Khaling Middle Secondary School, Tashigang	51,314.00
6	Contribution towards Bhutan Body Building and weightlifting federation	20,000.00
7	Contribution towards TashiYangtse taekwondo club	15,000.00
8	Contribution towards Royal Bhutan Army Wing 2 for conducting yearly inter-wing competition in sports and military events	25,000.00
9	Contribution to Association of Bhutanese Industries for the visit of H.H. Jekhenpo	50,000.00
10	Dzongkhag Tae-kwon-do Association for Dzongkhag Taekwondo Championship held from 27-31st December in Thimphu	30,000.00
11	Contribution made to Barshong Primary School, Tsirang	20,000.00
12	Contribution towards participation in the World Championship body building competition	50,000.00
13	Contribution to Association of Bhutanese Industries for National Day celebration	40,000.00
	<b>Total</b>	<b>356,314.00</b>

## **FUTURE PLANS AND PROSPECTS**

With the current scenario of increasing power costs and heavy competition amongst ferro silicon manufacturers, your board feels that it is advisable to look into other products which are not manufactured in Bhutan. Your company is studying the possibility of producing inoculants and other ferro alloys that may not be so power intensive.

## **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.

Your company has been certified for ISO 14001:2004 Environment Management System, this system ensures that the company is operated in an environmentally friendly manner and that all the rules and regulations are being followed properly.

## **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 2014. I am confident that the Management of DWAL will lead the Company to yet another successful year.

**Tashi Delek!**

**Date: 16<sup>th</sup> March 2015**

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

**CHAIRPERSON**