

DRUK WANG ALLOYS LIMITED
DIRECTOR'S REPORT FOR THE YEAR 2015

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 11th Annual General Meeting of the Company.

Your directors take great pleasure in presenting you this annual report for the year 2015.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2015	2014	2013	2012	2011	2010	2009
Authorized Share Capital	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Issued/subscribed & Paid-up equity	203.70	194.00	194.00	194.00	194.00	194.00	194.00
Gross Income	969.500	1127.17	1,025.02	885.51	1,038.65	795.64	481.75
Gross Expenditure	896.765	950.66	857.56	801.16	778.70	653.82	505.74
Profit / (Loss) before tax	72.734	176.50	167.45	84.35	259.95	141.82	(23.99)
Profit/ (Loss) after tax	51.089	151.32	132.71	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	16.811	25.18	34.73	23.61	73.07	36.02	
Interim dividend	-	77.60	-	-	67.90	29.10	-
Final dividend	30.55	58.20	97.00	58.20	48.50	48.50	-

PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2015	2014	2013	2012	2011	2010	2009
Opening Stock of [FeSi] in MT	968.00	246.44	737.820	515.08	700.53	385.62	1,394.30
Production in MT	14,614.40	14,282.12	13,757.97	12,620.07	13,935.55	12,818.71	9,703.10
Sales in MT	12,845.84	13,560.00	14,249.35	12,398.00	14,121.00	12,503.80	10,711.78
Closing Stock of [FeSi] in MT	2,737.12	968.56	246.44	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions	850.57	1,059.38	1,046.95	859.45	1,039.13	772.41	505.00
Plant Capacity utilization %	101.49	99.18	95.54%	87.63%	96.65%	89.02%	67%
Average Collection per month Nu. in Millions	80.93	92.69	87.25	63.64	86.59	64.38	42.08
Shut Down time of plant [Hours]	193.23	216.68	565.55	688.82	446.07	525.27	546.75

PERFORMANCE OVERVIEW

The year under review, your Company has produced 14,614.400 MT of Ferro Silicon for the year 2015 which is 332.28 MT more than the 14,282.120 MT produced during the previous year. This is the highest production achieved by the company till date.

Sales were Nu 850,570 Million this year from Nu 1,059.38 Million in the previous year.

The profit after tax decreased to Nu.51.089 Million from Nu. 151.323 Million in the previous year.

DIVIDEND

Your directors recommend a dividend of Nu. 1.50 per share for the financial year ended on 31st December, 2015.

PROJECTION FOR 2016

Your company and the Management of your Company have set a production target of 14,400 MT of Ferro Silicon and a expected loss of Nu 30.708 million in view of market situation for the year 2016.

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. There is also a situation of over supply as a new plant has opened in Malaysia with 300,000 MT per annum capacity. Malaysia has a free trade agreement with India and therefore their ferrosilicon is priced very competitively.

The power tariff has also been increased by the Bhutan Power Corporation Limited and this will have a major impact on our production costs. We are anticipating another power tariff increase in July 2016 and this will have more effect on our production costs.

The target for the year 2016 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 2015, we have 167 regular and 28 muster roll employees, in total we have 195 employees, out of that 41 number are non-national and 154 numbers are national employee. 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

Your company has been certified ISO 14001:2004 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Management System on 24th July, 2014. Your company has been certified for ISO 9001:2008 since 26th May, 2010 and has complied with all the standards regularly.

To improve management and working environment of all the employees your company has made recent changes in management system which are in process of incorporating/revising in our existing organizational systems.

The new ISO Management System Standard includes three basic concepts:

1. Process Approach.
2. Plan – do-check act methodology and
3. Risk based thinking.

New management system structure has aligned with the common 10- clauses to ensure greater harmonization among its many different management system standards.

Although all the management system standards which your organization has implemented and certified have been completely revised, the following completely new things has been incorporated.

Along with the implemented system, your company is going to integrate ISO 17025 "LABORATORY MANAGEMENT SYSTEM" to have international Recognition of our Quality Control Division.

In order to focus organizations commitment towards Sustainable Development, your company is going to implement and apply ISO 26000 Social Responsibility, known as CSR (Corporate Social Responsibility) standard to integrate socially responsible behavior into the Organization.

DIRECTORATE

The following are the directors of your Company after the conduct of 10th AGM held on 16th March-2015.

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 2015 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:

Aum Naki Dorji, Chairperson
Dasho Dorji Norbu, Director
Dasho Pema Wangchhuk, 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 2016

The 10th AGM had approved the appointment of M/S Span & Associates, Chartered Accountants, Kolkata. This year company asked for quotations from the empanelled auditors and got the offer from various audit firms for the financial year 2016. They are Span & Associates, A. Ghosh & Co, De & Bose, Gupta & Co. Soumya Dutta & Associates, Dutta Ghosh & Associates, Nag & Associates, L. B. Jha & Co (Chartered Accountants).

Your board of directors recommend Span & Associates as the statutory auditors further for the financial year 2016.

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 2015

Sl.No	Particulars	Amount (Nu.)
1	Contribution towards Jaigaon Welfare Organization of Open Marathon race for Celebration of 66th Anniversary of Indian Army on 15th January 2015.	3,000.00
2	Financial Support to Youth Development Fund, Fund Raising Division against multiple year donation.	50,000.00
3	Contribution to Phuentsholing Sports Association against sponsor for Archery Tournament.	20,000.00
4	Contribution towards Department of Culture, MOHCA, RGOB, against the construction of New Lhakhang at Digala Village under Bardo Gewog.	8,000.00
5	Donation made to SEN Students in Muenselling.	1,38,237.00
6	Contribution to Association of Bhutanese Industries against the dinner organised for the visit of Hon'ble Finance Minister.	8,000.00
7	Contribution to offer Ku- Sung - Thukgi- Mendrel as a tribute to His Majesty The 4th Druk Gyalpo.	2,00,000.00
8	Contribution of bill for watering of Highway at Pasakha.	2,143.00
9	Donation made to Chapcha Middle Secondary School towards supply of HP Printer 128FN.	16,440.00
10	Donation made to the Dzongkhag Tae - Kwon - Do Association for Tournament under Chhukha at Chhukha School.	30,000.00
11	Sponsorship to Desung (GUARDIAN OF PEACE) for painting the boundary wall of Zangdopelri, Main Town & Distribution of Green Bags to the Drivers during the 60th Birth Anniversary of 4th Druk Gyalpo.	20,000.00
12	Cleaning Campaign of the town as per the notification given by Thromde to commemorate 60 th Birth Anniversary of 4 th Druk Gyalpo.	925.00
13	Contribution for construction of Brumi Lhakhang at Samdrup Jongkhar Dzongkhag.	3,000.00
14	Contribution for Body Building Competition held at Phuentsholing.	5,000.00
	Total	5,04,745.00

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 investing in real estate and investing in other public listed companies.

Your company is also contemplating trading in minerals like quartzite and basic rock.

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. We have installed an additional gas cleaning plant to handle the tapping fumes as the old system was not adequate.

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 2015. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 8th APRIL 2016

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

CHAIRPERSON