

DRUK WANG ALLOYS LIMITED
DIRECTOR'S REPORT FOR THE YEAR 2017

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 13th Annual General Meeting of the Company.

Your directors take great pleasure in presenting you this annual report for the year 2017.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2017	2016	2015	2014	2013	2012	2011	2010	2009
Authorized Share Capital	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Issued/subscribed & Paid-up equity	203.70	203.70	203.70	194.00	194.00	194.00	194.00	194.00	194.00
Gross Income	1249.364	1129.465	969.50	1127.17	1,025.02	885.51	1,038.65	795.64	481.75
Gross Expenditure	1087.809	1071.972	896.76	950.66	857.56	801.16	778.70	653.82	505.74
Profit / (Loss) before tax	161.555	57.49	72.73	176.50	167.45	84.35	259.95	141.82	(23.99)
Profit/ (Loss) after tax	113.849	39.32	51.08	151.32	132.71	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	48.369	18.24	16.811	25.18	34.73	23.61	73.07	36.02	
Interim dividend	-	-	-	77.60	-	-	67.90	29.10	-
Final dividend	40.739	30.555	-	58.20	97.00	58.20	48.50	48.50	-

PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Opening Stock of [FeSi] in MT	786.56	2,737.12	968.00	246.44	737.820	515.08	700.53	385.62	1,394.30
Production in MT	14256.49	14144.38	14,614.40	14,282.12	13,757.97	12,620.07	13,935.55	12,818.71	9,703.10
Sales in MT	14251.58	16094.90	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	791.48	786.56	2,737.12	968.56	246.44	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions	1234.05	1028.68	850.57	1,059.38	1,046.95	859.45	1,039.13	772.41	505.00
Plant Capacity utilization in %	99.00	98.22	101.49	99.18	95.54	87.63	96.65	89.02	67.38
Average Collection per month Nu. in Millions	102.83	76.75	80.93	92.69	87.25	63.64	86.59	64.38	42.08
Shut Down time of plant [Hours]	397.62	298.33	193.23	216.68	565.55	688.82	446.07	525.27	546.75

PERFORMANCE OVERVIEW

The year under review, your Company has produced 14,256.494 MT of Ferro Silicon for the year 2017 which is 112.114 MT more than the 14,144.38 MT produced during the previous year.

Sales were Nu 1234.046 Million this year from Nu 1028.68 Million in the previous year.

The profit after tax increased to Nu.113.849 Million from Nu. 39.318 Million in the previous year.

DIVIDEND

Your directors recommend a dividend of Nu. 1 per share in this year of 2018 based on the performance for the financial year ended on 31st December, 2017.

PROJECTION FOR 2018

Your company and the Management of your Company has set a production target of 14,400 MT of Ferro Silicon and an expected profit after tax of Nu 148.277 million in view of market situation for the year 2018. The ferrosilicon market and ferro alloys in general have improved since the last quarter of 2017 and we are hopeful that we will have a better market this year. The global markets are on a uptrend and economies in general have shown positive growth. Steel prices in India have been increasing and we feel that there will be a strong demand for some time to come.

As was expected the new power tariff announced by the Bhutan Power Corporation Limited reduced our power expenses substantially, we will benefit again this year too.

However with the increase in demand for all commodities our raw material prices are going up also; prices for quartz, charcoal, coke and electrode paste have increased substantially and this in turn has an effect on our production costs.

The target for the year 2018 has been fixed keeping the current scenario in mind.

BUY BACK OF SHARES

Your company has been in commercial operations since 2009 and has performed exceptionally well. Most debts have been cleared and the company will be clearing the term loan within the next year. As the company has accumulated sufficient reserves it is proposed to buy back the share of the company from the shareholders to reduce the equity in the company.

Your Board recommends that the company buys back 15% of the equity shares from all the shareholders at Nu. 4 per share.

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 2017, we have 178 regular and 19 muster roll employees, in total we have 197 employees, out of that 27 number are non-national and 170 numbers are national employee. The Management continues to provide appropriate guidance and motivation to all workers towards enhancing their productivity. We have revised the pay for all employees with effect from 1st January 2018 after due approval of the board, this was done to motivate and encourage the employees. The gratuity ceiling for the employees was also raised to Nu. 900,000 in the last board meeting. It was increased so that this would benefit employees that have served for longer duration with the company with full dedication and loyalty. It is also to encourage them to stay with the company and to ensure them to have substantial saving at the end of their service life.

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.

The ISO audit was conducted from 10th to 12th June-2017 and found satisfactory.

DIRECTORATE

The following are the directors of your Company after the conduct of 12th AGM held on 7th April -2017.

Aum Naki Dorji, Chairperson
Dasho Dorji Norbu, 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 2016, 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 2017 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, 2016, 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 2016, 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. Leki Dorji Norbu, Director
Mr. Dawa Penjore, Director

The Board recommends their reappointment.

Further the Board has received nominations for Mr. Ugyen Wangchhuk and Mrs. Karma Deki as Independent directors for the company.

Mr. Ugyen Wangchhuk is a qualified CA with over 30 years experience in management and finance. He has an impeccable track record and will be an invaluable asset to the company.

Mrs. Karma Deki has 25 years experience in the banking and finance sector. She is currently the Branch Head of the Bhutan National Bank, Thimphu and will be able to contribute the management of the company with her vast experience in book keeping, finance and human resource management.

Both the nominees are individuals with excellent qualifications in the field of finance and are conversant with the accounting and financial statements of the company. Your company is required to have 1/3 Independent directors in the Board as per the Companies Act of Bhutan 2016. Your Board recommends their appointment.

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 2018

The 12th 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 2018. They are S. Guha & Associates, Ray & Ray, S. N. Mukherji & Co., A Ghosh & Co., Ray & Co.

Your board of directors recommend S. Guha & Associates as the statutory auditors for the financial year 2018 on a fee of Nu. 1,60,000/= plus out of pocket expenses.

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 2017

Sl.No	Particulars	Amount (Nu.)
1	Contribution towards celebration of the 37 th Birth anniversary to our 5 th Druk Gyelpo through Hindu Dharma Samodaya , Samse	20,000.00
2	Bhutan body building federation towards south Asian body building competition	1,00,000.00
3	PSA for Bhutan India friendship marathon	40,000.00
4	Ashok Tamang, Bhutan volleyball federation, PSA	10,000.00
5	Contribution against Mani Dundrup at Eutok Samdrupcholing, Paro	1,00,000.00
6	Air conditioner, water cooler & purifier donated to Phuentsholing General Hospital	1,09,600.00
7	Dzongkhag Administration Chukha, against waste clean up campaign	30,000.00
8	Gyen Shari Drachukha lhakhang, Punakha for construction	10,000.00
9	Foot ball tournament conducted by PSA	15,000.00
10	Contribution to ABI for repair of Pasakha road	10,000.00
11	Babesa Middle Secondary School for school awards	25,000.00
12	Dzongkhag Tae-kwon-Do association for international taekwondo club championship	30,000.00
13	Bhutan Raven Motorcycle club for new year celebrations charity	10,000.00
14	Repairing of tshamkhang at Paro [Ragay]	5,000.00
	Total	5,14,600.00

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. Your company is studying the possibility of improving the filter bags with the newer technology materials to improve the efficiency.

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 2017. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 14th March 2018

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

CHAIRPERSON