

DRUK WANG ALLOYS LIMITED
DIRECTOR'S REPORT FOR THE YEAR 2018

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 14th Annual General Meeting of the Company.

Your directors take great pleasure in presenting you this annual report for the year 2018.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2018	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	250.00
Issued/subscribed & Paid-up equity	173.14	203.70	203.70	203.70	194.00	194.00	194.00	194.00	194.00	194.00
Gross Income	1725.031	1249.364	1129.465	969.50	1127.17	1,025.02	885.51	1,038.65	795.64	481.75
Gross Expenditure	1406.126	1087.809	1071.972	896.76	950.66	857.56	801.16	778.70	653.82	505.74
Profit / (Loss) before tax	318.905	161.555	57.49	72.73	176.50	167.45	84.35	259.95	141.82	(23.99)
Profit/ (Loss) after tax	222.562	113.849	39.32	51.08	151.32	132.71	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	96.639	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	20.369	40.739	30.555	-	58.20	97.00	58.20	48.50	48.50	-

PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Opening Stock of [FeSi] in MT	791.476	786.562	2,737.12	968.00	246.44	737.820	515.08	700.53	385.62	1,394.30
Production in MT	14940.784	14256.494	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	13782.790	14251.580	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	1949.470	791.476	786.56	2,737.12	968.56	246.44	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions	1601.108	1234.046	1028.68	850.57	1,059.38	1,046.95	859.45	1,039.13	772.41	505.00
Plant Capacity utilization in %	103.76	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	133.42	102.83	76.75	80.93	92.69	87.25	63.64	86.59	64.38	42.08
Shut Down time of plant [Hours]	318.22	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 produced 14,940.784 MT of Ferro Silicon during the year 2018, this is the highest production achieved by the company since its inception. The production quantity was 684.290 MT more than the 14,256.494 MT produced during the previous year.

Sales were Nu 1,601.108 Million this year from Nu 1,234.046 Million in the previous year.

The profit after tax increased to Nu. 222.562 Million from Nu. 113.849 Million in the previous year.

DIVIDEND

Your directors recommend a dividend of Nu. 2 per share in this year of 2019 based on the performance for the financial year ended on 31st December, 2018.

PROJECTION FOR 2019

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 75.202 million in view of market situation for the year 2019. The ferrosilicon market and ferro alloys in general have slowed down since the last quarter of 2018. The demand and increase in prices of ferrosilicon was due to the shutdown of ferro alloy plants as a pollution measure by the Chinese government in November 2017, this caused a crisis in the market and as a result the prices increased to a record high. We have taken advantage of this market by producing more and selling as much as possible. However the markets started going down from the last quarter of 2018 and we foresee a much lower trend in this year. The global markets are depressed and economies in general have shown less growth. Steel prices in India have decreased and we feel that there will be low demand for some time to come.

The Bhutan Power Corporation Limited is expected to revise the power tariff in July this year and it is expected to be increased. This will have an impact on our cost of production accordingly.

The prices of some raw material such as quartz and milscale have come down slightly and but other raw material especially the carbon related items such as coal, charcoal, coke and electrode paste have been increasing. We may see slight increase in production costs due to this.

The projected profit and loss for the year 2019 has been fixed keeping the current scenario in mind.

EQUITY CHANGE AFTER 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 this year. As the company has accumulated sufficient reserves it was proposed to buy back 15% of the shareholder's shares at Nu. 40 per share to reduce the equity of the company. This was approved in the 13th AGM held on 14th March, 2018 and subsequently carried out on 3rd September 2018 after due approval from the Registrar of Companies and the Royal Securities Exchange of Bhutan.

The shareholder's equity in your company has reduced to Nu. 173,143,530 from Nu. 203,699,610 as a result of the buy back.

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 2018, we have 172 regular and 31 muster roll employees, in total we have 203 employees, out of that 25 number are non-national and 178 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 2019 after due approval of the board, this was done to motivate and encourage the employees.

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 14001:2015 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Management System on 24th July, 2014. Your company has been certified for ISO 9001:2015 since 26th May, 2010 and has complied with all the standards regularly.

The ISO audit was conducted from 19th to 21st June-2018 and found satisfactory.

DIRECTORATE

The following are the directors of your Company after the conduct of 13th AGM held on 14th March -2018.

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. Ugyen Wangchuk , Independent Director
Mrs. Karma Deki , Independent 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:

Dasho Dorji Norbu, Director
Aum Naki Dorji, Chairperson
Mrs. Karma Deki , 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 2019

The 13th AGM had approved the appointment of M/S S. Guha & 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 2019. They are S. Guha & Associates, S.K Mittal & Co , G. Choudhury & Associates., Deloitte Haskins & Sells, Span & Associates.

Your board of directors recommend M/s Span & Associates as the statutory auditors for the financial year 2019 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 2018

Sl.No	Particulars	Amount (Nu.)
1	Dhunga Rangdrol khangzang Chorten towards construction of Chorten at Zhemgang	10,000.00
2	Celebration of His Majesty the King's Birth Anniversary and 50 years of Bhutan India diplomatic Relationship on 21st February to 23 rd February 2018	30,175.00
3	PSA for Bhutan Archery Tournament	20,000.00
4	Renovation of Dokhachu Goenpa in Chukha	11,00,000.00
5	Contributed Star Deep Freezer to Phuentsholing general hospital	57,500.00
6	ABI towards sponsorship for ICDL Digital challenge 2018 in Bangkok in September 2018	25,000.00
7	Mr. Rinzin Dorji towards Regional sports meet held in Phuentsholing Higher Secondary School	13,400.00
8	Lunch serve to the student during friends of Bhutan police during training conducted by them	6,000.00
9	Costumes provided to dancer towards Tshechu organized by Phuentsholing Thromde	12,000.00
10	Gift bought from Gyalyum charitable trust	8,445.00
11	12Nos. 9 liter capacity fire bucket donated to Chumithang Middle Secondary School, Pasakha	3,000.00
12	Dzongkhag Tae-kwon-Do association for Indo- Bhutan taekwondo club championship held on 7 th & 8 th July-2018	25,000.00
13	Contribution to Immigration office for their inter office football tournament	20,000.00
14	Contributed to Royal Society for Protection of Nature for Karma the crane in Phobjikha	50,000.00
15	Karma Rinchen towards Dzongkhag Tae-Kwon-Do Association for international Taekwondo championship	30,000.00
16	Bhutan Raven Club as contribution	12,500.00
17	Contributed to Metabkha Primary school for student and school welfare	20,000.00
18	Phuentsholing Sports Association towards Gongsar Ugyen Wangchuk Open Archery Tournament	20,000.00
19	Haier fridge, Philips Rice Cooker etc. as Lucky draw prizes for celebration of 111 th National day in Phuentsholing	28,433.00
20	Paid to Lt Col Jigme D Wangchen towards development of Royal Bhutan Army, Wing 2 basketball ground at Wangdi Gatshel	20,000.00
	Total	15,11,453.00

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

Your company has partnered with Green Road to reuse all its plastic waste to build roads in the country. All plastic scrap generated by the company is collected and sent to Bjemina to be used in bituminous mix for black topping of roads in Bhutan. These roads have been proved to last longer and are more economic than conventional methods.

All reports on environment management 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 2018. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 29th March 2019

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

CHAIRPERSON