

## BOARD OF DIRECTOR'S REPORT

### Hon'able Shareholders,

The Board of Directors of Salvo Chemical Industry Limited is pleased to present "Annual Report 2023-2024" which includes Boards Report and Auditors' Report alongwith audited Financial Statements for the year ended 30 June 2024 to the Hon'able Shareholders in the 22nd Annual General Meeting of the Company, for your valued consideration, approval and adoption. The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994, the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission, Listing Regulations of Dhaka and Chittagong Stock Exchanges and all others applicable provisions.

### Overture

The Board of Directors has the pleasure in presenting the Annual Report for the 12 months for the year ended 30 June 2024 which includes Boards Report, compliance report on BSEC's Notification, Auditors' Report and audited Financial Statements. We present this Board of Directors' Report in compliance with section 184-"Boards Report" of the Companies Act, 1994, the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission, Listing Regulations of Dhaka and Chittagong Stock Exchanges and all others applicable provisions.

### The Company

Salvo Chemical Industry Limited is a public company limited by shares. The company was incorporated under the Companies Act, 1994, vide Reg. No. "C-44978(1446) 2002" dated 29 January, 2002 with the Registrar of Joint Stock Companies & Firms (RJSCF), Dhaka. Subsequently the Company was converted to Public Limited Company with recognition from RJSCF on 04 August 2008. The Company applied for public issue in 2011. It was listed with both the Dhaka Stock Exchange and Chittagong Stock Exchange on 18.04.2011 and 20.04.2011 respectively.

### Objective of the Company

Salvo Chemical Industry Limited was established with a view to set up and sprint a modern chemical industry for manufacturing of all sorts of sulphuric acid, liquid glucose, starch, fiber, gluten, germ, battery grade water, and other related items.

### Industry outlook

SALVO is one of the largest and foremost Organic & In-organic Chemical manufacturer in the country. The Company is engaged in the manufacture and sale of a wide range of Organic Chemical- Starch, Liquid Glucose, Residues of Starch, Gluten, Fiber, Germ etc. The company's commercial activities were inaugurated in April 2003, focusing on the production of fundamental industrial chemicals. The primary scope of the company involves the manufacturing of Sulphuric Acid and Liquid Glucose as its principal products, with Battery Grade Water being generated as a secondary by-product. The commercial production of Liquid Glucose was initiated in August 2018, followed by the commencement of Starch production in May 2021. The Starch manufacturing process yields by-products such as Gluten, fiber, germ, and dust. Concurrently, the company has achieved substantial dominance in the domestic bulk chemical market. Presently, Salvo stands as a prominent entity in Bangladesh, recognized for its leadership in the production of Sulphuric Acid, Liquid Glucose, and Starch.

Sulphuric acid is not a one-grade product. It is produced and supplied in grades of exacting purity for the storage battery, rayon, dye, tannery, water purification and in grades of less exacting specifications for use in the steel, heavy chemical and super phosphate & zinc sulphate industries. Sulphuric acid is used to produce ferrous sulphate, alum etc. which are consumable in ETP plants. The largest use of sulphuric acid is in the production of phosphate fertilisers. It is also used as an acidic dehydrating agent in petrochemical processes and oil refining, and to make hydrochloric and hydrofluoric acids, aluminium and copper sulphate and chromium compounds;

Liquid Glucose is widely used as thickener and sweetener in food and beverage industries. Liquid Glucose is an important form of glucose widely used as sweetener in food and beverage. As a sweetener, Liquid Glucose can be used in a wide variety of industries including: food production, beverage, pharmaceutical, agriculture/animal feed, and various other industries.

Maize starch is a native starch obtained from the wet milling of the whole corn grains. The product is very consistent in quality. Maize Starch powder exhibits all the properties of native starch with some special features such as non-foaming & non-thinning characteristics of boiling solution. Due to its great swelling properties when absorbing liquids, it is used as a thickener agent in many food products. Where high viscosity starch is used, it imparts higher tensile strength to the fiber and thus improves the sizing. Maize Starch Powder is used in canned and powder soups, instant desserts, custard powder, ice – cream, sauces and gravies, bakery products, baby foods and baking powder.

#### **Residues of Starch-**

- **Gluten: Corn Gluten Meal (CGM)**
- **Fiber,**
- **Germ etc.**

#### **Gluten (CGM), Fiber, Germ Used For-**

**Poultry & cattle feed :** Corn Gluten feed and steep water is widely used for cattle and other ruminants. Because of complex digestive system cattle can thrive on feeds relatively rich in fiber content and are less demanding of the quality of protein feed.

**Aqua culture industry:** feed for fish.

Fiber is used in the Cattle breeding & Oil cakes manufacturing industry.

In support of precise instructions of the resourceful management the company has emerged as one of the leading manufacturer of Basic Industrial Chemical and Food Grade Chemical in the country. We will continue our mission which will help us in achieving our vision of manufacturing of Basic Industrial Chemicals and Food Grade Chemical. We are dedicated to follow the trust production in every warship of the business.

Recognizing the dynamic market conditions and evolving regulatory landscape, we employed a comprehensive approach to effectively manage our operations. This entailed a judicious examination of market dynamics, proactive liquidity management, and adherence to regulatory directives, thereby safeguarding the integrity of our balance sheet. Our Board and Management Committee members regularly review consumer trends, their concerns and consider these when making decisions. Basis insights on new trends, shaping consumer choices and behaviours, the Management Committee made changes to strategic directions and investments.

### Changes and future development:

Salvo started its commercial operation since 25 April 2003 by producing Basic Industrial Chemical. Mainly the company is engaged to manufacture Sulphuric Acid. Meanwhile, the company has captured the bulk chemical market of our country. The company is now producing Sulphuric Acid and Liquid Glucose as "Main Product" & Battery Grade Water as "By-product". The commercial production of new product "Liquid Glucose" starts from 09 August 2018. The company has set up progressive plant of Corn Starch with the existing Liquid Glucose unit to grab the huge potential market at food, pharmaceutical, paper & textile industry at Bangladesh. The commercial operation of Corn Starch has commenced on May, 24 2021. This project will be cost-effective for the company with the existing business set-up. Due to machinery fault the starch unit is in stop position from 22 June 2021. The full production of the Corn Starch Unit has been started again on May 16, 2022 after having successful trail production. We also working for set up development of product & diversify of progressive plant of Corn Starch unit in which we invested as Capital Work in Progress an amount of Tk. 616,809,023 addition to set up development of product & diversify of progressive plant of Corn Starch unit and construction of new store house shed.

### Future development

The upcoming year 2024-25 will mark a new chapter in the history of Salvo. It's a new dawn for Salvo in 2024-25, suffused with new thoughts and strategy, and a relentless quest for the best. As we navigate the evolving landscape of the food, pharmaceutical, paper & textile industry at Bangladesh, our vision is clear: to redefine the excellence, drive sustainable growth, and create lasting value for all our stakeholders. In the year 2024-25, the economic landscape is anticipated to present significant challenges attributable to several factors. The upsurge in interest rates, coupled with escalating inflationary pressures is expected to exert considerable strain on the economic environment. Additionally, there is anticipated pressure on the foreign exchange market, further exacerbating the complexity of the situation. Consequently, it is plausible that the economy may witness subdued growth or diminished demand. This subdued economic performance can be attributed to various ongoing challenges, including disruptions within the supply chain, volatility in power supply, geopolitical tensions on both the global and local fronts, and adverse conditions prevailing within the broader global economic context. To facing, meetup and overcome above challenges, we are working continuously for development & diversification of our product. We also working for increase production capacity of our existing product. We are hopeful of strong business result in upcoming year. Overall, we expect an increase in the sales volumes of our products in the coming year with the existing product of Corn Starch, Liquid Glucose unit, residues of Starch item to grab the huge potential market at food, pharmaceutical, paper & textile industry at Bangladesh. We also working for set up development of product & diversify of progressive plant of Corn Starch unit and construction of new ware house & building.

### Company's Affairs and Analysis of financial statements of Year 2023-2024

From the comparative operational results, you will please note that the company has continued to sustain a healthy growth in the industry and our total revenue stood at Tk. 2231.27 million. During the year 2023-24 our sales proceeds stood at 2231.27 million, gross profit 287.97 million, net profit 107.93 million. We have achieved significant growth of Turnover @ 38.67%. We are hopeful that this performance shall continue and step forward for the next year. We therefore should expect significant profitability in the near future. The global economy in 2023-24 confronted a confluence of challenges, including inflation, rising

interest rates, tighter monetary policy, trade uncertainties, and geopolitical tensions, leading to moderate growth. Also, unexpected increase of value of the dollar rate, inflation and power problem stagnation in the economy of Bangladesh. Salvo weathered these challenges successfully and remains well-positioned to capture value in a market with strong growth potential.

The summarized financial results for the period from July 2023 to June 2024 are as under:

### Turnover

During the year July 2023 to June 2024, total sales value (net of VAT) reached at Tk. 2,231,279,299 as against last year's was Tk. 1,609,011,849. For the year from July 01, 2023 to June 30, 2024 our sales have been increased due to sales increase on Liquid Glucose Unit, Starch Unit & Residues of Starch-Gluten (CGM), Fiber & Germ.

### Net Sales

Sulphuric Acid	181,694,176
Battery Grade Water	11,767,466
Liquid Glucose	324,169,924
Starch	515,400,375
Residues of Starch	1,198,247,358
	<hr/>
	<b>2,231,279,299</b>

### Cost of Goods Sold

During the year July 2023 to June 2024, cost of goods sold stood at Tk. 1,943,307,192 increase from the previous year. Cost of Goods Sold has been increased compared to last year due to improve of raw material purchase of Liquid Glucose Unit, Starch Unit, Wages & Allowance, Electricity bill, Carrying, Transport & Fuel expenses, Fuel for generator & boiler, Packaging expenses, Depreciation etc. Therefore, Gross Profit slightly increase during the year compared to previous year. Owing to elevated levels of global inflation and prevailing local macroeconomic complexities, there has been a slight escalation in the import costs of raw materials, electricity expenditures, wages, and various other operational outlays commencing from the year 2023-24. But, overall, the operating costs have remained stable.

### Administrative and Selling & Distribution Expenses

Administrative expenses were Tk. 63,442,711 and selling & distribution expenses were Tk. 15,402,616 from July 2023 to June 2024.

### Non-operating Expenses

Non-operating Expenses- Financial charges were Tk. 96,748,161 from July 2023 to June 2024. Financial charges have been increased over the preceding year. Financial expenses were increased significantly under Head of Interest on Short Term Loan & Long-Term Loan due to interest rate changes from 9.00% to 15.50% which was avail from Social Islami Bank Ltd., Nawabpur Road Branch. Also, margin loan interest Tk. 6,403,908 includes in short term loan during the reporting period.

### Non-operating Income

In 2023-2024, an amount of Tk. 30,345,733 was earned from non-operating income. This income was come from Interest income Tk. 15,330, Wastage Sale of Tk. 9,522,333, dividend income Tk. 52,377 and income from sales of shares (realize gain) of Tk. 20,755,693.

### **Property, Plant & Equipment**

The property, plant and equipment (net of depreciation) during the year stood at Tk. 1,485,998,234 which include addition of property, plant and equipment of Tk. 102,545,227. Land & Land development of Tk. 36,767,380 expense for land purchase & land development; Factory Building & Construction of Tk. 18,513,176 expense for new shed & godown construction; Plant & Machineries of Tk. 20,385,757 expense for purchase of additional machinery required in production line for production enhance, Vehicles of Tk. 20,081,426 for purchase of 06 nos. new covered van and others of Tk. 6,797,488 for electrical equipment, office equipment and furniture during the period.

### **Capital Work In-progress**

The company invested Taka 616,809,023 to erect and install new Plant & Machinery and essential Infrastructure for product development and new store house & shed for use of raw material godwan and finished goods. Amount transferred to property, plant & equipment subject to completion of particulars fixed assets & construction and in accordance with the decision of the Board.

### **Reserves and surplus**

In 2023-24, retained earnings of the Company stood at BDT 403.39 mn, against BDT 319.78 mn in 2022-23.

### **Long Term Loan**

During the period 2023-2024 long term loan stood at Tk. 464,319,489. Interest charged during the period was Tk. 56,694,439. The above loan has been availed from Social Islami Bank Ltd. as Term Finance Facilities to procure and import Plant & Machinery and essential Infrastructure & utilities purpose.

### **Provision for Employee Benefits**

Salvo recognizes the importance of attracting and retaining, skilled and motivated employees with a strong commitment to the business in line with the Company's ethical vision and values. In that view, the company reconstructed its payroll structure in 2011 and also includes provision for employer's contribution to provident fund, gratuity Fund which is payable within the service life of each employee and/ or after his/ her retirement as per terms of employment of service. Details employee benefit plan are disclosed in the note no- 38 of the notes to the financial statements.





## Representation on Statement of Profit or Loss and Other Comprehensive Income, 2023-2024 Profit Analysis

During the year 2023-2024, the profit of the following area is as under-

➤ **The Gross Profit**

July 23 - June 24	(12 months)	:	287,972,107
July 22 - June 23	(12 months)	:	355,694,386

➤ **The Operational Profit**

July 23 - June 24	(12 months)	:	209,126,781
July 22 - June 23	(12 months)	:	280,877,384

➤ **The Net Profit before Tax**

July 23 - June 24	(12 months)	:	135,927,955
July 22 - June 23	(12 months)	:	194,266,045

➤ **The Net Profit after Tax**

July 23 - June 24	(12 months)	:	107,938,627
July 22 - June 23	(12 months)	:	96,608,997

### Segment-wise performance

SALVO operates with an annual production during 2023-24 of 8,957,353 kgs of Sulphuric Acid, 3,874,929 kgs of Liquid Glucose and 7,879,268 kgs of Starch, thus ensuring the grab of huge potential market at food, pharmaceutical, paper & textile industry at Bangladesh. Details about segment-wise or product wise performance is disclosed in the 'Segment wise performance' report on page 136 & 137 of this Annual Report and also, shown in Annexure- E & F of the notes to the accounts of the Audited financial statements for the year 2023-24.

### Risk & Concern

The company's activities expose it to a variety of financial risk. The company's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company uses derivative financial instrument to economically hedge certain risk exposures. Financial risks management has been disclosed in the note-42 and sub note-42.01, 42.02, 42.03, 42.04 & 42.05 of the notes to the accounts of the Audited financial statements for the year 2023-24.

### Discussion on Cost of Goods Sold, GP, NP & NOCFPS

For the year from 01 July, 2023 to 30 June, 2024 revenue of the company was generated at 223.13 crore increased by 38.67% due to increase of sales volume of Starch Unit & Residues of Starch Unit.

Cost of goods sold during the period increased significantly by 55.05% compared to same period of previous year due to increase of production, high raw material price in case of both local & imported raw materials, currency devaluation and increase of energy (electricity) cost.

Sales increased by 38.67% during the period due to sales of Starch unit (Starch, Gluten, Fiber Germ etc.) but high raw material price in case of both local & imported raw materials, currency devaluation and increase in energy (electricity) cost affected the gross profit adversely. As a result, Gross Profit decreased 19.01% during this reporting year compare to previous year.

Net Profit during the year increased by 11.73% compared to same period of previous year. Net Profit & Earning per Share (EPS) increased because of increase in total revenue including other income against its fixed cost.

Net operating cash Flow per Share (NOCFPS) during this period increased due to increase of sales & collection from customers. As a result, net cash generated from operating activities has been increased compare to same period of previous year.

### Extraordinary gain or loss

In 2023-2024, an amount of Tk. 30,345,733 was earned from non-operating income. The non-operating income was earned from Interest income Tk. 15,330, Wastage Sale of Tk. 9,522,333, Dividend income of Tk. 52,377 and income from sales of shares (realize gain) of Tk. 20,755,693. The company has also un-realize gain Tk. 2,649,589 from investment in share, which is presented as Other Comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income. The company has no other Extraordinary gain or loss.

### Related Party Disclosure

Related party transaction & disclosure has been disclosed in the note-40 of the notes to the accounts of the financial statements.

### Utilization of proceeds

No proceed has been raised by the company through public issue, right issue or any instrument during the year.

### Deterioration of Financial Results

Not any other indicators of Financial results deteriorated after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing etc.

### Variance between Quarterly and Annual Financial Statements

Salvo Chemical Industry Limited disclosed quarterly financial performance for the 1st, 2nd & 3rd quarter 2023-2024. Quarterly financial performance and final financial performance are stated below:

Particulars	Q-1	Q-2	Q-3	Q-4	Final
Sales	534,982,300	598,543,000	575,856,570	521,897,429	2,231,279,299
Cost of Goods Sold	434,225,340	515,152,728	487,052,636	506,876,488	1,943,307,192
<b>Gross Profit</b>	<b>100,756,960</b>	<b>83,390,272</b>	<b>88,803,934</b>	<b>15,020,941</b>	<b>287,972,107</b>

Increase of raw material price during 4th quarter, high foreign currency rate, electricity crisis and increase of production related cost i.e manufacturing overhead specially wages, electricity bill, packaging expenses

& depreciation, expenses of Liquid Glucose & Starch unit resulting huge increase of cost of goods sold. As a result, Gross Profit has been comparative low during 4th quarter of this reporting year. Second quarter of this reporting year revenue jump highest & growth on the Gross Profit of the first quarter has been topmost due to seasonal impact.

### Auditor Opinion- Emphasis of Matter

- I. According to Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018, and Bangladesh Labour Rules 2015, the company introduced employees benefit scheme i.e. Employees Provident Fund, Gratuity Fund, Worker's Profit Participation Fund (WPPF) but yet to obtain the approval of National Board of Revenue (NBR) under the second schedule of Income Tax Act, 2023. Moreover, the entity does not maintain separate bank account and separate books of account for the above-mentioned employees benefit scheme.
- II. The requirement of minimum shareholding jointly by the sponsor(s) and Director(s) is 30% as per notification no. BSEC/CMRRCD/2009-193/217/Admin/90 dated 21 May 2019 issued by the Bangladesh

Securities Exchange Commission whereas in Salvo Chemical Industry Limited the percentage is 25.18%. BSEC issued letter ref no. BSEC/ICAD/SRIC/2023/257/62 dated 07 march 2024 instructed to ensure the requirement of 30% by buying or acquiring remaining shares from the market or in some cases issuing new shares subject to submitting a strategic plan and compliance of relevant provisions of Securities Laws and Companies Act, 1994 within 1 (one) year.

Consequently, the company held EGM dated 18 July 2024 to increase paid up capital Tk. 64,000,000 through issuance of 6,400,000 no of ordinary shares of Tk. 10 each from the existing sponsors and directors through private placement against cash consideration duly approved by shareholders. Subsequently BSEC declined in doing so with a letter ref no. BSEC/CI/CPLC (Public)-1118/2024/Part-I/261 dated 07 October 2024.

- III. In accordance with para 31 of IAS 16, "after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses". However, the Company has not revalued any of its assets including land and as such the fixed assets under Property, Plant & Equipment may be overstated or understated as on 30 June 2024.

#### **Discussion on Auditor Opinion- Emphasis of Matter**

- I. According to Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018, Bangladesh Labour Rules 2015, the company introduce employees benefit scheme i.e. Employees Provident Fund, Gratuity Fund and necessary steps would be taken to constitute Board of Trustee and to obtain the approval of National Board of Revenue (NBR) under first schedule part C of Income Tax Ordinance 1984. Moreover, separate bank account and separate books of account for the above mention employees benefit scheme would be implemented. The company maintain Workers' Profit Participation Fund (WPPF) and already constitute Board of Trustee. However, separate bank account will be open for the maintenance of the fund. 10% payment of WPPF will be paid in compliance of Employees Welfare Fund as per chapter 15, Bangladesh Labour Act 2006, Bangladesh Labour Act (Amended) 2018.

- II. Upon completion of IPO, the shareholding position of Sponsor and Directors was 22.14%. According to BSEC notification dated 21 May 2019, such shareholding should be minimum 30% with at least 2% of each Director. The company was in process to comply with this requirement and has been able to increase 3.04% in different phases comply with the legal and regulatory process. As such, as on 30 June, 2024, the holding of paid up capital of Sponsor and Directors is 25.18%.

In order to fulfil the rest of 4.82% BSEC issued letter ref no. BSEC/ICAD/SRIC/2023/257/62 dated 07 march 2024 instructed to ensure the requirement of 30% by buying or acquiring remaining shares from the market or in some cases issuing new shares subject to submitting a strategic plan and compliance of relevant provisions of Securities Laws and Companies Act, 1994 within 1 (one) year. Consequently, the company held EGM dated 18 July 2024 to increase paid up capital Tk. 64,000,000 through issuance of 6,400,000 no of ordinary shares of Tk. 10 each from the existing sponsors and directors through private placement against cash consideration duly approved by shareholders. Subsequently BSEC declined in doing so with a letter ref no. BSEC/CI/CPLC (Public)-1118/2024/Part-I/261 dated 07 October 2024. We are now review our plan to fulfilling regulatory obligations while safeguarding the interests of our esteemed shareholders. We eagerly anticipate the process moving forward.

- III. The Company has not revalued any of its assets including land and as such the fixed assets under Property, Plant & Equipment may be overstated or understated as on 30 June 2024. The revaluation model presents a more accurate financial picture of a company than the cost model. The decision of choosing between the cost method or the revaluation method should be made at the discretion of management. The deciding factor should be which method is the best fit for the needs of the business.



If the business has a greater proportion of valuable non-current assets, revaluation might make the most sense. The management of the company think that land value may be increase due to increase of fair market value, on the other hand building & machineries value may be decrease resulting uses of their life. Also, revaluation may sometimes be biased and assign a higher revalue than is reasonable for the market. However, the management of the company cordially received the matter and reviewed it carefully for acceptance.

### Significant variation in financial statement

Revenue: At the end of year, the reported total revenue (net sales) of BDT 2,231,279,299. For the year from July 01, 2023 to June 30, 2024 our sales have been increased due to sales increase of Starch & by product units.

Cost of goods sold: During the year July 2023 to June 2024, cost of goods sold stood at Tk. 1,943,307,192 increase from the previous year. Cost of Goods Sold has been increased compared to last year due to improve of raw material purchase of Liquid Glucose Unit, Starch Unit, Wages & Allowance, Electricity bill, Carrying, Transport & Fuel expenses, Fuel for generator & boiler, Packaging expenses, Depreciation etc. Therefore, Gross Profit decreased significantly during the year compared to previous year.

Gross Profit during the year decreased by 19.03% compared to same period of previous year. Sales increase by 38.67% during the period due to sales of Starch unit (Starch, Gluten, Fiber Germ etc.) but high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price effected in gross profit. As a result, Gross Profit has been decreased by 19.03% during this reporting year compare to previous year.

In 2023-2024, an amount of Tk. 30,345,733 was earned from non-operating income. The non-operating income was earned from Interest income Tk. 15,330, Wastage Sale of Tk. 9,522,333, Dividend income of Tk. 52,377 and income from sales of shares (realize gain) of Tk. 20,755,693. The company has also un-realize gain Tk. 2,649,589 from investment in share, which is presented as Other Comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

The Company reported total income tax expense of BDT 27,989,328 with current tax provision Tk. 39,640,311 and deferred tax income (11,650,983) note no. 30. The Company has recognized deferred Tax Liability for deductible temporary differences that it believes are payable. The recoverability of recognized deferred tax liability is in part dependent on the company's ability to generate future taxable profits sufficient to utilize deductible temporary differences.

Net Profit during the year increased by 11.73% compared to same period of previous year. Net Profit & Earning per Share (EPS) increased because of increase in total revenue including other income against its fixed cost.

Net operating cash Flow per Share (NOCFPS) during this period increased due to increase of sales & collection from customers. As a result, net cash generated from operating activities has been increased compare to same period of previous year.

Capital Work in Progress increase due to addition of set up development of product & diversify of progressive plant of Corn Starch unit and construction of new store house shed.

The company has represented total Property Plant and Equipment (WDV) Tk. 1,485,998,234 during the financial year 30 June 2024, which recovers 54.74% of total assets. The company represents addition for property, plant and equipment Tk. 102,545,227.

The company has a net trade receivable of Tk. 82,277,247 as at 30 June 2024. Trade receivables of the company comprise mainly receivables in relation to the business regarding the Sales of finished goods. The

recoverable amount was estimated by management based on their specific recoverability assessment on debtor with reference to the aging profile, historical payment pattern and the past record of default of the customer.

#### **Remuneration to Directors**

Remuneration to Directors has been disclosed in the note-36 & 26 of the notes to the accounts of the financial statements.

#### **Fairness of Financial Statements**

The financial statements prepared by the management of the company present a true and fair view of company's state of affairs, result of its operation and changes in equity and cash flows. The auditors expressed their un-qualified opinion on the financial statements as well.

#### **Maintenance of proper books of accounts**

The books of accounts of the company have been maintained in accordance with provisions of the Companies Act 1994.

#### **Accounting Policies**

Appropriate accounting policies have been applied in preparation of the financial statements of the company. Significant account policies have been disclosed in the note-02 of the notes to the accounts of the financial statements.

#### **Application of IAS & IFRS**

Applicable IAS & IFRS applied in preparation of the financial statements of the company. Complied IAS & IFRS have been disclosed in the note-02.15 of the notes to the accounts of the financial statements.

#### **Internal Control**

A meaningful internal controls system requires a specific organizational and policy framework. Salvo has a management framework that clearly defines the roles, responsibilities and reporting lines of business and support systems. The delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Internal Audit, Risk Management and Legal & Compliance functions provide independently errors and weaknesses over controls and risks within the organization.

#### **Contribution to the national exchequer**

Salvo is committed to timely disbursement of its direct and indirect tax obligations. During the year 2023-24, the Company, contributed an amount of Tk. 37,382,489 as Income Tax and Tk. 103,414,754 as VAT a total sum of Tk. 140,797,243 to the national exchequer.

#### **CORPORATE SOCIAL RESPONSIBILITIES**

Salvo always streamlines its efforts to look beyond short-term quantitative gains and concentrates on issues that make the company socially responsible. We are committed to social and environmental well-being and strive to ensure sustainable balanced growth in economic, social and ecological arena. We strongly believes that sustainable growth of an entity is nothing but a counterfeit ideology without being communally responsible in business conduct and contribute to the society. The pace of CSR contribution is expected to accelerate in the future with long term vision.

#### **Redressal of Minority Shareholders**

No situation arisen with minority shareholders who protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and no effective means of redress.

Financial statements are generally prepared under the assumption that the business will remain a “going concern”. That is, it is expected to continue to generate a positive return on its assets and meet its obligations in the ordinary course of business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. Salvo Chemical Industry Limited is running well above the level of different parameters.

### Significant deviation in operating result

Significant deviation in operating result have been disclosed in the note-34 of the notes to the accounts of the financial statements.

### Appropriations of profit and key operating and financial data of preceding five years

The Directors are pleased to report the financial results for the year 2023-24 and recommend the following appropriations:

Particulars	2023-24
Profit before Tax	135,927,955
Less. Provision for Income Tax	27,989,328
Net Profit After Tax	107,938,627
Add. Un -appropriated profit brought forward	319,780,797
Profit available for distribution	427,719,424
Less: Appropriated profit of dividend (2022 -23)	24,323,783
Un-appropriated profit carried forward	403,395,641

Key operating and financial data of the preceding five years is given on page 123 of this annual report.

### Interim Dividend

No bonus share or stock dividend has been declared by the Board as interim dividend and there was no effect of the company's financial position.

### Board Meetings and Attendance

In compliance to the Clause- 1.5 (xxii) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, a table on Board Meetings and Attendance has been shown in “Annexure-I”.

### Shareholding Pattern

The shareholding combination as per Clause- 1.5(xxiii) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 has been shown in “Annexure-II”.

### Dividend

The Board of Directors is pleased to recommend dividend @ 2.5% in cash of the paid-up capital of the Company, representing an amount of BDT 16,255,698 for the year ended June 30, 2024. This dividend will be paid from out of profit of the company for the year 2023-24 and from undistributed accumulated profits, the balance retained earnings of the company will be utilizing for development of the company. In compliance to the Clause- 1.5 (xx) of the BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, Reason for such recommendation is to implement the development programs and to comply BSEC notification for declare dividend. The company shall not be able to raise capital through bonus shares as per the BSEC Notification No BSEC/CMRRCD/2009-193/217/Admin/90 dated May 21, 2019. The record date was fixed by the date 21 November 2024.

The Company paid dividend @ 5.00% in cash of the paid up capital of the Company for the year 2022-23. No cash dividend or bonus shares or stock dividend has been declared as interim dividend during this year. In compliance of BSEC's Letter No. SEC/ SRMIC/165-2020/part-1/202 date 25 August 2021 and SEC/SRMIC/165/part-1/166 dated 06 July 2021 and the CMSF Rules, the Company transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2019 in cash and stock to CMSF in due time.

### **Appointment / Re-appointment of Directors**

In accordance with Article 122 & 127 to 131 of the Articles of Association of the Company one third of the existing directors shall retire by rotation. Mr. A. S. M. Shariar Ansari & Mr. Md Zaidul Hoque have submitted their resignations which were duly received and considered for retirement in compliance to the mentioned terms.

In compliance to the BSEC Notification No.- BSEC/ CMRRCD/ 2009-193/119/Admin/--- dated 22 November 2011, the company has now only two sponsor Directors. The Board of Directors of Salvo Chemical Industry Ltd. has appointed Mr. A. S. M. Shariar Ansari, Nominated Director from Reddeer PLC as the Director of the company. The Board is fill the casual vacancy by the Independent Directors. Mr. Md. Mujibur Rahman, FCS, FCMA and Mr. Md Zaidul Hoque were fill the said office. In support of consents from A. S. M. Shariar Ansari and Mr. Md Zaidul Hoque, the Board is pleased to propose their consents for re-appointment as Directors of the company.

The remuneration of the Directors fixed in the meeting of the Board was duly shown in the Financial Statements. This may be changed in accordance with the resolution of the Board Meeting in compliance to the relevant Articles of Association.

A disclosure made to the shareholders for the appointment or re-appointment of a Director's including existing Director's brief resume, expertise in specific functional areas and holding directorship or membership of any other companies or committees are shown at page no- 34 & 36 and also, made a disclosure as per BSEC notification no. BSEC/ CMRRCD/ 2009-193/3/Admin/104, dated 05 February 2020.

### **Auditors**

Our existing auditor **M/s. Basu Banerjee Nath & Co.**, Chartered Accountants would retire on 29th December 2024, the date of 22<sup>nd</sup> AGM. They have satisfactorily conducted the audit (of their 1st Year) for the year 2023-2024. The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 30 June 2024, which forms part of the Annual Report.

**M/s . Basu Banerjee Nath & Co.**, Chartered Accountants was sent written consent as Auditor for audit of the company's books of accounts for the year ended 30 June 2025. The Board recommended to appoint **M/s. Basu Banerjee Nath & Co.**, Chartered Accountants as the External Auditors' of the Company to audit of the financial statements for the year 2024-2025 with a remuneration of Tk. 310,000/- (Three lac ten thousand only) including all direct taxes and excluding of indirect taxes as applicable for the time being in force subject to the approval of shareholders in the 22<sup>nd</sup> Annual General Meeting of the Company.

On the willingness to appointed as professional to certificate on compliance of the Corporate Governance Code (CGC), the Board recommended to appoint **Jasmin & Associates - Chartered Secretaries** with a remuneration of Tk. 75,000 (seventy-five thousand only) including all direct taxes and excluding of indirect taxes as applicable for the time being in force subject to the approval of shareholders in the 22<sup>nd</sup> Annual General Meeting of the Company.

## Corporate Governance Compliance

Salvo has taken effective stand for best practice of corporate governance. We persistently work for strengthening all sorts of operational policies and procedures and adopting new standards for the time being in force. We are committed to be more open and transparent with our stakeholders.

Pursuant to Clause- 7 of BSEC Notification No- BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 the company's compliance status is shown separately. As per BSEC Notification, a **"Status of Compliance"** to the Corporate Governance has been shown in "Annexure-C". Also, a **"Certificate on compliance on the Corporate Governance"** has been obtained and included in "Annexure-B" with this Annual Report.

In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, a additional statement in pursuance of Clause 1 (5), resume of the directors who shall be reappointed, Management Discussion Analysis,

Certificate from the CEO and CFO to the Board, Certificate on Compliance of the Conditions of the Corporate Governance Code 2018 by the Compliance Auditors and Status of Compliance are depicted in the Annexure. The Audit Committee Report, the Nomination and Remuneration Policy, and the Dividend Distribution Policy are also presented in the Annual Report.

### Credit Rating Report

The Credit Rating Information and Services Limited (CRISL) has assigned the following rating to "Salvo Chemical Industry Limited" on March 21, 2024 in consideration of its audited financial up to 30 June 2023, and others relevant quantitative as well as qualitative information up to the date of rating declaration:

Long Term Rating = "BBB+"

Short Term Rating = "ST-3"

Outlook = Stable"

A certificate of credit rating has been included on page 17 of this Annual Report.

### Audit Committee

The Audit Committee acts as a sub-committee of the Board of Directors of Salvo Chemical Industry Limited., assisting in assuring and performing its oversight responsibilities. A total of 5 (Five) meetings were held during the year. Company Secretary of the Company functioned as the Secretary to the Committee as per regulatory guidelines. In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, The Audit Committee Report are presented separately in the Annual Report.

### Proposed Audit Committee (AC)

The Board is pleased to propose the following Audit committee (AC) which would be approved in the 22nd AGM and will remain in full function till 23rd AGM. This committee shall be responsible to report to the Board.

Sl. No.	Name of the Director	Position in Audit Committee
01.	Mr. Md. Mujibur Rahman, FCS, FCMA, Independent Director	Chairman
02.	Md. Zaidul Hoque, Independent Director	Member
03.	A. S. M. Shariar Ansari, Director (Non-Executive)	Member
04.	Mr. Liton Kumar Roy, Company Secretary	Secretary



## **Nomination & Remuneration Committee (NRC) Committee**

The Nomination and Remuneration Committee has been constituted by the Board of Directors of the Company as a subcommittee to assist the Board under the Condition No. 6 of the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission. NRC is independent and responsible or accountable to the Board of Directors and to the Shareholders of Company. The Nomination & Remuneration Committee (NRC) meets once (01) time during 2023-24. In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, The Nomination & Remuneration Committee (NRC) Committee Report are presented separately in the Annual Report.

### **Proposed Nomination and Remuneration Committee (NRC)**

The Board is pleased to propose following Nomination and Remuneration Committee (NRC) which would be approved in the 22nd AGM and will remain in full function till 23rd AGM. This committee shall be responsible to report to the Board.

<b>Sl. No.</b>	<b>Name of the Member</b>	<b>Position in Committee</b>
<b>01.</b>	Mr. Md. Zaidul Hoque, Independent Director	<b>Chairman</b>
<b>02.</b>	Mr. Md. Mujibur Rahman, FCS, FCMA, Independent Director	<b>Member</b>
<b>03.</b>	A. S. M. Shariar Ansari, Director (Non-Executive)	<b>Member</b>
<b>04.</b>	Mr. Liton Kumar Roy, Company Secretary	<b>Secretary</b>

### **Proposed Management Committee (MANCOM)**

The Board is delighted to propose following committee as Management Committee (MANCOM) which would be approved in the 22nd AGM and will remain in full function till 23rd AGM. This committee shall be responsible to report to the Board.

<b>Chairman</b>	<b>Mrs. Khondoker Afia Sultana</b>	<b>Chairman</b>
<b>Company Secretary</b>	<b>Liton Kumer Roy</b>	<b>Secretary</b>
<b>Managing Director</b>	<b>Md. Salam Obaidul Karim</b>	<b>Member</b>
<b>Executive Director- Administration</b>	<b>Mrs. Sayeeda Karim</b>	<b>Member</b>
<b>Chief Finance Officer</b>	<b>Md. Saiful Alam</b>	<b>Member</b>

### **Additional Disclosures**

- The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

## gements

The Directors acknowledge the support extended by the Company's staff and all the employees for their dedicated service. The Directors would also like to thank the financial institutions, banks, government authorities, customers, vendors and other stakeholders for the continued support and co-operation.

## Conclusion

The Board of Directors takes this opportunity of expressing its sincere appreciation and gratitude to the valued customers, bankers and other stakeholders for their continued support and cooperation. The Board also expresses its profound gratitude to Bangladesh Securities & Exchange Commission (BSEC), the Dhaka Stock Exchange (DSE), the Chittagong Stock Exchange (CSE), the Registrar of Joint Stock Companies and Firms, Banks, the Central Depository Bangladesh Limited (CDBL) and other regulatory bodies for their help, assistance, valuable guidance and advice being extended to the Company from time to time. The Board also thanks to the Auditors of the Company, for their efforts to complete the audit for the year ended 30 June 2024.

Our colleagues are the backbone of our organization, and their unwavering commitment and diligent efforts deserve our deepest recognition. Their dedication plays a pivotal role in achieving our collective goals. On behalf of the Board of Directors, I, the undersigned, am also articulating my heartfelt appreciation to the management and all staff of the Company for their outstanding efforts, loyalty, sincere services and dedication. We are also incredibly fortunate to have earned the continued trust and confidence of our valued customers. Their loyalty is a testament to the quality of service we strive to provide.

I would like to take this opportunity to pay heartfelt tribute to my colleagues of the Board who have extended their all sorts of cooperation and support.

Finally, I the chairman the Board of Directors thank the respected shareholders on its behalf and assure them that they will continue to add to maximize the shareholders' wealth through further strengthening and development of the Company in which they have placed their trust and confidence.

For and on behalf of the Board of Directors,

*Khondoker Afia Sultana*

**Khondoker Afia Sultana**

Chairman

