

Board of Directors' Report

Hon'able Shareholders,

The Board of Directors of Salvo Chemical Industry Limited is pleased to present “Annual Report 2024-2025” which includes Boards Report and Independent Auditors' Report alongwith audited Financial Statements for the year ended 30 June 2025. The 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 and all others applicable provisions.

Overture

Salvo Chemical Industry Limited is a most prominent manufacturer of both Organic & In-organic Chemicals in Bangladesh, recognized for its quality, innovation and extensive product range. 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.

Industry outlook

SALVO recognized as one of Bangladesh's leading chemical manufacturers, the company specializes in both organic and inorganic chemicals, delivering high-quality products across diverse industries. The Company is engaged in the manufacture and sale of Sulphuric Acid, Starch, Liquid Glucose, Residues of Starch, Gluten, Fiber, Germ etc. 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 its product.

1. Sulphuric Acid:

Sulphuric acid is a highly versatile and widely used industrial chemical. It plays a critical role in fertilizer production, chemical synthesis, petroleum refining, and metal processing. Known for its strong acidic properties, it is carefully manufactured and handled to meet stringent quality and safety standards, ensuring consistency for industrial applications.

2. Starch:

Starch is a natural carbohydrate extracted from plants, primarily used in the food, textile, and paper industries. It serves as a thickening, binding, and stabilizing agent in food products, while in textiles it is used for fabric finishing. In the paper industry, starch enhances strength and printability. The company ensures high-purity starch suitable for diverse industrial and consumer needs.

3. Liquid Glucose (LG):

Liquid glucose is a concentrated solution of glucose derived from starch. It is a key ingredient in confectionery, bakery, and food processing industries, providing sweetness, texture, and moisture retention. Its consistent quality and purity make it ideal for both industrial and commercial applications, supporting efficient production and superior end-products.

4. Maize Gluten:

Maize Gluten also known as Corn Gluten meal (CGM) is a Product of maize (corn) processing. High in protein content, it has historically been used as an animal feed. Maize Gluten meal is a

non-volatile powder, and in its granular form tends to remain near where it was applied. Maize gluten is a protein-rich product of the starch industry. It is widely used as a high-quality feed for poultry, cattle, and aquaculture, enhancing growth, digestibility, and yolk pigmentation in poultry.

5. Maize Germ

Maize germ is the oil-rich portion of the corn kernel obtained during the starch extraction process. It contains 20–25% edible oil along with proteins, vitamins, and minerals, making it a valuable raw material for corn oil production. It is rich in oil (corn oil) and proteins, making it a valuable raw material for food, feed, and industrial use. It is a ingredient in Edible oil production, animal feed ingredient, nutritional supplements, and cosmetic formulations.

6. Maize Fiber

Maize fiber consists of the fibrous portion of the corn kernel, mainly obtained during the milling process. It is rich in carbohydrates and dietary fiber. It is used in Cattle and poultry feed, pet food formulation, and as a raw material for fermentation industries.

In support of precise instructions of the resourceful management the company has emerged as one of the leading manufacturers of Basic Industrial Chemical, Food Grade, Packaging Grade & Textile Grade Chemical in the country. We will continue our mission which will help us in achieving our vision.

Material Changes and future development

The company was originally established to manufacture sulphuric acid and other inorganic chemicals. Over time, it diversified into organic chemical production, focusing on starch, liquid glucose, germ, fiber, and gluten. As a result of this strategic transformation, organic chemical products have become the primary contributor to the company's revenue. During the reporting period, these products accounted for approximately 93% of total revenue generation, while the contribution from sulphuric has only 7%. This shift underscores the company's successful repositioning in line with market demand, operational efficiency, and sustainability goals. To align the corporate identity with the present and future business direction, the Board intends to withdraw the word "Chemical" from the company's name and replace it with "Organic". This proposed change will more accurately represent the company's portfolio, highlight its commitment to sustainable organic-based industries, and strengthen brand positioning in market. We cater to a wide spectrum of industries, delivering products that meet specific application needs. Our offerings find use across diverse sectors such as Food & Beverages, Paper & Board, Personal Care & Pharmaceuticals, Textiles, FMCG, and Animal & Pet Foods. We introduced biogas from ETP and carried out boiler efficiency upgrades to optimize energy use and lower emissions. Our research focuses on enhancing product performance across various applications to better serve industry needs. Our efforts in contributed to collection of maize from northern area of Bangladesh, leading to a steady increase in local maize procurement year after year.

Future development:

Slavo Chemical Industry Limited is committed to driving sustainable growth, expanding market presence, and delivering innovation that meets the evolving needs of our customers. Our focus areas for the coming year include:

- Leveraging technology to enhance operational efficiency and customer experience.
- Expanding our footprint in diversify of progressive plant of Organic unit.
- Strengthening of supply chain and operational processes for sustainable growth.
- Strengthening ESG initiatives to create long-term societal and environmental impact.

To facing, meetup and overcome 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.

Company's Affairs and Analysis of financial statements of Year 2024-2025

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. 2715.09 million. During the year 2024-25 our sales proceeds stood at 2,715.09 million, gross profit 310.82 million, net profit 37.89 million. We have achieved significant growth of Turnover @ 21.68%. The global economy in 2024-25 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 2024 to June 2025 are as under:

Turnover

During the year July 2024 to June 2025, total sales value (net of VAT) reached at Tk. 2,715,093,645 as against last year's was Tk. 2,231,279,299. For the year from July 01, 2024 to June 30, 2025 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 & Battery Grade Water	185,827,936
Liquid Glucose	453,975,050
Maize Starch	341,776,260
Corn Gluten Meal	803,801,964
Fiber	375,669,661
Germ	554,042,775
Total Sales	<u>2,715,093,645</u>

Cost of Goods Sold

During the year July 2024 to June 2025, cost of goods sold stood at Tk. 2,404,276,765 increase from the previous year. Cost of goods sold during the period increased by 23.72% compared to same period of previous year significantly due to increase of production, high raw material price in local & import prices, currency devaluation and increase in energy (electricity) price and manufacturing overhead specially wages & allowance, electricity bill, fuel expenses of Liquid Glucose, Starch & Residues of Starch - Gluten, Germ, Fiber unit. Gross Profit during the year increased by 7.93% compared to same period of previous year. Sales increase by 21.68% during the period due to sales of Liquid Glucose Unit & Residues of Starch Unit (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 and resulting only 7.93% increase. Raw material consumption ratio increased by 4.54% during the period, reflecting both higher usage and the impact of price escalation in the local & global market. This rise in input costs restricted the growth in gross profitability, with the gross profit margin standing at 7.93% during the period.

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Administrative and Selling & Distribution Expenses

Administrative expenses were Tk. 81,988,876 and selling & distribution expenses were Tk. 19,179,606 from July 2024 to June 2025. Administrative and selling expenses increased by 28.31% compared to the previous year, reflecting higher overheads, distribution, and marketing costs. As a result, the increase in profit from operations was limited and stood at only BDT 521,616, which is considered insignificant in proportion to the sales growth.

Non-operating Expenses

Non-operating Expenses- Financial charges were Tk. 122,100,351 from July 2024 to June 2025. 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. 6,420,861 includes in short term loan during the reporting period. During the year, the company experienced a significant increase in finance cost primarily due to the sharp rise in borrowing rates. The effective interest rate on loans and credit facilities increased from 9% to 15.5%, resulting in higher interest expenses. This escalation in finance cost has had a direct adverse impact on the company's profitability.

Non-operating Income

The company reported a net non-operating loss an amount of Tk. 26,164,845 mainly arising from realized losses on investment in shares. During the period, the company recognized non-operating income form Interest income Tk. 24,004, Wastage Sale of Tk. 11,979,894, dividend income Tk. 1,075,102 and loss from sales of shares (realize loss) of Tk. 39,243,845. The one-time impact of realizing a loss on investment in share, the Company recognized a realized loss of Tk. 39,243,845 on disposal of equity investments during 2024-25 due to equity market experienced a significant correction, with the DSEX falling from 6,300 points to 4,500 points. Non-operating loss might be due to one-time or unusual expenses/investments outside core business operations, which don't reflect the company's main business health. the impact of realizing a loss on investment in share the net non-operating loss stood at Tk. 26,164,845.

Property, Plant & Equipment

The property, plant and equipment (net of depreciation) during the year stood at Tk. 1,540,371,977 which include addition of property, plant and equipment of Tk. 176,031,545. Land & Land development of Tk. 7,327,266 expense for land purchase & land development; Factory Building & Construction of Tk. 42,416,508 expense for new shed & godown construction; Plant & Machineries of Tk. 105,131,954 expense for purchase of additional machinery required in production line for production enhance, Vehicles of Tk. 6,750,516 for purchase of 02 nos. new covered van and others of Tk. 14,405,301 for electrical equipment, office equipment and furniture during the period.

Capital Work In-progress

The company invested Taka 716,046,660 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 godwan. An amount of Tk. 64,578,026 transferred to property, plant & equipment due to completion of particulars fixed assets & construction.

Reserves and surplus

The retained earnings of the company increased from BDT 403.95 mn at the beginning of the year to BDT 427.69 mn at the end of the year. This increase of BDT 23.74 mn is primarily due to the net profit of BDT 37.89 mn for the year, partially offset by dividends declared of BDT 16.25 mn.

Long Term Loan

During the period 2024-2025 long term loan stood at Tk. 382,546,819. Interest charged during the period was Tk. 73,634,430 and payment made Tk. 155,407,100. 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, 2024-2025

Profit Analysis

During the year 2024-2025, the profit of the following area is as under-

The Revenue

July 24- June 25	(12 months)	:	271.50 Crore
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July 23- June 24	(12 months)	:	223.13 Crore
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The Gross Profit

July 24- June 25	(12 months)	:	31.08 Crore
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July 23- June 24	(12 months)	:	28.79 Crore
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The Operational Profit

July 24- June 25	(12 months)	:	20.96 Crore
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July 23 - June 24	(12 months)	:	20.91 Crore
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the Net Profit before Tax

July 24- June 25	(12 months)	:	5.84 Crore
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July 23 - June 24	(12 months)	:	13.59 Crore
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the Net Profit after Tax

July 24- June 25	(12 months)	:	3.79 Crore
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July 23 - June 24	(12 months)	:	10.79 Crore
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Segment-wise performance

SALVO operates with an annual production during 2024-25 of 12,485,818 kgs of Sulphuric Acid, 5,776,841 kgs of Liquid Glucose and 5,108,342 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' shown in Annexure- E & F of the notes to the accounts of the Audited financial statements for the year 2024-25.

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 2024-25.

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

For the year from 01 July, 2024 to 30 June, 2025 revenue of the company was generated at 271.51 crore increased by 21.68% due to increase of sales volume of Liquid Glucose & Residues of Starch Unit- Germ, Gluten & Fiber.

During the period under review, the Company has generated revenue of 271.51 crore; achieved a sales growth of 21.68% compared to the previous year due to increase of sales volume of Liquid Glucose, Corn Gluten Meal, Fiber & Germ Unit. However, the cost of goods sold increased by 23.72% primarily due to higher prices of raw materials, currency devaluation, inflation and an increase in production-related variable costs in the head of electricity expenses, wages & allowance & fuel expenses. Raw material consumption ratio increased by 4.54% during the period, reflecting both higher usage and the impact of price escalation in the local & global market. This rise in input costs restricted the growth in gross profitability, with the gross profit margin standing at 7.93% during the period.

In addition, administrative and selling expenses increased by 28.31% compared to the previous year, reflecting higher overheads, distribution, and marketing costs. As a result, the increase in profit from operations was limited and stood at only BDT 521,616, which is considered insignificant in proportion to the sales growth.

The combined effect of increased raw material consumption, higher procurement prices, production-related variable expenses, and rising administrative and selling costs has put pressure on the operating margin, thereby constraining the improvement in overall profitability despite robust sales growth.

The company incurred a significant non-operating loss of Tk. 26,164,845 primarily due realised Loss from sale of shares compared to previous year due to market fluctuation, monetary crisis and political turmoil. The one-time impact of realizing a loss on investment in share, the Company recognized a realized loss of Tk. 39,243,845 on disposal of equity investments during 2024-25 due to equity market experienced a significant correction, with the DSEX falling from 6,300 points to 4,500 points.

Financial expenses increased by 26.20% compared to previous year due to bank interest rate changed from 9% to 15.5%. During the year, the company experienced a significant increase in finance cost primarily due to the sharp rise in borrowing rates. The effective interest rate on loans and credit facilities increased from 9% to 15.5%, resulting in higher interest expenses. This escalation in finance cost has had a direct adverse impact on the company's profitability.

Explanation of Net Profit Decline:

The company's net profit declined by 64.89% compared to the previous period. The primary factors contributing to this decline are as follows:

1. Increase in Cost of Goods Sold (COGS): COGS rose by 23.72%, driven mainly by higher raw material prices and production-related variable costs, which reduced gross profit margins.
2. Administrative Expenses: Administrative expenses increased by 36.58%, reflecting higher operational overheads.

3. Finance Charges: Finance costs rose by 26.20%, due to higher interest rates.

4. Non-operating Losses: The company incurred a significant non-operating loss of 186%, primarily from realized losses on investment or other non-core activities, further impacting net profitability.

Collectively, these factors resulted in a sharp contraction of net profit despite stable or increasing revenue during the period.

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.

Extra-ordinary gain or loss

The company reported a net non-operating loss an amount of Tk. 26,164,845 mainly arising from realized losses on investment in shares. During the period, the company recognized non-operating income form Interest income Tk. 24,004, Wastage Sale of Tk. 11,979,894, dividend income Tk. 1,075,102 and loss from sales of shares (realize loss) of Tk. 39,243,845. Non-operating loss might be due to one-time or unusual expenses/investments outside core business operations, which don't reflect the company's main business health. The impact of realizing a loss on investment in share the net non-operating loss stood at Tk. 26,164,845. The company has also un-realize gain Tk. 277,848 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 Extra-ordinary 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 2024-2025. Quarterly financial performance and final financial performance are presented below:

Period	Sales	Percentages of Annual Sales
1st Quarter	602,665,876	22.20%
2nd Quarter	678,173,699	24.98%
3rd Quarter	691,648,686	25.47%
4th Quarter	742,605,384	27.35%
Annual	2,715,093,645	100%

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Period	EPS	Percentages of Annual EPS
1st Quarter	0.13	22%
2nd Quarter	0.09	16%
3rd Quarter	0.17	29%
4th Quarter	0.19	33%
Annual	0.58	100%

Period	NOCFP
1st Quarter	0.85
2nd Quarter	1.76
3rd Quarter	3.68
Annual	5.68

Quarterly EPS Disclosure

Q1- 0.13: Moderate start to the year; reflects steady operations.

Q2- 0.09: Slight decline due to seasonal lower sales and higher expenses.

Q3- 0.17: Recovery in performance; improved margins and revenue growth.

Q4- 0.19: Strong quarter; highest EPS of the year, contributing significantly to annual EPS.

Quarterly EPS fluctuated between 0.09 and 0.19, indicating variability in performance throughout the year. Q4 contributed the largest share (33%) of the total annual EPS. The sum of quarterly EPS = 0.58, which aligns with the reported annual EPS.

Annual EPS Disclosure

Annual EPS (FY): 0.58 BDT

Analysis: Annual EPS remained consistent with the sum of quarterly EPS, showing transparent reporting.

Growth trend: Q2 dip was offset by strong performance in Q3 and Q4.

Stability in annual EPS reflects effective cost management and revenue growth during the year.

There is no variance, indicating accurate quarterly reporting and proper alignment with annual figures.

Auditor Opinion

Qualified Opinion

- 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 (PF), Gratuity Fund (GF), 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 for PF & GF. WPPF is to be managed in accordance with the labour law. Moreover, the entity does not maintain separate bank account and separate books of account for the above-mentioned employees benefit schemes.

Emphasis of Matters

- i. 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 case of 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 submitted Application vide no SCIL/ BSEC/ 2024/ 301 dated 31 July 2024 for raising capital of BDT 64 million through issuance of 6.4 million new shares to existing sponsor-directors through private placement to comply with 30% holding of shares of paid-up capital of the company by its sponsors and directors. Subsequently BSEC declined in doing so with a letter ref no. BSEC/CI/CPLC (Public)-1118/2024/Part-I/261 dated 07 October 2024. The Board of Directors of the Company in its meeting held on 05-12-2024 has decided to re-apply to the Bangladesh Securities and Exchange Commission with a new price of BDT 16 per share (includes a premium of BDT 6 per share) which was already approved by General Shareholders in the Annual General Meeting (AGM) held on 29 December 2024 by using hybrid system. Accordingly, the company has re-applied and submitted Application vide no SCIL/ BSEC/ 2025/ 23 dated 15 January 2025 for raising capital of BDT 102.4 million through issuance of 6.4 million new shares (with a new price of BDT 16 per share including premium of BDT 6 per share) to existing sponsor-directors through private placement to meet regulatory compliance, which was declined again by BSEC dated 13 April 2025.
- ii. In accordance with para 31 of IAS 16, the Company has not revalued any of its assets including land and the fixed assets under Property, Plant & Equipment (PPE). Moreover, during our audit tenure, we did not obtain any fixed asset register with the list of assets including recognition of specific plant or machinery. Most of the machineries are own made comprising the cost of different materials which are not accumulated as capital work in progress and transferred to specific machinery with the recognised cost. Thus, the proper classification of machineries with cost details is required before valuation of Property, Plant & Equipment (PPE).

Discussion on Auditor Opinion

Qualified Opinion

- 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.

Emphasis of Matters

- i. Sponsors and Directors of the company jointly hold 25.18% shares of the company as at 30-06-2025. We had been previously provided to Bangladesh Securities and Exchange Commission (BSEC) regarding our comprehensive plan and submitted Application vide no SCIL/ BSEC/ 2024/ 301 dated 31 July 2024 for raising capital of BDT 64 million through issuance of 6.4 million new shares to existing sponsor-directors through private placement to comply of 30% holding of shares of paid-up capital of the company by its sponsors and directors. Subsequently BSEC declined in doing so with a letter ref no. BSEC/CI/CPLC (Public)-1118/2024/Part-I/261 dated 07 October 2024. Consequently, The Board of Directors of the Company in its meeting held on 05-12-2024 has decided to re-apply to the Bangladesh Securities and Exchange Commission with a new price of BDT 16 per share (includes a premium of BDT 6 per share) which was already approved by General Shareholders in the Annual General Meeting (AGM) held on 29 December 2024 by using hybrid system. As well as, we had been re-apply and submitted Application vide no SCIL/ BSEC/ 2025/ 23 dated 15 January 2025 for raising capital of BDT 102.4 million through issuance of 6.4 million new shares (with a new price of BDT 16 per share includes a premium of BDT 6 per share) to existing sponsor-directors through private placement to meet regulatory compliance and financing needs, which was decline again by BSEC dated 13 April 2025. Subsequent to the rejection of the application for raising funds, the Directors has expressed their commitment to purchase shares of the Company from the public market within December 2025 to fulfilling regulatory compliance. This decision reflects the Director's continued confidence in the Company's business operations and long-term growth prospects, as well as their intention to enhance shareholder value through increased personal investment. But they were fall into an obligation of Clause- 5 (2) Prohibition of Insider Trading Rules 2022 issued by BSEC dated 30 January 2023 to buy share from secondary market at this moment. Therefore, we send an application to BSEC dated 25 May 2025 for seeking an exemption from Clause- 5 (2) Prohibition of Insider Trading Rules 2022 issued by BSEC for share purchase by our Sponsor Director to comply 30% shareholding. We eagerly anticipate the process moving forward.
- ii. 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.¹

Significant variation in financial statement

During the period significant variation in financial statement under review the company has generated revenue of 271.51 crore achieved a sales growth of 21.68% from previous while the company's net profit declined by 64.89% compared to the previous period. The primary factors contributing to this decline are as follows:

1. Increase in Cost of Goods Sold (COGS): COGS rose by 23.72%, driven mainly by higher raw material prices and production-related variable costs, which reduced gross profit margins.
2. Administrative Expenses: Administrative expenses increased by 36.58%, reflecting higher operational overheads.
3. Finance Charges: Finance costs rose by 26.20%, due to higher interest rates.
4. Non-operating Losses: The company incurred a significant non-operating loss of 186%, primarily from realized losses on investment or other non-core activities, further impacting net profitability.

Collectively, these factors resulted in a sharp contraction of net profit despite stable or increasing revenue during the period.

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. 1,540,371,977 during the financial year 30 June 2025, which recovers 53.86% of total assets. The company represents addition for property, plant and equipment Tk. 176,031,545.

The company has a net trade receivable of Tk. 98,330,254 as at 30 June 2025. 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.

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 2024-25, the Company, contributed an amount of Tk. 30,530,139 as Income Tax and Tk. 127,522,800 as VAT a total sum of Tk. 158,052,939 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.

Going Concern

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

Appropriations of profit:

The Directors are pleased to report the financial results for the year 2024-25 and recommend the following appropriations:

Particulars	2024-25
Profit before Tax	58,460,192
Less. Provision for Income Tax	20,563,587
Net Profit After Tax	37,896,605
Add. Un-appropriated profit brought forward	403,395,641
Add. Other Comprehensive Income	2,649,588
Profit available for distribution	443,941,834
Less: Appropriated profit of dividend (2023-24)	16,255,698
Un-appropriated profit carried forward	427,686,136

key operating and financial data of preceding five years:

Key operating and financial data of the preceding five years is given on page 16, 17, 18, 47 & 49 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, 2025. This dividend will be paid from out of profit of the company for the year 2024-25 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.

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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 08 September 2025.

The Company paid dividend dated 28 January 2025 @ 2.50% in cash of the paid up capital of the Company for the year 2023-24 in due time. 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 2021 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. Md. Mujibur Rahman, FCS, FCMA & 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 two sponsor Directors and one shareholder director. In support of consents from Mr. Md. Mujibur Rahman, FCS, FCMA & Mr. Md. Zaidul Hoque the Board is pleased to propose the consents for re-appointment as Independent Director 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- 33 & 34 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 September 2025, the date of 23rd AGM. They have satisfactorily conducted the audit (of their 2nd Year) for the year 2024-2025. The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 30 June 2025, 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 2026. 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 2025-2026 with a remuneration of Tk. 320,000/- (three lac twenty 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 23rd 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 23rd Annual General Meeting of the Company.

Reporting on 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 July 31, 2025 in consideration of its audited financial up to 30 June 2025, un-audited financials upto 31 March, 2025 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 15 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 4 (Four) 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.

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Proposed Audit Committee (AC)

The Board is pleased to propose the following Audit committee (AC) which would be approved in the 23rd AGM.

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 2024-25. 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 23rd AGM. This committee shall be responsible to report to the Board.

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

Proposed Management Committee (MANCOM)

The Board is delighted to propose following committee as Management Committee (MANCOM) which would be approved in the 23rd AGM. This committee shall be responsible to report to the Board.

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

Additional Disclosures

1. 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.
2. Proper books of account of the Company have been maintained.
3. 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.
4. International Accounting Standards and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.

Acknowledgements

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 2025. 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.

Finally, 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