

**GLOBAL****গ্লোবাল হেভী কেমিক্যালস্ লিঃ
HEAVY CHEMICALS LTD**

Directors' Report

Bismillahir Rahmanir Rahim
Dear Shareholders,
Assalamu Alaikum,

On behalf of the Board of Directors, we have the pleasure to welcome you all to the 20th Annual General Meeting of the Company. We are pleased to submit before you the operational activities and Audited Financial Statements of the Company for the year ended June 30, 2021 as adopted by the Board of Directors.

The Directors Report is prepared in compliance with Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of Securities and Exchange Commission Rules 1987, BSEC Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 and regulations of the Institute of Chartered Accountants of Bangladesh (ICAB).

Industry Outlook:

Global Heavy Chemicals Limited "GHCL" is the first Bi-polar Chlor-Alkali Plant in Bangladesh. The principal activities and nature of the business of the company is to manufacture and distribute Sodium Hydroxide (Caustic Soda: Liquid & Flack), Liquid Chlorine Gas, Hydrochloric Acid, Bleaching Powder, Chlorinated Paraffin Wax "CPW", Sodium Hypochlorite and Clotech.

On inception, GHCL earned a significant market share in the chemical industry. As the Bangladesh industries are booming in every sector, demand for industrial chemicals is increasing faster and faster. But due to the short fall in Gas supply our performance has been decreased in the last year. As per the audited accounts for the year ended June 30, 2021 it is shown that GHCL earned net revenue of BDT 579.15 Million.

Possible future development:

To increase its revenue GHCL is going to announce new product line of Floor Cleaner, Dish Washing liquid and Bathroom Cleaner. We also introduce new pack size for Clotech in 1 liter bottle and Bleaching powder in 500 mg bag.

Product Wise Gross Sales Performance (Incl. VAT):

BDT Amounts in Millions

Name of the Product	2020-2021	2019-2020
Caustic Soda (Flakes/Liquid)	428.75	437.70
Hydrochloric Acid	26.33	25.12
Bleaching Powder	55.12	43.05
Sodium Hypochlorite	19.39	18.50
Chlorinated Paraffin Wax (CPW)	96.13	91.72
Clotech	35.53	14.81
Liquid Chlorine Gas	5.70	5.44
Used Sulphuric Acid	0.38	0.36
Total	667.32	636.70

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HEAVY CHEMICALS LTD****Risks and Concerns:**

The Company operates in a field involving some internal /external risk factors and among those some are avertable; others are beyond control, which may be causes of loss. The management of Global Heavy Chemicals Limited perceives the risk factors which are as follows:-

- Risks from foreign currency fluctuation: Global Heavy Chemicals Limited makes payments to its overseas suppliers in foreign currencies. Fluctuations in the related foreign currency rates may affect adversely to the company's liquidity and profitability.
- Instable prices of raw materials and supplies: Frequently changing cost of different kinds of chemicals that Global Heavy Chemicals Limited uses as raw materials exposes to the company's business as uncertain and unfavorable. At present the freight cost is higher than any others time so the raw materials cost will increase in the year 2021-2022.
- Inadequate Gas supplies & Gas price: Another major risk of GHCL is inadequate Gas supply. The total power supply depend on Gas. At present GHCL produce 10MW(+/-) Electricity with Gas generator for the plant.
- Operating risks: The manufacturing processes and the nature of raw materials in the company always involve a systematic risk that may cause a damage of company assets and lives of its employees and workers.
- Political uncertainty: Bangladesh is prone to serious unrest in the political condition which produces Hartal, Road-Block and many other barriers to the business. This could also propel the cost of production upwards.
- Economic Recession and other natural calamities: Company's performance and growth are dependent on the health of the Bangladesh economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or War, natural calamities, commodity and energy prices and various other factors. Any significant change may adversely affect our business and financials.

Discussion of Cost of Goods Sold, Gross Profit Margin and Net Profit Margin:

BDT Amounts in Millions

Particulars	2020-2021	2019-2020
Cost of Goods Sold	453.06	429.60
Gross Profit Margin	126.09	124.06
Net Profit Margin	24.84	18.02

Quarterly significant variance with annual

There are some deviation between quarterly Financial Statements and annual Financial Statements 2020-2021 due to sales up-down during the whole period due to the outbreak of Global Pandemic "Covid-19" declared by the world Health Organization (WHO) and Subsequent of the virus resulting in deteriorating situation in Bangladesh.

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During the reporting period from July 1 2020 to 30 June 2021 our sales have been increased compare to same period of the previous year. As a result Gross Profit, Net Profit and Net operating cash flow per share have been changed.

Extra-Ordinary Events:

No other events of extra ordinary gain or loss occurred during the reporting period which would require adjustment or disclosure in the financial statements.

Related Parties Transactions:

The company engaged in a number of related party transactions on an arm length basis. All the transaction with related parties was made through local currency at market prices. Details information has been disclosed in the Notes 3.20 of notes to the Notes to the Financial Statements for the year period ended June 30, 2021.

Remuneration to Directors:

This information is incorporated in the Notes 3.20 of notes to the Notes to the Financial Statements for the year period ended June 30, 2021.

Fairness of Financial Statements'

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity. In compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) notification dated June 3, 2018, Managing Director and Chief Financial Officer has given the declaration about the fairness of the financial statements which is also included in the report (Annexure 5).

Books of Accounts:

Proper books of account of the company have been maintained.

Accounting Policies:

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.

Application of IAS & IFRS:

International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.

Internal Control:

The Board of Directors assures the shareholders that the company has a robust risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that the controls in place are adequate to address these risks.

Minority shareholder

Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.

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The Board of Directors has reviewed & analyzed the Company's business plan and it's satisfied that the company has adequate resources to continue its operation in the foreseeable future. Accordingly the financial Statements is prepared based on the going concern concept.

Dividend:

During the year company earned net profit after tax BDT 24.84 Million. The earnings per share is BDT 0.34 & Net Asset Value (NAV) Per Share is BDT 54.65 Considering the satisfaction of shareholders, the board of directors has recommended a 5% cash dividend to the shareholders except the directors for year ended June 30, 2021.

No bonus shares or stock dividend has been or shall be declared as interim dividend.

Key Operating and Financial Data:

The Key operating and financial data for the last five years are shown in Annexure-2.

Corporate Governance:

Corporate governance is the set of processes, policy, laws and institution affecting the way of corporation is directed, administrated or controlled. Corporate governance also includes the relationship among the many Stakeholders involved and the goals for which the corporation of governed. The principal stakeholders are the shareholders, managements and the Board of directors. Other Stakeholders include employees, Client creditors, Suppliers, regulators, and the community at large.

Global Heavy Chemical Limited follows good corporate governance at all level since its inception. It has a dynamic Board of Directors entrusted with formulation of policy, guidelines, strategic planning and supervision of business activities and performance of Management. The Board of directors has exercised its responsibilities through its board meetings. A certificate on Corporate Governance Compliance of the company is attach with the report (Annexure:7)

Emphasis of matters in the Independent Auditors' Report

1. In the year 2011, the company had revalued property, plant and equipment and the resulting revaluation gain on land was recognized in the financial statements. The consequential effects of deferred tax on revaluation gain have been reflected in the financial statements during the year ended 30 June 2021.
2. The company's fourth quarter sales had been decreased due to bad effect of covid -19 pandemic situation.

Board Meetings and Committee Meetings:

During the year ended June 30, 2021, the Board of Directors met 8 (eight) times, Audit Committee met 4(four) times and the Nomination & Remuneration Committee Met 1(One) Times. The attendance record of the Directors is shown in Annexure-3:

Capital structure

Authorized capital of Global Heavy chemicals Limited is BDT 1,000.00 Million divided into 100.00 Million ordinary shares of BDT 10.00 each. Present paid-up capital of the company is BDT 720.00 Million divided into 72.00 Million ordinary shares of BDT 10.00 each.

Figure in Millennium

Category of Shareholder	30-Jun-21			30-Jun-20		
	No. of Share	Value	%	No. of Share	Value	%
Director & Sponsor	49.71	497.05	69.03%	49.71	497.05	69.03%
General Shareholders	22.30	222.95	30.97%	22.30	222.95	30.97%
Total	72.00	720.00	100.00%	72.00	720.00	100.00%

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A details Pattern of Shareholding as on June 30, 2021 is given in Annexure-4.

Composition of the Board:

The Board of Global Heavy Chemical Limited Consists of 09 (Nine) members where two of nine are Independent Directors. All the Board of Members has Professional and wide range of experiences in the field of business.

A Brief resume of the all director are given in Annexure-1:

Workers' Profit Participation Funds (WPPF)

The Company provides 5% of its profit after charging of such expenses as WPPF in accordance with the Bangladesh Labor Act, 2006 as amended in 2013 and payment is made as per law. The WPPF is managed by a Board of Trustee duly constituted as per law.

Appointment of Auditor

The Auditors of the company The Ahmed Zaker & Co. Chartered Accountants has been carried out the audit of the company for the year ended 30 June 2021. As per regulation 15 (2) & (3) of DSE and CSE (Listing) regulations 2015 existing auditor is not eligible for re-appointment because of fulfillment of 3-year period. After receiving of expression of interest from ARTISAN, Chartered Accountants Address: Sonargaon Terrace (2nd Floor), House-52, Road-13C, Block-E, Banani, Dhaka-1213, Bangladesh the Board of Directors recommended appointment of ARTISAN, Chartered Accountants. A proposal for appointment of ARTISAN, Chartered Accountants to conducting the audit for the year 2021-2022 will be placed in the forthcoming 20th AGM for Shareholders' approval.

Appointment of Auditor for Compliance of Corporate Governance Code

The board of directors has been appointed the A. K. M. Delwer Hussain & Associates. Cost & Management Accountants will be appointed as the Auditor of the company to audit the Compliance of Corporate Governance Code for the year ended 30 June 2022 and to be placed before the shareholders for approval in the 20th AGM of the company.

Retirement and appointment/re-appointment of Directors:

According to the provision of the articles of association of the company the one third of the number of existing directors retire by rotation, being eligible they offer themselves for re-election.

Abdus Sabur Khan & Abdur Rouf Khan will be retire and being eligible they offer themselves for re-election in the next AGM.

Dr. Khondokar Rahat Hossain independent director will retire from the board on next AGM and Md. Zahid Hossain Sailu will be appointed as independent director of the company in place of Dr. Khondokar Rahat Hossain. Md. Zahid Hossain Sailu is a Businessman and the Managing Director of Bashanti Printers Ltd. since 1985.

Acknowledgements

The Board of Directors takes this opportunity in expressing its heart-felt appreciation and gratitude to all our valued Distributor, Customers, Shareholders, Employees, Auditors, Suppliers, Commercial banks, Media, Patrons and well wishers who are the partners in the process of growth of the company. We also look forward to their continued support in the coming days.

The Board also expresses their thanks to Environment Department, BSEC, DSE, CSE and CDBL for their extensive support, Proper Guidance and cooperation.



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The prudent policy guidance and support of the members of the Boards of Directors have substantially contributed towards the success of the Company.

The Board of Directors also expresses deep appreciation to the managements and all members of staff who were called upon to embrace some major challenges while at the same time maintaining the highest quality of product to our customers. We thanks each and all of them for their contribution.

For and on behalf of the Board of Directors

Capt. Abdus Sabur Khan (Retd.)
Chairman