

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended June 30, 2022

Bismillahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alikum,

I sincerely welcome you all to the 12th Annual General Meeting of Baraka Patenga Power Limited on behalf of the Board of Directors and Management. We are glad to share the Directors' Report on the Company's Operational Activity, the Auditors' Report and the Company's Audited Financial Statements for the Year Ended June 30, 2022, for your valued review, approval and adoption.

Directors' Responsibilities towards Shareholders

In compliance with the requirements of the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018, the Directors are responsible for the governance of the Company and in that capacity, the Directors confirm, to the best to their knowledge that-

(i) Industry Outlook and future development:

The power sector has experienced an outstanding progress in last few years. The following table shows the present installed capacity by power plants in our country.

Installed Capacity of BPDB Power Plants		
Fuel Type	Capacity (MW)	%
Coal	1,768	7.85%
Gas	11,476	50.98%
HFO	6,278	27.89%
HSD	1,341	5.96%
Hydro	230	1.02%
Imported	1,160	5.15%
Solar	259	1.15%
Total	22,512	100%
Source: www.bpdb.gov.bd		

The demand for electric energy in Bangladesh has been rising at a noticeably high rate as Bangladesh aspires to become a middle-income nation. The GDP has recently grown consistently, which has increased demand. In order to address this fast expanding demand, the Government has launched a number of initiatives. Furthermore, renewable energy is given a lot of attention today. The Government is dedicated to facilitating public and private sector investment in renewable energy projects and stepping up the contributions of currently operating renewable energy-based power productions, in accordance with the Renewable Energy Policy 2009 (REP).



A nation's ability to generate enough electricity is essential for its social and economic progress. Other than increasing power output, there is no other method to hasten development.

The Board is pleased to inform you that the existing plant of Baraka Patenga Power Limited is showing excellent performance and generated 240,733 MWh of electricity and supplied 232,871 MWh to the national grid during the year 2021-22 earning revenue of Tk. 3,642,660,931 during the year ended on June 30, 2022.

You'll be happy to know that Baraka Shikalbaha Power Limited and Karnaphuli Power Limited, the two subsidiaries of Baraka Patenga Power Limited, are also in excellent functioning condition and are supplying electricity to the national grid without any interruptions. Additionally, in 2020-2021, Baraka Securities Limited was established as a subsidiary firm in order to diversify our operations. Baraka Securities has started its commercial operation on 11th April, 2022 after receiving TREC accreditation from Dhaka Stock Exchange Limited.

(ii) Segment wise or Product wise performance:

Particulars	Dependable Capacity (MwH)	Installed Capacity (MwH)	Plant factor of generation (based on Dependable Capacity)		For the year ended on June 30, 2022	
			Average	Maximum	Energy Generation (MwH)	Energy Sold (MwH)
Baraka Patenga Power Limited, Chattogram- HFO Fired 50MW	438,000	489,421	55.14%	81.17%	240,733	232,871
Karnaphuli Power Limited, Patiya, Chattogram - HFO Fired 110MW	963,600	1,024,832	73.26%	99.66%	705,616	693,947
Baraka Shikalbaha Power Limited, Patiya, Chattogram - HFO Fired 105MW	919,800	967,892	67.25%	97.97%	619,365	611,136

Baraka Patenga Power Limited has formed a 51% subsidiary business called Baraka Securities Limited (BSL) in addition to the aforementioned power stations. The Company was established with the goal of operating a stock brokerage. After completing all necessary procedures, DSE granted TREC certificate no. Registration/DSE/TREC # 274/2021/301 on September 1, 2021 in favor of Baraka Securities Limited. After receiving the broker-dealer license from the Bangladesh Securities and Exchange Commission, the company started its commercial operation on 11th April, 2022. During the year ended on 30 June 2022, after completion of only 81 days of commercial operation, BSL earned a total revenue of Tk. 1,340,337.



DIRECTORS' REPORT (Continued)

(iii) Risks and concerns

a. Internal Risk Factors

Credit Risk

Typically, any firm must extend some credit or funds to its clients or other third parties. An organization runs the risk of its customers defaulting on their debt when it extends credit to them. Therefore, the business is always exposed to credit risk when conducting operation.

Management Perception

The Company only sells to Bangladesh Power Development Board in accordance with the terms of the Power Purchase Agreement (PPA), after which the receivables are realized. Therefore, the corporation faces extremely little credit risk.

Liquidity Risk

Liquidity risk arises from the possibility that a business won't be able to pay its short-term debts. This typically happens because the company is unable to transform its present assets into cash in a timely manner without suffering a loss of capital or profits. If the markets on which a company depends experience a loss of liquidity, if a company's credit rating declines, if the company experiences sudden, unexpected cash outflows, or if another event makes counterparties reluctant to trade with or lend to the company, the company is exposed to liquidity risk.

Management Perception

The accounts and finance department at BPPL is competent at handling the company's cash flow and liquidity problems. The department strives to maximize working capital, confirm and reconcile receipts and expedite payment release. The department develops appropriate planning as well to prevent upcoming financial issues.

Risk associated with the Issuer's interest in subsidiaries, joint ventures and associates:

Subsidiaries, joint ventures, and associates' performance directly affects their parents' interests. The parent will gain from the success of the subsidiaries, joint ventures, and associates, and vice versa. There is always a chance that the parent's interests may suffer as future performance of subsidiaries, joint ventures, and associates may be worse than anticipated.

Management Perception:

Karnaphuli Power Limited, Baraka Shikalbaha Power Limited and Baraka Securities Limited are the three subsidiaries of Baraka Patenga Power Limited. Given the sponsors' extensive experience in the power business, it is anticipated that Karnaphuli Power Limited and Baraka Shikalbaha Power Limited won't pose as much of a risk. Additionally, as Baraka Securities Limited is a service provider, management believes that the risk associated with it is also quite minimal.

Significant revenue generated from limited number of customers, losing any one or more of which would have a material adverse effect on the issuer.

Since the Company's sales are made solely to Bangladesh Power Development Board, any unfavorable condition by BPDB may hamper its revenue and profitability.

Management Perception

With BPDB, the business has agreed to create and supply power on a BOO basis for 15 years. Under the terms and conditions of the PPA, the Company's revenue stream is assured for the duration of the project. Therefore, there is less risk involved in this regard.

Dependency on a single or few suppliers of raw materials, failure of which may affect production adversely.

Raw materials are one of the prime factors of production. If a company depends on single or few suppliers for its raw materials, it will be exposed to the risk of stock-out or stoppage of production.

Management Perception:

BPPL obtains its raw materials from a variety of places. Furnace Oil, a key raw ingredient used to operate the power plant, is purchased from reputable suppliers with offices in Singapore, including SHELL, VITOL and others. Additionally, the company has access to local BPC-approved vendors who sell furnace oil. Along with having access to the main raw material, the factory also keeps enough furnace oil on hand in case any unforeseen circumstances arise.

b. External Risk Factors

Interest Rate Risks:

Borrowed money with short and long-term maturities, as well as the volatility of the money market, all have an impact on interest rate risk, which in turn affects the interest rate structure.

Management Perception:

The management of the company is well aware of the unpredictability of the money market in our nation and also feels that because a large portion of the overall term loan was funded by low-cost World Bank IPFF fund, rising interest rates won't have a significant impact on the company's profitability.

Exchange Rate Risks:

Devaluation of local currency against major international currencies i.e. USD, GBP and Euro may affect company's income.

Management Perception:

The BPPL management is cognizant of the dangers posed by currency volatility. Major foreign purchases of imported machinery and equipment have been resolved. HFO, the primary raw ingredient, and spare parts are currently purchased in foreign currency from providers located in different nations. Fuel costs are however definable at the time of billing to BPDB, and the tariff rate (paid in a currency comparable to Bangla Taka) is periodically modified with the local and international Consumer Price Index (CPI). Therefore, according to management, changes in exchange rates won't have an impact on the company's profitability under normal circumstances.

c. Industry Risks

Market Demand Risk

BPPL operates business mainly in the country's power, oil & gas, and automobiles sectors. All these sectors are highly regulated by the government and Market demand is comparatively high.

Management Perception

Energy consumption increased significantly during the past ten years, outpacing supply. The country's economic development and residents' standard of living, according to management, are both threatened by electricity insufficiency. It should be highlighted, though, that the increased supply brought on by the government's plans will only help to close the enormous disparity between supply and demand. The need for power is expected to rise in the future, necessitating greater participation

d. Economic and Political risks

Economic risks

Economic risk is the risk connected to how financial and other economic issues might affect how an institution operates. Assessing economic hazards is essential to determining how risky a business is overall. The amount of sales and expenses, as well as the profits made by the company, are directly impacted by economic threats. The main categories of economic risk include the risk of growing energy and raw material prices, the danger of rising minimum wages, the risk of rising tax and duty rates, etc.

Management Perception:

Bangladesh's economy has been rising. The per capita income is now higher than it has been in previous years because to consistent industrial growth and increased industrial output. In addition, the government's supportive policies and other regulatory organizations' industry-friendly regulations have proven to be beneficial to the nation's economy.

Political risks

Political risk is the possibility that a country's political unrest or developments could have a negative impact on an entity's financial performance. Changes in the administration, legislative bodies, other foreign policy decision-makers, or military control could all have an impact on returns. Political risks are exceedingly difficult to estimate because there aren't many case studies or sample sizes available for a given country. International organizations offer insurance against some political risks. The result of a political risk could reduce returns or even make it impossible to withdraw money from an investment. Any political unrest or disturbance in the nation may have a negative impact on the economy as a whole.

DIRECTORS' REPORT (Continued)

Management Perception:

Political risk has an impact on a nation. The management of a company cannot control it. The management of BPPL constantly strives to prevent or lessen the effects of the risk as it is an uncontrollable issue. As a result, the company's management is constantly worried about the current and impending changes in global or national policy and will act correctly and promptly to protect its interests.

Market and Technology-related Risks:

Every industrial concern faces market and technological risks subject to alignment with innovation. Power generation capacity is significantly influenced by the generator's capacity. The desire for new, less expensive technology could make the old obsolete, which would have a bad influence on the company's performance.

Management Perception:

Modern machinery and cutting-edge technologies were used by the company's management for its power plants. The power plant is equipped with 8 (eight) generator sets from Rolls Royce, a well-known manufacturer of HFO-powered engines, located in Norway, and 1 (one) generator set from Tide Power System Co. Ltd., located in China. The highly skilled and effective team at BPPL performs and completes timely maintenance work at the plant in accordance with the manufacturer's rules and criteria to ensure uninterrupted energy generation. By obtaining enough HFO, spare parts, and lubricating oil from suppliers at lead periods overseen by company personnel, management has taken precautions against any operations disruptions.



Potential or existing government regulations:

Companies in Bangladesh are governed by a number of laws, including the 1994 Companies Act, laws and regulations pertaining to taxes, guidelines established by the Bangladesh Securities and Exchange Commission, etc. Any rapid modifications to the policies established by those bodies could have a negative effect on the company's operations.

Management perception:

The management firmly feels that any fiscal action by the government that would harm the industry's expansion is highly unlikely. On the other hand, the government is moving away from traditional providers for power capacity generation and distribution, reserve building, and furnace oil. Therefore, the government's current regulations are helpful to the growth of this industry, and it is anticipated that they will continue in the future.

Potential or existing changes in global or national policies:

The political and economic unrest in Bangladesh and elsewhere may have an impact on how well businesses perform. Any political unrest or disturbance in the nation may have a negative impact on the economy as a whole.

Management perception

Any company cannot manage the risk caused by modifications to international or national policies. However, the Company is well prepared to implement new guidelines and safety precautions as and when necessary to lower such risks. Furthermore, any business may suffer from political turmoil brought on by strikes and large-scale rallies. However, because it is a daily requirement, electrical service is typically kept unimpeded. The insurance contract with the insurance firms, in particular, ensures that sufficient risks are covered to pay for all potential damages.

Competitive condition of the business:

A company in a specific industry may have to contend with fierce rivalry from its rivals. With easy access to international goods in local marketplaces, competition is intensifying and posing a threat to corporate viability.

Management Perception:

Bangladesh has a high demand for electricity. The country needs new power producing facilities to fulfill this expanding demand, which is expected to continue to rise. Additionally, entry into this sector is carefully regulated through BPDB and other regulatory authorities' clearance. Therefore, it is quite unlikely that the company will face intense rivalry from other electricity producers.

(iv) Cost of Goods Sold, Gross Margin and Net Profit Margin:

Solo Basis (Amount in taka)				
Particulars	June 30, 2022	June 30, 2021 (re-stated)	Deviation	
			Amount	Percentage
Revenue	3,642,660,931	2,216,953,005	1,425,707,926	64.31%
Cost of Sales	3,204,835,331	1,689,688,862	1,515,146,469	89.67%
Gross Profit	437,825,600	527,264,143	(89,438,543)	(16.96)%
Net Profit After Tax	271,021,041	188,552,142	82,468,899	43.74%
Gross Profit Margin (%)	12.02%	23.78%		
Net Profit Margin (%)	7.44%	8.51%		

Consolidated Basis (Amount in taka)				
Particulars	June 30, 2022	June 30, 2021 (re-stated)	Deviation	
			Amount	Percentage
Revenue	24,422,796,449	7,335,854,475	17,086,941,974	232.92%
Cost of Sales	20,986,571,842	4,490,105,583	16,496,466,259	367.40%
Gross Profit	3,436,224,607	2,845,748,892	590,475,715	20.75%
Net Profit After Tax	215,281,436	619,194,904	(403,913,468)	(65.23)%
Gross Profit Margin (%)	14.07%	38.79%		
Net Profit Margin (%)	0.88%	8.44%		

From the above table it is clear that total revenue and cost of sales has increased significantly during the year 2021-22 than that of the previous year. Revenue has increased due to higher demand and supply of electricity and sharp increase in fuel proceeds resulting from rise in fuel price. A major portion of the cost of sale increase is again due to the increase in fuel price apart from a portion related to the higher generation of electricity. Although standalone gross profit of the company reduced in the year under review the net profit after tax increased by 28.37% mainly due to getting a sizeable dividend from the subsidiary companies. Meanwhile, the consolidated net profit reduced due to high foreign exchange loss in the subsidiary companies.

(v) In the year 2021-22 Foreign Exchange Loss was Tk. 185,579,924 compared to Foreign Exchange Loss of Tk. 236,038 in 2020-21.

(vi) Related Party Transaction

A. During the year, the Company carried out a number of transactions with related party in the normal course of business. The names of the related parties and nature of these transactions have been set out in accordance with the provisions of BAS 24: related Party Disclosures.

Transactions with key management personnel:

	30-06-22 (Taka)	30-06-21 (Taka)
Employee Benefits	16,972,485	13,199,308
Total	16,972,485	13,199,308

Key management personnel include Managing Director, Chief Financial officer, Company Secretary, Plant Manager and Head of Internal Audit.

DIRECTORS' REPORT (Continued)

B. Other Related Party Transactions:

Name of the related party	Relationships	Nature of Transactions	Transactions during the period			
			Opening Balance	Addition	Adjustment	Closing Balance
Karnaphuli Power Ltd	Subsidiary	Short Term Loan	-	(1,295,671,969)	738,686,262	(556,985,707)
Baraka Shikalbaha Power Ltd	Subsidiary	Short Term Loan	-	99.66%	705,616	693,947
Baraka Securities Limited	919,800	967,892	67.25%	97.97%	619,365	611,136
Baraka Power Ltd	Entity with significant influence	967,892	67.25%	97.97%	619,365	611,136

(vii) **Utilization of IPO Proceeds:**

Baraka Patenga Power Limited got listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on July 12, 2021. As per condition no. 2 under Part-C of the consent letter no. BSEC/CI/BB-15/2018/384 dated May 4, 2021, IPO proceeds have been duly utilized for the purposes as specified in the prospectus.

(viii) If the financial results deteriorate after the company goes for Initial Public Offering, Repeat Public Offering, Rights Share Offer or Direct Listing; the same will be explained in the respective Directors' Report.

(ix) Quarterly performances of the company are in line with the Annual Audited Financial Statements.

(x) Director's Remuneration

Payment to Directors during the year ended on June 30, 2022:

Name	Designation	Period	30-06-2022	30-06-2021
Mr. Monzur Kadir Shafi	Managing Director	July 2021 to June 2022	9,900,000	7,754,750
Total			9,900,000	7,754,750

In addition to the above, directors who attend meeting, have received meeting attendance fee @ Tk. 11,000 (including VAT) per director per meeting. The total meeting attendance fee during the year is Tk. 902,000.

(xi) The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

(xii) Proper books of account of the company have been maintained;

(xiii) 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;

However, the Independent Auditors have recognized the following matter of emphasis in their Report: " We draw attention to note no.- 33 of the Financial Statements, which describes that the company did not make WPPF provision during the year, (though the comparative Financial Statements has maintained WPPF provision as per section 234 of Bangladesh Labour Act, 2006) as the Bangladesh Independent Power Producers Association (BIPPA) has applied to Ministry of Labor and Employment via Ministry of Power, Energy and Mineral Resources (MPEMR) for given exemption to private power generation company from making provision of WPPF. Our opinion is not modified in respect to this matter."

Moreover, the comparative financial statements are being restated in accordance with IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors. The Notes - 61 to the financial statements provide a comprehensive breakdown of restatements.

(xiv) International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;

(xv) The system of internal control is sound in design and has been effectively implemented and monitored;

(xvi) 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;

(xvii) There are no significant doubts upon the company's ability to continue as a going concern;

(xviii) Significant deviations from last year in operating results of the company has been highlighted and reasons thereof have been explained in the financial statements;

(xix) Key operating and financial data of last five years has been annexed in **Annexure-A** of the Annual Report;

(xx) The Board of Directors of the company has recommended 10.00% cash dividend for the year ended June 30, 2022 subject to approval by the shareholders at the 12th Annual General Meeting;

(xxi) No bonus share or stock dividend has been or shall be declared as interim dividend;

(xxii) During the year ended June 30, 2022, total of 13 meetings were being held by the Board of Directors. Directors who have attended the Board meeting are shown in **Annexure-B** of the Annual Report.

(xxiii) The pattern of shareholding has been reported in **Annexure-C** of the Annual Report to disclose the aggregate number of shares;

- (xxiv) **Directors' appointment & re-appointment:**
Changes in the Board of Directors after last AGM:

Date	Changes	Reason of changes
14 July 2022	Mr. Helal Ahmed Chowdhury resigned as nominated director of Baraka Power Limited.	Personal reasons

Moreover, as per Article number 129, 130, 131 and 132 of the Article of Association of the company following Directors shall retire in the 12th Annual General Meeting by rotation and being eligible, offer them for re-election:

01. Mr. Gulam Rabbani Chowdhury
02. Mr. Faisal Ahmed Chowdhury
03. Mr. Fahim Ahmed Chowdhury

Brief resumes of the directors have been disclosed in the Directors' Profile sections of the annual report of the Company.

- (xxv) Management's Discussion and Analysis signed by MD has been reported in the Annual Report.
- (xxvi) Declaration by the MD and the CFO to the Board regarding Financial Statements for the year ended on June 30, 2022 has been reported in **Annexure-D** of the Annual Report.
- (xxvii) The report on compliance of Corporate Governance Code has been presented in **Annexure-E** and the certificate on compliance position has been reported in **Annexure-F** of the Annual Report.

Financial Results & Profit Appropriation:

In the year 2021-2022, financial performance of BPPL shows a stable result.

The Directors take pleasure in reporting the financial results of the company for the year ended June 30, 2022 and recommended apportion of retained earnings as mentioned below:

Profit available for appropriation:	June 30, 2022	June 30, 2021
Profit after tax	271,021,041	188,552,142
Add: Undistributed profit brought forward from previous year	1,180,608,945	1,091,281,803
Total amount Available for Appropriation	1,451,629,986	1,279,833,945
Appropriation:	June 30, 2022	June 30, 2021
Final dividend for the year 2019-2020 (@10% Cash dividend)	-	(99,225,000)
Final dividend for the year 2020-2021 (@12.50% Cash dividend)	(216,244,360)	
Closing Retained Earnings at year end (before proposed dividend)	1,235,385,626	1,180,608,945
Proposed dividend for the year 2021-2022 (@10% Cash dividend)	(172,995,488)	
Retained Earnings after Proposed Dividend	1,062,390,138	

Auditors:

M/S Malek Siddiqui Wali, Chartered Accountants have carried out the audit for the year 2021-2022 and will retire in the 12th AGM. Accordingly, being eligible, Malek Siddiqui Wali, Chartered Accountants have expressed their intention to be appointed as statutory auditor of the company for the year 2022-2023 and the Board has recommended to appoint Malek Siddiqui Wali, Chartered Accountants as the statutory auditor of the Company for the year 2022-2023 at a fee of Tk. 2,50,000/- (excluding VAT) subject to approval by the shareholders in the 12th Annual General Meeting.

DIRECTORS' REPORT (Continued)

Acknowledgement:

The Board of Directors would like to express its sincere appreciation to the modest shareholders for their thoughtful cooperation and support towards the operations of the company.

The Board wishes to express its gratitude to the Bangladesh Securities and Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms, Bangladesh Power Development Board (BPDB), Power Cell of the Power Division, Ministry of Power, Energy, and Mineral Resources (MPEMR), Banks & Financial Institutions, Insurance Companies, Service Providers, Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange PLC (CSE) for their support and cooperation.

We look forward to even better days ahead.

On behalf of the Board of Directors,

Wishing you a prosperous, healthy and happy future.



Gulam Rabbani Chowdhury
Chairman

