

# Directors' Report

Bismillahir Rahmanir Rahim

**Dear Shareholders,**

Assalamu Alaikum,

On behalf of the Board of Directors of GSP Finance Company (Bangladesh) Limited, I am very happy to welcome you all in 28th Annual General Meeting of the Company.

The Board of Directors of GSP Finance Company (Bangladesh) Limited have pleasure in presenting their Annual Report for the year ended December 31, 2022 which includes Audited Financial Statements, Consolidated Financial Statements of the Company for the year ended December 31, 2022 and the Auditors' Report thereon for consideration and approval of our honorable shareholders. This report has been prepared in compliance with Section 184 of the Companies Act 1994, BSEC's Notification dated June 03, 2018, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and the guidelines issued by Bangladesh Bank and other regulatory authorities. The Financial Statements were reviewed and approved by the Board of Directors of the Company on November 12, 2023.

Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices. We believe that it is comprehensive enough to understand the operational procedures and overall performance of the company at a glance during the year under reporting.

## PRINCIPAL ACTIVITIES OF THE COMPANY

- Lease Finance
- Term Finance
- Working Capital Finance
- Syndication Finance
- Bridge / Equity Finance
- SME Finance
- Term Deposit

## OPERATIONAL PERFORMANCE OF THE COMPANY

2022 was a year of unprecedentedly challenging for the financial sector of the country. The money market and stock market have passed a tumultuous time, which mostly was a subsequent effect of the war between Russia and Ukraine.

The national economy of Bangladesh has been severely impacted by the overall global economic downturn in 2022. As estimated by the World Bank, The GDP growth rate for the FY 2022 declined and stood at 7.2%. A large contributor to this was the reduced inflow of remittances from migrant workers. Additionally, the import value has risen manifold during this time which has caused the foreign exchange reserve to dwindle to USD 33.74 bn last year compared to USD 41.82 bn in the previous year.

The COVID-19 pandemic has also affected Bangladesh's economy, resulting in a decline in export orders, remittances, and foreign investment, which are critical to the country's economic growth.

The global economic recession, owing to the pandemic also affected the financial industry of the country. GSP Finance Company (Bangladesh) Limited is also not out of it. The already high liquidity crunch prevailing in the NBFIs sector has increased by several folds in the beginning of 2022.

As the entire financial sector especially NBFIs are facing prolonged severe liquidity crisis, non-renewal of existing credit facilities and non-approval of new credit facilities by the banks, huge TDR encashment pressure from depositors and non-payment of installments by borrowers on time etc. have created tremendous pressure on our fund management.

Our Company met the challenges through focused marketing plan, diversified products and services, taking steps towards adopting a fully automated and modern system, improving the asset quality by strengthening the recovery of non-performing assets, emphasize on human resources development program to upgrade the skills and knowledge of our personnel.

#### FINANCING AND INVESTMENT OPERATION OF THE COMPANY

GSP Finance Company (Bangladesh) Limited pursues a conservative approach while making any investment decision. As a reflection of its corporate vision, the company always prefers the segmented business proposition which includes corporate and institutional clients and SME. Keeping this in mind, GSP Finance Company (Bangladesh) Limited is offering tailored financial products for the growth of various sectors of the economy.

**Lease Finance:** Lease financing is one of the major fund-based activities of GSP Finance Company (Bangladesh) Limited. The Company offers fully payout financial lease for procuring capital machinery, equipment, vehicles & riverine transport. GSP Finance Company (Bangladesh) Limited provides services to customers of different segments. Through a prudent business model, the company has diversified its business in other business segments in the year 2022.

The investment under lease finance registered a positive growth of 8.70% of the Company with exposure of Tk. 1,457.05 million at the end of 2022 as opposed to Tk. 1 340.42 million for the previous year.

**Term Finance:** Term finance continued to be a core product of GSP Finance Company (Bangladesh) Limited. Long-term finance is available for commercial, industrial, SME sectors for a period ranging from 12 to 60 months depending on the nature of business and need. To provide liquidity comfort to corporate houses in emergency situation, the short-term finance is made under the different categories i.e. direct finance for working capital, work order finance, bridge finance, finance against term deposits etc. As pointed out by the Bangladesh Bank, term finance by FIs is the alternate source of capital financing for the industrial growth in the country. The Company's investment under term finance registered a positive growth of 3.65% in 2022 which stood at Tk. 5,811.83 million at the end of 2022 as opposed to Tk.5, 607.14 million of the previous year.

**Fund Arrangement/Syndication:** GSP Finance Company (Bangladesh) Limited actively participated as a co-financer in various large syndication loans in order to diversify its portfolio and reduce risks. The total commitments of the company in syndications and structured finance arrangements stood at Tk. 541.44 million as at December 31, 2022.

#### CAPITAL MARKET OPERATION OF THE COMPANY

GSP Finance Company (Bangladesh) Limited operates in the Capital market through its Subsidiary Company GSP Investments Limited.

**Investment in Share and Securities:** GSP Finance Company (Bangladesh) Limited maintains its own portfolio for investment in listed companies' shares and securities as well as pre-IPO & IPO placement. The risk of investment is minimized through diversification and investing mostly in fundamentally strong securities. In 2022, the Company earned Tk. 36.63 million in the form of capital gain and dividend.

**Banking Arrangement:** In 2022, the Company rolled over Tk. 232.12 million availed from different banks and FIs in different forms of borrowings and repaid Tk. 267.36 million. During the year, the cost of borrowing decreased slightly.

**Deposit Mobilization:** GSP Finance Company (Bangladesh) Limited mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double money options, monthly saving options etc. The deposit base of the Company registered a positive growth and stood at Tk. 2,002.94 million as on December 31, 2022 as opposed to Tk. 1,925.20 million of December 31, 2021.

**Money Market Operations:** As a Financial Institution GSP Finance Company (Bangladesh) Limited actively participates in the money market on a regular basis and has been dealing with both borrowing and lending activities with different banks/financial institutions to manage its treasury function in a prudent way to augment its earnings. GSP Finance Company (Bangladesh) Limited also maintains a very high standard of commitment in money market operations and has built up a strong reputation for itself in the money market.

**Key Operational and Financial Information:** Key operational and financial information over the last five years of the Company has been presented on page no 59 in this Annual Report as per clause no.1 (5) (xix) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

#### MANAGEMENT'S DISCUSSION & ANALYSIS

A Management's discussion & analysis of the financials have been highlighted on page no 56 in this Annual Report as per clause no. 1(5) (xxv) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

#### RISK MANAGEMENT

Risk and uncertainties are essential elements of the financing business. To mitigate and manage these risks, GSP Finance Company (Bangladesh) Limited has different committees namely, Credit Committee (CC), Asset and Liability Committee (ALCO), Risk Management Committee, Management Committee and Audit Committee. The Committees regularly meet to review the market, credit and liquidity risk related factors and recommend and implement suitable measures to counter these risks. Appropriate and effective internal control systems are also in place to address operational risks. Credit Risk Department of GSP Finance Company (Bangladesh) Limited also assists the management in building a quality credit portfolio. The Company has also taken steps to further strengthen its Internal Control and Compliance function.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

GSP Finance Company (Bangladesh) Limited has a commitment towards all stakeholders to engage in ethical practices. As a leading financial institution, we recognize our responsibilities towards the society and participate actively in CSR activities including promotion of staff welfare activities.

### ENVIRONMENTAL ISSUES

GSP Finance Company (Bangladesh) Limited is very concerned regarding environmental issues and accordingly it continuously reviews the environment related issues of our clients. It ensures that the clearance certificate from the regulators have been obtained at the time of providing lease or loan facilities wherever necessary. We are equally concerned about maintaining good environment in the office and for augmentation of this we have installed solar panel at our premises as a source of alternate energy for providing power to our office.

### HUMAN RESOURCES OF THE COMPANY

GSP Finance Company (Bangladesh) Limited continuously reviews its human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources possess competitive advantage in terms of their experience and professional expertise. Considering this, we strive to recruit the best suited persons for the right positions, provide them with adequate training and implement programs to develop and retain them. GSP Finance Company (Bangladesh) Limited carefully looks into the motivational aspects, health and safety of its employees. Capacity building activities are being encouraged and promoted by the Company all the year round.

### CORPORATE AND FINANCIAL REPORTING FRAME WORK

The Directors of GSP Finance Company (Bangladesh) Limited, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/ 80 dated June 3, 2018, confirms compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of GSP Finance Company (Bangladesh) Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been consistently applied in preparation of the financial statements and any departure there from has been adequately disclosed;
- Internal control process have been properly designed and effectively implemented and monitored;
- There is no significant doubt upon the Company's ability to continue as a going concern.

### CEO AND CFO'S DECLARATION CERTIFICATE

The CEO and CFO's declaration to the Board is appended on page no 29 in this Annual Report as per clause no. 1(5) (xxvi) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

### THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of GSP Finance Company (Bangladesh) Limited is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Tk. 10 each. The present paid-up Capital of the Company is Tk. 1,570,685,850 divided into 157,068,585 ordinary shares of Tk. 10 each. The shareholding pattern of the Company as at December 31, 2022 is shown on page 44 in this Annual Report as per clause no. 1(5) (xxiii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

**BOARD MEETING ATTENDANCE AND REMUNERATION OF DIRECTORS**

During the year ended on December 31, 2022 a total number of 07 Board Meetings were held and attendance of directors are presented on page 43 and their remuneration paid during the year are given in Notes- 31 in this Annual Report as per clause no.1(5)(xxii) & 1(5)(x) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

**RELATED PARTY TRANSACTIONS**

In the ordinary course of business a number of transactions with other entities that fall within the definition of related party contained in BAS 24: Related party disclosures; The Company extends leases/loans to related parties including its Directors and related Companies. A statement of related party transactions along with their basis has been presented on page 109 in this Annual Report as per clause no.1(5)(vi) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018.

**COMPLIANCE REPORT ON CORPORATE GOVERNANCE CODE**

Status of the compliance of conditions of Corporate Governance Code imposed by the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, along with a certificate from a practicing Chartered Accountant has been enclosed in Annexure - B on page 30 in this Annual Report.

We also enclose a statement of compliance on the good governance guidelines issued by the Bangladesh Bank as Annexure III on page no 45 in this Annual Report.

**FINANCIAL RESULT AND PROPOSED APPROPRIATION**

The financial results of the Company and the proposed appropriation of profit for the year 2022 are summarized below with explanations in the enclosed audited Financial Statements:

Profit / (Loss) after tax	Tk. (606,168,535)
Transfer to Statutory Reserve (20% on profit after tax)	Tk. Nil
Retained earnings brought forward	Tk. 188,685,646
Transfer to WPPF @ 5%	Tk. Nil
Profit /(Loss) available for declaration of Dividend for the year 2022	Tk. (417,482,889)

**DIVIDEND**

Considering the overall environment of financial market, current financial strength of the Company the Board of Directors did not recommend any dividend for the year ended December 31, 2022.

**INTERIM DIVIDEND**

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

**DIRECTORS RESUME AND LINE OF EXPERTISE**

A brief resume of Directors are appended in page no 10 to 13 in this Annual Report which includes his/her nature of expertise and qualifications.

### FORMATION OF SUBSIDIARY FOR MERCHANT BANKING ACTIVITIES

Pursuant to the requirement of Bangladesh Securities and Exchange Commission, GSP Finance Company (Bangladesh) Limited formed a subsidiary in the name and style "GSP Investments Limited" with a view to separate its Merchant Banking operation which was approved by Bangladesh Securities and Exchange Commission vide their letter no. SEC/Reg./MB/SUB-16/2011/113 dated August 14, 2014.

The Principal Activities of GSP Investments Limited are:

- Issue Management
- Underwriting
- Portfolio Management
- Securities Trading Services
- Margin Loan

### DIRECTORS RETIREMENT AND REAPPOINTMENT

In accordance with the section no. 91 (2) of the Companies Act 194 and Article no.116 of the Article of Association of the Company one third (1/3) directors are to retire from the Board of Directors and accordingly (1) Mr. Moin U. Haider and (2) Mr. Mohamed Abdul Jalil Director of the Company will retire and being eligible, all of them offered themselves for re-appointment.

### APPOINTMENT OF AUDITORS

The Company's Auditors Malek Siddique Wali, Chartered Accountants, having address at 9-G, Motijheel C/A, Dhaka-1000 worked as Statutory Auditors for the 1st year with a fee of Tk. 170,000/- plus VAT @ 15% only and will retire in the 28th Annual General Meeting (AGM) of the Company and being eligible for re-appointment according to Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated June 20, 2018 of Bangladesh Securities and Exchange Commission (BSEC) and as per Regulations No. 15 of Dhaka & Chittagong Stock Exchanges (Listing) Regulations – 2015.

In this respect Malek Siddique Wali, Chartered Accountants, having address at 9-G, Motijheel C/A, Dhaka-1000 has shown their willingness to act as Auditor of the Company for the year 2023 vide their letter dated November 08, 2023 and they have requested to increase their professional fee by considering the current inflation from the last year audit fee of Tk. 170,000/- plus VAT subject to approval of Bangladesh Bank before holding the 28th Annual General Meeting (AGM).

It may be mentioned here that Malek Siddique Wali, Chartered Accountants, are listed as "A" category auditors of Bangladesh Bank list and also the panel auditors of Bangladesh Securities and Exchange Commission (BSEC).

In order to comply with the condition No. 9 of "Corporate Governance Code"- The Company's immediate past Compliance Auditors Zoha Zaman Kabir Rashid & Co. Chartered Accountants, having address at the Savil, Level- 7, & 8, Plot # 6 B, Road# 32, Gulshan -1, Dhaka- 1212, Bangladesh has shown their willingness to act as Compliance Auditor of the Company for the year 2023 vide their letter dated November 02, 2023 at a fee of Tk. 60,000/- plus VAT which will be approved by the shareholders in the 28th Annual General Meeting of the Company.

### INDUSTRY OUTLOOK FOR 2023

Global prices of goods and commodities tended to surge in almost all the countries in the aftermath of COVID pandemic. Although varied by different reasons in different countries, the main causes of the inflation were the surge in food and energy prices. After the pandemic, when the entire world was recovering from the economic wreckage, the Russian invasion of Ukraine hit the world economy again; the ripple effect of which is still visible. In order to commensurate with the situation, interest rates have also been increased globally. It is now apprehended that the world economy shall have to bear this consequence for a prolonged period.

The overall inflation accompanied by the pandemic and Russia-Ukraine war hampered the import of raw materials and capital machinery. During the period, Government's initiatives to implement mega infrastructure projects in Bangladesh were quite remarkable, however, private investments/entrepreneurs were more reluctant to set up new /expand their existing businesses which hindered new employment generation.

From the local perspective, the ongoing Russia-Ukraine war, coupled with the global COVID-19 pandemic, has raised concerns about the economic outlook for Bangladesh. The prolonged escalation of the conflict is likely to aggravate the country's growth prospects even more. In the midst of the ongoing shocks, the country faces difficult choices on balancing economic growth and social welfare policies. Policymakers need to adopt measures to mitigate the impact of external shocks and strengthen domestic economic resilience.

The Company is fully aware of its overcharging responsibility, not only towards its shareholders but also to wider society during this period of painful economic transaction and is completely investing in generating opportunities for value creating. In striving to achieve this objective, GSP finance Company (Bangladesh) Limited intends to adopt the highest standards of governance, stringent internal controls and effective risk management practices in order to facilitate stable and sustainable growth in 2023.

The key challenges for the Company in 2023 will be to continue to support demand for financings shrinking interest rate margins and increasing non-performing loans due to various uncontrollable external factors. It is my belief that the Company will be able to deliver on its commitment to grow sustainably and generate reasonable returns by pursuing a prudent and dynamic business strategy in the upcoming year.

#### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere thanks to our valued shareholders, regulatory authorities like Bangladesh Bank, Bangladesh Securities and Exchange Commission, Stock Exchanges, RJSC and other business associates for their guidance valuable suggestions, continuous support and co-operation extended during the period under review. I would like to thank our auditor Malek Siddique Wali, Chartered Accountants, for their efforts in timely completion of audit. I also thank our dedicated management team and employees whose hard work and firm commitment made the year a successful one. We hope to get support, advice and encouragement from all of you for our continuous and unhindered growth.

May Allah be with us throughout our journey.

On behalf of the Board of Directors



**Feroz U. Haider**  
Chairman