

Directors' Report

Bismillahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum,

On behalf of the Board of Directors of GSP Finance Company (Bangladesh) Limited, I am pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended December 31, 2019 together with 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 of 2018, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and the guidelines issued by Bangladesh Bank and other regulatory authorities.

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

The Principal Activities of GSP Finance Company (Bangladesh) Limited are:

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

OPERATIONAL PERFORMANCE OF THE COMPANY

2019 was a year of challenge for the financial sector of the country as well as for GSP Finance Company (Bangladesh) Limited. As the entire financial sector especially NBFIs are facing prolonged severe liquidity crunch, non-renewal of existing and new credit facilities, by the banks, huge FDR encashment pressure from depositors and non-payment of installments by our borrowers on time etc. have created tremendous pressure on our fund position. 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, emphasis on human resources development program to upgrade the skill 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 2019. The investment under lease finance registered a negative growth of (6.06) % of the Company with exposure of Tk. 1,500.74 million at the end of 2019 as opposed to Tk. 1,597.59 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 are the alternate source of capital financing for the industrial growth in the country. The Company's investment under term finance registered a negative growth of (0.13) % in 2019 which stood at TK. 5,748.88 million at the end of 2019 as opposed to Tk 5,756.42 million of the previous year due to recovery and pre-payment of loans by customers who got low interest bearing loans from Banks as they reduced interest rates on investment as per Govt. policy for lending at single digit.

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. 553.41 million as at December 31, 2019.

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 2019, the Company earned Tk. 41.43 million in the form of capital gain and dividend.

Banking Arrangement: In 2019 the Company secured Tk. 547.43 million from banks against different form of borrowings to finance our operations and repaid Tk. 826.19 million as per terms and conditions of contracts. During the year, the cost of borrowing increased significantly due to adverse market conditions.

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 negative growth and stood at Tk. 2,809.99 million as on December 31, 2019 as opposed to Tk. 3,113.84 million of December 31, 2018 due to withdrawal of corporate deposits as they were offered higher rates by some financial institutions those were in dire need of funds.

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 in the matter of 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. 1,292,213,780 divided into 129,221,378 ordinary shares of Tk. 10 each. The shareholding pattern of the Company as at December 31, 2019 is shown on page 15 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, 2019 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 of the year 2019 are summarized below with explanations in the enclosed audited Financial Statements:

Profit after tax	Tk. 177,970,719
Retained earnings brought forward	Tk. 2,635,537
Transfer to Statutory Reserve (20% on profit after tax)	Tk. (35,594,144)
Transfer to WPPF @ 5%	Tk. (7,350,606)
Profit available for declaration of Dividend for the year 2019	Tk. 139,661,506

DIVIDEND

The Board of Directors of the Company has recommended 10.50% dividend (6% cash dividend i.e. Tk.0.60 per share and 4.50% stock dividend i.e. 4.50 bonus shares for every 100 shares) for the year ended December 31, 2019 subject to approval of Bangladesh Bank and its shareholders in this AGM.

INTERIM DIVIDEND

No bonus share of 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-election.

APPOINTMENT OF AUDITORS

The Company's Auditors Zoha Zaman Kabir Rashid & Co. Chartered Accountants, having address at Rupayan Karim Tower, Level- 7, Suite # 7A, 80, Kakrail, Dhaka- 1000, Bangladesh worked as Statutory Auditors of the Company for the year 2019 with a fee of Tk. 170,000/- plus VAT @ 15% only and they will retire in the 25th Annual General Meeting of the Shareholders of the Company. As per DFIM Circular no. 04 dated April 30, 2015 of Bangladesh Bank, Zoha Zaman Kabir Rashid & Co. Chartered Accountants may continue as Statutory Auditors for a further period of 1 (one) year as agreed from time to time by the Shareholders in the Annual General Meeting. In this respect Zoha Zaman Kabir Rashid & Co. Chartered Accountants has also shown their willingness to act as Auditor vide their letter dated July 27, 2020 for the year 2020, at the same fee subject to approval of Bangladesh Bank before holding the AGM.

In order to comply with the condition No. 9 of "Corporate Governance Code" the Malek Siddique Wali" Chartered Accountants having address at 9-G, Motijheel C/A, Dhaka-1000 worked as Compliance Auditors on BSEC Corporate Governance Code of the Company for the year 2019 with a fee of Tk.30,000/- plus VAT @ 15% only and they will retire in the 25th Annual General Meeting of the Shareholders of the Company.

As per condition No. 9 of "Corporate Governance Code" issued by Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018, Malek Siddique Wali Chartered Accountants may continue as Compliance Auditors for a further period of 1 (one) year as agreed from time to time by the Shareholders in the Annual General Meeting.

In this respect Malek Siddique Wali Chartered Accountants has also shown their willingness to act as Compliance Auditor vide their letter dated July 29, 2020 for the year 2020 at the same fee which will be approved by the shareholders in the Annual General Meeting (AGM).

ECONOMIC AND INDUSTRY OUTLOOK

Bangladesh Economy has observed a positive outlook in recent years. GDP growth, inflation rate, employment rate, remittance inflow and most other key macroeconomic indicators were supportive towards achieving a sustainable economic growth. Aided to this growth are also the development projects particularly the large infrastructure projects in hand that are showing the path of transformation of Bangladesh to be settled as a middle-income country before the expected span of time.

Financial Industry was catering a key role towards the above achievement, however, in the year 2019, the situation was quite challenging for NBFIs in terms of deposit mobilization and credit growth. Public confidence slumped due to different financial scams and exposure of very poor performance by few NBFIs. Resulting affect is expected to continue in 2020 which shall impact largely on the deposit mobilization and credit growth of NBFIs.

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 Zoha Zaman Kabir Rashid & Co. Chartered Accountants for their efforts in timely completion of the 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