# Independent Performance Evaluation (IPE) Report
# on
# Karnaphuli Gas Distribution Company Ltd (KGDCL)
# For 2023-24

## Table of contents

## Executive Summary

The Finance Division of the Ministry of Finance is implementing the "Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS)." One of the key components of this program is the "Strengthening of State-owned Enterprises' Governance" scheme, which aims to strengthen the governance of State-owned Enterprises (SOEs) and Autonomous Bodies (ABs). To achieve this, the Finance Division has developed and approved an Independent Performance Evaluation Guideline (IPEG) for SOEs and ABs to evaluate their performance independently. Based on selection parameters of IPEG, Monitoring Cell, Finance Division has selected 10 (ten) more SOEs and ABs in addition to previously selected 20 (twenty) SOEs/ABs in total 30 (thirty) SOEs/ABs to conduct Independent Performance Evaluation for the FY 2023-24.

Karnaphuli Gas Distribution Company Ltd (KGDCL) has been evaluated for 2(two) consecutive years and is included in the list of 30 (thirty) selected SOEs/ABs for Independent Performance Evaluation (IPE) for FY 2023-24. As per the result of IPE, Karnaphuli Gas Distribution Company Ltd (KGDCL) has obtained a weighted average score of 2.89 out of 4.00 and graded 'Good' in FY 2023-24.

## 1. Introduction

The Energy and Mineral Resources Division issued a notification on November 11, 2008, to reorganize Bakhrabad Gas System Ltd., leading to the creation of Karnaphuli Gas Distribution Company Ltd. (KGDCL) with the objective to develop the gas sector and improve the quality of customer service. Subsequently, KGDCL was incorporated as a Public Limited Company on February 8, 2010, under the Companies Act 1994, with an authorized capital of Tk. 10,000,000,000, divided into 1,000,000,000 ordinary shares of Tk. 10 each. The prime objective of KGDCL is to ensure the uninterrupted distribution of natural gas to its customers. Oversight responsibility for the company rests with the Energy and Mineral Resources Division under the Ministry of Power, Energy & Mineral Resources. The operational activities of KGDCL include the following:

**Table 1: Key Operational Activities**

| SL No | Particulars | Unit | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|---|
| 1. | Total Customers | Nos. | 601,703 | 601,028 | 598,967 |
| 2. | Gas Purchases | MMCM. | 3,062.22 | 2,855.65 | 2,870.88 |
| 3. | Gas Sales | MMCM | 3,095.86 | 2,785.02 | 2,778.71 |
| 4. | Installation of Gas Pipe Line | Km. | 3.83 | 6.00 | 5.85 |
| 5. | System Loss / Gain | % | 1.10% (Gain) | 2.47% (Loss) | 3.21% (Loss) |

Source: KGDCL Annual Report 2022-23 & 2023-24

The year-on-year analysis of key operational activities of Karnaphuli Gas Distribution Company Limited (KGDCL) for FY 2021–22 to FY 2023–24 shows mixed trends in operational performance. The total number of customers slightly declined from 601,703 in FY 2021–22 to 601,028 in FY 2022–23, and further to 598,967 in FY 2023–24, indicating a marginal reduction in the customer base, possibly due to restrictions on new gas connections. Gas purchases decreased from 3,062.22 MMCM in FY 2021–22 to 2,855.65 MMCM in FY 2022–23, but slightly increased to 2,870.88 MMCM in FY 2023–24, reflecting some recovery in gas supply. Similarly, gas sales declined from 3,095.86 MMCM in FY 2021–22 to 2,785.02 MMCM in FY 2022–23, and marginally decreased again to 2,778.71 MMCM in FY 2023–24, suggesting a gradual reduction in gas distribution volume. In contrast, installation of gas pipelines increased from 3.83 km in FY 2021–22 to 6.00 km in FY 2022–

23, before slightly decreasing to 5.85 km in FY 2023–24, indicating continued infrastructure expansion. However, system performance deteriorated, as the company experienced a 1.10% system gain in FY 2021–22, which shifted to a 2.47% system loss in FY 2022–23 and further increased to 3.21% loss in FY 2023–24, highlighting growing operational inefficiencies that require corrective measures to improve system management and reduce losses in the gas distribution network of Bangladesh.

## 2. Role and Function:

Karnaphuli Gas Distribution Company Ltd (KGDCL) mainly perform the following functions:

i. Purchase natural gas from gas Producing Companies and other gas suppliers.
ii. Supplies natural gas to various categories of customers in accordance with the Gas Act 2010.
iii. Provides training to develop skilled manpower in the gas sector.
iv. Installs pre-paid meters.

## 3. Core Business

i. Develop the annual gas procurement plan to ensure an uninterrupted supply of gas to customers within the KGDCL service areas.
ii. Install and expand the gas pipeline infrastructure to meet growing demand.
iii. Enhance vigilance efforts to prevent and address gas theft effectively.

## 4. Evaluation Parameters

**Criteria: Business and Governance**

**Indices: A. Business Strategy and Social Responsibility**

**Table 2 (a): Standard of Indices A** FY 2023-24

| | | * Standard | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Serial No.** | **Indicators & Sub-indicators** | **Types of Measurement** | **Weight for Sub-indicators** | **Grade: Excellent Score: 4** | **Grade: Very Good Score: 3** | **Grade: Good Score: 2** | **Grade: Fair Score: 1** | **Grade: Under-performing Score: 0** |
| 1 | **Entity Strategy** | | | | | | | |
| | • Entity Strategic Plan | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 2 | **Growth Trajectory** | | | | | | | |
| | 2a. Net Income Growth | QN | 4 | 25.00% or more | 20.00 % to 24.99% | 15.00% to 19.99% | 10.00% to 14.99% | Below 10.00% |
| | 2b. Service Revenue Growth | QN | 4 | 20.00% or more | 15.00% to 19.99% | 10.00% to 14.99% | 5.00% to 9.99% | Below 5.00% |
| | 2c. Other Growth | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 3 | **Effective Implementation of Public Policy**<br>• Implement activities to achieve policy goal | QL | 3 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 4 | **Efficiency of Project** Implementation/ Project Goal Achievement:<br>• Percentage of estimated target achieved" | QN | 3 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 5 | **Social Contribution**<br>• Environmental Contribution<br>• CSR/WPPF<br>• Training/Volunteering | QL | 3 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |

**Table 2 (b): Achievement of Indices A**

| **Serial No.** | **Indicators & Sub-Indicators** | **Types of Measurement** | **Weight for sub-indicators** | **Actual Performance** | **Achievement** | | **Basis of Performance Measuring** |
|---|---|---|---|---|---|---|---|
| | | | | | **Grade** | **Score** | |
| 1 | **Entity Strategy** | | | | | | |
| | 1a. Entity Strategic Plan | QL | 4 | 89.00% | Very Good | 3 | Note 1 |
| 2 | **Growth Trajectory** | | | | | | |
| | 2a.Net Income Growth | QN | 4 | 58.29 % | Excellent | 4 | AFS |
| | 2b Service Revenue Growth | QN | 4 | 23.51% | Excellent | 4 | AFS |
| | 2c. Other Growth | QL | 4 | 90.00% | Very Good | 3 | Note -2 |
| 3 | **Effective Implementation of Public Policy** | QL | 3 | 95.00% | Excellent | 4 | Note-3 |
| 4 | **Efficiency of Project Implementation/ Project Goal Achievement:** | QN | 3 | 94.97% | Excellent | 4 | Note -4 |
| 5 | **Social Contribution** | QL | 3 | 85.00% | Very Good | 3 | Note -5 |
| | Sub-Total | | 25 | | | | |

**Note-1.** In align with Integrated Energy and Power Master Plan (IEPMP) 2023 Karnaphuli Gas Distribution Company Limited (KGDCL) has taken initiatives to expand and modernize the gas distribution network within its franchise area to meet the growing demand for natural gas in a safe, reliable, and sustainable manner. Key initiatives include construction of 350 PSIG gas transmission pipelines, expansion of the distribution pipeline network, modernization of existing infrastructure, installation of 435,000 prepaid domestic gas meters, and development of office facilities. These initiatives are expected to enhance energy security, support industrial development, and improve public service delivery in line with Bangladesh's national development priorities. All these projects are aligned with SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation and Infrastructure), as well as the National Strategic Plan and government policy directives reflected in the National Budget.

**Note-2:** KGDCL has implemented the following initiatives to enhance its operational efficiency:

i. Installation of prepaid meters for residential connections.
ii. Upgrading the gas distribution network.
iii. Implementation of a Vehicle Management System (VMS).
iv. Developed a dashboard to monitor prepaid metering activities.
v. Developed and maintained a cathodic protection system to prevent gas leakage.
vi. Construction of 5.85 km gas pipeline.
vii. Introduced Cathodic Protection System.
viii. Installation of 40 & 50 MMSFD capacity DRS turnkey/EPC based system.
ix. By using Clean Development Mechanism (CDM) technology the entity has stopped Gas leakage and save 1,519.60 MMCF of gas as well as preventing environmental pollution.

**Note-3:** Karnaphuli Gas Distribution Company Ltd (KGDCL) contributes to implementation the public policy by ensuring a reliable supply of natural gas to a wide range of consumers in its service area. In alignment with the Gas Act 2010 and national energy policies, KGDCL procures gas from producers, installs and expands pipeline infrastructure, and works to prevent system losses through enhanced vigilance. Through its annual gas procurement planning and infrastructure expansion, KGDCL supports the government's vision of energy security and sustainable economic development, contributing directly to SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure).

**Note-4:** During FY 2023-24, KGDCL achieved 90.73% of its financial target and 99.21% of its physical target in project implementation. A comprehensive performance score was calculated based on this combined achievement.

**Note-5:** KGDCL has undertaken the following social and environmental initiatives:

i. Obtaining annual environmental clearance certificates from the Department of Environment for all gas connections, excluding household customers, to ensure compliance with environmental regulations.
ii. Submitting monthly environmental reports to the Environment and Safety Division of Petrobangla.
iii. Offering educational scholarships and financial assistance to 57 employees' children for Tk. 5,10,900.

iv. Maintaining employee benefits including WPPF.
v. Under its CSR program distributed Tk. 1,515 million as financial assistance to the employees suffering from critical illnesses.
vi. Provided financial assistance of Tk. 1,380,000 to various social and religious institutions under CSR program.

### Indices: B. Operational Efficiency

**Table 3 (a): Standard of Indices B** FY 2023-24

| Serial No. | Indicators & Sub-indicators | Types of Measurement | Weight for Sub-indicators | * Standard | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Grade: Excellent Score: 4 | Grade: Very Good Score: 3 | Grade: Good Score: 2 | Grade: Fair Score: 1 | Grade: Under-performing Score: 0 |
| 1 | **Service Delivery** | | | | | | | |
| | Service Benefit & Accessibility | QL | 5 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 2 | **Labor Productivity** | | | | | | | |
| | Added Value per Employee (million Tk.) | QN | 4 | Tk15.00 mil or more | Tk. 12.00 to 14.99 mil | Tk9.00 to 11.99 mil | Tk.6.00 to 8.99 mil | Below Tk. 6.00 mil |
| 3 | **Capital Productivity** | | | | | | | |
| | 3a. Added Value per Tk. Value of Assets | QN | 4 | Tk. 0.16 or more | Tk. 0.13to 0.15 | Tk. 0.10 to 0.12 | Tk. 0.07to 0.09 | Below Tk. 0.07 |
| | 3b. Added Value Per Tk. Value of PPE | QN | 4 | Tk. 1.00 or more | Tk. 0.80 to 0.99 | Tk. 0.60 to 0.79 | Tk. 0.40 to 0.059 | Below Tk. 0.40 |
| 4 | **Production** | | | | | | | |
| | 4a. Inventory Turnover (Times) | QN | 4 | 50.00 or more | 45.00 to 49.99 | 40.00 to 44.99 | 35.00 to 39.99 | Below 35.00 |
| | 4b. Asset Turnover (Times) | QN | 4 | 1.20 or more | 1.00 to 1.19 | 0.80 to 0.99 | 0.60 to 0.79 | Below 0.60 |
| | | Sub-total | 25 | | | | | |

**Table 3 (b): Achievement of Indices B**

| Serial No. | Indicators & Sub-Indicators | Types of Measurement | Weight for sub-indicators | Actual Performance | Achievement | | Basis of Performance Measuring |
|---|---|---|---|---|---|---|---|
| | | | | | Grade | Score | |
| 1 | **Service Delivery** | | | | | | |
| | Service Benefit & Accessibility | QL | 5 | 85% | Very Good | 3 | AFS Note-6 |
| 2 | **Labor Productivity** | | | | | | |
| | Added Value per Employee (million Tk.) | QN | 4 | Tk.12.56 mil | Very Good | 3 | AFS |
| 3 | **Capital Productivity** | | | | | | |
| | 3a. Added Value per Tk. Value of Assets | QN | 4 | Tk. 0.10 | Good | 2 | AFS |
| | 3b. Added Value Per Tk. Value of PPE | QN | 4 | Tk.0.72 | Good | 2 | AFS |
| 4 | **Production** | | | | | | |
| | 4a. Inventory Turnover (Times) | QN | 4 | 109.26 | Excellent | 4 | AFS |
| | 4b. Asset Turnover (Times) | QN | 4 | 1.15 | Very Good | 3 | AFS |
| | | Sub-total | 25 | | | | |

**Note-6:** KGDCL has implemented the following measures to enhance service delivery for its stakeholders:

i. Maintaining an online billing system with a Customer Dashboard and Customer Portal.
ii. Operating a dedicated hotline (16512) for customer support.
iii. Utilizing a dashboard to monitor prepaid metering activities.
iv. Implemented a Grievance Redress System (GRS) to resolve stakeholders' complaints.
v. Developed and executing a service commitment action plan.

## Indices: C. Financial

**Table 4 (a): Standard of Indices C** FY 2023-24

| | | * Standard | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Serial No.** | **Indicators & Sub-indicators** | **Types of Measurement** | **Weight for Sub-indicators** | **Grade: Excellent Score: 4** | **Grade: Very Good Score: 3** | **Grade: Good Score: 2** | **Grade: Fair Score: 1** | **Grade: Under-performing Score: 0** |
| | **i. Financial Performance** | | | | | | | |
| 1 | Operating profit | QN | 2 | Tk. 4,500 million or more | Tk.4,000 to Tk. 4,499 million | Tk3,500 to Tk. 3,999 million | Tk3,000 to Tk. 3,499 million | Below Tk. 3,000 million |
| 2 | Profit before Tax | QN | 2 | Tk.5,500 million or more | Tk.5,000 to Tk. 5,499 million | Tk.4,500 to Tk. 4,999 million | Tk. 4,000 to Tk.4,499 million | Below Tk. 4,000 million |
| 3 | Return on Assets (%) | QN | 2 | 12.00 % or more | 9.00 % to 11.99 % | 6.00 % to 8.99% | 3.00% to 5.99% | Below 3.00% |
| 4 | Return on Service Revenue (%) | QN | 2 | 14.00% or more | 10.00%to 13.99% | 6.00% to 9.99% | 2.00% to 5.99% | Below2 2.00% |
| 5 | Return on Equity (%) | QN | 2 | 20.00% or more | 15.00% to 19.99% | 10.00 % to 14.99% | 5.00 % to9.99% | Below 5.00% |
| 6 | Net Worth Growth (%) | QN | 2 | 16.00 or more | 14.00% to 15.99% | 12.00% to 13.99% | 10.00% to 11.99% | Below 10.00% |
| 7 | Capital Budget Utilization (%) | QN | 2 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| | **ii. Financial Risk** | | | | | | | |
| 1 | Debt Equity Ratio (Times) | QN | 2 | 1.50or less | 1.51 to 2.00 | 2.01 to 2.50 | 2.51 to 3.00 | More than 3.00 |
| 2 | Debt to Assets (Times) | QN | 2 | 0.60 or less | 0.61 to 1.00 | 1.10 to 1.40 | 1.41 to 1.80 | More than 1.80 |
| 3 | Debt Coverage Ratio (Times) | QN | 2 | 2.00 or more | 1.75 to 1.99 | 1.50 to 1.74 | 1.25 to 1.49 | Below 1.25 |
| 4 | Current Ratio (Times) | QN | 2 | 2.00 or more | 1.75 to 1.99 | 1.50 to 1.74 | 1.25 to 1.49 | Below 1.25 |
| 5. | Accounts Receivable Period (Days) | QN | 2 | 60 days or less | 61 to 80 days | 81 to 100 days | 101 to 120 days | More than 120 days |
| 6. | Accounts Payable Period (Days) | QN | 2 | 60 days or less | 61 to 80 days | 81 to 100 days | 101 to 120 days | More than 120 days |
| | **iii. Transactions with Govt.** | | | | | | | |
| 1 | Taxes Paid | QN | 2 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 2 | Dividend Paid | QN | 1 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 3 | Debt Service Liabilities Paid | QN | 1 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |

**Table 4 (b): Achievement of Indices C**

| Serial No. | Indicators & Sub-Indicators | Types of Measurement | Weight for sub-indicators | Actual Performance | Achievement | | Basis of Performance measuring |
|---|---|---|---|---|---|---|---|
| | | | | | Grade | Score | |
| | **i. Financial Performance** | | | | | | |
| 1 | Operating profit | QN | 2 | Tk. 3,943.80 million | Good | 2 | AFS |
| 2 | Profit before Tax | QN | 2 | Tk. 4,596.73 million | Good | 3 | AFS |
| 3 | Return on Assets (%) | QN | 2 | 5.35% | Fair | 1 | AFS |
| 4 | Return on Sales (%) | QN | 2 | 4.65% | Fair | 1 | AFS |
| 5 | Return on Equity (%) | QN | 2 | 14.86% | Good | 2 | AFS |
| 6 | Net Worth Growth (%) | QN | 2 | (1.44%) | Under Performing | 0 | AFS |
| 7 | Capital Budget Utilization (%) | QN | 2 | 47.93% | Fair | 1 | Annexure 1 SL 27 & 28 |
| | **ii. Financial Risk** | | | | | | |
| 1 | Debt Equity Ratio (Times) | QN | 2 | 1.78 | Very Good | 3 | AFS |
| 2 | Debt to Assets (Times) | QN | 2 | 0.64 | Very Good | 3 | AFS |
| 3 | Debt Coverage Ratio (Times) | QN | 2 | 5.26 | Excellent | 4 | AFS |
| 4 | Current Ratio (Times) | QN | 2 | 1.67 | Good | 2 | AFS |
| 5 | Accounts Receivable Period (Days) | QN | 2 | 365 | Under Performing | 0 | AFS |
| 6 | Accounts Payable Period (Days) | QN | 2 | 365 | Under Performing | 0 | AFS |
| | **iii) Transactions with Government** | | | | | | |
| 1 | Taxes Paid | QN | 2 | 100% | Excellent | 4 | SL-31,32 of Annexure -1 |
| 2 | Debt Service Liabilities Paid | QN | 1 | 6.89% | Under Performing | 0 | SL-33,34 of Annexure -1 |
| 3 | Dividend Paid | QN | 1 | 100% | Excellent | 4 | SL-29,30 of Annexure -1 |
| | | Sub-total | 30 | | | | |

## Indices: D. Corporate Governance Practices

**Table 5 (a): Standard of Indices D** FY 2023-24

| | | * Standard | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Serial No.** | **Indicators & Sub-indicators** | **Types of Measurement** | **Weight for Sub-indicators** | **Grade: Excellent Score: 4** | **Grade: Very Good Score: 3** | **Grade: Good Score: 2** | **Grade: Fair Score: 1** | **Grade: Under-performing Score: 0** |
| 1 | **Commitment to Corporate Governance:**<br>• Code of Conduct<br>• Ethics<br>• Key policies of Board<br>• Board structure<br>• Employees service rules/ regulations<br>• Appointment of Board Secretary | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 2 | **Board Practices:**<br>• Composition of Board of Directors and number of meetings held<br>• TOR of board<br>• Number of independent Board Directors<br>• Name & Number of board committees and number of meetings held<br>• Number of board decisions that have been implemented | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 3 | **Transparency and Disclosure:**<br>• Board of directors and Senior managers name and biographies<br>• Audited financial statement<br>• Citizen charter<br>• APA<br>• Code of conduct | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |
| 4 | **Control Environment and Process:**<br>• Entity's internal control systems for different departments<br>• Internal audit procedure and reporting authority<br>• Entity's computer-based management information system (database)<br>• Any authority of the board to mitigate the entity's emergency situation<br>• Measures taken for safe working environment in the entity's premises | QL | 4 | 91-100% | 81-90% | 71-80% | 41-70% | Below 41% |

**Table 5 (b): Achievement of Indices D**

| Serial No. | Indicators & Sub-Indicators | Types of Measuremen | Weight for sub- | Actual Performance | Achievement | | Basis of Performance Measuring |
|---|---|---|---|---|---|---|---|
| | | | | | Grade | Score | |
| 1 | Commitment to Corporate Governance | QL | 5 | 91% | Excellent | 4 | Note-7 |
| 2 | Board Practices | QL | 5 | 92% | Excellent | 4 | Note -8 |
| 3 | Transparency and Disclosure | QL | 5 | 91% | Excellent | 4 | Note 9 |
| 4 | Control Environment and Process. | QL | 5 | 81% | Very Good | 3 | Note 10 |
| | Sub-total | | 20 | | | | |
| | Grand Total (A+B+C+D): | | 100 | | | | |

* Standard for Financial and Non-Financial indicators are set on the basis of IPE process.

**Note-7.** KGDCL operates under its own Memorandum and Articles of Association, adhering to a comprehensive framework of corporate governance. This includes the Code of Conduct, Employee Service Rules and Regulations, Board-approved key policies, the ethics outlined in the National Integrity Strategy, the Citizen Charter, and the Bangladesh Energy Regulatory Commission (Amendment) Act, 2023. Additionally, KGDCL appoints a corporate secretary to support Board activities.

**Note-8:** The Board of Directors consists of 11 (eleven) members, including the ex-officio Managing Director, 8 (eight) directors, and 2 (two) independent directors, all nominated by the government. The Board operates under its Terms of Reference (TOR) and has established three committees to support its functions. During FY 2023-24, the Board convened 15 (fifteen) meetings, resulting in the implementation of 125 (one hundred twenty- five) decisions. The entity does not currently have an Audit Committee.

**Note-9:** The entity's website provides comprehensive information, including the names and biographies of the Board of Directors and senior managers, audited financial statements, the Citizen Charter, relevant acts, rules, regulations, and the Code of Conduct.

**Note-10**: KGDCL has undertaken the following measures to control environment and process:
i. Established an Audit Department and a Vigilance Department to ensure an efficient internal control system, both reporting directly to the Managing Director.
ii. Implemented a module-based software system for KGDCL's marketing, engineering services, and finance divisions to streamline operations and deliver integrated service management.
iii. Introduced an e-filing system, developed the company website, and created a GIS-based digital map.
iv. Installed fire extinguishers at office buildings and other KGDCL premises.
v. Set up CCTV cameras at the company's head office, coupled with 24/7 security monitoring.

## 5. IPE Process

i. Performances of non-financial indicators of Karnaphuli Gas Distribution Company Ltd (KGDCL) have been evaluated using information and documents of the inception report provided by KGDCL.
ii. Actual performance scores of non-financial indicators are determined through the collective decision of ERT members.
iii. Non-financial Indicators' Score will be based on specific documentary evidence.
iv. According to IPEG, actual financial performances of KGDCL are to be evaluated on the basis of national best practices/standard. However, due to non-availability of such standard and comparable entities in the country, KGDCL's financial performance was assessed based on its performance over the last five years on respective financial indicators.
v. Performances of all financial indicators are evaluated based on audited financial statements.
vi. Measurement tools used for financial indicators are suggested by IPEG.
vii. Grades and scores are assigned according to the IPEG.

## 6. Performance Evaluation Results

### Karnaphuli Gas Distribution Company Ltd (KGDCL)

### Fiscal Year: 2023-24

| Serial No | Name of Indices, Indicators and Sub-indicators | Weight for Indices | Weight for Sub indicators | Score Obtained | Weighted Score |
|---|---|---|---|---|---|
| a | b | c | d | e | f |
| A | **Business Strategy and Social Responsibility:** | 25 | | | |
| 1 | Entity Strategy:<br>• Entity Strategic Plan | | 4 | 3 | 0.12 |
| 2 | Growth Trajectory:<br>2a. Net Income Growth | | 4 | 4 | 0.16 |
| | 2b. Service Revenue Growth | | 4 | 4 | 0.16 |
| | 2c. Other Growth | | 4 | 3 | 0.12 |
| 3 | Effective Implementation of Public Policy:<br>• Implement activities to achieve policy goal | | 3 | 4 | 0.12 |
| 4 | Efficiency of Project Implementation/ Project Goal Achievement:<br>• Percentage of estimated target achieved | | 3 | 4 | 0.12 |
| 5 | Social Contribution:<br>• Environmental Contribution<br>• CSR / WPPF<br>• Training / Volunteering | | 3 | 3 | 0.09 |
| | | **Sub Total** | **25** | | **0.89** |
| B | **Operational Efficiency:** | 25 | | | |
| 1 | Service Delivery:<br>• Service benefits and Accessibility | | 5 | 3 | 0.15 |
| 2 | Labor Productivity:<br>Added Value Per Employee | | 4 | 3 | 0.12 |
| 3 | Capital Productivity:<br>3a. Added Value Per TK Value of Assets | | 4 | 2 | 0.08 |
| | 3b. Added Value Per TK Value of PPE | | 4 | 2 | 0.08 |
| 4 | Production: | | | | |
| | 4a. Inventory Turnover | | 4 | 4 | 0.16 |
| | 4b. Asset Turnover | | 4 | 3 | 0.12 |
| | | **Sub Total** | **25** | | **0.71** |

| Serial No | Name of Indices, Indicators and Sub-indicators | Weight for Indices | Weight for Sub indicators | Score Obtained | Weighted Score |
|---|---|---|---|---|---|
| C | **Financial:** | 30 | | | |
| | **i. Financial Performance:** | | | | |
| 1 | Operating profit | | 2 | 2 | 0.04 |
| 2 | Profit before tax | | 2 | 2 | 0.04 |
| 3 | Return on assets | | 2 | 1 | 0.02 |
| 4 | Return on Service Revenue | | 2 | 1 | 0.02 |
| 5 | Return on equity | | 2 | 2 | 0.04 |
| 6 | Net worth growth | | 2 | 0 | 0.00 |
| 7 | Capital budget utilization | | 2 | 1 | 0.02 |
| | **ii. Financial Risk:** | | | | |
| 1 | Debt equity ratio | | 2 | 3 | 0.06 |
| 2 | Debt to assets | | 2 | 3 | 0.06 |
| 3 | Debt coverage ratio | | 2 | 4 | 0.08 |
| 4 | Current ratio | | 2 | 2 | 0.04 |
| 5 | Accounts receivable period | | 2 | 0 | 0.00 |
| 6 | Accounts payable period | | 2 | 0 | 0.00 |
| | **iii. Transactions with Government:** | | | | |
| 1 | Taxes paid | | 2 | 4 | 0.08 |
| 2 | Debt Service Liabilities Paid | | 1 | 0 | 0.00 |
| 3 | Dividend Paid | | 1 | 4 | 0.04 |
| | | **Sub Total** | **30** | | **0.54** |

| Serial No | **Name of Indices, Indicators and Sub-indicators** | Weight for Indices | Weight for Sub indicators | Score Obtained | Weighted Score |
|---|---|---|---|---|---|
| D | **Corporate Governance Practices:** | 20 | | | |
| 1 | Commitment to Corporate Governance:<br>• Code of Conduct<br>• Ethics<br>• Key policies of Board<br>• Board structure<br>• Employees service rules/ regulations<br>• Appointment of Board Secretary | | 5 | 4 | 0.20 |
| 2 | Board Practices:<br>• Composition of Board of Directors and number of meetings held<br>• TOR of board<br>• Number of independent Board Directors<br>• Name & Number of board committees and number of meetings held<br>• Number of board decisions that have been implemented | | 5 | 4 | 0.20 |
| 3 | Transparency and Disclosure:<br>• Board of directors and Senior managers name and biographies<br>• Audited financial statement<br>• Citizen charter<br>• APA<br>• Code of conduct | | 5 | 4 | 0.20 |
| 4 | Control Environment and Process:<br>• Entity's internal control systems for different departments<br>• Internal audit procedure and reporting authority<br>• Entity's computer-based management information system (database)<br>• Any authority of the board to mitigate the entity's emergency situation<br>• Measures taken for safe working environment in the entity's premises | | 5 | 3 | 0.15 |
| | | | | | |
| | **Sub Total** | | | | **0.75** |
| | **Grand Total (A+B+C+D)** | **100** | **100** | | **2.89** |

## 7. Interpretation of Results

As per Independent Performance Evaluation (IPE) Karnaphuli Gas Distribution Company Ltd Scored 2.89 out of 4.00 in the year 2023-24.

**7. (A)**The performance of KGDCL is graded “Excellent” in the following areas:

- Board Practices
- Efficiency of project Implementation
- Inventory Turnover
- Corporate Governance
- Transparency and Disclosure
- Service Revenue Growth
- Net Income Growth
- Debt Coverage Ratio

The performance of KGDCL is graded “Very Good” in the following areas:

- Other Growth
- Entity Strategic Plan
- Social Contribution
- Labour Productivity
- Service Delivery
- Assets Turnover
- Debt to Assets
- Debt Equity Ratio
- Control Environment and Process
- Effective Implementation of Public Policy

The performance of KGDCL is graded “Good” in the following areas:

- Current Ratio
- Capital Productivity
- Return on Equity

The performance of KGDCL is graded “Fair” in the following areas:

- Return on Service Revenue
- Return on Assets
- Capital Budget Utilization

The performance of KGDCL is graded “Under Performing” in the following areas:

- Accounts Receivable Period
- Net Worth Growth
- Accounts Payable Period

**7. (B)**Other important aspects of Performance during FY 2023-24:

- KGDCL has earned operating profit of Tk. 3,943.80 million.
- The entity earned net profit (after tax) of Tk 3,127.75 million.
- KGDCL Current Ratio (Times) 1.67 which indicates entity is in a moderate position to meet its current liabilities in due period.
- KGDCL Paid Taxes Tk1,482.81 million and DSL Tk. 55.44 million.

## 8. Findings from Audited Financial Statement 2023-2024

8.1. In Karnaphuli Gas Distribution Company Ltd. (KGDCL) Audit Report 2023-24, the auditors provided the qualified opinion on the following accounts and issues:

i. Gas suppliers of KGDCL did not confirm their outstanding balances. As liabilities for gas purchases are material and significant. So, there are chances of mismatches between book balances of KGDCL and gas suppliers & other entities.

ii. The company did not maintain advance received accounts against their pre-paid metered customers which violates IFRS-15 for recognition of sales and advance against sales.

iii. In audit report 2023-24 the company did not provide the trade receivable aging analysis of TK 25,280.59 million that is material and significant.

iv. Employee benefits accounts such as Gratuity fund, employee's contributory provident fund, WPPF and Kallayan Tahbil were not provided to the auditors for their review and comments. The company has never deposited 10% of WPPF to the welfare fund Account which is the violation WPPF regulations.

8.2. In the KGDCL audit report 2023-24, the auditor emphasis and drew attention to the following accounts and notes:

i. As per gazette notification issued by Energy and Mineral Resources Division, the entity sent the gas bill @ TK30 per cubic meter to KAFCO. KGDCL recognized their sale accordingly. As a result, revenue in fertilizer category has increased significantly. Although, the new contract was not executed as per gazette.

ii. The entity did not calculate the Deferred Tax as per IAS-12 Income Tax properly.

## 9. Recommendation for Performance Based Incentives

Karnaphuli Gas Distribution Company Ltd has obtained a weighted score of 2.89 out of a scale 4.00 and is graded "Good". Therefore, IPEC recommended non-financial incentive for the employees of KGDCL. Also, a certificate from Finance Division may be awarded to KGDCL for being graded "Good" in IPE for the FY 2023-24.

## 10. Recommendation for Improvement:

To enhance the performance of KGDCL, the following recommendations are proposed based on the findings of the Independent Performance Evaluation (IPE):

a) Karnaphuli Gas Distribution Company Limited (KGDCL) is implementing several development projects such as construction of a gas pipeline, installation of prepaid smart gas meters, and the construction of gas transmission pipelines. All these projects should be completed in accordance with the planned schedule to ensure effective service delivery.

b) The Faujdarhat–Sitakundu–Mirsarai Gas Distribution Network Upgradation Project should be completed within the stipulated timeline to enhance operational efficiency and strengthen the gas distribution network in Bangladesh.

c) KGDCL should implement Enterprise Resource Planning (ERP) software to streamline and optimize its operational activities.

d) The company should work towards reducing system losses to remain within an acceptable range.

e) Financial statements should be prepared in compliance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) to ensure better financial discipline, transparency, and accurate reporting.

f) The entity should address and resolve the auditor's qualified opinion in accordance with IAS/IFRS guidelines to ensure fair presentation of its financial statements.

g) The entity should include an aging analysis of accounts receivable and payable in its financial statements to enhance disclosure and transparency.

h) The entity should maintain an up-to-date asset register with costs or fair values for accurate and transparent financial reporting.

i) The entity may consider appointing women directors to its Board in alignment with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024), UN Sustainable Development Goal (SDG) 5 on Gender Equality, and World Bank/IFC corporate governance recommendations to promote gender diversity.

j) To implement the government directive the entity should arrange tree plantation programs with an aim to mitigate climate change and address global warming.

k) The entity should maintain an updated asset register with costs or fair values and introduce modern accounting software to ensure accurate and transparent financial reporting.

## 11. Conclusion

Based on the Audited Financial Statements, relevant data, and supporting documents of Karnaphuli Gas Distribution Company Limited (KGDCL), the Independent Performance Evaluation (IPE) Report for FY 2023–24 has been prepared. The report indicates that KGDCL's financial performance during FY 2023–24 was not satisfactory, although its non-financial performance showed improvement compared to the previous fiscal year. To enhance overall performance, KGDCL should focus on expanding and upgrading its gas transmission and distribution network to ensure more efficient service delivery. In addition, the company should adopt state-of-the-art technologies in its operational processes to improve operational efficiency and system management. Furthermore, the entity should take necessary measures to address and resolve the financial irregularities identified in the KGDCL Audited Financial Statement 2023–24.

**Karnaphuli Gas Distribution Company Ltd** **Annexure-1**

**Financial & Other Information**

Amount in BDT

| Serial No | Statement of Financial Position (Balance Sheet) | Evaluate Fiscal Year | Previous Fiscal Year |
|---|---|---|---|
| | | 2023-24 | 2022-23 |
| 1 | Current Assets: | | |
| | i. Inventories | | |
| | • Store and Spares | 520,021,572 | 608,267,584 |
| | ii. Receivable: | | |
| | • Trade | 25,280,588,916 | 15,380,955,694 |
| | • Others | 4,145,625,162 | 4,572,899,546 |
| | iii. Cash and Cash Equivalent including FDR | 14,479,762,055 | 12,222,468,628 |
| | iv. Others Current Assets | 2,110,583,042 | 2,101,549,161 |
| 2 | Total Current Assets (i+ii+iii+iv) | 46,536,580,746 | 34,886,140,613 |
| 3 | Total Non-Current Assets | | |
| | • Property, Plant & Equipment (PPE) | 7,735,812,070 | 6,642,823,811 |
| | • Capital Work in Progress | 3,572,006,331 | 1,695,786,348 |
| | •Other Non Current Assets | 618,770,297 | 558,966,771 |
| 4 | Total Assets (2+3) | 58,463,169,444 | 43,783,717,543 |
| 5 | Current Liabilities: | | |
| | i. Payables: | | |
| | • Trade | 23,072,161,076 | 12,533,086,761 |
| | • Others | | |
| | ii. Other Current Liabilities | 4,803,753,219 | 2,681,321,350 |
| 6 | Total Current Liabilities (i+ii) | 27,875,914,295 | 15,214,408,111 |
| 7 | Non-Current Liabilities: | | |
| | i. Long Term Loans/Debts | 804,909,559 | 848,047,167 |
| | ii. Deferred Liabilities | 742,357,079 | 476,308,150 |
| | iii. Other Non-Current Liabilities | 7,996,373,603 | 5,893,759,141 |
| 8 | Total Non-Current Liabilities (i+ii+iii) | 9,543,640,241 | 7,218,114,458 |
| 9 | Total Liabilities (6+8) | 37,419,554,536 | 22,432,522,570 |
| 10 | Equity: | | |
| | i. Share Capital | 6,577,243,200 | 6,577,243,200 |
| | Ii. Depreciation Fund | 1,827,065,676 | 2,574,814,060 |
| | v. Revaluation Reserve | 1,585,919,057 | |
| | vi. Retained Earnings/(Loss) | 11,053,386,974 | 12,199,137,713 |
| 11 | Total Equity (i+ii+iii+iv+v) | 21,043,614,908 | 21,351,194,973 |
| 12 | Total Equity and Liabilities (9+11) | 58,463,169,444 | 43,783,717,542 |

Annexure 1

| Serial No | Statement of Profit or Loss and Other Comprehensive Income (Income Statement) | 2023-24 | | 2022-23 | |
|---|---|---|---|---|---|
| | | Amount | Percentage | Amount | Percentage |
| 13 | . Net Sales Revenue | 67,232,087,181 | 100% | 54,436,360,415 | 100% |
| 14 | Less: Cost of Sales | 61,641,232,077 | 91.68% | 49,854,389,529 | 91.58% |
| 15 | Gross Profit/(Loss) (13-14) | 5,590,855,104 | 8.32% | 4,581,970,886 | 8.42% |
| 16 | Less: Operating Expenses: | | | | |
| | i. Administrative Expenses | 1,647,059,338 | 2.45% | 1,541,300,126 | 2.83% |
| | ii. Marketing Expenses | | | | |
| 17 | Total Operating Expenses (i+ii) | 1,647,059,338 | 2.45% | 1,541,300,126 | 2.83% |
| 18 | Operating Profit/(Loss) (15-17) | 3,943,795,766 | 5.87% | 3,040,670,760 | 5.59% |
| 19 | Add: Non-Operating Income | 903,337,731 | | 905,247,728 | |
| 20 | Less: Financial Expenses | 8,467,005 | | 8,042,558 | |
| 21 | Less: Contribution to WPPF | 241,933,325 | | 196,893,796 | |
| 22 | Net Profit/(Loss) before Tax (18+19 – 20-21) | 4,596,733,168 | | 3,740,982,133 | |
| 23 | Less: Provision for Tax | | | | |
| | i. Current tax | 1,482,805,768 | | 1,636,195,013 | |
| | ii. Deferred tax | (13,819,140) | | 128,881,740 | |
| 24 | Net Profit/(Loss) After Tax (22-23) | 3,127,746,540 | | 1,975,905,381 | |

| Serial No | Other Information | Evaluate Fiscal Year | Previous Fiscal Year |
|---|---|---|---|
| | | 2023-24 | 2022-23 |
| 25 | Credit Sales | 25,280,589,000 | 15,579,104,345 |
| 26 | Credit Purchases | 23,072,161,000 | 12,533,086,761 |
| 27 | Capital Budget Allocation | 4,419,512,000 | 1,397,000,000 |
| 28 | Actual Capital Expenditure | 2,118,349,000 | 467,581,728 |
| 29 | Dividend Payable | 900,000,000 | 1,986,500.000 |
| 30 | Dividend Paid | 900,000,000 | 1,986,500,000 |
| 31 | Taxes Payable | 1,482,806,000 | 1,636,195,013 |
| 32 | Taxes Paid | 1,482,806,000 | 4,293,728,570 |
| 33 | Debt Service Liabilities (DSL) Payable | 804,910,000 | 62,642,181 |
| 34 | Debt Service Liabilities (DSL) Paid | 55,435,000 | 62,642,181 |
| 35 | Fees, Fine and Charges Payable | | |
| 36 | Fees, Fine and Charges Paid | | |
| 37 | New Government Investment: | | |
| | • Equity | | |
| | • Debts/Loan | | |
| 38 | Total Government Fund Transferred to SOE/AB under the following heads: | | |
| | • Grants | | |
| | • Share Money Deposit | | |
| | • Other Transfer (Specify) | | |
| 39 | Operating Cash Surplus/(Deficit) | 4,231,362,248 | (10,023,066,502) |
| 40 | Added Value | 5,590,855,104 | 4,581,970,886 |
| 41 | Employee’s cost includes wages, salaries, bonus, provident fund contribution and other allowances | | |
| 42 | Capacity Utilization (%) | | |
| 43 | Input use Efficiency (%) | | |
| 44 | Number of Employees (Nos) | 433 | 456 |
| 45 | Performance score achieved on APA | | 97.70 |