

Subject : Management Discussion and Analysis in 2017

To : The Director and Manager
The Stock Exchange of Thailand

Summary the company performance in 2017

Southern Concrete Pile Public Company Limited (the company hereafter) reports the company's performance of 2017 compared to 2016 and 2015. The details of company performance are as follows:

Overall performance in 2017

The real estate, public and private projects were in the uptrend, but they were focused in the particular areas. This affected the overall company's as follows:

- Revenue of 1,614.078 million Baht, decreased by 0.28% yoy (consisted of sales income of 1,223.516 million Baht (increased by 3.52% yoy), service income of 369.168 million Baht (decreased by 7.87%), and other income of 21.394 million Baht (decreased by 40.69%))
- Cost of goods sold and service 1,105.761 million Baht, or 69.43% of revenue, increased 0.73% yoy
- Gross profit reduced to 486.923 million Baht, or 30.57% of revenue, decreased by 0.73% yoy
- Net profit reduced to 232.961 million Baht, or 14.43% of revenue, decreased by 2.05% yoy
- Dividend 0.40 Baht/share, or 51.51% of profit

Thousand Baht	YEAR						YoY				
	2017		2016		2015		2017/2016		2016/2015		
		%		%		%	+ / -	%	+ / -	%	
Revenue											
Revenue from sales	1,223,516	76.82%	1,181,870	74.68%	1,324,097	76.84%	41,646	3.52%	(142,227)	(10.74%)	
Revenue from rendering of services	369,168	23.18%	400,688	25.32%	399,040	23.16%	(31,520)	(7.87%)	1,648	0.41%	
Total Revenue	1,592,684	98.67%	1,582,558	97.77%	1,723,137	98.48%	10,126	0.64%	(140,579)	(8.16%)	
Other income	21,394	1.33%	36,070	2.23%	26,654	1.52%	(14,676)	(40.69%)	9,416	35.33%	
Total Revenue	1,614,078	100.00%	1,618,628	100.00%	1,749,791	100.00%	(4,550)	(0.28%)	(131,163)	(7.50%)	
Cost											
Cost of sales	824,809	67.41%	783,727	66.31%	886,273	66.93%		1.10%		(0.62%)	
Cost of services	280,952	76.10%	303,472	75.74%	294,919	73.91%		0.36%		1.83%	
Total Cost of sales and rendering of services	1,105,761	69.43%	1,087,199	68.70%	1,181,192	68.55%		0.73%		0.15%	
Gross Profit	486,923	30.57%	495,359	31.30%	541,945	31.45%		(0.73%)		(0.15%)	
Selling and administrative expenses	203,371	12.60%	194,702	12.03%	194,232	11.10%		0.57%		0.93%	
Profit before interest & tax	304,946	18.89%	336,727	20.80%	374,367	21.39%		(1.91%)		(0.59%)	
Finance costs	5,029	0.32%	4,174	0.26%	3,993	0.23%		0.06%		0.03%	
Income tax	66,956	4.15%	65,806	4.07%	77,403	4.42%		0.08%		(0.35%)	
Net profit for the year	232,961	14.43%	266,747	16.48%	292,971	16.74%		(2.05%)		(0.26%)	
EBITDA	350,929		378,437		414,745						
Basic earnings per share (Baht)	0.78		0.89		0.98						
Dividend Summary – Baht per share	0.40		0.35		0.40						
Payout Ratio (% of Net Profit)	51.51%		39.36%		40.96%						
Dividend Yield (%)	4.00%		4.47%		3.09%						

Total Revenue

During 2015-2017, the company had the total revenue from the sale income and service income at 1,723.137 million Baht, 1,582.558 million Baht and 1,592.684 million Baht, or reduction of 1.10% yoy, 8.16% yoy and 0.64% yoy respectively. The performance had been declining because the new private and public projects were developed in the particular areas under the fierce competitions which led to lower selling prices. Nevertheless, in 2017, the company was awarded in the major projects such as MRT Orange Line (Thai Cultural Centre – Min Buri (Contract 5), Bang Yai - Karnchanaburi and Bangpailin - Saraburi Nakornratchasima Motorway (Section 6), Bangkok – Karnchanaburi Motorway, Khlong Sip Kao – Kaeng Koi Double Track Project, PTTGC Olefin Refinery, Continental Tyre Plant, Thammajedi Museum Ban-Tak Temple, South Bangkok Power Plant etc. (more information could be found on 2017 56-1 documents)

The other income was mainly from the bad debt receipt, dividend from available for sale security, interest from mutual funds and gain on disposal of equipment etc. During 2015-2017, the company had other income of 26.654 million Baht, 36.070 million Baht, and 21.394 million Baht respectively. The other income in 2017 had reduced by 14.676 million Baht yoy or 40.69% yoy. This was because the bad debt receipt reduced to 0.929 million Baht, dividend of 1.618 million Baht and there was no asset selling activity compared to 2016, the company had bad debt receipt of 5.986 million Baht, dividend of 2.967 million Baht and gain on disposal of equipment of 1.152 million Baht.

Cost and Expenses

During 2015-2017, the company had the cost of goods sold at 66.93%, 66.31% and 67.41% respectively, decreased by 0.62% yoy in 2016 and increased by 1.10% yoy in 2017. The cost of goods sold had been decreasing in the first two years due to the lower raw material prices especially the steel price. However, the steel price had changed to the uptrend in 2017 and resulted in higher cost of goods sold in the past year. The cost of services were at 73.91%, 75.74% and 76.10%. This is mainly because the fiercer competition resulting in lower selling prices.

Selling and administrative expenses during 2015-2017 were 11.10%, 12.03% and 12.60% respectively. These clearly showed that each year had a slight increase. This was because the company set the doubtful account of 4.661 million Baht, 1.079 million Baht and 6.616 million Baht respectively.

From the above information, these reflected the EBITDA in 2017 reduced to 350.929 million Baht from previously at 378.437 million Baht and 414.745 million Baht in 2016 and 2015 respectively.

Profit

In 2017, the company had the net profit of 232.961 million Baht or profit of 0.78 Baht per share and reduced by 14.43% yoy due to the lower product selling prices and higher material costs. In 2015-2016, the company had the net profit of 292.971 million Baht and 266.747 million Baht respectively or profit per share of 0.98 Baht and 0.89 Baht respectively, and equivalent to 16.74% and 16.48% respectively.

From the above information, the retained earnings increased to 1,462.432 million Baht, consisted of legal reserve of 30.000 million Baht and unappropriated of 1,432.432 million Baht.

Statements of Financial Position

As of 31 December 2017, the company had the total asset of 2,171.249 million Baht, increased from 2015 and 2016, which were at 1,868.756 million Baht and 2,081.512 million Baht respectively. The 2017 increment was partly from the current assets in cash and cash equivalents, current investments, account receivable and inventories. The current investment increased to 179.457 million Baht, which consisted of 4-12 month short-term deposit, mutual fund, cash on hand, account receivable of 53.404 million Baht and inventories increased to 41.748 million Baht and mainly were the raw materials for upcoming projects.

Non-current assets decreased in available-for-sale investments of 41.542 million Baht, proceeds from sale of available-for-sale investments of 446.281 million Baht and increased of property, plant and equipment 123.138 million Baht.

In 2017, the returns from fixed assets and return rate of fixed asset and fixed asset turnover ratio reduced to 10.73%, 47.36% and 0.74 times respectively. In 2016, the values were 12.82%, 67.07% and 0.78 times respectively. In 2015, the values were 15.68%, 76.35% and 0.94 times respectively. This was from the lower sales according to the market condition.

Statements of Cash Flows

As of 31 December 2017, the company had the net cash increased to 203.119 million Baht from 137.365 million Baht. The amount incurred from the net cash from operation 208.556 million Baht, deducted by investing activities of 21.262 million Baht and investing in financing activities of 121.539 million Baht. The net cash partly increased from the operation of account receivable of 58.123 million Baht, merchandise inventory of 41.988 million Baht as raw materials for upcoming projects. The net cash from operation of investing activity in property, plant and equipments of 174.258 million Baht and investing and selling the available-for-sale investments of 144.947 million Baht. The property, plant and equipment was mainly the building, machinery, accessory in spun pile factory in Chonburi and the machinery, mould, building repair works. The net cash from financing activity for dividend pay our of 105 million Baht and finance lease payment 14.858 million Baht.

Financial Ratios

Financial Ratios	2017	2016	2015
Current Ratio (times)	4.63	3.95	3.97
Cash Cycle (Day)	80.79	60.01	53.35
Return on Equity (%)	12.95	15.62	19.23
Return on Assets (%)	10.73	12.82	15.68
Debt to Equity (times)	0.21	0.22	0.23

From the current ratio and cash cycle analysis, during 2015-2017, the company has a satisfied current ratio and had all ability to pay back the short-term debts. For the return on equity and return on assets had decreased due to the lower sale income.

For the debt to equity ratio (D/E) during 2015-2017 were 0.23 times, 0.22 times and 0.21 times respectively and been decreasing in the past 3 years due to the payback of financial lease liabilities.

Dividend Payout

For the 2017 performance, the committee meeting on 23rd February 2018 has agreed to payout the dividend of 0.40 Baht per share, total of 120 million Baht.

Yours Sincerely,

(Ms.Arune Nganthavee)

Managing Director