

13. Financial Information

1.1 Independent Auditor's Report

Qualified Opinion

I have audited the consolidated and separate financial statements of Birla Carbon (Thailand) Public Company Limited and its subsidiary (the “Group”) and of Birla Carbon (Thailand) Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 March 2020, and the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 March 2020 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<i>Valuation of long-term loan to related party</i>	
Refer to Note 3 and 5	
The key audit matter	How the matter was addressed in the audit
<p>The Group and the Company provided a long-term loan to an overseas associate, which is unsecured with interest rate at LIBOR+3.5% per annum and will be repayable in full in July 2021.</p> <p>As the long-term loan balance and the accrued interest are material and involved judgment in estimating the recoverability, I considered this to be the key audit matter.</p>	<p>My audit procedures included the following:</p> <ul style="list-style-type: none">• read the loan agreements, obtained confirmation, and tested the accrued interest to assess whether the calculation was consistent with the conditions stipulated in the long-term loan agreement;• made inquiries of management and obtained related documents to understand the process by which management has derived the estimated future cash flows of associate;• evaluated the assumptions and methodologies underpinning the estimated cash flows;• performed retrospective review by comparing estimated cash flows prepared by management in the previous year against the actual financial performance;• performed sensitivity analysis on growth rate and discount rate;• considered the adequacy of the disclosure of the financial statements.

Other Matter

I expressed a qualified audit opinion on the consolidated and separate financial statements for the year ended 31 March 2019, according to my report thereon dated 27 May 2019, stating that the Group had an 29.99% equity interest in an associate, Aditya Birla Chemicals (Thailand) Limited (“ABCT”), with a carrying value of THB 4,026 million and Baht 510 million in the consolidated and separate financial statements, respectively. The auditor of ABCT qualified her opinion on the financial statements of ABCT for the year ended 31 December 2018 regarding the valuation of a long-term loan to a related party granted by ABCT amounting to USD 315 million, equivalent to Baht 10,141 million, because of the significant operating losses and capital deficit of the related party as at and for the year ended 31 March 2018. The auditor of ABCT was unable to obtain sufficient and appropriate audit evidence to satisfy herself regarding the value of those investments. Consequently, she was unable to determine whether and to what extent any adjustments were required to the carrying value of the long-term loans to that related party. I was therefore also unable to determine whether and to what extent any adjustments were required to the carrying value of the investment in ABCT in the consolidated and separate financial statements.

However, on 20 April 2020, the auditor of ABCT expressed unqualified review conclusion for the six-month period ended 30 September 2019, as subsequently, management had provided additional information. Therefore, the auditor of ABCT was able to conclude that no adjustments were necessary to the financial statement as at 31 March 2019. Therefore, and after further communication with the auditor of ABCT, I have concluded that no adjustments are required to the carrying amount of the investment in ABCT as at 31 March 2019, and the share of profit of ABCT for the year then ended.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor’s report thereon. The annual report is expected to be made available to me after the date of this auditor’s report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Orawan Chunhakitpaisan)
Certified Public Accountant
Registration No. 6105

KPMG Phoomchai Audit Ltd.
Bangkok
29 May 2020

1.2 Summary of Financial Information

Statement of financial position (Audited)

(Unit : Baht)

	Consolidated financial statements					
	As at 31 March					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Assets						
<i>Current assets</i>						
Cash and cash equivalents	4,600,902,402	21.41	1,722,202,032	8.67	381,347,746	2.11
Short-term deposits at financial institutions	-	-	1,489,541,220	7.50	645,700,000	3.58
Trade accounts receivable	1,069,255,910	4.98	1,203,567,691	6.06	1,168,632,687	6.48
Other receivables	81,457,536	0.38	74,364,840	0.37	61,039,715	0.34
Inventories	475,432,565	2.21	896,680,138	4.51	1,102,320,914	6.11
Current portion of long-term loan to related parties	4,750,000	0.02	4,750,000	0.02	-	-
Derivatives assets	69,673,862	0.32	-	-	-	-
Total current assets	6,301,472,275	29.32	5,391,105,921	27.15	3,359,041,062	18.61
		-		-		
<i>Non-current assets</i>		-		-		
Investments in associates	5,163,283,589	24.03	4,961,090,969	24.98	4,599,194,732	25.48
Investments in subsidiary	-	-	-	-	-	-
Other long-term investments	239,476,991	1.11	239,081,061	1.20	1,596,481,061	8.85
Long-term loan to related parties	5,629,577,193	26.20	5,485,367,312	27.62	5,371,080,519	29.76
Long-term interest receivables	2,705,645,770	12.59	2,178,143,025	10.97	1,701,256,467	9.43
Property, plant and equipment	1,351,445,390	6.29	1,497,185,461	7.54	1,318,808,355	7.31
Intangible assets	6,080,263	0.03	10,944,473	0.06	15,808,683	0.09
Deferred tax assets	75,831,172	0.35	93,491,832	0.47	83,503,179	0.46
Advance for purchase of machinery and equipment	13,751,487	0.06	1,221,395	0.01	-	-
Other non-current assets	2,339,750	0.01	2,647,952	0.01	2,472,769	0.01
Total non-current assets	15,187,431,605	70.68	14,469,173,480	72.85	14,688,605,765	81.39
Total assets	21,488,903,880	100.00	19,860,279,401	100.00	18,047,646,827	100.00

Statement of financial position (Audited) (Continued)

(Unit : Baht)

	Consolidated financial statements					
	As at 31 March					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Liabilities and equity						
<i>Current liabilities</i>						
Trade accounts payable	801,333,763	3.73	772,817,667	3.89	1,175,160,835	6.51
Other payables	183,882,247	0.86	379,959,032	1.91	362,227,117	2.01
Current portion of lease liabilities	4,952,242	0.02	-	-	-	-
Current tax payable	271,611,206	1.26	196,224,199	0.99	73,215,186	0.41
Derivatives liabilities	-	-	6,554,489	0.03	273,457	0.00
Total current liabilities	1,261,779,458	5.87	1,355,555,387	6.83	1,610,876,595	8.93
		-		-		-
<i>Non-current liabilities</i>		-		-		-
Lease liabilities	1,590,575	0.01	-	-	-	-
Non-current provisions for employee benefits	137,006,980	0.64	136,311,350	0.69	98,515,093	0.55
Total non-current liabilities	138,597,555	0.64	136,311,350	0.69	98,515,093	0.55
Total liabilities	1,400,377,013	6.52	1,491,866,737	7.51	1,709,391,688	9.47
		-		-		-
<i>Equity</i>		-		-		-
Share capital:		-		-		-
Authorised share capital	300,000,000	1.40	300,000,000	1.51	300,000,000	1.66
Issued and paid-up share capital	300,000,000	1.40	300,000,000	1.51	300,000,000	1.66
Share premium:		-		-		-
Share premium on ordinary shares	930,000,000	4.33	930,000,000	4.68	930,000,000	5.15
Retained earnings		-		-		-
Appropriated		-		-		-
Legal reserve	30,000,000	0.14	30,000,000	0.15	30,000,000	0.17
Unappropriated	20,716,465,789	96.41	18,703,608,692	94.18	16,427,714,917	91.02
Other components of equity	(1,887,938,922)	(8.79)	(1,595,196,028)	(8.03)	(1,349,459,778)	(7.48)
Total equity	20,088,526,867	93.48	18,368,412,664	92.49	16,338,255,139	90.53
Total liabilities and equity	21,488,903,880	100.00	19,860,279,401	100.00	18,047,646,827	100.00

Statement of income (Audited)

(Unit : Baht)

	Consolidated					
	For the year ended 31 March					
	2020		2019		2,018	
	Amount	%	Amount	%	Amount	%
Revenue						
Revenue from sales	7,493,752,479	90.22	8,550,215,142	102.94	7,323,611,452	94.26
Dividend income	-	-	47,291,550	0.57	48,576,503	0.63
Interest income	517,324,112	6.23	512,435,674	6.17	392,973,077	5.06
Net foreign exchange gain	289,910,883	3.49	143,189,843	1.72	-	-
Other income	5,396,180	0.06	5,192,278	0.06	4,100,925	0.05
Total revenue	8,306,383,654	100.00	9,258,324,487	111.46	7,769,261,957	100.00
Expenses						
Cost of sales of goods	5,478,706,192	65.96	6,298,186,381	75.82	5,088,242,823	65.49
Distribution costs	149,353,136	1.80	145,843,064	1.76	148,552,121	1.91
Administrative expenses	402,141,330	4.84	416,504,577	5.01	393,464,349	5.06
Net foreign exchange loss	-	-	-	-	455,058,315	5.86
Finance costs	670,719	0.01	796,472	0.01	206,433,715	2.66
Total expenses	6,030,871,377	72.61	6,861,330,494	82.60	6,291,751,323	80.98
Share of profit of associates						
Associates	573,868,367	6.91	637,397,637	7.67	1,027,491,447	13.23
Total	573,868,367	6.91	637,397,637	7.67	1,027,491,447	13.23
Profit before income tax expense	2,849,380,644	34.30	3,034,391,630	36.53	2,505,002,081	32.24
Tax expense	455,116,154	5.48	449,518,448	5.41	223,182,489	2.87
Profit for the year	2,394,264,490	28.82	2,584,873,182	31.12	2,281,819,592	29.37
Basic earnings per share (in Baht)	7.98		8.62		7.61	

Statement of comprehensive income (Audited)

(Unit : Baht)

	Consolidated		
	For the year ended 31 March		
	2020	2019	2,018
	Amount	Amount	Amount
Profit for the year	2,394,264,490	2,584,873,182	2,281,819,592
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations	(290,521,278)	(245,736,250)	(52,132,612)
Share of other comprehensive income of associates, net of tax	(2,221,616)	-	1,724,375
Total items that will be reclassified subsequently to profit or loss	(292,742,894)	(245,736,250)	(50,408,237)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income of associates, net of tax	(51,407,393)	(4,279,201)	-2,501,250
Loss on remeasurements of defined benefit plans	-	(5,875,257)	-4,825,390
Income tax relating to items that will not be reclassified to profit or loss	-	1,175,051	965,078
Total items that will not be reclassified subsequently to profit or loss	(51,407,393)	(8,979,407)	(6,361,562)
Other comprehensive expense for the year, net of tax	(344,150,287)	(254,715,657)	(56,769,799)
Total comprehensive income for the year	2,050,114,203	2,330,157,525	2,225,049,793

Statement of cash flow (Audited)

(Unit : Baht)

Consolidated financial statements			
For the year ended 31 March			
	2020	2019	2018
	Amount	Amount	Amount
<i>Cash flows from operating activities</i>			
Profit for the year	2,394,264,490	2,584,873,182	2,281,819,592
<i>Adjustments for reconcile profit to cash receipts</i>			
Depreciation and amortisation	237,277,016	214,065,573	190,013,666
(Reversal of) losses on inventories devaluation	(11,412,604)	7,093,200	14,581,391
Dividend income	-	(47,291,550)	(48,576,503)
Interest income	(517,324,112)	(512,435,674)	(392,973,077)
Finance costs	670,719	796,472	112,508,031
Amortisation of deferred transaction costs	-	-	93,925,684
Unrealised gain on exchange rate	(291,751,043)	(83,595,010)	363,145,750
Unrealised (gain) loss on derivatives	(76,228,351)	6,281,032	(107,614,454)
(Gain) loss on disposal of property, plant and equipment	(618,022)	197,634	(886,931)
Share of profit of associates, net of tax	(573,868,367)	(637,397,637)	(1,027,491,447)
Provisions for employee benefits	11,946,989	39,538,203	12,071,312
Tax expense	455,116,154	449,518,448	223,182,489
	1,628,072,869	2,021,643,873	1,713,705,503
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable	142,639,958	(32,245,531)	(278,284,812)
Other receivables	(20,869,318)	5,337,036	119,397,124
Inventories	432,660,177	198,547,576	(350,042,677)
Other non-current assets	308,202	(175,183)	361,800
Trade accounts payable	24,668,892	(439,417,152)	507,487,536
Other payables	(89,533,237)	(76,700,719)	157,770,118
Net cash generated from operating	2,117,947,543	1,676,989,900	1,870,394,592
Employee benefit paid	(11,251,359)	(7,617,203)	(11,396,232)
Tax paid	(362,068,486)	(335,323,037)	(262,290,667)
Net cash from operating activities	1,744,627,698	1,334,049,660	1,596,707,693

Statement of cash flow (Audited) (Continued)

(Unit : Baht)

Consolidated financial statements			
For the year ended 31 March			
	2020	2019	2018
	Amount	Amount	Amount
<i>Cash flows from investing activities</i>			
Decrease (increase) in short-term deposits			
at financial institutions	1,489,541,220	(839,224,191)	1,987,300,000
Proceeds from redemption of other long-term investments	-	1,357,400,000	-
Interest received	87,079,523	41,804,506	48,385,304
Dividend received	27,515,088	72,782,550	76,278,608
Acquisition of property, plant and equipment	(182,019,843)	(294,820,302)	(77,260,431)
Advance for purchase of machinery and equipment	(12,530,092)	(1,221,395)	-
Proceeds from sale of property, plant and equipment	714,953	-	1,353,255
Proceeds from repayment of long-term loans			
to related parties	6,550,000	1,583,333	-
Long-term loans to related parties	-	(19,000,000)	-
Acquisition of other long-term investment			
Increase in long-term deposits at financial institution	(395,930)	-	(15,876,900)
Net cash from investing activities	1,416,454,919	319,304,501	2,020,179,836
<i>Cash flows from financing activities</i>			
Interest paid	(670,719)	(796,472)	(115,500,406)
Dividends paid	(329,481,308)	(298,523,168)	(238,936,448)
Payment of lease liabilities	(5,269,246)	-	-
Proceeds from borrowings	256,000,000	1,378,500,000	(3,376,483,670)
Repayment of borrowings	(256,000,000)	(1,378,500,000)	-
Net cash used in financing activities	(335,421,273)	(299,319,640)	(3,730,920,524)
Net increase in cash and cash equivalents,			
before effect of exchange rates	2,825,661,344	1,354,034,521	(114,032,995)
Effect of exchange rate changes on cash and cash equivalents	53,039,026	(13,180,235)	-
Net increase in cash and cash equivalents	2,878,700,370	1,340,854,286	(114,032,995)
Cash and cash equivalents at 1 April	1,722,202,032	381,347,746	495,380,741
Cash and cash equivalents at 31 March	4,600,902,402	1,722,202,032	381,347,746
<i>Non-cash transactions</i>			
Payables for purchases of machinery and equipment	42,606,942	149,669,182	56,713,381
Accrued dividend	8,415,110	7,896,418	6,419,586

Financial Ratio (The Company only)

	2020	2019	2018	2017	2016
	2563	2562	2561	2560	2559
	มีนาคม	มีนาคม	มีนาคม	มีนาคม	มีนาคม
LIQUIDITY RATIOS :					
Current Ratio (Times)	4.99	3.98	2.09	3.95	11.22
Quick Ratio (Times)	4.62	3.32	1.37	3.21	10.52
Accounts Receivable Turnover (Times)	6.17	6.82	6.95	5.67	5.19
Average Collection Period (Days)	58.33	52.78	51.78	63.53	69.32
Inventory Turnover (Times)	7.99	6.30	5.44	5.30	7.73
Average Inventory Time (Days)	45.08	57.13	66.12	67.93	46.57
Accounts Payable Turnover (Times)	5.13	4.68	4.21	5.26	6.89
Average Payment Period (Days)	70.23	76.87	85.54	68.48	52.25
Cash Cycle (Days)	33.18	33.04	32.36	62.98	63.63
PROFITABILITY RATIOS :					
Gross Profit Margin (%)	26.89	26.34	30.52	29.51	21.85
Net Profit Margin (%)	22.17	21.25	16.31	21.56	15.09
Return on Networth (%)	12.37	14.78	10.60	10.79	7.83
EFFICIENCY RATIOS :					
Return on Total Assets (%)	11.28	13.20	8.33	7.50	5.60
Return on Fixed Assets (%)	146.41	155.34	106.89	93.35	66.59
Total Assets Turnover (Time)	0.51	0.62	0.51	0.35	0.37
FINANCIAL POLICY RATIO:					
Debt/Equity Ratio (Times)	0.09	0.11	0.14	0.42	0.46
Interest Payment Coverage (Times)	3,434.83	3,042.69	8.23	11.10	9.21
Pay-out Ratio (%)	19.48	16.72	23.59	20.26	22.61
PER SHARE VALUES :					
Par Value (Baht)	1.00	1.00	1.00	1.00	1.00
Book Value (Baht)	52.33	47.27	41.71	38.28	34.93
Earning Per Share (Baht)	6.16	6.58	4.24	3.95	2.65
Dividend Per Share (Baht)	1.20	1.10	1.00	0.80	0.60

Financial Ratio (Consolidated)

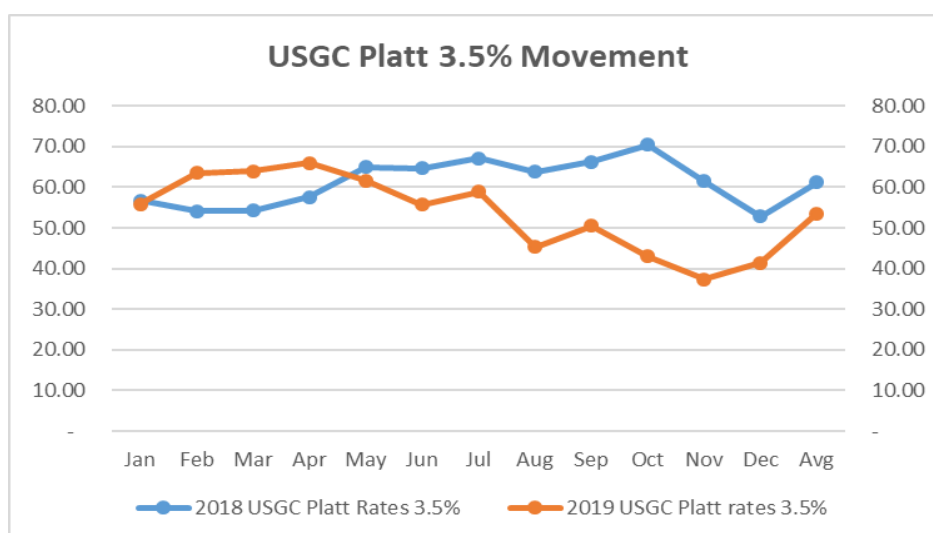
	2020	2019	2018	2017	2016
	2563	2562	2561	2560	2559
	มีนาคม	มีนาคม	มีนาคม	มีนาคม	มีนาคม
LIQUIDITY RATIOS :					
Current Ratio (Times)	4.99	3.98	2.09	3.95	10.31
Quick Ratio (Times)	4.62	3.32	1.37	3.21	9.61
Accounts Receivable Turnover (Times)	6.17	6.82	6.95	5.67	5.19
Average Collection Period (Days)	58.34	52.79	51.78	63.53	69.32
Inventory Turnover (Times)	7.99	6.30	5.44	5.30	7.73
Average Inventory Time (Days)	45.08	57.13	66.12	67.93	46.57
Accounts Payable Turnover (Times)	5.13	4.68	4.21	5.26	6.89
Payment Period (Days)	70.24	76.88	85.54	68.48	52.26
Cash Cycle (Days)	33.17	33.04	32.35	62.98	63.63
PROFITABILITY RATIOS :					
Gross Profit Margin (%)	26.89	26.34	30.52	29.51	21.85
Net Profit Margin (%)	28.82	27.92	29.37	41.94	17.67
Return on Equity (%)	12.45	14.90	14.87	17.28	7.84
EFFICIENCY RATIOS :					
Return on Total Assets (%)	11.58	13.64	12.26	12.69	5.84
Return on Fixed Assets (%)	184.76	198.79	180.76	168.41	74.92
Total Assets Turnover (Time)	40.18	48.85	41.75	30.25	33.05
FINANCIAL POLICY RATIO :					
Debt/Equity Ratio (Times)	0.07	0.08	0.10	0.34	0.39
Interest Payment Coverage (Times)	3,393.65	3,010.51	8.16	10.90	8.94
Pay-out Ratio	15.04	12.77	13.15	10.47	19.41
PER SHARE VALUES :					
Par Value (Baht)	1.00	1.00	1.00	1.00	1.00
Book Value (Baht)	66.96	61.23	54.46	47.84	40.61
Earning Per Share (Baht)	7.98	8.62	7.61	7.64	3.09
Dividend Per Share (Baht)	1.20	1.10	1.00	0.80	0.60

14. Management Discussion and Analysis of Operating Results

Production and sales

The production and sales performance of the company this year had slightly improved compared to previous year. Total production during the year was 219,308 MT which is 10% higher than 199,269 MT of preceding year. Total sales during the current year were increased by 4% to 225,525 MT as compared to 216,784 MT of preceding period. Due to drop in selling prices on account of significant decrease in Platt rates, Sales revenue in the current year decreased by 12% to THB 7,494 million during the year compared to THB 8,550 million in the preceding period.

Carbon Black industry works on formula pricing based on published plat rates. Calendar Year 2018 & 2019 platt rates are as below:



As we can see from above on Month to Month Comparison Platt rates were at downward trend since May 2019 which has resulted in drop of Platt rates of average of Year on Year by 12.5 %. This is brought down the pricing impacting revenue by 12 %.

On comparison in Domestic Vs Export revenue in segment reporting, drop in total revenue is 12% same as drop in domestic revenue as the volume to each market are at same ratio as last year.

	2020	2019	Drop %
Thailand	5,424,627	6,181,046	-12%
Export	2,069,125	2,369,169	-13%
Total	7,493,752	8,550,215	-12%

Other Incomes

During current year the company earned Dividend, Interest and Miscellaneous income amounting to THB 550 million as compared to THB 590 million in preceding period mainly due to lower dividend income. In the current year, there is an exchange gain of THB 290 million compared to THB 143 million in the preceding year due to appreciation of THB against USD.

Cost and Expenses

Cost of sales for current period was 5,479 million, which is at 73% of sales as compared to 6,298 million, which was at 73.7% of sales in preceding period. Several initiatives were taken by the company to improve efficiency like sharp focus on raw material buying, improved productivity & cost optimization have benefitted company in improving gross margins.

During the period overhead costs were kept under tight control resulting in decrease in selling, general & administration costs from THB 562 million during preceding period to THB 551 million in current period.

		2020	2019	2,018		
		Amount	Amount	Amount	YoY	YoY
Distribution costs		149,353,136	145,843,064	148,552,121	2%	-2%
Administrative expenses		402,141,330	416,504,577	393,464,349	-3%	6%
		551,494,466	562,347,641	542,016,470	-2%	4%

However, we should also note that we need to keep spending significantly in Repair & Maintenance so as to ensure plant is in best operating condition. We also have to ensure that both safe & conducive environment is provided to employee to improve their productivity.

At consolidated level your company has been earning consistent Net Profit % YoY as depicted below,

		2020	2019	2,018
		%	%	%
Net Profit %		28.82%	27.92%	29.37%

Profits

On a consolidated basis, the company recorded a net profit of THB 2,394 million as compared to THB 2,585 million during preceding period. The company's net profit on standalone basis has decreased from THB 1,973 million to THB 1,848 million due to decrease in gross profit on account of significant pressure on selling price from competitive & contracting global market.

Financial Position (Company only)

Assets

The total assets as of 31st March 2020 amounted to THB 17,098 million compared to 15,672 million as of 31st March 2019. Details of major assets are as follow

- **Cash & Short term deposits**

The cash reserves of the company was THB 4,601 million as on 31 March 2020 compared to THB 3,212 million as on 31 March 2019

Company is evaluating various investment options but considering current market scenario & economic environment it has decided to invest in short term fixed deposits with banks.

- **Inventory**

At the year ended 31st March 2020 the inventories were at THB 475 million compared to THB 897 million of preceeding year end. The decreased is mainly due to lower raw material inventory in hand.

- **Receivables**

Trade and other receivables as of 31 March 2020 were decreased to THB 1,150 million as compared to THB 1,278million as of 31st March 2019 mainly on account of decrease in sales prices.

- **Property, plant and equipment**

Net value of Property, Plant and Equipment (after depreciation) was THB 1,351 million as on 31st March 2020 compared to THB 1,497 million as on 31st March 2019. During the year company added THB 87 million in property, plant and equipment against disposal of THB 307 million.

- **Investment in Associates**

FY20 has been tough year for Fibre & Textile companies, Share profit from PT Indo sales revenue dropped by 15.50%, resulting in a decreased in cost of sales by 10%, its decreased in gross profit by 51% even though it had tight control on operating cost, it had a negative net profit of THB 53.4 million. This is mainly due to the Covid19 outbreak, which has led to declining demand for fiber and textile businesses and pricing competition, resulting in reduced income.

Share profit from ABCT though revenue dropped by 12%, they will able to retain their Gross profit margin. Drop in Net profit by 10% is on account of significant one- time increase in admin cost.

Share profit from Indigold carbon Mauritius, though total revenue dropped by 14%, its Net Profit improved by 11% however due to actuarial valuation of leave & benefits which is booked in other comprehensive income, Total comprehensive income is negative by THB 101 million.

- **Factor affect the operation in Associated Companies**

Company investment in associated companies is THB 770 million which as on 31st March 2020 as per equity method is valued at THB 5,163 million. Your Company has also extended loan to Associated Company ICML which as on 31st march 2020 is THB 5,623 million & interest receivable is THB 2,706 million. Totally Investment, loan and interest receivable constitute 63% of the total asset of the Company. The company is therefore exposed to risks from investing in associated companies. Thus if associate companies performance is impacted due to any reasons it will have impact on the financial position of the Company resulting in erosion of Retained Earnings. So your company pay close attention to the performance of your associates and participates in regular review of business performance through direct/ indirect participation in Board of Directors / Shareholder meeting.

- **Long-term loan**

Though the investment in Indigold Carbon Mauritius Limited is in the form of Loan it is more in nature of strategic investment in Indigold Mauritius. In June, 2011, BCT invested USD 175,000,000 to acquire 20.59% ownership Columbian Chemicals. The investment was made in Indigold, a SPV formed for the purpose of acquisition of Columbian Chemicals. The investment took the form of USD 2,059,000 as equity capital and USD 172,941,000 as long term loan. Through this investment your company is able to accrue many benefits which in turn is helping BCT to improve its performance year on year. This loan is due for payment in Mid-2021. Company is already evaluating various investment option for the same. However, considering COVID pandemic & its impact on global economy. BCT management would prefer to avoid risky investment at this moment.

- **Derivatives assets**

Receivables & payables denominated in foreign currency is hedges through purchase of forward contracts. This forward contracts are reinstated in the books at every reporting date at current exchange rate. The Gain/ Loss arising from above reinstatement is reported as derivative asset/liability.

Liabilities and Shareholders' Equity

- **Trade Account Payable**

Trade account payable as of 31 March 2020 were increased to THB 801 million as compared to THB 773 million as of 31st March 2019. The improvement is in view of measures taken for better trade payable & suppliers credit terms management.

- **Shareholders' Equity**

Total shareholders' equity during the current period increased to THB 15,698 million as of 31st March 2020 from THB 14,180 million as of 31st March 2019. The net increase of THB 1,518 million is represented by current year profit of THB 1,848 million offset by dividend distributions of THB 330 million for year 2019.

Earnings per share

The current year's earnings per share slightly decreased to THB 6.16 compared to THB 6.58 in the preceding period in view of decreased net profit.

Book value per share

As of 31st March 2020, book value per share was THB 52.33 compared to 47.27 as on 31st March 2019. The increase is due to current year's profit adjusted with dividends paid during the year.

Analysis of Financial Ratios (Company only)

Liquidity

The company's current ratio as of 31st March 2020 was 4.99 against 3.98 as of 31st March 2019. Similarly the company's quick ratio as of 31st March 2020 was 4.62 against 3.32 as of 31st March 2019. Company follows prudent cash flow management policies and maintains good liquidity.

Profitability

Current year gross profit margin of the company was 26.89 %, compared to 26.34 % in preceding period. This is due to sharp focus on raw material buying, improved customer centricity approach and keeping the cost under control.

Efficiency

The return on fixed assets was 146% as of 31st March 2020 compared to 155% as of 31st March 2019 The decrease is due to lower earnings in the current year due to increase competitiveness.