

PART 3 FINANCIAL STATUS AND PERFORMANCE

13. Financial Highlight

Financial Highlights 2017 - 2019 Comparison

Financial Highlights of Thai Central Chemical PCL and its subsidiaries

	(Unit: 1,000 Baht)		
	2019	2018	2017
Sales and Services	8,814,592	10,322,057	11,539,822
Total Revenues	8,920,971	10,457,475	11,653,011
Gross Profit (Loss)	1,791,016	2,285,708	2,999,992
Net profit (Loss)	939,379	1,349,544	1,947,123
Net Profit attributable to owners of the parent	922,294	1,331,139	1,932,399
Total Comprehensive Income	902,108	1,348,311	1,906,220
Total Comprehensive Income attributable to owners of the parent	885,549	1,330,185	1,891,726
Profit (Loss) Per Share (Baht)	1.58	2.28	3.30
Dividend Per Share (Baht) *	1.50	2.00	3.20
Total Assets	11,031,933	11,127,353	11,197,972
Total Liabilities	1,098,541	1,200,623	1,437,262
Shareholders' Equity	9,933,392	9,926,730	9,760,710
Equity attributions to owners of the parent	9,841,474	9,832,996	9,672,239
Per Value (Baht)	3.00	3.00	3.00
Number of Shares (Thousand Shares)	584,714	584,714	584,714
Book Value Per Share (Baht)	16.83	16.82	16.54

Remarks: * Dividend Per Share paid on previous year operation.

Financial Highlights 2017- 2019 Comparison

Ratios of Financial Statement of Thai Central Chemical PCL. and Subsidiaries

For The Year Ended December 31, 2019

		2019	2018	2017
<u>Liquidity Ratios</u>				
Current Ratio	Times	10.48	9.04	7.17
Quick Ratio	Times	8.24	6.45	5.37
Receivable Turnover	Times	20.88	19.5	15.91
Collection Period	Days	17	19	23
Inventory Turnover	Times	3.42	3.66	4.59
Inventory Turnover Period	Days	105.15	98	78
Account Payable Turnover	Times	34.25	26.16	23.31
Payment Period	Days	11	14	15
Cash Cycle	Days	112	103	86
<u>Profitability Ratios</u>				
Gross Profit Ratios	%	20.32	22.14	26.00
Net Profit Ratios	%	10.34	12.73	16.58
Return on Equity	%	9.29	13.65	20.00
<u>Efficiency Ratios</u>				
Return on Total Assets	%	8.32	11.92	17.17
Return on Fixed Assets	%	66.34	84.07	121.03
Total Assets Turnover	Times	0.81	0.94	1.04
<u>Financial Policy Ratios</u>				
Debt to Equity Ratio	Times	0.11	0.12	0.15
Interest Coverage	Times	249.87	1,387.15	1,973.73
Dividend Payout Ratio	%	64.99	60.06	80.79

14. Management Discussion and Analysis (MD&A)

Business Overview

The Company reported in the Consolidated Financial Statements of 2019 from January 1 to December 31, 2019 that the Company achieved Profit Attributable to Owners of the parent of 922 million baht, decreased by 31% or 409 million baht from the previous year of 1,331 million baht. The decline in profit was due to the reduction of chemical fertilizer demand, which had been affected by the occurrence of severe drought during the year 2019. As a result, Earnings per Share for the year 2019 was 1.58 Baht, decreased from 2.28 Baht in 2018.

Business Segment Information

The Company's main business is to import, manufacture and distribute various formulas of chemical fertilizer. The Company has 3 subsidiaries, 1) TCCC Myanmar Ltd., an importer and distributor of chemical fertilizer in Myanmar, 2) MC Agro-Chemicals Co., Ltd., an importer and distributor of herbicide, fungicide, and insecticide for agriculture, and 3) N.I.M. Co., Ltd., an owner and operator of the tank terminal for storage of liquid chemicals for industrial uses. The Company performance is analyzed in the segment of Core Business and Subsidiaries businesses.

☐ **Core Business (Chemical Fertilizers)**

Thailand had experienced the worst drought in four decades, which inevitably worsened growers' income and purchasing power as it had reduced cultivated areas as well as the quality of crop yield. Besides, the prices of major field crops such as rice, sugarcane and rubber were not attractive enough for growers to start cultivation. Therefore, these factors had contributed to a significant decline in demand for chemical fertilizer compared with the previous year.

To cope with such difficulty, the Company expanded its product segments by introducing more of fruit fertilizer formulas as there had been a continuous demand for several major fruits from both inside and outside the country. Exportation to neighboring countries including Laos, Cambodia and Myanmar was another strategy that the Company used for recovering from the loss in a domestic market.

☐ **Other Businesses**

The share of Sales Revenue and Service Income from the two non-fertilizer businesses was insignificant at 4% compared with the total revenue in 2019.

Sales Revenue and Service Income of MC Agro-Chemicals was down by 26% from the previous year. The decrease was due to the government's restriction on the use of farming chemicals such as Glyphosate.

Service Income of N.I.M. also decreased by 4% from the previous year. The decrease resulted from the lower volume of chemicals storage in the tanks.

Policy and Strategy

The Company adheres to the main strategies of; 1) supplying high quality products for farmers to achieve high yield, 2) providing best services to the customers to meet their requirements, and 3) controlling production and procurement to maintain the optimal level of inventory, so as to generate highest income from the operation. In addition, The Company achieved “Green Industry Reward Level 4” in recognition of the Company's effort in creating the most environmentally friendly manufacturing processes as well as cultivating positive mindsets in employees by raising awareness of the importance of their engagement in environmental protection. Ultimately, the Company is committed to being a good corporate citizen in the local communities.

To achieve sustainable growth, the Company strives to adopt advanced technology for the enhancement of manufacturing capabilities, create distinctive products and offer new services with best customer support.

Accounting Policies

The Company's financial year is of the period from January 1 until December 31 of every year. The financial statements have been prepared in accordance with Thai Accounting Standards (“TAS”) No.1 (Revised 2018) and the Regulation of the Stock Exchange of Thailand. The significant accounting policies is to recognize revenue from sales when the Company has transferred the control of the goods to customers. Inventory is recorded either at lower of cost or net reliable value, whichever is lower. Meanwhile, cost is determined by a weighted average method except for a subsidiary, MC Agro-Chemicals Company Limited, which is determined by a first-in, first-out approach.

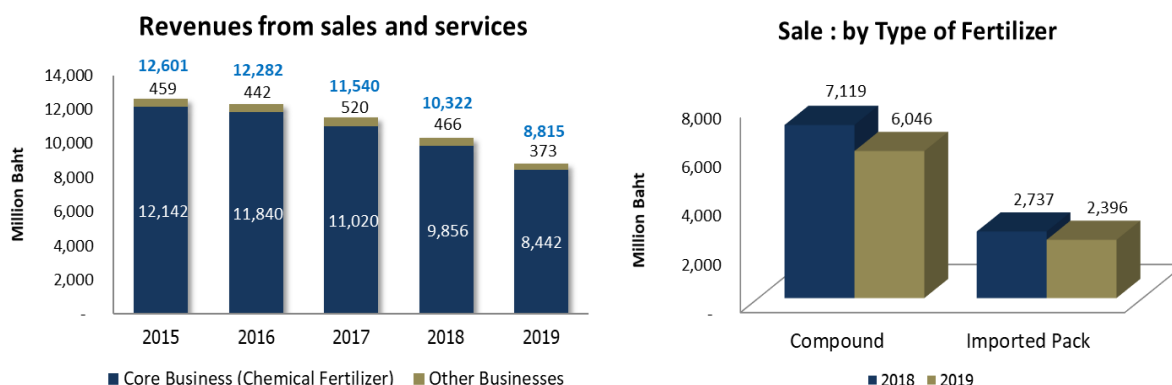
Results of Operations

1. Overview of the Operation

Statements of Comprehensive Income as of December 31, 2019 compares with December 31, 2018.

Unit : Million Baht	Year		Change
	2018	2019	%
Revenues from Sales and Services	10,322	8,815	(15)
Cost of Goods Sold and Rendering of Services	(8,036)	(7,024)	(13)
Gross Profit	2,286	1,791	(22)
Other Income	135	106	(21)
Profit Before Expenses	2,421	1,897	(22)
Selling and Administration Expenses	(715)	(704)	(2)
Profit Before Finance Costs and Income Tax Expense	1,706	1,193	(30)
Finance Costs	(2)	(5)	158
Profit Before Income Tax	1,704	1,188	(30)
Income Tax Expense	(354)	(249)	(30)
Profit for the Year	1,350	939	(30)
Profit Attributable to Owners of Parent	1,331	922	(31)
Total Comprehensive Income Attributable to Owner of Parent	1,330	886	(33)

2. Revenues from Sales and Services



□ Core Business (Chemical Fertilizer)

In 2019, The Company generated revenues from sales of chemical fertilizer in the total amount of 8,442 million baht, decreased by 1,414 million baht or 14% from 2018. The main reason for such decrease was due to the severe impact from drought, which directly lower the demand for chemical fertilizer.

The Company's chemical fertilizers can be categorized into 2 types: Compound fertilizer manufactured by the Company and Imported-Pack fertilizer. In 2019, the revenue from selling Compound fertilizers was 6,046 million baht, decreased by 1,073 million baht or 15% from 2018. Meanwhile, the revenue from selling Imported-Pack fertilizer was 2,396 million, decreased by 341 million baht or 12% from 2018.

□ Income from the Other Businesses

Overall, income from other businesses was from the sales of pesticides used in the agricultural sector as well as servicing tank rental and terminal operation for the storage of liquid chemicals used in various industries. The revenue generated by these businesses in 2019 was 373 million baht, down by 93 million or 20% compared with 466 million baht in 2018.

3. Cost of Goods Sold and Services

In 2019, the Cost of Goods Sold and Services decreased from 8,036 million baht in 2018 to 7,024 million baht or 13%. In line with Sales decrease, the Cost of Goods Sold and Services decreased.

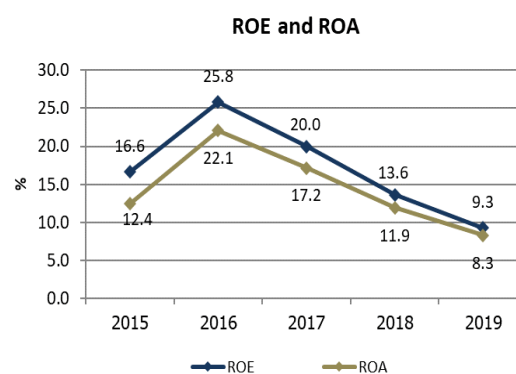
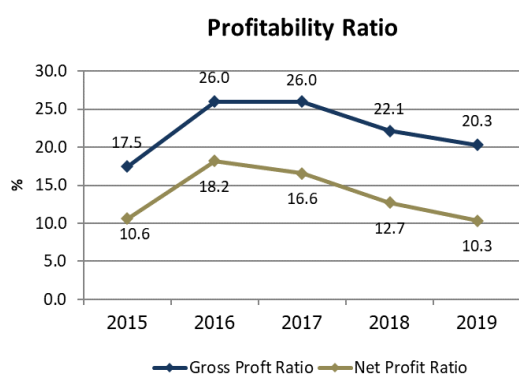
4. Selling and Administration Expenses

The Company's Selling and Administration Expenses showed a decrease of 2% from 715 million baht in 2018 to 704 million baht in 2019. The said decrease was due to the Company's full effort to manage and control spending on the marketing and sales promotion by offering customized campaigns that suits with different locations.

5. Profitability Analysis

Description	Year		Change
	2018	2019	%
Gross Profit (Million Baht)	2,286	1,791	(22)
Profit Attributable to Owners of parent (Million Baht)	1,331	922	(31)
Earning Per Share (Baht)	2.28	1.58	(31)

In 2019, The Company's gross profit was 1,791 million baht, showing a decrease of 495 million baht or 22 percent from 2,286 million baht in 2018. The drop in gross profit resulted from the receding demand for chemical fertilizer. Moreover, due to decrease of sales volume, more fixed cost allocated per volume worsen the gross profit ratio. As a result, gross profit ratio dropped from 22.1% in 2018 to 20.3% in 2019 .



Regarding the Profit Attributable to Owners of parent in 2019, the Company earned 922 million baht, which decreased from 2018 by 409 million baht or 31% (1,331 Million Baht). As a result, Earning per Share (EPS) decreased from 2.28 baht in 2018 to 1.58 baht in 2019.

Due to the declining net profit, both Return on Equity (ROE) and Return on Asset (ROA) in 2019 consequently decreased to 9.3% from 13.6% in 2018 and 8.3% from 11.9% in 2018 respectively. Despite a number of setbacks, the Company persevered in its attempts to maintain profitability for the benefit of the shareholders and utilize all available assets to generate best performance.

Analysis of Liquidity and Capital Resources

1. Overview of Financial Statements

Main Components of Statement of Financial Position (Consolidated)

Description	December 31, 2018		December 31, 2019	
	Million Baht	Percentage to Total Assets	Million Baht	Percentage to Total Assets
Current Assets	8,459	76	8,498	77
Non-current Assets	2,668	24	2,534	23
Total Assets	11,127	100	11,032	100
Current Liabilities	936	9	811	7
Non-current Liabilities	265	2	288	3
Shareholders' Equity	9,926	89	9,933	90
Total Liabilities and Shareholders' Equity	11,127	100	11,032	100

2. Assets

As of December 31, 2019, overall assets of the Company slightly declined from 11,127 in 2018 to 11,032 or less than 1%. Details are shown in the next table:

Description	December 31, 2018 Million Baht	December 31, 2019 Million Baht	Change %
Cash and Cash Equivalents	5,517	3,507	(36)
Current Investments	175	2,675	1,426
Trade and other Current Receivables	419	559	33
Inventories	2,347	1,756	(25)
Total Assets	11,127	11,032	(1)

The 36% decrease of Cash and Cash Equivalents was mainly from the Company's intention to free up the excess cash to invest in term deposits with maturities ranging from 3 months to 1 year to earn higher expected returns. Thus, it reflected in the significant increase of Current Investments from 175 million baht in 2018 to 2,675 million baht in 2019. Trade and other Current Receivables rose by 33% because the Company tried to loosen up the cash collection policy for serving customers during unfavorable market conditions. In the meantime, the amount of inventories reduced by 25% compared with the previous year as the Company tried to control and adjust inventories in accordance with the market demand.

Investments Goodwill and Amortization.

The main intangible asset is Right for use of trademarks. The Company engaged an independent appraiser to determine the fair value of the right to use the trademarks referred to above in accordance with the Notification of the Stock Exchange Commission dated April 30, 2004 regarding the opinion for accounting treatment for intangible assets. According to the reports of the independent appraiser dated January 14, 2020 and January 21, 2019, the appraisal values of the fair value of such right as at January 2, 2020 and January 2, 2019, respectively, are higher than the carrying values.

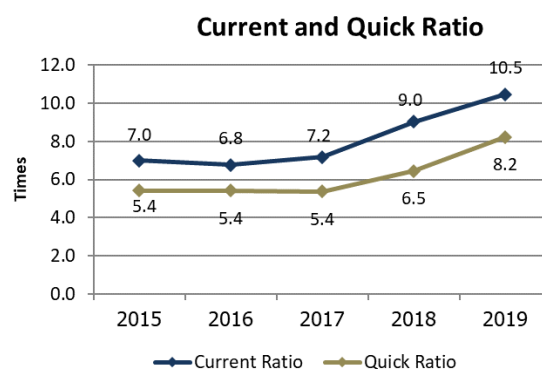
For the year ended December 31, 2019 and 2018, sale under these trademarks were approximately 95% and 97% of the Company's total revenue from sales, respectively.

3. Liabilities and Equity

- On December 31, 2019, the Company had Total Liabilities of 1,099 million baht, decreased by 102 million baht or 9% from the end of 2018.
- On December 31, 2019, the Company had Total Equity of 9,933 million baht, increased by 7 million baht or 0.07 % from the end of 2018.

4. Liquidity and Cash Flows

In 2019, there was a significant improvement in liquidity management as it was evident that the current ratio increased to 10.5 times from 9.0 times in 2018 and the quick ratio increased to 8.2 times from 6.5 times in 2018. In other words, the Company was able to control both Current Assets and Current Liabilities for ensuring the ability of managing short-term obligations in a more efficient manner.



Regarding the Cash Flow Activities, the Net Cash Flow provided by operating activities showed an increase from 1,360 million baht in 2018 to 1,410 million baht or 4% in 2019. The increase was due to the Company's tight control on the level of inventory.

Meanwhile, the Net Cash Flow used in financing activities decreased by 27% from 1,165 million baht in 2018 to 852 million baht in 2019 as the Company paid out less dividend from 2.00 baht per share in 2018 (based on appropriation of net profit for 2017) to 1.50 baht per share in 2019 (based on an appropriation of net profit for 2018).

The Net Cash Flow used in investing activities was 2,565 million baht in 2019 whereas the Net Cash Flow provided by investing activities was 644 million baht in 2018. The difference of 3,209 million baht was from a significant increase in the Company's investments in term deposits to gain higher expected returns.

Economic & Business Forecast 2020

The global economy is expected to remain plateau in 2020. Although the economic environment seems favorable because of the reduced trade tension between the U.S. and China as well as the clearer direction of Brexit, the economic downturn in China and various emerging markets could create a negative impact on international trade. Besides, geopolitical issue in the Middle East as well as the plague of coronavirus could also obstruct the world economic development.

Thailand economy in 2020 is likely to grow at a slower pace because the economic situation of major trading partners could cause a sluggishness in the export sector whereas the number of foreign tourists is expected to decline; additionally, private consumption and investment have shown no signs of improvement. Therefore, domestic economy will be solely depended on the government spending.

Regarding the agricultural sector in 2020, not much recovery is expected during the year because the impact from drought and water resources are predicted to be at the same level as the previous year. Nevertheless, the price of agricultural products and the government's financial supporting schemes are considered as important factors that can enhance growers' willingness to cultivate. Thus, the movements of these determinants will be strictly monitored as they affect the demand for chemical fertilizer.

In addition, external factors including the competition in chemical fertilizer market and the trends of raw material prices will play an important role in determining the organization's performance. It is essential that the Management needs to regularly review and analyze the situation to find effective strategies that can respond to each factor and enable the Company to remain competitive in the industry.
