

PART 3 FINANCIAL STATUS AND MANAGEMENT DISCUSSIONS AND ANALYSIS

13. Significant Financial Information

Summary of the consolidated financial statements for the years ended March 31, 2017, March 31, 2016, March 31, 2015 is presented below:

(Unit: Million Baht)

Transactions	2017	2016	2015
Statement of Financial Position			
Cash and cash equivalents	930.33	1,186.75	708.60
Temporary Investment	21.00	-	-
Trade accounts receivable - net	950.74	636.14	660.08
Receivables and loans	13.19	31.25	30.64
Inventories	3,111.92	2,296.42	3,222.68
Other current assets	43.46	27.48	29.26
Non-current assets held to sale	521.00	-	-
Property, plant and equipment – net	3,680.87	4,906.72	5,203.66
Other assets	3,664.40	3,812.17	3,784.60
Total assets	12,936.91	12,896.93	13,639.52
Bank overdrafts and short-term loans	2,194.93	2,044.15	2,298.95
Trade accounts payable	689.40	846.59	801.00
Current portion of long-term liabilities	276.92	206.32	871.33
Payables and loans	70.15	233.08	28.04
Other current liabilities	749.39	570.68	613.03
Long-term loans	-	270.60	470.60
Other liabilities	191.41	171.27	157.88
Total liabilities	4,172.20	4,342.69	5,240.83

(Unit: Million Baht)

Transactions	2017	2016	2015
Statement of Financial Position (Cont.)			
Registered share capital	8,421.54	8,421.54	8,421.54
Paid-up capital			
Preferred shares	-	-	-
Ordinary shares	8,421.54	8,421.54	8,421.54
Share premium	3,388.83	3,388.83	3,388.83
Unrealized gain from investment in subsidiaries	2.73	1.86	0.50
Legal reserve	363.69	337.30	334.60
Retained earnings (loss)	(3,398.73)	(3,582.67)	(3,734.18)
Minority interest	(13.35)	(12.62)	(12.60)
Total shareholders' equity	8,764.71	8,554.24	8,398.69
Statement of Income			
Revenue from sales of goods	19,701.47	16,732.80	21,355.09
Total revenues	19,754.66	16,872.26	21,410.46
Cost of goods sold	17,745.19	15,784.88	20,788.78
Gross profit	1,956.29	947.92	566.31
Selling and administrative expenses	930.58	730.84	779.41
Other expenses	537.10	-	-
Interest expense	101.11	133.17	227.96
Income tax	226.94	69.19	225.35
Profit (Loss) before minority interest	213.75	154.19	(611.04)
Net profit (Loss)	214.48	154.22	(609.76)
Earnings (Loss) per share – basic (Baht)	0.03	0.02	(0.07)

Statement of Cash Flows

For the years ended March 31, 2017, March 31, 2016 and March 31, 2015

(Unit: Million Baht)

	2017	2016	2015
Cash flows from operating activities			
Net Profit (Loss) before tax	440.69	223.38	(385.70)
Reconciliations of net profit (loss) to net cash provided by (used in) operating activities			
Unrealized loss (gain) on foreign exchange	2.71	4.07	(2.99)
Dividend received from other long-term investment	-	(52.56)	(16.80)
Reversal of allowance for inventory obsolescence	137.77	9.18	6.40
Depreciation and amortization	533.95	522.87	521.16
Loss from writing off of inventories	-	2.50	-
Provision for employee retirement benefit	27.65	27.75	35.31
Loss from writing off fixed assets	18.17	-	0.04
Loss from impairment of property, plant and equipment	474.21	-	-
Interest income	(4.15)	(3.70)	(8.58)
Interest expense and financial charges	101.11	133.17	227.96
Gain from reversal of credit notes	(0.16)	-	-
Loss (Gain) from sale of property and equipment	1.70	10.50	(2.86)
	<u>1,733.65</u>	<u>877.16</u>	<u>373.94</u>
Trade accounts receivable and receivables from related companies	(300.87)	24.00	46.56
Inventories-net	(1,001.32)	872.98	1,308.02
Other current assets, value added tax and other non-current assets	47.83	(10.86)	23.83
Trade accounts payable and payables to related companies	(139.02)	56.47	(610.17)
Accrued expenses and other current liabilities	136.15	(116.23)	44.73
Provision for employee retirement benefit	(10.89)	(13.66)	(10.72)
Income tax paid	(98.29)	(31.64)	(56.72)
Interest paid	(104.74)	(125.82)	(230.54)
Net cash provided by (used in) operating activities	<u>262.50</u>	<u>1,532.40</u>	<u>888.93</u>

Statement of Cash Flows (Cont.)

For the years ended March 31, 2017, March 31, 2016 and March 31, 2015

(Unit: Million Baht)

	2017	2016	2015
Cash flows from investing activities			
Cash paid for temporary investment	(21.00)		
Dividend received from other long-term investment	-	52.56	16.80
Interest received	4.16	4.06	9.37
Purchase of property, plant and equipment	1.03	4.05	2.90
Sale of property and equipment	(252.06)	(197.93)	(153.42)
Net cash provided by (used in) investing activities	(267.87)	(137.26)	(124.35)
Cash flows from financing activities			
Increase in bank overdrafts and short-term loans from financial institutions	150.78	-	213.91
Repayment of long-term loans	(401.82)	(917.00)	(1,610.00)
Trade accounts payable arising from debt restructuring	-	-	-
Net cash provided by (used in) financing activities	(251.04)	(917.00)	(1,396.09)
Net increase in cash and cash equivalents	(256.41)	478.14	(631.50)
Cash and cash equivalents at beginning of year	1,186.74	708.60	1,340.10
Cash and cash equivalents at end of year	930.33	1,186.74	708.60

Financial Ratios

Financial Ratios	2017	2016	2015
Liquidity ratio			
1. Current ratio (times)	1.40	1.07	1.01
2. Quick ratio (times)	0.48	0.47	0.30
Efficiency ratio			
3. Fixed asset turnover ratio (times)	4.60	3.34	3.99
4. Total asset turnover ratio (times)	1.53	1.27	1.44
5. Accounts receivable turnover ratio (times)	24.83	25.82	31.57
6. Average collection period (days)	14.50	13.94	11.40
7. Inventory turnover ratio (times)	6.56	5.72	5.33
Debt Management ratio			
8. Debt to Asset ratio (%)	32.25	33.67	38.42
9. Debt to Equity ratio (times)	0.48	0.51	0.62
10. EBITDA Coverage ratio (times)	17.15	6.59	1.64
Profitability ratio			
11. Return on total revenues (%)	1.09	0.91	(2.85)
12. Return on assets (%)	1.66	1.16	(4.09)
13. Return on equity (%)	2.47	1.82	(6.99)
14. Gross profit margin (%)	9.93	5.67	2.65
15. Operating profit margin (%)	2.74	2.11	(0.74)

1. Current ratio : Current Assets / Current Liabilities

2. Quick ratio : [Cash&cash equivalents+Temporary investment+Average Trade receivable] / Current Liabilities

3. Fixed asset turnover ratio : Total Revenues / Average Net Fixed Assets
(Total Revenues : Revenue from sales + Other income) (Net Fixed Assets : Property, plant and equipment + Intangible)

4. Total asset turnover ratio : Total Revenues / Total Assets (average)

5. Accounts receivable turnover ratio : Turnover / Average Trade receivable
(Turnover : Revenue from sales)

6. Average collection period : 360 days / Accounts receivable turnover ratio

7. Inventory turnover ratio : Cost of sales / Average Inventory

8. Debt to Assets ratio : Total Liabilities / Total Assets

9. Debt to Equity ratio : Total Liabilities / Total Attributions to Owners of the Parent Company

10. EBITDA Coverage Ratio : EBITDA / Finance costs (EBITDA : Profit before Finance Costs, Income Tax Expense, Depreciation, Amortization and Exceptional Items)

11. Return on total revenues : Profit (Loss) after tax / Total Revenues

12. Return on assets : Profit (Loss) after tax / Total Assets (average)

13. Return on equity : Profit (Loss) after tax / Average Attributions to Owners of the Parent Company

14. Gross profit margin : [Net sales - Cost of Goods Sold] / Net sales

15. Operating profit margin : Operating Income / Total Revenues

14. Management Discussion and Analysis

Financial Performance

During FY17 (April 2016 – March 2017), the Company recorded a sales volume of 1,263,000 ton, higher than FY16 (April 2015 – March 2016) by 10%. The revenue from sales during FY17 was Baht 19,701 million, higher than FY16 by 18%. EBITDA for FY17 at Baht 1,734 million was higher than FY16 by 98% and Profit before tax for the year of FY17 at Baht 441 million was higher by 97% over FY16. The Company has taken one-off adjustments of baht 618 million during Q4FY17 (January – March 2017) represented by Provision for impairment of MBF Asset, which remains mothballed since 2011, Baht 528 million, and Provision for obsolescence & write-off of fixed assets and old raw material inventory Baht 90 million. Excluding the impact, the Profit before tax for FY17 was Baht 1,059 million.

The analysis of major items of the financial statement is shown below:

1) Net sales and other income

Unit: Million Baht			
	FY17	FY16	Change %
Revenue from sales	19,701	16,733	18%
Gain on exchange rate - net	16	15	7%
Dividend income from other long-term investment	-	53	(100%)
Interest income	4	4	-
Compensation from insurance company	7	34	(79%)
Others	26	33	(21%)
Net sales and other income	19,754	16,872	17%

Revenue from sales during FY17 increased by 18% as compared to FY16 primary due to:

- Higher sales volume from wire rod products by 31% on account of domestic Chinese prices have surged due to supply side concerns and MOC review on AD measure reflecting to customers return to buy from local producers.
- Improvement in selling price due to increasing trend of global long steel product price.

2) Cost of sales

Unit: Million Baht			
	FY17	FY16	Change %
Cost of sales	17,745	15,785	12%

Cost of sales higher by 12% due to the higher metallic prices, higher power cost due to on peak operations and partially reduced by effective control of conversion cost.

3) Selling expenses

Unit: Million Baht

	FY17	FY16	Change %
Selling expenses	248	178	39%

The selling expenses during FY17 higher by 39% as compared to previous year due to higher in delivery expense from higher freight rates and sales volume.

4) Administration & Other expenses

Unit: Million Baht

	FY17	FY16	Change %
Administration expenses	682	553	23%
Other expenses	537	-	100%
Administration and Other expenses	1,219	553	121%

The administration expenses during FY17 higher by 23% as compared to the previous year, explained by increase in employee wages and Brand Equity & Brand promotion fees which is linked to the increase in turnover. Other expenses represent the one-off adjustments on impairment of MBF Asset and provision for obsolescence of fixed assets.

5) Finance Costs

Unit: Million Baht

	FY17	FY16	Change %
Finance Costs	101	133	(24%)

Finance cost during the year decreased by 24% over FY16 primarily on account of decrease in long term loan on repayment of the last settlement of 200 MB.

6) Profit before Income Tax

Unit: Million Baht

	FY17	FY16	Change %
Profit before Income Tax	441	223	98%

PBT for the year of FY17 was higher by 97% over FY16 primarily due to the better performance was attributable to improved selling price, lower conversion cost and financing cost compensating the increase in metallic price

7) Income tax expense

Unit: Million Baht

	FY17	FY16	Change %
Income tax expense	227	69	228%

Income tax expense for the year of FY17 was higher by 229% over FY16 reflecting higher profit before taxes. Additionally it includes a write off of 100 MB the income tax refund relating to previous years, accounted in Q1 FY17 (April-June 2016).

8) Cash and cash equivalents

Unit: Million Baht

	FY17	FY16	Change %
Cash and cash equivalents	930	1,187	(22%)

Reduction in cash and cash equivalents due to post payment of short-term loan and long term loan installment.

As on March 31, 2017, the Company and its subsidiaries had a net decrease in cash and cash equivalents of Baht 257 million as compared to the previous year. The change was due to an increase in net cash from operating activities amounting to Baht 262 million. This comprised of operating profit before changes in operating assets and liabilities of Baht 1,733 million and increase in changes in operating assets and liabilities of Baht 1,471 million largely due to the increase in the inventory. With respect to investing activities, a net cash flow of Baht 268 million was used up for additional investment in fixed assets. Net cash of Baht 251 million was paid for financing activities towards long-term loan repayment of Bath 200 million and short-term loan repayment of Baht 51 million.

9) Trade and other receivables

Unit: Million Baht

	FY17	FY16	Change %
Trade and other receivables	964	667	44%

The increase in trade and other receivables mainly reflects higher volume and price.

As on March 31, 2017, 74% of these receivables were from unrelated parties. With respect to the quality of the Company's trade accounts receivables, it was regarded as "good" indicating that 99.91% of trade accounts receivables were less than three months of age.

The Company and its subsidiaries have set a policy for provision for doubtful accounts based on an estimate of receivables expectedly uncollectible using historical collection experience and review of current status of existing receivables. As on March 31, 2017, the Company and its subsidiaries set aside a provision for doubtful accounts amounting to Baht 18 million, equivalent to 1.85% of total trade accounts receivables, mainly of which were against the N.T.S.' trade accounts receivable accumulated prior to the merger in 2006.

10) Inventories

Unit: Million Baht

	FY17	FY16	Change %
Inventories	3,112	2,296	35%

The increase in inventory on account of higher in Finished good and Metallic inventory for smooth plant operations & customer service.

As on March 31, 2017, the Company had set an allowance for diminution in value of the inventory, for obsolescence and slow-moving items of Baht 156 million. The provision was in conjunction with Thai Accounting Standard No. 2 "Inventories." The Company and its subsidiaries will review this on an annual basis.

11) Property, plant & equipment and Intangible asset

Unit: Million Baht

	FY17	FY16	Change %
Property, plant & equipment and Intangible asset	3,681	4,907	(25%)

Reduction in property, plant & equipment on account of provision of diminution in value of MBF machinery (465) MB, reclassification of MBF machinery to non-current assets classified as held for sale and depreciation and amortization for the year.

12) Other non-current assets

Unit: Million Baht

	FY17	FY16	Change %
Other non-current assets	168	322	(48%)

Reduction in Other non-current assets represents the write off of the corporate income tax and surcharge refundable of prior years by (124) MB, accounted in Q1 FY17 (April-June 2016).

13) Short-term borrowings

Unit: Million Baht

	FY17	FY16	Change %
Short-term borrowings from financial institutions	2,195	2,044	7%
Short-term borrowings from related parties	-	202	(100%)
Short-term borrowings	2,195	2,246	(2%)

Reduction in short-term borrowings mainly due to payment as per schedule.

Short-term borrowings from financial institutions as at March 31, consist of:

Purpose of Borrowings	Interest Rate	Credit Limit	Unit : Million Baht			
			Consolidated		Separate	
			financial statements		financial statements	
			Utilisation		Utilisation	
			2017	2016	2017	2016
Scrap purchasing	BIBOR+2% per annum	1,800	1,145	793	-	-
Other raw materials and utilities	BIBOR+2% per annum	1,416	900	705	-	-
Working capital	2.66% per annum	See 13.1	150	-	150	-
Trust receipt for billet purchasing	LIBOR per annum	See 13.1	-	546	-	-
Total			2,195	2,044	150	-

13.1 As at March 31, 2017 and 2016, the Group has agreements with financial institutions to obtain unsecured credit facilities limit of Baht 4,244 million and Baht 5,484 million for working capital. The interest rates of these credit facilities are as follows:

Credit Line	Interest rate
1) Bank Overdraft	Minimum Overdraft Rate (MOR)
2) Trust receipts (Baht)	London Interbank Offered Rate (LIBOR)
3) Promissory note	Money Market Rate (MMR) or interest rate as specified in agreement

As at March 31, 2017 and 2016, the Group has drawn the loans including letters of credit totaling Baht 486 million and Baht 1,534 million, respectively.

14) Long-term borrowings

	Unit: Million Baht		
	FY17	FY16	Change %
Long-term borrowings	277	477	(42%)

Reduction in long-term borrowing due to post repayment of the loan installment as per schedule.

The long-term borrowings comprising of 2 loan agreements, the first dated November 29, 2006 for Baht 5,000 million with interest rate at MLR-1.25% p.a., and the second dated November 9, 2007 for Baht 3,500 million with interest rate at MLR-2.00% p.a. and their amendments thereto. The loans are secured by the property, plant and equipment of all subsidiaries as mentioned in Note 13. For the year ended March 31, 2017, the Company had repaid the remaining long-term borrowings of Baht 200 million to the financial institution in full and the Company has already withdrawn mortgage which was used as collateral for such borrowings.

The balance of Baht 277 million represents interest free loan from TS Global Holding Pte. Ltd. which is due for repayment on December 31, 2017 amounting to Baht 271 million and trade payable of a subsidiary arising from restructuring amounting to Baht 6 million.

Sources of Capital Funds**Appropriateness of capital structure**

As on March 31, 2017, the Company and its subsidiaries' had a debt to equity ratio of 0.48 times while it was 0.51 times in 2016.

Shareholders' equity

As on March 31, 2017, the Company and its subsidiaries had shareholders' equity of Baht 8,765 million consisting of the paid-up capital from ordinary shares totaling Baht 11,810 million. The retained earnings (deficit) was Baht (3,399) million, the legal reserve was Baht 364 million, Unrealised gain on remeasuring available-for-sale investments was Baht 3 million and Non-controlling interests was Baht (13) million.

Liabilities

As on March 31, 2017, the Company and its subsidiaries had liabilities amounting to Baht 4,172 million consisting of current liabilities of Baht 3,981 million and Baht 191 million for non-current liabilities, representing 95% and 5% of total liabilities, respectively. Current liabilities included short-term borrowing from financial institutions of Baht 2,195 million, trade and other payables of Baht 1,368 million, current portion of long-term liabilities Baht 277 million and other current liabilities of Baht 141 million. Non-current liabilities included employee benefit obligations of Baht 191 million.

Major factors potentially affecting its operation and financial status in the future**Contingent Liabilities potentially affecting its operation and financial status in the future**

As of March 31, 2017, the Company had contingent liabilities as follows:

1. Its subsidiaries had Letter of Credit (L/C) amounting to Baht 160 million opened but were not under the liabilities' condition.
2. Letters of guarantee issued by the financial institutions to the Revenue Department, Electricity Generating Authority of Thailand, Provincial Electricity Authority, Industrial Estate Authority of Thailand and Bureau of Indian Standards amounting Baht 305 million in the normal courses of business. As at March 31, 2016, the group had the deposit at financial institutions used as collateral of Baht 32 million. Subsequently in 2017, the Group has withdrawn such collateral from the financial institutions.
3. Its subsidiaries had obligations under the purchase and installation agreement of machineries totaling of Baht 56 million.
4. The Company and its subsidiaries had obligations under lease agreements (including service fee) amounting to Baht 81 million.

Other factors potentially affecting Company's operation and financial status in the future

Other factors that may affect Company's operation and financial status in the future are shown as the risk in item "Risk Factors", and item "Notes to Financial Statements", No. 32 : Financial Instruments.

Confirmation of Information Accuracy

CONFIRMATION OF INFORMATION ACCURACY

"The Company, has carefully reviewed the information contained in the Annual Company Statements and hereby certify that such information is accurate and complete, does not contain any false or misleading statement and does not lack any material information that should be disclosed. In addition, the Company hereby certify that:

- (1) the financial statements and financial information contained in the Annual Company Statements are true and fair in material aspect with respect to the financial status, operating results and cash flow of the Company and its subsidiaries;
- (2) The Company has the appropriate disclosure procedures which ensures that the material information of the Company and its subsidiaries has been accurately and completely disclosed and the procedures have been duly followed;
- (3) The Company has the appropriate internal control procedures and ensuring that the procedures have been followed and that we have reported the internal control appraisal as at March 31, 2016 to the Company's auditor and the Audit Committee. The contents of such appraisal include deficiency, material changes of such internal control procedures and any misconduct which may affect the preparation of financial report of the Company and its subsidiaries.

For this purpose, in order to confirm that this document is the same documents that the Company has certified its accuracy, the Company has authorized Ms. Arisara Na Ranong to initial every page of this document. If any page has not been so initialed by Ms. Arisara Na Ranong, the accuracy of the information contained thereon should not be regarded as having been certified by us."

Name**Position**

1.Mr. Taratorn Premsoontorn

Director

- Signature -

2.Mr. Rajiv Mangal

President and CEO

*- Signature -***Attorney**

Ms. Arisara Na Ranong

Corporate Secretary

- Signature -

ATTACHMENT