

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, 2018, March 31, 2017, March 31, 2016 is presented below:

(Unit: Million Baht)

Transactions	2018	2017	2016
Statement of Financial Position			
Cash and cash equivalents	519.59	930.33	1,186.75
Temporary Investment	-	21.00	-
Trade accounts receivable - net	1,220.28	950.74	636.14
Receivables and loans	38.57	13.19	31.25
Inventories	3,477.96	3,111.92	2,296.42
Other current assets	64.48	43.46	27.48
Non-current assets held to sale	460.00	521.00	-
Property, plant and equipment – net	3,317.08	3,680.87	4,906.72
Other assets	3,574.96	3,664.40	3,812.17
Total assets	12,672.92	12,936.91	12,896.93
Bank overdrafts and short-term loans	1,774.34	2,194.93	2,044.15
Trade accounts payable	781.58	689.40	846.59
Current portion of long-term liabilities	-	276.92	206.32
Payables and loans	50.73	70.15	233.08
Other current liabilities	633.75	749.39	570.68
Long-term loans	-	-	270.60
Other liabilities	205.57	191.41	171.27
Total liabilities	3,445.97	4,172.20	4,342.69

(Unit: Million Baht)

Transactions	2018	2017	2016
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	2.89	2.73	1.86
Legal reserve	365.87	363.69	337.30
Retained earnings (loss)	(2,938.63)	(3,398.73)	(3,582.67)
Minority interest	(13.55)	(13.35)	(12.62)
Total shareholders' equity	9,226.95	8,764.71	8,554.24
Statement of Income			
Revenue from sales of goods	22,246.27	19,701.47	16,732.80
Total revenues	22,307.26	19,754.66	16,872.26
Cost of goods sold	20,674.64	17,745.19	15,784.88
Gross profit	1,571.63	1,956.29	947.92
Selling and administrative expenses	964.33	930.58	730.84
Other expenses	-	537.10	-
Interest expense	83.00	101.11	133.17
Income tax	130.94	226.94	69.19
Profit (Loss) before minority interest	454.35	213.75	154.19
Net profit (Loss)	454.56	214.48	154.22
Earnings (Loss) per share – basic (Baht)	0.05	0.03	0.02

Statement of Cash Flows

For the years ended March 31, 2018, March 31, 2017 and March 31, 2016

(Unit: Million Baht)

	2018	2017	2016
Cash flows from operating activities			
Net Profit (Loss) before tax	585.29	440.69	223.38
Reconciliations of net profit (loss) to net cash provided by (used in) operating activities			
Unrealized loss (gain) on foreign exchange	0.04	2.71	4.07
Dividend received from other long-term investment	(14.40)	-	(52.56)
Reversal of allowance for inventory obsolescence	-	137.77	9.18
Depreciation and amortization	529.81	533.95	522.87
Allowance for doubtful accounts	40.57	-	-
Loss from writing off of inventories	-	-	2.50
Provision for employee retirement benefit	36.14	27.65	27.75
Loss from writing off fixed assets	0.04	18.17	-
Loss from impairment of property, plant and equipment	-	474.21	-
Interest income	(3.10)	(4.15)	(3.70)
Interest expense and financial charges	83.00	101.11	133.17
Loss from decrease in value of non-current assets classified as held-for-sale	61.00	-	-
Gain from reversal of credit notes	-	(0.16)	-
Loss (Gain) from sale of property and equipment	(0.07)	1.70	10.50
	1,318.32	1,733.65	877.16
Trade accounts receivable and receivables from related companies	(339.37)	(300.87)	24.00
Inventories-net	(407.28)	(1,001.32)	872.98
Other current assets, value added tax and other non-current assets	14.35	47.83	(10.86)
Trade accounts payable and payables to related companies	42.33	6.44	56.47
Accrued expenses and other current liabilities	(14.50)	(9.31)	(116.23)
Provision for employee retirement benefit	(11.62)	(10.89)	(13.66)
Income tax paid	(189.54)	(98.29)	(31.64)
Interest paid	(93.65)	(104.74)	(125.82)
Net cash provided by (used in) operating activities	319.04	262.50	1,532.40

Statement of Cash Flows (Cont.)

For the years ended March 31, 2018, March 31, 2017 and March 31, 2016

(Unit: Million Baht)

	2018	2017	2016
Cash flows from investing activities			
Cash paid for temporary investment	21.00	(21.00)	
Dividend received from other long-term investment	14.40	-	52.56
Interest received	3.35	4.16	4.06
Sale of property and equipment	1.36	1.03	4.05
Purchase of property, plant and equipment	(149.93)	(252.06)	(197.93)
Net cash provided by (used in) investing activities	(109.82)	(267.87)	(137.26)
Cash flows from financing activities			
Proceeds (Payments) in bank overdrafts and short-term loans from financial institutions	(420.59)	150.78	(254.80)
Repayment of long-term loans	-	(200.00)	(865.00)
Proceeds (Payments) of short-term loans from related parties	-	(201.82)	202.80
Repayment of long-term loans from related parties	(199.37)	-	-
Net cash provided by (used in) financing activities	(619.96)	(251.04)	(917.00)
Net increase in cash and cash equivalents	(410.74)	(256.41)	478.14
Cash and cash equivalents at beginning of year	930.33	1,186.74	708.60
Cash and cash equivalents at end of year	519.59	930.33	1,186.74

Financial Ratios

Financial Ratios	2018	2017	2016
Liquidity ratio			
1. Current ratio (times)	1.78	1.40	1.07
2. Quick ratio (times)	0.54	0.48	0.47
Efficiency ratio			
3. Fixed asset turnover ratio (times)	6.38	4.60	3.34
4. Total asset turnover ratio (times)	1.74	1.53	1.27
5. Accounts receivable turnover ratio (times)	20.49	24.83	25.82
6. Average collection period (days)	17.81	14.50	13.94
7. Inventory turnover ratio (times)	6.27	6.56	5.72
Debt Management ratio			
8. Debt to Asset ratio (%)	27.19	32.25	33.67
9. Debt to Equity ratio (times)	0.37	0.48	0.51
10. EBITDA Coverage ratio (times)	15.88	17.15	6.59
Profitability ratio			
11. Return on total revenues (%)	2.04	1.09	0.91
12. Return on assets (%)	3.55	1.66	1.16
13. Return on equity (%)	5.05	2.47	1.82
14. Gross profit margin (%)	7.06	9.93	5.67
15. Operating profit margin (%)	3.00	2.74	2.11

- Current ratio : Current Assets / Current Liabilities
- Quick ratio : [Cash&cash equivalents+Temporary investment+Average Trade receivable] / Current Liabilities
- 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)
- Total asset turnover ratio : Total Revenues / Total Assets (average)
- Accounts receivable turnover ratio : Turnover / Average Trade receivable (Turnover : Revenue from sales)
- Average collection period : 365 days / Accounts receivable turnover ratio
- Inventory turnover ratio : Cost of sales / Average Inventory
- Debt to Assets ratio : Total Liabilities / Total Assets

- Debt to Equity ratio : Total Liabilities / Total Attributions to Owners of the Parent Company
- EBITDA Coverage Ratio : EBITDA / Finance costs (EBITDA : Profit before Finance Costs, Income Tax Expense, Depreciation, Amortization and Exceptional Items)
- Return on total revenues : Profit (Loss) after tax / Total Revenues
- Return on assets : Profit (Loss) after tax / Total Assets (average)
- Return on equity : Profit (Loss) after tax / Average Attributions to Owners of the Parent Company
- Gross profit margin : [Net sales - Cost of Goods Sold] / Net sales
- Operating profit margin : Operating Income / Total Revenues

14. Management Discussion and Analysis

Financial Performance

During FY18 (April 2017 – March 2018), the Company recorded a sales volume of 1,217,000 tons, lower than FY17 (April 2016 – March 2017) by 4%. The revenue from sales during FY18 was Baht 22,246 million, higher than FY17 by 13%. EBITDA for FY18 at Baht 1,318 million was lower than FY17 by 24% and Profit before tax for the year of FY18 at Baht 585 million was higher by 33% over FY17. The Company has taken one-off adjustments of Baht 61 million during H2FY18 (October 2017 – March 2018) represented by Provision for impairment of MBF machinery which reclassification to non-current asset classified as held-for-sale. Excluding the impact, the Profit before tax for FY18 was Baht 646 million.

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

1) Revenue from sales and other income

Unit: Million Baht			
	FY18	FY17	Change %
Revenue from sales	22,246	19,701	13%
Gain on exchange rate - net	3	16	(81%)
Dividend income from other long-term investment	15	-	100%
Interest income	3	4	(25%)
Compensation from insurance company	25	7	257%
Others	15	26	(42%)
Revenue from sales and other income	22,307	19,754	13%

Revenue from sales during FY18 increased by 13% as compared to FY17 primary due to higher prices of finished goods from the increasing trend of raw material prices, partly offset by the lower sales volume which mainly in Rebar.

2) Cost of sales

Unit: Million Baht			
	FY18	FY17	Change %
Cost of sales	20,675	17,745	17%

Cost of sales higher by 17% reflecting higher metallic prices and increase in electrodes, alloys prices leading to higher conversion cost.

3) Selling expenses

Unit: Million Baht			
	FY18	FY17	Change %
Selling expenses	208	248	(16%)

The selling expenses during FY18 lower by 16% as compared to the previous year due to lower delivery expense from lower sales volume.

4) Administration & Other expenses

Unit: Million Baht

	FY18	FY17	Change %
Administration expenses	757	682	11%
Other expenses	-	537	(100%)
Administration and Other expenses	757	1,219	(38%)

The administration expenses during FY18 higher by 11% as compared to the previous year, explained by provision for impairment of non-current asset classified as held-for-sale, increase in Receivable Purchase arrangement and Brand Equity & Brand Promotion fees which is linked to the increase in turnover. Other expenses during FY17 represent the one-off adjustments on impairment of MBF Asset and provision for obsolescence of fixed assets.

5) Finance Costs

Unit: Million Baht

	FY18	FY17	Change %
Finance Costs	83	101	(18%)

Finance cost during the year decreased by 18% over FY17 attributable to:

- All long term loan commitments stand repaid.
- Lower interest from usance LC due to the lower purchase of imported billet.

6) Profit before Income Tax

Unit: Million Baht

	FY18	FY17	Change %
Profit before Income Tax	585	441	33%

PBT for the year of FY18 was higher by 33% over FY17. However, by excluding the one-off items of FY17, the PBT for the current fiscal year would have been lower by 39% primary due to:

- The lower sales volume reflecting the negative market sentiments in the construction sector.
- Higher conversion cost from the increased price of raw materials.

7) Income tax expense

Unit: Million Baht

	FY18	FY17	Change %
Income tax expense	131	227	(42%)

Income tax expense for the year of FY18 was lower by 42% over FY17 reflecting lower profit before taxes on subsidiaries-SCSC & SISCO. Additionally the previous year includes an adjustment of Baht 100 million the income tax refund relating to previous years, accounted in Qtr1 FY'17 (April-June 2016).

8) Cash and cash equivalents

Unit: Million Baht

	FY18	FY17	Change %
Cash and cash equivalents	520	930	(44%)

As on March 31, 2018, the Company and its subsidiaries had a net decrease in cash and cash equivalents of Baht 410 million as compared to the previous year. The change was due to an increase in net cash from operating activities amounting to Baht 319 million. This comprised of operating profit before changes in operating assets and liabilities of Baht 1,318 million and increase in changes in operating assets and liabilities of Baht 999 million largely due to the increase in the inventory. With respect to investing activities, a net cash flow of Baht 110 million was used up for additional investment in fixed assets. Net cash of Baht 620 million was paid for financing activities towards long-term loan repayment of Baht 199 million and short-term loan repayment of Baht 421 million.

9) Trade and other receivables

Unit: Million Baht

	FY18	FY17	Change %
Trade and other receivables	1,259	964	31%

The increase in trade and other receivables mainly on account of higher export in March as compared to the previous year.

As on March 31, 2018, trade receivable from related parties was 38% as compared to 25% in the previous year, reflecting export sales to India.

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, 2018, the Company and its subsidiaries set aside a provision for doubtful accounts amounting to Baht 58 million, equivalent to 4.77% of total trade accounts receivables.

10) Inventories

Unit: Million Baht

	FY18	FY17	Change %
Inventories	3,478	3,112	12%

The increase in inventory reflect higher price of raw materials and consumables.

11) Property, plant & equipment and Intangible asset

Unit: Million Baht

	FY18	FY17	Change %
Property, plant & equipment and Intangible asset	3,317	3,681	(10%)

Reduction in property, plant & equipment on account of provision of normal depreciation and amortization for the year.

12) Other non-current assets

Unit: Million Baht

	FY18	FY17	Change %
Other non-current assets	78	168	(54%)

Reduction in Other non-current assets mainly reflect the settlement of the amount receivable from T S Global Holdings Pte. Ltd.

13) Short-term borrowings

Unit: Million Baht

	FY18	FY17	Change %
Short-term borrowings from financial institutions	1,774	2,195	(19%)

Reduction in short-term borrowings from financial institutions mainly due to lower utilization of scrap, utilities, and other raw material financing.

As at 31 March 2018, short-term borrowings from financial institutions amounting to Baht 1,774 million (2017: Baht 2,195 million) bear interest rate at BIBOR+2% per annum (31 March 2017 : interest rate at BIBOR+2% per annum and at 2.66% per annum) and due from 2 April 2018 to 18 June 2018 (2017 : 3 April 2017 to 12 July 2017).

14) Long-term borrowings

Unit: Million Baht

	FY18	FY17	Change %
Long-term borrowings	-	271	(100%)

Reduction in long-term borrowing due to repayment of the loan from T S Global Holding Pte. Ltd. as per schedule.

Sources of Capital Funds

Appropriateness of Capital Structure

As on March 31, 2018, the Company and its subsidiaries' had a debt to equity ratio of 0.37 times while it was 0.48 times in 2017.

Shareholders' Equity

As on March 31, 2018, the Company and its subsidiaries had shareholders' equity of Baht 9,227 million consisting of the paid-up capital from ordinary shares totaling Baht 11,810 million. The retained earnings (deficit) was Baht (2,939) million, the legal reserve was Baht 366 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, 2018, the Company and its subsidiaries had liabilities amounting to Baht 3,446 million consisting of current liabilities of Baht 3,240 million and Baht 206 million for non-current liabilities, representing 94% and 6% of total liabilities, respectively. Current liabilities included short-term borrowing from financial institutions of Baht 1,774 million, trade and other

payables of Baht 1,372 million and other current liabilities of Baht 94 million. Non-current liabilities included employee benefit obligations of Baht 206 million.

Contingent Liabilities Potentially Affecting its Operation and Financial Status in the Future

As of March 31, 2018, the Company had contingent liabilities as follows:

1. Its subsidiaries had Letter of Credit (L/C) amounting to Baht 31 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 325 million in the normal courses of business.
3. Its subsidiaries had obligations under the purchase and installation agreement of machineries totaling of Baht 37 million.
4. The Company and its subsidiaries had obligations under lease agreements (including service fee) amounting to Baht 103 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. 31 : Financial Instruments.