

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, 2019, March 31, 2018, March 31, 2017 is presented below:

(Unit: Million Baht)

Transactions	2019	2018	2017
Statement of Financial Position			
Cash and cash equivalents	926.77	519.59	930.33
Temporary Investment	-	-	21.00
Trade accounts receivable - net	646.03	1,220.28	950.74
Receivables and loans	29.57	38.57	13.19
Inventories	3,188.35	3,477.96	3,111.92
Other current assets	141.09	64.48	43.46
Non-current assets held to sale	460.00	460.00	521.00
Property, plant and equipment – net	3,179.78	3,317.08	3,680.87
Other assets	3,578.74	3,574.96	3,664.40
Total assets	12,150.33	12,672.92	12,936.91
Bank overdrafts and short-term loans	1,720.43	1,774.34	2,194.93
Trade accounts payable	630.71	781.58	690.35
Current portion of long-term liabilities	1.09	-	270.59
Payables and loans	73.67	50.73	69.20
Other current liabilities	429.88	633.75	755.71
Long-term loans	40.78	-	-
Other liabilities	218.23	205.57	191.42
Total liabilities	3,114.79	3,445.97	4,172.20

(Unit: Million Baht)

Transactions	2019	2018	2017
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	1.06	2.89	2.73
Legal reserve	369.09	365.87	363.69
Retained earnings (loss)	(3,130.72)	(2,938.63)	(3,398.73)
Minority interest	(14.26)	(13.55)	(13.35)
Total shareholders' equity	9,035.54	9,226.95	8,764.71
Statement of Income			
Revenue from sales of goods	22,222.36	22,246.27	19,701.47
Total revenues	22,304.29	22,307.26	19,754.66
Cost of goods sold	21,619.55	20,674.64	17,745.19
Gross profit	602.81	1,571.63	1,956.29
Selling and administrative expenses	753.05	964.33	930.58
Other expenses	-	-	537.10
Interest expense	79.43	83.00	101.11
Income tax	41.13	130.94	226.94
Profit (Loss) before minority interest	(188.88)	454.35	213.75
Net profit (Loss)	(188.18)	454.56	214.48
Earnings (Loss) per share – basic (Baht)	(0.02)	0.05	0.03

Tata Steel (Thailand) Public Company Limited
Statement of Cash Flows

For the years ended March 31, 2019, March 31, 2018 and March 31, 2017

(Unit: Million Baht)

	2019	2018	2017
Cash flows from operating activities			
Net Profit (Loss) before tax	(147.75)	585.29	440.69
Reconciliations of net profit (loss) to net cash provided by (used in) operating activities			
Unrealized loss (gain) on foreign exchange	(0.07)	0.04	2.71
Dividend received from other long-term investment	-	(14.40)	-
Reversal of allowance for inventory obsolescence	-	-	137.77
Depreciation and amortization	518.53	529.81	533.95
Allowance for doubtful accounts	35.11	40.57	-
Provision for employee retirement benefit	25.36	36.14	27.65
Loss from writing off fixed assets	1.56	0.04	18.17
Loss from impairment of property, plant and equipment	-	-	474.21
Interest income	(2.68)	(3.10)	(4.15)
Interest expense and financial charges	79.43	83.00	101.11
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	(0.44)	(0.07)	1.70
Written-off payables from restructuring	(6.07)	-	-
	502.98	1,318.32	1,733.65
Trade accounts receivable and receivables from related companies	549.01	(339.37)	(300.87)
Inventories-net	254.67	(407.28)	(1,001.32)
Other current assets, value added tax and other non-current assets	(76.47)	14.35	47.83
Trade accounts payable and payables to related companies	(313.31)	42.33	6.44
Accrued expenses and other current liabilities	(8.37)	(14.50)	(9.31)
Provision for employee retirement benefit	(12.37)	(11.62)	(10.89)
Income tax paid	(101.59)	(189.54)	(98.29)
Interest paid	(74.50)	(93.65)	(104.74)
Net cash provided by (used in) operating activities	720.05	319.04	262.50

Statement of Cash Flows (Cont.)

For the years ended March 31, 2019, March 31, 2018 and March 31, 2017

(Unit: Million Baht)

	2019	2018	2017
Cash flows from investing activities			
Cash paid for temporary investment	-	21.00	(21.00)
Dividend received from other long-term investment	-	14.40	-
Interest received	2.50	3.35	4.16
Sale of property and equipment	0.48	1.36	1.03
Purchase of property, plant and equipment	(258.20)	(149.93)	(252.06)
Net cash provided by (used in) investing activities	(255.22)	(109.82)	(267.87)
Cash flows from financing activities			
Proceeds (Payments) in bank overdrafts and short-term loans from financial institutions	(53.91)	(420.59)	150.78
Repayment of long-term loans	-	-	(200.00)
Proceeds (Payments) of short-term loans from related parties	-	-	(201.82)
Repayment of long-term loans from related parties	-	(199.37)	-
Repayments on finance lease liabilities	(3.74)	-	-
Net cash provided by (used in) financing activities	(57.65)	(619.96)	(251.04)
Net increase in cash and cash equivalents	407.18	(410.74)	(256.41)
Cash and cash equivalents at beginning of year	519.59	930.33	1,186.74
Cash and cash equivalents at end of year	926.77	519.59	930.33

Financial Ratios

Financial Ratios	2019	2018	2017
Liquidity ratio			
1. Current ratio (times)	1.89	1.78	1.40
2. Quick ratio (times)	0.55	0.54	0.48
Efficiency ratio			
3. Fixed asset turnover ratio (times)	6.87	6.38	4.60
4. Total asset turnover ratio (times)	1.80	1.74	1.53
5. Accounts receivable turnover ratio (times)	23.81	20.49	24.83
6. Average collection period (days)	15.33	17.81	14.70
7. Inventory turnover ratio (times)	6.49	6.27	6.56
Debt Management ratio			
8. Debt to Asset ratio (%)	25.64	27.19	32.25
9. Debt to Equity ratio (times)	0.34	0.37	0.48
10. EBITDA Coverage ratio (times)	6.33	15.88	17.15
Profitability ratio			
11. Return on total revenues (%)	(0.84)	2.04	1.09
12. Return on assets (%)	(1.52)	3.55	1.66
13. Return on equity (%)	(2.06)	5.05	2.47
14. Gross profit margin (%)	2.71	7.06	9.93
15. Operating profit margin (%)	(0.31)	3.00	2.74

- 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 Financial Year 2018-19 (FY19), the deliveries were at 1.154 million Tons as against 1.217 million Tons of previous year. Lower deliveries as compared to the previous year were primarily due to depressed market sentiment in Thailand with low demand in long products. The mega projects are delayed and yet to start ordering for the materials. Softening of international prices resulted in slowdown in demand for domestic wire rods while there have been increasing imports from Malaysia, Vietnam, Russia and China. However, revenue from sales remained almost at par with previous year reflecting higher price of finished goods from increasing trend of raw material price. With the pressure on volume and margin, EBITDA for the year was at Baht 503 million and Profit/(Loss) before taxes for the year at Baht (148) million.

The analysis of major items of the financial statement is as follows:

1) Revenue from sales and other income

	Unit: Million Baht		
	FY19	FY18	Change %
Revenue from sales	22,222	22,246	(0%)
Gain on exchange rate - net	2	3	(33%)
Dividend income from other long-term investment	-	15	(100%)
Interest income	3	3	(0%)
Compensation from insurance company	41	25	64%
Written-off payables from restructuring	6	-	100%
Others	30	15	100%
Revenue from sales and other income	22,304	22,307	(0%)

2) Cost of sales

	Unit: Million Baht		
	FY19	FY18	Change %
Cost of sales	21,620	20,675	5%

Cost of sales higher by 5% reflecting higher metallic prices and increase in electrodes prices leading to higher conversion cost.

3) Selling expenses

	Unit: Million Baht		
	FY19	FY18	Change %
Selling expenses	187	208	(10%)

The selling expenses during FY19 was lower as compared to the previous in line with the sales volume.

4) Administrative expenses

Unit: Million Baht

	FY19	FY18	Change %
Administrative expenses	566	757	(25%)

The administrative expenses during previous year included a loss from impairment of non-current assets classified as held-for-sale, expenses related to sustainable marketing strategy project and Brand Equity & Brand Promotion fees not present in the current year.

5) Finance Costs

Unit: Million Baht

	FY19	FY18	Change %
Finance Costs	79	83	(5%)

The reduction in Finance cost over previous year reflects lower utilization of utilities financing on account of off-peak operation during the current year, partly offset by the higher interest from usance LC charges from higher import of raw materials.

6) Profit/ (loss) before income tax expense

Unit: Million Baht

	FY19	FY18	Change %
Profit (loss) before income tax expense	(148)	585	(125%)

PBT for the year of FY19 was lower over FY18 attributable to the lower sales volume due to weak market sentiment, higher cost of goods sold due to higher metallic and raw material price, partly offset by the lower administrative expense.

7) Income tax expense

Unit: Million Baht

	FY19	FY18	Change %
Income tax expense	41	131	(69%)

Lower profit before taxes at SISCO and SCSC as compared to the previous year, resulted in lower income tax expenses in the current year.

8) Cash and cash equivalents

Unit: Million Baht

	FY19	FY18	Change %
Cash and cash equivalents	927	520	78%

As on March 31, 2019, the Company and its subsidiaries had a net increase in cash and cash equivalents of Baht 407 million as compared to the previous year. The change was mainly on account of increase in net cash from operating activities amounting to Baht 720 million. This comprised of operating profit before changes in operating assets and liabilities of Baht 503 million and decrease in changes in operating assets and liabilities of Baht 217 million which is largely due to the decrease in the trade and other receivables. With respect to investing activities, there was a net cash flow of Baht 255 million related to investments in fixed assets. Net cash outflow of Baht 58 million from financing activities was towards short-term loan repayment of Baht 54 million and towards lease liabilities Baht 4 million.

9) Trade and other receivables, net

Unit: Million Baht

	FY19	FY18	Change %
Trade and other receivables, net	676	1,259	(46%)

The decrease in trade and other receivables was mainly on account of lower export trade receivables. Export sales made during March'19 was fully collected within the month.

As on March 31, 2019, trade receivable from related parties was 9% as compared to 38% in the previous year, reflecting export sales to India fully collected within the month.

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, 2019, the Company and its subsidiaries set aside a cumulative provision for doubtful accounts amounting to Baht 93 million, equivalent to 12.62% of total trade accounts receivables.

10) Inventories, net

Unit: Million Baht

	FY19	FY18	Change %
Inventories	3,188	3,478	(8%)

The reduction in inventories over previous year is due to improved working capital management resulting in lower finished goods inventory.

11) Property, plant & equipment and Intangible assets

Unit: Million Baht

	FY19	FY18	Change %
Property, plant & equipment and Intangible assets	3,180	3,317	(4%)

Reduction in property, plant & equipment and intangible assets is on account of normal depreciation and amortization for the year, partly offset by additional investment of Baht 347 million in fixed assets.

12) Other non-current assets

Unit: Million Baht

	FY19	FY18	Change %
Other non-current assets	100	78	28%

Increase in other non-current assets reflects the refundable corporate income tax paid during FY19.

13) Short-term borrowings from financial institutions

Unit: Million Baht

	FY19	FY18	Change %
Short-term borrowings from financial institutions	1,720	1,774	(3%)

Reduction in short-term borrowings from banks mainly from lower utilization of scrap, utilities, and other raw material financing partly offset by the higher trust receipt relating to import of billets.

As at 31 March 2019, short-term borrowings from financial institutions bear interest rates at 2.67% - 3.95% per annum for trust receipt and BIBOR+2% - BIBOR+2.1% per annum for other working capital arrangement (31 March 2018 : interest rate at BIBOR+2% - BIBOR+2.1% per annum) and due from 1 April 2019 to 11 July 2019 (31 March 2018 : from 2 April 2018 to 18 June 2018).

14) Finance lease liabilities, net

Unit: Million Baht

	FY19	FY18	Change %
Finance lease liabilities	42	-	100%

Increase in Finance lease liabilities reflects arrangement of installation of solar roof top of at SCSC in order to reduce the cost of energy expenses.

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

As on March 31, 2019, the Company and its subsidiaries' had a debt to equity ratio of 0.34 times improved from 0.37 times in 2018.

Shareholders' equity

As on March 31, 2019, the Company and its subsidiaries had shareholders' equity of Baht 9,035 million consisting of the paid-up capital from ordinary shares totaling Baht 11,810 million. The retained earnings/ (deficit) was Baht (3,131) million, the legal reserve was Baht 369 million, Unrealized gain on re-measurement of available-for-sale investments was Baht 1 million and Non-controlling interests was Baht (14) million.

Liabilities

As on March 31, 2019, the Company and its subsidiaries had liabilities amounting to Baht 3,115 million consisting of current liabilities of Baht 2,856 million and Baht 259 million for non-current liabilities, representing 92% and 8% of total liabilities, respectively. Current liabilities included short-term borrowing from financial institutions of Baht 1,720 million, trade and other payables of Baht 1,110 million, current portion of finance lease liabilities of Baht 1 million and other current liabilities of Baht 25 million. Non-current liabilities included finance lease liabilities of Baht 41 million, employee benefit obligations of Baht 217 million and provision for decommissioning costs of Baht 1 million.

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

As of March 31, 2019, the Company had contingent liabilities as follows:

1. Its subsidiaries had Letter of Credit (L/C) amounting to Baht 35 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 350 million in the normal courses of business.
3. Its subsidiaries had obligations under the purchase agreement of machinery, equipment and computer software totaling of Baht 72 million
4. The Company and its subsidiaries had obligations under lease agreements (including service fee) amounting to Baht 72 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. 30: Financial Instruments.