

**Part 3****13. Financial Position and Operational performance****Financial statements****Auditor**

<b>Year</b>	<b>Name of auditor</b>	<b>CPA no.</b>	<b>Auditing firm</b>
2018/19 ( April 1, 2018-Mar 31,2019)	Mr. Chayapol Supasethnon	3972	EY Office Limited
2017/18 ( April 1, 2017-Mar 31,2018)	Mr. Chayapol Supasethnon	3972	EY Office Limited
2016/17 ( April 1, 2016-Mar 31,2017)	Mr. Chayapol Supasethnon	3972	EY Office Limited
2015/16 ( April 1, 2015-Mar 31,2016)	Mr. Chayapol Supasethnon	3972	EY Office Limited
2014/15 ( April 1, 2014-Mar 31,2015)	Mr. Termphong Opanaphan	4501	EY Office Limited

**Auditor's report**

For all the past years, including the year ended on March 31<sup>st</sup> 2019, the Auditors have given an unqualified opinion that the financial statements were fairly presented and prepared in accordance with generally accepted accounting principles.

The financial statements of last 3 years, for both Consolidated and Standalone, latest being the year ended on 31<sup>st</sup> March 2019, have been given for the purpose of comparison and for the appreciation of the change in revenues and profitability over the years.

Polyplex (Thailand) Public Company Limited												
Statement of Financial Position												
Unit: Bt. 000's												
	Unconsolidated						Consolidated					
	2016/17		2017/18		2018/19		2016/17		2017/18		2018/19	
	April-March		April-March		April-March		April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current Assets</b>												
Cash and cash equivalents	38,581	0.47	44,449	0.51	20,717	0.23	730,694	5.07	1,330,114	8.79	855,993	5.40
Current investments	-	-	-	-	-	-	6,816	0.05	4,500	0.03	13,178	0.08
Accounts receivable	1,097,131	13.28	998,380	11.57	1,297,324	14.37	1,796,282	12.48	1,999,597	13.21	2,119,816	13.37
Amounts due from related party	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	653,998	7.92	904,067	10.47	888,810	9.84	1,725,572	11.98	2,112,064	13.95	2,338,040	14.75
Other current assets	128,342	1.55	127,815	1.48	90,301	1.00	212,034	1.47	205,982	1.36	389,142	2.46
<b>Total Current Assets</b>	<b>1,918,052</b>	<b>23.22</b>	<b>2,074,711</b>	<b>24.03</b>	<b>2,297,152</b>	<b>25.44</b>	<b>4,471,398</b>	<b>31.05</b>	<b>5,652,257</b>	<b>37.34</b>	<b>5,716,169</b>	<b>36.06</b>
<b>Non-Current Assets</b>												
Restricted bank deposits	-	-	-	-	-	-	13,417	0.09	9,070	0.06	64,414	0.41
Investment in subsidiary	1,712,615	20.74	2,204,984	25.54	2,512,390	27.82	-	-	-	-	-	-
Land, premises and equipment-net	4,463,041	54.04	4,168,850	48.29	4,039,528	44.73	9,714,375	67.47	9,062,497	59.87	9,526,866	60.10
Intangible assets-net	(0)	(0.00)	-	-	-	-	6,544	0.05	6,413	0.04	5,399	0.03
Deferred Tax asset	147,657	1.79	147,657	1.71	147,657	1.64	147,657	1.03	147,657	0.98	150,168	0.95
Advance payment for purchases of assets	7,283	0.09	25,495	0.30	26,498	0.29	34,379	0.24	247,137	1.63	370,657	2.34
Other non current assets	10,719	0.13	10,776	0.12	7,037	0.08	11,246	0.08	11,464	0.08	17,040	0.11
<b>Total Non-current Assets</b>	<b>6,341,316</b>	<b>76.78</b>	<b>6,557,763</b>	<b>75.97</b>	<b>6,733,110</b>	<b>74.56</b>	<b>9,927,618</b>	<b>68.95</b>	<b>9,484,238</b>	<b>62.66</b>	<b>10,134,543</b>	<b>63.94</b>
<b>Total Assets</b>	<b>8,259,368</b>	<b>100.00</b>	<b>8,632,474</b>	<b>100.00</b>	<b>9,030,263</b>	<b>100.00</b>	<b>14,399,016</b>	<b>100.00</b>	<b>15,136,495</b>	<b>100.00</b>	<b>15,850,712</b>	<b>100.00</b>
<b>Liabilities &amp; Shareholders' Equity</b>												
<b>Current Liabilities</b>												
Trade and other Payables	634,817	7.69	653,220	7.57	617,018	6.83	1,165,325	8.09	1,136,827	7.51	1,146,892	7.24
Long-term loans-due within one year	495,911	6.00	404,848	4.69	208,699	2.31	500,411	3.48	408,930	2.70	420,639	2.65
Current portion of Lease agreements	-	-	-	-	-	-	1,568	0.01	1,476	0.01	-	-
Short-term loans from financial institutions	75,000	0.91	1,130,000	13.09	1,119,000	12.39	714,048	4.96	1,675,843	11.07	1,595,522	10.07
Short-term loans from related parties	2,381,614	28.84	2,472,290	28.64	3,173,526	35.14	-	-	-	-	-	-
Income tax payable	-	-	-	-	-	-	5,233	0.04	5,239	0.03	2,558	0.02
Other current liabilities	90,482	1.10	95,986	1.11	125,507	1.39	313,789	2.18	337,473	2.23	440,688	2.78
<b>Total current liabilities</b>	<b>3,677,824</b>	<b>44.53</b>	<b>4,756,343</b>	<b>55.10</b>	<b>5,243,751</b>	<b>58.07</b>	<b>2,700,374</b>	<b>18.75</b>	<b>3,565,789</b>	<b>23.56</b>	<b>3,606,297</b>	<b>22.75</b>
<b>Non-current Liabilities</b>												
Long-term loans from related party	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans-net of amount due within one year	671,233	8.13	233,709	2.71	22,642	0.25	2,002,231	13.91	1,000,945	6.61	594,230	3.75
Liabilities under Lease agreements	-	-	-	-	-	-	1,630	0.01	-	-	-	-
Provision for long-term employee benefits	10,584	0.13	17,432	0.20	19,465	0.22	28,382	0.20	30,489	0.20	39,995	0.25
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,359,641</b>	<b>52.78</b>	<b>5,007,485</b>	<b>58.01</b>	<b>5,285,859</b>	<b>58.53</b>	<b>4,732,616</b>	<b>32.87</b>	<b>4,597,223</b>	<b>30.37</b>	<b>4,240,522</b>	<b>26.75</b>
<b>Shareholders' Equity</b>												
<b>Issued &amp; Paid-up Share Capital</b>												
Ordinary shares	900,000	10.90	900,000	10.43	900,000	9.97	900,000	6.25	900,000	5.95	900,000	5.68
Premium on ordinary shares	1,908,450	23.11	1,908,450	22.11	1,908,450	21.13	1,908,450	13.25	1,908,450	12.61	1,908,450	12.04
Other components of shareholders' equity	-	-	-	-	-	-	(884,354)	(6.14)	(700,603)	(4.63)	(1,338,186)	(8.44)
Legal Reserve	96,000	1.16	96,000	1.11	96,000	1.06	96,000	0.67	96,000	0.63	96,000	0.61
Retained earnings (deficits)	995,277	12.05	720,539	8.35	839,954	9.30	7,622,058	52.93	8,310,195	54.90	10,012,304	63.17
<b>Total Shareholders' Equity</b>	<b>3,899,727</b>	<b>47.22</b>	<b>3,624,989</b>	<b>41.99</b>	<b>3,744,404</b>	<b>41.47</b>	<b>9,642,154</b>	<b>66.96</b>	<b>10,514,042</b>	<b>69.46</b>	<b>11,578,568</b>	<b>73.05</b>
Minority Interest	-	-	-	-	-	-	24,246	0.17	25,230	0.17	31,622	0.20
<b>Total Liabilities and Shareholders' Equity</b>	<b>8,259,368</b>	<b>100.00</b>	<b>8,632,474</b>	<b>100.00</b>	<b>9,030,263</b>	<b>100.00</b>	<b>14,399,016</b>	<b>100.00</b>	<b>15,136,495</b>	<b>100.00</b>	<b>15,850,712</b>	<b>100.00</b>

Polyplex (Thailand) Public Company Limited												
Statement of Income												
												Unit: Bt. 000's
	Unconsolidated						Consolidated					
	2016/17		2017/18		2018/19		2016/17		2017/18		2018/19	
	April-March		April-March		April-March		April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenues</b>												
Net sales	5,270,385	95.20	5,477,272	99.29	6,621,810	95.70	11,538,844	96.73	12,672,954	99.57	14,746,184	96.61
Exchange gains	233,157	4.21	-	-	253,466	3.66	326,010	2.73	-	-	450,287	2.95
Other revenues	32,445	0.59	39,180	0.71	43,899	0.63	64,239	0.54	54,502	0.43	67,576	0.44
<b>Total Revenues</b>	<b>5,535,987</b>	<b>100.00</b>	<b>5,516,452</b>	<b>100.00</b>	<b>6,919,176</b>	<b>100.00</b>	<b>11,929,093</b>	<b>100.00</b>	<b>12,727,456</b>	<b>100.00</b>	<b>15,264,047</b>	<b>100.00</b>
<b>Costs and Expenses</b>												
Cost of sales	4,605,654	83.19	4,788,647	86.81	5,647,102	81.62	9,331,477	78.22	10,019,892	78.73	11,543,091	75.62
Selling expenses	267,168	4.83	292,246	5.30	355,187	5.13	684,796	5.74	754,703	5.93	825,879	5.41
Administrative expenses	67,573	1.22	76,865	1.39	86,318	1.25	367,826	3.08	358,388	2.82	409,173	2.68
Exchange losses	-	-	57,539	1.04	-	-	-	-	263,958	2.07	-	-
<b>Total Expenses</b>	<b>4,940,395</b>	<b>89.24</b>	<b>5,215,297</b>	<b>94.54</b>	<b>6,088,608</b>	<b>88.00</b>	<b>10,384,098</b>	<b>87.05</b>	<b>11,396,940</b>	<b>89.55</b>	<b>12,778,143</b>	<b>83.71</b>
<b>Profit (loss) before interest expenses</b>	<b>595,593</b>	<b>10.76</b>	<b>301,155</b>	<b>5.46</b>	<b>830,568</b>	<b>12.00</b>	<b>1,544,995</b>	<b>12.95</b>	<b>1,330,516</b>	<b>10.45</b>	<b>2,485,904</b>	<b>16.29</b>
Finance costs	(96,618)	(1.75)	(88,566)	(1.61)	(99,153)	(1.43)	(147,474)	(1.24)	(122,420)	(0.96)	(112,052)	(0.73)
Income Tax	-	-	(265)	-	-	-	(23,558)	-	(30,437)	-	(41,290)	-
<b>Net profit (loss) after income tax</b>	<b>498,975</b>	<b>9.01</b>	<b>212,324</b>	<b>3.85</b>	<b>731,415</b>	<b>10.57</b>	<b>1,373,963</b>	<b>11.72</b>	<b>1,177,659</b>	<b>9.49</b>	<b>2,332,563</b>	<b>15.55</b>
Net loss (Profit) of minority interest	-	-	-	-	-	-	(7,602)	-	(7,673)	-	(8,176)	-
<b>Net profit (loss)</b>	<b>498,975</b>	<b>9.01</b>	<b>212,324</b>	<b>3.85</b>	<b>731,415</b>	<b>10.57</b>	<b>1,366,361</b>	<b>11.72</b>	<b>1,169,985</b>	<b>9.49</b>	<b>2,324,387</b>	<b>15.55</b>
Add/(Less): Forex Loss/ (Gain)	(233,157)		57,539		(253,466)		(326,010)		263,958		(450,287)	
Add/ (Less): Exceptional losses/ (Gains)			-		-							
<b>Normalized Profit (Loss)</b>	<b>265,817</b>	<b>9.01</b>	<b>269,863</b>	<b>3.85</b>	<b>477,949</b>	<b>10.57</b>	<b>1,040,351</b>	<b>11.72</b>	<b>1,433,943</b>	<b>9.49</b>	<b>1,874,100</b>	<b>15.55</b>
Earnings (losses) per share (Bt.) - On reported profit basis	0.57	-	0.24	-	0.81	-	1.55	-	1.30	-	2.58	-
Earnings (losses) per share (Bt.) - On normalized profit basis	0.30		0.34		0.60		1.18		1.59		2.08	

Polyplex (Thailand) Public Company Limited						
Cash Flow Statement						
Unit : Bt. 000's						
	Unconsolidated			Consolidated		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
	April-March	April-March	April-March	April-March	April-March	April-March
<b>Cash flow from operating activities</b>						
Profit before tax	498,975	212,589	731,415	1,397,521	1,208,096	2,373,853
<u>Adjustments to reconcile profit of net cash provided by operating activities</u>						
Depreciation and amortization	392,568	399,638	414,433	754,440	753,756	756,081
Doubtful debts (doubtful debts recovery)	2,465	169	(2,202)	(1,281)	2,759	(4,159)
Decrease of inventories to net realisable value (reversal)	(1,906)	4,093	5,175	(20,268)	(4,328)	19,731
Dividend income	-	(13,279)	(3,541)	-	-	-
Interest Expense	94,993	87,466	98,562	140,969	113,410	106,858
Unrealized losses (gains) on foreign exchange	(200,806)	66,510	(225,132)	(274,630)	239,530	(405,707)
Loss on sales of investment in subsidiary	(1,195)	-	-	-	-	-
Long-term employee benefit expense	3,132	6,239	3,182	5,075	10,435	4,888
Losses (gains) on sale and write off of property, plant and equipment	1,251	-	(1,313)	2,275	(1,220)	903
Interest Income	(295)	(173)	(232)	(7,941)	(15,460)	(16,883)
<b>Profit (Loss) from operation before changes in operating assets and liabilities</b>	<b>789,183</b>	<b>763,252</b>	<b>1,020,347</b>	<b>1,996,161</b>	<b>2,306,978</b>	<b>2,835,564</b>
Accounts receivable	(56,004)	95,856	(288,165)	91,889	(201,491)	(109,642)
Inventories	(6,316)	(254,162)	10,081	46,861	(382,977)	(246,388)
Other current assets	(22,144)	9,633	35,681	(28,212)	16,028	(185,663)
Other non-current assets	(1,986)	(57)	3,739	(2,178)	(219)	(5,576)
Accounts payable	51,091	10,867	(26,691)	140,666	(29,330)	23,436
Other current liabilities	(31,578)	6,332	21,105	(103,598)	22,382	92,494
Payment of long-term employee benefits	(261)	(718)	(1,149)	(798)	(5,243)	(4,318)
Income tax paid	(11,697)	(108)	(115)	(34,709)	(29,701)	(41,726)
<b>Cash flow provided from (used in) operating activities</b>	<b>710,289</b>	<b>630,895</b>	<b>774,834</b>	<b>2,106,082</b>	<b>1,696,427</b>	<b>2,358,181</b>
<b>Cash flow from Investing activities</b>						
Decrease (Increase) in restricted bank deposits	-	-	-	7,669	4,347	(55,344)
Decrease (increase) in current investments	-	-	-	(4,601)	2,316	(8,678)
Decrease (increase) in investments in subsidiaries	(346,300)	(492,369)	(307,406)	-	-	-
Proceeds from sales of investment in subsidiary	3,477	-	-	-	-	-
Dividend from subsidiary	-	13,279	3,541	-	-	-
Increase in advance payment for purchases of assets	9,831	(18,212)	(1,003)	(15,924)	(212,758)	(123,520)
Increase (decrease) in accounts payable for purchases of fixed assets	3,779	7,809	(11,693)	3,731	7,881	(11,765)
Purchases of property, plant and equipment	(168,873)	(105,448)	(285,143)	(200,873)	(336,853)	(1,319,448)
Proceeds from sales of property, plant and equipment	593	-	1,345	1,415	2,664	9,136
Increase in intangible assets	-	-	-	(147)	(1,306)	(801)
Cash received from interest	295	173	232	9,179	14,534	18,102
<b>Net cash used in investing activities</b>	<b>(497,199)</b>	<b>(594,768)</b>	<b>(600,126)</b>	<b>(199,551)</b>	<b>(519,175)</b>	<b>(1,492,318)</b>
<b>Cash flow from financing activities</b>						
Interest Paid	(96,164)	(88,349)	(99,578)	(142,844)	(114,291)	(108,316)
Increase (Decrease) in short term loans from financial institutions	(1,559,000)	1,055,000	(11,000)	(1,748,072)	961,795	(80,322)
Increase (Decrease) in loans from related party	1,196,262	(15,000)	928,986	-	-	-
Increase (decrease) in long-term loans from financial institutions	(379,297)	(495,911)	(404,847)	(890,947)	(959,973)	(400,267)
Dividend payment	-	(486,000)	(612,000)	-	(492,690)	(613,784)
Cash received for capital from right offering	637,990	-	-	637,990	-	-
<b>Cash provided from financing activities</b>	<b>(200,209)</b>	<b>(30,260)</b>	<b>(198,440)</b>	<b>(2,143,873)</b>	<b>(605,159)</b>	<b>(1,202,689)</b>
Currency Translation changes				(108,406)	27,327	(137,294)
<b>Increase in cash and cash equivalents</b>	<b>12,881</b>	<b>5,868</b>	<b>(23,732)</b>	<b>(345,748)</b>	<b>599,420</b>	<b>(474,121)</b>
<b>Cash and cash equivalents at the beginning of period (April 1)</b>	<b>25,700</b>	<b>38,581</b>	<b>44,449</b>	<b>1,076,441</b>	<b>730,694</b>	<b>1,330,114</b>
<b>Cash and Cash equivalents at the end of period (March 31)</b>	<b>38,581</b>	<b>44,449</b>	<b>20,717</b>	<b>730,693</b>	<b>1,330,114</b>	<b>855,993</b>

Polyplex (Thailand) Public Company Limited							
Financial Ratios							
		Unconsolidated			Consolidated		
		2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
		April-March	April-March	April-March	April-March	April-March	April-March
<b>Liquidity Ratios</b>							
Current ratio	(time)	0.52	0.44	0.44	1.66	1.59	1.59
Quick ratio	(time)	0.31	0.22	0.25	0.94	0.94	0.83
Cash flow current ratio	(time)	0.19	0.15	0.15	0.62	0.54	0.66
Receivable current ratio	(time)	4.87	5.23	5.77	6.21	6.68	7.16
Avg. debt collection period	(day)	73.88	68.86	62.40	57.99	53.91	50.28
Inventory turnover period	(time)	66.00	38.05	31.29	18.68	18.80	18.46
Avg. selling period	(day)	5.45	9.46	11.51	19.28	19.15	19.50
Payable current ratio	(time)	7.58	7.44	8.89	8.52	8.70	10.11
Loan repayment period	(day)	47.51	48.42	40.49	42.25	41.36	35.61
Cash cycle	(day)	31.82	29.91	33.42	35.02	31.71	34.18
<b>Profitability Ratios</b>							
Gross profit margin	(%)	12.61%	12.57%	14.72%	19.13%	20.93%	21.72%
Operating profit margin	(%)	6.26%	5.83%	8.05%	10.01%	12.15%	13.35%
Other profit margin	(%)	4.21%	0.00%	3.66%	2.73%	0.00%	2.95%
Cash to profit margin	(%)	119.26%	175.89%	93.29%	136.32%	106.39%	94.86%
Net profit margin	(%)	9.01%	3.85%	10.57%	11.45%	9.19%	15.23%
Return on equity	(%)	14.98%	6.65%	19.14%	15.32%	12.51%	21.91%
<b>Efficiency Ratios</b>							
Return on assets	(%)	6.12%	2.51%	8.28%	9.10%	7.92%	15.00%
Return on fixed assets	(%)	19.48%	14.18%	27.92%	20.97%	20.49%	33.14%
Asset turnover	(time)	0.68	0.65	0.78	0.79	0.86	0.99
<b>Financial Policy Ratios</b>							
Debt to equity ratio	(time)	1.12	1.38	1.41	0.49	0.44	0.37
Interest coverage ratio	(time)	7.60	7.21	7.86	15.19	15.22	22.46
Commitment coverage ratio (cash basis)	(time)	1.30	0.58	0.60	1.93	0.95	1.01
Pay out ratio *	(%)	30%	35%	30%	30%	35%	30%

\* Payout ratio is on normalized profits. For FY 2018-19, it is as proposed by Board of Directors for shareholder consideration and approval

## 14. Management Discussion and Analysis of operational performance and financial status

### 14.1 Operational performance

PTL, a subsidiary of PCL, was incorporated on March 26, 2002 to engage in the production and distribution of PET film (Polyethylene Terephthalate Film or Polyester Film) mainly for export markets focusing on packaging, industrial and electrical segments. The Company commenced operations from its first production line in April, 2003. Since then, the Company has expanded its operations significantly, both within and outside Thailand. In Thailand, the Company has invested in Extrusion Coating lines, Cast Polypropylene line, Silicone Coating line, Thick PET film line, Blown film line and a few Metallizers. Apart from this the Company has also set up manufacturing subsidiaries in Turkey (2005) USA (2012) and in Indonesia (Greenfield project under implementation), trading companies in Netherlands and, Liaison offices in Malaysia, Korea and Japan.

All our operational product lines in Thailand have the following certifications:

- ISO 14001:2015 certification on Environment Management system
- ISO 9001:2015 certification on Quality Management system
- OHSAS 18001:2007 certification on Occupational Health and Safety Management system
- ISO 22000:2005 certification on Food Safety standards
- TPM Excellence Award (Category A)
- Kosher Certificate

All our product lines in Turkey have the following certifications:

- ISO 14001:2015 certification on Environment Management system
- ISO 9001:2015 certification on Quality Management system
- OHSAS 18001:2007 certification on Occupational Health and Safety Management system
- BRC/IoP – certification on Global Standard for Packaging and Packaging Materials (For Plain and Coated Film lines)
- ISO 50001:2011 certification on Energy Management system

Our product lines in USA have received the following certifications in 2018:

- ISO 14001: 2015 – certification on Environmental Management System)
- ISO 9001: 2015 – certification on Quality Management System

Polyplex group aims to become one of the world's leading players in the plastic film industry by continuously expanding its market share through regular expansions in capacity and diversification in its product portfolio. The Thin PET film line in US and the Thick PET Film line in Thailand, which started in 2013 have added 31,000 MT and 28,800 MT per annum in the Company's combined PET film capacity. The Greenfield Thin PET Film line in Indonesia which is under implementation and expected to start operations in August 2019 will add another 44,000 MT p.a to the Group's PET film capacity. By venturing into the manufacture of related products such as BOPP film (In India and the new BOPP film line recently approved by the Board for Indonesia), and CPP films & Blown Films (In Thailand), which are other Packaging substrates, used by Converters, in addition to PET film, Polyplex aims to become a preferred packaging substrate provider as against just a PET thin film supplier. Apart from this, in order to further diversify its product range, the group has regularly been expanding into other products such as Silicone coated film, Offline Coated films, Extrusion coated films, Holographic film and Metallized films. The recycling project in Thailand has been set up to find sustainable solution for film based process waste and the Company has successfully developed products which has up to 90% recycled PET content.

Polyplex group has set out clear business strategies:

- 1) Focus on product development and technical services to penetrate high growth and high margin markets
- 2) Continued focus on cost efficiency through Kaizens including debottlenecking and energy saving/ efficient investments
- 3) Boosting delivery efficiency through focus on distributed manufacturing and logistics
- 4) Diversifying the product portfolio to minimize the risk of cyclical impact of the PET film industry, to increase stability of Earnings
- 5) Continuous effort to improve the share of high value added and specialty products in the product portfolio
- 6) Endeavor to attain Customer satisfaction through supply of consistent quality products
- 7) Judicious mix of On-shore, Off-shore and Near-shore strategy
- 8) Systems are created and strengthened to enhance cross-learning and sharing best practices/benchmarking across various units and businesses of the Group to enhance efficiency and synergy.
- 9) Focus on innovation and collaborative application development has helped the Company become a preferred supplier/ partner with several large multinational customers.

For the year ended 31 March 2019, the company has reported a net profit (after minority interest) of Bt 2,324.39 million on consolidated basis, as compared to a net profit of Bt 1,169.99 million in the corresponding year. The corresponding year included forex loss of Bt 263.96 million as against which there is a forex gain of Bt 450.29 million in the current year. Keeping aside the forex fluctuations, the normalized net profit for the corresponding year was Bt 1,433.94 million, which has increased by 30.70% to Bt 1,874.10 million in current year.

One of the key reasons for the higher profitability at Thailand as well as subsidiaries is the higher volumes in current year (mainly from capacity additions in Metallized Film/ Blown Film and capacity debottlenecking in Thin PET film) in most of the businesses as compared to corresponding year, as well as better value addition in some of the product lines due to improved market conditions as compared to corresponding year. Apart from this, continued focus on high value add products has also contributed to improved margins. Also, the impact of higher volumes and better value addition at



the subsidiaries is partially offset by appreciation of THB against USD (by THB 0.72/USD) as well as Euro (by THB 1.19/ Euro) as compared to the exchange rate prevailing in FY 2017-18.

The key highlights of the year's performance are as follows:

## **TOTAL REVENUES**

### **Sales Revenue:**

Consolidated Sales revenue of the company has increased from Baht 12,672.95 million to Baht 14,746.18 million, an increase of Baht 2,073.23 million or 16.36% mainly due to overall higher volumes at Thailand and the subsidiaries and also due to better average sales realization driven by higher raw material prices as well as improved market conditions compared to the corresponding year.

Table illustrating consolidated sales revenue from Exports and Domestic sales is as below:

	2016-17		2017-18		2018-19	
Market	Bt. Million	%	Bt. Million	%	Bt. Million	%
Exports	7,728.24	66.98	8,048.19	63.51	9,789.30	63.41
Domestic sales	3,810.57	33.02	4,624.76	36.49	4,956.88	36.59
<b>Total</b>	<b>11,538.81</b>	<b>100.00</b>	<b>12,672.95</b>	<b>100.00</b>	<b>14,746.18</b>	<b>100.00</b>

*Note: Sales made by the distribution company in the Netherlands and Turkey has been considered as Exports.*

### **Other Income:**

There is an exchange gain of Baht 450.29 million in current year as against an Exchange loss of Baht 263.96 million in the previous year. The forex gains are primarily on account of restatement of Euro loans at Thailand as well as Euro loans at USA due to sharp depreciation of Euro against both Thai Baht and USD. The gains on Euro loan restatement at Thailand is partly offset by loss on USD loan restatement due to weakening of Thai Baht against USD.

The other income has increased from Baht 54.50 million in the corresponding year to Baht 67.58 million due to Insurance claim at Thailand and higher other income at subsidiaries (interest income at the new subsidiary in Indonesia).

The combined net impact of the above factors has contributed to an overall increase in the total consolidated revenue by Baht 2,536.59 million or 19.93% to Baht 15,264.05 million.

## **TOTAL EXPENSES**

The key elements of the Company's cost structure are raw materials, packing, electricity & fuel, depreciation, staff cost, selling & administrative expenses and finance costs.

The company recorded total consolidated expenses of Baht 12,778.14 million being an increase over corresponding year by Baht 1,381.20 million or 12.12%.

The cost of sales has increased by Baht 1,523.20 million or 15.20% mainly due to higher volumes at Thailand as well as subsidiaries. The per unit raw material cost has also increased as compared to the corresponding year of last year due to increase in key raw material prices.

### **A broad break up of COS is given below:**

Description	2016-17	2017-18	2018-19
Raw materials and consumables used (incl.change in inventory)	73.7%	75.2%	77.5%
Depreciation ( in COS)	7.9%	7.3%	6.4%
Salaries, wages and other employee benefits (in COS)	9.3%	8.7%	7.8%
Utilities (Power/Natural Gas/ Chilled water etc)	7.6%	7.3%	6.7%
Others	1.4%	1.5%	1.7%
	100.00%	100.00%	100.00%

The selling expenses have increased by Baht 71.17 million or 9.43% due to increase in overall sales volumes at Thailand as well as subsidiaries, resulting in increase in outbound freight, sales commission, warehousing expenses etc.

The administrative expenses have increased by Baht 50.78 million or 14.17% due to higher expenses at the Thailand as well as the subsidiaries (including the expenses at the new subsidiary at Indonesia). The increase is mainly due to expenses relating to the Indonesia investment, Interim dividend related expenses, legal and professional charges etc, which is partly offset by savings in certain other administrative expenses.

As a % to total revenue, total expenses have decreased from 89.55% to 83.71% mainly due to higher sales and other income, partly offset by higher cost of sales, admin and selling expenses. The forex gains in current year as compared to the forex loss in the corresponding year has also contributed to the decrease in total expenses as a % to total revenues.

### **Net financial charges**

The consolidated finance costs during the year were Baht 112.05 million, a decrease of Baht 10.37 million or -8.47% over corresponding year.

The key reason for the decrease is mainly lower term debt interest due to repayment/prepayment of loans made over the past year. The impact of lower debt is partly offset by higher LIBOR rates and increase in interest on working capital debt at Thailand.

### **Corporate Income Tax**

The Consolidated Corporate Income tax expense in this year is Baht 41.29 million as compared to the expense of Baht 30.44 million in the corresponding year mainly due to increase in tax expenses at the subsidiaries.

The combined net result of all the above factors has resulted in a net profit on consolidated basis of THB 2,324.39 million, as against a net profit of Baht 1,169.99 million in the corresponding year.

### **Profit margins – Gross Profit, Operating Profit and Net profit ratios**

On Consolidated basis, the gross margin and operating margin have improved compared to previous year due to the improvement in overall market sentiments and better operational performance, including the operations of the newer projects in Thailand and USA due to further ramp up of capacity utilization. The net margins have substantially improved, even after the normalization of the forex gains this year as compared to forex losses last year. The forex gains are mainly unrealized and relates to the restatement of Forex loans.

## **14.2 Financial status**

As at 31st March, 2019, there has been a sharp appreciation of THB against the Euro (approx. THB 2.72/Euro) as compared to the exchange rate on 31st, March 2018, so the translation of the Company's subsidiaries whose reporting currency is Euro, has been at a lower exchange rate, thereby resulting in translation losses. This is partly offset by translation gains on subsidiaries with reporting currency in USD, due to THB depreciation against the USD (approx. THB 0.58/USD) at current FY end. On an overall basis, there is a Net translation loss of Baht 637.58 million.

### **TOTAL ASSETS**

As on 31<sup>st</sup> March 2019, The Company's consolidated total assets were Baht 15,850 million, higher by 4.72% as compared to Baht 15,136 million in the previous year.

The main components of Total Assets are Current assets, Fixed assets, Investments and other non-current assets. A brief summary of the movement in the various components of total assets is given below:



**Current assets**

- The decrease in consolidated cash and cash equivalents is mainly due to deployment of cash generated from operations for term loan repayments at Thailand and USA, including some prepayments at USA and other cash outflows for operational purposes, dividend payment and the Investment in Indonesia.
- Increase in current investments is due to investments by Ecoblue Limited out of cash generated from its operations.
- Trade and other receivables have increased at Thailand and the subsidiaries, on account of higher volumes and prices compared to last year.
- Inventories have increased mainly due to higher raw material inventory (price and volume increase and higher raw material and finished goods inventory at Thailand and the subsidiaries). Increase in inventory at subsidiaries is partly offset by overall lower inventory levels at Thailand, mainly in process inventory.
- There is an increase in advance payment for purchase of goods, mainly at Turkey, due to higher advances paid for raw material procurement.
- There is a reduction in Input tax refundable mainly due to lower VAT refundable at Thailand, partially offset by higher tax refundable at subsidiaries.
- Other current assets – There is an increase in other current assets at Thailand and subsidiaries due to increase in discount receivable at year end, on the key raw material supplies and insurance claim receivable at the US subsidiary. This is partly offset by reduction in certain other current assets such as lower MTM gain on the forward contracts, as compared to previous year end.

**Non-current assets:**

- The restricted bank deposit represents bank deposits pledged with the bank, as per terms of the loan facility of the US and Indonesia subsidiary.
- Increase in Property Plant & Equipment (net block) is mainly due to additions on account of project capex/ normal capex at Thailand and the subsidiaries, partly offset by depreciation charged during the year
- There is an increase in Advances for purchase of fixed assets due to advances against the Indonesia project and other smaller projects at Thailand.
- The increase in the other non-current assets is at the subsidiaries, mainly at Indonesia due to the project financing related expenses booked to Deferred revenue expenses. This is partly offset by a reduction at Thailand due to lower inventory of Tax cards received against Export incentive income.

**Return on assets**

On a consolidated basis, the return on assets is 15% as compared to 7.92% during previous year. The increase is mainly on account of the significant forex gains on the forex loan restatement as compared to the forex losses last year. If we normalize the impact of Forex fluctuations in both years, there is an improvement in Return on Assets from 9.71% to 12.10%, which is mainly on account of improvement in operational performance this year.

**14.3 Liquidity****Cash flow**

- For the year 2018-19, the Company (on a consolidated basis) generated cash of Baht 2,358 million in operating activities as per details below:
  - Cash generated from operating activities (before changes in operating assets and liabilities) was Baht 2,835 million.
  - The impact of changes in working capital ( Outflow of Baht 477.4 million) is as under:
    - Increase in Accounts Receivable by Baht 109.6 million due to higher sales revenues resulting from improved average selling prices and also higher volumes in some businesses.

- Increase in inventories by Baht 246.4 million due to higher raw material inventory (price and volume increase, higher process inventory and finished goods inventory).
  - Increase in Accounts Payable by Baht 23.4 million due to higher related party payables (higher volumes) partly offset by lower unrelated trade payables.
  - Payment of long term employee benefits – Baht 4.3 million
  - Cash paid for income tax – Baht 41.7 million
  - Increase in other current/ non-current assets by Baht 191.2 million mainly due to higher advance payments at Turkey, for purchase of raw material
  - Increase in other current liabilities by Baht 92.5 million due to increase in expenses payable and accrued expenses at Thailand and the subsidiaries, including the new subsidiary in Indonesia.
- Net cash used in investing activities is Baht 1,492.3 million as per details below:
    - Net additions to fixed assets – Baht 1,310.3 million.
    - Baht 55.3 million increase in the restricted bank deposit.(Amount set aside for servicing the loan repayment and interest payment, as part of the Loan covenants of the US and Indonesia subsidiary)
    - Increase in Intangible assets – Bt 0.8 million
    - Net increase in Advance and decrease in Accounts payable for fixed assets by Baht 135.3 million
    - Increase in current investments –Bt 8.7 million
    - Cash received from Interest – Bt 18.1 million
  - The net cash outflow from financing activities of Baht 1,202.7 million:
    - Decrease in Short term loan– Baht 80.3 million
    - Repayment of Long term loans from banks - Baht 400.3 million
    - Dividend paid during the year – Baht 613.4 million
    - Cash paid for interest on term loans and short term loans – Baht 108.3 million

The deficit thereof, along with translation adjustment loss of Baht 137.3 million, and opening balance of Baht 1,330.1 million has resulted in a net closing balance of Baht 856 million.

#### **Liquidity ratio**

In 2018-19, consolidated current ratio was 1.59 and quick ratio was 0.83. Consolidated average debt collection period during 2018-19 was 50 days along with Account payables period of 36 days and average selling period of 20 days, resulting in a cash cycle of 34 days as against a cash cycle of 32 days of previous year.

#### **14.4 Sources of funds**

Sources of funds consist of long term and short term loans from financial institutions and shareholders' equity.

#### **TOTAL LIABILITIES**

As on 31<sup>st</sup> March, 2019, consolidated Total liabilities stood at Baht 4,240 million, a decrease of 7.76% over Bt 4,597 million of previous year. The major movements in Liabilities are as under:

##### ***Current Liabilities:***

- Decrease in short term borrowings is due to repayment of loans at Thailand and the US subsidiary, using cash generated from operations, including deployment of cash at the Turkey subsidiary.
- Increase in trade and other payables is due to higher related party trade payables due to higher volumes purchased from parent company, partly offset by lower unrelated trade payables and lower payables for fixed assets at Thailand and US subsidiary.
- The decrease in Long term loans (including current portion) is due to repayment including some prepayment by the US subsidiary of term loan amounting to USD 13 million using its cash generated from operations. Apart from this, the term loan reduction is also on account of repayment of loans at Thailand and due to the unrealized gains on the Euro loan restatement, which is offset by unrealized losses on the USD loan restatement. The decrease at

Thailand and US subsidiary is partly offset by additional borrowings at the Indonesia subsidiary for the ongoing project.

- Increase in other current liabilities is mainly due to increase in accrued expenses such as Provision for Freight and other expenses, Employee Bonus etc at Thailand and the subsidiaries ( additional current liabilities at the new subsidiary at Indonesia). There is also an increase in MTM loss on Forward contract at Thailand as compared to previous year end.

***Major changes in Shareholder Equity:***

- The retained earnings have increased due to the net profits generated during the year, partly offset by dividend appropriation of Baht 613.4 million (including the Interim dividend).
- The decrease in other components of equity is mainly due to exchange translation net losses arising on account of translation of the Euro denominated balance sheet of the subsidiaries due to the appreciation of Baht against Euro, partly offset by gains on USD denominated balance sheet of subsidiaries due to depreciation of THB against USD, as explained earlier.
- The increase in Non-controlling interests of subsidiaries is due to minority share of profits generated during the current year partly offset by minority's share of dividend appropriation.

**Return on equity**

The Return on Equity on Consolidated basis is 21.04% as compared to 11.61%, higher this year due to the improved profitability, even if we normalize the forex gains.

The Company has a policy to pay dividend at 40% of consolidated net profits, taking into account economic conditions, growth plans, future deployment opportunities, the Company's financial position and liquidity and subject to the approval by the shareholders.

For the year 2018-19, the Board has recommended a payout of THB 0.64/share or total payout of THB 576 million, out of which THB 0.31/share of THB 279 million was paid out as Interim dividend in December 2018 and balance of THB 0.33/share or THB 297 million is being proposed as Final dividend, for approval of shareholders in the Annual General meeting in July 2019.

**Leveraging & interest coverage ratio**

The net debt equity ratio (debt only - short term and long term, including current portion, after netting off cash & cash equivalents and current investments) is 0.15 on a consolidated basis (as compared to 0.17 in previous year end). The improvement is due to increase in retained earnings due to higher profitability and the debt repayments over the year ( including some prepayments), partly offset by the impact of additional debt borrowed at the Indonesia subsidiary.

Debt equity ratio (for total debt, including current + non-current liabilities), is 0.37 on a consolidated basis as compared to 0.44 in the previous year end.

The interest coverage ratio has improved from 15 to 22 times, mainly due to improvement in cash generated from operations and also lower interest expenses due to reduction at the US subsidiary.

As at 31 March 2019 and 2018, the Company's foreign exchange contracts outstanding were summarised below.

2019				
	Bought	Sold	Contractual exchange rate	
Foreign currency	amount	amount	Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	4.77	43.20	31.0347 - 32.6000	30.9800 - 32.9800
Euro	0.98	2.76	36.0780	35.5100 - 37.4400
Japanese yen	-	36.55	-	0.2848 - 0.2875

  

2018				
	Bought	Sold	Contractual exchange rate	
Foreign currency	amount	amount	Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	4.36	32.46	30.9715 - 32.5261	30.9300 - 32.4550
Euro	0.99	1.92	38.7400	38.5600 - 39.1400
Japanese yen	-	77.31	-	0.2940 - 0.2945

As at 31 March 2019 and 2018, subsidiaries had forward foreign exchange contracts as follows:

2019				
Foreign currency	Bought amount	Sold amount	Contractual exchange rate	
	(Million)	(Million)	Bought	Sold
YTL	8.7	-	YTL 6.1464 - 6.4739 per EUR 1	-
USD	2.5	-	USD 1.1385 - 1.1565 per EUR 1	-
EUR	-	1.9	-	Baht 35.4500 - 36.6900 per EUR 1 and IDR 16,120 per EUR 1

2018				
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate	
			Bought	Sold
YTL	6.8	-	YTL 4.6281 - 4.9837 per EUR 1	-
USD	8.3	0.2	USD 1.2287 - 1.2453 per EUR 1	Baht 31.12 per USD 1

- (a) As at 31 March 2019, the Company and its subsidiaries had capital commitments of approximately Baht 1,012 million (2018: Baht 1,074 million) (The Company only: Baht 141.6 million (2018: Baht 46.5 million)), relating to the acquisitions of machinery and equipment.
- (b) . As at 31 March 2019, the Company and its subsidiaries had commitments totaling Baht 8.8 million (2018: Baht 9.5 million) under various service agreements (The Company only: Baht 8.6 million (2018: Baht 8.9 million)). These agreements expire between May 2019 to February 2022.
- (c) The Company and its subsidiaries had entered into several lease agreements in respect of office building space and equipment. The term of the agreements are generally between 1 and 4 years.
- (d) Future minimum rentals payable under these leases are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Payable:				
In up to 1 year	4.0	4.0	1.5	4.0
In over 1 and up to 3 years	0.9	2.2	0.6	2.2

- (e) As at 31 March 2019, the Company has provided guarantee worth USD 20.0 million (2018: USD 30.0 million) for working capital facilities obtained by a subsidiary, Polyplex USA LLC.
- (f) As at 31 March 2019, the Company has provided guarantee of USD 84 million and USD 55.0 million (2018: USD 84.0 million) for the long-term loans obtained by its subsidiaries, Polyplex USA LLC and PT. Polyplex Film Indonesia, respectively. As at 31 March 2019, the outstanding balances of these subsidiaries' loans were USD 11.5 million and EUR 10.9 million and USD 0.8 million, respectively (2018: USD 24.4 million).
- (g) As at 31 March 2019, Polyplex Europa Polyester Film Sanayi Ve Ticaret Anonim Sirketi has provided guarantee for credit facilities obtained by Polyplex Paketleme Cozumleri Sanayi Ve Ticaret Anonim Sirketi to the extent of EUR 5.7 million (2018: EUR 5.7 million).

- (h) The Company has provided corporate guarantee for securing the payables towards the raw material suppliers of Polyplex USA LLC. The outstanding amount of payables in respect of such guarantees is USD 2.7 million as at 31 March 2019 (2018: USD 3.0 million).
- (i) As at 31 March 2018 and 2017, there were outstanding bank guarantees as follows:

(Unit: Million)

Letters of guarantee for	Currency	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Performance bonds	Baht	3.9	7.7	3.9	7.7
Customs duty	Euro	0.5	0.7	-	-

#### 14.5 Main factors which may affect the future operational performance and financial position

The last few years have been very challenging year for the Polyester Film industry due to the excessive oversupply caused by the significant supply additions that happened, following the up cycle in 2010/ 2011. For Polyplex, the additional challenge was the ramp up and stabilization of the new projects which started in 2013 in Thailand and USA. Both these projects have seen better utilization rates and profitability in the last 2 years due to improved market conditions and internal production efficiencies, as well as improvement in product mix, which also reflected in improved margins and profitability of the Company.

The key challenges for the company in the coming year would be the following:

- Smooth and timely start-up of the new line in Indonesia and the successful ramp up of the same to optimum levels, within 3-6months of start up
- Raw material price volatility and any significant upward movement in prices, which although largely get passed on to the end customers, it usually happens only with some time lag and may impact the margins in the interim. In any case, volatility in raw material prices is not good, as it dampens the overall business sentiment.
- Volatility of THB against USD and Euro as well as the movement of Euro against the USD impacts the profits of the company. The company is exposed to 2 types of exchange fluctuation risks, one on the operational profits, including the restatement of the foreign currency denominated assets/ liabilities of the company on a standalone basis and secondly, on the conversion of the subsidiaries' financial statements, which are denominated in USD, Euro, IDR and RMB, into THB currency for the purpose of consolidation. While the Company hedges most of its operational foreign currency exposures, the fluctuations on account of restatement of long term loans cannot be completely hedged. As on 31<sup>st</sup> March, 2019, the total foreign currency denominated loans at Thailand are Euro 90 million (including related party loans) and USD 6 million, at USA is USD 11.5 million and Euro 42.5 million (related party loan) and at Indonesia is USD 0.8 million and Euro 20 million (including related party loans)
- Several new capacities announced mostly by incumbent players in different parts of the world and are slated to start in next 2-3 years. These capacities are expected to be in excess of demand growth in short term and there may be some pressure on margins. This may be partially offset by delayed start-up of some of the planned capacities and likely closure of old and inefficient lines which may not be economically viable when compared to the high productive assets like the one being installed by the Company in Indonesia

In the long run, the Company still remains confident of retaining its competitive edge due to various reasons as mentioned below:

##### 1. Benefit from its various projects and expansions:

- a. PTL and its manufacturing subsidiaries have derived significant benefits from the captive PET resin production to serve its raw material demand on costs, quality and security of availability. The main



advantages of a captive resin plant are lower cost of production because of efficiencies in raw material sourcing as also a lower conversion cost besides ensuring timely availability of raw material for the film plants. Easy availability of PTA and MEG would reduce the supply risk although fluctuations in the cost of the same still remains a matter of concern for any PET film manufacturer as it has a direct impact on the margins of every manufacturer. Captive production of resin also allows the company to develop new specialty film products.

- b. Metallizer plants in all the manufacturing locations have helped improve the product mix by increasing the share of specialty film in the overall sales portfolio. Metallizers are used to metallize not just the PET film, but also the CPP, Blown film and going forward, the BOPP films.
  - c. The CPP line which started in Thailand in 2010 has helped the company broad base its product offerings to the converters and move towards becoming a complete packaging solution provider for its customers, rather than just a PET film supplier.
  - d. The 2 Extrusion Coating lines, 2 Silicone Coating lines (including the second line underway), the 2 Blown film lines, Holographic film line in Turkey and Offline Coater in Turkey/Thailand, have further diversified the product portfolio of the company and add a highly value added product in its portfolio.
  - e. The Thick PET film line, implemented in Thailand in 2013 has also helped further diversify the product portfolio and mitigate the risk associated with the cyclical nature of the Thin PET film industry, as Thick PET film is a relatively more stable industry.
2. Polyplex has been deriving benefits from the larger size and distributed manufacturing operations across 5 geographies (including the Greenfield project underway in Indonesia), whereby it is a preferred global supplier with many multinational and large customers with global operations.
  3. Polyplex has been able to establish itself as a reliable supplier of consistent quality products
  4. Polyplex had also invested significantly in distribution, through the acquisition of a company in USA (Polyplex (Americas) Inc. (PA), [which has now been merged with Polyplex USA LLC (PUL), the manufacturing entity in USA], setting up of the trading company in Netherlands and Turkey and by establishing warehouses across Europe for better distribution. It has also set up Liaison offices in Malaysia, Korea and Japan.

#### 14.6 Remuneration for auditor/s

##### 1. Audit fee

The Company paid audit fee as below:

- A total of Baht \_\_\_\_\_ - \_\_\_\_\_ paid to the auditor/s for the past fiscal year; and
- A total of Baht 2,490,000.00 paid to the accounting firm the auditor/s work for, or the person or business related to the auditor/s and the accounting firm for the past fiscal year.

##### 2. Non-audit fee

The Company made payment for other services, i.e. examination of compliance with conditions of promotion certificates, and legal and tax advisory services, including BOI and tax audit services, as follows:

- A total of Baht \_\_\_\_\_ - \_\_\_\_\_ paid to the auditor/s for the past fiscal year and Baht \_\_\_\_\_ - \_\_\_\_\_ payable in the future for the service not yet fully done for the past fiscal year; and
- A total of Baht 82,500 paid to the accounting firm the auditor/s work for, or the person or business related to the auditor/s and the accounting firm for the past fiscal year, and Baht 727,500 payable in the future for the service not yet fully done for the past fiscal year.