

**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>
2019/20 ( April 1, 2019-Mar 31,2020)	Mr. Chayapol Supasethnon	3972	EY Office Limited
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

**Auditor's report**

For all the past years, the Auditors have given an unqualified opinion that the financial statements were fairly presented and prepared in accordance with generally accepted accounting principles, except for the year ended 31<sup>st</sup> March, 2020 where the Auditor has given an unqualified opinion with an emphasis of matters related to the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic issued by the Federation of Accounting Professions.

The Consolidated financial statements of last 3 years latest being the year ended on 31<sup>st</sup> March 2020, 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						
	2017/18		2018/19		2019/20	
	April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,330,114	8.79	855,993	5.40	1,204,346	6.89
Current investments	4,500	0.03	13,178	0.08	-	-
Accounts receivable	1,999,597	13.21	2,119,816	13.37	2,411,112	13.79
Inventories	2,112,064	13.95	2,338,040	14.75	2,353,854	13.46
Other current assets	205,982	1.36	389,142	2.46	396,223	2.27
<b>Total Current Assets</b>	<b>5,652,257</b>	<b>37.34</b>	<b>5,716,169</b>	<b>36.06</b>	<b>6,365,536</b>	<b>36.40</b>
<b>Non-Current Assets</b>						
Restricted bank deposits	9,070	0.06	64,414	0.41	9,743	0.06
Land, premises and equipment-net	9,062,497	59.87	9,526,866	60.10	10,706,220	61.21
Intangible assets-net	6,413	0.04	5,399	0.03	4,471	0.03
Deferred Tax asset	147,657	0.98	150,168	0.95	76,541	0.44
Advance payment for purchases of assets	247,137	1.63	370,657	2.34	311,466	1.78
Other non current assets	11,464	0.08	17,040	0.11	16,110	0.09
<b>Total Non-current Assets</b>	<b>9,484,238</b>	<b>62.66</b>	<b>10,134,543</b>	<b>63.94</b>	<b>11,124,551</b>	<b>63.60</b>
<b>Total Assets</b>	<b>15,136,495</b>	<b>100.00</b>	<b>15,850,712</b>	<b>100.00</b>	<b>17,490,087</b>	<b>100.00</b>
<b>Liabilities &amp; Shareholders' Equity</b>						
<b>Current Liabilities</b>						
Trade and other Payables	1,136,827	7.51	1,146,892	7.24	1,185,815	6.78
Long-term loans-due within one year	408,930	2.70	420,639	2.65	147,295	0.84
Current portion of Lease agreements	1,476	0.01	-	-	-	-
Short-term loans from financial institutions	1,675,843	11.07	1,595,522	10.07	906,628	5.18
Income tax payable	5,239	0.03	2,558	0.02	26,245	0.15
Other current liabilities	337,473	2.23	440,688	2.78	587,713	3.36
<b>Total current liabilities</b>	<b>3,565,789</b>	<b>23.56</b>	<b>3,606,297</b>	<b>22.75</b>	<b>2,853,697</b>	<b>16.32</b>
<b>Non-current Liabilities</b>						
Long-term loans-net of amount due within one year	1,000,945	6.61	594,230	3.75	1,506,020	8.61
Provision for long-term employee benefits	30,489	0.20	39,995	0.25	55,742	0.32
Deferred Tax Liabilities	-	-	-	-	152,910	0.87
<b>Total Liabilities</b>	<b>4,597,223</b>	<b>30.37</b>	<b>4,240,522</b>	<b>26.75</b>	<b>4,568,368</b>	<b>26.12</b>
<b>Shareholders' Equity</b>						
<u>Issued &amp; Paid-up Share Capital</u>						
Ordinary shares	900,000	5.95	900,000	5.68	900,000	5.15
Premium on ordinary shares	1,908,450	12.61	1,908,450	12.04	1,908,450	10.91
Other components of shareholders' equity	(700,603)	(4.63)	(1,338,186)	(8.44)	(1,207,430)	(6.90)
Legal Reserve	96,000	0.63	96,000	0.61	96,000	0.55
Retained earnings (deficits)	8,310,195	54.90	10,012,304	63.17	11,190,252	63.98
<b>Total Shareholders' Equity</b>	<b>10,514,042</b>	<b>69.46</b>	<b>11,578,568</b>	<b>73.05</b>	<b>12,887,272</b>	<b>73.68</b>
Minority Interest	25,230	0.17	31,622	0.20	34,447	0.20
<b>Total Liabilities and Shareholders' Equity</b>	<b>15,136,495</b>	<b>100.00</b>	<b>15,850,712</b>	<b>100.00</b>	<b>17,490,087</b>	<b>100.00</b>

Polyplex (Thailand) Public Company Limited						
Statement of Income						
Unit: Bt. 000's						
	2017/18		2018/19		2019/20	
	April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Net sales	12,672,954	99.57	14,746,184	96.61	14,050,846	99.48
Exchange gains	-	-	450,287	2.95	-	-
Other income	54,502	0.43	67,576	0.44	73,851	0.52
<b>Total Revenues</b>	<b>12,727,456</b>	<b>100.00</b>	<b>15,264,047</b>	<b>100.00</b>	<b>14,124,697</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sales	10,019,892	78.73	11,543,091	75.62	10,769,285	76.24
Selling and distribution expenses	754,703	5.93	825,879	5.41	761,616	5.39
Administrative expenses	358,388	2.82	409,173	2.68	466,196	3.30
Exchange losses	263,958	2.07	-	-	311,096	2.20
Reversal of impairment of property, plant and equipment					(310,248)	(2.20)
<b>Total Expenses</b>	<b>11,396,940</b>	<b>89.55</b>	<b>12,778,143</b>	<b>83.71</b>	<b>11,997,946</b>	<b>84.94</b>
<b>Profit (loss) before interest expenses</b>	<b>1,330,516</b>	<b>10.45</b>	<b>2,485,904</b>	<b>16.29</b>	<b>2,126,751</b>	<b>15.06</b>
Finance costs	(122,420)	(0.96)	(112,052)	(0.73)	(66,361)	(0.47)
Tax Expense	(30,437)	-	(41,290)	-	(253,597)	(1.80)
<b>Net profit (loss) after income tax</b>	<b>1,177,659</b>	<b>9.49</b>	<b>2,332,563</b>	<b>15.55</b>	<b>1,806,794</b>	<b>14.59</b>
Net loss (Profit) of minority interest	(7,673)	(0.06)	(8,176)	(0.05)	(3,717)	(0.03)
<b>Net profit (loss)</b>	<b>1,169,985</b>	<b>9.43</b>	<b>2,324,387</b>	<b>15.50</b>	<b>1,803,077</b>	<b>14.56</b>
Add/(Less): Forex Loss/ (Gain)	263,958	2.07	(450,287)	(2.95)	311,096	2.20
Add/ (Less): Exceptional losses/ (Gains)				-	(310,248)	(2.20)
<b>Normalized Profit (Loss)</b>	<b>1,433,943</b>	<b>11.51</b>	<b>1,874,100</b>	<b>12.55</b>	<b>1,803,926</b>	<b>14.57</b>
Earnings (losses) per share (Bt.) - On reported profit basis	1.30	-	2.58	-	2.00	-
Earnings (losses) per share (Bt.) - On normalized profit basis	1.59		2.08		2.00	

Polyplex (Thailand) Public Company Limited			
Cash Flow Statement			
	Unit : Bt. 000's		
	2017/18	2018/19	2019/20
	April-March	April-March	April-March
<b>Cash flow from operating activities</b>			
Profit before tax	1,208,096	2,373,853	2,060,391
<b>Adjustments to reconcile profit of net cash provided by operating activities</b>			
Depreciation and amortization	753,756	756,081	862,893
Doubtful debts (doubtful debts recovery)	2,759	(4,159)	(3,191)
Actuarial losses			1,634
Decrease of inventories to net realisable value (reversal)	(4,328)	19,731	15,825
Interest Expense	113,410	106,858	56,922
Unrealized losses (gains) on foreign exchange	239,530	(405,707)	378,779
Long-term employee benefit expense	10,435	4,888	11,401
Losses (gains) on sale and write off of property, plant and equipment	(1,220)	903	2,236
Impairment loss on property, plant and equipment	-	-	(310,248)
Interest Income	(15,460)	(16,883)	(20,494)
<b>Profit (Loss) from operation before changes in operating assets and liabilities</b>	<b>2,306,978</b>	<b>2,835,564</b>	<b>3,056,147</b>
Accounts receivable	(201,491)	(109,642)	(217,672)
Inventories	(382,977)	(246,388)	(30,592)
Other current assets	16,028	(185,663)	(633)
Other non-current assets	(219)	(5,576)	930
Accounts payable	(29,330)	23,436	(10,685)
Other current liabilities	22,382	92,494	97,676
Payment of long-term employee benefits	(5,243)	(4,318)	(2,048)
Income tax paid	(29,701)	(41,726)	(30,786)
<b>Cash flow provided from (used in) operating activities</b>	<b>1,696,427</b>	<b>2,358,181</b>	<b>2,862,338</b>
<b>Cash flow from Investing activities</b>			
Decrease (Increase) in restricted bank deposits	4,347	(55,344)	54,671
Decrease (increase) in current investments	2,316	(8,678)	13,178
Decrease/ (increase) in advance payment for purchases of assets	(212,758)	(123,520)	59,191
Increase (decrease) in accounts payable for purchases of fixed assets	7,881	(11,765)	54,610
Purchases of property, plant and equipment	(336,853)	(1,319,448)	(1,854,742)
Proceeds from sales of property, plant and equipment	2,664	9,136	2,256
Increase in intangible assets	(1,306)	(801)	(218)
Cash received from interest	14,534	18,102	20,558
<b>Net cash used in investing activities</b>	<b>(519,175)</b>	<b>(1,492,318)</b>	<b>(1,650,496)</b>
<b>Cash flow from financing activities</b>			
Interest Paid	(114,291)	(108,316)	(80,225)
Increase (Decrease) in short term loans from financial institutions	961,795	(80,322)	(688,894)
Increase (decrease) in long-term loans from financial institutions	(959,973)	(400,267)	602,115
Dividend payment	(492,690)	(613,784)	(621,892)
<b>Cash provided from financing activities</b>	<b>(605,159)</b>	<b>(1,202,689)</b>	<b>(788,896)</b>
Currency Translation changes	27,327	(137,294)	(74,593)
<b>Increase in cash and cash equivalents</b>	<b>599,420</b>	<b>(474,121)</b>	<b>348,353</b>
<b>Cash and cash equivalents at the beginning of period (April 1)</b>	<b>730,694</b>	<b>1,330,114</b>	<b>855,993</b>
<b>Cash and Cash equivalents at the end of period (March 31)</b>	<b>1,330,114</b>	<b>855,993</b>	<b>1,204,346</b>

Polyplex (Thailand) Public Company Limited				
Financial Ratios				
		2017-18	2018-19	2019-20
		April-March	April-March	April-March
<b><u>Liquidity Ratios</u></b>				
Current ratio	(time)	1.59	1.59	2.23
Quick ratio	(time)	0.94	0.83	1.27
Cash flow current ratio	(time)	0.54	0.66	0.89
Receivable current ratio	(time)	6.68	7.16	6.20
Avg. debt collection period	(day)	53.91	50.28	58.04
Inventory turnover period	(time)	18.80	18.46	14.30
Avg. selling period	(day)	19.15	19.50	25.17
Payable current ratio	(time)	8.70	10.11	9.23
Loan repayment period	(day)	41.36	35.61	38.99
Cash cycle	(day)	31.71	34.18	44.22
<b><u>Profitability Ratios</u></b>				
Gross profit margin	(%)	20.93%	21.72%	23.35%
Operating profit margin	(%)	12.15%	13.35%	14.62%
Other profit margin	(%)	0.00%	2.95%	0.00%
Cash to profit margin	(%)	106.39%	94.86%	134.53%
Net profit margin	(%)	9.19%	15.23%	12.77%
Return on equity	(%)	11.61%	21.04%	14.74%
<b><u>Efficiency Ratios</u></b>				
Return on assets	(%)	7.92%	15.00%	10.82%
Return on fixed assets	(%)	20.49%	33.14%	26.35%
Asset turnover	(time)	0.86	0.99	0.85
<b><u>Financial Policy Ratios</u></b>				
Debt to equity ratio	(time)	0.44	0.37	0.35
Interest coverage ratio	(time)	15.22	22.46	50.83
Commitment coverage ratio (cash basis)	(time)	0.95	1.01	1.53
Pay out ratio *	(%)	35%	30%	31%
* Payout ratio is on normalized profits. For FY 2019-20, it is as proposed by Board of Directors				

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

### 14.1 Operational performance

During the year under review, the Company was able to deliver better financial results due to enhanced margins arising mainly from improved market situation as well as declining raw material prices in its core business of BOPET films. Apart from this, the Company's strategy of continued focus on high-value added product segment helped bolster growth in overall profitability.

The key highlight for the Company in this year, was the successful start-up of the Greenfield BOPET project in Indonesia which started commercial operations in November 2019 and the PET Resin line which started in March 2020. The new line contributed to sales volume growth as well as higher revenues.

**Key Financial Indicators for the FY 2019-20**

Description	Unit of measure	FY 2018-19	FY 2019-20	YoY
Sales Volumes (Film sales)	MT	155,167	174,562	▲ 12%
Sales Value	Million Baht	14,746	14,051	▼ -5%
Normalized* EBITDA	Million Baht	2,792	2,990	▲ 7%
Normalized* EBITDA margin	%	18.93%	21.28%	▲ 235 bps
Normalized* PAT	Million Baht	1,874	1,804	▼ -4%
Normalized* EPS#	Baht/ Share	2.08	2.00	▼ -4%

\*Normalized for forex gain/(loss) and Impairment reversal gain

#Excluding the impact of deferred tax accounting, the EPS for FY 2019-20 is Baht 2.25/Share, an increase of 8% over FY 2018-19

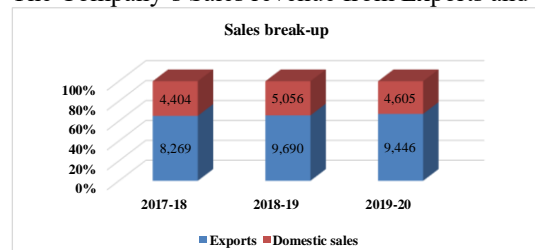
The key highlights of the year's performance are as follows:

**TOTAL REVENUES**

**Sales Revenue:**

Consolidated Sales revenue of the company has decreased from Baht 14,746.18 million to Baht 14,050.85 million, a decrease of Baht 695.34 million or 4.95%. The drop in sales value is mainly attributable to the significant appreciation of THB against Euro (about 8%) as well as THB against USD (about 4%) thereby impacting the export earnings of the Thailand entity and also the consolidation of sales of the European subsidiaries and the US subsidiary. The average sales realization is also lower this year due to the impact on selling prices arising from the sharp decline in the input raw material prices compared to the previous year. The impact of lower average selling prices and the THB appreciation is partially offset by higher volumes from existing operations as well as the additional volumes from the new BOPET film line at Indonesia which started commercial operations in November 2019.

The Company's Sales revenue from Exports and Domestic sales for last 3 years is as below:



**Other Income:**

The other income has increased by 8.5% from Baht 67.58 million in the corresponding year to Baht 73.85 million in current year mainly due to higher other income at the US subsidiary, partly offset by decrease in Interest income at Turkey and Indonesia subsidiaries and lower insurance claims at Thailand.

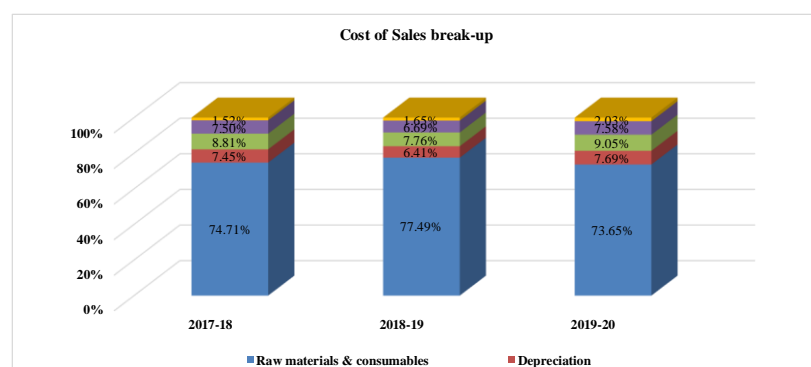
**TOTAL EXPENSES**

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 11,997.95 million being a decrease over corresponding year by Baht 780.20 million or 6.50%.

The cost of sales has decreased by Baht 773.81 million or 7.19% mainly due to decline in raw material prices, partly offset by higher volumes including volumes from start-up of new line in Indonesia

A broad break-up of major components of Cost of sales of last 3 years is given below:



Lower selling expenses was mainly due to lower commission expenses, lower outbound freight charges and lower foreign travel, partly offset by selling expenses from start-up of operation at the new subsidiary in Indonesia.

Higher admin expenses are mainly due to higher administrative expenses at Thailand and subsidiaries due to increase in professional consultation charges, safety expenses, depreciation charges, and warehouse handling expenses.

Exchange Losses are due to unrealized losses on restatements of forex loans in Thailand, USA and Indonesia on account of appreciation of Euro against USD, THB and IDR and appreciation of USD against THB and IDR.

Gain on Impairment reversal is at the US subsidiary as the Asset Impairment Loss booked in FY 2015-16 has been reversed based on assessment as per the relevant accounting standard

### **Net financial charges**

The consolidated finance costs during the year were Baht 66.36 million, a decrease of Baht 45.69 million or -40.78% over corresponding year.

Lower finance costs are due to reduction in working capital/ Term debt levels at Thailand and US, due to repayment including prepayments made during the year and also due to lower interest rates (drop in LIBOR rates and also lower rates for THB working capital borrowing). This is partly offset by term loan interest at the subsidiary at Indonesia.

### **Corporate Income Tax**

The Consolidated Corporate Income tax expense in this year is Baht 253.60 million as compared to the expense of Baht 41.29 million in the corresponding year.

Higher Tax expenses is mainly due to the Deferred Tax adjustments at Thailand (reversal of DTA) and USA (creation of DTL). This year, due to the increased profitability the Company has used significant portion of brought forward tax losses leading to reversal of brought forward DTA. The US entity has created a Deferred Tax Liability (DTL) in this financial year based on the temporary differences as required by Accounting Standard. Further details are available in Note 20 of the Audited financial statements.

### **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, benefit from declining raw material prices and overall better operational performance. Due to higher Income tax expenses (mainly due to Deferred tax expenses), the net margins have only slightly improved. This is after the normalization of the forex losses this year as

compared to forex gains last year. The forex losses are mainly unrealized and relates to the restatement of Forex loans.

## 14.2 Financial status

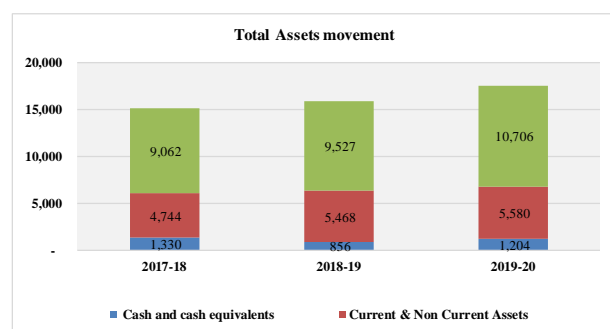
As at 31 March, 2020, there has been a depreciation of THB against the USD (approx. THB 0.86/USD) and Euro (approx. THB 0.25/Euro) as compared to the exchange rate on 31st, March 2019, so the translation of the Company's subsidiaries whose reporting currency is Euro or USD, has been at a higher exchange rate, thereby resulting in net translation gains of Baht 130.7 million. Due to start-up of commercial operations at the subsidiary in Indonesia since November 2019, there is an increase in Net current assets on account of the new operations.

### TOTAL ASSETS

As on 31<sup>st</sup> March 2020, The Company's consolidated total assets were Baht 17,490 million, higher by 10.34% as compared to Baht 15,850 million in the previous year.

The main components of Total Assets are Cash & Cash Equivalents, Current assets and non-current assets, Property, Plant & Equipment's.

A comparison of the movement in the various components of total assets over last 3 years is given below:



### The major movement in assets during the year:

#### Current assets:

- Net current assets have gone up by Bt 91 million or 2.8% compared to March 2019.
- Increase in cash and cash equivalents is mainly due to net cash generated from operations at Thailand and the subsidiaries, during the year.
- Increase in Trade Receivables is mainly due to Indonesia start-up, partly offset by reduction in other entities mainly due to fall in raw material prices and corresponding lower sales realization.
- Increase in Inventories is mainly due to higher finished goods inventory at Thailand due to increase in volume impacted by sales cut -off adjustment and higher stores & spares inventory, partly offset by lower inventory at the other companies.
- Decrease in advance payment for purchase of goods is due to lower advances paid for raw material procurement.
- Increase in Input tax refundable mainly due to higher VAT refundable at Thailand and Indonesia
- Increase in Other current assets is mainly due to increase in receivables for raw material price adjustment and higher other current assets at Indonesia.

#### Non-current assets:

- The restricted bank deposit is at the Indonesia subsidiary in respect of a letter of guarantee issued by a local bank to a vendor
- Increase in Property Plant & Equipment (net block) is mainly due to the investment in the BOPET film project in Indonesia and other normal / project capex additions at Thailand and other subsidiaries partly offset by depreciation charged during the year



- Reduction in Deferred tax asset is mainly due to adjustment of tax losses against current year profits
- Decrease in Advances for purchase of fixed assets is due to adjustment of advance against delivery of the equipment during the year.

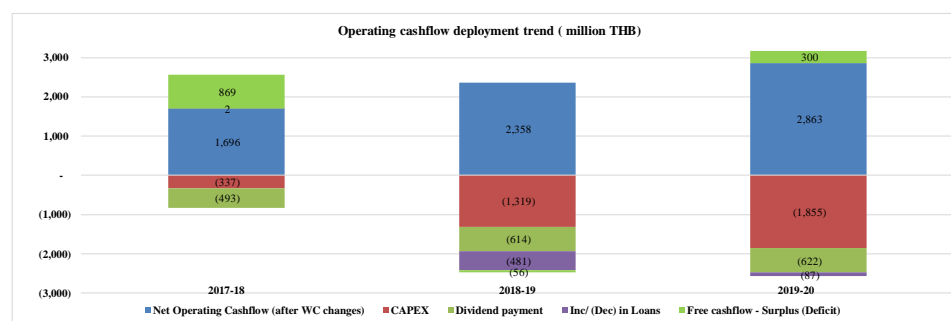
### Return on assets

The return on assets is 10.82% as compared to 15% during previous year. The decrease is partly on account of the forex losses on the forex loan restatement as compared to the forex gains last year and also due to the Deferred Tax expense this year. There is also an increase in the overall Asset base of the Company by about Bt 1.6 billion due to the increase in current assets on account of start-up of Indonesia operations and higher Property, Plant & Equipment due to the investment in project in Indonesia and other normal Capex additions in Thailand and other subsidiaries. If we normalize the impact of Forex fluctuations in both year and the Impairment reversal gain this year, then reduction in Return on assets is from 12.10% last year to 10.82% this year which is explained by the increasing asset base of the Indonesia entity which was operational only for part of the year.

### 14.3 Liquidity

In line with the growth in profitability over the last 3 years, the Company has been able to improve the cashflow from its operations and has judiciously deployed it in various project investments and has also optimized the borrowings and finance cost, while distributing fairly good dividends to its shareholders.

The snapshot of cashflow generations and the growth in cash & cash equivalent balances over last 3 years is given below:



- During the year under review, the Company generated cash of Baht 2,862 million in operating activities as per details below:
  - Cash generated from operating activities (before changes in operating assets and liabilities) was Baht 3,056 million.
  - The impact of changes in working capital (Outflow of Baht 194 million) is as under:
    - Increase in Accounts Receivable by Baht 217 million due to higher sales revenues resulting from higher volumes mainly from Indonesia, partly offset by lower selling prices.
    - Increase in inventories by Baht 31 million.
    - Decrease in Accounts Payable by Baht 11 million due to lower trade payables arising from decline in raw material prices.
    - Payment of long-term employee benefits – Baht 2 million
    - Cash paid for income tax – Baht 31 million
    - Increase in other current liabilities by Baht 98 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 1,650 million as per details below:
  - Net additions to fixed assets – Baht 1,855 million.
  - Baht 55 million decrease in the restricted bank deposit
  - Net decrease in Advance and increase in Accounts payable for fixed assets by Baht 114 million
  - Decrease in current investments –Bt 13 million

- Proceeds from sale of property, plant & equipment Bt 2 million
- Cash received from Interest – Bt 21 million
- The net cash outflow from financing activities of Baht 789 million:
  - Net decrease in Short term loan– Baht 689 million
  - Net increase in Long term loans from banks - Baht 602 million
  - Dividend paid during the year – Baht 622 million
  - Cash paid for interest on term loans and short-term loans – Baht 80 million

The surplus thereof, along with translation adjustment loss of Baht 75 million, and opening balance of Baht 856 million has resulted in a net closing balance of Baht 1,204 million.

### **Liquidity ratio**

During the year under review, the current ratio was 2.23 and quick ratio was 1.27. The average debt collection period was 58 days along with Account payables period of 39 days and average selling period of 25 days, resulting in a cash cycle of 44 days as against a cash cycle of 34 days of previous year.

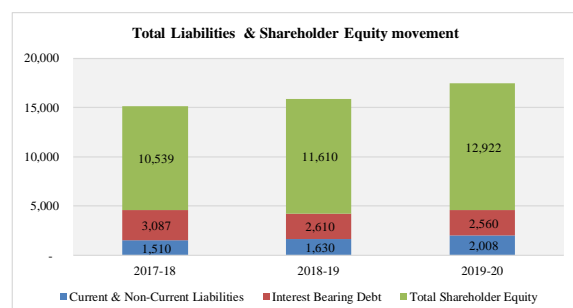
### **14.4 Sources of funds**

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, 2020, consolidated Total liabilities stood at Baht 4,568 million, an increase of 7.73% over Bt 4,240 million of previous year. The key components of total liabilities are Current and Non-Current Liabilities, Interest bearing debt (short/ long-term) and Total Shareholder Equity.

A comparison of the movement in the various components of total liabilities and the growth in Shareholder Equity over last 3 years is depicted below:



The major movements in Liabilities during the year 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.
- Decrease in trade and other payables is due to lower related and unrelated party trade payables (mainly due to raw material price drop), partly offset by higher unrelated other payables and higher payables for fixed assets.
- The increase in Long term loans (including current portion) is due to additional loans borrowed at the subsidiary in Indonesia for financing the BOPET film greenfield project and also due to the net unrealized losses on the USD and Euro loan restatement during the year. This is partly offset by repayment of loans at Thailand and US
- Deferred Tax Liabilities is due to the provision made at the US subsidiary
- Increase in other current liabilities is mainly due to increase in bonus and other expense provisions, higher MTM losses on Forward contract, increase in provisions for Employee Benefit Obligation and provisions for quality claims & sales returns as per new accounting standard.

**Major changes in Shareholder Equity:**

- The retained earnings have increased due to the net profits generated during the year, partly offset by Dividend appropriation.
- The increase in other components of equity is mainly due to exchange translation net gain arising on account of translation of the Euro and USD denominated balance sheet of the subsidiaries due to the depreciation of Baht against Euro and USD.
- The increase in Non-controlling interests of subsidiaries is due to minority share of profits generated during the year, partly offset by minority share of dividend.

**Return on equity**

The Return on Equity is 14.74% as compared to 21.04%, lower this year due to the forex losses partly as compared to forex gain in previous year, offset by the impairment reversal gain. If we normalize the forex fluctuations in both years and the impairment reversal gain, the Return on Equity is 15.85% compared to 16.97% of last year. The drop is mainly due to higher tax expenses due to Deferred tax adjustment this year. 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 2019-20, the Board has recommended a payout of THB 0.65/share or total payout of THB 585 million, out of which THB 0.36/share of THB 324 million was paid out as Interim dividend in December 2019 and balance of THB 0.29/share or THB 261 million is being proposed as Final dividend, for approval of shareholders in the Annual General meeting in July 2020.

**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 0.11 on a consolidated basis (as compared to 0.15 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 0.35 on a consolidated basis as compared to 0.37 in the previous year end.

The interest coverage ratio has improved from 22 to 51 times, mainly due to improvement in cash generated from operations and also lower interest expenses due to overall reduction in debt levels and also lower interest rates.

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

The company has delivered improved results in last 2-3 years due to improved market conditions, internal production efficiencies, as well as improvement in product mix.

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

- Timely start-up of all ongoing expansion projects, with smaller projects dedicated mainly towards improvement of HVAS portfolio.
- To ensure 100% line-fill at all manufacturing locations with a profitable sales mix. There is a reduction in demand for Industrial - consumer discretionary white goods/ mobile devices/ automobiles etc due to the impact of Covid-19 on global economies. The Company's exposure to Industrial and Electrical segment is limited and the key application for Thin PET films is Flexible packaging of consumer staples, where demand is expected to continue to grow
- 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 and IDR 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, 2020, the total foreign currency denominated loans at Thailand are Euro 94 million (related party loans) and USD 1 million, at USA is USD 1 million and Euro 42.5 million (related party loan) and at Indonesia is USD 15.5 million and Euro 56 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 years. These capacities are expected to be in excess of demand growth in short term and there may be some pressure on margins as and when each new line starts-up. This may be partially offset by delayed start-up of some of the planned capacities due to Covid 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.
- Industry is stepping into competitive era where producers with cost efficient production, attractive product basket, low leverage and sufficient cash reserves would have an edge over other players.

#### 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 2,820,000.00 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 185,000 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 660,000 payable in the future for the service not yet fully done for the past fiscal year.