

**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>
2020/21 ( April 1, 2020-Mar 31,2021)	Mr. Chayapol Supasethnon	3972	EY Office Limited
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

**Auditor's report**

For the year ended 31<sup>st</sup> March, 2021 and all the past years ( 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 Auditors have given an unqualified opinion that the financial statements were fairly presented and prepared in accordance with generally accepted accounting principles.

The Consolidated financial statements of last 3 years latest being the year ended on 31<sup>st</sup> March 2021, 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						
	2018/19		2019/20		2020/21	
	April-March		April-March		April-March	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	855,993	5.40	1,204,346	6.89	1,719,861	8.59
Current investments	13,178	0.08	-	-	-	-
Accounts receivable	2,119,816	13.37	2,411,112	13.79	2,267,684	11.32
Inventories	2,338,040	14.75	2,353,854	13.46	2,887,121	14.41
Other current assets	389,142	2.46	396,223	2.27	498,221	2.49
<b>Total Current Assets</b>	<b>5,716,169</b>	<b>36.06</b>	<b>6,365,536</b>	<b>36.40</b>	<b>7,372,888</b>	<b>36.81</b>
<b>Non-Current Assets</b>						
Restricted bank deposits	64,414	0.41	9,743	0.06	10,910	0.05
Land, premises and equipment-net	9,526,866	60.10	10,706,220	61.21	11,720,628	58.52
Intangible assets-net	5,399	0.03	4,471	0.03	3,696	0.02
Deferred Tax asset	150,168	0.95	76,541	0.44	15,961	0.08
Advance payment for purchases of assets	370,657	2.34	311,466	1.78	561,673	2.80
Other non current assets	17,040	0.11	16,110	0.09	343,578	1.72
<b>Total Non-current Assets</b>	<b>10,134,543</b>	<b>63.94</b>	<b>11,124,551</b>	<b>63.60</b>	<b>12,656,447</b>	<b>63.19</b>
<b>Total Assets</b>	<b>15,850,712</b>	<b>100.00</b>	<b>17,490,087</b>	<b>100.00</b>	<b>20,029,334</b>	<b>100.00</b>
<b>Liabilities &amp; Shareholders' Equity</b>						
<b>Current Liabilities</b>						
Trade and other Payables	1,146,892	7.24	1,185,815	6.78	1,410,187	7.04
Long-term loans-due within one year	420,639	2.65	147,295	0.84	252,734	1.26
Current portion of Lease agreements	-	-	-	-	5,804	0.03
Short-term loans from financial institutions	1,595,522	10.07	906,628	5.18	650,000	3.25
Income tax payable	2,558	0.02	26,245	0.15	82,933	0.41
Other current liabilities	440,688	2.78	587,713	3.36	583,173	2.91
<b>Total current liabilities</b>	<b>3,606,297</b>	<b>22.75</b>	<b>2,853,697</b>	<b>16.32</b>	<b>2,984,831</b>	<b>14.90</b>
<b>Non-current Liabilities</b>						
Long-term loans-net of amount due within one year	594,230	3.75	1,506,020	8.61	1,361,610	6.80
Liabilities under Lease agreements	-	-	-	-	12,552	0.06
Provision for long-term employee benefits	39,995	0.25	55,742	0.32	52,822	0.26
Deferred Tax Liabilities	-	-	152,910	0.87	268,011	1.34
Other Non- Current Liabilities	-	-	-	-	10,369	0.05
<b>Total Liabilities</b>	<b>4,240,522</b>	<b>26.75</b>	<b>4,568,368</b>	<b>26.12</b>	<b>4,690,194</b>	<b>23.42</b>
<b>Shareholders Equity</b>						
<b>Issued &amp; Paid-up Share Capital</b>						
Ordinary shares	900,000	5.68	900,000	5.15	900,000	4.49
Premium on ordinary shares	1,908,450	12.04	1,908,450	10.91	1,908,450	9.53
Other components of shareholders' equity	(1,338,186)	(8.44)	(1,207,430)	(6.90)	(1,042,999)	(5.21)
Legal Reserve	96,000	0.61	96,000	0.55	96,000	0.48
Retained earnings (deficits)	10,012,304	63.17	11,190,252	63.98	13,415,695	66.98
<b>Total Shareholders' Equity</b>	<b>11,578,568</b>	<b>73.05</b>	<b>12,887,272</b>	<b>73.68</b>	<b>15,277,145</b>	<b>76.27</b>
Minority Interest	31,622	0.20	34,447	0.20	61,995	0.31
<b>Total Liabilities and Shareholders' Equity</b>	<b>15,850,712</b>	<b>100.00</b>	<b>17,490,087</b>	<b>100.00</b>	<b>20,029,334</b>	<b>100.00</b>

Polyplex (Thailand) Public Company Limited						
Statement of Income						
Unit: Bt. 000's						
	2018/19		2019/20		2020/21	
	April-March				April-March	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Net sales	14,746,184	96.61	14,050,846	99.48	15,144,388	99.53
Gain on Foreign exchange and derivatives	450,287	2.95	-	-	13,311	0.09
Other income	67,576	0.44	73,851	0.52	58,291	0.38
<b>Total Revenues</b>	<b>15,264,047</b>	<b>100.00</b>	<b>14,124,697</b>	<b>100.00</b>	<b>15,215,990</b>	<b>100.00</b>
<b>Expenses</b>						
Cost of sales	11,543,091	75.62	10,769,285	76.24	10,433,231	68.57
Selling and distribution expenses	825,879	5.41	761,616	5.39	970,867	6.38
Administrative expenses	409,173	2.68	466,196	3.30	507,304	3.33
Loss on Foreign exchange and derivatives	-	-	311,096	2.20	-	-
Reversal of impairment of property, plant and equipment	-	-	(310,248)	(2.20)	-	-
<b>Total Expenses</b>	<b>12,778,143</b>	<b>83.71</b>	<b>11,997,946</b>	<b>84.94</b>	<b>11,911,402</b>	<b>78.28</b>
<b>Profit (loss) before interest expenses</b>	<b>2,485,904</b>	<b>16.29</b>	<b>2,126,751</b>	<b>15.06</b>	<b>3,304,588</b>	<b>21.72</b>
Finance costs	(112,052)	(0.73)	(66,361)	(0.47)	(61,447)	(0.40)
Tax Expense	(41,290)	(0.27)	(253,597)	(1.80)	(270,671)	(1.78)
<b>Net profit (loss) after income tax</b>	<b>2,332,563</b>	<b>15.28</b>	<b>1,806,794</b>	<b>14.59</b>	<b>2,972,470</b>	<b>21.31</b>
Net loss (Profit) of minority interest	(8,176)	(0.05)	(3,717)	(0.03)	(2,465)	(0.02)
<b>Net profit (loss)</b>	<b>2,324,387</b>	<b>15.23</b>	<b>1,803,077</b>	<b>14.56</b>	<b>2,970,004</b>	<b>21.30</b>
Add/(Less): Forex Loss/ (Gain)	(450,287)	(2.95)	311,096	2.20	(13,311)	(0.09)
Add/ (Less): Exceptional losses/ (Gains)	-	-	(310,248)	(2.20)	-	-
<b>Normalized Profit (Loss)</b>	<b>1,874,100</b>	<b>12.28</b>	<b>1,803,926</b>	<b>14.57</b>	<b>2,956,693</b>	<b>21.21</b>
Earnings (losses) per share (Bt.) - On reported profit basis	2.58	-	2.00	-	3.30	-
Earnings (losses) per share (Bt.) - On normalized profit basis	2.08	-	2.00	-	3.29	-

Polyplex (Thailand) Public Company Limited			
Cash Flow Statement			
	Unit : Bt. 000's		
	2018/19	2019/20	2020/21
	April-March	April-March	April-March
<b>Cash flow from operating activities</b>			
Profit before tax	2,373,853	2,060,391	3,243,140
<b>Adjustments to reconcile profit of net cash provided by operating activities</b>			
Depreciation and amortization	756,081	862,893	929,914
Doubtful debts (doubtful debts recovery)	(4,159)	(3,191)	32
Actuarial losses	-	1,634	-
Decrease of inventories to net realisable value (reversal)	19,731	15,825	(9,364)
Interest Expense	106,858	56,922	61,447
Unrealized losses (gains) on foreign exchange	(405,707)	378,779	17,455
Long-term employee benefit expense	4,888	11,401	3,580
Losses (gains) on sale and write off of property, plant and equipment	903	2,236	4,180
Impairment loss on property, plant and equipment	-	(310,248)	-
Interest Income	(16,883)	(20,494)	(23,445)
<b>Profit (Loss) from operation before changes in operating assets and liabilities</b>	<b>2,835,564</b>	<b>3,056,147</b>	<b>4,226,939</b>
<b>Operating assets (increase) decrease</b>			
Accounts receivable	(109,642)	(217,672)	83,265
Inventories	(246,388)	(30,592)	(525,143)
Other current assets	(185,663)	(633)	44,348
Other non-current assets	(5,576)	930	(82,242)
Accounts payable	23,436	(10,685)	217,940
Other current liabilities	92,494	97,676	29,203
Payment of long-term employee benefits	(4,318)	(2,048)	(4,853)
Income tax paid	(41,726)	(30,786)	(42,817)
<b>Cash flow provided from (used in) operating activities</b>	<b>2,358,181</b>	<b>2,862,338</b>	<b>3,946,640</b>
<b>Cash flow from Investing activities</b>			
Decrease (Increase) in restricted bank deposits	(55,344)	54,671	(1,167)
Decrease (increase) in current investments	(8,678)	13,178	(381,526)
Decrease/ (increase) in advance payment for purchases of assets	(123,520)	59,191	(250,207)
	(11,765)	54,610	(712)
Increase (decrease) in accounts payable for purchases of fixed assets			
Purchases of property, plant and equipment	(1,319,448)	(1,854,742)	(1,862,447)
Proceeds from sales of property, plant and equipment	9,136	2,256	9,944
Increase in intangible assets	(801)	(218)	(119)
Cash received from interest	18,102	20,558	22,665
<b>Net cash used in investing activities</b>	<b>(1,492,318)</b>	<b>(1,650,496)</b>	<b>(2,463,569)</b>
<b>Cash flow from financing activities</b>			
Interest Paid	(108,316)	(80,225)	(66,768)
Increase (Decrease) in short term loans from financial institutions	(80,322)	(688,894)	(256,628)
Increase (decrease) in long-term loans from financial institutions	(400,267)	602,115	(34,768)
Dividend payment	(613,784)	(621,892)	(747,000)
Cash received from shares subscription in subsidiaries			25,083
Payments of lease liabilities			(5,052)
<b>Cash provided from financing activities</b>	<b>(1,202,689)</b>	<b>(788,896)</b>	<b>(1,085,132)</b>
Currency Translation changes	(137,294)	(74,593)	117,577
<b>Increase in cash and cash equivalents</b>	<b>(474,121)</b>	<b>348,353</b>	<b>515,515</b>
<b>Cash and cash equivalents at the beginning of period (April 1)</b>	<b>1,330,114</b>	<b>855,993</b>	<b>1,204,346</b>
<b>Cash and Cash equivalents at the end of period (March 31)</b>	<b>855,993</b>	<b>1,204,346</b>	<b>1,719,861</b>

Polyplex (Thailand) Public Company Limited				
Financial Ratios				
		2018-19	2019-20	2020-21
		April-March	April-March	April-March
<b><u>Liquidity Ratios</u></b>				
Current ratio	(time)	1.59	2.23	2.47
Quick ratio	(time)	0.83	1.27	1.34
Cash flow current ratio	(time)	0.66	0.89	1.35
Receivable current ratio	(time)	7.16	6.20	6.47
Avg. debt collection period	(day)	50.28	58.04	55.61
Inventory turnover period	(time)	18.46	14.30	11.18
Avg. selling period	(day)	19.50	25.17	32.20
Payable current ratio	(time)	10.11	9.23	8.04
Loan repayment period	(day)	35.61	38.99	44.79
Cash cycle	(day)	34.18	44.22	43.02
<b><u>Profitability Ratios</u></b>				
Gross profit margin	(%)	21.72%	23.35%	31.11%
Operating profit margin	(%)	13.35%	14.62%	21.35%
Other profit margin	(%)	2.95%	0.00%	0.09%
Cash to profit margin	(%)	94.86%	134.53%	119.43%
Net profit margin	(%)	15.23%	12.77%	19.52%
Return on equity	(%)	21.04%	14.74%	21.09%
<b><u>Efficiency Ratios</u></b>				
Return on assets	(%)	15.00%	10.82%	15.83%
Return on fixed assets	(%)	33.14%	26.35%	34.78%
Asset turnover	(time)	0.99	0.85	0.81
<b><u>Financial Policy Ratios</u></b>				
Debt to equity ratio	(time)	0.37	0.35	0.31
Interest coverage ratio	(time)	22.46	50.83	64.92
Commitment coverage ratio (cash basis)	(time)	1.01	1.53	1.49
Pay out ratio *	(%)	30%	31%	30%
* Payout ratio is on normalized profits. For FY 2020-21, 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

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

Description	Unit of measure	FY 2019-20	FY 2020-21	YoY
Sales Volumes (Film sales)	MT	186,819	219,014	▲ 17.2%
Sales Value	Million Baht	14,051	15,144	▲ 7.8%
Normalized EBITDA	Million Baht	2,990	4,221	▲ 41%
Normalized EBITDA margin	%	21.2%	27.9%	▲ 659 bps
Normalized PAT	Million Baht	1,804	2,957	▲ 64%
Normalized EPS	Baht/ Share	2.00	3.29	▲ 64%

During the year under review, the Company was able to deliver significantly better financial results due to declining raw material prices in its core business of BOPET films and favorable market situation which helped to hold on to selling prices for a longer than normal period, thereby enhancing margins. Apart from this, the Company's strategy of continued focus on Specialty product segment and start-up of few smaller projects in this segment at Turkey and Thailand helped bolster growth in overall profitability.

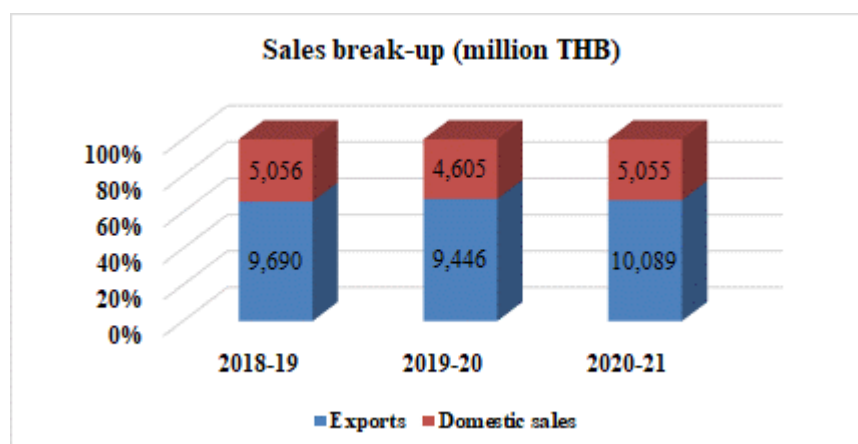
The new line in Indonesia was fully ramped up and contributed to sales volume growth as well as improvement in profitability.

### **TOTAL REVENUES**

#### **Sales Revenue:**

Consolidated Sales revenue of the company has increased from Baht 14,050.85 million to Baht 15,144.38million, an increase of Baht 1,093.5 million or 7.8%. The increase in Sales revenue is mainly due to overall higher sales volumes (increased by 18% YoY) on account of additional volumes from the ramp-up of the new line in Indonesia. The Sales value, however, increased only by about 8% due to lower average sales realization owing to decline in the input raw material prices compared to previous year.

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



#### **Other Income:**

Other income has decreased by Bt 15.6 million or 26.7% mainly due to lower insurance claim income, and lower export subsidies income partly offset by higher interest income at Turkey subsidiary on deployment of its surplus funds into Bonds/ Funds and higher interest income on bank deposits at Indonesia subsidiary.

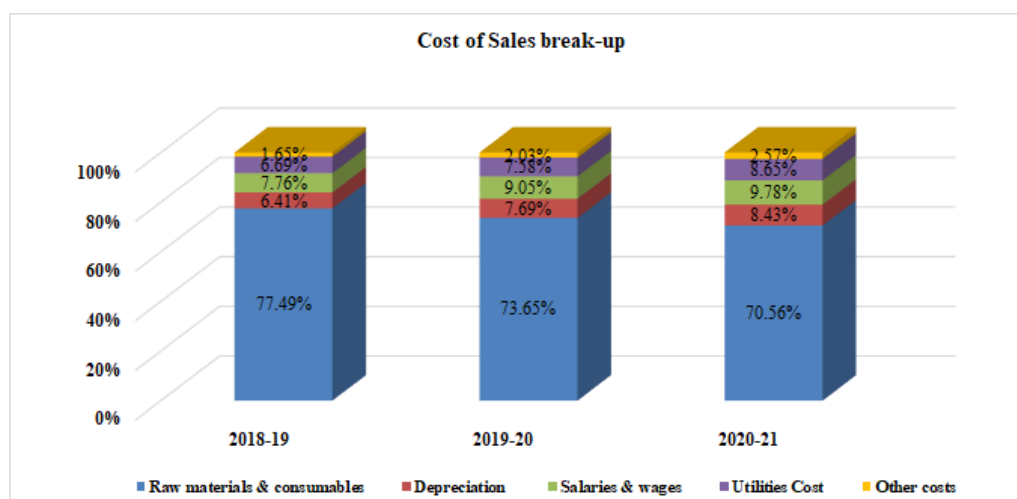
#### **TOTAL EXPENSES**

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 11,911.40 million being a decrease over corresponding year by Baht 86.5 million or 0.72%.

The cost of sales has decreased by Baht 336.05 million or 3.12% mainly due to decline in raw material prices, partly offset by higher volumes including volumes from the full ramp up of new line in Indonesia

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



Higher selling expenses was mainly due to the impact of full ramp up of Indonesia operations and also due to a sharp increase in outbound freight expenses due to global shortage of containers pushing up freight rates. This is partially offset by lower commission on sales and savings on account of lower foreign travel expenses at almost all the locations.

Higher admin expenses are mainly due to higher expenses at Thailand and subsidiaries for professional consultations, warehouse handling and transportation charges and higher depreciation on office equipment, vehicles and Right of Use (ROU) assets.

There is a net Exchange gain in this year as against Exchange loss in previous year, mainly due to unrealized gains on restatements of forex loans Indonesia on account of appreciation of IDR against Euro as well as USD. This is partly offset by unrealized loss on restatement of Euro loans at Thailand and USA on account of depreciation of THB and USD against Euro. There is a Gain on derivatives this year as compared to Loss on Derivatives in previous year due to the mark-to-market fluctuations on open Forward contracts at period end.

#### **Net financial charges**

The consolidated finance costs during the year were Baht 61.44 million, a decrease of Baht 4.91 million or 7.40% over corresponding year.

Finance costs are lower due to decline in interest rates and also due to lower debt levels at Thailand and US subsidiary. This is partly offset by higher term loan interest at the subsidiary in Indonesia, due to Interest expenses for full FY as compared to only few months in previous year, since it commenced commercial operations in November 2019.

#### **Corporate Income Tax**

The Consolidated Corporate Income tax expense in this year is Baht 270.67 million, as increase of Bt 17.07 million or 6.73% as compared to the corresponding year. The increase in tax expense is mainly due to higher profit at Thailand as well as subsidiaries and includes current tax as well as impact of deferred tax accounting.

#### **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 benefit from declining raw material prices and overall better operational performance due to improvement in market sentiments.

### **14.2 Financial status**

As at 31 March, 2021, there has been a 4.1% appreciation of THB against the USD (approx. THB 1.33/USD) and 2.1% depreciation against the Euro (approx. THB 0.75/Euro) and 7.8% depreciation against IDR (approx. 0.155 per 1000 Rupiah) as compared to the exchange rate on 31 March 2020, so the translation of the Company's subsidiaries' Statement of Financial Position has resulted in net translation gains of Baht 159.9 million.

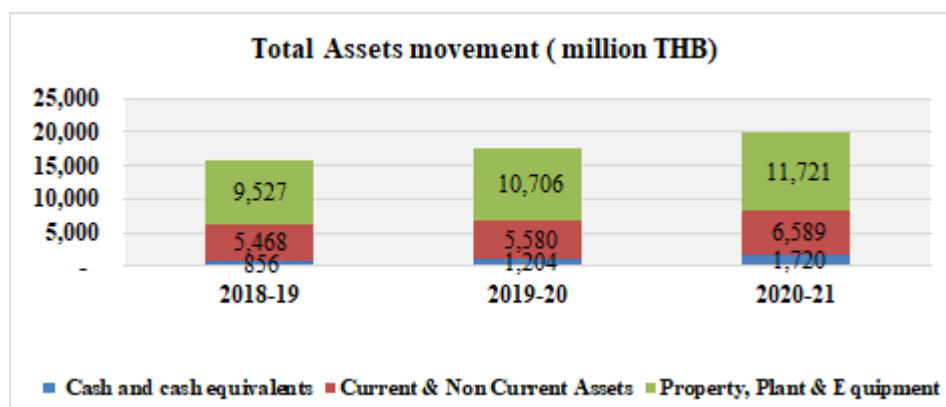
#### **TOTAL ASSETS**

As on 31<sup>st</sup> March 2021, The Company's consolidated total assets were Baht 20,029 million, higher by 14.52% as compared to Baht 17,490 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:**

- Current assets have gone up by Bt 1,007.3 million or 15.8% compared to March 2020.
- Increase in cash and cash equivalents is mainly due to net cash generated from operations.
- Decrease in Trade Receivables is mainly due to reduction in overdues compared to March 2020, partly offset by higher sales.
- Increase in Inventories is mainly due to higher finished goods, raw material (including Goods-in-transit) and Stores and spares inventory.
- Increase in Other current assets is mainly due to increase in Derivative assets (MTM Gain on the Forwards contracts) and Investments of surplus funds in Bonds and Bond funds. This increase is partly offset by other current assets such as lower advances payment for purchase of goods, decrease in Input tax refundable and decrease in receivables for raw material price adjustment.

**Non-current assets:**

- The restricted bank deposit at the Indonesia subsidiary is 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 Project/ Normal CAPEX at Thailand and the subsidiaries partly offset by the depreciation charged during the year.
- Decrease in Deferred tax asset is mainly due to partial reversal at Thailand on account of utilization of Tax losses to offset the current year profits and also due to net impact of Deferred tax accounting at the subsidiaries.
- Increase in Advances for purchase of fixed assets is due to additional advances paid for the ongoing projects at the subsidiaries partially offset by lower advances at Thailand due to adjustment of advances against machinery deliveries.
- Increase in other non-current assets is mainly due to investment of surplus funds by the Turkey subsidiary into financial instruments (Bonds/ Mutual fund units) and also due to the increase in Input tax refundable at the Indonesia subsidiary. Due to the nature of the taxes paid and the time taken for refund, the same has been classified as non-current in current period.

**Return on assets**

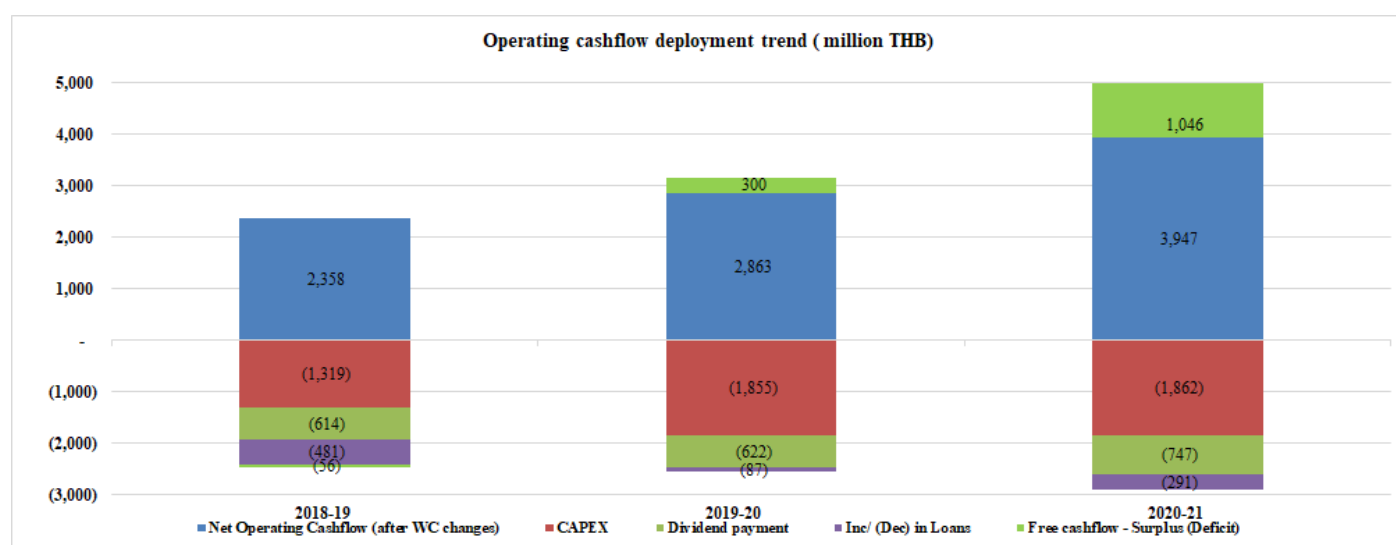
The return on assets is 15.83% as compared to 10.82% during previous year. The increase is on account of the significant improvement in Net profits this year. There is also an increase in the

overall Asset base of the Company by about Bt 2.8 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.

### 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 3,947 million in operating activities as per details below:
  - Cash generated from operating activities (before changes in operating assets and liabilities) was Baht 4,227 million.
  - The impact of changes in working capital (Outflow of Baht 280 million) is as under:
    - Decrease in Accounts Receivable by Baht 83 million due to lower overdue compared to March 2020 and also due to lower selling prices.
    - Increase in inventories by Baht 525 million due to higher finished goods, raw material (including Goods-in-transit) and Stores and spares inventory.
    - Increase in other current and non-current assets by Baht 37 million.
    - Increase in Accounts Payable by Baht 218 million due to higher unrelated party trade payables, partly offset by lower related trade payables as well as lower unrelated other payables and payable for fixed assets.
    - Payment of long-term employee benefits – Baht 5 million
    - Cash paid for income tax – Baht 43 million
    - Increase in other current liabilities by Baht 29 million due to reduction in advances from customers partly offset by higher expense provisions.

- Net cash used in investing activities is Baht 2,463 million as per details below:

- Net additions to fixed assets – Baht 1,862 million.
  - Baht 1 million increase in the restricted bank deposit
  - Net increase in Advance and decrease in Accounts payable for fixed assets by Baht 251 million
  - Increase in current and non-current financial assets –Bt 381 million due to investment of surplus by Turkey subsidiary in Bonds/ Mutual Funds.
  - Proceeds from sale of property, plant & equipment Bt 10 million
  - Cash received from Interest – Bt 22 million
- The net cash outflow from financing activities of Baht 1,085 million:
    - Net decrease in Short term loan– Baht 257 million
    - Net decrease in Long term loans from banks - Baht 35 million
    - Dividend paid during the year – Baht 747 million
    - Cash received from Share subscription in subsidiaries – Baht 25 million
    - Cash paid for Lease Liabilities – Baht 5 million
    - Cash paid for interest on term loans and short-term loans – Baht 66 million

The surplus thereof, along with translation adjustment gain of Baht 117 million, and opening balance of Baht 1,204 million has resulted in a net closing balance of Baht 1,720 million.

#### **Liquidity ratio**

During the year under review, the current ratio was 2.47 and quick ratio was 1.34. The average debt collection period was 56 days along with Account payables period of 45 days and average selling period of 32 days, resulting in a cash cycle of 43 days as against a cash cycle of 44 days of previous year.

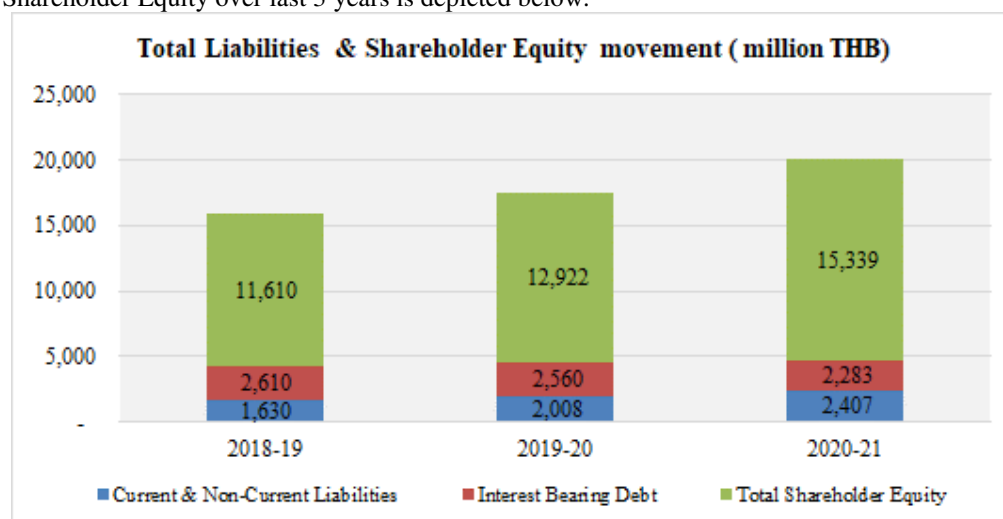
#### **14.4 Sources of funds**

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, 2021, consolidated Total liabilities stood at Baht 4,690 million, an increase of 2.67% over Bt 4,568 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 & Non-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.
- Despite increase in borrowings at the subsidiary in Indonesia, there is a reduction in Long term loan balance as due net unrealized gains on the USD and Euro loan restatement during the year and also the repayment of loans at Thailand and Indonesia subsidiary.
- Increase in Income Tax payable is due to Tax liability at Thailand as the brought forward tax losses have been fully utilized.
- Deferred Tax Liabilities is due to the provision made at the US subsidiary
- Decrease in provision for long-term employee benefits is due to lower provision at Thailand due to change in discounting rate used for such valuation.
- Decrease in other current liabilities is mainly due to reduction in advances from customers partly offset by higher expense provisions.
- 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.
- Lease liabilities are provisions made in line with the new accounting standard – TFRS 16
- Non-current financial liabilities refer to MTM loss on Forward contracts with maturity of more than 1 year (mainly relating to the Projects in US).

**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 net exchange translation net gain arising on account of translation of the Euro and IDR denominated balance sheet of the subsidiaries due to the depreciation of Baht against Euro and IDR, partly offset by translation loss on the USD denominated balance sheet due to appreciation of Baht against USD.
- The increase in Non-controlling interests of subsidiaries is due to minority's contribution towards the Share Capital increase and also due to the share of profits generated during the year.

**Return on equity**

The Return on Equity is 21.09% as compared to 14.74% , higher this year due to the significant improvement in profitability.

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 2020-21, the Board has recommended a payout of THB 1/share or total payout of THB 900 million, out of which THB 0.54/share of THB 486 million was paid out as Interim dividend in December 2020 and balance of THB 0.46/share or THB 414 million is being proposed as Final dividend, for approval of shareholders in the Annual General meeting in July 2021.

**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 0.04 on a consolidated basis (as compared to 0.11 in previous year end). The improvement is due to increase in retained earnings due to higher profitability and the forex gains on the loan restatement and also the debt repayments over the year, 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 0.31 on a consolidated basis as compared to 0.35 in the previous year end.

The interest coverage ratio has improved from 32 to 54 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 with increasing share of specialty films.

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

- Timely start-up of all ongoing expansion projects, particularly the brownfield BOPP project in Indonesia, thin PET film line in USA and other smaller projects in Turkey and Thailand dedicated mainly towards improvement of Specialty portfolio.
- To ensure 100% line-fill at all manufacturing locations with a profitable sales mix.
- Decline in demand. While the demand for Industrial - consumer discretionary white goods/ mobile devices/ automobiles etc is susceptible to economic downturns, the Company's exposure to Industrial and Electrical segment is quite limited and the key application for Thin PET films is Flexible packaging of consumer staples, where demand is expected to continue to grow. Further, some new innovative applications such as Solar PV cells and the Electric Vehicle (Lithium Ion Battery) are considered to be the new segments with high growth potential and expected to drive the growth in the Industrial and Electrical segments over next few years.
- Raw material price volatility. Any changes in raw material prices are largely get passed on to the end customers, it 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 reported 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 each entity on a standalone basis and secondly, on the conversion of the subsidiaries' financial statements, which are denominated in USD, Euro and IDR, 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, 2021, the total foreign currency denominated loans at Thailand are Euro 101 million (related party loans) and at USA is USD Euro 46.8 million (related party loan) and at Indonesia is USD 18.6 million and Euro 71.5 million (including related party loans)
- New upcoming capacities (approximately 1.8 million MT over next 2-3 years) in Thin BOPET film (including China) impacting the margins. Most of the new capacities are announced by incumbent industry players and is not considered as too disproportionate when compared to the historic growth rates in demand. Delay in start-up of some of these new lines due to Covid19 may help to spread out the capacities over a longer period of time. In addition, the Industry could witness likely closure of old and inefficient lines which may not be economically viable when compared to the high productive assets like the one installed by the Company in Indonesia.
- Industry is stepping into competitive era where producers with cost efficient production, attractive product basket with high share of specialty products, 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 2,940,000.00 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.