



Head Office:

No. 89 Cosmo Office Park, 6th Floor, Unit H,
Popular Road , Banmai, Pakkret, Nonthaburi 11120 : THAILAND.

Registration No. / Tax ID.: 0107556000248

Tel. No. +66 (0) 2017 7461 - 3
Fax. No +66 (0) 2017 7460
Website: www.goldenlime.co.th
Email: glmis@goldenlime.co.th
sales@goldenlime.co.th

NO. (SUTHA-SET) 009/2018/EN

16 May 2018

Subject: Management Discussion and Analysis of the Company and subsidiary
for the period ended 31 March 2018

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis as at 31 March 2018

As the Golden Lime Public Company Limited (“the Company”) has submitted the interim financial statements of the Company and its subsidiary for the three-month period ended 31 March 2018, which have been reviewed by the company’s authorized auditor.

The company would like to clarify the operating results of the Company and its subsidiary, please kindly find the following attachment.

Please kindly be informed accordingly.

Yours faithfully,

Mr. Geza Emil Perlaki
Managing Director





Golden Lime Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 31 March 2018

1. Highlights

- ▶ Health and safety: There was **zero lost time injury** in Q1 2018. We are committed to our ultimate objective of zero accidents
- ▶ Revenue: **252mTHB** in Q1 2018 compared to 270mTHB in Q1 2017
- ▶ EBITDA: **54mTHB** in Q1 2018 compared to 52mTHB in Q1 2017 (Q1 2018 core EBITDA 59mTHB compared to Q1 2017 36mTHB)
- ▶ Net income: **21mTHB** in Q1 2018 compared to 25mTHB in Q1 2017
- ▶ Burnt lime sales: **93k Mt** in Q1 2018 compared to 80 Mt Q1 2017



Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“The start of 2018 saw a number of key developments in Golden Lime:

First we started a **new production facility in Hua Pha Way** after three years of investment, with so far one new kiln (K7) in operation since January adding an extra 50,000 Mt of capacity, the additional potential of developing new products, as well as the option to add another kiln. This new capacity was fully utilized in Q1 2018.

The second key event was the **acquisition of Saraburi Quicklime** which gives us an additional 100,000 Mt of capacity with two more kilns (K9 and K10) and access to a new customer base. While the effect of the acquisition on the financial results in the first quarter is negative (5mTHB one-shot acquisition



SG&A expense against only 1.5mTHB consolidated EBITDA contribution, since the acquisition was completed only at the very end of the quarter 19th March) going forward the acquisition is expected to result in a significant annual revenue as well as additional annual EBITDA and net result.

Thirdly we had all kilns available and were able to **operate at full capacity** with 7 kilns (from 19th March with 9 kilns) resulting in **record high sales volumes**. As a consequence the **EBITDA generated by our core limestone and burnt lime business increased significantly from 36 mTHB to 59 mTHB (+ 60%) year on year**.

On the downside the project-based Golden Lime **Engineering subsidiary did not generate significant revenue in Q1 2018**, unlike in Q1 2017 when the contribution of the Engineering division experienced a peak 16mTHB EBITDA contribution.

Looking forward in Q2 2018 with the contribution of the 7 kilns operating in Golden Lime and 2 more in the fully consolidated Saraburi Quicklime subsidiary (total 9 kilns) the **core business is expected to operate on a capacity and market base 50% above Q2 2017**.

The increased capacity and market base in the core business operations, with the possibility of new orders from our Golden Lime Engineering subsidiary and new product development in the Hua Pha Way site, means we are well placed to take advantage of the overall positive market sentiment in Thailand and on the export markets.”



2.Outlook

Overall Thai economic activity in the first quarter of 2018 continued to expand from the previous quarter, driven mainly by the solid growth momentum of merchandise exports and the tourism sector. Private consumption continued to improve from spending in all categories, consistent with the expansion of manufacturing production in both domestic and export-related industries. Exports in the first three months have jumped 11.3% year on year, representing a seven-year high and it remains a driving force of the economy this year according to the Bank of Thailand. GDP has again been upgraded from 3.8-4% to 4-4.5% which is positive for the lime sector and related customer segments.

Market sentiment continues to be positive: our view at the end of 2017 that the **sugar** season would be 10-15% stronger compared to the previous year came to fruition and helped Golden Lime to record sales in Q1 2018. The **steel** industry continued to expand at the start of 2018 as infrastructure and auto demand remained strong. Further volume increase is anticipated to continue in line with GDP growth. Downside risk on volumes in our **nonferrous mining** segment remains as new competitive capacity is expected to come online in the near future.

Pricing impact on revenue: average prices have resumed an upward trend having fluctuated somewhat over the quarter due to product mix impact. This upward trend is set to continue as input prices such as fuel rise. Saraburi Quicklime currently has a lower average price compared to Golden Lime due to some long-term contracts however we expect pricing to increase in the later quarters of 2018.



3. Financial highlights (based on Thai FRS)

Q1 2018 Financial Position Summary as of 31 March 2018 compared to Q1 2017:

	Q1 2018	Q1 2017	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	252.16	270.52	-18.36	-7%
Gain from exchange rate				
Other income	1.37	1.63	-0.27	-16%
Total revenues	253.53	272.16	-18.63	-7%
Cost of sales and services	173.70	192.80	-19.11	-10%
Gross profit	78.46	77.72	0.75	1%
Gross profit margin	31%	29%		
SG&A	52.64	50.01	2.63	5%
EBIT	27.19	29.35	-2.16	-7%
EBITDA	53.75	52.19	1.56	3%
EBITDA margin	21%	19%		
Finance cost	-2.27	-0.53	1.74	329%
Income tax expenses	-3.90	-3.81	0.09	2%
Net income for period	21.02	25.01	-3.99	-16%
Earnings per share (THB)	0.07	0.08	-0.01	-16%

Note: Gross profit = Sales and service income – Cost of sales and services (does not include other income)

3.1. Analysis of Q1 2018 results

The key drivers of Q1 2018 performance on the positive side was the higher volumes which led to an 19% increase in total core business revenues compared to Q1 2017. This revenue was generated from the lime business with the additional 50,000 Mt of capacity added from the new kiln and eleven days of Saraburi Quicklime capacity. For the rest of 2018 Golden Lime will see the full impact of the Saraburi Quicklime acquisition when the results are fully consolidated. As these revenues are from the core lime producing business they are stable and consistent as opposed to the project based revenue from Golden Lime Engineering which we saw in Q1 2017. We do expect Golden Lime Engineering to contribute to top line growth in 2018 however the timing is currently unconfirmed.

On the costs SG&A includes a one-shot impact of 5mTHB acquisition related expenses in connection with the March 19th closed transaction. If this impact is removed lower SG&A costs compared to Q1 2017 is a result of reduced headcount across all levels including management. However, on the COGS side apart from normal inflation fuel prices have increased and will continue to rise into the second half of the year. Investment in operational efficiency projects such as Lime Kiln Dust reinjection will help to mitigate somewhat the higher costs but these efficiencies will not cover the full impact. We are communicating the rise in input costs to our customers as there will be a price rise as a consequence.



While core EBITDA rose considerably versus 1Q 2017 an increase of 64% there were two considerable impacts on the overall EBITDA number. First, very little engineering revenue in 1Q 2018 despite the fixed cost in the company resulted in a negative contribution however there are promising projects in the pipeline which have considerable upside potential in the second half of the year. Second, there was a one shot impact of approximately 5mTHB relating to expenses for the acquisition of Saraburi Quicklime. The impact of the weaker US dollar on exports continues (from 32.5 at the end of 2017 to 31.2 at the end of 1Q 2018) however the dollar is likely to stabilize or appreciate for the rest of 2018 as a rise in US interest rates looks more likely. Our investment in HR will continue in 2018 as we further strengthen the organisation however we do expect synergies in the long-term as Saraburi Quicklime is integrated into the combined organization.

Short-term financing facilities have increased year on year and while the original term-loan is being repaid interest on the new 330mTHB facility used for the Saraburi Quicklime acquisition is also impacting as we saw a 1.7mTHB increase in finance cost. Income tax was slightly higher as the portion of BOI was lower compared to the same period in 2017. Net income was lower due to the higher financing costs and lower EBIT as depreciation also increased by 3.7mTHB.

3.2. Assets, Liabilities & Shareholders' Equity

The main contributors to the increase in total assets are from an increase in property, plant and equipment due to kiln 7 being activated and the additional assets from the Saraburi Quicklime acquisition.

On the liabilities side while the short-term borrowing facility is stable an increase in long-term liabilities due to the 330mTHB term loan used to acquire Saraburi Quicklime impacted total liabilities.

Shareholder equity increased in-line with the additional net result.

Balance Sheet Summary as of 31 March 2018 compared to 31 December 2017:

Unit: Million Thai Baht (THB)	31st Mar 2018	31st Dec 2017	YoY change	YoY % change
Total current assets	458.99	370.45	88.54	23.9%
Total non-current assets	949.15	612.03	337.12	55.1%
Total assets	1408.14	982.48	425.66	43.3%
Total current liabilities	451.87	332.51	119.36	35.9%
Total non-current liabilities	354.86	69.46	285.40	410.9%
Total liabilities	806.73	401.97	404.76	100.7%
Total shareholders equity	601.41	580.51	20.90	3.6%
Total liabilities plus shareholders equity	1408.14	982.48	425.66	43.3%



3.3. Cash Flow Analysis

Cash and cash equivalents in 1Q 2018 increased to 120mTHB, up by 70mTHB from the 50mTHB at the end of 2017

Net cashflow from operating activities increased due to the increase in lime volumes sold and the use of fuel inventory. Also, there was an accrued withholding tax from the acquisition of Saraburi Quicklime of 60mTHB that will be paid out to the tax authorities in Q2 2018.

Net cash flows from investing activities was negative due to the acquisition of Saraburi Quicklime (320mTHB) along with some investment in Capex. There are major kiln repairs scheduled for the second half of 2018 which will require considerable Capex investment in the range of 30mTHB however this has been planned and budgeted for.

Net cash from financing activities increased due to the long-term borrowing for the Saraburi Quicklime acquisition.

2017 Cash flow Summary as of 31 March 2018 compared to 31 December 2017

Unit: Million Thai Baht (THB)	Q1 YTD 2018	Q1 YTD 2017	YoY change	YoY % change
Cash and cash equivalents at beginning of period	50.34	96.78	-46.44	-47.99%
Net cash flows from operating activities	152.69	-21.20	173.89	-820.08%
Net cash flows used in investing activities	-333.77	-18.60	-315.16	-1694.16%
Net cash flows from (used in) financing activities	251.17	48.87	202.30	-413.93%
Net increase (decrease) in cash and cash equivalents	70.09	9.07	61.02	673.17%
Cash and cash equivalents at end of period	120.43	105.85	14.58	13.78%

4. Financial Ratios

	Q1 2018	Q1 2017	FY 2018	FY 2017
Return on Equity (ROE)	14.23%	16.92%	14.23%	16.92%
Return on Assets (ROA)	7.03%	10.28%	7.03%	10.28%
Return on Fixed Assets (ROFA)	29.09%	36.06%	29.09%	36.06%
Debt/Equity Ratio	1.34	0.67	1.34	0.67
Net Debt/Equity Ratio	0.81	0.25	0.81	0.25
Leverage (Net Debt/EBITDA)	2.27	0.71	2.27	0.71

- Note:
- 1) Net Debt = Interest bearing liabilities – cash and cash equivalent
 - 2) Leverage Q1 uses annualized EBITDA
 - 3) ROFA = (Net profit + Depreciation)/ Average (Q1 2018 and Q4 2017) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

