

NO. ZIGA 007/2019

14 May 2019

Subject: Management explanation and analysis for three-month period ended 31 March 2019

Attention: The President of, The Stock Exchange of Thailand

ZIGA Innovation Public Company Limited ("the Company") would like to clarify operating performance of the Company three-month for the Quarter 1/2019 ended 31 March 2019 are as follows:

Statement of Income :	Million Baht		change increase (decrease)
	Q1/2562	Q1/2561	
Sales	213.9	189.1	13.1%
Other income	10.8	15.9	-32.2%
Cost of sales	- 191.6	- 160.8	-19.1%
Selling expenses	- 4.7	- 4.0	-17.8%
Administrative expenses	- 10.1	- 11.9	15.5%
Finance costs	- 2.8	- 3.0	5.3%
Profit for the period	12.7	20.6	-38.5%
Net Profit	5.7%	10.1%	
EBITDA (MB)	21.9	37.0	-40.8%
EBITDA (%)	9.7%	18.0%	
Earnings per share (Baht)	0.02	0.04	-50.0%

Remark : EBITDA = Profit before finance costs, income tax, Depreciation and Amortization

The Company earned THB 224.7 MB and THB 205.0 MB in Q1/2019 and Q1/2018 respectively, an increase in total revenue amount THB 19.7 MB, equivalent to 9.6% of total revenue and can be summarized as the following:

The Company's revenue from sales amounted to THB 213.9 MB and THB 189.1 MB in Q1/2019 and Q1/2018 respectively. An increase in revenue from sales amount THB 24.8 MB, equivalent to 13.1% of total revenue from sales. The company has a lower gross margin comparing to the same period from 15.0% to 10.4% because the higher cost of the steel-coil price as well as the problem of insufficient inventory space. The cost per unit therefore increased significantly. Which the company has already built a factory to solve the said problem. However, the company could maintain the level of selling and administrative expense including financial cost to be in the same period of last year.

The Company earned net profit in Q1/2019 and Q1/2018 amounting THB 12.7 MB and THB 20.6 MB respectively. Net profit of the company equal to 5.7% and 10.1% of total revenue respectively, decreasing for comparing to the same period amount THB 7.9 MB, equivalent to 38.5% of net profit. EBITDA in Q1/2019 and Q1/2018 amounted THB 21.9 MB and THB 37.0 MB respectively.

Statement of Financial Position

Assets

The Company's total assets as of 31 December 2018 and 31 March 2019 totaled THB 1,195.3 MB and THB 1,139.4 MB respectively. As at 31 March 2019 the Company is current asset in which accounted for 50.5% of the total assets and non-current asset accounted for 49.5% of the total assets.

	31 December 2018		31 March 2019	
	THB MB	%	THB MB	%
Current assets	665.3	55.7	575.0	50.5
Non-current assets	530.0	44.3	564.4	49.5
Total assets	1,195.3	100.0	1,139.4	100.0

1. Current assets

The Company's current assets as of year-end of 2018 and Q1/2019 was THB 665.3 MB and THB 575.0 MB respectively, equivalent to 55.7% and 50.5% of total assets respectively. The Company's the finish goods inventory as of year-end of 2018 and Q1/2019 amounted THB 428.3 MB and THB 328.2 MB respectively, equivalent to 35.8% and 28.8% of total assets. Secondary, cash and cash equivalents in which accounted to THB 117.7 MB and THB 138.6 MB respectively, equivalent to 9.9% and 12.2% of the total assets. The main current assets decrease in inventory.

2. Non-current assets

As of year-end 2018 and Q1/2019 the Company's non-current assets totaled THB 530.1 MB and THB 564.4 MB respectively, equivalent to 44.3% and 49.5% respectively. The main non-current assets are land and equipment which were 43.2% and 48.4% of the total assets in which the increase by land and equipment net THB 34.8 MB is from buying and transferring assets THB 38.0 MB and depreciation on useful life of asset in which increase for THB 3.2 MB.

Liabilities

The Company's total liabilities as of 31 December 2018 and 31 March 2019 totaled THB 438.1 MB and THB 367.0 MB respectively. The Company's current liabilities in which accounted for 96.2% of the total liabilities and non-current liabilities accounted for 3.8% of the total liabilities.

	31 December 2018		31 March 2019	
	THB MB	%	THB MB	%
Current liabilities	417.7	95.3	352.9	96.2
Non-current liabilities	20.4	4.7	14.1	3.8
Total liabilities	438.1	100.0	367.0	100.0

1. Current liabilities

As of the year end 2018 and Q1/2019, the Company's current liabilities totaled THB 417.7 MB and THB 352.9 MB respectively, equivalent to 95.3% and 96.2% respectively of the total Liabilities. Current Liabilities as of year 2018 decrease by decreasing in trade and other payable.

2. Non-current Liabilities

As of the year end 2018 and Q1/2019, the Company's non-current liabilities THB 20.4 MB and THB 14.1 MB respectively, equivalent to 4.7% and 3.8% respective of the total liabilities. The main non-current liabilities in long-term debt. The long-term debt due date within one year is THB 10.5 MB and THB 8.1 MB respectively, equivalent to 2.4% and 2.2% respective of the total liabilities. The decrease for long term loan in year 2018 due to gradually paying off some balance of debt from the finance institution.

Shareholder's equity

The Company's shareholder's equity as of the year end 2018 and Q1/2019 amounted to THB 757.2 MB and THB 772.3 MB respectively. An increase in shareholder's equity amount to THB 15.1 MB from net profit on year 2018 earned of THB 12.7 MB and increase from gains on remeasurements of defined benefit plans - net of tax amounted THB 2.4 MB.

The Company has a road map for sustainable growth. The Company has planned for sufficient in inventory space for efficiency stock management and future expansion in the new site. The company has extended the new products in retail channel e.g. galvanized paints, welding wire including I-RETAIL business. The company had also extended the distribution channel in retail business and opened already four new branches. The business alliance is Dynasty Ceramic Public Company Limited who has widely 200 branches over the country.

Since the steel coil is the main raw materials that have significantly contribute to fluctuations of the global steel price. In a certain situation, the company usually rises the input cost to the price of the products. Anyway, the economic recession threatens to the price structure that the company can not specify the price change with the corresponding changes of cost. Consequently, it affected the profit margin. The company still has no policy to overstock but to manage the inventory turnover efficiently. Beside this, The Company focused on managing the account receivable turnover especially debtor screening policy efficiently. Therefore, there has been no record for an uncollectible account from Debtors.

This is to ensure the company financial status and performance. The Backlog was around 10% of the total sales that lead to less risk under cost fluctuations. The company has also managed the risk for exchange rate by forward contract.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director