

**Management Discussion and Analysis for Quarter 2 Ending 30 June 2021**

**1. Highlights**

	Unit : million Baht	Q2/2021	Q2/2020
Group	Group Revenues	8,404	4,713
	Group Gross Profit (Loss)	1,711	(178)
	Group Net Profit (Loss)	1,012	(247)
Group HRC	HRC Sales (k tons)	317	316
	HRC Production Volume (k tons)	353	290
	HRC Average Selling Price (Bht/Ton)	26,486	14,922
	Unit : million Baht	30-Jun-21	31-Dec-20
Group	Total Assets	27,825	25,460
	Total Liabilities	10,437	9,526
	Equity Attributable to Owners of the Parent	6,835	6,339
	Non-controlling interests	10,553	9,594

**2. Business Outlook**

Improvement in market conditions led to increased demand in the current quarter. The Hot Rolled consumption increased by 62.6% in Q2 2021 compared to Q2 2020 as per Iron and Steel Institute of Thailand. However, the stricter government measures starting from end June 2021 to curb the increasing Covid cases is resulting in a slowdown in the economy and the Steel Industry in particular, due to the temporary shutdown of the construction activities.

**3. Performance of the Company**

**Revenue from sale**

The Company reported revenue from sales of Baht 3,702 million which increased by Baht 1,741 million or 89% YoY due to increase in sales price by 72% and volume by 10%.

The Group posted sale revenue of Baht 8,404 million increased by Baht 3,690 million or 78% YoY mainly due to increase in Selling price.

**Operating Results**

The Company reported a gross profit of Baht 589 million (gross profit margin 16%), which significantly improved compared to the same quarter of last year which posted gross loss of Baht 100 million (gross loss margin 5%). This resulted from optimization of Scrap mix, increase in selling price coupled with increase in production & sales volumes.

The Company posted net profit by Baht 288 million which increased by Baht 360 million from same quarter of last year which post net loss by Baht 72 million. The Group Consolidated net profit was recorded by Baht 1,012 million, which increased by Baht 1,259 million from net loss by Baht 247 million of same quarter of last year.

### **Selling Expenses**

Selling expense of the Company at Baht 41 million and the Group Consolidated at Baht 84 million increased by Baht 7 million and Baht 9 million respectively compared with same period of last year due to increase in sales volume.

### **Administrative Expenses**

The Company recorded administrative expenses of Baht 110 million, which increased by Baht 21 million YoY and the Consolidated administrative expenses was recorded at Baht 334 million which increased by Baht 125 million mainly due to higher charges on account of incentive program of the Company and Subsidiary.

### **Net loss on foreign exchange rate**

The Company recorded a net loss on foreign exchange amounting to Baht 111 million and the Consolidated net loss on foreign exchange was recorded at Baht 137 million due to the depreciation of the Thai Baht versus the US dollar.

### **Finance cost**

The Company recorded finance cost of Baht 127 million which decreased by Baht 51 million YoY due to write-off of accrued interest which crossed the time limit of the legal prescription of debts. The Company also entered into two Debt Restructuring Agreements with a creditor which reduce the interest rate from 12% to 6% per annum which led to reduced interest charge.

The Group Consolidated finance cost was recorded at Baht 181 million, which decreased by Baht 63 million YoY due to reduction in interest bearing working capital.

## **4. Statement of financial positions**

### **Total Assets**

As of 30 June 2021, the Consolidated total assets amounted to Baht 27,825 million, which increased by Baht 2,365 million or 9% from year ended 2020. Out of the total assets, Current Assets amounted to Baht 6,136 million, which increased by 77% mainly due to the increase in inventory. Non-current assets amounted to Baht 21,689 million and decreased by 1% from year ended 2020.

### **Cash and cash equivalent**

As at 30 June 2021, the Consolidated cash and cash equivalent balance was Baht 864 million, which increased by Baht 427 million from year ended 2020.

### **Consolidated Cash Flow**

- Net cash flows provided by operating activities was at Baht 731 million.
- Net cash flows used in investing activities stood at Baht 142 million.
- Net cash flows used in financing activities is Baht 163 million.

(For further details please refer to the Statement of cash flows)

### **Inventories**

Value of Inventories in the Consolidated Financial Statement amounted to Baht 4,665 million or 17% of total assets, which increased by Baht 2,070 million from year ended 2020 and that for the Company increased by Baht 698 million mainly due to the increase in prices of raw materials and finished goods.

### **Total liabilities**

As at 30 June 2021, total liabilities in the consolidated Financial Statement amounted to Baht 10,437 million which increased by Baht 911 million or 10% from year ended 2020.

### **Consolidated Current liabilities increased by Baht 846 million due to:**

- Current portion of long-term borrowings from related parties in Subsidiaries increased by Baht 425 million as it has become payable within one year. For the Company it decreased by Baht 275 million as the Company entered into debt restructuring agreement with a creditor and reclassified part of the liabilities to non-current liabilities in line with the payment terms.
- Accrued interest expenses increased by Baht 125 million, mainly due to non-payment of interest on the facilities.
- Other payables and accrued expenses decreased by Baht 203 million. It decreased by Baht 344 million for the Company mainly due to write-back the of liabilities crossing the legal prescription timeline of liabilities, repayment of debts per the compromise agreement, restructuring of debts with a creditor to reclassify part of the liabilities to non-current liabilities.

### **Consolidated Non-current liabilities increased by Baht 65 million mainly due to:**

- Other payables and accrued expenses increased by Baht 298 million mainly due to reclassification from current liabilities as explained above and depreciation of THB leading to increase in the USD denominated liabilities.
- Long-term borrowings from related parties decreased by Baht 288 million mainly due to reclassification to short term liabilities of the subsidiary as it becomes payable within 1 year. For the Company, it increased by Baht 338 million due to debt restructuring with a creditor and reclassification from current to non-current liabilities as explained above

**Shareholders' equity**

As of 30 June 2021, the Consolidated Financial Statement recorded shareholders' equity of Baht 17,388 million which increased by Baht 1,454 million from year end 2020 due to net profit.