

Management Discussion and Analysis for Quarter 3 Ending 30 September 2021

1. Highlights

	Unit : million Baht	Q3/2021	Q3/2020
Group	Group Revenues	9,725	5,541
	Group Gross Profit (Loss)	2,381	97
	Group Net Profit (Loss)	1,566	(503)
Group HRC	HRC Sales (k tons)	317	345
	HRC Production Volume (k tons)	310	350
	HRC Average Selling Price (Bht/Ton)	30,722	16,065
	Unit : million Baht	30-Sep-21	31-Dec-20
Group	Total Assets	27,775	25,460
	Total Liabilities	8,820	9,526
	Equity Attributable to Owners of the Parent	7,350	6,339
	Non-controlling interests	11,604	9,594

2. Performance of the Company

Debt repayment

The Company and its subsidiary has repaid loans to the extent of USD 57 million during the quarter. While the subsidiary has now become completely debt free, the Company is now clearing off its default loans.

Revenue from sale

The production volume of the Group reduced by 40k Mt compared to last year mainly due to annual shutdown in G Steel.

The Company reported revenue from sales of Baht 4,114 million which increased by Baht 1,654 million or 67% YoY due to increase in sales price by 90% partly offset by reduced sales volume. The Group posted sale revenue of Baht 9,725 million increased by Baht 4,185 million or 76% YoY mainly due to increase in Selling price.

Operating Results

The Company reported a gross profit of Baht 907 million (gross profit margin 22%), which significantly improved compared to the same quarter of last year which posted gross profit of Baht 42 million (gross profit margin 2%). This resulted from optimization of Scrap mix and increase in selling price.

The Company posted net profit of Baht 406 million which increased by Baht 454 million from same quarter of last year which post net loss of Baht 48 million. The Group Consolidated net profit was recorded by Baht 1,566 million, which increased by Baht 2,069 million from net loss of Baht 503 million recorded in same quarter of last year.

Administrative Expenses

The Company recorded administrative expenses of Baht 109 million, which increased by Baht 22 million YoY and the Consolidated administrative expenses was recorded at Baht 317 million which increased by Baht 94 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 275 million and the Consolidated net loss on foreign exchange was recorded at Baht 317 million due to the depreciation of the Thai Baht versus the US dollar.

Finance cost

The Company recorded finance cost of Baht 123 million which decreased by Baht 27 million YoY due to write-off of the accrued interest which expired the time limit of the legal prescription of debts. The Company also repaid short term loan USD 22.1 million during Q3-21 which helped in the reduction in interest expense.

The Group Consolidated finance cost was recorded at Baht 154 million, which decreased by Baht 60 million YoY due to reduction in interest bearing working capital and repayment of loan by the Company and subsidiary.

3. Statement of financial positions

Total Assets

As of 30 September 2021, the Consolidated total assets amounted to Baht 27,775 million, which increased by Baht 2,314 million or 9% from year ended 2020. Out of the total assets, Current Assets amounted to Baht 6,106 million, which increased by 76% mainly due to the increase in cash and inventory. Non-current assets amounted to Baht 21,669 million and decreased by 1% from year ended 2020.

Cash and cash equivalent

As at 30 September 2021, the Consolidated cash and cash equivalent balance was Baht 1,723 million, which increased by Baht 1,286 million from year ended 2020.

Consolidated Cash Flow

- Net cash flows provided by operating activities is Baht 3,733 million.
- Net cash flows used in investing activities stood at Baht 312 million.
- Net cash flows used in financing activities is Baht 2,139 million.

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

Inventories

Value of Inventories in the Consolidated Financial Statement amounted to Baht 3,814 million or 14% of total assets, which increased by Baht 1,219 million from year ended 2020 and that for the Company increased by Baht 410 million mainly due to the increase in prices of raw materials and finished goods.

Total liabilities

As at 30 September 2021, total liabilities in the consolidated Financial Statement amounted to Baht 8,820 million which decrease by Baht 706 million or 7% from year ended 2020.

Consolidated Current liabilities decreased by Baht 732 million due to:

- Current portion of long-term borrowings from related parties decreased by Baht 585 million due to fully repayment by subsidiary. For the Company it decreased by Baht 273 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.
- Short-term borrowings from related parties decreased by Baht 569 million due to repayment.
- Accrued interest expenses increased by Baht 98 million, mainly due to non-payment of interest on the facilities.
- Other payables and accrued expenses decreased by Baht 197 million. It decreased by Baht 351 million for the Company mainly due to write-back the of liabilities expiring 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 26 million mainly due to:

- Other payables and accrued expenses increased by Baht 344 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 355 million mainly due to repayment by subsidiary. For the Company, it increased by Baht 384 million due to debt restructuring with a creditor and reclassification from current to non-current liabilities as explained above and depreciation of THB leading to increase in the USD denominated liabilities.

Shareholders' equity

As of 30 September 2021, the Consolidated Financial Statement recorded shareholders' equity of Baht 18,954 million which increased by Baht 3,020 million from year end 2020 due to net profit.