

Management Discussion and Analysis

Management Discussion and Analysis for Quarter 1 Ending 31 March 2022

1. Highlights

	Unit : million Baht	Q 1/2022	Q 1/2021 (Restated)
Performance	Total Revenues	4,670	3,781
	Total Gross Profit (Loss)	549	477
	Total Net Profit (Loss)	313	171
HRC	HRC Sales (k tons)	159	177
	HRC Production Volume (k tons)	157	165
	HRC Average Selling Price (Bht/Ton)	29,422	21,333
	Unit : million Baht	31-Mar-22	31-Dec-21
Financial Status	Total Assets	12,972	12,340
	Total Liabilities	6,567	6,561
	Equity Attributable to Owners of the Parent	6,405	5,779
	Non-controlling interests	0	0

2. Business Outlook

The overall domestic consumption of Hot Rolled products decreased by 23% for Q1 2022 when compared with Q1 2021. While the Company production decreased by 8 K Mt, overall domestic production reduced by 72 K Mt or 10%.

Total Hot Roll Coil & Sheet Thickness < 3 mm. (Unit : Tons) (Excluding Stainless Steel)	Quarter 1/2022	Quarter 1/2021	% Change 2022 vs. 2021
Production	658,218	729,886	(10%)
Import	614,737	936,256	(34%)
Export	1,238	7,714	(84%)
Consumption	1,271,717	1,658,427	(23%)

Source: Iron and Steel Institute of Thailand

While the Government is opening the tourism sector in a phased manner to help boost the economy, other geopolitical factors viz. Russia- Ukraine conflict, covid related lockdowns in China leading to supply chain disruptions and high inflationary pressures will be critical factors going ahead.

3. Performance of the Company

- **Revenue from sale**

The Company reported revenue from sales of Baht 4,670 million which increased by Baht 889 million mainly due to increase in selling price by 8,089 Baht per ton or 38% while sales volume decreased by 19 k Mt or 10% compared to last year.

- **Operating Results**

The Company reported a gross profit of Baht 549 million, which increased from last year by Baht 72 million. This resulted mainly due to increase in selling price resulting from global uptrend in the prices partly offset by reduction in sales volumes.

The Company reported a net profit of Baht 313 million compared to Baht 171 million last year, which increased by Baht 142 million. The consolidated net profit for Q1-22 was recorded at Baht 313 million compared to Baht 171 million last year, an increase by Baht 142 million mainly due to the increase in selling price as explained above.

- **Selling Expenses**

The Company recorded selling expense of Baht 44 million, which decreased by Baht 2 million compared to last year due to decrease in sales volume partly offset due to increased transportation cost resulting from the increase in oil prices.

- **Administrative Expenses**

Administrative expenses of Q1-22 decrease by Baht 22 million from Q1-21 mainly due to reduction in incentives due to expiration of management incentive plan.

- **Net gain on foreign exchange rate**

The Company reported a net gain on foreign exchange of Baht 25 million due to the appreciation of the Thai Baht versus the US dollar from 33.59 THB/USD on 30 December 2021 to 33.45 THB/USD on 31 March 2022.

- **Finance cost**

The Company recorded finance cost of Baht 78 million for Q1-22 compared to Baht 137 million for Q1-21, a decrease of Baht 59 million mainly due to the repayment of short-term borrowings which helped in the reduction in interest expense.

4. Statement of financial positions

- **Total Assets**

As of 31 March 2022, the consolidated total assets amounted to Baht 12,972 million, which increased by Baht 633 million or 5% from year ended 2021.

Out of the total assets, Current Assets amounted to Baht 3,030 million or 23% of total assets, which increased by Baht 362 million or 14% mainly due to increase in Cash and cash equivalents by Baht 387 million. Non-current assets amounted to Baht 9,942 million or 77% of total assets, which increased by Baht 270 million or 3% from year ended 2021 mainly due to the increase in Other long-term investment resulting from the increase of GJ Steel share price partly offset by decrease in Machinery & Equipment due to depreciation.

Cash and cash equivalent

As at 31 March 2022, the Consolidated cash and cash equivalent balance was Baht 806 million, which increased by Baht 387 million from year ended 2021.

Consolidated Cash Flow

- Net cash flows provided by operating activities is Baht 723 million.
- Net cash flows used in investing activities stood at Baht 30 million.
- Net cash flows used in financing activities is Baht 305 million.

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

- **Inventories**

Value of Inventories in the consolidated Financial Statement amounted to Baht 1,956 million or 15% of total assets, which increased by Baht 7 million or 0.4% from year ended 2021 due to the increase in raw materials which is partly offset by the decrease in finished goods.

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 31 March 2022 amounted to Baht 6,567 million, which increased by Baht 6 million or 0.1% from year ended 2021 mainly due to decrease in short-term borrowings from related parties and partly offset by the increase in Trade accounts payable, Advances received from customers, Other payables and accrued expenses, Income tax payable.

Consolidated Current liabilities increased Baht 89 million due to:

- Short-term borrowings from related parties decreased by Baht 236 million mainly due to the repayment by the Company.
- Trade accounts payable, Advances received from customers, Other payables and accrued expenses increased by Baht 156 million from normal business operation.
- Income tax payable increase by Baht 88 million.

Consolidated Non-current liabilities decreased Baht 83 million mainly derived from:

- Long-term borrowings from related parties and Other payables and accrued expenses decreased by Baht 44 million mainly due to appreciation of THB leading to decrease in the USD denominated liabilities.
- Liabilities under rehabilitation plan and compromise agreement decreased Baht 35 million mainly due to repayment.

Shareholders' equity

As of 31 March 2022, the Consolidated Financial Statement recorded shareholders' equity of Baht 6,405 million which increased by Baht 626 million from last year due to net profit Baht 313 million and Gain on change in fair value of equity security designated at fair value through other comprehensive income Baht 313 million on account of GJ Steel investment.