

Management Discussion and Analysis

Management Discussion and Analysis for Quarter 1 Ending 31 March 2023

1. Highlights

	Unit : million Baht	Q 1/2023	Q 1/2022
Performance	Total Revenues	3,526	4,670
	Total Gross Profit (Loss)	31	549
	Total Net Profit (Loss)	(64)	313
	Unit : million Baht	31-Mar-23	31-Dec-22
Financial Status	Total Assets	10,029	10,357
	Total Liabilities	6,775	6,918
	Equity Attributable to Owners of the Parent	3,254	3,438

2. Business Outlook

While, the apparent domestic consumption of Hot Rolled products increased by 17% during Q1 2023 as per Iron and Steel Institute of Thailand, there is a potential increase in the inventory in the supply chain due to weak end user demand. The domestic production declined by 18% due to a surge in imports, which increased by 54%. The Company has been taking up the matter with the relevant Government Authorities to take appropriate action against unfair imports.

The continuing imports led to pressure on the selling price, which dropped by 15% compared to the same period last year. The reduction in selling prices coupled with high costs of sub raw material and utility has resulted in a margin squeeze during the reported quarter. The Company is taking several cost reduction countermeasures to overcome this situation and make the business more sustainable in future.

3. Performance of the Company

- **Revenue from sale**

The Company reported revenue from sales of Baht 3,526 million which decreased by Baht 1,144 million mainly due to the decrease in sales volume by 11% and decrease in selling price by 15% compared to the same period last year.

- **Operating Results**

The gross profit of the Company reduced by Baht 518 million compared to Q1/2022 mainly due to reduction in metal spread (margin between selling price and metal cost) and increase in conversion cost mainly from the increase of sub raw materials price, electricity and natural gas price.

The Company reported a net loss of Baht 64 million compared with net profit Baht 313 million for the same period last year, which decreased by Baht 378 million. The consolidated net loss of Q1/2023 was recorded at Baht 64 million compared with net profit Baht 313 million of Q1/2022, a decrease by Baht 378 million mainly due to reasons as explained above.

- **Net gain on foreign exchange rate**

The Company reported a net gain on foreign exchange of Baht 29 million due to the appreciation of the Thai Baht versus the US dollar from 34.73 THB/USD on 30 Dec 2022 to 34.26 THB/USD on 31 March 2023.

- **Finance cost**

The Company recorded finance cost of Baht 54 million for Q1/2023 compared to Baht 78 million for Q1/2022, a decrease of Baht 25 million mainly due to the repayment of short-term and long term borrowings at higher interest rates which helped in the reduction in interest expense.

4. Statement of financial positions

- **Total Assets**

As of 31 March 2023, the consolidated total assets amounted to Baht 10,029 million, which decreased by Baht 328 million or 3% from year ended 2022.

Out of the total assets, Current Assets amounted to Baht 2,907 million or 29% of total assets, which decreased by Baht 127 million or 4% mainly due to decrease in cash and cash equivalents by Baht 436 million and increase in inventory by Baht 294 million. Non-current assets amounted to Baht 7,121 million or 71% of total assets, which decreased by Baht 201 million or 3% from year ended 2022 mainly due to the decrease in Other long-term investment resulting from the decrease in value of Investment in GJ Steel and decrease in Machinery & Equipment due to depreciation.

Cash and cash equivalent

As at 31 March 2023, the Consolidated cash and cash equivalent balance was Baht 329 million, which decreased by Baht 436 million from year ended 2022.

Consolidated Cash Flow

- Net cash flows used in operating activities is Baht 177 million.
- Net cash flows used in investing activities stood at Baht 42 million.
- Net cash flows used in financing activities is Baht 217 million.

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

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 31 March 2023 amounted to Baht 6,775 million, which decreased by Baht 143 million or 2% from year ended 2022 mainly due to the decrease in accrued interest expenses and Liabilities from terminated rehabilitation plan and compromise.

Consolidated Current liabilities decreased Baht 53 million mainly due to:

- Accrued interest expenses decreased by Baht 148 million mainly due to repayment.
- Other payables and accrued expenses increased by Baht 69 million mainly due to normal operational reasons.

Consolidated Non-current liabilities decreased Baht 90 million mainly derived from:

- Liability under rehabilitation plan and compromise agreement decreased Baht 45 million mainly due to repayment.
- Other payables and accrued expenses decreased Baht 24 million mainly due to repayment.

Shareholders' equity

As of 31 March 2023, the Consolidated Financial Statement recorded shareholders' equity of Baht 3,254 million which decreased by Baht 185 million from last year due to net loss Baht 64 million and Loss due to change in fair value of equity security designated at fair value through other comprehensive income Baht 120 million on account of GJ Steel investment.