

SAF # 006/2024_ENG

May 08, 2024

Subject: Management Discussion and Analysis for the three-months period ended March 31, 2024 and clarification of the operating results changed over 20% comparing to the same period of the previous year

Attention: Directors and Managers
Stock Exchange of Thailand

S.A.F. Special Steel Public Company Limited (the “Company”) would like to clarify the operating results for the three-months period ended March 31, 2024 which changed over 20% comparing to the same period of the previous year per following details:

Statements of Comprehensive Income

Statements of Comprehensive Income	For the 3-Months Period Ended on March 31,		Change	
	2024	2023	Increase / (Decrease)	percent
	Million baht	Million baht		
Revenues				
Revenue from Sales and Services	41.40	46.19	(4.79)	(10.37)
Other Income	0.56	0.44	0.12	27.27
Total Revenues	41.96	46.63	(4.67)	(10.02)
Expenses				
Cost of Sales and Services	32.82	34.87	(2.05)	(5.88)
Distribution Costs	1.48	1.67	(0.19)	(11.38)
Administrative Expenses	6.72	7.94	(1.22)	(15.37)
Total Expenses	41.02	44.48	(3.46)	(7.78)
Profit from Operating Activities	0.94	2.15	(1.21)	(56.28)
Financial Costs	1.25	1.21	0.04	3.31
Profit Before Income Tax Expense	(0.31)	0.94	(1.25)	(132.98)
Tax Expense	(0.04)	0.16	(0.20)	(125.00)
Profit for the Year	(0.27)	0.78	(1.05)	(134.62)

Table Showing Revenue from Sales and Services of the Company's Products Classified by Type

	For the 3-Months Period Ended on March 31,			
	2024		2023	
	Million baht	percent	Million baht	percent
Revenue from Sales:				
1) Revenue from Sales of Special Steel				
- For Mold & Dies	29.65	70.66	33.09	70.95
- For Engineering Machinery	8.72	20.78	10.18	21.83
Total Revenue from Sales of Special Steel	38.37	91.44	43.27	92.78
2) Others Sales Revenue ¹	1.47	3.50	1.18	2.54
Total Revenue from Sales	39.84	94.95	44.45	95.32
Revenue from Services :				
3) Revenue from Vacuum Hardening Services	1.56	3.72	1.74	3.74
Total Revenue from Sales and Services	41.40	98.67	46.19	99.06
Other Income ²	0.56	1.33	0.44	0.94
Total Revenues	41.96	100.00	46.63	100.00

Remark

¹ Other sales revenue, e.g., sales revenue from bandsaw blades, band sawing machines, finished molds & dies, other equipment parts, etc.

² Other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap, etc.

Revenue from Sales

Revenue from Sales consists of sales revenue from special steel and revenue from other sales. The details are as follows:

1) Revenue from Sales of Special Steel

For the three-months period ended March 31, 2024, the Company's primary income from the sale of special steel was 38.37 million baht, 91.44 percent of the Company's total revenue, which could be separated into two main categories: 1) Revenue from sales of special steel for molds & dies, which was equal to 70.66 percent of total revenue and 2) Revenue from sales of special steel for engineering machinery, which was equal to 20.78 percent of total revenue.

1.1 Revenue from Sales of Special Steel for Molds & Dies

For the three-months period ended March 31, 2024, the Company's revenue from sales of special steel for molds & dies was 29.65 million baht, decrease for 3.44 million baht or 10.40 percent from the same period of last year due to the decreases in manufacturing of mainly automotive parts and construction materials industries.

1.2 Revenue from Sales of Special Steel for Engineering Machinery

For the three-months period ended March 31, 2024, the Company's revenue from sales of special steel for engineering machinery was 8.72 million baht, decrease for 1.46 million baht or 14.34 percent from the same period of last year due to the decrease in orders for machinery maintenance as result of operating capacity in industrial manufacturing still in the low level, and slowdown in new-machines buildings.

2) Others Sales Revenue

Other sales revenue consists of sales of band saw blades, the finished molds & dies, and industrial equipment parts. For the three-months period ended March 31, 2024, the Company's revenue from other sales was 1.47 million baht, increase for 0.29 million baht or 24.58 percent from the same period of last year, due to increase in sales of band saw blades of 0.18 million baht and the finished molds & dies of 0.11 million baht.

3) Revenue from Vacuum Hardening Services

For the three-months period ended March 31, 2024, the Company's revenue from vacuum hardening services was 1.56 million baht, decrease of 0.18 million baht or 10.34 percent from the same period of last year, due to decreasing in selling of special steel for molds & dies.

Other Income

The Company's other income consists of gain from exchange rates, gain from disposal of assets, interest income and income from the sale of scrap etc. For the three-months period ended March 31, 2024, the Company's other income was 0.56 million baht, increase of 0.12 million baht or 27.27 percent from the same period of last year.

Cost of Sales and Services and Gross Profit Margin

	For the 3-Month Period Ended on March 31,	
	2024	2023
Revenue from Sales and Services (Million baht)	41.40	46.19
Cost of Sales and Services (Million baht)	32.82	34.87
Gross Profit Margin (Million baht)	8.58	11.32
Cost of Sales and Services (%)	79.28	75.50
Gross Profit Margin (%)	20.72	24.50

For the three-months period ended March 31, 2023, the Company's cost of sales and services was 32.82 million baht, 79.28 percent of Revenue from Sales and Services, decrease for 2.05 million baht from the same period of last year. While gross profit margin was 8.58 million baht, 20.72 percent of Revenue from Sales and Services, decrease of 2.74 million baht from the same period of last year, because of decreasing selling price due to higher competitive situation during economic slowdown as well as higher cost of sales and services per unit which effected from decreased in revenue, resulting in decrease of 3.78 percent in gross profit margin.

Distribution Cost

For the three-months period ended March 31, 2024, the Company's distribution cost was 1.48 million baht, decrease of 0.19 million baht or 11.38 percent from the same period of last year, because of decreases in both transportation expenses and sales management cost which effected from decreased in revenue

Administrative Expenses

For the three-months period ended March 31, 2024, the Company's administrative expenses was 6.72 million baht, decrease of 1.22 million baht or 15.37 percent from the same period of last year, due to the Company's cost control measures.

Financial Cost

For the three-months period ended March 31, 2024, the Company's financial costs was 1.25 million baht, increase of 0.04 million baht or 3.31 percent from the same period of last year, due to the overall increase of Company's overdrafts and long-term loans from financial institutions.

Net Profit

For the three-months period ended March 31, 2024, the Company's loss was 0.27 million baht, decrease of profit 1.05 million baht or 134.62 percent from the same period of last year, mainly because of the decrease of revenue from sales and services resulted from manufacturing industry slowdown, higher competitive situation, and increasing cost of raw materials as well as costs and expenses per unit increased.

Statements of Financial Position

	31 March 2024	31 December 2023	Increase / (Decrease)	
	Million baht	Million baht	Million baht	percent
Assets	404.08	404.15	(0.07)	(0.02)
Liabilities	126.10	125.90	0.20	0.16
Shareholders' Equity	277.98	278.25	(0.27)	(0.10)

Total Assets

The main assets of the Company consist of 1) Cash and cash equivalents 2) Inventories 3) Trade and Other Current Receivables 4) Property, Plant and Equipment. As of March 31, 2024 total assets were 404.08 million baht, decrease of 0.07 million baht or 0.02 percent compared to the end of year 2023, due to 1) the decrease of total current assets 3.19 million baht mainly because of cash and cash equivalents and inventories, and 2) the increase of total non-current assets 3.11 million baht mainly because of property, plant and equipment for the new warehouse.

As of March 31, 2024, the Company has paid the partial advance payments for purchasing machines of total 8.65 million baht under the outstanding commitment of purchasing contracts amounted 13.17 million baht. Moreover, the Company also has paid the partial advance payments of 24 million baht under the outstanding commitment of the total new warehouse construction contract amounted 26.34 million baht.

Total Liabilities

The main liabilities of the Company consist of 1) Bank overdrafts and short-term loans from financial institutions 2) Trade payables and other current payables 3) Long-term loans from financial institutions and lease liabilities. The Company's total liabilities as of March 31, 2024 were 126.10 million baht, increase of 0.20 million baht or 0.16 percent compared to the end of year 2023, due to increase of the Provisions of employee benefit for the period 0.20 million baht.

Shareholders' Equity

The shareholders' equity of the Company as of March 31, 2024 was 277.98 million baht, decrease of 0.27 million baht compared to the end of year 2023, resulting from total loss for this period 0.27 million baht.

Please kindly be informed accordingly.

Yours sincerely,

Pisit Ariyadejwanich

Chief Executive Officer
S.A.F. Special Steel Public Company Limited