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NO. (SUTHA-SET) 010/2019/EN

15 May 2019

Subject: Management Discussion and Analysis of the Company and its subsidiary
for period ended 31 March 2019

To: The President of the Stock Exchange of Thailand

Attachment: Management Discussion and Analysis ended 31 March 2019

As Golden Lime Public Company Limited (“the Company”) has submitted the Auditor’s report on the Consolidated Financial Statements ended 31 March 2019, which have been audited by the Company’s authorized auditor.

The Company would like to clarify the operating results of the Company and its subsidiary, please kindly find the following attachment.

Please kindly be informed accordingly.

Yours faithfully,

Mr. Geza Emil Perlaki
Managing Director





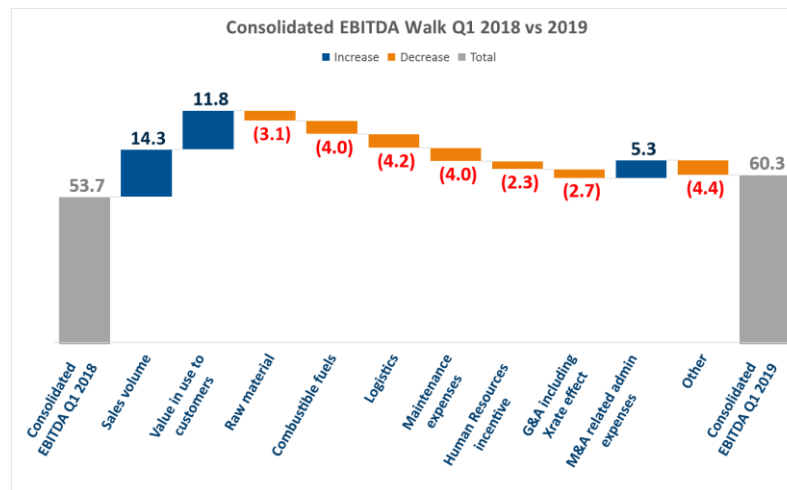
Golden Lime Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

For period ended 31 March 2019

1. Highlights

- ▶ Health and safety: There were **three lost time injuries** in Q1 2019
- ▶ Revenue: **297mTHB** in Q1 2019 compared to 254mTHB in Q1 2018 an increase of 17%
- ▶ EBITDA: **60mTHB** in Q1 2019 compared to 54mTHB in Q1 2018 an increase of 12%
- ▶ Net income: **18mTHB** in Q1 2019 compared to 21mTHB in Q1 2018
- ▶ Burnt lime sales: **108k Mt** in Q1 2019 compared to 93k Mt Q1 2018



Commenting Mr Geza Perlaki, Golden Lime Managing Director said:

“Most importantly we have to recognize that our safety record has deteriorated and while thankfully we have had no serious accidents, we have seen an increase in lost time injuries. We have recognized that an improvement is needed and have recently added to the health and safety team in order to ensure improvements are swift.

Business wise 2019 has started well despite challenges in the macro economy and some of the key market segments along with competitive activity on the export markets. We continue to see the positive impact of our acquisition of Saraburi Quicklime, which we completed in late Q1 2018, and is having a full, positive effect on Q1 for the first time. The economics of scale has already improved and the synergetic effect between both companies will increase throughout 2019 particularly on the fixed cost side. EBITDA in Q1 2018 improved, driven by volume and recognition of value from our customers and was as per our plan despite the fact that costs of raw materials and fuel was well above last year same period. Maintenance and HR expenses were also higher, but these are investments into the future competitiveness of the company. On the upside we expect to see some of the variable cost pressure, notably fuel, to ease in the following quarters of 2019, while on the downside we experience increased competitive pressure on our markets. This we plan to overcome with our efficient fixed cost base and continued focus on quality while widening product scope and ultimately face down this competitive pressure.





2.Outlook

Geopolitical uncertainty is likely leaving its mark on the Thai economy. Private consumption growth moderated noticeably in Q1 while private investment fell, reflecting dampening domestic demand. Manufacturing output, meanwhile, dropped at the steepest rate in over four years while the average manufacturing PMI reading for Q1 suggested only a fractional improvement in operating conditions. However, the Thai economy has proven resilient in the past and we expect this to continue into the rest of 2019.

The main lime consuming sectors of the industry were not immune to the disruption: the sugar cane harvest was down after a record 2018. Disruption in the steel industry has caused volumes to drop year on year at key customers however, these issues are being resolved and with expected fixed asset investment and a new product, targeting steel customers, coming on line in the next few months this part of the order book will pick up. Certain other key segments like chemical and construction also show positive tendencies. The strength of the Thai baht is making exports more challenging competitively and we are seeing some volumes repatriated on the Thai market increasing domestic competition.

Revenue realized per unit product sold in Q1 met expectations however, the aforementioned competition for volumes will put pressure on revenue in Q2. On the other hand, the new product introductions will bring significant benefit to customers in certain industrial areas and will positively influence revenue into the second half of the year.



3. Financial highlights (based on Thai FRS)

Q1 2019 Financial Position Summary as of 31 March 2019 compared to Q1 2018:

	Q1 2019	Q1 2018	YoY change	YoY % change
Unit: Million Thai Baht (THB)				
Sales and service income	296.06	252.16	43.90	17%
Other income	0.70	1.37	-0.66	-49%
Total revenues	296.76	253.53	43.24	17%
Cost of sales and services	213.83	173.70	40.13	23%
Gross profit	82.23	78.46	3.77	5%
Gross profit margin	28%	31%		
SG&A	52.09	52.64	-0.55	-1%
EBITDA	60.29	53.75	6.55	12%
EBITDA margin	20%	21%		
Depreciation and amortization	29.44	26.56	2.89	11%
EBIT	30.85	27.19	3.66	13%
Finance cost	-5.87	-2.27	3.60	158%
Income tax expenses	-6.68	-3.90	2.78	71%
Net income for period	18.30	21.02	-2.72	-13%
Earnings per share (THB)	0.06	0.07	-0.01	-13%

Note: Gross profit = Sales and service income – Cost of sales and services (does not include other income)

3.1. Analysis of Q1 2019 in comparison with Q1 2018 results

Although there was a deterioration in health and safety there has been an addition to the team in order to address these issues urgently. The additional volumes from Saraburi Quicklime helped topline growth of 17% and, while the market which volume wise was not as strong as the record breaking 2018 Q1, saw revenue per unit improvement helped to maintain healthy growth.

On the costs side SG&A has shown not only absolute improvement of 1% but on a per ton basis has improved an impressive 16% year on year reflecting the efforts on synergies following the acquisition of Saraburi Quicklime. On the variable cost side, as Saraburi Quicklime only impacted Q1 2018 for 11 days the full impact of savings on the variable cost side, particularly fuel, are not yet apparent. However, going into Q2 and the rest of the year variable cost savings will add to EBITDA as we see the impact of standardizing fuel across the full business and also the impact of the lower cost of fuel from the later shipments in 2018. Efforts continue to optimize cost further with a number of projects in the pipeline most notably on electricity.

Q1 2019 EBITDA rose considerably versus Q1 2018 an increase of 11% and while we face competition on volumes which may lead to revenue erosion the expectation is that the efforts on cost reduction,



particularly on the input costs, will help to offset the revenue impact. In Q1 price has met expectations and every effort will be made to maintain the positive trend we saw in 2018.

Depreciation has increased as expected and as highlighted in 2018 finance cost has increased 2.5 times mainly coming from the interest on the new 330mTHB facility used for the Saraburi Quicklime acquisition along with the additional working capital for fuel. The first installment of the acquisition loan has been paid so financial costs will come down from here on in.

Income tax expense has increased as Saraburi Quicklime does not have BOI exemption although there are planned projects that will enable further BOI tax optimization.

Net income was slightly down year-on-year given the higher depreciation and financing cost, despite the improvement in EBITDA

3.2. Assets, Liabilities & Shareholders' Equity

Current assets have increased largely due to additional inventory predominantly fuel. Non-current assets have decreased in line with depreciation with no major investments planned in 2019 other than equipment related to a new product launch in late 2Q.

On the liabilities side the short-term borrowing facility increased due to the use of a TR (Trust Receipt) for the purchase of combustibles. Non-current liabilities have decreased as the Saraburi Acquisition loan and the Hua-Pha-Way Kiln 7 loan continue to be repaid.

Shareholder equity increased in-line with the additional net result.

Balance Sheet Summary as of 31 March 2019 compared to 31 December 2018:

Unit: Million Thai Baht (THB)	31st Mar 2019	31st Dec 2018	YoY change	YoY % change
Total current assets	548.30	504.70	43.60	9%
Total non-current assets	919.68	939.61	-19.93	-2%
Total assets	1,467.97	1,444.30	23.67	2%
Total current liabilities	558.63	510.75	47.88	9%
Total non-current liabilities	301.30	343.81	-42.51	-12%
Total liabilities	859.93	854.56	5.37	1%
Total shareholders equity	608.04	589.74	18.30	3%
Total liabilities plus shareholders equity	1,467.97	1,444.30	23.67	2%



3.3. Cash Flow Analysis

Cash and cash equivalents at the end of 1Q 2019 increased 23mTHB to 62mTHB from the start of the period. The main differences on a year-on-year comparison is the increase in inventory, particularly fuel, which saw an increase of 53mTHB and the absence of a one-shot impact of a 60mTHB tax payable in 1Q 2018. If both of these are removed the operational cashflows of 38mTHB in 1Q 2019 is comparable to the equivalent 40mTHB in 1Q 2018.

Net cash flows from investing activities decreased significantly year-on-year largely due to the 320mTHB purchase of Saraburi Quicklime in 1Q 2018. Investments in capital expenditure have also reduced significantly with continued focus on Capex discipline. There will be increased expenditure in the coming months however this is planned maintenance and investment in plant and equipment for a new product.

Net cash from long-term financing activities decreased year-on-year again from the impact of the loan for the acquisition. The first repayment on the acquisition loan of 38mTHB in March was completed. Short-term working capital increased versus Q1 2018 as funding for investment in working capital, predominately fuel, which will peak in Q1 2019 and then will be repaid over the rest of the year.

There was no dividend payment in 1Q 2018. In line with our current strategy of regular dividends 1Q 2019 will have a payout of 0.12THB/share or 36mTHB total. Dividends from SQL will be used to cover the loan obligations for the acquisition.

Cash flow Summary as of 31 March 2019 compared to 31 March 2018:

Unit: Million Thai Baht (THB)	Q1 YTD 2019	Q1 YTD 2018	YoY change	YoY % change
Cash and cash equivalents at beginning of period	38.85	50.34	-11.49	-23%
Net cash flows from operating activities	37.62	152.69	-115.07	-75%
Net cash flows used in investing activities	-7.50	-333.77	-326.27	-98%
Net cash flows from (used in) financing activities	-7.15	251.17	-258.32	-103%
Net increase (decrease) in cash and cash equivalents	22.96	70.09	-47.13	-67%
Cash and cash equivalents at end of period	61.81	120.43	-58.62	-49%



4. Financial Ratios

	Q1 2019	Q1 2018	FY 2019	FY 2018
Return on Equity (ROE)	12%	14%	12%	14%
Return on Assets (ROA)	5%	7%	5%	7%
Return on Fixed Assets (ROFA)	26%	29%	26%	29%
Debt/Equity Ratio	1.41	1.34	1.41	1.34
Net Debt/Equity Ratio	1.11	0.81	1.11	0.81
Leverage (Net Debt/EBITDA)	2.80	2.25	2.80	2.25

Note: 1) Net Debt = Interest bearing liabilities – cash and cash equivalents
2) Leverage Q2 and FY use annualized EBITDA
3) ROFA = (Net profit + Depreciation)/ Average (Q2 2018 and Q4 2017) of property, plant and equipment

Mr. Geza Perlaki

Authorized Director

Mr. Krishnan Subramanian Aylur

Authorized Director

