



## Report on the Company results of the Operations of the year 2019

Enclosure no.2

### 1. Overall Results of Operations

The overall of domestic steel industry in 2019, domestic steel consumption decrease around 4.5% from last year because of effect from trade wars and delayed from this year government budget. Also, the world steel price in declining trend from last year. With these reasons, the sales volume (ton) of 2019 decreased 0.90% from last year and the company's total revenue (Baht) decreased 6.09%, total revenue (Baht) was 9,336.94 million baht. However, the company's net profit was 71.52 million baht which decreased 23.91% from last year.

### 2. Results of Operations for the year 2019

For fiscal year ended December 31, 2019, the Company reported the sales and service income of Baht 9,148.42 million, which decreased from 2018 of Baht 546.20 million or 5.63%. The Company had net profit of Baht 71.52 million or 0.78% of Sales and service income. Earnings profit per share (EPS) was Baht 0.11

Gross Profit Margin of the Company for fiscal year ended December 31, 2019 is 6.56% from total revenue compare to last year gross profit margin of 6.67% from total revenue. This is result from the world steel price in declining trend from last year

#### Revenues

For fiscal year ended December 31, 2019, the Company reported the sales and service income Baht 9,148.42 million which was 97.98% of total revenue decreasing 5.63% from year 2018. Total revenue from sale could be categorized into domestic and export sales of Baht 8,949.10 million and Baht 69.19 million or accounting for 99.23% and 0.77% respectively. The total revenue of the Company decreased from Baht 9,942.69 million in 2018 to Baht 9,336.94 million in 2019 or decreased 6.09%.

Revenue breakdown by customer group show in table below, Industrial amount of Baht 941.10 million was high growth rate customer group in year 2019, growing from year 2018 Baht 123.54 or approximately 15.11%.

Revenue from Sale	2017		2018		2019	
	Million	(%)	Million	(%)	Million	(%)
1. Trader	6,299.58	78.41	7,126.60	73.51	6,460.59	70.62
2. Contractor	1,152.34	14.34	1,485.29	15.32	1,616.59	17.67
3. Industrial	465.23	5.79	817.56	8.43	941.10	10.28
4. Other	3.67	0.05	150.74	1.55	0.56	0.01
<b>Total Revenue from Sale</b>	<b>7,920.82</b>	<b>98.59</b>	<b>9,580.19</b>	<b>98.81</b>	<b>9,018.84</b>	<b>98.58</b>
Service Income	113.48	1.41	114.43	1.19	129.57	1.42
<b>Total Revenue from Sale and Service</b>	<b>8,034.30</b>	<b>100.00</b>	<b>9,694.62</b>	<b>100.00</b>	<b>9,148.41</b>	<b>100.00</b>



### Cost of sales and service

In 2019, the Company reported cost of sales and service of Baht 8,724.26 million or 93.44 % of total revenue compare to year 2018 of Baht 9,279.39 million or 93.33% of total revenue.

### Selling and administrative expenses

In 2019, the Company reported Selling and administrative expenses of Baht 465.40 million, which decreased from 2018 of Baht 24.30 million or decreased 4.96%. This is result from improvement in administrative expense to align with current operation.

### Return on Equity

In 2019, the Company had net profit of Baht 71.52 million. The return on equity was 2.91% which decreased from return on equity 3.88 % in 2018 due to net profit that decreased in Results of Operations.

### Financial Position

#### Assets

##### Total assets

At the end of year 2019, the Company had total assets of Baht 4,390.37 million, which decreased from 2018 of Baht 524.39 million or decreased 10.67% due to the decreasing in inventory, account receivable and advance payment for raw material.

##### Account receivable

Account receivable in 2019 was Baht 915.83 million, which decreased from 2018 of Baht 127.43 million or decreased 12.21%. Account receivable aging show as table below.

(Unit : Million Baht)

Aged on the basis of due dates	2017	2018	2019
Not yet due	682.15	723.99	630.20
Past due			
Up to 3 months	225.39	263.23	233.35
3 - 6 months	9.37	20.78	11.74
6 - 12 months	2.04	29.23	13.50
Over 12 months	7.80	11.73	50.03
<b>Total</b>	<b>926.75</b>	<b>1,048.96</b>	<b>938.82</b>
Less: Allowance for doubtful debts	(8.19)	(23.10)	(38.97)
<b>Total trade receivables - net</b>	<b>918.56</b>	<b>1,025.86</b>	<b>899.85</b>
Other receivables - unrelated parties	9.69	17.40	15.98
<b>Total trade and other receivables - net</b>	<b>928.25</b>	<b>1,043.26</b>	<b>915.83</b>



Inventory

The Company had an inventory of Baht 1,312.63 million, which decreased from year 2018 of Baht 188.94 million or 12.58%. This is because steel price is lower than last year. Moreover Average Day Sale of the Company in this year is 59 days slowly than last year which was 58 days which still in line with Company's Policy.

Property, plant and equipment.

The Company had property, plant and equipment of Baht 1,808.84 million, which decreased from year 2018 of Baht 43.74 million or 2.36% because the company has no important investment for this year. The value of property, plant and equipment decreased from year 2018 after deducting accumulated depreciation.

Liquidity

The Company's current ratio 2019 and 2018 were 1.43 and 1.29 respectively, while its cash cycle ratio in 2019 and 2018 were 13 and 9 days respectively. The Company's interest coverage ratio at the end of 2019 and 2018 were 2.63 and 3.15 respectively.

During the year 2019, the company had Cash Flow from operating activities of Baht 592.15 million due to the decreasing in account receivable, inventory and advance payment for raw material. Details in cash flow statements are described in the table.

(Unit : Million Baht)

Cash Flow	2017	2018	2019
From Operating activities (used in)	(174.66)	(79.68)	592.15
From Investing activities (used in)	(174.50)	(55.24)	(77.72)
From Financing activities (used in)	378.34	38.81	(611.39)
Net increase in cash (decreased)	29.18	(96.11)	(96.96)

**Source of Funds**

Liabilities

The Company's total liability was Baht 1,931.42 million or Baht 562.86 million decreased from year 2018 because in year 2019, the Company's short-term loan from financial institutions was Baht 1,614.52 million or Baht 578.06 million decreased from year 2018 due to the decreasing in working capital.



### Shareholders' Equity

The shareholders' equity of the Company was Baht 2,458.94 million in 2019, which increased Baht 38.46 million or 1.59% from 2018.

### Capital Structure

The debt to equity ratio at 31 December, 2019 and 2018 were 0.79 and 1.03 respectively due to decreasing debt as described in Liabilities above.

### Commitments

The company had operating lease commitments in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 to 13 years in 2019

## 3. Factor impacts to the future operational results

### **Risk from Material Price Fluctuation and Inventory**

The Company's main raw material is hot-rolled coil, for which the price varies in relation to the world steel price. The risk from price fluctuation is significant because when the world steel price decrease dramatically, the material price increases, adversely affecting the sale price. Moreover, such a risk is an external factor which is beyond the Company's control. However, the Company has a risk reduction strategy:

- (1) Monitoring the global steel price with caution and purchasing material more carefully, and,
- (2) Maintain the quantity of material and inventory at appropriate levels