

Management Discussion and Analysis

Management Discussion and Analysis for the year 2022

1. Highlights

	Unit : million Baht	Y2022	Y2021
Performance	Total Revenues	14,941	15,814
	Total Gross Profit (Loss)	742	2,751
	Total Net Profit (Loss)	(2,003)	1,325
	Unit : million Baht	31-Dec-22	31-Dec-21
Financial Status	Total Assets	10,357	12,340
	Total Liabilities	6,918	6,561
	Equity Attributable to Owners of the Parent	3,438	5,779

2. Business Outlook

As per Iron and Steel Institute of Thailand overall HRC consumption in Thailand has dropped by 17% during the year 2022 when compared to 2021.

The high inflation seen globally especially in energy prices has also impacted Thailand with prices of electricity and natural gas increasing sharply. This coupled with overall increase in prices of all raw material and subdued HRC demand negatively impacted the results of the 2nd half of the year for the Company. To overcome these external challenges, the Company is working on several initiatives to reduce costs, enhance quality and improve production stability which will help in long term sustainability.

3. Performance of the Company

- **Impairment loss on Construction in Progress**

The Company had engaged technical experts to carry out a review of the Pickling & Oiling Line lying under construction in progress. Based on such technical review the investment required for making the Pickling & Oiling Line operational including replacement of electrical and automation parts and replacement/purchase of new items to complete the commissioning was significant. It should be further noted that in spite of this investment, it will be difficult to achieve the desired production capacities, quality parameters and subsequent guarantee figures with continuing risks of operational stability, high maintenance/operational costs and importantly quality and safety issues.

After considering various factors, the Management decided not to continue with the commissioning of the existing pickling & Oiling line as such additional investment is not feasible and to impair the balance carrying amount of Baht 1,496.40 million net of residual value in the books.

- **Revenue from sale**

The Company reported revenue from sales of Baht 14,941 million which decreased by Baht 873 million mainly due to the decrease in sales volume by 12% compared to last year.

- **Operating Results**

The gross profit of the Company reduced by Baht 2,010 million compared to 2021 mainly due to reduction in metal spread (margin between selling price and metal cost) and increase in cost of goods sold resulting from conversion cost increase mainly from the increase of sub raw materials price, electricity price as well as natural gas price.

The Company reported a net loss of Baht 2,001 million compared with net profit Baht 1,323 million last year, which decreased by Baht 3,325 million. The consolidated net loss was recorded at Baht 2,003 million compared with net profit Baht 1,325 million last year, a decrease by Baht 3,329 million mainly as explained above and Impair loss on assets, foreign exchange loss and Provision for unsettled debts under arbitral award as per explanation below.

- **Selling Expenses**

The Company recorded selling expense of Baht 149 million, which decreased by Baht 14 million compared to last year due to decrease in sales volume.

- **Administrative Expenses**

Administrative expenses decreased by Baht 163 million from Y2021 mainly due to reduction in incentives due to expiration of management incentive plan implemented in 2021.

- **Net loss on foreign exchange rate**

The Company reported a net loss on foreign exchange of Baht 220 million due to the depreciation of the Thai Baht versus the US dollar from 33.59 THB/USD on 30 Dec 2021 to 34.73 THB/USD on 30 December 2022.

- **Other expenses**

The Company recorded other expenses of Baht 379 million due to Arbitration Award against the Company in the ongoing case against one creditor of the Company. The Company has appealed against such Arbitral Award.

The Company recorded Allowance for impairment of unusable machines held for sale under Other expenses of Baht 1,496 million in Y2022 due to the Company does not continue with the commissioning of the existing Pickling & Oiling line. Please see details in the note to financial statement no.11

- **Finance cost**

The Company recorded finance cost of Baht 310 million for Y2022 compared to Baht 478 million for Y2021, a decrease of Baht 167 million mainly due to the repayment of short-term borrowings as well as long-term borrowings which helped in the reduction in interest expense.

4. Statement of financial positions

- **Total Assets**

As of 31 December 2022, the consolidated total assets amounted to Baht 10,357 million, which decreased by Baht 1,983 million or 16% from year ended 2021.

Out of the total assets, Current Assets amounted to Baht 3,034 million or 29% of total assets, which increased by Baht 367 million or 14% mainly due to increase in cash and cash equivalents by Baht 346 million. Non-current assets amounted to Baht 7,323 million or 71% of total assets, which decreased by Baht 2,349 million or 24% from year ended 2021 mainly due to the decrease in Other long-term investment resulting from the decrease of GJ Steel share price and decrease in Machinery & Equipment due to Allowance for impairment of unusable machines held for sale and depreciation.

Cash and cash equivalent

As at 31 December 2022, the Consolidated cash and cash equivalent balance was Baht 765 million, which increased by Baht 346 million from year ended 2021.

Consolidated Cash Flow

- Net cash flows provided by operating activities is Baht 616 million.
- Net cash flows used in investing activities stood at Baht 44 million.
- Net cash flows used in financing activities is Baht 226 million.

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

- **Total liabilities**

Total liabilities in the consolidated Financial Statement as at 31 December 2022 amounted to Baht 6,918 million, which increased by Baht 358 million or 5% from year ended 2021 mainly due to the increase in Short-term loans from financial institution, provision for unsettled debts under arbitral award and partly offset by the decrease in short-term borrowings from related parties, accrued interest expenses, long-term borrowings from related parties, Liabilities from terminated rehabilitation plan and compromise.

Consolidated Current liabilities increased Baht 1,385 million mainly due to:

- Short-term loans from financial institution increased by Baht 2,400 million which was mainly used to repay high cost old debt (partly lying under long term borrowings as explained below) and accrued interest.
- Short-term borrowings from related parties decreased by Baht 348 million due to repayment.
- Other payables and accrued expenses decreased by Baht 43 million mainly due to repayment.
- Income tax payable decreased by Baht 107 million due to payment of the tax dues.
- Accrued interest expenses decreased by Baht 766 million mainly due to repayment.

Consolidated Non-current liabilities decreased Baht 1,027 million mainly derived from:

- Long-term borrowings from related parties decreased by Baht 1,042 million mainly due to repayment.
- Liabilities under rehabilitation plan and compromise agreement decreased Baht 114 million mainly due to repayment.
- Provision for unsettled debts under arbitral award increased as explained above.

Shareholders' equity

As of 31 December 2022, the Consolidated Financial Statement recorded shareholders' equity of Baht 3,438 million which decreased by Baht 2,340 million from last year due to net loss Baht 2,003 million and Loss on change in fair value of equity security designated at fair value through other comprehensive income Baht 337 million on account of GJ Steel investment.