

16 May 2017

Subject: Management Discussion and Analysis for the year ended 31 March 2017

To: Managing Director  
The Stock Exchange of Thailand

For the year ended 31 March 2017, the company has reported a net profit of Baht 1,366.36 million on consolidated basis, as compared to a net loss of Baht 123.23 million in the previous financial year. The previous year included the exceptional loss of Baht 351.2 million on Impairment of assets as well as reversal of deferred tax asset of Baht 245 million at the US subsidiary. The previous year also had exchange losses amounting to Baht 313.24 million (of which Baht 368.55 million was unrealized FX loss). Barring these exceptional items, the net profit for the previous year was Baht 787.2 million, which has increased to Baht 1,366.36 million in current year. Excluding the exchange gains in current year amounting to Baht 326.01 million (of which Baht 274.63 million is unrealized FX gain), the increase is from Baht 787.2 million in previous year to Baht 1,040.35 million in current year.

On a Standalone basis, the Company has reported a net profit of Baht 498.97 million as compared to a net loss of Baht 331.95 million in the previous year. The previous year included the exceptional loss of Baht 246.28 million on the Impairment of the investment in the US subsidiary and also included exchange losses amounting to Baht 249.18 million (of which Baht 269.65 was unrealized loss). Barring these exceptional items, the net profit for the previous year was Baht 163.51 million, which has increased to Baht 498.74 million in current year. Excluding the exchange gains in current year amounting to Baht 233.16 million (of which Baht 200.81 million is unrealized FX gain), the increase is from Baht 163.51 million in previous year to Baht 265.82 million in current year.

## **ANALYSIS OF INCOME STATEMENT (FY 2016-17 Vs FY 2015-16)**

### **Total Revenues:**

#### Consolidated:

Consolidated Sales revenue of the company has decreased from Baht 12,278.32 million to 11,538.84 million, a decrease of Baht 739.48 million or 6.02% mainly due to lower net sales realization (in line with drop in key raw material prices) in most of the businesses, partly offset by higher volumes at Thailand (mainly in Silicone Coated film and Blown PP film business) and higher volumes at the US subsidiary.

There is an exchange gain in current year of Baht 326.01 million, as compared to an exchange loss of Baht 313.24 million in previous year mainly due to forex gains at Thailand on the restatement of the USD and Euro denominated loans due to THB strengthening against the USD and Euro and also due to forex gains at the subsidiary in US on the restatement of their Euro denominated inter-company loans, due to the sharp strengthening of USD against the Euro.

The other income has increased from Baht 35.86 million in the previous year to Baht 64.24 million mainly due to insurance claim income at the Turkey subsidiary (against chips plant break down in Q3) and increase in other income at Thailand, as explained below

The net impact of the above factors have contributed to an overall decrease in total consolidated revenue by Baht 385.09 million or 3.13% to Baht 11,929.09 million.

#### Standalone:

The Company recorded sales of Baht 5,270.38 million, a decrease of Baht 179.55 million or 3.29%, due to lower net sales realization (in line with drop in the key raw material prices) as well as lower

volumes in some of the businesses, partly offset by higher volumes and net sales realization in the Silicone Coated business and Blown PP business.

There is an exchange gain in current year of Baht 233.16 million, as compared to an exchange loss of Baht 249.18 million in previous year mainly due to forex gains at Thailand on the restatement of the USD and Euro denominated loans due to THB strengthening against the USD and Euro.

The other income has increased from Baht 28.95 million to Baht 32.45 million due to receipt of insurance claim and profit from sale of investment in subsidiary, partly offset by lower export incentive income.

The net impact of the above factors has contributed to an increase in total revenues by Baht 57.10 million or 1.04%.

### **Total expenses:**

#### Consolidated:

The company recorded total consolidated expenses of Baht 10,384.10 million being a decrease over previous year by Baht 1,560.69 million or 13.07%. The previous year included the exceptional losses of Baht 351.19 million on Impairment of the US subsidiary assets and exchange losses amounting to Baht 313.24 million.

The cost of sales has reduced by Baht 620.77 million or 6.24% mainly due to lower average raw material costs this year and also due to net gains on profit elimination relating to inter-company stocks, due to reduction in stocks at the US subsidiary held for trading out of inter-company purchases.

The selling expenses have decreased by Baht 180.25 million or 20.84% lower freight charges (due to lower freight rates), lower commission (due to lower sales realization) and due to lower quality claims (previous year included some major quality claim provisions for specialty film sales at the Turkey subsidiary, some of which were reversed in current year upon amicable settlement of the claims), and also due to other cost saving initiatives such as reduction in foreign travel by Sales personnel and also the in-house management of warehousing operations at Thailand, as explained below under Standalone.

The administrative expenses have decreased by Baht 95.23 million or 20.57% mainly due to savings arising out of certain cost saving initiatives undertaken by the Company last year at Thailand (explained under standalone) and also at the subsidiaries. The savings arising out of these initiatives have started reflecting fully in current year. Also, the previous year included penal interest on the corporate tax payable for FY 2011-12 (Baht 7.9 million) which was refunded by the Revenue department in current year, in line with a Notification of Ministry of Finance that no penal interest is chargeable in this case. Apart from this, there was a consequential product liability claim provision at Thailand for one of its key buyers of Silicone coated film which was finally settled at a lower amount than anticipated and excess provision reversed in this year.

As a % to total revenue, total expenses have decreased from 97% to 87% mainly due to the exceptional losses of Impairment of the US subsidiary assets and exchange losses in previous year. Apart from this, the reduction in % of expenses is also due to decrease in cost of sales, administrative and selling expenses and also due to exchange gains this year as compared to the exchange losses last year.

#### Standalone:

The total expenses for the company standalone are Baht 4,940.39 million being a decrease over previous year by Baht 768.02 million. The previous year included the exceptional loss of Baht 246.29

million, on the Impairment of the investment in US subsidiary and exchange losses of Baht 249.18 million.

The Cost of sales is Baht 4,605.65 million, which is a decrease over previous year by Baht 176.57 million or 3.69%. This is mainly due to lower input raw material prices in current year as compared to previous year, partly offset by higher volumes in some of the businesses.

The selling expenses have been lower by Baht 79.62 million or 22.96% mainly due to savings from in-house management of the warehousing operations, as against outsourced contract in the previous year, lower sea freight charges, lower commission on sales (due to lower sales realization) and lower foreign travel expenses.

Administrative expenses have been lower than previous year by Baht 16.37 million or 19.50% mainly due to lower professional fees (termination of certain technical and market consultation contracts) and some other cost reduction initiatives undertaken by the Company such as downsizing of rented office space at Bangkok by relocating most of the personnel to factory premises to optimize on cost as well as improve efficiency and team work by having all key team members at a single location. Also, as explained above, the previous year included a consequential product liability claim provision for one of its key buyers of Silicone coated film and also included the penal interest on the corporate tax due in respect of FY 2011-12, both of which have been reversed this year and have contributed to reducing the administrative expenses.

As a % to total revenue, total expenses have decreased from 104% to 89% mainly due to the exceptional loss on Impairment of the US subsidiary assets in the previous year of last year, which in turn led to an impairment loss provision at Thailand, on its investment in the US Subsidiary. Apart from this, the reduction in % of expenses is also due to decrease in cost of sales, administrative and selling expenses and also due to exchange gains this year as compared to the exchange losses last year.

#### **Net financial charges:**

The consolidated finance costs during the year were Baht 147.47 million, a decrease of Baht 78.93 million or 34.86% over previous year.

The finance costs on a standalone basis during the year were Baht 96.62 million, a decrease of Baht 32.6 million or 25.23% over previous year.

The key reason for reduction is mainly due to repayment of most of the working capital borrowings at Thailand by utilizing the funds of Baht 640 million raised from the Rights Offering shares in the month of May 2016 and also by repaying further the working capital loans at Thailand in the month of August'16, by borrowing inter-company loan from Polyplex Europa of Euro 20 million. The rationale of the working capital prepayment was to usefully deploy the surplus funds lying with Polyplex Europa and also minimize the risks arising due to the uncertain environment. The term debt interest is also lower this year due to repayment of loans at Thailand and USA over the past one year, including some prepayments of USD 14 million done at the US subsidiary in the month of Sept'16 and USD 6.4 million at Thailand in the month of Dec'16, in order to utilize and profitably deploy the surplus funds lying at the Turkey subsidiary.

#### **Corporate Income Tax:**

##### Consolidated:

The Consolidated Corporate Income tax expense in this year is Baht 23.55 million as compared to the expense of Baht 262.81 million in the previous year, which was on account of the reversal of the deferred tax asset (Baht 246 million) at the US subsidiary.

Standalone:

On a Standalone basis also, there is no corporate tax income this quarter as compared to the tax income of Baht 26.8 million in the previous year which was due to Deferred Tax creation.

**Net Profit**

The combined net result of all the above factors has resulted in a net profit on consolidated basis of THB 1,366.36 million, as against a net loss of Baht 123.23 million in the previous year.

On a standalone basis, there is a net profit of Baht 498.97 million as compared to a net loss of Baht 331.95 million in the previous year.

## **ANALYSIS OF STATEMENT OF FINANCIAL POSITION (As compared to financial year end – March 2016)**

There has been an appreciation of THB against the Euro (approx. THB 3.11/Euro) as well as USD (approx. THB 0.79/USD) in this year compared to March 2016, so the balance sheet translation of the Company's subsidiaries whose reporting currency is Euro and USD, has been at a lower exchange rate, thereby resulting in translation losses of Baht 551.89 million.

### **Key movements in Assets:**

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 March 2017

	Note	Consolidated financial statements			Separate financial statements		
		2017	2016	% Inc/(dec)	2017	2016	% Inc/(dec)
(Unit: Baht)							
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	730,693,666	1,076,440,927	-32.12%	38,581,007	25,700,174	50.12%
Current investments		6,815,941	2,214,923	207.73%	-	-	
Trade and other receivables	8	1,796,281,800	1,921,184,162	-6.50%	1,097,130,956	1,065,966,776	2.92%
Inventories	9	1,725,572,370	1,750,289,539	-1.41%	653,998,122	645,776,245	1.27%
Advance payments for purchases of goods		40,039,901	18,387,571	117.76%	17,015,070	4,968,570	242.45%
Input tax refundable		70,799,205	53,025,994	33.52%	64,185,494	38,386,296	67.21%
Other current assets		101,195,181	91,782,601	10.26%	47,141,478	42,538,686	10.82%
<b>Total current assets</b>		<b>4,471,398,064</b>	<b>4,913,325,717</b>	<b>-8.99%</b>	<b>1,918,052,127</b>	<b>1,823,336,747</b>	<b>5.19%</b>
<b>Non-current assets</b>							
Restricted bank deposits	10	13,416,680	21,085,869	-36.37%	-	-	
Investments in subsidiaries	11	-	-		1,712,615,461	1,368,597,490	25.14%
Property, plant and equipment	12	9,714,374,803	10,512,927,141	-7.60%	4,463,040,848	4,688,580,815	-4.81%
Deferred tax assets	21	147,657,449	147,657,449	0.00%	147,657,449	147,657,449	0.00%
Goodwill		3,164,328	3,164,328	0.00%	-	-	
Other intangible assets	13	3,380,161	5,435,741	-37.82%	-	-	
Advance payments for purchases of assets		34,378,825	18,455,068	86.28%	7,282,870	17,113,566	-57.44%
Other non-current assets		11,245,544	9,067,627	24.02%	10,719,319	8,733,119	22.74%
<b>Total non-current assets</b>		<b>9,927,617,790</b>	<b>10,717,793,223</b>	<b>-7.37%</b>	<b>6,341,315,947</b>	<b>6,230,682,439</b>	<b>1.78%</b>
<b>Total assets</b>		<b>14,399,015,854</b>	<b>15,631,118,940</b>	<b>-7.88%</b>	<b>8,259,368,074</b>	<b>8,054,019,186</b>	<b>2.55%</b>

### **Current assets**

- Trade and other receivables on a consolidated basis have decreased, due to lower sales realization and also lower volumes. The reduction is also partly due to the exchange rate factor for Euro/THB and USD/THB as explained above.

- Inventories on a consolidated basis have decreased mainly due to lower exchange rate. There is an increase in raw materials and finished goods inventory at the Turkey subsidiary, partly offset by lower inventory levels at the US subsidiary and the lower exchange rate.
- There is a decrease in reported consolidated cash and cash equivalents by approximately Baht 346 million, due to deployment of cash surplus at the subsidiary in Turkey - Polyplex Europa to repay most of the working capital loans and also to prepay some of the term loans at Thailand and USA, by borrowing inter-company loan.
- Increase in current investments is due to additional investments made by Ecoblue Limited out of operational profits generated during the year.
- There is an increase in Input tax refundable at Thailand, but a reduction in input tax refundable at the subsidiaries.
- Other current assets – There is an increase in other current assets, mainly at Thailand due to higher MTM gain on forward contracts as at March' 2017 end as against the MTM gain as at the end of March' 2016. There is also an increase in other current assets, mainly in prepaid expenses, at the Turkey subsidiary, which is partly offset by lower exchange rate.

***Non-current assets:***

- The restricted bank deposit represents bank deposits pledged with the bank, as per terms of the term loan facility of the US subsidiary. The decrease is due to prepayment in September 2016, of all instalments falling due for repayment in FY 2017-18.
- There is a net Increase in investment in subsidiaries by Baht 344 million due to investment of USD 10 million by Polyplex (Thailand) Plc in Equity of Polyplex USA LLC in September'16, to support the term loan prepayments.
- Property Plant & Equipment (net block) have decreased by Baht 798.55 million on consolidated basis and Baht 225.54 million on standalone basis, mainly due to depreciation charged during the year and the lower exchange rate, partly offset by the increase on account of normal capex at Thailand and the subsidiaries.
- There is an increase in Advances for purchase of fixed assets on consolidated basis due to advances given by the US subsidiary for the metallizer project. This is partly offset by a reduction in advances at Thailand due to asset delivery against advances given to vendor.

## Key movements in Liabilities:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2017

					(Unit: Baht)		
		Consolidated financial statements			Separate financial statements		
	Note	2017	2016		2017	2016	
<b>Liabilities and shareholders' equity</b>				% Inc/(dec)			% Inc/(dec)
<b>Current liabilities</b>							
Short-term loans from banks	14	714,048,428	2,462,120,025	-71.00%	75,000,000	1,634,000,000	-95.41%
Trade and other payables	15	1,165,324,983	1,024,875,022	13.70%	634,816,685	580,908,094	9.28%
Short-term loans from related parties	6	-	-		2,381,614,289	1,338,664,733	77.91%
Current portion of long-term loans from banks	16	500,410,756	162,709,224		495,910,884	154,106,262	221.80%
Current portion of liabilities under							
finance lease agreements	17	1,567,755	1,540,890	1.74%	-	-	
Income tax payable		5,233,170	16,335,452	-67.96%	-	11,696,580	-100.00%
Other current liabilities		313,788,559	420,191,428	-25.32%	90,482,428	123,296,039	-26.61%
<b>Total current liabilities</b>		<b>2,700,373,651</b>	<b>4,087,772,041</b>	<b>-33.94%</b>	<b>3,677,824,286</b>	<b>3,842,671,708</b>	<b>-4.29%</b>
<b>Non-current liabilities</b>							
Long-term loans from banks, net							
of current portion	16	2,002,230,800	3,311,130,205	-39.53%	671,233,314	1,440,872,530	-53.41%
Liabilities under finance lease agreements, net							
of current portion	17	1,629,877	3,270,911	-50.17%	-	-	
Provision for long-term employee benefits	18	28,381,593	25,808,305	9.97%	10,583,685	7,712,502	37.23%
<b>Total non-current liabilities</b>		<b>2,032,242,270</b>	<b>3,340,209,421</b>	<b>-39.16%</b>	<b>681,816,999</b>	<b>1,448,585,032</b>	<b>-52.93%</b>
<b>Total liabilities</b>		<b>4,732,615,921</b>	<b>7,427,981,462</b>	<b>-36.29%</b>	<b>4,359,641,285</b>	<b>5,291,256,740</b>	<b>-17.61%</b>

### Current Liabilities:

- Decrease in short term borrowings by Baht 1,748.07 million on consolidated basis is mainly on account of reduced working capital borrowing at Thailand due to repayment of loans with funds of Baht 640 million raised from Rights Offering shares in May'16 and funds from inter-company borrowings of Euro 20 million made in the month of August'16, from Polyplex Europa to profitably deploy the surplus funds lying with Polyplex Europa.
- The decrease in Long term loans (including current portion), on a Consolidated basis, is due to repayment of loans at Thailand and prepayment by Polyplex USA LLC in September 2016, of term loan instalments falling due for repayment in FY 2017-18 (USD 14 million). This prepayment was financed partly by the Equity investment made from Thailand and balance out of cash generated from operations and borrowings from working capital line in USA. In December 2016, term loans of USD 6.4 million at Thailand were prepaid by partly borrowing inter-company loan from the Turkey subsidiary and balance out of internal cash accruals.
- Increase in trade and other payables is mainly due to higher raw material payables at Thailand and the subsidiaries, due to increase in the key input raw material prices in Feb'17/ March'17. This is partly offset by the lower exchange rate.
- Decrease in Income tax payable is mainly at Thailand due to payment of the tax relating to FY 2011-12, which was provided in the books in March 2016.
- Decrease in other current liabilities is mainly due to reduction in expenses payable and also due to reversal of some earlier excess provisions at Thailand and the subsidiaries and also due to the lower exchange rate.

## Major changes in Shareholder Equity:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2017

					(Unit: Baht)		
		Consolidated financial statements			Separate financial statements		
		Note	2017	2016		2017	2016
					% Inc/(dec)		% Inc/(dec)
<b>Shareholders' equity</b>							
Share capital							
Registered							
900,000,000 ordinary shares of Baht 1 each							
(2016: 960,000,000 ordinary shares of Baht 1 each)			900,000,000	960,000,000		900,000,000	960,000,000
Issued and fully paid							
900,000,000 ordinary shares of Baht 1 each							
(2016: 800,000,000 ordinary shares of Baht 1 each)		23	900,000,000	800,000,000	12.50%	900,000,000	800,000,000
Share premium			1,908,449,678	1,370,460,000	39.26%	1,908,449,678	1,370,460,000
Retained earnings							
Appropriated - statutory reserve		19	96,000,000	96,000,000		96,000,000	96,000,000
Unappropriated			7,622,057,882	6,255,504,462	21.85%	995,277,111	496,302,446
Other components of shareholders' equity			(884,353,703)	(331,357,743)	166.89%	-	-
Equity attributable to owners of the Company			9,642,153,857	8,190,606,719	17.72%	3,899,726,789	2,762,762,446
Non-controlling interests of the subsidiaries			24,246,076	12,530,759	93.49%	-	-
<b>Total shareholders' equity</b>			<b>9,666,399,933</b>	<b>8,203,137,478</b>	<b>17.84%</b>	<b>3,899,726,789</b>	<b>2,762,762,446</b>
<b>Total liabilities and shareholders' equity</b>			<b>14,399,015,854</b>	<b>15,631,118,940</b>	<b>-7.88%</b>	<b>8,259,368,074</b>	<b>8,054,019,186</b>

- The retained earnings on consolidated basis have increased by Baht 1,366.55 million and on Standalone basis have increased by Baht 498.97 million due to the net profits generated during the current year.
- The decrease of Baht 553 million in other components of equity is mainly due to exchange translation losses arising on account of translation of the balance sheet of the subsidiaries due to the appreciation of Baht against Euro and USD as explained above.
- The increase in Non-controlling interests of subsidiaries is due to minority's share of profits generated during the year and also due to increase in minority stake in Ecoblue Limited from 26% to 33.5%, owing to sale of 7.5% stake by the Company to the minority shareholder in the month of July 2016.

Please be informed accordingly.

Yours sincerely,

Mr. Amit Prakash  
Managing Director