

10 November 2017

Subject: Management Discussion and Analysis for the quarter ended 30 September 2017

To: Managing Director
The Stock Exchange of Thailand

Snapshot of the Profit / (Loss) for the quarter ended 30, September, 2017:

CONSOLIDATED BASIS:

	Amount in million THB	
	Consolidated financial statements	
	2017	2016
Reported Profit (Loss) - (after Minority interest)	282.11	428.02
Add/(Less): Forex Loss/ (Gain) #	62.30	(9.11)
Normalized Profit (Loss)	344.41	418.91
% increase (decrease) over corresponding quarter	-17.79%	
# including unrealized forex loss/ (gain)	62.00	3.21

For the quarter ended 30 September 2017, the company has reported a net profit (after minority interest) of Bt 282.11 million on consolidated basis, as compared to a net profit of Bt 428.02 million in the corresponding quarter. The corresponding quarter included forex gains of Bt 9.11 million as against which there is a forex loss of Bt 62.30 million in the current quarter. Keeping aside the forex fluctuations, the net profit for the corresponding quarter was Bt 418.91 million, which has decreased by 17.79% to Bt 344.41 million in current quarter as shown above.

STANDALONE BASIS:

	Amount in million THB	
	Separate financial statements	
	2017	2016
Reported Profit (Loss)	32.08	125.64
Add/(Less): Forex Loss/ (Gain) #	22.00	(23.53)
Normalized Profit (Loss)	54.09	102.11
% increase (decrease) over corresponding quarter	-47.03%	
# including unrealized forex loss/ (gain)	13.79	(14.91)

For the quarter ended 30 September 2017, the company has reported a net profit of Bt 32.08 million on Standalone basis, as compared to a net profit of Bt 125.64 million in the corresponding quarter. The corresponding quarter included forex gains of Bt 23.53 million as against which there is a forex loss of Bt 22.00 million in the current quarter. Keeping aside the forex fluctuations, the net profit for the corresponding quarter was Bt 102.11 million, which has decreased by 47.03% to Bt 54.09 million in current quarter as shown above.

One of the keys reason for the lower profitability at Thailand as well as subsidiaries is the higher raw material cost in current quarter (sharp increase in MEG) as compared to corresponding quarter, which resulted in lower gross margins, as the selling prices could not be increased to pass on the entire cost increase to customers. Apart from this, the profitability at Thailand was also impacted by line stabilization issues faced in the process of technology up gradation in the Resin film line.

ANALYSIS OF INCOME STATEMENT (Q2 2017-18 Vs Q2 2016-17)

CONSOLIDATED BASIS

Polyplex (Thailand) Public Company Limited and its subsidiaries

Income statement

For the three-month period ended 30 September 2017

(Unit: Thousand Baht)

	Consolidated financial statements		
	2017	2016	% Inc/(dec)
Revenues			
Sales	3,168,276	2,968,699	6.72%
Dividend income	-	-	
Exchange gains	-	9,110	
Other income	12,023	10,245	17.35%
Total revenues	3,180,299	2,988,054	6.43%
Expenses			
Cost of sales	2,500,232	2,291,353	9.12%
Selling expenses	205,106	141,702	44.74%
Administrative expenses	92,281	74,120	24.50%
Exchange losses	62,295	-	
Total expenses	2,859,914	2,507,175	14.07%
Profit before finance cost and income tax expense	320,385	480,879	-33.38%
Finance cost	(29,900)	(44,089)	-32.18%
Profit before income tax expense	290,485	436,790	-33.50%
Tax expense	(6,594)	(7,163)	-7.94%
Profit for the period	283,891	429,627	-33.92%
Profit attributable to:			
Equity holders of the Company	282,112	428,021	-34.09%
Non-controlling interests of the subsidiaries	1,779	1,606	10.77%
Reported Profit (loss)	283,891	429,627	-33.92%
Add/(Less): Forex Loss/ (Gain)	62,295	(9,110)	-783.81%
Normalized Profit (Loss)	344,407	418,911	-17.79%
(Unit: Baht)			
Basic earnings per share - Reported Profit (loss)			
Profit attributable to equity holders of the Company	0.313	0.476	-34.09%
Weighted average number of ordinary shares ('000 shares)	900,000	900,000	
Basic earnings per share - Normalized Profit (loss)			
Profit (loss) attributable to equity holders of the Company	0.383	0.465	-17.79%
Weighted average number of ordinary shares ('000 shares)	900,000	900,000	

On a consolidated basis, due to a sharp appreciation of THB against the Euro and USD currencies, the exchange rate used for conversion of subsidiary income statement into Thai Baht has been significantly lower in current quarter as compared to the corresponding quarter [USD/THB (decrease by THB 1.22/USD) and Euro/THB (decrease by THB 0.89/Euro)], resulting in lower reported net profits in terms of Thai Baht.

Total Revenues:

Consolidated Sales revenue of the company has increased from Baht 2,968.70 million to Baht 3,168.28 million, an increase of Baht 199.58 million or 6.72% mainly due to overall higher volumes at Thailand, Turkey and USA, and also better average sales realization at Turkey and Thailand, partly offset by lower average sales realization at USA.

There was an exchange gain of Baht 9.11 million in corresponding quarter as against which there is an exchange loss of Baht 62.29 million in current quarter primarily due to unrealized losses on the Euro Loan restatement partly offset by unrealized gains on the USD loan restatement.

The other income has increased from Baht 10.24 million in the corresponding quarter to Baht 12.02 million due to higher other income at Thailand mainly from insurance claim, partly offset by lower other income at Turkey subsidiary.

The combined net impact of the above factors has contributed to an overall increase in the total consolidated revenue by Baht 192.24 million or 6.43% to Baht 3,180.30 million.

Total expenses:

The company recorded total consolidated expenses of Baht 2,859.91 million being an increase over corresponding quarter by Baht 352.74 million or 14.07%.

The cost of sales has increased by Baht 208.88 million or 9.12% mainly due to higher volumes at Thailand as well as subsidiaries. The per unit raw material cost has also increased as compared to the corresponding quarter of last year.

The selling expenses have increased by Baht 63.40 million or 44.74% due to increase in overall sales volumes at Thailand as well as subsidiaries, resulting in increase in freight, commission, warehousing expenses etc. At Turkey subsidiary, corresponding quarter was lower due to reversal of some quality claim provisions.

The administrative expenses have increased by Baht 18.16 million or 24.50%. There is an increase in Thailand as the corresponding quarter was low due to refund of Baht 7.8 million paid to the Revenue Department as penal interest for corporate tax due for FY 2011-12. The administrative expenses at the US subsidiary have increased due to higher professional consultancy and increase in bad debt provisions, partly offset by reduction in other expenses. The increase at Thailand and USA is partly offset by reduction of administrative expenses at the Turkey subsidiary

There is an exchange loss of Baht 62.30 million in the current quarter as against an exchange gain of Baht 9.11 million mainly due to losses on the restatement of the Euro denominated loans at Thailand and USA due to the sharp strengthening of Euro against USD as well as THB. This is partly offset by gains at Thailand on the USD loan restatement due to USD depreciation against THB.

As a % to total revenue, total expenses have increased from 83.91% to 89.93% mainly due higher cost of sales, selling and administrative expenses. Apart from this, forex losses in current quarter as against exchange gains in the corresponding quarter has also contributed to the increase in % of total expenses to total revenue.

Net financial charges:

The consolidated finance costs during the quarter were Baht 29.90 million, a decrease of Baht 14.19 million or 32.18% over corresponding quarter.

The key reason for reduction is mainly lower working capital debt levels and also lower term debt interest due to repayment of loans made over the past year including prepayments of loans at USA in September 2016 and at Thailand in December 2016, in order to utilize and profitably deploy the surplus funds lying at the Turkey subsidiary. The interest on inter-company loans is eliminated in the consolidated income statement.

Corporate Income Tax:

The Consolidated Corporate Income tax expense in this quarter is Baht 6.59 million as compared to the expense of Baht 7.16 million in the corresponding quarter.

Net Profit

The combined net result of all the above factors has resulted in a net profit on consolidated basis of THB 282.11 million, as against a net profit of Baht 428.02 million in the corresponding quarter.

ANALYSIS OF INCOME STATEMENT (Q2 2017-18 Vs Q2 2016-17)

STANDALONE BASIS:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Income statement

For the three-month period ended 30 September 2017

(Unit: Thousand Baht)

	Separate financial statements		
	2017	2016	% Inc/(dec)
Revenues			
Sales	1,405,485	1,288,242	9.10%
Dividend income	13,279	-	
Exchange gains	-	23,528	
Other income	10,675	7,590	40.65%
Total revenues	1,429,439	1,319,360	8.34%
Expenses			
Cost of sales	1,255,932	1,094,770	14.72%
Selling expenses	78,551	66,165	18.72%
Administrative expenses	20,074	9,314	115.53%
Exchange losses	22,004	-	
Total expenses	1,376,561	1,170,249	17.63%
Profit before finance cost and income tax expense	52,878	149,111	-64.54%
Finance cost	(20,794)	(23,476)	-11.42%
Profit before income tax expense	32,084	125,635	-74.46%
Tax expense	-	-	
Profit for the period	32,084	125,635	-74.46%
Profit attributable to:			
Equity holders of the Company	32,084	125,635	-74.46%
Reported Profit (loss)			
Add/(Less): Forex Loss/ (Gain)	22,004	(23,528)	-193.52%
Normalized Profit (Loss)	54,088	102,107	-47.03%
(Unit: Baht)			
Basic earnings per share - Reported Profit (loss)	0.036	0.140	
Weighted average number of ordinary shares ('000 share	900,000	900,000	
Basic earnings per share - Normalized Profit (loss)	0.060	0.113	
Weighted average number of ordinary shares ('000 share	900,000	900,000	

Total Revenues:

The Company recorded sales of Baht 1,405.48 million, an increase of Baht 117.24 million or 9.10%, due to overall higher volumes as well as better sales realization in some of the businesses.

There was an exchange gain of Baht 23.53 million in corresponding quarter as against which there is an exchange loss in current quarter of Baht 22 million, due to unrealized losses on the Euro Loan restatement, partly offset by gains on the USD loan restatement.

The dividend income of Baht 13.28 million in current quarter represents dividend from the Company's subsidiary Ecoblue Limited.

The other income has increased from Baht 7.59 million to Baht 10.67 million due to insurance claims, partly offset by lower export incentive income and profit of sale of assets.

The net impact of the above factors has contributed to increase in total revenues by Baht 110.08 million or 8.34%.

Total expenses:

The total expenses for the company standalone are Baht 1,376.56 million being an increase over corresponding quarter by Baht 206.31 million or 17.63%.

The Cost of sales is Baht 1,255.93 million, which is an increase over corresponding quarter by Baht 161.16 million or 14.72%. This is mainly due to overall higher sales volumes and also higher raw material prices as compared to corresponding quarter.

The selling expenses have been higher by Baht 12.39 million or 18.72% mainly due to higher sales volumes and increase in sea freight, brokerage & commission etc.

Administrative expenses have been higher than corresponding quarter by Baht 10.76 million or 115.53%. The corresponding quarter was lower as it included a refund of Baht 7.8 million paid to the Revenue Department as penal interest for corporate tax due for FY 2011-12. Apart from this, the current quarter has higher bad debt expense and shareholder meeting and dividend related expenses which is partly offset by savings in certain other administrative expenses.

There is an exchange loss of Baht 22 million in the current quarter as against an exchange gain of Baht 23.53 million mainly due to losses on the restatement of the Euro denominated loans due to the sharp strengthening of Euro against THB. This is partly offset by gains on the USD loan restatement due to USD depreciation against THB.

As a % to total revenue, total expenses have increased from 88.70% to 96.30% mainly due higher cost of sales, selling and administrative expenses. Apart from this, forex losses in current quarter as against exchange gains in the corresponding quarter has also contributed to the increase in % of total expenses to total revenue.

Net financial charges:

The finance costs on a standalone basis during the quarter were Baht 20.79 million, a decrease of Baht 2.68 million or 11.42% over corresponding quarter.

The key reason for reduction is mainly due to lower average working capital borrowings at Thailand (by borrowing inter-company loan from Turkey subsidiary in August 2016) and also lower term debt interest, due to repayment of loans made this quarter, and also due to overall lower term loan balances (prepayments of loans

Thailand in December 2016, in order to utilize and profitably deploy the surplus funds lying at the Turkey subsidiary). This reduction is partly offset by increase in interest on related party loans due to higher level of borrowings.

Net Profit

The combined net result of all the above factors has resulted in a net profit on Standalone basis of THB 32.08 million, as against a net profit of Baht 125.64 million in the corresponding quarter.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION (As compared to financial year end – March 2017)

As at 30th September, 2017, there has been a sharp depreciation of THB against the Euro (approx. THB 2.52/Euro) as compared to the exchange rate on 31st, March 2017, so the translation of the Company's subsidiaries whose reporting currency is Euro, has been at a higher exchange rate, thereby resulting in translation gains. This is partly offset by translation losses on subsidiaries with reporting currency in USD, due to THB appreciation against the USD (approx. THB 1.08/USD). On an overall basis, there is a Net translation gain of Baht 452.25 million.

Key movements in Assets:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 30 September 2017

(Unit: Thousand Baht)

	Consolidated financial statements		% Inc/(dec)	Separate financial statements		% Inc/(dec)
	30 September 2017	31 March 2017		30 September 2017	31 March 2017	
	(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Assets						
Current assets						
Cash and cash equivalents	1,129,860	730,694	54.63%	38,263	38,581	-0.82%
Current investments	5,000	6,816	-26.64%	-	-	
Trade and other receivables	1,906,769	1,796,282	6.15%	1,092,017	1,097,131	-0.47%
Inventories	1,972,908	1,725,572	14.33%	782,384	653,998	19.63%
Advance payments for purchases of goods	90,078	40,040	124.97%	11,950	17,015	-29.77%
Input tax refundable	45,894	70,799	-35.18%	38,241	64,186	-40.42%
Other current assets	91,994	101,195	-9.09%	41,001	47,141	-13.02%
Total current assets	5,242,503	4,471,398	17.25%	2,003,856	1,918,052	4.47%
Non-current assets						
Restricted bank deposits	13,978	13,417	4.18%	-	-	
Investments in subsidiaries	-	-		1,712,615	1,712,615	
Property, plant and equipment	9,443,820	9,714,375	-2.79%	4,310,516	4,463,041	-3.42%
Deferred tax assets	147,657	147,657	0.00%	147,657	147,657	0.00%
Goodwill	3,164	3,164	0.00%	-	-	
Other intangible assets	3,875	3,380	14.64%	-	-	
Advance payments for purchases of assets	78,042	34,379	127.00%	30,613	7,283	320.34%
Other non-current assets	12,634	11,246	12.34%	12,383	10,720	15.51%
Total non-current assets	9,703,170	9,927,618	-2.26%	6,213,784	6,341,316	-2.01%
Total assets	14,945,673	14,399,016	3.80%	8,217,640	8,259,368	-0.51%

Current assets

- The increase in consolidated cash and cash equivalents is mainly due to cash generated from operations, partly offset by term loan repayments at Thailand and other cash outflows for operational purposes.
- Decrease in current investments is due to redemption of investments by Ecoblue to support its dividend payout.
- Trade and other receivables on a consolidated basis have increased, due to higher trade receivables at the subsidiaries, on account of higher volumes. This is partly offset by lower trade receivables on Standalone basis, due to change in sales/customer mix. The decrease in Trade receivables at Thailand is partly offset by increase in other receivables, due to the down payment of Baht 120 million paid to machinery suppliers, in relation to the Indonesia project. These advances will be refunded to the Company once the new subsidiary– PT Polyplex Films Indonesia will arrange payment to the suppliers.
- Inventories on a consolidated basis have increased mainly due to higher raw material (including material-in-transit inventory), process inventory and finished goods inventory at Thailand and subsidiaries.
- There is an increase in advance payment for purchase of goods, mainly at Turkey, due to advance payment for purchase of raw material. This is partly offset by reduction in advances for purchase of goods at Thailand.
- There is a decrease in Input tax refundable mainly due to VAT refund received at Thailand.
- Other current assets – There is an increase in other current assets at Thailand and USA due to higher prepaid expenses (due to premium paid on annual renewal of various policies). This is partly offset by lower current assets at Turkey and also due to lower MTM gain at Thailand on outstanding forward contracts at September 2017 end, as against MTM gain on outstanding forwards as at the end of March' 2017.

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.
- Decrease in Property Plant & Equipment (net block) is mainly due to depreciation charged during the YTD period, partly offset by normal capex additions at Thailand and the subsidiaries.
- There is an increase in Advances for purchase of fixed assets due to advances against the Blown Film line project, Metallizer project and also against normal CAPEX.
- Increase in other non-current assets is mainly at Thailand due to higher inventory of Tax cards received for export incentive.

Key movements in Liabilities:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2017

(Unit: Thousand Baht)

	Consolidated financial statements		% Inc/(dec)	Separate financial statements		% Inc/(dec)
	30 September 2017	31 March 2017		30 September 2017	31 March 2017	
	(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from banks	1,145,416	714,048	60.41%	518,697	75,000	591.60%
Trade and other payables	1,058,345	1,165,325	-9.18%	577,132	634,817	-9.09%
Short-term loans from related parties	-	-		2,527,196	2,381,614	
Current portion of long-term loans from banks	706,695	500,411	41.22%	469,727	495,911	-5.28%
Current portion of liabilities under						
finance lease agreements	1,549	1,568	-1.21%	-	-	
Income tax payable	7,000	5,233	33.77%	-	-	
Other current liabilities	279,102	313,789	-11.05%	83,814	90,482	-7.37%
Total current liabilities	3,198,107	2,700,374	18.43%	4,176,566	3,677,824	13.56%
Non-current liabilities						
Long-term loans from banks, net						
of current portion	1,509,483	2,002,231	-24.61%	453,503	671,233	-32.44%
Liabilities under finance lease agreements, net						
of current portion	796	1,630	-51.17%	-	-	
Provision for long-term employee benefits	37,946	28,381	33.70%	16,624	10,584	57.07%
Total non-current liabilities	1,548,225	2,032,242	-23.82%	470,127	681,817	-31.05%
Total liabilities	4,746,332	4,732,616	0.29%	4,646,693	4,359,641	6.58%

Current Liabilities:

- Increase in short term borrowings is due to additional borrowings at Thailand for supporting the dividend payout and the advances given to machinery vendors for the Indonesia project and also due to slightly higher level of borrowings at the US subsidiary.
- Decrease in trade and other payables is due to lower unrelated trade payables at Thailand and subsidiaries and lower related party trade payable at US subsidiary due to lower volumes purchased from parent company for trading.
- The decrease in Long term loans (including current portion) is due to repayment of loans at Thailand. The reduction at Thailand is also due to the unrealized gains on the USD loan restatement, partly offset by unrealized losses on the Euro loan restatement.
- The increase in related party loan in Standalone, is from the unrealized losses due to the sharp depreciation of THB against the Euro. There is no change in the Forex Loan balance as compared to March'17.
- Decrease in other current liabilities is mainly due to reduction in expenses payable on account of payment of annual bonus during the current period and reduction in other accrued expenses.

Major changes in Shareholder Equity:

Polyplex (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2017

(Unit: Thousand Baht)

	Consolidated financial statements		% Inc/(dec)	Separate financial statements		% Inc/(dec)
	30 September 2017	31 March 2017		30 September 2017	31 March 2017	
	(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Shareholders' equity						
Share capital						
Registered						
900,000,000 ordinary shares of Baht 1 each	900,000	900,000		900,000	900,000	
Issued and fully paid						
900,000,000 ordinary shares of Baht 1 each	900,000	900,000		900,000	900,000	
Share premium	1,908,450	1,908,450		1,908,450	1,908,450	
Retained earnings						
Appropriated - statutory reserve	96,000	96,000		96,000	96,000	
Unappropriated	7,705,701	7,622,058	1.10%	666,497	995,277	-33.03%
Other components of shareholders' equity	(432,102)	(884,354)	-51.14%	-	-	
Equity attributable to owners of the Company	10,178,049	9,642,154	5.56%	3,570,947	3,899,727	-8.43%
Non-controlling interests of the subsidiaries	21,292	24,246	-12.18%	-	-	
Total shareholders' equity	10,199,341	9,666,400	5.51%	3,570,947	3,899,727	-8.43%
Total liabilities and shareholders' equity	14,945,673	14,399,016	3.80%	8,217,640	8,259,368	-0.51%

- The retained earnings on standalone basis has decreased due to the dividend appropriation of Baht 324 million, partly offset by the net profits generated during the current YTD period . On a consolidated basis, retained earnings has increased due to the net profits generated during the current YTD period, partly offset by the dividend appropriation.
- The increase in other components of equity is mainly due to exchange translation net gains arising on account of translation of the Euro denominated balance sheet of the subsidiaries due to the depreciation of Baht against Euro, partly offset by losses on USD denominated balance sheet of subsidiaries due to appreciation of THB against USD, as explained above.
- The decrease in Non-controlling interests of subsidiaries is due to minority's share of dividend appropriation, partly offset by minority share of profits generated during the current YTD period.

Please be informed accordingly.

Yours sincerely,

Mr. Amit Prakash
Managing Director