



**บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)**  
**THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED**

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ทะเบียนเลขที่ บมจ. 0107536000277 REG. No. 0107536000277

(Translation)

No. 027/2563

15 May 2020

Subject Clarification of the 1<sup>st</sup> quarter performance of the year 2020

To President  
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Referred to rules and regulations of the SEC which provides that a listed company shall clarify reason in case of difference between company including its subsidiaries' performance of the current year and that of the corresponding period of the previous year exceeding 20%, the Company would like to clarify as follows.

Performance of the Company including its subsidiaries of the 1<sup>st</sup> quarter of 2020 shows Profit Attributable to Owners of the parent at the amount of THB 87 million, increasing by THB 22 million or 33% when compared with Profit Attributable to Owners of the parent of the corresponding period of last year which showed THB 65 Million.

The reason of such result is shown in the Management Analysis and Discussion as in the attachment.

Please be informed accordingly.

Sincerely yours,

(Mr. Yoshihiro Tamura)

President & CEO

## Management Discussion and Analysis (MD&A)

### Key Summary

- Even though the Company's revenue decreased YOY by 8% from THB 1,267 Million in 2019 to THB 1,165 Million in 2020 due to a decrease in fertilizer demand, the Management's strict operational control led the Company to earn an increase in Profit Attributable to Owner of the parent YOY by 33% from THB 65 Million in 2019 to THB 87 Million in 2020.
- Drought was the main factor causing the demand for fertilizer to decline as it reduced agricultural cultivated area and purchasing power of farmers. Furthermore, government's restriction on water usage from dams also discourage farmers to cultivate.
- However, various operational management such as production monitoring and raw material control helped increasing the Company's Profit Attributable to Owner of the parent.
- Fertilizer usage in the 2<sup>nd</sup> quarter will be depended on farmers' willingness to cultivate, which will relies on the situation of rainfalls in rainy season, the price of agricultural products and government supporting schemes.

### Business Overview

The Company would like to report the operational result of the Consolidated Financial Statement for the 1<sup>st</sup> quarter of the year 2020 during January 1, 2020 to March 31, 2020. The 1<sup>st</sup> quarter of 2020 showed Profit Attributable to Owner of the parent at THB 87 Million, and Earnings per Share at 0.15 THB. It increased by THB 22 Million or 33% compared with the 1<sup>st</sup> quarter of the year 2019, which showed Profit Attributable to Owner of the parent at THB 65 Million and Earnings per Share at 0.11 THB. The increase was mainly resulted from the Management's strict control on operational activities in response to the bad period of economic and market environment.

Thailand's economy was severely affected by the worldwide spread of COVID-19 during the 1<sup>st</sup> quarter of 2020 because the pandemic had brought economic activities of various

countries to a sudden standstill, which inevitably culminated in a slump of Thailand's major economic drivers including export and tourism sectors. Moreover, domestic consumption was also limited by the governmental lockdown policy. Given these negative factors, many institutions predicted that GDP growth in the year 2020 would be in a negative figure.

Regarding agricultural sector in the 1<sup>st</sup> quarter of 2020, drought was a major factor worsening the cultivating situation during an off-season period as it had reduced cultivated areas and the quality of crops' yield. Moreover, drought triggered the government's decision to restrict the water usage from dams, which put another pressure on farmers to limit their cultivated area or not to start the cultivation. In other words, growers were unable to produce sufficient quantity and quality of agricultural outputs even though the price of some major crops such as paddy and oil palm were more attractive than those in the 1<sup>st</sup> quarter of 2019. In summary, farmers' demand of chemical fertilizer was declined due to less cultivated area from a drought and government's restriction on the use of water as well as lower purchasing power from low agricultural outputs produced.

Under the aforementioned circumstances, the management primarily focused on operating at the lowest cost by managing raw material costs, production process, exchange rate risks and expenditures. Weather conditions and customers' inventory were also closely monitored to enable the Company to supply fertilizer in accordance with an actual demand and create promotional activities in an appropriate and timely manner. With the management's operational control, the Company was able to earn an increase in the Profit Attributable to Owner of the parent comparing with the same quarter of 2019 despite unfavorable economic and market conditions.

Although the outbreak of COVID-19 did not create a serious harm to the Company's sales and production, the Company was committed to abiding by the government's guidance to protect the safety of all employees and the society from the virus infection by implementing the rotation of employees to work from home, promoting social distancing among employees and checking employees' temperature before entering the workplace.

## Results of Operations and Profits

| Unit : Thousand Baht   | 1st Quarter          |                | Change    |
|--|----------------------|----------------|-----------|
|  | Jan - Mar (3 months) |                |           |
|  | 2019                 | 2020           | %         |
| <b>Revenues from Sales and Services</b>                                | 1,267,384            | 1,164,746      | (8)       |
| <b>Cost of Goods Sold and Rendering of Services</b>                    | (1,060,958)          | (945,651)      | (11)      |
| <b>Gross Profit</b>  | <b>206,426</b>       | <b>219,095</b> | <b>6</b>  |
| <b>Other Income</b>  | 29,277               | 45,242         | 55        |
| <b>Profit Before Expenses</b>  | <b>235,703</b>       | <b>264,337</b> | <b>12</b> |
| <b>Distribution and Administration Expenses</b>                        | (145,475)            | (147,676)      | 2         |
| <b>Profit From Operating Activities</b>                                | <b>90,228</b>        | <b>116,661</b> | <b>29</b> |
| <b>Finance Costs</b>   | (1,024)              | (1,066)        | 4         |
| <b>Share of Profit from Investment in an Associate</b>                 | 77                   | 78             | 1         |
| <b>Profit Before Income Tax Expense</b>                                | <b>89,281</b>        | <b>115,673</b> | <b>30</b> |
| <b>Income Tax Expense</b>  | (19,984)             | (24,529)       | 23        |
| <b>Profit for the Period</b>   | <b>69,297</b>        | <b>91,144</b>  | <b>32</b> |
| <b>Profit Attributable to Owners of the Parent</b>                     | <b>64,987</b>        | <b>86,503</b>  | <b>33</b> |
| <b>Total Comprehensive Income Attributable to Owners of the Parent</b> | <b>57,953</b>        | <b>102,296</b> | <b>77</b> |

Revenue from Sales and Services of the Company in the 1<sup>st</sup> quarter showed an 8 % decrease from THB 1,267 Million in 2019 to THB 1,165 Million in 2020 due to the negative impact of drought on fertilizer demand. However, the Company's strict management of fixed cost allocation during an off-season period and the Company's raw material control had contributed to an 11 % decline in the Cost of Goods Sold and Rendering of Services, which in turn led to an increase in Gross Profit by THB 13 Million or 6% compared with the 1<sup>st</sup> quarter in 2019. Besides, although there was a slightly more spending on marketing and promotion activities shown by a THB 2 Million or 2% surge in Distribution and Administration Expenses, such spending was offset by a 55 % rise in other income received from the gain on foreign exchange rate that helped boosting Total Comprehensive Income Attributable to Owners of the parent.

From all reasons mentioned above, Total Comprehensive Income Attributable to Owners of the parent in the 1<sup>st</sup> quarter of 2020 was THB 102 Million, increasing by THB 44 Million or 77% when compared with THB 58 Million in the same quarter of 2019.

## Analysis of Liquidity and Capital Resources

### Main Components of Statement of Financial Position (Consolidated)

| Description                                       | March 31, 2019    |                           | March 31, 2020    |                           |
|---|-------------------|---------------------------|-------------------|---------------------------|
|   | Thousand Baht     | Percentage to Total Asset | Thousand Baht     | Percentage to Total Asset |
| Current Assets                                    | 8,600,682         | 77                        | 9,447,251         | 78                        |
| Non-current Assets                                | 2,638,997         | 23                        | 2,597,486         | 22                        |
| <b>Total Assets</b>                               | <b>11,239,679</b> | <b>100</b>                | <b>12,044,737</b> | <b>100</b>                |
| Current Liabilities                               | 1,859,391         | 17                        | 2,317,723         | 19                        |
| Non-current Liabilities                           | 268,366           | 2                         | 329,870           | 3                         |
| <b>Total Liabilities</b>                          | <b>2,127,757</b>  | <b>19</b>                 | <b>2,647,593</b>  | <b>22</b>                 |
| <b>Total Shareholders' Equity</b>                 | <b>9,111,922</b>  | <b>81</b>                 | <b>9,397,144</b>  | <b>78</b>                 |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>11,239,679</b> | <b>100</b>                | <b>12,044,737</b> | <b>100</b>                |

As of the end of 1<sup>st</sup> quarter in 2020, Total Assets of the Company showed THB 12,045 Million, increased by THB 805 Million or 7% compared with the same period of 2019. More details of assets are as follows:

| Description                                     | March 31, 2019<br>Thousand Baht | March 31, 2020<br>Thousand Baht | Change<br>% |
|---|---------------------------------|---------------------------------|-------------|
| Cash, cash equivalents and current investments* | 5,263,521                       | 6,461,923                       | 23          |
| Total trade and other receivables               | 582,453                         | 592,849                         | 2           |
| Inventory                                       | 2,748,849                       | 2,364,630                       | (14)        |
| <b>Assets</b>                                   | <b>11,239,769</b>               | <b>12,044,737</b>               | <b>7</b>    |

\*Current investments is defined as a time deposit account with maturity date over 3 months to less than 1 year and classified under other current financial assets in the statement of financial position.

As of the end of 1<sup>st</sup> quarter in 2020, Cash, cash equivalents and current investments increased from THB 5,264 Million to THB 6,462 Million or 23% whereas Total trade and other receivables remained relatively unchanged compared with the same period in 2019. The reasons for such increase are first, more cash was generated from operating activities including the decrease in inventories due to a strict control of the Company as well as the increase in raw material suppliers' trade payables. Second, more capital was raised from THB 9,112 Million to THB 9,397 Million or 3% increase in Total Shareholders' Equity.

Total Liabilities of the Company were THB 2,648 Million representing an increase by THB 520 Million or 24 % while Shareholders' Equity of the Company was THB 9,397 Million representing an increase by THB 285 Million or 3% as it has been explained earlier.

## Economic & Business Forecast 2020

Global economy is full of uncertainties as the ongoing spread of COVID-19 is unlikely to end soon and the impact of the virus outbreak may lead the world into one of the worse economic recessions. Undoubtedly, Thailand will suffer a severe impact from the situation because all variables contributing to economic growth are projected to contract. Therefore, the effectiveness of government's spending, financial supporting policies and containment measures will be crucial factors to stimulate the economy to get back on track to recovery.

Upon considering the current situation, fertilizer consumption largely depends on farmers' willingness to cultivate. Therefore, the prices of agricultural products and the government's supporting schemes will become major factors to encourage the cultivation during the hard time of limited water resources. In addition, the COVID-19 pandemic will also obstruct the Company from conducting marketing activities on area basis. In response to these situations, the Management will persevere in its attempts to monitor all these determinants and will develop new resilience-based policies in response to any changes in order to remain competitiveness in the market.

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