

Overview

In its consolidated financial statements as of December 31, 2016, Phol Dhanya Public Company Limited (The company) recorded revenue from sales and services of 1,097.99 MB, increasing 183.09 MB or 20.01% compared to the revenue from sales and services of 914.90 MB in the previous year. The incremental revenue was mainly contributed by construction of community water system. However, due to the company's insufficiency of construction foremen and lack of project management experience, the project faced inefficiency problem, especially in 4Q16, in which there were many ongoing projects with intense workloads and nearly the same project start and delivery dates. This led to inadequacy of labor and delayed completion of the construction of community water system. In 4Q16, the company estimated liabilities arising from the delay of this project for 97.11 MB, 80.39 MB of which was reclaimable from the contractors. Furthermore, some contractors left the site during the construction, resulting in non-reclaimable damage from delayed project completion and handover. The company, consequently, recorded liabilities from expected penalties of delayed project delivery of 56.51 MB. In response, the company promptly proceeded to replenish workers to accelerate the delayed construction, leading to additional expense and cost. These results in net loss attributable to equity holders of 15.25 MB in 2016, decreasing by 49.56 MB or 144.43% compared to net profit attributable to equity holders of 34.31 in 2015.

Operating performance

	หน่วย : ล้านบาท		
	ปี 2559	ปี 2558	% YoY
Revenue from sales	816.53	847.39	-3.64%
Revenue from rendering of services	21.11	9.42	124.18%
Revenue from construction and service contracts	260.35	58.09	348.16%
Other Revenue	4.87	3.04	60.27%
Total Revenue	1,102.87	917.94	20.15%
Cost of sales	606.72	624.78	-2.89%
Cost of rendering of services	21.88	6.91	216.47%
Cost of construction and service contracts	232.74	42.92	442.24%
Total Costs	861.34	674.62	27.68%
Gross Profit	236.65	240.29	-1.51%
Gross Profit (%)	21.55%	26.26%	-4.71%
Total Selling & Administrative Expenses	246.79	196.31	25.71%
Profit (Loss) before Finance Costs and Income Taxes Expense	(5.26)	47.02	-111.20%
Profit (Loss) before Finance Costs and Income Taxes Expense (%)	(0.48%)	5.12%	-5.60%
Profit (Loss) attributable to equity holders	(15.25)	34.31	-144.43%
Net Profit (Loss) (%)	(1.38%)	3.74%	-5.12%
Basic earnings per share (Baht)	(0.08)	0.21	-137.93%
Weighted average number of ordinary shares (Million shares)*	189.80	162.00	

*In 2016, The Company has increases, Issuance of the Capital Increase Ordinary Shares offered for the existing shareholder of the Company proportionately to their shareholding (RO) of 40,499,996 Shares

Revenue

Revenue structure	Unit : MB				
	2016	%	2015	%	% YoY
Occupational Safety, Health and Environment Products (SAFETY)	687.37	62.60%	715.45	78.20%	-3.92%
Control Environment Products (CE)	130.29	11.87%	104.82	11.46%	24.30%
Water Solution Products (WATER)	280.34	25.53%	94.64	10.34%	196.22%
Total revenue from sales and services	1,097.99	100%	914.90	100%	20.01%

In 2016, the company's sales and services were 1,097.99 MB, increasing by 183.09 MB or 20.01%, compared with 914.90 MB of previous year.

Revenue from sales and services of Occupational Safety, Health and Environment Products (SAFETY) was 687.37 MB, dropping by 28.08 MB, or 3.92%, from the previous year. Overall, related industries expanded at a moderate pace, especially those of our core customers, including automobile manufacturing industry which slightly expanded on a y-o-y basis. Continuously affected by oil price instability, the customers in petrochemical industry cut their budgets and number of staff, leading to reduction in demand for SAFETY products. And revenue from government sector also declined as the company won fewer bids compared to 2015 owing to its policy not to focus on projects with excessively low gross margin. Nevertheless, the company adjusted its strategy by expanding sales area to obtain new customers. Collaboration with trade partners in market expansion and improvement of sales force's product knowledge also brought in incremental SAFETY sales from new customers and new products. Financial, improvement in after-sales services for technical products led to increased revenue from service rendering.

Revenue from sales of Control Environment Products (CE) was 130.29 MB, increasing by 25.47 MB, or 24.30%, compared to the previous year. Core customers continued to be companies in electronic industry, although the industry was impacted by market slowdown and changes in technologies. Despite the fact that competition in CE products was naturally intense, CE customers do not frequently change the suppliers due to concerns over impact on their production process. With this in mind, the company aimed at optimizing cost, increasing the speed of service, and building brand loyalty to retain existing customer base in order to boost revenue from sales of CE products.

Revenue from Water Solution Products (WATER) amounts to 280.34 MB, increasing by 185.70 MB or 196.22% compared with the previous year, due to the revenue recognized from construction contracting service of the community water supply project of 252.01 million baht.

Cost of Sales and Services

In 2016, The company's cost of sales and services was 861.34 MB, comprising of 606.72 MB cost of sales which decreased variable from lower revenue from sales. And 21.88 MB cost of services increased due to revenue from SAFETY services was increase compare with the previous year and 232.74 MB cost of construction and service contracts was increase variable from the proportion revenue from construction.

Cost of sales and services was accounted for 78.45% of total sales and services revenue, revenue since gross profit of the construction contracting service for the community water supply project is not very high, and had incremental cost from construction projects, and the reduced gross profits from sales due to the competition in the market. In addition, gross profit of service is not very high due to fix cost from depreciation but lower revenue from services, leading to a gross profit of 21.55% which decrease, compare with 26.26% of the previous year.

Selling and Administrative Expenses

In 2016, selling and administrative expenses amounted to 246.79 MB comprised of selling expenses amounted to 92.30 MB. Selling expenses was decrease due to employees' compensation which variable from lower revenue from sales, including commission and incentives. And 97.98 MB of administrative expenses, increase due to the increase in number of personnel and recorded 56.51 MB of liabilities from expected penalties arising from delays of constructions which cannot collect from sub-contractors.

In 2016, the company's financial cost amounted to 11.01 MB, increasing due to the increase in loan from financial institution for working capital.

Net profit

The effects from estimated liabilities from expected penalties arising from delays projects, the company's consolidate net loss (attributable to equity holders of the Company) was 15.25 MB, accounted for net loss margin 1.38% which decrease compare with 32.31 MB, accounted for net profit margin 3.74% in the previous year.

Profitability Ratio

Consolidated	2016	2015
Gross Profit Margin	21.55%	26.26%
Operating Profit Margin	1.34%	6.70%
Net Profit (Loss) Margin	(1.38%)	3.74%
Return on Equity	(4.53%)	10.61%

Financial Position

	Unit : MB				
	December 31, 2016		December 31, 2015		% Change
		%		%	
Assets	960.95	100.00%	667.40	100.00%	43.99%
Liabilities	619.95	63.48%	346.10	51.86%	76.23%
Shareholders' equity	352.31	36.53%	322.59	48.14%	9.21%

Assets

As of December 31, 2016, the company's total assets equaled 960.95 MB, increasing by 293.56 MB or 43.99% from December 31, 2015. The increased assets were mainly from current assets acquired from advance payment for construction of the Community Water Supply Project increase 5.36 MB. Receivables for penalties arising from delays of constructions increase 11.24 MB, advance payments increase 13.82 MB and unbilled receivables was increase 127.74 MB. Inventories-net increase from finish goods 11.16 MB and construction contracts in progress increased 2.79 MB and allowance for diminution in value of inventories increased by 2.08 MB.

Non-current assets were increase, due to the increase from property, plant and equipment from purchased 21.87 MB of Water well drilling machines, 8.17 MB of furniture and equipment, 6.70 MB of construction in progress and 2.75 MB of other assets. Non-current assets were decrease from amortization amount to 7.79 MB and depreciation amount to 18.83 MB.

Liabilities

As of December 31, 2016, the company's total liabilities equaled 619.95 MB, increasing by 263.85 MB or 76.23% from December 31, 2015 mainly due to the increased from short-term loans from financial institutions increased 174.45 MB. The Company issued and offered additional unsecured Bill of Exchange increase 100 million baht In addition, promissory notes were increase 35 MB and short-term loan - trust receipt was increase

39.84 MB for working capital. And recorded penalties arising from delays of constructions amount to 56.51 MB. However, trade and other payables were decrease by 27.26 MB.

Non-current liabilities were increase mainly due to the increase from liabilities under finance lease amount to 15.13 MB and of 32.32 MB of the long-term loans from financial institution. Employee benefit obligations was increase 2.70 MB.

Shareholder's equity

As of December 31, 2016, Shareholders' equity of the Company was 352.31 MB. In quarter 3/2016, the company issue and allot 40,499,996 new ordinary shares (at the par value of Baht 1) to the existing shareholders (Rights Offer) at a ratio of 4 existing shares to 1 new ordinary share, at an offer price of Baht 2 per share. The company has received the whole amount of money (more detail : the note 22 to the financial statements for year 2016) As of December 31, 2016, the company issued and paid-up share capital amount to 202.50 MB and premium on share capital were increase 40.15 MB. Retained earnings was decrease due to the resulting from net loss was 15.25 MB and decreasing by 35.64 million baht from dividend payment.

In 2016, the Company had debt-to-equity ratio of 1.74 times, increased from 1.07 times in 2015, due to the increase in liabilities.

Emphasis of matter

Attention to the Note 31 to the financial statements for year 2016, during, the Company found the error due to un-recognition of change in the Company's ownership interest in subsidiary company (PD Genesis Engineering Co., Ltd). Therefore the Company made an adjustment by increasing the deficit from the change in the ownership interests in the consolidated financial statements amount to 1.54 million baht. As such, the consolidated statements of financial position as at December 31, 2015 and January 1, 2015, of the company which have been presented herewith for comparative purposes, have been restated for the effect of such adjustment.

Cash Flows

Cash Flows	Unit : MB	
	December 31, 2016	December 31, 2015
Cashflow from (used in) operating activities	(238.14)	(23.21)
Cashflow from (used in) investing activities	(14.54)	(4.29)
Cashflow from (used in) financing activities	242.47	55.20
Net increase (decrease) in cash and cash equivalents	(10.21)	27.70
Cash and cash equivalents at the end of the period	48.85	59.14

The Company's net cash utilized in the operating activities was 238.14 MB, with operating profits prior to changes in the operating assets and liabilities of 77.30 MB. The major reason for the change was due to the trade and other receivables were increase 23.87 MB and unbilled receivables and prepaid expenses for the construction of the community water supply projects of 238.08 MB. However, trade and other payables were decrease by 26.09 MB.

Cash flow used in investment activities amounts to 14.54 MB to purchase equipment and other assets amount to 10.92 MB and Assets under water sales agreement amount to 6.70 MB. Meanwhile, cash flow received from sales of fix assets totals 1.56 MB and interests received of 0.74 MB.

Cash flow acquired from financing activities amounts to 242.47 MB from short-term loans were increased by 169.10 MB and loans from financial institution were increased by 50 MB. And cash flow received from increase in share capital amount to 80.65 MB. At the same time, loan repayment to financial institutions amounts to 12.55 MB and debt settlement according to financial lease of 3.93 MB, with an interest expense of 5.16 MB and dividend payment of 35.64 MB.

Expected performance in 2017

Thai economy is expected to gradually expand, supported by economy-boosting government policies and government investment which has continued from the previous year. Production in various industries is seen to be spurred by domestic consumption. Export, which depends on global economy and global trade and, therefore, is impacted by multiple risk factors and instabilities, is also expected to increase. These are supporting factors for industry sector's product demand. Corporate sector's demand for SAFETY and CE products is expected to rise accordingly. With this prospect, the company aims at offering comprehensive services, developing expertise for its personnel, developing new products to seize market share, better serve existing customers, and expand into the customer base in which the company's market share is small, and increasing market share for the company's house brands.

The company still sees possibility for growth in its water solution business as it will be bolstered by continuing government policy on water management and the constant need for water treatment systems in industry sector. The company believes that, by virtue of its potential and determination, it will be able to develop personnel and working team to be experts in the business. Improvement in efficient project management and adjustment of internal processes will drive the company's water solution business to grow and create sustainable profits for the company in the future.