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TRADING UPDATE

FOR THE QUARTER ENDED 31 MARCH 2021

TRADING ENVIRONMENT

The year started with challenges due to a spike in cases of the COVID-19 variant. As a result, a level 4 national lockdown was imposed from the 4th of January 2021 for 30 days by the Government. The national lockdown was subsequently extended further by four weeks until the end of February 2021. During this period, the Company was granted a special waiver to operate as an essential services provider. Consequently, the lockdown had minimal effect on the business despite disruptions in the ecosystem.

As experienced from the last quarter of the year 2020, shortages and price increases of the main raw materials were observed during the first quarter of 2021. This impact was forecasted and adequate mitigatory measures were put in place in minimizing supply gaps. The supply of key utilities remained stable in this first quarter.

COVID-19 mitigation remains a key focus for the country. Proplastics is fully committed to supporting any Government vaccination roll out program through employee awareness and effective corporate social responsibility initiatives.

BUSINESS PERFORMANCE

The demand for the Group's products was strong in the quarter under review despite the impact of the lockdown in the first 2 months of the year.

Sales tonnage for the quarter grew 93% compared to the first quarter prior year. The strong performance was across all the segments of the business, namely irrigation, mining, merchants, civils and borehole drilling. Exports grew by 71%, contributing 7% to total revenues compared to 2% recorded in same quarter last year.

As a result of the strong sales volumes performance, sales revenues responded positively and are 29% above budget and 187% ahead of prior year. Gross Profit margins were maintained at the same level as prior year despite the challenges in the availability and pricing of raw materials in the quarter. With the new factory in full operation, production responded positively with plant availability of 94%, LTIFR of zero and utilisation of 80%.

Consequently, the business recorded a strong earnings performance for the quarter. The current ratio improved to 1.44 from 0.71 in the similar period last year. Gearing remained low at 4%. Foreign creditors closed the quarter at US\$585 thousand compared to US\$1.5 million at the end of the year 2020.

OUTLOOK

The solid first quarter performance has set a tone for a strong performance in the first half of the year. With robust contingency plans put in place to ensure constant supply of raw materials and the lockdown subsequently lifted at the end of February, it is expected that demand for the Group's products will firm even further.

The new factory and the new mixing plant are now fully operational from the end of 2020, thereby increasing production capacity and enhancing efficiencies. The business is, therefore, geared to meet the rising demand.

Despite sound supplier scheme of arrangements, raw material acquisition to meet rising demand will depend on foreign currency availability through the auction system. The system has been working reasonably well, despite the delays in processing of payments.

G. SEBBORN

20 May 2021