COVER SHEET

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D & L INDUSTRIES INC

(Company's Full Name)

6 5 INDUSTRIA ST BAGUMBAYAN

QUEZON CITY

(Business Address: No. Street City / Town / Province)

KRISTINE ANN CATINDIG-ONG	635-0680
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-Q as of March 31, 2020	0 9 / 1 8
Month Day	FORM TYPE	Month Day
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

138		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **44852**

3. BIR Tax Identification No. **000-421-957-000**

4. **D&L INDUSTRIES, INC.**
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **65 Calle Industria, Bagumbayan, Q.C.** — **1110**
   Address of issuer's principal office — Postal Code

8. **(02) 635 0680**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	**Common Stock, P1 par value**
No. of Shares of Common Stock Issued & Outstanding	**7,142,857,990 Shares as of March 31, 2020**
Amount of Debt Outstanding	**P3,700,000,000 as of March 31, 2020**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✔] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange; A total of 7,142,857,990 shares of common stock with par value of P1.00 each.

12. Indicate by check mark whether the registrant:
    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [✔] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [✔] No [ ]

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited interim consolidated financial statements of D&L Industries, Inc. and its wholly-owned subsidiaries Oleo-Fats, Incorporated, First in Colours, Incorporated, D&L Polymer and Colours, Inc., Chemrez Technologies, Inc., Chemrez Product Solution Inc., Aero-Pack Industries, Inc., Natura Aeropack Corporation, and D&L Premium Foods Corp. (collectively, the "Company") for the **three months ended March 31, 2020** and the comparative period in 2018 is attached to this 17-Q report, comprising of the following:

1.1 Consolidated Balance Sheets as at March 31, 2020 and December 31, 2019 (Annex A)
1.2 Consolidated Statements of Income and Retained Earnings for the period ended March 31, 2020 and March 31, 2019 (Annex B)
1.3 Consolidated Statements of Cash Flows for the period ended March 31, 2020 and March 31, 2019 (Annex C)
1.4 Consolidated Statements of Changes in Shareholders' Equity for period ended March 31, 2020 and March 31, 2019 (Annex D)

The foregoing unaudited interim consolidated financial statements were approved by the Audit Committee and the Board of Directors in their respective meetings held last May 04, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Based on the Unaudited Consolidated Results for the Period Ended March 31, 2020)

Business Overview

The Company is the holding company for a group of companies with interests in the customization, development, and manufacturing of food ingredients (Oleo-Fats, Incorporated), colorants, additives, and engineered polymers for plastics (D&L Polymer and Colours, Inc., and First in Colours, Inc.), aerosol products (Aero-Pack Industries, Inc.), as well as manufacturing of oleochemicals, resins, and powder coating (Chemrez Technologies, Inc.). It also renders management and administrative services to subsidiaries and affiliate companies. The Company's registered office address and principal place of business is 65 Calle Industria Brgy. Bagumbayan, Quezon City.

The Company is a publicly listed company, which was officially listed in the Philippine Stock Exchange (PSE) on December 12, 2012. As of March 31, 2020, the Company is 60%-owned by Jadel Holdings Co., Inc. (JHI) and 11%-owned by the Lao family. The public holds the remaining 29% of the shares outstanding.

D&L's major subsidiaries as follows:

- *Food ingredients* – The Company, operating through its subsidiary Oleo-Fats, Incorporated (OFI), manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines and also produces food safety solutions such as cleaning and sanitation agents for various customers;

- *Colorants and plastics additives* – The Company, operating through its subsidiaries First in Colours, Inc. (FIC) and D&L Polymer and Colours, Inc. (DLPC), manufactures a line of pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications, introducing a number of products into the Philippine market and expanding into the export of certain products overseas. The Company's products add properties such as precise coloring, reduced friction, increased resistance to degradation, as well as biodegradability for plastics used in consumer goods, appliances and outdoor furniture;

- *Oleochemicals, resins and powder coatings* – The Company, operating through Chemrez Technologies, and its subsidiary Chemrez Product Solution, Inc., manufactures CME, also known as coco-biodiesel, using the Philippines' first continuous-process methyl ester plant. The Company also manufactures other oleochemicals or chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester, and a line of powder coatings.

- *Aerosols* – The Company, operating through its subsidiary Aero-Pack, manufactures three-piece aerosol cans and components and provides aerosol contract filling and compounding services. The Company also toll manufactures a range of related products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.

Results of Operations

Three months ended March 31, 2020 versus March 31, 2019

- D&L Industries' recurring income reached P515 million, or earnings per share of P0.07, in the first quarter of 2020 (1Q20). This is 13% lower quarter-on-quarter and 31% lower than for the same period last year. The income decline on a year-on-year comparison appears steeper as the first quarter of 2019 (1Q19) was the best quarter recorded last year, when earnings still managed to inch up.

- Meanwhile, earnings before interest and taxes (EBIT) in 1Q20 was lower by 26% at P719 million. Revenues for the period declined by 3% y-o-y to P5.7 billion.

- The earnings decline for the period mainly stemmed from the unprecedented disruptions caused by the COVID-19 pandemic. Indications of a general market weakness was seen as early as February, as consumers started going out less, due to the growing fear of possible local transmissions in the country. The disruption came in full swing as local cases grew and with the government placing the entire island of Luzon under ECQ by mid-March.

- For the first quarter of the year, the company saw its sales mix tilt towards commodities as demand focused on basic raw materials. Commodity sales accounted for 36% of total revenues compared to just 31% in full-year 2019. The remaining 64% of revenues were accounted for by the High Margin Specialty Products (HMSP) segment.

- HMSP volume for the period declined by 9% YoY in 1Q20. Most of the decline was observed after the implementation of the ECQ. In March alone, HMSP volume was down by 22% YoY as many customers were either closed or were buying much less than normal. In addition, certain business segments of the company, such as those that involve construction as well as the manufacturing of industrial products, were deemed non-essential and were not allowed to operate.

- Gross profit margin for the period declined by 3.5 ppts to 17.5% given less favorable sales mix and as both HMSP and commodities saw margin compression. HMSP margins declined by 1.0 ppt YoY mainly due to the shift in sales mix within HMSP itself, as much of the demand also focused on the lower margin HMSP. Meanwhile, commodity margins dropped by 6.1 ppts YoY, given the ample available supply amidst the closure of various establishments.

- Export revenues for the period remained relatively resilient as it managed to grow by 12% YoY. Food ingredients accounted for the bulk of exports. Export contribution to total revenues increased to 22% compared to 19% over the same period last year. The company remains optimistic that it will reach its long-term target export contribution of 50%. The new plants will add a significant amount of new capacity, focusing mainly on higher value and higher margin products which will allow the company to cater to more customers in both local and overseas markets in the future.

	FY15	FY16	FY17	FY18	FY19	3M19	3M20
export as % of total sales	18%	18%	25%	24%	21%	19%	22%

- Gross profit for the first three months of the year declined by 20% to P993 million from P1.23 billion.
- Selling and marketing expenses were lower by 6% at P172 million from P183 million mostly from lower delivery charges.
- Administrative expenses grew by 19% to P118 million from P99 million mostly from higher miscellaneous expenses.
- The Company booked P5.7 million foreign exchange gain which was 22% lower compared to the P7.4 million forex gain booked during the same period last year.
- Finance costs decreased by 31% to P45 million from P66 million mainly on lower debt level and interest rate.
- Income tax expense was up by 2% to P159 million from P155 million during the same period last year.
- The company remains profitable. Return on Equity (ROE) and Return on Invested Capital (ROIC) stood at 11.7% and 14.3%, respectively, for the first quarter of 2020.

Segment Operations

- The **food ingredients** segment posted a 34% YoY decline in net income in 1Q20. While January sales were steady, general market weakness was felt as early as February as people started going out less with the growing fear of local virus transmission. Furthermore, the implementation of ECQ in Luzon by mid-March resulted in the temporary closure of hotels, restaurants, and caterers which, in turn, resulted in lower demand across the various subsegments of food ingredients. HMSP volume fell by 6% YoY, while commodity volume jumped by 53% YoY, as demand focused on basic raw materials. Some of the HMSP food ingredients that the company manufactures go into higher-end products that were deemed non-essential during the quarantine. Overall, food ingredients margins compressed by 5.8 ppts for the period.

- **Chemrez** group saw its total volume decline by 26% in 1Q20. This was mainly due to lower volumes for biodiesel and other specialty chemicals, which are chemicals used in various construction and industrial applications that were deemed as non-essential during ECQ. On a year-on-year basis, export sales were down 3%. However, on a quarter-on-quarter basis, export sales were already up 60% from a slump recorded in the last quarter of 2019. Meanwhile, the segment recorded a higher effective tax rate with the income tax holiday expiration of Oleochemicals in March 2019. Overall, the group posted a 36% decline in income for the period.

- **Specialty plastics** net income was down 28% YoY in 1Q20. This was mainly due to the 8% decline in total volume, as demand for engineered polymers and colorants and additives remained soft. This segment continues to feel the effects of the slowdown and supply chain disruption in the global auto industry as about half of its sales come from export-oriented raw materials for automotive wire harness applications. Moreover, many of the local plastic molders, who are the main customers for the colorants and additives segment, were not operating during the ECQ.

- The **aerosols** segment experienced significant growth in its business, as demand for sanitation chemicals such as disinfectant sprays and alcohol saw a notable surge. Revenues grew by 48% YoY and net income jumped by 44% YoY in 1Q**20.**

Key Performance Indicators

	For the period end March 31, 2020	For the period end March 31, 2019
Gross profit margin [a]	*17.5%*	*21.0%*
Net profit margin [b]	*9.1%*	*12.7%*
Interest cover [c]	*18x*	*15x*
Return on Equity [d]	*11.7%*	*17.3%*
	As of end March 31, 2020	**As of end December 31, 2019**
Net debt to equity ratio [e]	*12%*	*8%*
Asset-to-Equity ratio [f]	*1.37*	*1.30*
Current ratio [g]	*2.20*	*2.61*
Book Value per share [h]	*2.47*	*2.40*

[a] *Gross Profit / Revenues*
[b] *Net Profit available to owners of the Parent company / Revenues*
[c] *Earnings before interest and taxes / Finance costs*
[d] *Annualized Net Income available to owners of the Parent Company / Shareholders' Equity*
[e] *(Borrowings - Cash) / Shareholders' Equity*
[f] *Total Assets/ Total equity*
[g] *Current Assets / Current Liabilities*
[h] *Shareholders' Equity (available to owners of the Parent) / outstanding number of common shares*

Financial Condition

Period end March 31, 2020 versus Period end December 31, 2019

- The company remains in a good liquidity position as current ratio stood at 2.20x as of end March 2020, albeit slightly lower than 2.61x in December 2019.

- Cash decreased by P341 million to P1.6 billion.

- Receivables increased by 12% during the period to P3.9 billion from P3.5 billion. Meanwhile, average account receivable days stood at 55 days vs 60 days in 2019.

- Inventories increased by 7% to P5.4 billion. Average days in inventory stood at 101 days vs 117 days in 2019.

- Net debt to equity ratio stood at 12%. Borrowings increased by 9% to P3.7 billion at end March 2020 from P3.4 billion at end December 2019.

- Total equity increased by P515 million to P17.6 billion from P17.1 billion, as the company recorded net income in the first three months of the year.

- During the period, the Company's cash generally went to acquisition of property and equipment.

  - Net Cash generated by operating activities amounted to P314 million.
  - Net cash used in investing activities amounted to P868 million. This was spent on acquisition of property and equipment and investments in financial assets at fair value through profits and losses.
  - Net cash generated by financing activities amounted to P205 million, which came from new debt borrowings.

D&L's Plan of Operation for 2020

With the COVID-19 pandemic affecting the global economy, the company may experience challenges in terms of logistics, supply chain management, and reduced manpower. While the company sources some of its raw materials from China and some delays are expected, it has already been able to find alternative suppliers. As of this writing, the company is able to maintain selected operating capabilities specifically for food and sanitation chemicals which are crucial given the current situation. The company currently has ample inventory on hand with inventory days at over 100.

The food ingredients business will likely take a hit with slower demand from the hotel/restaurant/catering (HoReCa) sector as lockdowns continue to be in place. As a countermeasure, the company is aligning resources to serve the increase in demand for immunity-boosting food supplements, cleaning solutions, alcohol, and disinfectants.

Despite the disruptions that COVID-19 brings, management is optimistic that the company can weather this storm given its strong balance sheet. The company's net gearing and interest cover stood at 12% and 18x, respectively, as of end-March 2020.

Once things start to normalize, the company's growth will largely be driven by 1) increasing GDP per capita and consumer spending in the Philippines, 2) robust export business, and 3) continued margin expansion in the High Margin Specialty Ingredients (HMSP) segment. As such, the Company's efforts and resources will continue to be directed towards seizing these opportunities. The Company will continue to invest in research and innovation initiatives that will further strengthen its reputation as a market leader in customized specialty products.

Over the long-term, management targets export revenues to account for 50% of the Company's total revenues. Moreover, HMSP should comprise a bigger portion of overall sales given the amount of resources allocated in growing this segment.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS 34) - Interim Financial Reporting. These financial statements should be read conjunction with annual consolidated financial statements as at and for year ended December 31, 2019, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

These consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets.
The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

The accounting policies in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2014 except for the following new and amended PFRS and Philippine Interpretations which are effective for annual periods after January 1, 2014.

• *PFRS* 9, *'Financial instruments',* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of PFRS9 was issued in July 2014. It replaces the guidance in PAS39 that relates to the classification and measurement of financial instruments. PFRS9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. PFRS9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under PAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018.

Early adoption is permitted. The Group is yet to assess PFRS9's full impact. Management, however, does not expect a significant impact on its consolidated financial statements as a result of the adoption of this standard..

• *PFRS 15, 'Revenue from contracts with customers'*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces PAS18 'Revenue' and PAS11' Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group is assessing the impact of PFRS 15. Management, however, does not expect a significant impact on its consolidated financial statements as a result of the adoption of this standard. There are no other applicable and relevant standards, amendments and interpretations, which are effective beginning January 1, 2013 and adopted by the Group, and those issued but are not yet effective as at 31 March 2014 that have or expected to have a significant impact on the Group's financial statements during and at the end of reporting period.

New and amended standards adopted by the Group

PFRS 16 replaces the guidance of PAS 17 that relates to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts.

Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognized lease liabilities and right-of-use assets in relation to leases which have previously been classified as 'operating leases' under the principles of PAS 17.

The Group applied the modified retrospective approach and avail of the practical expedient in measuring the right-of-use asset to be recognized upon transition. Under this approach, liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

Selected Notes to the Interim Consolidated Financial Statements

In compliance with the requirements of the Securities Regulations Code

1. The same accounting policies and methods of computation were followed in the interim consolidated financial statements consistent with those adopted for the Company's annual consolidated financial statements for the year ended December 31, 2019.

2. Interim operations do not follow any particular seasonal or cyclical pattern. Except as discussed in the foregoing, demand for the Company's products have been historically fairly constant throughout the previous years.

3. There were no items not in the ordinary course of business that affected assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

4. There were no changes in estimates of amounts reported in prior interim periods of financial years prior to the commencement of results reporting on a consolidated basis.

5. Reporting of segment revenue and segment results for business segments or geographical segments are not required on an interim basis.

6. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created subsequent to the end of the interim period that has not been reflected in the financial statements for the period.

7. There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

8. Other than what has been disclosed in the foregoing report, there are no existing material contingencies, events or transactions that are material to an understanding of the current interim period.

9. There are no events other than those already disclosed that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation.

10. There are no trends, demands, commitments, events or uncertainties known to management that will have a material adverse impact on the Company's liquidity.

11. There are currently no material commitments for capital expenditures except as already disclosed.

12. The Company is not aware of any trend, event or transaction that would have a material impact on its results of operations or on its financial condition except as already disclosed.

13. Aside from interest earnings from the Company's cash deposits, there are no significant elements of income or loss that did not arise from the issuer's continuing operations.

14. Any material changes from period to period in any line items of the Company's financial statements that have not been explained in the **Management's Discussion and Analysis** section of this report were the results of normal fluctuations in operations.

15. The interim consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

Additional Disclosures on Risk Management and Financial Instruments

1. The Company's principal financial instruments as at March 31, 2020 comprise of cash and cash equivalents. Its other financial assets are trade and other receivables, due from related parties, available for sale financial assets, and refundable deposits and other financial liabilities are trade payables, due to related parties and borrowings arising directly from its operations.

2. The main financial risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk.

3. The Company's risk management policies are summarized below:

   (a) Market risks on foreign currency and pricing

Exposure to currency risks arises from sales and purchases in currencies other than the Company's functional currency in the normal course of business. As certain income and expenses are billed in foreign currency, the Company is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Company may from time to time purchase currency forward or option contracts to hedge against these currency risks.

The Company's costs are affected by inflation and its effects may continue to be felt in future periods. To lessen the impact of cost increases, the Company has introduced productivity enhancing measures in procurement and supply chain management and has undertaken an inventory rationalization program to reduce carrying costs.

(b) Credit risks

The aging of the Company's financial assets as at March 31, 2020 is as follows:

March 2020	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
Cash in bank	1,648,364,010	1,648,364,010				
Trade and other receivables	3,872,805,833	1,544,442,021	1,402,509,951	404,362,391	521,491,470	
Due from related parties	336,384,405	336,384,405				
Refundable deposits	1,664,063,885	1,664,063,885				
	7,521,618,133	5,193,254,321	1,402,509,951	404,362,391	521,491,470	-

December 2019	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
Cash in bank	1,989,650,111	1,989,650,111				
Trade and other receivables	3,499,410,737	2,629,029,206	417,780,524	141,473,589	311,127,418	
Due from related parties	37,364,777	37,364,777				
Refundable deposits	1,060,882,575	1,060,882,575				
	6,587,308,200	5,716,926,669	417,780,524	141,473,589	311,127,418	-

None of the financial assets that are fully performing has been renegotiated during the period. The maximum exposure to credit risk at the reporting date is the fair value of financial assets presented above. The Company does not hold any collateral as security.

(i) Cash and cash equivalents

The Company's cash balances are placed with reputable major global and Philippine banks. It manages its interest income by placing cash balances with varying maturities and interest rate terms. From time to time, this includes investing the Company's temporary excess liquidity in short-term government securities. As the Company has no significant interest bearing financial instruments, changes in market interest rates will not significantly impact the Company's income, operating and investing cash flows. The Company has policies that limit the amount of credit exposure with financial institutions. As at March 31, 2020, all of its cash in bank balances are deposited with universal banks.

(ii) Trade and other receivables

The Company has prudent credit policies to ensure that sales of its products are made to customers with good credit history. The Company monitors its outstanding trade receivables on an on-going basis with the management team performing monthly reviews as part of their regular performance assessment process. All significant receivables from key customers are monitored for credit quality and actual settlement performance to ensure timely execution of necessary intervention efforts.

Trade receivables from its five major customers per segment as at March 31, 2020 and December 31, 2019 are as follows:

March 2020	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
TOP 5	1,497,333,488	871,266,662	464,108,272	67,325,947	94,632,608	

December 2019	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
TOP 5	1,300,977,016	651,956,271	372,005,815	129,005,094	148,009,836	

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of its businesses, the Company maintains a level of cash and cash equivalent deemed sufficient to finance operations and ensures flexibility by keeping credit lines available. Also, the Company regularly evaluates its projected and actual cash flows.

(d) *Capital risk management*

The Company's objective when managing capital is to generate the maximum possible returns for its shareholders while taking on a manageable degree of risk ensuring that the Company will continue to operate as a going concern into the foreseeable future.

In order to maintain or adjust the capital structure, the Company reviews its capital structure from time to time to assess the proper financing mix necessary to grow and sustain its operations. As a matter of policy, capital expenditures have been financed from internally-generated cash flow, where possible, and issuance of new shares, while investments in working capital will be augmented by short-term bank borrowings from time to time. The Company has been engaged in a conscious effort to keep its overall gearing ratio as low as possible through proper management of its working capital cycle.

Earnings in excess of dividend distributions in cash to shareholders have been continuously redeployed and reinvested in the growth of the Company's business. Each instance of expansion of manufacturing capacity and entry into new products and markets undergoes a thorough evaluation process to ensure that such investments and marketing programs are in consonance with the Company's core competencies and would be enhancing, rather than diminishing, shareholder value in the long run.

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SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by undersigned thereunto duly authorized.

D & L INDUSTRIES, INC.

Alvin D. Lao
President/CEO

Amorsolo M. Rosario
CFO and Treasurer

ANNEX A

D&L Industries, Inc. and Subsidiaries

Unaudited Consolidated Statements of Financial Position

As of March 31, 2020 and December 31, 2019

(All amounts in Philippine Peso)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,648,364,010	1,989,650,111
Receivables, net	3,872,805,833	3,499,410,737
Due from related parties	336,384,405	37,364,777
Inventories, net	5,374,659,749	5,046,201,469
Financial assets @ FVPL	1,115,447,432	644,000,783
Prepayments and other current assets	1,929,560,424	2,195,912,561
Total current assets	14,277,221,853	13,412,540,438
Non-current assets		
Right of use assets	336,157,996	228,703,438
Investments in equity securities at fair value thr	182,248,820	182,248,820
Property, plant and equipment, net	4,296,801,045	4,006,803,708
Retirement benefit asset	48,172,410	26,567,233
Deferred income tax assets, net		14,961,349
Goodwill	3,367,846,840	3,367,846,840
Other non current assets	1,664,063,885	1,060,882,575
Total non-current assets	9,895,290,996	8,888,013,963
Total assets	24,172,512,848	22,300,554,401
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables and other liabilities	1,475,604,592	1,258,826,898
Lease Liabilities	309,477,296	198,927,442
Due to related parties	690,087,227	215,711,120
Short-term borrowings	3,700,000,000	3,400,000,000
Income tax payable	318,676,551	67,891,397
Total current liabilities	6,493,845,665	5,141,356,857
Non-current liabilities		
Lease Liabilities - Non-current	47,142,602	47,142,602
Deferred income tax liabilities, net	4,908,996	-
Long-term borrowings	-	-
Total non-current liabilities	52,051,598	47,142,602
Total liabilities	6,545,897,264	5,188,499,459
Equity		
Share Capital	7,142,857,990	7,142,857,990
Share Premium	3,255,166,445	3,255,166,445
Reserve for remeasurement on retirement benef	125,979,846	125,979,846
Fair value reserve on available-for-sale financial	110,750,822	110,750,822
Retained earnings		
Appropriated	500,000,000	500,000,000
Unappropriated	6,491,860,482	5,977,299,839
Total equity	17,626,615,585	17,112,054,942
Total liabilities and equity	24,172,512,848	22,300,554,401

ANNEX B

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Total Comprehensive Income
For each of the three months ended March 31, 2020 and 2019
(All amounts in Philippine Peso)

	For three months ended Mar 31	
	2020	**2019**
Revenues		
Sales of goods, net	5,656,818,796	5,861,538,229
Service fees	15,138,393	14,730,383
	5,671,957,189	5,876,268,612
Cost of sales and services		
Cost of sales	(4,664,709,349)	(4,629,466,183)
Cost of services	(14,511,522)	(12,549,657)
	(4,679,220,870)	(4,642,015,840)
Gross profit	992,736,318	1,234,252,772
Selling and marketing expenses	(171,983,886)	(183,050,209)
General and administrative expenses	(118,050,951)	(99,087,262)
Other income, net	16,526,916	17,105,273
Operating profit	719,228,397	969,220,574
Finance costs		
Interest expense	(40,085,737)	(65,646,472)
Interest expense-ROU	(5,249,696)	
Profit before income tax expense	673,892,964	903,574,102
Income tax (expense) benefit		
Current	(159,060,538)	(151,033,286)
Deferred	(271,783)	(4,413,036)
	(159,332,321)	(155,446,322)
Profit for the period	514,560,643	748,127,780

ANNEX C

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For each of the three months ended March 31, 2020 and 2019
(All amounts in Philippine Peso)

	For three months ended Mar 31	
	2020	**2019**
Cash flows from operating activities		
Profit before income tax expense	673,892,964	903,574,102
Adjustments for:		
Depreciation and amortization	114,780,129	163,216,413
Depreciation of RoU Asset	55,095,636	-
Interest expense on lease	5,249,696	-
Unrealized foreign exchange (gain) loss, net	(8,262,779)	(7,355,961)
Provision for retirement benefit obligation		-
Provision for (reversal of) inventory obsolescence	-	-
Loss (Gain) on sale of property and equipment	(1,120,000)	(431,395)
Loss on direct write-off of receivables	1,200,104	24,263
Loss on Retirement of property and equipment		-
Input VAT directly written-off	-	-
Income from write-off of liabilities		-
Gain on sale of FVPL		-
(Reversal) provision for impairment of receivable	-	-
Unrealized gain on FV changes	(8,919,432)	(841,288)
Dividend income	(77,302)	-
Interest income	(8,393,117)	(7,492,970)
Interest expense	40,085,737	67,384,924
Operating income before working capital changes	863,531,637	1,118,078,089
(Increase) decrease in:		
Receivables	(410,715,544)	155,946,151
Due from related parties	(299,019,629)	(94,264,213)
Inventories	(328,458,280)	137,378,196
Prepayments and other current assets	302,472,482	(334,940,791)
Retirement benefit assets	(21,605,177)	11,283,223
Other non-current assets	(603,181,310)	(302,831,817)
(Decrease) increase in:		-
Trade payables and other liabilities	236,919,822	328,160,782
Due to related parties	474,376,107	(744,935,164)
Cash generated from operations	214,320,108	273,874,455
Income taxes paid	91,181,050	51,507,899
Interest received	8,393,117	7,492,970
Net cash from operating activities	313,894,274	332,875,324
Cash flows from investing activities		
Dividend received	77,302	-
Acquisition of property and equipment	(407,135,581)	(577,404,369)
Investment in financial assets at fair value through pro	(462,527,217)	-
Proceeds from disposal of property and equipment	1,120,000	431,395
Movement in available for sale securities		-
Net cash from (used in) investing activities	(868,465,495)	(576,972,974)
Cash flows from financing activities		
Availment / payment of borrowings, net	300,000,000	700,000,000
Lease payments	(54,891,922)	-
Dividends paid	-	-
Interest paid	(40,085,737)	(67,384,924)
Net cash used in financing activities	205,022,341	632,615,076
Net increase (decrease) in cash and cash equivalents	(349,548,880)	388,517,426
Cash and cash equivalents, beg	1,989,650,111	1,775,017,060
Effect of foreign exchange rate changes	8,262,779	7,355,961
Cash and cash equivalents, end	1,648,364,010	2,170,890,447

ANNEX D

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the three months ended March 31, 2020 and 2019
(All amounts in Philippine Peso)

	Share Capital (Note 14)	Share premium	Reserve for remeasurement on retirement benefit	Fair value reserve on available-for-sale financial assets	Fair value reserve on PPE	Other Charges to	Retained earnings Appropriated (Note 14)	Retained earnings Unappropriated	Total equity
Balances at January 1, 2019	7,142,857,990	3,255,166,445	174,011,031	92,526,448	-	-	500,000,000	5,400,174,892	16,564,736,806
Comprehensive income									
Profit for the year								748,127,780	748,127,780
Other comprehensive income for the year									-
Total comprehensive income for the year	-	-	-	-	-	-	-	748,127,780	748,127,780
Transactions with owners									
Declaration of cash dividend								-	-
Appropriation of retained earnings									-
Total transactions with owners	-	-	-	-	-	-	-	-	-
Balances at March 31, 2019	7,142,857,990	3,255,166,445	174,011,031	92,526,448	-	-	500,000,000	6,148,302,672	17,312,864,586

	Share Capital (Note 14)	Share premium	Reserve for remeasurement on retirement benefit	Fair value reserve on available-for-sale financial assets	Fair value reserve on PPE	Other Charges to	Retained earnings Appropriated (Note 14)	Retained earnings Unappropriated	Total equity
Balances at January 1, 2020	7,142,857,990	3,255,166,445	125,979,846	110,750,822	-	-	500,000,000	5,977,299,839	17,112,054,942
Comprehensive income									
Profit for the year								514,560,643	514,560,643
Other comprehensive income for the year									-
Total comprehensive income for the year	-	-	-	-	-	-	-	514,560,643	514,560,643
Transactions with owners									
Declaration of cash dividend									-
Appropriation of retained earnings									-
Total transactions with owners	-	-	-	-	-	-	-	-	-
Balances at March 31, 2020	7,142,857,990	3,255,166,445	125,979,846	110,750,822	-	-	500,000,000	6,491,860,482	17,626,615,585