COVER SHEET

4 4 8 5 2

D & L INDUSTRIES INC

(Company's Full Name)

65 INDUSTRIA ST BAGUMBAYAN

QUEZON CITY

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

KRISTINE ANN CATINDIG-ONG
Contact Person

8635-0680
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q as of March 31, 2023
FORM TYPE

0 6 0 5
Month Day
Annual Meeting

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

200
Total No. of Stockholders

P 15,477,823,713
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, 2023**

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) 8635 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, 2023**
Amount of Debt Outstanding	**P15,082,256,242 as of March 31, 2023**

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, 2023** and the comparative period in 2022 is attached to this 17-Q report, comprising of the following:

1.1 Consolidated Balance Sheets as at March 31, 2023 and December 31, 2022 (Annex A)
1.2 Consolidated Statements of Income and Retained Earnings for the period ended March 31, 2023 and March 31, 2022 (Annex B)
1.3 Consolidated Statements of Cash Flows for the period ended March 31, 2023 and March 31, 2022 (Annex C)
1.4 Consolidated Statements of Changes in Shareholders' Equity for period ended March 31, 2023 and March 31, 2022 (Annex D)
1.5 Segment Revenue and Income Information for the period ended March 31, 2023 and March 31, 2022 (Annex E)
1.6 Other Segment Information as at March 31, 2023 and December 31, 2022 and for the period ended March 31, 2023 and March 31, 2022 (Annex F)

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 4, 2022.

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, 2023)

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 and D&L Premium Foods Corp.), oleochemicals, resins, and powder coating (Chemrez Technologies, Inc. and Natura Aeropack Corporation), colorants, additives, and engineered polymers for plastics (D&L Polymer and Colours, Inc., and First in Colours, Inc.) as well as the manufacturing of consumer products for personal and home care and other applications (Aero-Pack Industries, Inc.). 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, 2023, the Company is 62%-owned by Jadel Holdings Co., Inc. (JHI) and 10% directly owned by the Lao family. The public holds the remaining 28% of the shares outstanding.

D&L's major subsidiaries are as follows:

- *Food ingredients* – The Company, operating through its subsidiary Oleo-Fats, Incorporated (OFI) and soon through D&L Premium Foods Corp. (DLPF), 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.

- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez Technologies, Inc. (CTI) and its subsidiary Chemrez Product Solutions, Inc. (CPSI), and soon through Natura Aeropack Corporation (NAC), focus on developing, manufacturing, and supplying high value customized resins, oleochemicals, and specialty products that are sustainable and cost-efficient, while enabling customers to build bigger markets. Its customer base include many industries such as biofuels, personal and home care, health and nutrition, and construction industries. CTI and CPSI serve local and international customers.

- *Colorants and plastics additives* – The Company, operating through its subsidiaries First in Colours, Inc. (FIC) and D&L Polymer and Colours, Inc. (DLPC), develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials.

- *Consumer Products ODM* – The Company, operating through its subsidiary Aero-Pack Industries, Inc., and soon through Natura Aeropack Corporation (NAC), is a full original design manufacturer (ODM) and original equipment manufacturer (OEM) that offers customized aerosols and non-aerosols products to other businesses across different industries such as home care, personal care, and maintenance chemicals. The Company offers a full turnkey solution from product formulation to design, packaging, production, and delivery to customers. It is the first and the biggest aerosol manufacturing company in the Philippines with almost all of its sales coming from the domestic market.

Results of Operations

Three months ended March 31, 2023 versus March 31, 2022

- D&L Industries' recurring income reached P594 million, or earnings per share of P0.08, in the first quarter of 2023 (1Q23). While earnings were lower by 24% YoY in 1Q23, there was a sharp pick up in earnings in March, up 62% and 26% compared to earnings in January and February, respectively. On the gross profit level, D&L managed to book a 4% increase YoY to P1.4 billion on the back of better sales mix and higher blended gross profit margin (GPM) for the quarter.

- The high volume orders from prior periods coupled with the lingering effects of high inflation and generally cautious consumer sentiment resulted in weaker-than-expected volume for this quarter with HMSP and commodity volumes down 5% YoY and 20% YoY, respectively. Nonetheless, the weakness seems to be apparent in the latter months of 2022 up to January and February of 2023 with a noticeable pick up in March 2023 with earnings jumping 62% and 26% vs January and February, respectively.

- While net income in 1Q23 was down by almost a quarter, on a gross profit level, the company managed to book a 4% YoY increase to P1.4 billion. This was on the back of improving sales mix and gross profit margin (GPM). On a net income level, higher operating and interest expenses dragged earnings. The higher operating expenses were mainly due to rental expenses associated with the new plant in Batangas while the higher interest expenses were mainly due to the generally higher interest rates. Moving forward, as the Batangas plant starts commercial operations, incremental revenues from it should offset the incremental costs associated with it.

- While the events which transpired over the past three years have resulted in a change in sales mix favoring commodities, 1Q23 saw a reversal of this trend with High Margin Specialty Products (HSMP) revenue contribution back to pre-pandemic level at 64% from 51% in FY22. This, in turn, resulted in a 3.2ppts improvement in blended gross profit margins. Over time, as commodity sales continue to normalize and as the company continues to allocate much of its resources in growing the HMSP business, D&L expects to see a continued increase in HMSP revenue contribution.

- As the company moves past peak capex with the upcoming completion of its Batangas plant, coupled with the normalization of commodity prices, the company's free cash flows (FCF) turned positive for the first time in two years. In 1Q23, the company's FCF stood at positive P890 million vs negative P1.8 billion and negative P3.4 billion booked in FY22 and FY21, respectively.

- Meanwhile, the company's debt level has started to come down. In 1Q23, total outstanding debt stood at P15bn, slightly lower than the P15.5 billion debt in FY22. As there are no other major capex planned aside from the expansion plan in Batangas, the improvement in the FCF gives the company the financial flexibility to further reduce debt level over time.

- The high volume export orders from earlier periods resulted in slower export sales this quarter which was down 40% YoY as some of the export customers were still consuming their existing inventory. Nonetheless, as orders have already started coming back in March, the company expects better results in the next couple of quarters. The company remains optimistic that it will reach its long-term target export contribution of 50%. The new facility in Batangas 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.

	FY18	**FY19**	**FY20**	**FY21**	**FY22**	**3M22**	**3M23**
export as % of total sales	24%	21%	29%	33%	31%	34%	24%

- Gross profit for the first three months of the year increased by 4% to P1.39 billion from P1.34 billion mainly on the back of higher gross profit margins.

- Operating expenses were higher by 27% YoY for the period mainly due to higher rental and business taxes and licenses.

- The Company booked forex losses of P12 million in the first quarter of the year mainly from its dollar-denominated receivables due to the strengthening of the peso.

- Finance costs increased by 208% to P97 million from P31 million mainly due to higher interest rates.

- Income tax expense was higher by 12% at P194 million.

- The company remains profitable. Return on Equity (ROE) and Return on Invested Capital (ROIC) stood at 11.2% and 10.4%, respectively, for the first quarter of 2023.

Segment Operations

- **Consumer Products ODM** segment saw its income grow by 76% YoY for the quarter. This resulted in more than doubling the segment's income contribution to the group which stood at 16% in 1Q23 from a mere 7% income contribution in full-year 2022. The strong growth was mainly driven by the continued reopening of the economy and the resumption of face-to-face activities which fuelled demand for many personal care products. Total volume for the segment was up 90% YoY while GPM expanded by 4.3ppts.

- The **Food Ingredients** business managed to increase its earnings by 14% YoY for the quarter despite inflationary pressures. The earnings growth was mainly driven by better margins as raw material prices continued to normalize. GPM for the quarter expanded by 5.6 ppts. With the peak season yet to come and as the economy continues to open up, further recovery is anticipated for the Food Ingredients business.

- **Chemrez** posted an earnings decline of 41% YoY for the quarter. This came in after a stellar performance in FY22 with earnings growing by 47% YoY. With the huge jump in volume last year, specifically for HMSP Oleochemicals geared for exports, Chemrez's customers have had a longer-than-expected time to digest their inventory amidst slower-than-expected sales due to high inflation. Meanwhile, on the commodity side, the competitive landscape in the biodiesel business amidst an oversupply in the industry continues to put pressure on margins. While the first quarter proved to be challenging, the second quarter looks to be better with exports volume starting to come back. Moreover, Chemrez has embarked on an aggressive export thrust with the appointment of distributors in key export markets. These efforts are aimed at bringing in new export business as the Batangas plant starts commercial operations.

- The **Specialty plastics** business was off to a slow start in 2023 with earnings dropping by 36% YoY in the first quarter. This segment encountered several challenges for the period ranging from the implementation of the Extended Producer Responsibility (EPR) Act to low resin prices, sugar shortage, and high inflation which affected the demand for plastic packaging in general. The EPR Act requires large enterprises, those with total assets of over P1 billion, to recover a certain portion of their plastic packaging waste. This has put pressure on major enterprises to explore alternative packaging materials which are not covered by the said law. While EPR appears to be a challenge on the surface, the company sees this as an opportunity to increase its relevance to customers. With this, the company is set to launch a new range of packaging solutions to customers which aims to help them adapt to the changing business landscape. Over the long term, this division is expected to continue to grow fuelled by the company's R&D investments that are aimed at developing new applications for its products and introducing new technologies that will make plastics more economical and environmentally-friendly at the same time.

Key Performance Indicators

	For the period end March 31, 2023	For the period end March 31, 2022
Gross profit margin [a]	*16.6%*	*13.4%*
Net profit margin [b]	*7.1%*	*7.8%*
Interest cover [c]	*9x*	*31x*
Return on Equity [d]	*11.2%*	*15.7%*
	As of end March 31, 2023	**As of end December 31, 2022**
Net debt to equity ratio [e]	*56%*	*59%*
Asset-to-Equity ratio [f]	*1.90*	*1.98*
Current ratio [g]	*1.66*	*1.51*
Book Value per share [h]	*2.97*	*2.89*

[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, 2023 versus Period end December 31, 2022

- The company remains in a good liquidity position as current ratio stood at 1.66x as of end March 2023.
- Cash decreased by P70 million to P3.18 billion.
- Receivables decreased by 3% during the period to P5.46 billion from P5.62 billion. Meanwhile, average account receivable days stood at 53 days vs 43 days in FY22.
- Inventories decreased by 20% to P7 billion mainly on lower average prices of key raw materials such as coconut and palm oil. Average days in inventory stood at 92 days vs 74 days in FY22.
- Net debt to equity ratio stood at 56%. Borrowings slightly decreased to P15.08 billion from P15.48 billion at end December 2022.
- Total equity increased by P594 million to P21.2 billion.
- During the period, the Company's cash generally went to acquisition of property and equipment related to its expansion plan in Batangas and debt payments.

  - Net cash generated by operating activities amounted to P1.30 billion.
  - Net cash used in investing activities amounted to P908 million. This was spent on acquisition of property and equipment related to the Batangas plant and investment in financial assets at fair value through profit or loss.
  - Net cash used in financing activities amounted to P459 million, which went to payment of borrowings.

D&L's Plan of Operation for 2023

As the world recovers from the pandemic, D&L is emerging more resilient than ever, having instituted various adjustments and operational contingencies. While there are renewed risks to global growth and recovery, the company believes that it is now in a far better position to thrive in an adverse environment and a potentially protracted economic recovery period. Moreover, as most products that the company manufactures cater to essential industries such as food, oleochemicals, plastics and other basic materials, the company sees continued strong demand ahead.

From a capital structure perspective, the company is in a solid position to withstand external pressures. As of end-March 2023, net gearing continues to remain manageable at 56%, interest cover at 9x, and average interest rate at 5.6%. The issuance of the P5 billion maiden bond offering of the company is helping cushion the recent increase in interest rates. The bonds carry a coupon rate of 2.7885% p.a. and 3.5962% p.a. for 3-year and 5-year tenors, respectively, which would have been significantly higher at approximately 6.7329% for the 3-year tenor and 6.9637% for the 5-year tenor if the company were to issue the bonds today. Meanwhile, the cash conversion cycle for the period stood at 127 days which remains manageable.

While risk remains in the form of elevated inflation, threat of a US recession, and a global banking turmoil, the company remains optimistic and focused on its long-term structural growth story. D&L's expansion plan in Batangas is set to start commercial operations by mid-2023. The said expansion facility will mainly cater to D&L's growing export businesses in the food and oleochemicals segments. It will add the capability to manufacture downstream packaging, thus allowing the company to capture a bigger part of the production chain. For instance, while the company primarily sells raw materials to customers in bulk, the new plants will allow it to "pack at source". This means that D&L will have the ability to process the raw materials and package them closer to finished consumer-facing products. This will enable D&L to move a step closer to its customers by providing customized solutions and simplifying their supply chain, which is of high importance given logistical challenges in general.

In addition, the company continues to pursue areas of opportunities that will bring the next leg of growth. With coconut oil continuing to gain traction globally as a natural and sustainable substitute to many petroleum-based raw materials, D&L plans to further capitalize on this by entering more export markets and by using its R&D expertise to introduce more highly specialized, coconut-oil based products. Over the medium-term, the company targets a 50% export revenue contribution.

Basis of preparation

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This condensed consolidated interim financial statements for the three-month period ended March 31, 2023 has been prepared in accordance with Philippines Accounting Standard (PAS) 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all the notes normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended December 31, 2022 and any public announcements made by the Company during the three-month period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax.

There are no new accounting standards or amendments effective January 1, 2023 that have a material impact on these condensed consolidated interim financial statements.

There are no other future standards, amendments or interpretations that are effective beginning on or after January 1, 2023 that are expected to have a material impact on the Company's financial statements.

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, 2022.

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. Significant fixed asset additions during the periods pertain to the construction of the expansion facility in Batangas.

4. 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.

5. 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.

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. Financial risk factors

The Company's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Company's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is led by the Chief Risk Officer and overseen by the Board of Directors .

The most important types of risk the Company manages are: credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange, price and interest risks.

2. Components of financial assets and liabilities by category

2.1 Financial assets

Details of the Company's financial assets are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Financial assets at amortized cost		
Cash and cash equivalents	3,687,833,674	3,250,165,008
Receivables, gross	5,615,604,907	5,756,799,660
Due from related parties	117,972,587	210,796,097
Refundable deposits	371,365,021	926,576,702
	9,792,776,188	9,220,709,609
Financial assets at FVPL	590,182,543	82,705,350
Financial assets at FVOCI	236,763,755	236,763,755
	10,619,722,486	9,540,178,714

Receivables are presented gross of allowance for impairment as at March 31, 2023 amounting to P 92,598,671 (December 31, 2022 - P146,332,149).

The other components of other current and noncurrent assets are considered non-financial assets which include deposits to suppliers, input VAT, creditable withholding taxes and prepayments.

The carrying amounts of financial assets at amortized cost approximate their fair values (Level 1) as the impact of discounting is not considered significant. Financial assets at FVPL and FVOCI are measured at quoted prices

(Level 1). Investments in FVPL include investments in open-ended unit investment trust funds that are redeemable anytime and reports daily net asset value.

2.1 Financial liabilities

Details of the Company's financial liabilities, categorized as other financial liabilities at amortized cost at December 31 are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payables and other liabilities	2,503,585,469	3,184,090,526
Due to related parties	332,768,289	324,775,844
Loan payable to a related party (long-term)	1,170,000,000	1,179,385,814
Lease liabilities	883,912,293	822,652,502
Bonds Payable	4,962,256,242	4,957,823,713
Borrowings	8,950,000,000	9,350,000,000
	18,802,522,293	19,818,728,399

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at March 31, 2023 amounting to P21,859,543 and P261,697 (December 31, 2022 - P79,882,605 and P261,697), respectively.

The carrying amounts of financial liabilities at amortized cost approximate their fair values (Level 2) due to their short-term nature and/or the impact of discounting is not considered significant.

As at December 31, 2022, estimated fair value (Level 2) of the P300 million long-term borrowings from a related party approximates its carrying amount as it carries market interest rate of 5%.

3. Credit Risk

The Company's exposure to credit risk arises primarily from financial assets at amortized cost and financial assets at FVTPL.

The Company has prudent credit policies to ensure that sales of its products are made to customers with good credit history. The senior management team, product group heads and the respective sales team perform credit evaluation and monthly review of outstanding receivables as part of the regular performance assessment process. All significant receivables from key customers are monitored for collectability and actual settlement performance, and specific action plans are required for any material overdue amounts from all categories of customers.

The Company's financial assets that are subject to the expected credit loss model are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	Basis for recognition of ECL
Financial assets at amortized cost			
Cash and cash equivalents	3,685,441,583	3,220,960,367	12-month ECL
Trade and other receivables	5,615,604,907	5,756,799,660	Lifetime ECL
Due from related parties	117,972,587	210,796,097	12-month ECL
Refundable deposits	371,365,021	926,576,702	12-month ECL
Financial assets at FVTPL	590,182,543	82,705,350	Marked to market
	10,380,566,640	10,197,838,176	

Cash and cash equivalents exclude cash on hand as at March 31, 2023 amounting to P2,392,091 (2022 - P7,489,005) which is not subject to credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated as at March 31, 2023 and December 31, 2022.

The Group does not hold any collateral as security to the above financial assets.

Cash in bank

Credit risk exposure arising from cash in bank arises from default of the counterparty, with a maximum exposure equal to the fair value of the financial asset. To minimize credit risk exposure, the Group deposits its cash in banks with good credit ratings.

Cash deposited in these banks are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Universal banks	3,671,353,006	3,214,225,956
Thrift banks	14,088,577	6,734,411
	3,685,441,583	3,220,960,367

While cash in banks are also subject to requirements of PFRS 9, expected credit loss is considered not significant. The Group does not hold any collateral as security to the above financial assets.

Due from related parties

Due from related parties pertain to amounts receivable for sale of inventories and services to related parties. These are non-interest bearing and are collectible generally within 30 to 60 days after transaction date. Due from related parties are fully recoverable. Management does not foresee significant credit risk on the outstanding balances of due from related parties as these are transacted with related parties with strong financial and liquidity positions.

Trade and other receivables

i) Trade receivables

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which used a lifetime expected loss allowance for trade receivables arising from sale of goods and services to third parties. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the historical collection cycle.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company has identified the Gross Domestic Product (GDP) and the Inflation Rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at period end was determined as follows:

March 31, 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate				11.78%	1.65%
Gross carrying amount - trade receivables	3,343,427,516	1,235,538,142	246,238,594	786,219,137	5,611,423,389
Loss allowance	-	-	-	(92,598,671)	(92,598,671)
Net receivables	3,343,427,516	1,235,538,142	246,238,594	693,620,466	5,518,824,717

December 31, 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.03%	2.58%	8.32%	12.74%	24.68%
Gross carrying amount - trade receivables	4,252,547,898	717,685,588	371,031,036	415,535,137	5,756,799,658
Loss allowance	(44,004,108)	(18,489,723)	(30,884,151)	(52,954,165)	(146,332,147)
Net receivables	4,208,543,790	699,195,865	340,146,884	362,580,972	5,610,467,511

Trade receivables from its five major customers per segment as at March 31, 2023 and December 31, 2022 are as follows:

March 31, 2023 (Unaudited)	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	2,347,114,931	1,572,499,999	646,724,371	43,585,444	84,305,116	-

December 31, 2022 (Audited)	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	1,796,653,341	983,504,963	546,362,131	187,179,834	79,606,414	

ii) Other receivables

Other receivables include loans to officers and employees amounting to P3,680,301 (2022 - 4,902,797). To address credit risk, these advances are subject to liquidation and/or collectible through salary deduction.

Refundable deposits

This account pertains to security deposits on properties leased by the Company. Security deposits are generally refundable at the end of the lease term. Management does not expect significant credit risk on these deposits.

Financial assets measured at FVPL

The Company's investments in debt instruments are considered to have low credit risk. Management considers 'low credit risk' for unit investment trust funds, as they are managed by universal banks with good credit ratings.

4. Market Risk

4.1 Foreign currency exchange risk

The Company's foreign currency denominated monetary assets and liabilities as at December 31 consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
In USD		
Cash	7,568,216	8,287,911
Receivables	23,061,194	36,525,506
Financial assets at FVPL	-	-
	30,629,410	44,813,417
Trade payable and other liabilities	(10,492,046)	(3,395,406)
Net assets in USD	20,137,364	41,418,011
Closing exchange rate	54.43	55.76
Philippine peso equivalent	1,096,056,595	2,309,468,293

Foreign exchange gain, net for the periods ended March 31 consist of:

	March 31, 2023 (Unaudited)	March 31, 2022 Unaudited)
Realized foreign exchange gain/ (loss)	(20,215,444)	50,354,205
Unrealized foreign exchange gain/ (loss)	8,202,626	(9,172,763)
	(12,012,818)	41,181,442

Foreign exchange risk arises when future commercial transactions and assets and liabilities are denominated in a currency that is not the Parent Company's functional currency.

The Company manages its foreign currency exchange risk through minimizing foreign currency denominated transactions. Also, the Company maintains sufficient cash in foreign currency to cover its maturing obligations. A market driven change in foreign currency exchange rate, arising from US Dollar denominated assets (liabilities), as at March 31 would lead to immaterial pre-tax profit and equity movements.

4.2 Price risk

As at March 31, 2023, the Company is exposed to price risk in relation to its investments in debt and equity financial assets amounting to P590,182,543 and P236,763,755, respectively (December 31, 2022 - P82,705,350 and P236,763,755, respectively). Components of debt and equity financial assets would increase or decrease as a result of gains or losses on these financial assets measured at fair value at the end of each reporting period. Management monitors such financial assets based on the net asset value of the debt instruments (unit investment trust funds) current market price of the shares. These financial assets are managed on an individual basis, and all buy and sell decisions are approved by the Management Committee.

The impact of a market driven change in fair value of the debt and equity investments, with all other variables held constant, would have been immaterial.

4.3 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

Cash flow interest rate risk

The Company's exposure to cash flow interest rate risk pertains to short-term borrowings where the related interests are repriced at periodic intervals based on the prevailing mark-to-market prices, in accordance with the terms of the agreement. The Company's practice is to manage its interest cost by reference to current market rates in borrowings.

The Company's fixed rate borrowings are measured at amortized cost. They are therefore not subject to cash flow interest rate risk as defined in PFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Fair value interest rate risk

Changes in the market interest rates of the Company's financial liabilities with fixed interest rates only affect income if these are measured at their fair value. As such, the Company's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

5. *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, 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 the underlying businesses, the Company aims to maintain flexibility by keeping credit lines available.

On a regular basis, management monitors forecasts of the Company's liquidity reserve on the basis of expected cash flows. The Company places cash in excess of immediate requirements in banks.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments:

	Due and demandable	Within 12 months	Over 12 months	Total
March 31, 2023				
Trade payables and other liabilities	296,835,746	2,626,968,116	-	2,923,803,863
Due to related parties	-	1,502,768,289	-	1,502,768,289
Borrowings and future interest payments	-	9,084,203,854		9,084,203,854
Bonds Payable and future interest payments	-	97,003,868	5,000,000,000	5,097,003,868
Lease liabilities and future interest payments	-	333,281,354	386,140,157	719,421,510
	296,835,746	13,644,225,481	5,386,140,157	19,327,201,384
December 31, 2022				
Trade payables and other liabilities	497,998,721	2,436,204,291	249,887,514	3,184,090,526
Due to related parties	27,357,665	52,857,103	244,561,076	324,775,844
Loan payable to a related party	-	-	-	-
Borrowings and future interest payments	-	1,170,000,00	9,359,385,814	10,529,385,814
Bonds Payable and future interest payments		-	5,218,619,005	5,218,619,005
Lease liabilities and future interest payments	2,000	244,268,231	578,382,271	822,652,502
	525,358,386	3,903,329,625	15,650,835,680	20,079,523,691

The Parent Company, together with its related parties entered into surety agreements with local banks and a corporate guarantee with a foreign bank. The borrowings of the Company are covered by surety agreements and corporate guarantee agreements.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

The Company believes that cash generated from its operating activities and current assets are sufficient to meet maturing obligations required to operate the business. The Company would also be able to meet unexpected cash outflows by accessing additional funding sources from local banks and related parties.

The Company expects to settle the above financial obligations in accordance with their maturity date. However, the Group may consider to roll-over short-term loans based on working capital requirements.

Capital 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 expand business and manufacturing facilities.

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 while working capital requirements will be augmented by short-term bank borrowings from time to time.

Earnings in excess of dividend distribution 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 undergo 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.

As part of the reforms of the PSE to expand the capital market and improve transparency among listed firms, PSE required a minimum percentage of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. On May 31, 2017, the SEC issued a Memorandum Circular to increase the minimum percentage requirement to at least fifteen percent (15%) on or before the end of 2018 and then to at least twenty percent (20%) on or before the end of 2022. The Parent Company is compliant with respect to this requirement.

Total capital is equal to total equity (excluding any reserves) as shown in the consolidated statements of financial position.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Total equity	21,245,465,829	20,651,223,416
Reserves	(189,732,066)	(189,732,066)
	21,055,733,763	20,461,491,350

There are no changes to the Company's capital management policies as at March 31, 2023 and December 31, 2022.

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.

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Alvin D. Lao
President & Chief Executive Officer

____

Franco Diego Q. Lao
Chief Financial Officer and Treasurer

May 10, 2023

ANNEX A

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Financial Position
As at March 31, 2023 and December 31, 2022
(All amounts in Philippine Peso)

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	3,180,066,727	3,250,165,008
Receivables, net	5,460,494,093	5,617,741,525
Inventories, net	7,013,213,251	8,745,436,857
Due from related parties	117,972,587	210,796,097
Financial assets at fair value through profit or loss (FVPL)	590,182,543	82,705,350
Prepayments and other current assets	6,011,182,073	4,129,573,588
Total current assets	22,373,111,274	22,036,418,425
Non-current assets		
Right of use (ROU) assets	679,981,121	896,810,952
Investments in equity securities at fair value through other comprehensive income (FVOCI)	236,763,755	236,763,755
Property, plant and equipment, net	11,827,485,709	11,540,250,974
Deferred income tax assets, net	83,968,273	89,444,470
Goodwill	3,367,846,840	3,367,846,840
Other non current assets	1,699,923,373	2,592,866,789
Total non-current assets	17,895,969,072	18,723,983,781
Total assets	40,269,080,346	40,760,402,205
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables and other liabilities	2,482,507,590	3,265,972,920
Lease Liabilities	257,585,002	473,553,419
Due to related parties	332,768,289	324,775,844
Loan Payable to a related Party	1,170,000,000	1,170,000,000
Borrowings	8,950,000,000	9,350,000,000
Income tax payable	262,189,148	48,317,023
Total current liabilities	13,455,050,029	14,632,619,206
Non-current liabilities		
Lease Liabilities - Non-current	448,279,002	349,099,083
Retirement benefit obligation	158,029,246	169,636,787
Long-term borrowings	4,962,256,242	4,957,823,713
Total non-current liabilities	5,568,564,489	5,476,559,583
Total liabilities	19,023,614,518	20,109,178,789
Equity		
Attributable to the owners of the Parent Company:		
Share Capital	7,142,857,990	7,142,857,990
Share Premium	3,255,166,445	3,255,166,445
Reserve for remeasurement on retireme	35,064,640	35,064,640
Fair value reserve on investments in equ	154,667,426	154,667,426
at FVOCI		-
Retained earnings	10,657,709,327	10,063,466,915
Total equity	21,245,465,828	20,651,223,416
Total liabilities and equity	40,269,080,346	40,760,402,205

ANNEX B

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Total Comprehensive Income
For three months ended March 31, 2023 and 2022
(All amounts in Philippine Peso)

	Three-month period ended Mar 31	
	2023 (Unaudited)	**2022 (Unaudited)**
Revenues		
Sales of goods, net	8,384,173,980	9,967,406,246
Service fees	30,027,135	28,175,794
	8,414,201,115	9,995,582,041
Cost of sales and services		
Cost of sales	(6,991,193,759)	(8,635,486,990)
Cost of services	(29,566,145)	(22,271,805)
	(7,020,759,905)	(8,657,758,795)
Gross profit	1,393,441,211	1,337,823,245
Selling and marketing expenses	(254,803,383)	(270,498,433)
General and administrative expenses	(251,370,794)	(127,467,994)
Other income, net	(2,814,607)	44,640,115
Operating profit	884,452,426	984,496,934
Finance costs	(96,628,512)	(31,401,617)
Profit before income tax expense	787,823,915	953,095,316
Provision for income tax	(193,581,502)	(173,229,651)
Profit for the period	594,242,413	779,865,665
Other comprehensive income	-	-
Total comprehensive income for the period	594,242,413	779,865,665
Profit for the period attributable to		
Owners of the parent Company	594,242,413	779,865,665
Earning per share		
Basic and diluted	0.08	0.11

ANNEX C

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For three months ended March 31, 2023 and 2022
(All amounts in Philippine Peso)

	Three-month period ended Mar 31	
	2023	**2022**
Cash flows from operating activities		
Profit before income tax expense	787,823,915	953,095,316
Adjustments for:		
Depreciation and amortization	87,253,181	100,750,681
Depreciation of ROU Asset	95,621,470	62,410,546
Interest expense on lease	9,434,545	3,152,449
Unrealized foreign exchange (gain) loss, net	(8,202,626)	9,172,763
Loss (Gain) on sale of property and equipment	(89,286)	(413,335)
Loss on direct write-off of receivables	244,742	9,133,931
Unrealized gain on FV changes	(6,182,543)	(9,283,147)
Dividend income	(64,449)	(64,449)
Interest income	(2,448,890)	(1,786,881)
Interest expense	87,193,967	28,249,168
Operating income before working capital changes	1,050,584,024	1,154,417,042
(Increase) decrease in:		
Receivables	157,124,576	(188,762,386)
Due from related parties	92,823,510	(6,136,910)
Inventories	1,732,223,606	(545,325,832)
Prepayments and other current assets	(1,881,608,485)	(880,212,761)
Other non-current assets	892,943,416	469,409,852
(Decrease) increase in:		
Trade payables and other liabilities	(777,612,019)	95,906,340
Due to related parties	7,992,445	217,697,144
Cash generated from operations	1,274,471,074	316,992,488
Income taxes paid	20,290,623	(6,173,701)
Interest received	2,448,890	1,786,881
Net cash from operating activities	1,297,210,587	312,605,667
Cash flows from investing activities		
Dividend received	64,449	64,449
Acquisition of property and equipment	(374,487,916)	(896,279,424)
Investment in financial assets at fair value through profit or loss	(501,294,650)	252,760,414
Proceeds from disposal of property and equipment	89,286	413,335
Net cash from (used in) investing activities	(875,628,831)	(643,041,225)
Cash flows from financing activities		
Availment / payment of borrowings, net	(400,000,000)	(250,000,000)
Lease payments	4,419,862	(60,981,684)
Interest paid from lease liabilities	(9,434,545)	(3,152,449)
Interest paid	(87,193,967)	(28,249,168)
Net cash used in financing activities	(492,208,650)	(342,383,301)
Net increase (decrease) in cash and cash equivalents	(70,626,894)	(672,818,859)
Cash and cash equivalents, beginning	3,250,165,008	5,223,083,857
Effect of foreign exchange rate changes	528,613	5,767,207
Cash and cash equivalents, ending	3,180,066,727	4,556,032,204

ANNEX D

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For three months ended March 31, 2023 and 2022

	Share Capital (Note 14)	Share premium	Reserve for remeasurement on retirement benefit	Fair value reserve on available-for-sale financial assets	Retained earnings Appropriated (Note 14)	Retained earnings Unappropriated	Total equity
Balances at January 1, 2022	7,142,857,990	3,255,166,445	124,206,351	122,473,227	500,000,000	7,960,232,829	19,104,936,842
Comprehensive income							
Profit for the year						779,865,665	779,865,665
Other comprehensive income for the year							-
Total comprehensive income for the year	-	-	-	-	-	779,865,665	779,865,665
Transactions with owners							
Declaration of cash dividend						-	-
Appropriation of retained earnings							-
Total transactions with owners	-	-	-	-	-	-	-
Balances at March 31, 2022	7,142,857,990	3,255,166,445	124,206,351	122,473,227	500,000,000	8,740,098,494	19,884,802,507
Balances at January 1, 2023	7,142,857,990	3,255,166,445	35,064,640	154,667,426	500,000,000	9,563,466,915	20,651,223,416
Comprehensive income							
Profit for the year						594,242,413	594,242,413
Total comprehensive income for the year	-	-	-	-	-	594,242,413	594,242,413
Transactions with owners							
Declaration of cash dividend							-
Total transactions with owners	-	-	-	-	-	-	-
Balances at March 31, 2023	7,142,857,990	3,255,166,445	35,064,640	154,667,426	500,000,000	10,157,709,328	21,245,465,829

ANNEX E

The following table presents the segment information provided to the ManCom about the Group's business segments for the three-month periods ended March 31:

	Food ingredients	Colorant & Plastic Additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Eliminations	Total
Three-month period ended Mar 31, 2023							
External revenue	4,995,068,980	754,815,661	2,268,208,505	366,080,835	30,027,135	-	8,414,201,115
Intersegment sales	59,902,983	1,888,245	10,932,810	11,259,730	138,336,389	(222,320,156)	-
Total revenues	5,054,971,963	756,703,906	2,279,141,315	377,340,565	168,363,524	(222,320,156)	8,414,201,115
Segment result	395,562,338	154,738,567	257,032,382	116,067,380	(40,606,018)	4,472,385	887,267,034
General corporate income	962,101	(4,915,519)	(234,448)	248,957	48,082,505	(46,958,204)	(2,814,607)
Finance costs	(89,258,205)	(111,554)	(5,984,448)	(432,844)	(43,327,279)	42,485,819	(96,628,512)
income tax expense	(102,993,338)	(10,573,596)	(60,499,854)	(19,514,714)	-	-	(193,581,502)
Profit for the period	204,272,897	139,137,898	190,313,631	96,368,779	(35,850,792)	0	594,242,413
Three-month period ended Mar 31, 2022							
External revenue	6,554,417,976	845,001,413	2,316,546,251	251,440,606	28,175,794	-	9,995,582,041
Intersegment sales	17,926,949	15,299,021	18,470,377	5,167,926	155,411,530	(212,275,803)	-
Total revenues	6,572,344,925	860,300,434	2,335,016,628	256,608,533	183,587,325	(212,275,803)	9,995,582,041
Segment result	273,901,177	227,268,831	364,242,270	66,848,638	5,145,956	2,449,946	939,856,818
General corporate income	20,111,364	7,643,033	14,210,415	66,251	48,957,051	(46,347,998)	44,640,115
Finance costs	(29,903,237)	(746,963)	(685,853)	(459,607)	(43,504,009)	43,898,052	(31,401,617)
income tax expense	(85,672,224)	(16,829,721)	(52,969,905)	(11,584,098)	(6,173,703)	-	(173,229,651)
Profit for the period	178,437,080	217,335,180	324,796,927	54,871,184	4,425,295 -	0	779,865,665

ANNEX F

Other segment information are as follows:

	Food ingredients	Colorant & Plastic Additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Total
as of Mar 31, 2023						
Segment assets	16,247,219,936	2,944,091,272	13,543,577,664	941,786,307	6,592,405,167	40,269,080,346
segment liabilities	10,320,377,994	250,272,941	3,130,648,231	261,173,066	5,061,142,286	19,023,614,518
Three-month period ended Mar 31, 2023						
Capital expenditures	1,532,960,789	20,402,520	899,308,812	12,187,727	110,493,269	2,575,353,117
Depreciation and Amortization	242,192,045	28,354,259	173,134,799	36,301,059	53,089,731	533,071,892
as of December 31, 2022						
Segment assets	19,659,593,423	2,697,739,527	15,875,867,460	809,008,076	1,718,193,719	40,760,402,205
segment liabilities	11,106,218,208	159,036,533	3,449,129,835	226,523,180	5,168,271,032	20,109,178,788
Three-month period ended Mar 31, 2022						
Capital expenditures	574,808,563	5,427,625	355,313,799	3,042,511	33,689,915	972,282,413
Depreciation and Amortization	80,110,864	9,206,268	44,640,780	11,943,814	17,259,501	163,161,227