



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)  
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED  
Public Company Registration No. 0107537000831



(Translation)

NEP-AC 002/2562

15 May 2019

Subject: Management Discussion and Analysis for 1<sup>st</sup> Quarter ended 31 March 2019

To : The President

The Stock Exchange of Thailand

### **Operating Result**

NEP Realty and Industry Public company Limited would like to explain the operating result for Quarter 1 ended March 31, 2019 compare with the same period of the previous year as follows

#### **For the past 3 months of Quarter 1 ended of March 31, 2019**

The operating result for the first 3 months periods of 2019 of the company show a net loss of 14.73 million baht, compare to the same period of previous year which a net loss of 6.28 million baht, the increased loss of baht 8.45 million or increased loss percentages of 134.55% , the main reasons are as follow;

#### **1. Revenue from sale , Other income**

The company had sale revenue at the end of Quarter 1 ended of March 31, 2019 at 107.54 million baht, compare with the same period of previous year with amount of 81.01 million baht which increase by 26.53 million baht or 33.00%, which resulted from the company had increase the revenue from flexible packaging.

Other income for Q1, 2019 are 1.69 million baht compare to 0.82 million bath last year, with 0.87 million baht or 106.10% increase compare to the same period of previous year due to an interest received from current investment and revenue from sale of Printed Block.

## **2. Cost of sale , Profit margin**

For Quarter1 of the year 2019, the company had cost of sale of 110.03 million baht compare to 78.13 million baht last year with the increasing of 31.90 million baht or 41% increased, while sale revenue only increase by 33.00% results in less profit margin compare to Quarter 1 of the year 2018 which is reduce by 5.37 million baht or reduce by 186.46%, due to the higher of Grade B products in standard production of sacks with the combination of higher amount of raw materials using than standard setting (BOM Calculation) in Flexible Packaging production line, , especially the printing color, because the new order need a longer set up and repeating proof of color and the higher waste than the standard setting, resulting in higher production costs.

## **3. Selling expenses**

For Quarter1 of the year 2019, the selling expenses was 2.96 million baht or 2.75% from sale revenue compare to 2.55 million baht or 3.15% from sale revenue of last year, increased by 0.41 million baht or 16.08% increased, which increase by the same direction of sale increase at 33.00% which is a result from the better monitoring system to control the expenses, The company still focuses on expanding the flexible packaging market.

## **4. Administrative expenses**

For Quarter1 of the year 2019, the administration expenses was 14.01 million baht or 13.03% from revenue compare to 15.51 million baht or 19.15% last year, Reduced by 1.50 million baht or 9.67% decreased. These higher expenses in Q1, 2018 came from the payment to financial consulting, expenses from the extraordinary general shareholder's meeting and extra cost from specific capital increase in January 2018.

## **5. Management benefit expenses**

For Quarter1 of the year 2019, the management benefit was 3.21 million baht compare to 4.35 million baht, decrease by 1.14 million or 26.21% decreased because the company had adjust the organization to be more compact and more cost saving.

## **6. Financial cost**

For Quarter1 of the year 2019, the financial cost was 0.44 million baht compare to 0.39 million bath last year, increase by 0.09 million baht or 23.08% increased due to the payment through banking of plastic granule purchased (TR) .

#### **7. Share of profit (loss) from investment in associated company**

For Quarter1 of the year 2019, Share of profit (loss) from investment in associated company was 6.78 million baht compare to 12.73 million bath last year, decrease by 5.95 million baht or 46.74 % decreased because the associated company had a less earning than previous year.

### **Company Financial status**

**1. Total asset**, the company had total asset as at March 31, 2019 with amount of 880.36 million bath decrease from December 31, 2018 by 5.99 million baht or 0.68% decreased, the details of the change are as follows:

**1.1 Current asset** as of March 31, 2019 with amount of 195.19 million bath decreased by 7.59 million bath or 3.74% decreased compared to Q1, 2018, due to cash and cash equivalents decrease by 38.10 million bath as a result of the company has taken cash of 30 million baht to a 6-month fixed deposit, therefore, the temporary investment increased by 30 million baht and used in the management of 8.10 million baht. The trade accounts receivable increased by 8.93 million baht, remaining inventories decreased by 7.47 million baht which was in line with the increasing in sale.

**1.2 Non-current asset** as of March 31, 2019 with amount of 685.16 million bath increase by 1.59 million bath or 0.23% increase, is an increasing in an investment in associated company of 6.78 million baht from better operating results of associated companies with a decreased in property, plant and equipment at 5.08 million baht due to the annual depreciation calculation.

**2. Total liability**, the company had total liability as of March 31, 2019 at 110.47 million bath increase from December 31, 2018 at 8.74 million bath or 8.59% increase, the details of the change are as follows:

**2.1 Current liability** as of March 31, 2019 with amount of 99.70 million bath increase by 8.81 million bath or 9.69% increase, is an increasing of short-term loans from financial institutions with the amount of 24.80 million baht, which is part of the purchase of plastic resin by bank payment (TR) with the decrease in account payable and other payable by 5.98 million bath.

Overall short-term loans and Account payable in Q1, 2019 has increased compare to Q1 in 2018 at 9.40 million baht or 14.70 % following the fact that the company has a rising sale trend, so it has to ordered more raw materials.

**2.2 Non-current liability** as of March 31, 2019 with amount of 10.77 million baht decrease by 0.07 million bath or 0.65% decrease, as a result of reduction in the payment of hire-purchase payable with the amount of 0.30 million baht and the increased in employee benefit obligation payment at 0.23 million baht.

**3. Shareholder equity** as of March 31, 2019 with amount of 769.89 million bath decrease from December 31, 2018 by 14.73 million bath or 1.88% decrease, since the company loss from operation by 14.73 million bath.

### **Future Trends**

From the problem of making gross profit in accordance to the business plan, The company will continues to focus on solving production problems follows the below details

- Recruiting, adjusting and developing personnel to be ready at all levels.
- Prepare manual work process for each department to control quality and reduce losses
- Create motivation by rewarding, if able to produce and control waste according to the target
- Improved data storage system and production reports for monitoring and controlling

For the direction of sales in 2019, it will continue to focus on expanding Flexible Packaging customers in the rice industry, Pet food industry, because it is a group that the company has the opportunity to receive an order of sacks, printed sacks or gravure sacks as well, and is a product that is not very complicated. This type of products are regularly produces by the factory which will help in waste controls and effectively manage the raw materials.

Please be informed accordingly,

Sincerely yours,

(Mr.Saton Samerphark)

Managing Director