



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



(Translation)

NEP-AC 001/2563

26 February 2020

Subject: Management Discussion and Analysis for year ended December 31, 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 year ended of 2019 compare with the same period of the previous year as follows

The operating result for year ended December 31, 2019 show a net loss of 53.39 million baht, compare to the same period of previous year which a net loss of 49.96 million baht, the decreased loss of 3.43 million baht, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for year ended December 31, 2019 at 406.64 million baht, compare with the same period of previous year with amount of 389.37 million baht which increase by 17.26 million baht or 4.43% increase, which resulted from revenue increased from the sale of flexible packaging line which is higher than previous year. Even though the sale of plastic woven sack is decreased from the effects of the recessions of economic circumstance since the beginning of the year, combine with the drought condition which affected the agricultural sectors which is the main customer of the company resulted in non-achievable to the sale target.

Other incomes for 2019 are 2.86 million baht with no significantly transaction changes.

2. Cost of sales , Profit margin

For year ended December 31, 2019, the company had cost of sales at 402.91 million bath compare to 396.52 million baht last year with the increasing of 6.39 million bath or 1.61% increased, while sale revenue increase by 4.43% results in better profit margin compare to the year 2018 which is increase by 10.87 million baht due to the company has more capability to control waste thus, the increasing in production capacity.

3. Selling expenses

For the year end of 2019, the selling expenses was 13.28 million baht or 3.27% from sale revenue compare to 11.38 million baht with is higher in the same proportion of sale revenue.

4. Administrative expenses

For the year end of 2019, the administration expenses was 56.34 million baht or 13.85% from revenue compare to 60.75 million baht or 15.60% last year, decreased by 4.41 million baht or 7.26% decreased. This decrease is the result from a better control of expense thus the compact of the restructuring of the organization structure even in 2019 the company still have a cost of compensation and early retirement of employee during the woven bag production base relocation. But in overall the expenses still less than in 2018.

5. Loss from sales and asset's impairment.

For the year end of 2019, Company has set up a property impairment which is a swimming pool cub in NEP PARK village with the reason that those property is not generate income.

6. Management benefit expenses

For the year end of 2019, the management benefit was 14.38 million baht compare to 15.90 million baht, decrease by 1.52 million or 9.56% decreased because the company had adjust the organization to be more compact and more cost saving.

7. Financial cost

For the year end of 2019, the financial cost was 1.49 million baht compare to 1.38 million bath last year, increase by 0.11million baht or 8.02 % increased due to the interest of the payment through banking of plastic resin purchased (TR) .

8. Share of profit (loss) from investment in associated company

For the year end of 2019, Share of profit from investment in associated company was 30.69 million baht compare to 44.99 million bath last year, decrease by 14.30 million baht or 31.78% decreased because the associated company had less earning than previous year.

Company Financial status

1. Total asset, the company had total asset as at December 31, 2019 with amount of 810.91 million bath decrease from December 31, 2018 by 75.44 million baht or 8.51% decreased, the details of the change are as follows:

1.1 Current asset as of December 31, 2019 with amount of 196.16 million bath decreased by 6.62 million bath or 3.27% decreased due to the main reason of the decreasing is the decreased of cash and cash equivalents due to the loss of company operating results and the reduction of inventory at 13.48 million baht which is consistent with sale. This transaction also shows that the company has ability to faster the collectable payment periods from customer and faster turnover rate of inventory.

1.2 Non-current asset as of December 31, 2019 with amount of 617.74 million bath decrease by 68.82 million bath or 10.07% decrease due to the main reasons of the reduction of restricted bank deposits (TR) with the amount of 30 million baht plus the reduced in property, plant and equipment at 42.24 million baht due to the reduction of production cost project by selling the Extruder machine and weaving machine of sack production line at 20.53 million baht plus the annual depreciation calculation.

2. Total liability, the company had total liability as of December 31, 2019 at 79.68 million bath decrease from December 31, 2018 at 22.05 million bath or 21.67% decrease, the details of the change are as follows:

2.1 Current liability as of December 31, 2019 with amount of 70.86 million bath decrease by 20.02 million bath or 22.03% decrease, is an decreasing from the completely paid off foreign debt on September 20, 2019 with the amount of 24.62 million baht. Although the short-term loans from financial institutions increase with the amount of 5.94 million baht, which is part of the purchase of plastic resin by bank payment (TR). Overall short-term loans has increased following the fact that the company has a rising sale trend, so it has to order more raw materials.

2.2 Non-current liability as of December 31, 2019 with amount of 8.82 million baht decrease by 2.02 million bath or 18.66% decrease, as a result of reduction in the payment of hire-purchase payable with the amount of 1.04 million baht and the decreased in employee benefit obligation payment at 0.98 million baht.

3. Shareholder equity as of December 31, 2019 with amount of 731.23 million bath decrease from December 31, 2018 by 53.39 million bath or 6.80% decrease, since the company loss from operation.

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 2020, it will continue to focus on expanding Flexible Packaging customers into 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. These types 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. Weerachart Lohsiri

Managing director