



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



NEP-AC 001/2018

22 February 2018

Subject : Management Discussion and Analysis for the year ended 31 December 2017

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 the year ended December 31, 2017 compare with previous year as follows:

#### **For the year ended December 31, 2017**

The company had the operating result for the year ended December 31, 2017 show a net loss of Baht 30.13 million, compared to previous year which a net loss of Baht 68.58 million, the loss decrease Baht 38.45 million or decrease by 56.07% , the main reasons are as follow :

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

The company had revenue from sale for year 2017 of Baht 350.59 million, compare with previous year amount to Baht 298.86 million which increase Baht 51.73 million or 17.31%, due to the company had recognized income from sale on flexible packaging Baht 41.80 million and the sale on plastic sack increased Baht 9.93 million.

For other income, the company had other income for year 2017 of Baht 3.44 million compare with previous year amount to Baht 2.69 million , increase Baht 0.75 million or 27.78%, due to in year 2017 the company had received an interest from short term investment Baht 1.0 million.

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

In year 2017 the company had cost of sale Baht 333.48 million compare with the previous year amount to Baht 293.71 million, increase Baht 39.77 million or increase 13.54%, which increase by the same direction of sale increased and the profit margin increase by Baht 11.96 million or increase 232.3%, due to the company has improved its production efficiency and gain from sale of flexible packaging.

### **3. Selling expenses**

In year 2017, the selling expenses was Baht 9.96 million compare with the previous year amount to Baht 10.08 million, decrease Baht 0.12 million or decrease 1.17%, this is due to the company set measure to control appropriate spending.

### **4. Administrative expenses**

In year 2017, the administration expenses was Baht 53.24 million compare with the previous year amount to Baht 54.50 million, decrease by Baht 1.26 million or decrease 2.31%, because the company has strictly control in spending .

### **5. Loss from impairment on asset**

In year 2017 the loss from impairment on asset was show negative loss Baht 0.89 million compare with the previous year loss to Baht 11.64 million, decrease Baht 12.53 million or decrease 107.65% , due to the company had profit from sale on obsolete machine Baht 1.94 million ,cause to revert allowance for decline value which was previously recorded as a loss from impairment on asset Baht 2.83 million.

### **6. Management benefit expenses**

In year 2017, the management benefit was Baht 17.04 million compare with the previous year amount to Baht 15.71 million, increase Baht 1.33 million or increase 8.4% , because the company added the employee at the management level to align with appropriate organizational restructuring in order to improve management efficiency.

### **7. Financial cost**

In year 2017, the financial cost was Baht 1.88 million compare with the previous year amount to Baht 5.95 million, decrease Baht 4.08 million or decrease 68.44%, since the company repaid the loan cause this expense has been reduced.

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

In year 2017, share of profit from investment in associated company was Baht 29.26 million compare with the previous year amount to Baht 20.70 million, increase Baht 8.56 million or increase 41.36%, because the associates company had a better performance than previous year

## **Financial Position**

1. **Total asset**, the company had total asset as at December 31, 2017 amount of Baht 758.84 million decrease from December 31, 2016 by Baht 10.63 or 1.38% , the details of the change are as follow :
  - 1.1 **Current asset** as at December 31, 2017 amount of Baht 170.35 million decrease by Baht 50.76 million or 22.96%, due to cash and cash equivalents decrease Baht 31.32 million, current investment decrease Baht 55.0 million, since the company spent money on new production lines and repay loans. In addition trade accounts receivable increase by Baht 17.92 million, which was in line with the increase in sale, and the inventory increase Baht 18.16 million , because reserve of raw material for new product and work in process increase by customer order.
  - 1.2 **Non current asset** as at December 31, 2017 amount of Baht 588.49 million increase Baht 40.14 million or 7.32% , an increase of investment in associated company Baht 20.16 million and increase in property, plant and equipment by Baht 19.48 million, due to the investment in machinery of new production line, and Intangible assets increase Baht 0.92 million due to upgraded the accounting software to current version.
  
2. **Total liability**, the company had total liability as at December 31, 2017 of Baht 90.56 million decrease from December 31, 2016 to Baht 0.49 or 0.55% , the details of the change are as follow :
  - 2.1 **Current liability** as at, December 31, 2017 amount of Baht 57.65 million increase Baht 6.99 million or 13.79%, This is an increase in raw material creditor amount of Baht 9.49 million ,due to the fact that the company has a rising sale trend, so it has to order more raw material and decrease in current portion of long term loan amount of Baht 2.86 million.
  - 2.2 **Non current liability** as at December 31, 2017 amount of Baht 32.91 million decrease Baht 7.48 million or 18.53%, as a result of repayment of long-term loans from financial institutions Baht 9.67 million, paid to loan from affiliated party Baht 0.42 million and increase in liability under hire purchase agreement amount of Baht 3.72 million.
  
3. **Shareholder equity** as at, December 31, 2017 amount of Baht 668.28 million decrease from December 31, 2016 by Baht 10.13 or 1.49% , since the company had received deposit on common stock amount of Baht 20 million and the company still has operating loss Baht 30.13 million, however the loss of year 2017 is less than previous year 56.07%

## **Cash Flow**

The company has Cash and cash equivalents at the end of year 2017 of Baht 55.99 million, decrease from previous year of Baht 31.32 million. There are source and used of fund as follow:

***Cash flow from operating activities***, during year 2017 the company has net cash used in operating activities of Baht 61.56 million. In year 2017 the company has less revenue than expenditure of Baht 33.75 million and there are increase in inventories , raw material and work in process amount of Baht 19.13 million, at the same time there are increase in undue account receivable amount of Baht 18.52 million and decrease in trade account payable and other payable amount of Baht 9.5 million.

***Cash flow from investing activities***, has Baht 28.13 million, there are dividend received from associated company of Baht 9.10 million, cash received from current investment of Baht 55.0 million, which is received from the share capital increase in year 2016, and purchase of machinery for new production line of Baht 36.61 million

***Cash flow from financing activities***, in year 2017 amount of Baht 2.10 million, the details are as, the company received advance payment for share capital of Baht 20.0 million and used cash from increase in share capital in year 2016 to paid long term loan and loan from related parties totaling of Baht 12.94 million and payment under hire purchase contract of Baht 3.13 million including interest paid of Baht 1.83 million.

**In summary**, the company managed the cash flows by using cash from raised share capital in year 2016 for operation, repaid loan and invest in machinery for new production line.

## **Trend of year 2018**

The company is focus on increasing the efficiency of the manufacturing process, control cost and expanding its customer base for new production lines, as well as maintaining its existing customers to enable the company to make a profit from the operation in near future.

Please be informed accordingly.

Sincerely yours,

Vee Worasakyotin

Managing Director

