



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



(Translation)

NEP-AC 002/2565

12 May 2022

Subject: Management Discussion and Analysis for Q1 end of 31 March 2022

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 of March 31, 2022 compare with the same period of the previous year as follows

#### **For the past 3 months of Quarter 1 ended of March 31, 2022**

The operating result for Quarter 1 of the year 2022 of the company show a net loss of 11.74 million baht, compare to the same period of previous year which a net loss of 10.17 million baht, the increased loss of 1.57 million due to the main reasons as follow;

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

The company had sale revenue at the end of Quarter 1 ended of March 31, 2022 at 92.24 million baht, compare with the same period of previous year with amount of 97.57 million baht which decrease by 5.32 million baht or 5.45%, due to the impact of sales from Plastic woven bag that was declined from the cancellation of plastic woven bag's production line and the Company only selected large customers. However, sales of Flexible packaging tend to be higher than last year from the opening the market with new release of new products.

Other income for Q1, 2022 are 2.71 million baht compare to last year at 0.62 million baht , with 2.10 million baht increased, main increasing came from the rental and services fees for

production facilities of plastic woven package that VAVA pack company have rent details are mention in Notes of financial statement no.20.

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

For Quarter 1 of the year 2022, the company had cost of sale of 97.07 million baht compare to 103.42 million baht last year with the decreasing of 6.35 million baht or 6.14% decreased, while sale revenue decreases by 5.45% this reveal that the company has lower cost per unit however still in negative gross loss profit margin of 5.23%

From changing the business model to outsourcing production of plastic woven bag or Trading by hiring other partnership manufacturer to produce instead of our own manufacturing. As a results, the company has a relatively stable gross profit margin in this quarter even the sale is reduced.

However. The company still get loss in gross margin of Flexible packaging in Q1, 2022 due to the increasing cost of raw materials show 15-20% increase and fluctuates every week according to oil prices from the world economic downturn from the War between Russia and Ukraine , while the selling price has been committed with customers.

## **3. Selling expenses**

For Quarter 1 of the year 2022, the selling expenses. was 2.32 million baht or 2.51% from sale revenue compare to 2.76 million baht or 2.82% from sale revenue of 2021 which was slightly decrease in the same proportion to the decrease in sale revenue. However, when considered in percentages of sale, the company has better control in selling expenses compare to previous year.

## **4. Administrative expenses**

For Quarter 1 of the year 2022, the administration expenses were 11.46 million baht or 12.42% of revenue compared to the same period last year at 12.37 million baht or 12.67 % of revenue which almost the same with previous year when considered in percentages. Due to the organization restructured to be more compact and the company has focus on ongoing cost

reduction which shows that the company have better controlled the administrative expenses compared to last year.

#### **5. Management benefit expenses**

For Quarter 1 of the year 2022, the management benefit was 3.78 million baht compare to 3.33 million baht, increase by 0.46 million baht or 13.81% increased due to the company decided to hire an expertise management in Sale and Marketing and Research and Development of packaging to focus on product developments, cost reductions and new product developments according to new business plan.

#### **6. Financial cost**

For Quarter 1 of the year 2022, the financial cost was 0.15 million baht compare to 0.18 million baht last year, which is almost the same with previous year. The financial cost came from the Interest from hire purchase contract and the interest payment from the payment through banking of plastic granule purchased (TR) without the long-term debts from financial institutions. The Company has no long-term debt with any financial institution.

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

For Quarter 1 of the year 2022, share of profit from investment in associated company was 8.10 million baht compare to 13.70 million baht last year, decreased by 5.60 million baht or because the associated company had less earned than previous year.

### **Company Financial status**

- 1. Total asset**, the company had total asset as of March 31, 2022 with amount of 782.46 million baht decrease from December 31, 2021 by 2.33 million baht or 0.29% decreased, the details of the change are as follows:

- 1.1 Current asset** as of March 31, 2022 with amount of 142.31 million baht increased from 2021 by 6.27 million baht or 39.08% increased as a results of the increasing in Trade account and current account receivable from the sale of machinery for producing Plastic woven bag to VAVA pack company limited according to the resolution of the Board of Directors' meeting

No. 4/2565 with amount of 12.68 million baht details mentioned in Notes of financial statement no.20.

**1.2 Non-current asset** as of March 31, 2022 with amount of 640.15 million baht decrease by 8.61 million baht or 1.32% decrease due to the increasing in investment in associated company of 8.10 million baht. With the decreasing in land properties and equipment of 15.86 million baht from the annual depreciation and from the company selling machines for producing plastic woven bag to VAVA Pack Co., ltd. followed the report above.

**2. Total liability**, the company had total liability as of March 31, 2022 at 136.37 million baht increase from December 31, 2021 at 9.41 million baht or 7.41% increase, the details of the change are as follows:

**2.1 Current liability** as of March 31, 2022 with amount of 127.79 million baht increase by 13.27 million baht or 11.58% increase, is an increasing of short-term loans for purchasing raw materials (TR) and Trade account payable following the requested from the company in to extended the credit term from suppliers (45-90 days) to manage current cash for operation plus the effect from raw materials stocks in the higher cost increasing of the raw materials.

**2.2 Non-current liability** as of March 31, 2022 with amount of 8.58 million baht decrease by 3.95 million baht or 31.75% decrease from the decreasing in the estimation of non-current liabilities for employee benefits which has been recalculated due to the termination of plastic woven bag production line, which some of them required early retirement and some are layoff. However, the company has no long-term debt from any financial institute.

**3. Shareholder equity** as of March 31, 2022 with amount of 646.09 million baht decrease from December 31, 2021 by 11.74 million baht or 1.78% decreased, since the company loss from operation in Q1 by 11.74 million baht.

### **Future Trends**

For the direction of sales in 2022, during the economic regression all over the country and the world, from the War and from the Covid-19 pandemic outbreak, The Company has project to adjust the business model of Plastic woven bag to be outsourcing or Trading format from existing customer bases. By outsourcing production from business partner manufacturers instead of producing our own

which help the company to eliminate risk of economy of scale and waste control that the company cannot control, which will result in the company's stable gross profit margin. The Company will continue to focus on increasing sale and expanding market of Flexible Packaging to fulfill the production capacity to cover the fixed cost that the company have invested for the new machineries in order to improved quality and varieties of products with the standard setting of production procedure, raw materials consumption including strictly waste controlling system to followed standard setting.

Another factor that the Company pays attention to is the raw material pricing that continually increase following the oil price increasing. The Company has planned to order raw materials in advance and plan to received order from customers, setting selling price with customers in accordance with the raw material's purchase plan.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director