



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



(Translation)

NEP-AC 003/2564

11 Aug 2021

Subject: Management Discussion and Analysis for Q2 end of 30 June 2021

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 2 ended of June 30, 2021 compare with the same period of the previous year as follows

For the past 3 months of Quarter 2 ended of June 30, 2021

The operating result for the past 3 months of quarter 2 ends of June 30, 2021 of the company show a net loss of 2.38 million baht, compare to the same period of previous year which a net loss of 6.55 million baht, the decreased loss of 4.17 million or decreased loss percentages of 63.68% , the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue at the end of Quarter 2 ended of June 30, 2021 at 95.24 million baht, compare with the same period of previous year with amount of 99.83 million baht which decrease by 4.59 million baht or 4.60 % decreased, due to the decreased sale of Plastic woven bag packaging which continually affected by Covid-19 pandemic throughout the country. Those pandemic still effect overall countries economic. On the contrary, company still maintain the sales to be similar to the previous year.

Other income for Q2, 2021 are 0.56 million baht compare to 1.03 million bath last year, with 0.47 million baht decrease due to in the year 2020, company gained other incomes from interest payment on short-term deposit.

2. Cost of sale , Profit margin

For Quarter 2 of the year 2021, the company had cost of sale of 100.70 million bath compare to 98.73 million baht last year with the increasing of 1.97 million bath or 2.00 % increased, while sale revenue decrease by 4.60% showed the increasing in cost per unit results in negative gross profit margin of Quarter 2 of the year 2021 are 5.73%.

The reasons behind the negative gross profit margin are lower sales of products that cannot covered the fix cost of production plus the cost controlling process in production still going under standard setting. Another main reasons is the cost of raw materials such as plastic resins, films and colors are continuing increased since the end of quarter 4, 2020 with around 15-20% increasing, but the company can increase the selling prices by 8-10 % due to the competitiveness of the business during this economic recession.

3. Selling expenses

For Quarter 2 of the year 2021, the selling expenses was 2.66 million baht or 2.79% from sale revenue compare to 2.66 million baht or 2.66% from sale revenue with almost the same amount compare to last year came from the compact of restructuring of the organization thus the better cost control in delivery expenses.

4. Administrative expenses

For Quarter 2 of the year 2021, the administration expenses was 10.76 million baht or 11.23% from sale revenue compared to the same period last year at 11.80 million baht or 11.70% from sale revenue, with almost the same amount compare to last year, those are the result from a better control of expense thus the compact of the restructuring of the organization structure and the focus on reducing expenses of the company these shows the efficiency of the company to control an administrative expenses.

5. Management benefit expenses

For Quarter 2 of the year 2021, the management benefit was 3.57 million baht compare to 3.24 million baht, increase by 0.34 million or 10.45% increased because the company had hires new personnel in management level in Marketing and Sales department and Research and Development department to focus on expanding the market to increase sales in the future.

6. Financial cost

For Quarter 2 of the year 2021, the financial cost was 0.19 million baht compare to 0.18 million bath last year, which almost the same amount compare to last year. The financial cost of the company mainly come from the interest on hire purchase contracts and the interest payment from the payment through banking of plastic resin purchased (TR). The company has no long-term debt from financial institutions.

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

For Quarter 2 of the year 2021, share of profit from investment in associated company was 19.70 million baht compare to 9.19 million bath last year, increased by 10.51 million baht or 114.38% increased because the associated company had better earning than previous year.

For the past 6 months ended of June 30, 2021

The operating result for the past 6 months for the year 2021 of the company show a net loss of 12.55 million baht, compare to the same period of previous year which a net loss of 12.76 million baht, the decreased loss of 0.21 million baht, or 1.64% decreased loss, the main reasons are as follow;

1. Revenue from sale , Other income

The company had sale revenue for the past 6 month ended of June 30, 2021 at 192.81 million baht compare with the same period of previous year with amount of 197.97 million baht which is decreased by 5.16 million baht or 2.61% decrease, which resulted from less revenue from the sale of plastic woven bags from the economic recession due to the effected pf

Covid-19 pandemic situation. Allowing the company to sustain the sale to be compared with previous year.

Other income for the past 6 months of 2021 are 1.18 million baht slightly decreased compared to last year. Other incomes mainly came from the sale of Waste from production line, general waste and unused materials.

2. Cost of sale , Profit margin

For the past 6 month of 2021, the company had cost of sale of 204.12 million bath compare to 197.09 million baht last year with the increasing of 7.03 million bath or 3.56% increased, while the sale decrease by 2.61% this results show higher cost per unit. And results in Negative loss in gross profit margin of the company by 5.87%.

The reasons behind the negative gross profit margin are lower sales of products that cannot covered the fix cost of production plus the cost controlling process in production still going under standard setting. Another main reasons is the cost of raw materials such as plastic granules, films and colors are continuing increased since the end of quarter 4, 2020 with around 15-20% increasing, but the company can increase the selling prices by 8-10 % due to the competitiveness of the business during this economic recession.

3. Selling expenses

For the past 6 month of 2021, the selling expenses was 5.42 million baht or 2.81% from sale revenue compare to 5.66 million baht which is in the same decreasing proportion with the reduction of sales.

4. Administrative expenses

For the past 6 month of 2021, the administration expenses was 23.13 million baht compare to 23.76 million baht. Reduced by 0.63 million baht or 2.64% decreased. This decrease is the came from better management to compact the organization structure and continuous focus on reduction of expense of the company.

5. Management benefit expenses

For the past 6 month of 2021, the management benefit was 6.90 million baht compare to 6.21 million baht, increase by 0.69 million or 11.11% increased which came from the company had hires new personnel in management level in Marketing and Sales department and experienced Research and Development for packaging to focus on new product development, reduce wasted and improved quality of existing product in order to expanding the market to increase sales in the future..

6. Financial cost

For the past 6 month of 2021, the financial cost was 0.37 million baht compare to 0.40 million bath last year, decrease by 0.03 million baht or 7.34% decreased because the interest on hire purchase contracts and the interest payment from the payment through banking of plastic resin purchased (TR). The company has no long-term debt from financial institutions. .

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

For the past 6 month of 2021, Share of profit from investment in associated company was 33.39 million baht compared to 20.58 million baht last year, increased by 12.81 million baht or 62.24 % increased because the associated company had a better earning than previous year.

Company Financial status

- 1. Total asset**, the company had total asset as of June 30, 2021 with amount of 795.60 million bath increased from December 31, 2020 by 5.93 million baht or 0.75% increased, the details of the change are as follows:

- 1.1 Current asset** as of June 30, 2021 with amount of 142.70 million bath decreased from December 31, 2020 by 2.31 million bath or 1.59% decreased which was slightly decrease.

- 1.2 Non-current asset** as of June 30, 2021 with amount of 652.90 million bath increase by 8.24 million bath or 1.28% increase due to the increasing in investment in associated company of 9.16 million baht from better earning of associated company and the increasing investment in associated company.
- 2. Total liability**, the company had total liability as of June 30, 2021 at 106.06 million bath increase from December 31, 2020 at 18.49 million bath or 21.11% increase, the details of the change are as follows:
- 2.1 Current liability** as of June 30, 2021 with amount of 95.39 million bath increase by 19.17 million bath or 25.15% increase, is an increasing in Short-term loans for purchasing of raw materials (TR) and Account payable with total amount of 18.97 million bath because the company has requested to extend the payment periods to be longer (45-90 days) with the additional effected of raw materials stock preparing in the periods of cost of raw materials which also increased.
- 2.2 Non-current liability** as of June 30, 2021 with amount of 10.67 million baht decrease by 0.68 million bath or 5.99% decrease, with no significantly changes.
- 3. Shareholder equity** as of June 30, 2021 with amount of 689.55 million bath decrease from December 31, 2020 by 12.55 million bath or 1.15% decreased, since the company loss from operation by 12.55 million baht.

Future Trends

For the direction of sales in 2021 during the recession of the economic all over the world from the pandemic of Covid-19, the company will try to sustain the sale and operation of the company to be comparable with last year. The company 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. This type of products are regularly produces by the factory which will help in waste controls and effectively manage the raw materials.

In the year 2021, the company has plan to introduce new products for Flexible packaging to increase varieties of products which will be able to expand customer groups and upgrade the production system to reach higher-end customers.

Please be informed accordingly,

Sincerely yours,

Mr. Weerachart Lohsiri

Managing director