



บริษัท เที่ยรสุรัตน์ จำกัด (มหาชน)

TSR.IR.003/2018

26 February 2018

Subject: Management Discussion and Analysis
For the year ended 31 December 2017
Thiensurat Public Company Limited

To: President
The Stock Exchange of Thailand

Overview of Operating Results for the Year Ended 31 December 2017

Operating results of Thiensurat Public Company Limited (“TSR” or “the Company”) and its subsidiaries (collectively called “the Group”) for the year ended 31 December 2017 (“FY17”), the Group generated net profit of Baht 77.37 million, a decrease of Baht 3.22 million or 4.00% compared to the net profit for the year ended 31 December 2016 (“FY16”). As a result, the Group’s earnings per share (“EPS”) decreased Baht 0.02.

In 2017, the Company continues its marketing strategy by expanding distribution channels for direct sales, modern trade as well as dealers. The Company has deployed Mobile Application in selling and collection processes to increase efficiency. In terms of products, the Company’s drinking water purifiers are suitable for all customers’ lifestyles and can be used for the treatment of all water quality. In addition to water purifier for drinking water, the Company distributes water purifier for regular usage to satisfy customers’ needs in order to cope with water quality problem. As for electric appliances namely air conditioner, water heater, television and washing machine, etc., saw a substantial increase in sales volume resulting from selling through telemarketing sales which focus on up-sell and cross-sell to existing customers. Moreover, the Company has increased market penetration through Social Network including Line, Facebook, Lazada, etc. Together with PONSaBUY Program, sales of electric appliances instantly increased.

The Company continues to invest in product research and development for improving the cleanliness of water, to convert purified water into Alkaline water (the Company has registered patents and petty patents with the Department of Intellectual Property, Ministry of Commerce, eligible for 4 to 5-year term protection) and contains minerals which are necessary for body. TSR continually improve product quality as well as design, and utilize technology for comfort use.

Performance Overview FY17

Analysis of operating results

Income Statement

Revenues

- **Revenues from sales of goods, hire purchase interest income including income from loan receivables of a subsidiary (“total revenues”)** of the Group for FY17 amounting to Baht 1,649.56 million, a decrease of Baht 186.59 million or 10.16 % compared to those of FY16. The revenues consisted of revenue from sales of goods amounting to Baht 1,431.69 million, a decrease of Baht 175.93 million or 10.94%; hire purchase interest income including income from loan receivables amounting to Baht 217.87 million, a decrease of Baht 10.66 million, or decreased by 4.66%. Economic growth slowed since the end of 2016 as well as more stringent measures of credit approval policy caused the decrease in sales of water purifiers. On the other hand, customers’ demands on electric appliances, and PONSaBUY Program boosted the proportion of electric appliances sales volume.
- **Other income** of the Group for FY17 was Baht 43.82 million, an increase of Baht 15.41 million from FY16. Majority was from sales of plastic scrap as well as premium products, and bad debt recoveries.

Expenses

- **Cost of sales** of the Group for FY17 was Baht 400.42 million, a decrease of Baht 21.18 million or 5.02%. Compared to FY16, the proportion of cost of sales to total revenues of FY17 slightly increased from 22.96% to 24.27%. The increase in the proportion of FY17 was due to substantial growth in proportion of sales of electric appliances; cost of electric appliances has higher cost than those of water purifiers.
- **Selling expenses** of the Group for FY17 were Baht 595.00 million, a decrease of Baht 71.30 million or 10.70%. The proportion of selling expenses to total revenues was 36.07% which decreased from FY16 (FY16: 36.29%). This was in line with the decrease in revenues from sales of goods. In addition, the drop of selling expense proportion showed the efficiency of the Company in expenditure management.
- **Administrative expenses** of the Group for FY17 were Baht 427.89 million, an increase of Baht 11.52 million or 2.77%. The proportion of administrative expenses to total revenues increased

from 22.68% of FY16 to 25.94% of FY17. The increase of administrative expenses consisted of an increase in employee expenditures namely salary, bonus and other employee benefits due to adding more staff, increases in depreciation of building and vehicle, including amortization of information technology system to support business expansion.

- **Doubtful accounts and bad debts** of the Group for FY17 were Baht 159.44 million, a decrease of Baht 75.84 million or 32.23% due to measurement to cope with bad debts - establishment of more prudent credit approval policy; shortening payment terms and increase stringency in credit approval processes to ensure quality of hire purchase receivables. The credit approval process was strictly monitored by the Company's Credit Department. In addition, according to the Company's policy, commissions will be recalled from sales staff on uncollectible hire purchase receivables. Such policy has been consistently reviewed on a regular basis.

In 2017, by benchmarking with other companies in hire purchase industry, the Company has revised rates and method of allowance for doubtful account calculation which caused decreases in allowance for doubtful accounts.

Profits

- **Gross Profit** (calculated by deducting cost of sales from total revenues from sales of goods and hire purchase interest income including income from loan receivables) of the Group for FY17 and FY16 were Baht 1,249.14 million and Baht 1,414.56 million, or 75.73% and 77.04%, respectively. A drop of Baht 165.41 million or 11.69% was due to a decrease in total revenues, and a substantial growth in proportion of sales of electric appliances of which the cost has higher cost than those of water purifiers.
- **Net profit** of the Group for FY17 was Baht 77.36 million, decreased of Baht 3.22 million or 4.00% (FY16: net profit of Baht 80.59 million). A decrease in net profit of FY17 was due to a decrease of total revenues, as well as an increase of administrative expenses to prepare for business expansion in terms of human capital and equipment.

The net profit ratio of FY17 increased from 4.31% of FY16 to 4.51% as a result of the above mentioned rationale.

Statement of Financial Position

Total assets

As at 31 December 2017, total assets of the Group were Baht 1,481.31 million, decreased by Baht 382.78 million, or 20.53% compared to 31 December 2016. Majority of the decrease were from accounts receivable from hire purchase which was caused by more stringency in credit approval process to increase debt quality in order to mitigate risk of bad debts. In addition, the Company has focused on inventory management to maintain appropriate level of stock which reduces unnecessary expenses in stock management. This caused reduces in inventory balance.

From the comparison of accounts receivable as of 31 December 2017 to those as of 31 December 2016, there was no significant change in aging of accounts receivable from hire purchase. In 2017, the Company has revised rates and method of allowance for doubtful account calculation, by benchmarking with other companies in hire purchase industry. The Company consistently reviews policy of allowance for doubtful accounts on a regular basis by taking into consideration the conservative basis in accordance with Generally Accepted Accounting Principles, and current economic and industry conditions. Details of the accounts receivable are shown below:

Water Purifiers

Accounts receivable from hire purchase (Receivables less deferred hire-purchase interest and deferred output tax)	Accounts receivable from hire purchase				Allowance for doubtful accounts			
	As at 31 Dec 2017		As at 31 Dec 2016		As at 31 Dec 2017		As at 31 Dec 2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Current	447.42	79.36	710.13	75.76	11.29	2.5	17.83	2.5
Overdue 1 installment	49.24	8.73	106.86	11.40	2.96	6	6.41	6
Overdue 2 installments	21.33	3.78	44.63	4.76	6.40	30	13.39	30
Overdue 3 installments	15.42	2.74	30.74	3.28	7.71	50	15.37	50
Overdue exceeding 3 installments	30.39	5.39	45.04	4.80	25.25	50 and 100*	45.04	100
Total	563.80	100.0	937.40	100.0	53.61	-	98.04	-

*Rate of allowance for doubtful accounts of 50 percent is for non-consecutive delinquency over 3 installments and 100 percent for consecutive delinquency over 3 installments.

Electric Appliances

Accounts receivable from hire purchase (Receivables less deferred hire-purchase interest and deferred output tax)	Accounts receivable from hire purchase				Allowance for doubtful accounts**			
	As at 31 Dec 2017		As at 31 Dec 2016		As at 31 Dec 2017		As at 31 Dec 2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Current	73.75	62.29	66.34	79.77	0.45	1	1.66	2.5
Overdue 1 installment	13.14	11.10	6.36	7.65	0.17	2	0.38	6
Overdue 2 installments	8.47	7.15	4.73	5.69	0.56	10	1.42	30
Overdue 3 installments	6.06	5.12	2.34	2.81	0.80	20	1.17	50
Overdue 4 installments	5.51	4.65	1.44	1.73	1.11	30	1.44	100
Overdue 5 installments	4.33	3.66	1.05	1.26	1.17	40	1.05	100
Overdue 6 installments	3.45	2.91	0.33	0.40	1.18	50	0.33	100
Overdue exceeding 6 installments	3.69	3.12	0.57	0.69	1.93	50 and 100*	0.56	100
Total	118.40	100.0	83.16	100.0	7.37	-	8.01	-

* Rate of allowance for doubtful accounts of 50 percent is for non-consecutive delinquency over 6 installments and 100 percent for consecutive delinquency over 6 installments.

** Allowance for doubtful accounts for electric appliances receivables calculated based on receivables less deferred interest and output tax, and net from residual value of returned electric appliances which considered from usage time, condition and market price of second hand electric appliances. Subsequently, these returned units will be sold as second hand items.

Total liabilities

As at 31 December 2017, total liabilities of the Group were Baht 359.94 million, decreased by Baht 521.82 million or 59.18% from 31 December 2016. Liabilities that posed a huge decrease were short-term borrowings from financial institutions and liabilities under finance lease agreements. The increase in efficiency in debt collection, and cash receipt from share capital issued of warrant exercise amounting to Baht 90.08 million in the second quarter, made the Company has more liquidity and be able to repayment for the outstanding debts.

- **Short-term borrowings from financial institutions**, promissory notes, of the Group as at 31 December 2017 were Baht 129.91 million, decreased by Baht 467.01 million or 78.24%. The short-term borrowings were leveraged for working capital. The Company have never defaulted on loans and have been able to make all repayment.



บริษัท เจริญสุขรัตน์ จำกัด (มหาชน)

Shareholders' equity

Shareholders' equity of the Group as at 31 December 2017 was Baht 1,114.30 million, increased by Baht 141.95 million or 14.60%.

Debt to equity ratio as at 31 December 2017 was 0.32 (31 December 2016: 0.90). Book value per share was Baht 2.16 (31 December 2016: Baht 2.08 per share).

Yours Sincerely,
Thiensurat Public Company Limited

A handwritten signature in blue ink, appearing to read 'Viruch Wongnirund', is written above the printed name.

(Mr. Viruch Wongnirund)
Managing Director