



บริษัท เจริญสุขภัณฑ์ จำกัด (มหาชน)

TSR.IR.012/2018

15 May 2018

Subject: Management Discussion and Analysis  
For the three-month period ended 31 March 2018  
Thiensurat Public Company Limited

To: President  
The Stock Exchange of Thailand

### **Overview of Operating Results for the Three-Month Period of 2018**

Operating results of Thiensurat Public Company Limited (“TSR” or “the Company”) and its subsidiaries (collectively called “the Group”) for the three-month period ended 31 March 2018 (“1Q18”), the Group generated net profit of Baht 25.18 million, an increase of Baht 5.84 million or 30.17% compared to the net profit for the three-month period ended 31 March 2017 (“1Q17”). As a result, the Group’s earnings per share (“EPS”) increased Baht 0.01.

In 1Q18, the Group has focused to penetrate into the market via on-line marketing, which includes Line, Facebook, Lazada, etc. Together with PONSaBUY Program, and selling through telemarketing in order to up-sell and cross-sell to existing customers. As a result, 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 1Q18**

#### **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 1Q18 amounting to Baht 394.77 million, a decrease of Baht 61.51 million or 13.48 % compared to those of 1Q17. The revenues consisted of revenue from sales of goods amounting to Baht 347.82 million,

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a decrease of Baht 46.99 million or 11.90%; hire purchase interest income including income from loan receivables amounting to Baht 46.95 million, a decrease of Baht 14.52 million, or decreased by 23.63%. The decreases were due to 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 1Q18 was Baht 11.16 million, an increase of Baht 2.75 million from 1Q17. Majority was from sales of plastic scrap as well as premium products, and bad debt recoveries.

### Expenses

- **Cost of sales** of the Group for 1Q18 was Baht 91.51 million, a decrease of Baht 15.29 million or 14.32%. Compared to 1Q17, the proportion of cost of sales to total revenues of 1Q18 slightly decreased from 23.41% to 23.18%, resulting from expense control measurement of the Group. On the other hand, there was a substantial growth in proportion of sales of electric appliances, of which the costs were higher than those of water purifiers. The decrease in proportion of cost of sales showed the Group's ability in cost management efficiency.
- **Selling expenses** of the Group for 1Q18 were Baht 146.62 million, a decrease of Baht 23.60 million or 13.86%. The proportion of selling expenses to total revenues was 37.14% which decreased from 1Q17 (1Q17: 37.31%). 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 1Q18 were Baht 99.80 million, a decrease of Baht 9.97 million or 9.08%. The proportion of administrative expenses to total revenues increased from 24.06% of 1Q17 to 25.28% of 1Q18. The administrative expenses mainly consisted of employee expenditures namely salary, bonus and other employee benefits, which most of them are fixed costs. As a result, the proportion of administrative expenses to total revenues has been increased.
- **Doubtful accounts and bad debts** of the Group for 1Q18 were Baht 35.14 million, a decrease of Baht 10.40 million or 22.83% 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.

## 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 1Q18 and 1Q17 were Baht 303.25 million and Baht 349.47 million, or 76.82% and 76.59%, respectively. A drop of Baht 46.22 million or 13.22% was due to a decrease in total revenues. Despite a substantial growth in proportion of sales of electric appliances of which the cost has higher cost than those of water purifiers, the Group was still able to efficiently manage cost. This caused the rise in the gross profit margin.
- **Net profit** of the Group for 1Q18 was Baht 25.18 million, increased of Baht 5.84 million or 30.17% (1Q17: net profit of Baht 19.34 million).

The net profit ratio of 1Q18 increased from 4.21% of 1Q17 to 6.32% resulting from the above mentioned rationale.

## Statement of Financial Position

### Total assets

As at 31 March 2018, total assets of the Group were Baht 1,501.75 million, increased by Baht 20.45 million, or 1.38% compared to 31 December 2017. Majority of the increase were from cash and cash equivalents, inventories and intangible assets including a new enterprise resource planning software (ERP) in order to increase efficiency on operations and reporting. The system has been used since Quarter 2 of 2018. On the other hand, accounts receivable from hire purchase decreased due to more stringency in credit approval process to improve debt quality in order to mitigate risk of bad debts, and more efficiency in debt collection.

From the comparison of accounts receivable as of 31 March 2018 to those as of 31 December 2017, 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:

10/5/18

### 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 Mar 2018		As at 31 Dec 2017		As at 31 Mar 2018		As at 31 Dec 2017	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Current	446.16	79.97	447.42	79.36	11.28	2.5	11.29	2.5
Overdue 1 installment	51.89	9.30	49.24	8.73	3.11	6	2.96	6
Overdue 2 installments	18.26	3.27	21.33	3.78	5.48	30	6.40	30
Overdue 3 installments	14.49	2.60	15.42	2.74	7.25	50	7.71	50
Overdue exceeding 3 installments	27.14	4.86	30.39	5.39	22.91	50 and 100*	25.25	50 and 100*
<b>Total</b>	<b>557.94</b>	<b>100.0</b>	<b>563.80</b>	<b>100.0</b>	<b>50.03</b>	<b>-</b>	<b>53.61</b>	<b>-</b>
<b>Allowance for doubtful accounts/Total hire purchase receivables</b>						<b>8.97</b>		<b>9.51</b>

\*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 Mar 2018		As at 31 Dec 2017		As at 31 Mar 2018		As at 31 Dec 2017	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Current	73.97	65.10	73.75	62.29	0.46	1	0.45	1
Overdue 1 installment	11.36	10.00	13.14	11.10	0.14	2	0.17	2
Overdue 2 installments	6.73	5.92	8.47	7.15	0.44	10	0.56	10
Overdue 3 installments	5.60	4.93	6.06	5.12	0.74	20	0.80	20
Overdue 4 installments	5.61	4.94	5.51	4.65	1.14	30	1.11	30
Overdue 5 installments	4.90	4.31	4.33	3.66	1.37	40	1.17	40
Overdue 6 installments	2.68	2.36	3.45	2.91	0.92	50	1.18	50
Overdue exceeding 6 installments	2.78	2.44	3.69	3.12	0.86	50 and 100*	1.93	50 and 100*
<b>Total</b>	<b>113.63</b>	<b>100.0</b>	<b>118.40</b>	<b>100.0</b>	<b>6.07</b>	<b>-</b>	<b>7.37</b>	<b>-</b>
<b>Allowance for doubtful accounts/Total hire purchase receivables</b>						<b>5.34</b>		<b>6.23</b>

\* 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.

*10/5/2017*

### Total liabilities

As at 31 March 2018, total liabilities of the Group were Baht 355.44 million, decreased by Baht 4.51 million or 1.25% from 31 December 2017. Liabilities that posed a huge decrease were short-term and long-term borrowings from financial institutions, as well as 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 of 2017, made the Company has more liquidity and be able to repay portion of the outstanding debts.

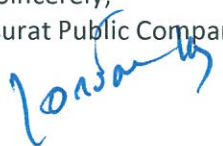
- **Short-term borrowings from financial institutions**, promissory notes, of the Group as at 31 March 2018 were Baht 119.83 million, decreased by Baht 10.08 million or 7.76%. The short-term borrowings were leveraged for working capital. The Company have never defaulted on loans and have been able to make all repayment.

### Shareholders' equity

Shareholders' equity of the Group as at 31 March 2018 was Baht 1,139.48 million (31 December 2017: Baht 1,114.30 million), increased by Baht 25.18 million or 2.26%.

Debt to equity ratio as at 31 March 2018 was 0.31 (31 December 2017: 0.32). Book value per share was Baht 2.21 (31 December 2017: Baht 2.16 per share).

Yours Sincerely,  
Thiensurat Public Company Limited



(Mr. Ekarat Changyoo)  
Chief Executive Officer

