



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



NEP-AC 003/2561

8 November 2018

Subject : Management Discussion and Analysis for 3rd Quarter ended 30 September 2018

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 3rd quarter and nine months period ended September 30,2018 compare with the same period of the previous year as follows

For the three months in Q3/2018 ended September 30, 2018

The company had the operating result for the three months ended September 30, 2018 show a net loss of Baht 12.88 million, compare to the same period of previous year which a net loss of Baht 5.43 million, the loss increase Baht 7.45 million or increase by 137.09% , the main reasons are as follow

1. Revenue from sale , Other income

The company had revenue from sale for Q3/2018 ended September 30, 2018 of Baht 109.52 million, compare with the same period of previous year amount to Baht 92.19 million which increase Baht 17.33 million or 18.80%, as a result of the company increased revenue from flexible packaging product.

For other income, the company had other income for Q3/2018 ended September 30, 2018 of Baht 1.86 million compare with the same period of previous year amount to Baht 0.91 million , increase Baht 0.94 million or 103.62%, because there is an interest income from current investment by higher interest rate and increase in sale of scrap.

2. Cost of sale , Profit margin

In Q3/2018 the company had cost of sale Baht 112.03 million compare with the same period of previous year amount to Baht 85.71 million, increase Baht 26.32 million or increase 30.70%, which increase by the same direction of sale increased but show loss margin by Baht 2.51 million. due to in quarter 3 of year 2018, the company added another production line of flexible packaging and the machine setup process is not complete and new employee lack of expert skill and the use of raw material is inefficient, cause a high production cost.

3. Selling expenses

In Q3/2018, the selling expenses was Baht 3.07 million compare with the same period of previous year amount to Baht 2.63 million, increase Baht 0.44 million or increase 16.60%, as a result of the company has tried to expand its market and increase sale of flexible packaging and cost of goods transportation increased.

4. Administrative expenses

In Q3/2018, the administration expenses was Baht 13.31 million compare with the same period of previous year amount to Baht 14.77 million, decrease by Baht 1.46 million or decrease 9.91%, as a result of the company has appropriate expenses control.

5. Loss from impairment on asset (reversal)

In Q3/2017 the loss from impairment on asset was revert Baht 2.62 million, due to sale on obsolete machine cause to revert allowance for decline value which was previously recorded as a loss from impairment on asset.

6. Management benefit expenses

In Q3/2018, the management benefit was Baht 3.87 million compare with the same period of previous year amount to Baht 4.68 million, decrease Baht 0.81 million or decrease 17.29% , because the number of employee at management level decreased.

7. Financial cost

In Q3/2018, the financial cost was Baht 0.32 million compare with the same period of previous year amount to Baht 0.47 million, decrease Baht 0.15 million or decrease 31.13%, since the company repaid the loan cause this expense has been reduced.

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

In Q3/2018, Share of profit (loss) from investment in associated company was Baht 8.14 million compare with the same period of previous year amount to Baht 7.13 million, increase Baht 1.01 million or increase 14.11%, because the associates company had a better performance than previous year

For the nine months ended September 30, 2018

The company had the operating result for the nine months ended September 30, 2018 show a net loss of Baht 27.62 million, compare to the same period of previous year which a net loss of Baht 30.08 million, the loss decrease Baht 2.46 million or decrease 8.18% , the main reasons are as follows

1. Revenue from sale , Other income

The company had revenue from sale ended September 30, 2018 of Baht 283.73 million, compare with the same period of previous year amount to Baht 251.32 million which increase Baht 32.41 million or 12.90%, which result from the increase in revenue of flexible packaging.

other income, for nine months ended September 30, 2018 the company had other income of Baht 3.51 million compare with the same period of previous year amount to Baht 2.31 million , increase Baht 1.20 million or 51.77%, because in nine months of year 2018 there is an interest income from current investment by higher interest rate and increase in sale of scrap.

2 . Cost of sale , Profit margin

For nine months ended September 30, 2018 the company had cost of sale Baht 282.56 million compare with the same period of previous year amount to Baht 243.64 million, increase Baht 38.92 million or increase 15.97%, which is increase with the same direction of sale increase , but profit margin decrease from the same period of previous year Baht 6.50 million or decrease 84.70% , due to in quarter 3 of year 2018, the company added another production line of flexible packaging and the machine setup process is not complete and new employee lack of expert skill, and the use of raw material is inefficient, cause a high production cost.

3. Selling expenses

For nine months ended September 30, 2018 the selling expenses was Baht 8.08 million compare with the same period of previous year amount to Baht 7.13 million, increase Baht 0.95 million or increase 13.38%, as a result of the company has tried to expand its market and increase sale of flexible packaging and cost of goods transportation increased.

4. Administrative expenses

For nine months ended September 30, 2018 the administration expenses was Baht 43.37 million compare with the same period of previous year amount to Baht 41.58 million, increase by Baht 1.79 million or increase 4.30%, because there are expenses related to the extraordinary general shareholder meeting and cost of capital increase and consulting fee due to the company accelerated its revenue expansion and improved its production efficiency.

5. Loss from impairment on asset (reversal)

For nine months ended September 30, 2017 the loss from impairment on asset was revert Baht 2.62 million, due to sale on obsolete machine cause to revert allowance for decline value which was previously recorded as a loss from impairment on asset.

6. Management benefit expenses

For nine months ended September 30, 2018 the management benefit expenses was Baht 11.91 million compare with the same period of previous year amount to Baht 12.61 million, decrease Baht 0.70 million or decrease 5.60% , because the number of employee at management level decreased.

7. Financial cost

For nine months ended September 30, 2018 the financial cost was Baht 1.07 million compare with the same period of previous year amount to Baht 1.43 million, decrease Baht 0.37 million or decrease 25.66%, due to the company repaid the loan cause this expense has been reduced.

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

For nine months ended September 30, 2018 Share of profit (loss) from investment in associated company was Baht 31.62 million compare with the same period of previous year amount to Baht 18.66 million, increase Baht 12.96 million or 69.47%, because the associates had a better earning than previous year.

Financial Position

1. Total asset, the company had total asset as at September 30, 2018 of Baht 921.83 million increase from December 31, 2017 by Baht 162.98 or 21.48% , the details of the change are as follow :

1.1 Current asset as at September 30, 2018 amount of Baht 305.17 million increase by Baht 134.82 million or 79.14%, due to cash and cash equivalents increase Baht 61.97 million, current investment increase Baht 46.3 million, due to short-term deposits from the capital increase in Q1 of year 2018, trade accounts receivable increase by Baht 6.09 million, which was in line with the increase in sale, and inventory increase Baht 19.25 million , because reserve of raw material for new product and work in process increase by increase in customer order and other current asset increase by Baht 1.21 million.

1.2 Non current asset as at September 30, 2018 amount of Baht 616.66 million increase Baht 28.17 million or 4.79% , an increase of investment in associated company Baht 11.94 million and increase in property, plant and equipment by Baht 15.99 million, due to the investment in machinery of new production lines.

2. Total liability, the company had total liability as at September 30, 2018 of Baht 114.87 million increase from December 31, 2017 to Baht 24.31 million or 26.84% , the details of the change are as follow :

2.1 Current liability as at September 30, 2018 amount of Baht 108.24 million increase Baht 50.59 million or 87.75%, This is an increase in account payable and other creditor amount of Baht 30.81 million ,due to the fact that the company has a rising sale trend, so it has to order more raw material. In addition there is a current portion of long term loan from over sea company increase of Baht 24.62 million.

2.2 Non current liability as at September 30, 2018 amount of Baht 6.63 million decrease Baht 26.28 million or 79.86%, as a result of reclassification of long term loan from over sea company amount of Baht 24.62 million to current liability and liability under finance lease and hire-purchase agreement decrease Baht 1.34 million.

3. Shareholder equity as at September 30, 2018 amount of Baht 806.96 million increase from December 31, 2017 by Baht 138.68 million or 20.75% , since the company received from capital increased by Baht 166.30 million and loss from operation by Baht 27.62 million.

Trend of year 2018

The company has expand the production line of flexible packaging by invest more machines and improve their production efficiency in various area, reduce waste, reduce the use of raw materials and increase product quality. In addition, prepare marketing and sale plan to expand customer base of flexible packaging and plastic sack, including improve the after sale service to meet customers requirement.

All the time. The company has improved its operation. It is expected to have a better performance and be profitable in the near future.

Please be informed accordingly.

Sincerely yours,

Mr. Nipit Arunvongse Na Ayudhya

Acting Managing director

