



21 November 2022

## Subject Management Discussion and Analysis of Operating Results for Quarter 3/2022

To Director and Manager The Stock Exchange of Thailand

Kijcharoen Engineering Electric Public Company Limited (“the Company”) would like to clarify the Management Discussion and Analysis of the Company operating result for the period ended 30 September 2022, which has been reviewed by certified public accountants as follows:

For the operating results for 9 months of 2022, total revenues of the Company amounted to Baht 758.96 million increased by Baht 138.23 million or increased by 22.69 percent; and net profit of the Company amounted to Baht 98.23 million, which increased by Baht 30.54 million or increased by 45.12 percent mainly due to the following reasons:

Operating Results of the Company

Operating Results	9M2021		9M2022		Change	
	Mil.Baht	Percent	Mil.Baht	Percent	Mil.Baht	Percent
Sales of goods	616.14	99.26	755.71	99.57	139.57	22.65
Cost of sales	(461.13)	(74.84)	(545.11)	(72.13)	83.98	18.21
Gross profit	155.01	25.16	210.60	27.87	55.59	35.86
Other income	4.59	0.74	3.25	0.43	(1.34)	(29.19)
Administrative expenses	(47.37)	(7.69)	(58.67)	(7.76)	11.30	23.85
Selling expenses	(25.28)	(4.10)	(27.28)	(3.61)	2.00	7.91
Other gain (loss), net	1.36	0.22	0.01	0.00	(1.35)	(99.26)
Finance cost	(7.75)	(1.26)	(7.33)	(0.97)	(0.42)	(5.42)
Profit before income tax	80.56	13.07	120.58	15.96	40.02	49.68
Income tax	(12.87)	(2.09)	(22.35)	(2.96)	(9.48)	(73.66)
Net profit for the year	67.69	10.99	98.23	13.00	30.54	45.12

Sales of goods

For 9 months of 2022, sales of goods of the Company amounted to Baht 755.71 million increased by Baht 139.57 million or increased by 22.65 percent from the same period of 2021, mainly due to increases in purchase orders for the Company’s products especially standard cabinet, wireway, and pull box. This was because the Company always focuses on the importance of product quality and fast delivery, therefore the Company consistently gains trust from large customers. In addition, the Company has gradually adjusted selling



prices following the higher cost of raw materials in early 2022. Also, as a result of the economic recovery, demand for products increased comparing to the previous year from continuous expansion in private investment.

#### Cost of sales

For 9 months of 2022, cost of sales of the Company amounted to Baht 545.11 million, which increased by Baht 83.98 million or increased by 18.21 percent from the same period of 2021 mainly due to 1) an increase in the cost of goods amount of Baht 72.19 million from an increase in the use of raw material resulting in an increase in cost of sales and 2) an increase in repair and maintenance expenses amount of Baht 5.97 million due to an increase in the use of machines and equipments in production following an increase in purchase orders comparing to the same period of the previous year.

#### Administrative expenses

For 9 months of 2022, administrative expenses of the Company amounted to Baht 58.67 million, which increased from the same period of 2021 by Baht 11.30 million or increased by 23.85 percent, mainly due to 1) an increase in depreciation amount of Baht 3.57 million from the depreciation of office buildings after the transfer of land and buildings and intangible assets such as various computer programs to be used for the operation of the Company and 2) an increase in advisory fees and professional fees amount of Baht 3.01 million mainly from a fee of the internal auditor and legal advisor to prepare for listing on the stock market.

#### Selling expenses

For 9 months of 2022, selling expenses of the Company amounted to Baht 27.28 million, which increased from the same period of 2021 by Baht 2.00 million or increased by 7.91 percent, mainly due to marketing expenses in making public relations media and organizing various activities.

#### Finance cost

For 9 months of 2022, finance cost of the Company amounted to Baht 7.33 million decreased from the same period of the previous year by Baht 0.42 million or decreased by 5.42 percent from the gradual repayment of the loan.

#### Net profit

For 9 months of 2022, net profit of the Company amounted to Baht 98.23 million, which increased by Baht 30.54 million or increased by 45.12 percent from the same period of 2021. And net profit margin of the Company was 13.00 percent, which increased from the same period of the previous year mainly because the Company has adjusted selling prices following the higher cost of main raw materials. The price of steel plates increased from the same period in 2021 by 10.26 percent as a result of the Russia-Ukraine war that began in late



February 2022. In addition, the Company has invested in modern technology machines controlled by computer systems such as metal presses and metal cutting machines, etc. to increase production efficiency and reduce the use of labor in the production processes causing the costs related to the production staff to remain at the same level. Also, the Company has effectively controlled operating expenses. The proportion of total operating expenses to total revenue slightly decreased to 11.37 percent because of the selling expenses. As a result, the net profit margin increased from 10.99 percent in the third quarter of 2021 to 13.00 percent in the nine months period of 2022.

#### Statement of Financial Position

Financial Position	As of 31 December 2021		As of 30 September 2022		Change	
	Mil.Baht	Percent	Mil.Baht	Percent	Mil.Baht	Percent
Total current assets	243.22	33.69%	313.35	39.84%	70.13	28.83%
Total non-current assets	478.66	66.31%	473.07	60.16%	(5.58)	(1.17%)
Total assets	721.88	100.00%	786.42	100.00%	64.54	8.94%
Total current liabilities	387.81	53.72%	410.84	52.24%	23.03	5.94%
Total non-current liabilities	129.53	17.94%	150.22	19.10%	20.69	15.97%
Total liabilities	517.34	71.67%	561.06	71.34%	43.72	8.45%
Issued and fully paid-up share capital	43.00	5.96%	43.00	5.47%	-	0.00%
Retained earnings	161.54	22.38%	182.36	23.19%	20.82	12.89%
Total equity	204.54	28.33%	225.36	28.66%	20.82	10.18%
Total liabilities and equity	721.88	100.00%	786.42	100.00%	64.54	8.94%

#### Assets

As of 30 September 2022, total assets of the Company increased by Baht 64.54 million or increased by 8.94 percent from the end of 2021, mainly due to an increase in trade and other receivables, net of the Company amount of Baht 49.46 million according to an increase in sales of goods following the economic recovery, as well as an increase in inventories amount of Baht 21.82 million from purchasing of raw materials, work in progress and finished goods to meet the demand of customers.

#### Liabilities

As of 30 September 2022, total liabilities of the Company amounted to Baht 561.06 million, which increased by Baht 43.72 million or increased by 8.45 percent from the end of 2021 because of an increase in long-term loans from financial institutions, net and an increase in trade and other payables amount of Baht 29.50 million and Baht 23.88 million, respectively in according to an increase in sales of goods of the Company following the business expansion.



## Equity

As of 30 September 2022, the equity of the Company increased by 10.18 percent from the end of 2021 due to the net profit of the Company and the dividend payment of the Company at the rate of Baht 60.00 per share for a total of 430,000 shares, totaling Baht 25.80 million in according to the resolution of the Annual General Meeting of Shareholders No. 1/2022 held on 8 April 2022. The said dividends were paid to shareholders on 21 April 2022. In addition, the Extraordinary General Meeting of Shareholders No. 3/2022 held on 31 August 2022 resolved to approve the payment of dividends from retained earnings at the rate of Baht 0.60 per share for a total of 86,000,000 in the amount of Baht 51.60 million, and the dividends were paid to the existing shareholders in September 2022 after the resolution of the Extraordinary General Meeting of Shareholders No. 2/2022 that approved the Company to change the par value of ordinary shares from the original value of Baht 100.00 per share to Baht 0.50 per share, causing the number of registered shares and the number of issued and paid-up shares to increase from 430,000 shares to 86,000,000 shares. The registered and paid-up capital remains the same. The change was registered with the Ministry of Commerce on 11 July 2022.

## Liquidity and capital adequacy

Item (Unit: Mil.Baht)	For the period ended 30 September	
	2021	2022
Net cash generated from (used in) operating activities	79.65	82.34
Net cash generated from (used in) investing activities	(68.68)	(26.62)
Net cash generated from (used in) financing activities	(12.71)	(56.04)
Net (decrease) increase in cash and cash equivalents	(1.74)	(0.32)
Cash and cash equivalents at the beginning of the year/period	4.16	1.03
Cash and cash equivalents at the end of the year/period	2.42	0.71

As of 30 September 2022, cash and cash equivalents of the Company amounted to Baht 0.71 million, which decreased by Baht 1.71 million from the beginning of the year, mainly due to 1) net cash used in financing activities amounted to Baht 56.04 million because of the dividend payment to shareholder in April and September 2022 amount of Baht 77.40 million, and 2) net cash used in investing activities amounted to Baht 26.62 million mainly from cash paid for the purchase of property, plant and equipment, net amount of Baht 25.43 million from improvement in factory building, machinery and equipment and cash paid for the purchase of intangible assets of Baht 2.14 million such as various computer programs to use for the Company's operations; however, 3) net cash generated from operating activities amounted to Baht 82.34 million mainly from an increase in trade and other receivables amount of Baht 50.44 million and an increase in inventories amount of Baht 21.77 million in according to the growth of purchase orders and the growth in operating results in 2022 following the expansion of the economy and recovery of related industries.

Key Financial Ratios

Key Financial Ratios	For the period ended 31 December 2021	For the period ended 30 September 2022
Current Ratio (times)	0.63	0.76
Debt to Equity ratio (times)	2.53	2.49
Cash Cycle (days)	23.81	27.30

Current Ratio

For 9 months of 2022, current ratio of the Company was 0.76 times, which was close to 0.63 times in 2021. The current assets of the Company increased by 28.83 percent from an increase in trade and other receivables, net, as well as an increase in inventories following the expansion of the Company's business. Meanwhile, the current liabilities of the Company increased by 5.94 percent from the previous year mainly due to an increase in trade and other payables. Moreover, in 2021, the Company paid dividends from the Company's retained earnings at the rate of Baht 250.00 per share for 430,000 shares, totaling Baht 107.50 million according to the resolution of the Board of Directors Meeting No. 1/2021, dated 28 December 2021, and such dividends were paid to shareholders on 28 December 2021. As a result, the current ratio in 2021 was slightly lower than in quarter 3 of 2022.

However, current ratios of the Company were lower than 1 due to normal business operations. The Company ordered raw materials from suppliers to store at the warehouse for the production of finished goods. The raw material storage period is approximately 1-3 months depending on the trend of steel prices in the world market. During the upward trend of steel prices, the Company may consider reserving the steel sheet sufficient for an approximately 3-month period of production. The credit term of payment for raw materials is approximately 60-90 days, so the Company had substantial trade accounts payable at the end of the period while the collecting period from customers is approximately 30-60 days. Besides, some customers, such as new customers or customers who order MTO products, will pay for the products in cash. Because the period for collecting money from customers is shorter than the credit term that the Company have to pay to suppliers, the Company has sufficient working capital for its operations. In addition, the Company has revolving short-term credit facilities as promissory notes that when the debt is paid, the credit line can be used continuously. Importantly, the Company always has positive operating cashflows amounting to Baht 137.43 million and Baht 82.34 million in 2021 and in quarter 3 of 2022, respectively.

Debt to Equity ratio

For 9 months of 2022, the total debt to equity ratio of the Company was 2.49 times, which slightly decreased from 2021, mainly because total liabilities increased by 8.45 percent from 2021 from an increase in long-term loans from financial institutions, net and an increase in trade and other payables. Meanwhile, equity increased by 10.18 percent from the previous year because the net profit was offset by the dividend payment to



shareholders. As a result, in 9 months of 2022, the total debt to equity ratio decreased. Moreover, in the loan agreement between the financial institutions and the Company, there is a condition requiring that the Company has to maintain the total debt to equity ratio at not more than 3.0 times and not less than 0. In the past, the Company was able to maintain such ratio.

#### Cash Cycle

For 9 months of 2022, the Company had a cash cycle of 27.30 days, which increased by 3.49 days from 2021 because the Company had a higher average inventory period in order to have sufficient products to meet the demand of customers. However, the Company has more efficient debt collection management resulting in a decrease in the debt collection period by 4.37 days from the previous year. The Company has followed up and coordinated with customers causing the debtor to pay debts as scheduled.