



002/2566

27<sup>th</sup> Feb 2023

Subject : Management Discussion & Analysis of Performance Results of the Full Year 2022

To : Board of Directors and President of The Stock Exchange of Thailand

Fortune Parts Industry Public Company Limited Discussion and Analysis provides an overview of the company's financial activities for the year ended 31 December 2022 based on audited financial statement as below.

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2022	2021	2022	2021
<b>Income</b>				
Sales and service income	2,637,517	2,098,088	2,511,728	2,039,914
Other income	19,119	20,116	17,991	21,174
Export incentive	23,188	18,375	23,188	18,375
<b>Total income</b>	<b>2,679,824</b>	<b>2,136,579</b>	<b>2,552,907</b>	<b>2,079,463</b>
<b>Expenses</b>				
Cost of sales and service	1,867,715	1,610,002	1,731,340	1,550,588
Selling and distribution expenses	52,946	13,555	50,429	12,619
Administrative expenses	150,473	143,646	132,217	123,760
Gain (loss) on exchange - net	59,152	(31,149)	59,717	(13,228)
Gain (loss) arising from change in fair value of derivatives	(10,287)	8,072	(10,287)	8,072
Allowance (reversal) for expected credit losses	13,840	(8,288)	12,094	(8,129)
Allowance (reversal) for devaluation of inventories	15,095	(7,553)	14,328	(14,269)
Allowance for impairment on investment in joint venture	-	3,928	-	7,317
<b>Total expenses</b>	<b>2,148,934</b>	<b>1,732,213</b>	<b>1,989,838</b>	<b>1,666,730</b>
<b>Profit from operating activities</b>	<b>530,890</b>	<b>404,366</b>	<b>563,069</b>	<b>412,733</b>
Share of loss from investments in joint ventures	-	(3,116)	-	-
Finance income	512	341	1,776	3,560
Finance cost	(18,794)	(16,671)	(18,453)	(14,495)
<b>Profit before income tax expenses</b>	<b>512,608</b>	<b>384,920</b>	<b>546,392</b>	<b>401,798</b>
Income tax expense	(104,046)	(55,941)	(104,096)	(56,094)
<b>Profit for the year</b>	<b>408,562</b>	<b>328,979</b>	<b>442,296</b>	<b>345,704</b>

**In 2022 and 2021, total revenue is 2,679.8M and 2,136.6M respectively, an increase of 543.2M or 25.4%.**

#### **Total Revenue**

In 2022 and 2021, total revenue is 2,679.8M and 2,136.6M respectively, an increase of 543.2M or 25.4%. Revenue from sales and services accounted for 2,637.5M, an increase of 539.4.0M or 25.7%

The main drivers for revenue increase are related to depreciation of Thai Baht vs US Dollar and significant reduction on freight cost. Majority of revenue growth is from Asia & Middle East zone (from 1064.6.2M to 1,396.3M or 331.7M increase). However, there is a decrease in Africa zone (from 206.9M to 165.3M or 41.6M decrease) as some customers delay the purchase due to sharply depreciation of the currency in Egypt, Algeria, and Libya.

**In 2022 and 2021, total cost of goods sold and service is 69.7% and 75.4% respectively, an improvement of 5.7%**

#### **Cost of Goods Sold and Service**

In 2022 and 2021, total cost of goods sold and service is 1,867.4M and 1,610.0M respectively, an increase of 257.4M. As a percentage of total revenue, the cost of goods sold and service is 69.7%, an improvement of 5.7%

The main improvement drivers are related to increase in gross profit driven by depreciation of Thai Baht vs US Dollar while there is minimal material cost increase. Cost actualization for material usage in FPI India is still ongoing and therefore didn't yet reflect into 2022 financial results. Lastly, the company continue to reap cost benefits from adopting circular economy on both recycling of raw materials and generating electricity from Solar roof.

**In 2022 and 2021, total SG&A expenses is 281.2M and 122.2M respectively, an increase of 159.0M.**

#### **Selling, General, and Administrative (SG&A) Expenses**

In 2022 and 2021, total SG&A expenses is 222.0M and 141.9M respectively, an increase of 72.6M. As a percentage of total revenue, the SG&A expenses is 10.5%, an increase of 4.8%.

The main drivers are related to loss in exchange due to appreciation in Thai Baht vs US Dollar, increase in logistic cost as an impact from Russia and Ukraine war, and increase in reserve for both expected credit loss and devaluation of inventory.

In 2022 the company posted a net profit of 408.6M, an increase of 79.6M vs a net profit of 329.0M in 2021 or an increase of 24.2%.

#### **Net Profit**

In 2022 the company posted a net profit of 408.6M, an increase of 79.6M vs a net profit of 329.0M in 2021 or an increase of 24.2%

Major drivers for significant improvement are depreciation of Thai Baht vs US Dollar, significant reduction on freight cost, and continuing cost reduction from adopting circular economy.

#### **Financial Position (in comparison to as of 31 December 2021)**

Overall financial position of the Company as of 31 December 2022, compared to the statement of financial position as of 31 December 2021, the balance of total assets which were 3,719.2M and 3,131.5M, respectively, an increase of 587.7M due to the following reasons;

As of 31 December 2022, total assets were 3,719.2M, an increase of 587.7M from the balance as of 31 December 2021 at 3,131.5M.

#### **Total Assets**

As of 31 December 2022, total assets were 3,719.2M, an increase of 587.7M from the balance as of 31 December 2021 at 3,131.5M.

Major drivers are increase in trade account receivable related to growth in export sales and increase in inventory to support future sales. The increase in cash balance will be utilized on the short term loan pay back at the beginning of 2023.

Total liabilities increased by 277.7M from 1,322.5M million as of 31 December 2021 to 1,600.2M as of 31 December 2022.

#### **Total Liabilities**

Total liabilities increased by 277.7M from 1,322.5M million as of 31 December 2021 to 1,600.2M as of 31 December 2022.

Major drivers are increase in short term loan and trade payable.

#### **Shareholders' Equity**

As of 31 December 2022, total shareholders' equity was 2,119.0M, an increase of 310.0M from 1,809.0M as of 31 December 2021. This is entirely due to gain from 2022 profit from operations offset by dividend paid.

#### **Status Update for Subsidiary in India**

For subsidiary in India, 2022 revenue is 286.5M INR, an increase of 151.0M INR or 111.4%. However, the subsidiary still experiencing the financial loss while the negotiation on cost actualization for actual material usage is still ongoing as well as loss in currency translation due to stronger baht.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak  
Managing Director