



Date 15 May 2023

Subject Management Discussion and Analysis of Operating Results for Quarter 1/2023

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 31 March 2023, which has been reviewed by certified public accountants as follows:

Operating Results of the Company

(Unit : Million Baht)

Operating Results	Quarter 1				Quarter 4		
	2023	2022	Inc(Dec)	Inc(Dec)%	2022	Inc(Dec)	Inc(Dec)%
Sales of goods	239.63	244.20	(4.57)	(1.87)%	265.61	(25.98)	(9.78)%
Cost of sales	(165.68)	(182.79)	(17.11)	(9.36)%	(183.87)	(18.19)	(9.89)%
Gross profit	73.95	61.41	12.54	20.42%	81.73	(7.78)	(9.52)%
Other income	1.11	0.99	0.12	12.12%	1.56	(0.45)	(28.85)%
Administrative expenses	(19.08)	(18.61)	0.47	2.53%	(21.81)	(2.73)	(12.52)%
Selling expenses	(12.23)	(7.35)	4.88	66.39%	(17.15)	(4.92)	(28.69)%
Other gain (loss), net	0.03	0.04	(0.01)	(25.00)%	(0.36)	(0.39)	(108.33)%
Finance cost	(2.61)	(2.31)	0.30	12.99%	(2.94)	(0.33)	(11.22)%
Profit before income tax	41.16	34.16	7.00	20.49%	41.04	0.12	0.29%
Income tax	(7.51)	(6.12)	1.39	22.71%	(7.63)	(0.12)	(1.57)%
Net profit for the period	33.65	28.04	5.61	20.01%	33.40	0.25	0.75%
Gross profit margin	30.86%	25.15%			30.77%		
Net profit margin	13.98%	11.44%			12.50%		

For the operating results for quarter 1 year 2023, total income of the Company amounted to Baht 240.74 million and net profit for the period amounted to Baht 41.16 million mainly due to the following reasons:



Sales of goods

For quarter 1 year 2023, sales of goods of the Company amounted to Baht 239.63 million decreased from the same period of 2022 by Baht 4.57 million or decreased by 1.87 percent and decrease from the quarter 4 year 2022 by Baht 25.98 million or decreased by 9.78 percent, mainly due to the Company organized sales promotions for KJL standard products and adjusted selling prices reduction for made to order products in order to keep product price in line with the lower prices of main raw materials, especially metal sheet. Additionally, the price of steel scrap has decreased accordingly, causing the Company's overall revenue decrease. Mainly the Company's revenues is still KJL standard products, standard cabinet, wireway, and pull box with a proportion of 70.78 percent.

Cost of sales

For quarter 1 year 2023, the Company's cost of sales amounted to Baht 165.68 million, which decreased from the same period of 2022 by Baht 17.11 million or decreased by 9.36 percent and decrease from the quarter 4 year 2022 by Baht 18.19 million or decreased by 9.89 percent mainly due to a decrease in the cost of main raw material. The price of steel sheets decreased from the same period of 2022 by 16.48 percent which the higher price in quarter 1 year 2022 as a result of the Russia-Ukraine war that began in late February 2022. However, the Company has implemented the industrial technology 4.0 production control systems to increase production efficiency, including laser cutting machines, CNC punching machines, bending machines and automatic bending robots, etc causing the company has costs related to the production staff remain the same.

Administrative expenses

For quarter 1 year 2023, the Company's administrative expenses amounted to Baht 19.08 million, which increased from the same period of 2022 by Baht 0.47 million or increased by 2.53 percent, no significant change for administrative expenses for administrative expenses compared with the same period of previous year.

Compared with quarter 4 year 2022, administrative expenses of the Company decreased by Baht 2.73 million or decreased by 12.52 percent due to expenses in preparation for listing on the stock exchange occur in quarter 4 year 2022.



Selling expenses

For quarter 1 year 2023, the Company's selling expenses amounted to Baht 12.23 million, which increased from the same period of 2022 by Baht 4.88 million or increased by 66.39 percent, mainly due to marketing expenses in making public relations media and organizing various activities to enhance relationship with customers and the Company's network according to the state of economic recovery after the outbreak of the COVID-19 virus.

Compared with quarter 4 year 2022, the Company's selling expenses decreased by Baht 4.92 million or decreased by 28.69 percent due to expenses for making public relations media and organizing activities to make the Company known to the public before listing on the stock exchange.

Finance cost

For quarter 1 year 2023, finance cost of the Company amounted to Baht 2.61 million increased from the same period of 2022 by Baht 0.30 million or increased by 12.99 percent, mainly due to higher interest rates on loans from financial institution and the Company proceeds loans from financial institution in quarter 3 year 2022.

Compared with quarter 4 year 2022, finance cost of the Company decreased by Baht 0.33 million or decreased by 11.22 percent from the gradual repayment of the loan.

Net profit

For quarter 1 year 2023, net profit of the Company amounted to Baht 33.65 million, which increased from the same period of 2022 by Baht 5.61 million or increased by 20.01 percent. Net profit margin was 13.98 percent, which increased from the same period of 2022, and net profit of the Company increase by Baht 0.25 million or increased by 0.75 percent compared with quarter 4 year 2022 mainly due to a the Company effectively manage the cost of the raw material's price reduction and efficient production operations. As a result, the Companys had gross profit margin of 30.86 percent which closely to the quarter 4 year 2022 and increased compared to the same period of 2022. In addition, the Company has well-cost controlled, resulting in the Company 's net profit margin increased compared to quarter 1 and quarter 4 of year 2022.

**Statement of Financial Position**

(Unit : Million Baht)

Financial Position	At 31 Mar 2023	At 31 Dec 2022	Inc(Dec)	Inc(Dec)%
Total current assets	579.03	649.65	(70.62)	(10.87)%
Total non-current assets	550.49	475.88	74.61	15.68%
Total assets	1,129.53	1,125.52	4.01	0.36%
Total current liabilities	396.85	413.06	(16.21)	(3.92)%
Total non-current liabilities	122.68	136.13	(13.45)	(9.88)%
Total liabilities	519.54	549.19	(29.65)	(5.40)%
Issued and fully paid-up share capital	58.00	58.00	-	-
Share premium	379.97	379.97	-	-
Retained earnings-Appropriated	5.80	5.80	-	-
Retained earnings-Unappropriated	166.22	132.57	33.65	25.38%
Total equity	609.99	576.33	33.66	5.84%
Total liabilities and equity	1,129.53	1,125.52	4.01	0.36%

Assets

As at 31 March 2023, total assets of the Company increased by Baht 4.01 million or increased by 0.36 percent from the year ended 2022, mainly due to an additional investment in building, machinery and equipment for expand the production capacity and meet customers' demand, as well as the growth of both public and private investments in related industries which is likely to grow continuously.

Liabilities

As at 31 March 2023, total liabilities of the Company amounted to Baht 519.54 million, which decreased by Baht 29.65 million or decreased by 5.40 percent from the year ended 2022 due to an decrease from repayment loan from financial institution, which was according to the purpose of utilization of capital increase by initial public offering.

Equity

As at 31 March 2023, the equity of the Company increased by 5.84 percent from the year ended 2022 due to the net profit of the Company amounted to Baht 33.65 million.

Liquidity and capital adequacy

Cashflow	Quarter 1			
	2023	2022	Inc(Dec)	Inc(Dec)%
Net cash generated from (used in) operating activities	54.35	35.44	18.90	53.34%
Net cash generated from (used in) investing activities	(55.83)	(4.82)	51.02	1,058.93%
Net cash generated from (used in) financing activities	(64.46)	3.15	(67.61)	(2,148.01)%
Net increase (decrease) in cash and cash equivalents	(65.95)	33.77	(99.72)	(295.27)%
Cash and cash equivalents at the beginning of the period	349.79	1.03	348.76	33,838.93%
Cash and cash equivalents at the end of the period	283.84	34.80	249.04	715.56%

As at 31 March 2023, cash and cash equivalents of the Company amounted to Baht 283.84 million, which increased by Baht 249.04 million from the same period of 2022, mainly due to 1) cash and cash equivalents received from issuance of ordinary shares in quarter 4 year 2022, and 2) net cash used in investing activities increased by Baht 51.02 million mainly from cash paid for construction cost of factory building, machinery and equipment of Baht 55.56 million to expand the production capacity and operations of the Company, 3) net cash used in financing activities amounted to Baht 67.61 million mainly from repayments of promissory notes and long-term loans from financial institution on schedule.

Key Financial Ratios

Key Financial Ratios	For the period ended 31 March 2023	For the year ended 31 December 2022	Inc(Dec)
Current Ratio (times)	1.46	1.57	(0.11)
Cash Cycle (days)	37.80	28.69	9.11
Debt to Equity ratio (times)	0.85	0.95	(0.10)

Current Ratio

For quarter 1 year 2023, current ratio of the Company was 1.46 times, which reduce from the year 2022 to 0.11 times due to the payment for investment in building, machinery and equipment following the economic recovery and to meet the demand of customers. Meanwhile, the current liabilities of the Company decreased by 3.92 percent from the year ended 2022 mainly due to a decrease in promissory notes.



Cash Cycle

For quarter 1 year 2023, the Company had a cash cycle of 37.80 days, which increased from the year 2022 by 9.11 days because the Company had a higher average inventory days due to prepared products to send to customers accordingly to the sale promotion activities. In addition, The company also had higher average collection days and average payment days. However, The Company has followed up and coordinated with customers causing the debtor to pay debts as scheduled. As a result, the cash cycle of the Company was slower but it did not affect the overall liquidity of the Company.

Debt to Equity ratio

For quarter 1 year 2023, the total debt to equity ratio of the Company was 0.85 times, which slightly decreased from 2022, mainly because total liabilities decreased by 5.40 percent from the year 2022 due to payment for promissory notes. Meanwhile, equity increased by 5.84 percent from the year 2022 from the net profit for the quarter 1 year 2023.