



Date 10 August 2023

Subject Management Discussion and Analysis of Operating Results for Quarter 2/2023

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 30 June 2023, which has been reviewed by certified public accountants as follows:

Operating Results of the Company

(Unit : Million Baht)

Operating Results	6-Months		Changed		% of Sales	
	2023	2022	Inc(Dec)	Inc(Dec)%	2022	2021
Sales of goods	527.12	500.67	26.45	5.28%	100.00%	100.00%
Cost of sales	(371.56)	(364.31)	7.25	1.99%	(70.49)%	(72.76)%
Gross profit	155.56	136.36	19.20	14.08%	29.51%	27.24%
Other income	2.77	2.16	0.61	28.24%	0.53%	0.43%
Other gain (loss), net	0.06	0.06	-	0.00%	0.01%	0.01%
Administrative expenses	(38.98)	(37.03)	1.95	5.27%	(7.39)%	(7.40)%
Selling expenses	(24.49)	(16.39)	8.10	49.42%	(4.65)%	(3.27)%
Finance cost	(5.08)	(4.70)	0.38	8.09%	(0.96)%	(0.94)%
Profit before income tax	89.84	80.46	9.38	11.66%	17.04%	16.07%
Income tax	(16.57)	(14.67)	1.90	12.95%	(3.14)%	(2.93)%
Net profit for the period	73.27	65.79	7.48	11.37%	13.90%	13.14%

Operating Results	Quarter 2	Quarter 1	QoQ		% of Sales	
	2023	2023	Inc(Dec)	Inc(Dec)%	Q2'2022	Q1'2022
Sales of goods	287.48	239.63	47.85	19.97%	100.00%	100.00%
Cost of sales	(205.87)	(165.68)	40.19	24.26%	(71.61)%	(69.14)%
Gross profit	81.61	73.95	7.66	10.36%	28.39%	30.86%
Other income	1.65	1.11	0.54	48.65%	0.57%	0.46%
Other gain (loss), net	0.03	0.03	-	0.00%	0.01%	0.01%
Administrative expenses	(19.89)	(19.08)	0.81	4.25%	(6.92)%	(7.96)%
Selling expenses	(12.26)	(12.23)	0.03	0.25%	(4.26)%	(5.10)%
Finance cost	(2.47)	(2.61)	(0.14)	(5.36)%	(0.86)%	(1.09)%
Profit before income tax	48.67	41.16	7.51	18.25%	16.93%	17.18%
Income tax	(9.06)	(7.51)	1.55	20.64%	(3.15)%	(3.13)%
Net profit for the period	39.61	33.65	5.96	17.71%	13.78%	14.04%



For the operating results for 6-months and 3-months of 2023, sales of goods of the Company amounted to Baht 527.12 million and Baht 287.48 million, accordingly and net profit for 6-months and 3-months amounted to Baht 73.27 million and Baht 39.61 million, accordingly mainly due to the following reasons:

Sales of goods

For 6-months of 2023, sales of goods of the Company amounted to Baht 527.12 million increased from the same period of 2022 by Baht 26.45 million or increased by 5.28 percent and increase from the quarter 1 year 2023 by Baht 47.85 million or increased by 19.97 percent, mainly due to the increase of sale orders from customers from the ongoing promotional activities since quarter 1 year 2023. Mainly the Company's revenues is still KJL standard products, standard cabinet, wireway, and pull box with a proportion of 71.55 percent.

Cost of sales

For 6-months of 2023, the Company's cost of sales amounted to Baht 371.56 million, which increased from the same period of 2022 by Baht 7.25 million or increased by 1.99 percent mainly due an increase in employees costs from annual salary adjustments, utility expenses, repair and maintenance expenses and factory consumable as production increase. However, the price of raw material decrease affected to slightly increase of overall cost of sales.

Compared with quarter 1 year 2023, the Company's cost of sales increased by Baht 40.19 million or increased by 24.26 percent mainly due to the increase in cost of raw material following the increase in revenue and increase in employees costs from annual salary adjustments.

Administrative expenses

For 6-months of 2023, the Company's administrative expenses amounted to Baht 38.98 million, which increased from the same period of 2022 by Baht 1.95 million or increased by 5.27 percent, no significant change compared with expenses to sales ratio.

Compared with quarter 1 year 2023, administrative expenses of the Company increased by Baht 0.81 million or increased by 4.25 percent, however administrative expenses decreased compared with expenses to sales ratio.



Selling expenses

For 6-months of 2023, the Company's selling expenses amounted to Baht 24.49 million, which increased from the same period of 2022 by Baht 8.10 million or increased by 49.42 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 1 year 2023, the Company's selling expenses increased by Baht 0.03 million or increased by 0.25 percent, nearly the same. However selling expenses decreased when compared with expenses to sales ratio.

Finance cost

For 6-months of 2023, finance cost of the Company amounted to Baht 5.08 million increased from the same period of 2022 by Baht 0.38 million or increased by 8.09 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 1 year 2023, finance cost of the Company decreased by Baht 0.14 million or decreased by 5.36 percent from the gradual repayment of the loan.

Net profit

For 6-months of 2023, net profit of the Company amounted to Baht 73.27 million, which increased from the same period of 2022 by Baht 7.48 million or increased by 11.37 percent. Net profit margin was 13.90 percent, which increased from the same period of 2022, and net profit of the Company increase by Baht 5.96 million or increased by 17.71 percent compared with quarter 1 year 2023 mainly due to the Company has implemented the industrial technology 4.0 production control systems to increase production efficiency and well-cost controlled. In addition, the Company manages the selling and administrative expenses effectively. Although, raw material prices and promotional activities in each period slightly affected the gross profit and net profit in each period, the company still maintains gross profit and net profits margin at the same rates.

**Statement of Financial Position**

(Unit : Million Baht)

Financial Position	At 30 Jun 2023	At 31 Dec 2022	Inc(Dec)	Inc(Dec)%
Total current assets	494.97	649.65	(154.68)	(23.81)%
Total non-current assets	638.12	475.88	162.24	34.09%
Total assets	1,133.09	1,125.52	7.57	0.67%
Total current liabilities	449.92	413.06	36.86	8.92%
Total non-current liabilities	106.64	136.13	(29.49)	(21.66)%
Total liabilities	556.56	549.19	7.37	1.34%
Issued and fully paid-up share capital	116.00	58.00	58.00	100.00%
Share premium	379.97	379.97	-	-
Retained earnings-Appropriated	5.80	5.80	-	-
Retained earnings-Unappropriated	74.76	132.57	(57.81)	-43.61%
Total equity	576.53	576.33	0.19	0.03%
Total liabilities and equity	1,133.09	1,125.52	7.57	0.67%

Assets

As at 30 June 2023, total assets of the Company increased by Baht 7.57 million or increased by 0.67 percent from the year ended 2022, mainly due to an additional investment in building, machinery and equipment to 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 30 June 2023, total liabilities of the Company amounted to Baht 556.56 million, which increased by Baht 7.37 million or increased by 1.34 percent from the year ended 2022 due to increase in payables from investment in machinery to expand the production capacity, which was according to the purpose of utilization of capital increase by initial public offering net, with the gradual repayment of the loan.

Equity

As at 30 June 2023, the equity of the Company increased by 0.03 percent from the year ended 2022 due to the cash dividend payment amounted to Baht 73.08 million net, with the Company's net profit amounted to Baht 73.27 million.

Liquidity and capital adequacy

Cashflow	6-Months			
	2023	2022	Inc(Dec)	Inc(Dec)%
Net cash generated from (used in) operating activities	79.82	90.03	(10.21)	(11.34)%
Net cash generated from (used in) investing activities	(125.07)	(15.86)	109.21	688.59%
Net cash generated from (used in) financing activities	(152.12)	(29.76)	122.36	411.16%
Net increase (decrease) in cash and cash equivalents	(197.37)	44.41	(241.78)	(544.43)%
Cash and cash equivalents at the beginning of the period	349.79	1.03	348.76	33,860.19%
Cash and cash equivalents at the end of the period	152.42	45.44	106.98	235.43%

As at 30 June 2023, cash and cash equivalents of the Company amounted to Baht 152.42 million, which increased by Baht 106.98 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 109.21 million mainly from cash paid for construction cost of factory building, machinery and equipment of Baht 125.15 million to expand the production capacity, 3) net cash used in financing activities amounted to Baht 122.36 million mainly from dividend paid for the year 2022, repayments of promissory notes and long-term loans from financial institution on schedule.

Key Financial Ratios

Key Financial Ratios	For the period ended 30 June 2023	For the year ended 31 December 2022	Inc(Dec)
Current Ratio (times)	1.10	1.57	(0.47)
Cash Cycle (days)	37.88	28.69	9.19
Debt to Equity ratio (times)	0.97	0.95	0.02

Current Ratio

For 6-months of 2023, current ratio of the Company was 1.10 times, which reduce from the year 2022 to 0.47 times due to the payment for investment in building, machinery and equipment following the demand of customers and repayments of promissory notes for decreased finance costs which was according to the purpose of utilization of capital increase by initial public offering.



Cash Cycle

For 6-months of 2023, the Company had a cash cycle of 37.88 days, which increased from the year 2022 by 9.19 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 6-months of 2023, the total debt to equity ratio of the Company was 0.97 times, which slightly increased from 2022, mainly because total liabilities increased by 1.34 percent from the year 2022 due to an investment in machinery.