



Ref. FPI.002/2564

8st March 2021

Subject : Management Discussion & Analysis of Performance Results of the year ended 2020
To : Board of Directors and President of The Stock Exchange of Thailand

Fortune Parts Industry Public Company Limited (“FPI” or “The Company”) would like to submit the annual financial statements for the year ended 31 December 2020 which has been audited by certified public auditor as follows:

Overall performance results of the Company for the year ended 31 December 2020, compared to the same period of the previous year were highlighted as below;

(Unit : Million Baht)

	<u>Separate financial statements</u>		
	<u>2020</u>	<u>2019</u>	<u>% Change</u>
Sales and Service Income	1,806.35	2,055.48	(12)
Other income	51.75	17.71	192
Less Cost of Sales and Services	1,496.81	1,647.83	(9)
Selling and Administrative Expenses	173.84	168.24	3
Reversal of allowance for doubtful account	16.10	7.38	118
Reversal of allowance for diminution in value of inventories	<u>2.19</u>	<u>0.63</u>	<u>248</u>
Profit (loss) from operating activities	169.16	249.10	(32)
Less Loss on derivatives	92.95	-	n.a.
Loss on change in status of investments	5.72	-	n.a.
Share of profit (loss) from investment in joint ventures	(0.14)	5.30	103
Gain (loss) on recognition of other comprehensive income resulting from change in status of investments	22.11	-	n.a.
Finance Cost	<u>26.09</u>	<u>20.73</u>	26
Profit (loss) before income tax expenses	22.42	223.08	(90)
Income tax expenses	<u>(3.67)</u>	<u>(36.29)</u>	<u>(90)</u>
Profit for the period	<u>18.75</u>	<u>186.79</u>	<u>(90)</u>

Total Revenues

In 2020 and 2019, total revenues of the Company were Baht 1,858.10 million and Baht 2,073.19 million, respectively, which decreased by Baht 215.09 million or decreased by 10.37 %. Sales and service income for 2020 amounted to Baht 1,806.35 million which decreased from 2019 amounted at Baht 2055.48 million by Baht 249.13 million or decreased by 12.12 %.

The reason for decreased total revenues was mainly due to the decreased in both domestic and export sales between April and August following the COVID-19 pandemic outbreak. Our domestic sales dropped from Baht 361.34 million in 2019 to only 289.18 million in 2020 or decreased by 19.97 %. This is a result of a 30 % decline of Thailand Automotive production. Export sales to South America in 2020 was also dropped down by 26.26 % when compared to that of 2019 from Baht 328.58 million to Baht 242.28 million.

Similarly, export sales to Africa had also declined by 6.90 % as the figures decreased from Baht 202.61 million in 2019 to Baht 188.64 million in 2020. Likewise, the export sales of Asia and Middle East decreased by 2.43 % or from Baht 928.87 million in 2019 to Baht 906.34 million in 2020. These were all a consequence from lockdown regulations following the COVID-19.

However, as the situation with Coronavirus has gotten better with the announcement of vaccine, figures of Quarter 4 reflected a recovery and a promising future as can be seen by the V-shape in both Automotive Production and Automotive Parts Export. This was a result from the easing of lock down restriction in Thailand and numerous of other countries. Therefore, our 2020 Quarter 4's total revenues surpassed our 2019's total revenue of the same quarter as the figures are Baht 535.69 million and Baht 534.40 million respectively.

Due to the severe situation of COVID-19 in India, ranked at world's 2nd highest in COVID-19 cases, FPI Autoparts India Private Limited was unable to meet the target revenue. The pandemic caused the company to temporarily shut down following the lock down regulation in India between March and August 2020. Consequently, numerous of our main customers had also requested for a slowdown in production and postponed the payment to the company especially for MSIL that postponed the launching of their new cars planned in 2020 to 2021. This resulted in the company being unable to achieve the target set in terms of income and parts delivery or loss of income amounting at Rupees 150 million (Baht 62 million) as referred to the contract agreement as we are one of Maruti Suzuki India Limited (MSIL) main suppliers for numerous of their new launching cars.

Cost of Sales and Services

In 2020 and 2019, total cost of sales and services of the Company, which is accounted for Baht 1,496.81 million and Baht 1,647.83 million, respectively, decreased by Baht 151.02 million or 9.17 %. This is mainly because of our continuous improvement since 2019 on our productivity, cost

reduction, Kaizen and 4DX Cost saving activities. Although, the company production volume decreased by 9.17 % when compared to the previous year, the company managed to save on cost of production for over 5 % for injection molding and over 9 % for painting.

Selling and Administrative Expenses

For the period ended 31 December 2020, the Company's selling and administrative expenses increased by Baht 5.6 million or 3.33 % from Baht 168.24 million in 2019 to Baht 173.84 in 2020. The main reason of the increase is a result from a dramatically increased of freight charge.

Profit (loss) from operating activities

In 2020, the profit (loss) from operating activities of the company decreased by Baht 79.94 million or 32.09 % as it was Baht 249.10 million back in 2019 and Baht 171.92 million in 2020. This were mainly due to the loss on derivatives in Quarter 1 alongside the increase in allowance for doubtful account in 2020 according to newly implemented Expected Credit Loss (ECL) amounting at Baht 12.75 million.

In the case of FPI Autoparts India Private Limited, loss amounting at Baht 25.65 million was recorded following the lockdown regulation that caused numeorus of our main customers including Maruti Suzuki India Limited (MSIL) to postponed their payment and order.

Net Profit

In 2020, net profit of the Company was amounting to Baht 18.75 million which decrease from Baht 186.79 in 2019 by 89.96 % or Baht 168.04 million. This were mainly due to loss on derivatives amounting at Baht 92.95 million. Moreover, back in January 2020 the company decided to purchase 55 % of ALP FPI Parts Private Limited shares from our previous partner. This caused the company to suffer from loss on change in status of investments as the valuation of the investments is valuated at fair value or Baht 5 million. Furthermore, the company suffer from loss on recognition of other comprehensive income resulting from change in status of investments amounting at Baht 22.11 million.

Financial Position (in comparison to as of 31 December 2019)

Overall financial position of the Company as of 31 December 2020, compared to the statement of financial position as of 31 December 2019, the balance of total assets which were Baht 2,871.91 million and Baht 2,758.07 million, respectively, increased by Baht 113.84 million, or increased by 3.96 % due to the following reasons;

Total Assets

As at 31 December 2020, total assets were Baht 2,871.91 million, increased by Baht 113.84 million from the balance at the ended of 31 December 2019 at Baht 2,758.01 million. This were mainly due to the purchase of ALP FPI Parts Private Limited from our previous partner. On the 24th of June 2020, the company changed our subsidiary company name in India to FPI Autoparts India Private Limited, in which its financial statement is included in our current financial statement. Furthermore, the company has further invested in machines and others production equipment in addition to expand our production capacity amounted at Baht 11 million. This led to the increase of Baht 230 million in company's property, plant, and equipment. The company has also recognized the goodwill valuing at Baht 7 million from purchasing of the shares from the previous partner at a price higher than that of the book value. Nevertheless, trade account receivables and other account receivables significantly decreased by Baht 36 million due to the allowance for doubtful account according to newly implemented Expected Credit Loss (ECL).

Total Liabilities

Total liabilities increased by Baht 137.14 million from Baht 1,142.51 million as of 31 December 2019 to Baht 1,279.65 million as of 31 December 2020. It was mainly because the Baht 79 million increase in short-term loans from packing credit and letter of credit, 52 million increase in trade payables and other payables of buying raw material for manufacturing, and Baht 17 million increase in long-term loans from financial institutions.

Shareholders' Equity

As of 31 December 2020, shareholders' equity was Baht 1,592.26 million, which decreased by Baht 23.30 million from Baht 1,615.56 million as of 31 December 2019. This is mainly due to the dividend paying amounting at Baht 66 million. Nevertheless, net profit from operating for the period is Baht 18.74 million, which was a result from loss on change in status of investments that decreased by Baht 23 million and loss on derivatives amounting at Baht 2 million.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak
Managing Director