

Management Discussion and Analysis: MD&A for Year 2023

Performance Highlight

The recovery of the Thai economy decelerated following global economic condition, with the growth much lower than expected. Manufacturers, distributors, and suppliers in the vehicle battery manufacturing industry initially anticipated and projected sales higher than actual outcome, leading to higher competition in the market. Household debt in Thailand, meanwhile, was at the highest level among ASEAN countries with unsecured loans amount as high as 44% of the GDP. The risk from this level of household debt had affected business of vehicle manufacturers, which is one group of the Company's major customers, due to loan criteria tightening by financial institutions.

The Company continuously implemented improvement projects for battery production, in order to use production resources efficiently and effectively, along with the management of occupational health and safety and the environment. For the year 2023, the Company posted a net profit of 123.03 million baht, increasing by 13.61 million baht from the year 2022 or 12.4%.

1. Operating Results

Unit: Million baht	2023	2022	YoY
Sales of goods	2,654.64	2,578.73	2.9%
Cost of sales	2,053.90	2,018.66	1.7%
Gross margin	600.74	560.07	7.3%
Other income	7.46	10.27	(27.4%)
Selling and administrative expenses	453.00	429.75	5.4%
Finance cost	0.69	0.83	(17.1%)
Income tax expenses	31.49	30.35	3.8%
Net profit	123.03	109.42	12.4%
Earnings per share (Baht/share)	1.14	1.02	12.4%

Year 2023 operating results

- i. Sales of goods: The Company recorded 2.9% higher sales of goods than in the previous year or an increase of 75.91 million baht, owing to the growth in the motorcycle battery replacement market and OEM market by 12.0% and 6.3%, respectively. This was the result of the higher product demand, new customers acquisition, and introduction of new product models in the market despite constant pressures from unfavorable market condition and liquidity of major retailers and distributors. In addition, expansion in Myanmar market had pushed automotive battery export sales revenue to increase 12.0% from the previous year even though sales activities were delayed from import restrictions imposed by Myanmar government. Meanwhile, sales revenue from domestic automotive OEM markets decreased by 22.8% following effect from tightened loan criteria while sales revenue from the automotive battery replacement market declined by 2.5% due to the intense competition in the market.

- ii. Cost of sales: The Company's cost of sales totaled 2,053.90 million baht or 77.37% of sales of goods. The ratio decreased from the year 2022, which stood at 78.28%. The main reasons were the decrease in direct labor costs and manufacturing overhead. The raw material cost to sales of goods, however, was 0.34% higher than in 2022.
- iii. Selling and administrative expenses: The Company's selling and administrative expenses totaled 453.00 million baht or 77.37% of sales of goods. Compared with the year 2022, the ratio of selling and administrative expenses to sales of goods rose 0.4%, and the amount increased by 23.25 million baht. The selling expenses increased by 13.93 million baht, from which an increase of 4.31 million baht was due to sales promotional activities and marketing medias. The increase in selling expenses also included an increase in expenses relating to sales personnels and an increase in royalty fees, excise taxes and product delivery and export expenses which followed higher sales volume and revenue. In addition to the increase in selling expenses, administrative expenses increased by 9.32 million baht, mainly from an increase in personnel expenses. Apart from the personnel expenses, spending on IT equipment and asset write-offs were also higher than in 2022.

2. Financial Position

Table showing summaries of financial position :

Unit: Million baht	Dec 31, 2023	Dec 31, 2022	Increase / (Decrease)	%
Assets				
Current assets				
Cash and cash equivalents	247.58	414.82	(167.23)	(40.3%)
Trade and other receivables	424.44	393.45	30.99	7.9%
Inventories	430.43	317.65	112.78	35.5%
Other current assets	9.57	8.77	0.80	9.2%
Total current assets	1,112.02	1,134.68	(22.67)	(2.0%)
Non-current assets				
Property, plant, and equipment	444.22	407.65	36.57	9.0%
Other non-current assets	43.45	36.09	7.36	20.4%
Total non-current assets	487.66	443.74	43.93	9.9%
Total assets	1,599.68	1,578.42	21.26	1.3%
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables	323.05	399.36	(76.31)	(19.1%)
Other current liabilities	56.09	50.44	5.65	11.2%
Total current liabilities	379.14	449.80	(70.66)	(15.7%)
Total non-current liabilities	117.97	106.13	11.84	11.2%
Total liabilities	497.12	555.94	(58.82)	(10.6%)
Shareholders' equity	1,102.57	1,022.48	80.08	7.8%
Total liabilities and shareholders' equity	1,599.68	1,578.42	21.26	1.3%

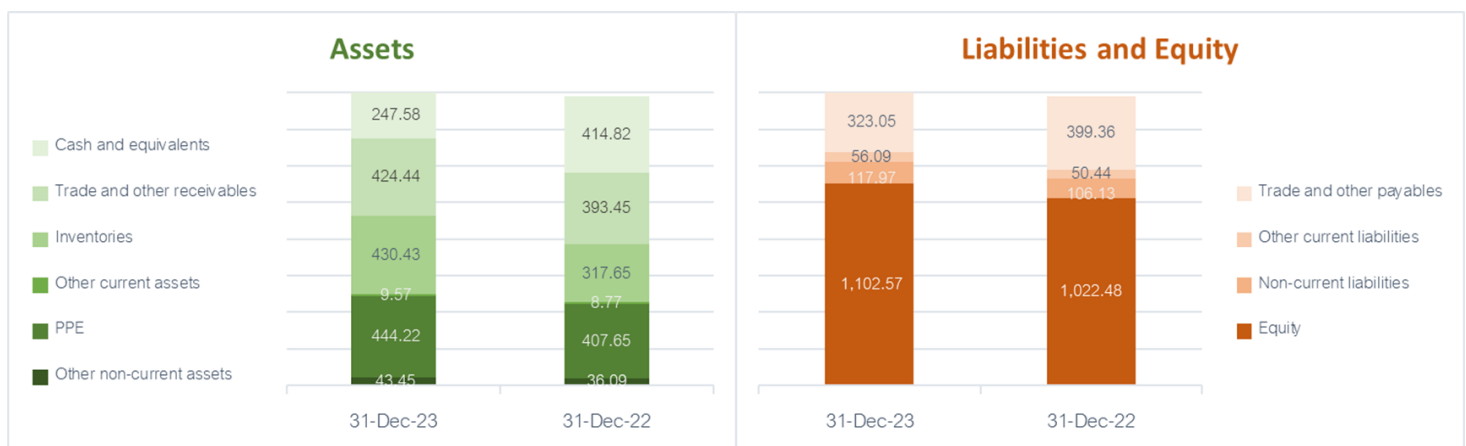
2.1 The Company's total assets as of December 31, 2023, totaled 1,599.68 million baht, consisting of current assets of 1,112.02 million baht and non-current assets of 487.66 million baht. Current assets decreased by 22.67 million baht compared to the amount as of December 31, 2022. Cash and cash equivalents decreased by 167.23 million baht, mainly due to the shortened payment terms for raw materials and the increase in raw material inventories particularly in the first quarter. The higher level of raw material inventories followed the increased sales forecast in the beginning of the year and the plan to produce motorcycle batteries for the period that one production line will be stopped for improvement in 2024. Meanwhile, trade and other receivables increased by 30.99 million baht on account of newly acquired customers and new sales project. The value of non-current assets also increased by 43.93 million baht, mostly from the construction projects and the addition of machinery and equipment.

2.2 The Company's total liabilities as of December 31, 2023, were 497.12 million baht a decrease of 58.82 million baht from the total liabilities as of December 31, 2022. This was due to the decrease of trade and other payables by 76.31 million baht which followed changes in the payment terms for raw materials. On the other hand, other current liabilities increased by 5.65 million baht owing to the tax payables and non-current liabilities increased by 11.84 million baht, mainly due to the accrued employee benefits.

2.3 The Company's shareholders' equity as of December 30, 2023, totaled 1,102.57 million baht, an increase of 80.08 million baht or 7.8% from the end of the previous year as a consequence of:

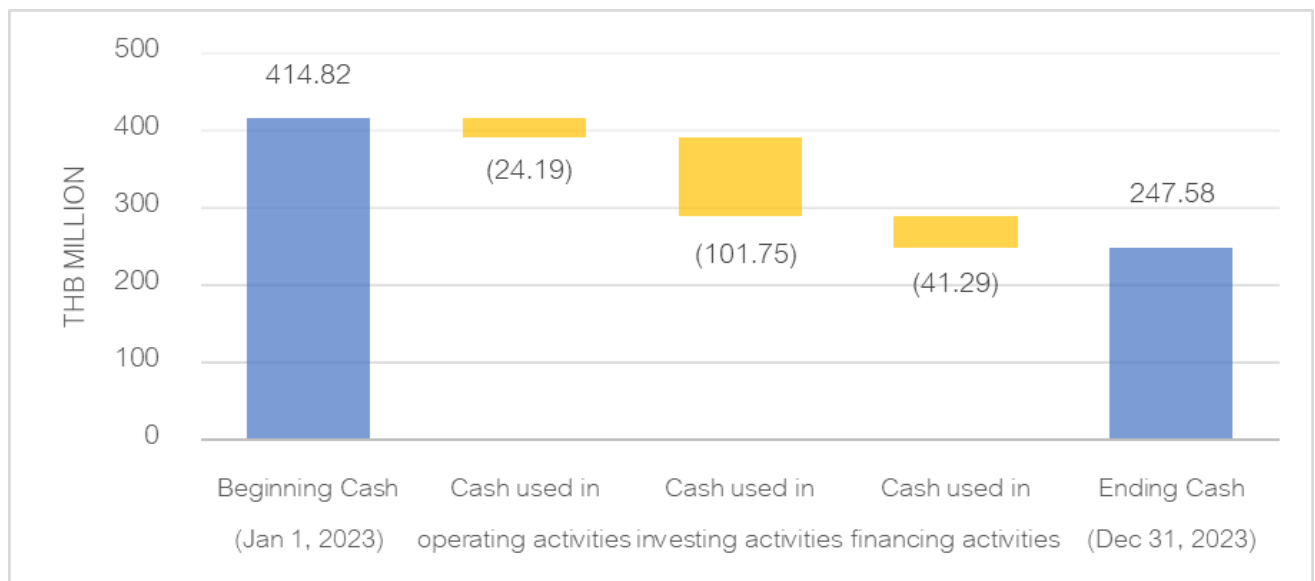
- (+) Profits of the year 2023 amounted to 123.03 million baht.
- (-) Other comprehensive loss, such as actuarial loss amounted to 5.71 million baht
- (-) Dividend payment to the shareholders derived from 2022's operating results of 37.23 million baht.

Chart summarizing the financial position :



3. Cash flows

Chart summarizing cash flows of the year :



As of December 31, 2023, the Company recorded cash and cash equivalents totaling 247.58 million baht. Details of each activity were summarized as follows:

3.1 Net cash flows used in operating activities totaled 24.19 million baht. Key issues affecting changes were the following:

- (+) Operating profits of 223.99 million baht;
- (-) Trade and other receivables increase 34.07 million baht;
- (-) Inventories increase 112.15 million baht;
- (-) Other current assets increase 0.80 million baht;
- (-) Trade and other payables decrease 70.44 million baht;
- (-) Cash paid for employee benefits 3.77 million baht;
- (+) Other current liabilities increase 3.78 million baht.
- (+) Cash received from interest income 1.07 million baht
- (-) Cash paid for interest expenses 0.08 million baht
- (-) Case paid for corporate income tax 31.72 million baht

3.2 Net cash flows used in investing activities totaled 101.75 million baht — 93.81 million baht of which was spent on machinery and equipment; 1.43 million baht was the acquisition of intangible assets and 6.76 million baht was advanced payment for fixed asset acquisition. The Company also received cash from the sales of machinery and equipment totaling 0.25 million baht.

3.3 Net cash flows used in financing activities totaled 41.29 million baht — 4.06 million baht of which was the payment of lease liabilities, while 37.23 million baht was the dividend paid.

4. Financial ratio

Key financial ratio items :

	2023	2022
Profitability ratio (%)		
Gross profit margin	22.63	21.72
Operating profit margin	5.85	5.45
Net profit margin	4.63	4.24
Return on equity (ROE)	11.58	11.15
Efficiency ratio (%)		
Return on total assets (ROA)	7.74	7.18
Return on net fixed assets	41.53	39.98
Liquidity ratio (times)		
Current ratio	2.93	2.52
Quick ratio	1.77	1.80
Receivable turnover	6.78	7.09
Collection period (days)	54	51
Payable turnover	8.93	7.84
Payment period (days)	41	47
Financial policy ratio (times)		
Debt to equity	0.45	0.54
Times interest earned (cash basis)	11.94	200.98
Debt service coverage (cash basis)	-0.18	1.45
Dividend payout (%)	30.26	28.62
Fully diluted (baht)		
Book value per share	10.24	9.50
Earnings (loss) per share	1.14	1.02
Dividend payout per share	0.346	0.291

Concerning profitability, the Company's gross profit margin, operating profit margin and net profit margin increased from the year 2022 mainly as a consequence of the improvement on production cost. As for the liquidity, current ratio was higher than the previous year due to the reduction of the current liabilities while the quick ratio as of December 31, 2023, decreased from the figure as of December 31, 2022 owing to the decrease in cash and cash equivalents.

In 2023 the average collection period was 54 days – longer than in 2022 which was 51 days. The increase was due to higher amount of trade receivables particularly from new customers and new motorcycle battery sale project. The average payment period decreased from that in the previous year, owing to the payment term shortening for lower raw material prices. Nevertheless, the shorter payment period did not affect the Company's liquidity management.

At the end of 2023 debt to equity was 0.45 times which was less than the ratio of 0.54 as of December 31, 2022 due to the decline in liabilities and the growth in shareholders' equity. Times interest earned and debt service coverage both decreased from the year 2022 because the Company had negative cash flow from operating activities due to the increase in raw material inventories and the change in raw material payment term.

In terms of dividend payment, the Annual General Shareholders' Meeting for 2023, which was held on April 7th, 2023, passed the resolution to pay dividend from the operating results of 2022 for 107,625,000 shares at Baht 0.346 per share, totaling Baht 37.23 million. The dividend was paid on May 3rd, 2023. The Board of Directors' Meeting No. 1/2024 on February 13th, 2024, passed the resolution to propose to the Annual General Shareholders' Meeting to pay dividend from the operating results of 2023 for 107,625,000 shares at Baht 0.412 per share, totaling Baht 44.34 million.