



TROPICAL CANNING (THAILAND) PUBLIC COMPANY LIMITED
南洋罐頭食品廠(泰國)大眾有限公司
บริษัท ทropicคอลแคนนิ่ง (ประเทศไทย) จำกัด (มหาชน)

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Ref. No. TCB 22/2022

May 13, 2022

Re: Management discussion and analysis for the first quarter ended 31 March 2022

To: Director and Manager
The Stock Exchange of Thailand

Referencing to Tropical Canning (Thailand) Public Company Limited (TC) submission of financial statements for the first quarter ended 31 March 2022 which have reviewed by certified public accountant and verified by Board of Directors.

Operating results of the company and its subsidiary for the first quarter ended 31 March 2022 as compared to the same quarter of the previous year and the statement of financial position as at 31 March 2022 as compared to year ended 2021 can be summarized as follows:

Performance Analysis

Revenue

Revenue	Quarter 1/2022		Quarter 1/2021		Increase (Decrease)	
	Million Baht	% Sale	Million Baht	% Sale	Million Baht	%
Revenue from sales of goods	1,296.64	99.06	1,091.62	97.25	205.02	18.78
Net foreign exchange gain	9.20	0.70	24.26	2.16	(15.06)	(62.09)
Other income	3.13	0.24	6.60	0.59	(3.47)	(52.55)
Total revenue	1,308.97	100.00	1,122.48	100.00	186.49	16.61

The company and its' subsidiary had total revenue in first quarter ended 31 March 2022 amounted to Baht 1,308.97 Million, an increase of Baht 186.49 Million or increase by 16.61% as compared to the same quarter of the previous year. The rational of this increase mainly attributed to the following.

- Revenue from sales of goods in quarter 1/2022 totaling Baht 1,296.64 Million or equivalent to 99.06% of total revenue, an increase of Baht 205.02 Million or increase by 18.78% as compared to the same quarter of the previous year due to continue expansion in sale volume of Pet food products.

- Net Foreign exchange gain in quarter 1/2022 totaling Baht 9.20 Million or equivalent to 0.70% of total revenue, decrease of Baht 15.06 Million or decrease by 62.09% due to there was event where exchange rate of Thai Baht appreciated against US Dollar during the quarter when compared to the same quarter of the previous year.

- Other income in quarter 1/2022 totaling Baht 3.13 Million or equivalent 0.24% of total revenue, decrease of Baht 3.47 Million or decrease by 52.55% as compared the same quarter of the previous year.

Expenses

Expenses	Quarter 1/2022		Quarter 1/2021		Increase	
	Million Baht	% Sale	Million Baht	% Sale	Million Baht	%
Cost of sales of goods	1,186.32	91.49	960.27	87.97	226.05	23.54
Selling and Administrative expenses	68.32	5.27	59.35	5.43	8.97	15.11
Total expenses	1,254.64	96.76	1,019.62	93.40	235.02	23.05

The company and its' subsidiary had total expenses in first quarter ended 31 March 2022 totaling Baht 1,254.64 Million, an increase of Baht 235.02 Million or increase by 23.05% as compared to the same quarter of the previous year. The rational of this increase mainly attributed to the following.

- Cost of sales of goods in quarter 1/2022 amounted to Baht 1,186.32 Million or equivalent to 91.49% of total sales revenue, an increase of Baht 226.05 Million or increase by 23.54% as compared to the same quarter of the previous year due to increase in production cost from rise in raw material and energy price. The gross profit in quarter 1/2022 amounted to Baht 110.32 Million, a decrease of Baht 21.03 Million or decrease by 16.01% as compared to the same quarter of the previous year, as a result, the gross profit margin in quarter 1/2022 was 8.51% down from 12.03% as compared to the same quarter of the previous year.

- Selling and administrative expenses in quarter 1/2022 amounted to Baht 68.32 Million or equivalent to 5.27 of total sales revenue, an increase of Baht 8.97 Million or increase by 15.11% as compared to the same quarter of the previous year. The selling expenses increase amount of Baht 3.08 Million due to increase in sales volume and freight cost. Meanwhile, administrative expenses increase amount of Baht 5.88 Million due to increase of expenses related to employee.

- Finance cost in quarter 1/2022 amounted to Baht 0.26 Million or equivalent to 0.02% of total sales revenue, an increase of Baht 0.07 Million or increase by 36.51% as compared to the same quarter of the previous year.

- Income tax expenses consists of 2 parts as follow.

- (1) Income tax expenses in quarter 1/2022, the company and its' subsidiary had income tax expense of Baht 1.21 Million, decrease of Baht 13.30 Million or decrease of by 91.68% as compared to the same quarter of the previous year due to the company has been granted promotional certificates by The Board of Investment of Thailand on measure for improvement of production efficiency of Tuna products, Seafood products and Pet food products.
- (2) Deferred tax expenses in quarter 1/2022 the company and its' subsidiary had recorded deferred tax income amount of Baht 0.27 Million while in quarter 1/2021 the company and its' subsidiary had recorded deferred tax expenses amount of Baht 6.17 Million.

- Net Profit in quarter 1/2022, the company and its' subsidiary had net profit of Baht 53.14 Million, a decrease of Baht 28.86 Million or decrease by 35.20% as compared to the same quarter of the previous year. The net profit margin to sales revenue of the company and its' subsidiary account for 4.10% decrease from the same quarter of the previous year with a net profit margin to sales revenue of 7.51% due to decrease in gross profit as mentioned above.

Financial Statement Analysis

Statement of Financial Position

Unit: Million Baht

Description	31 March 2022	31 December 2021	Increase (Decrease)	%
Current Assets	2,414.59	2,253.36	161.23	7.16
Non-Current Assets	804.10	801.85	2.25	0.28
Total Assets	3,218.69	3,055.21	163.48	5.35
Current Liabilities	872.83	760.49	112.34	14.77
Non-Current Liabilities	188.71	190.71	(2.00)	(1.05)
Total Liabilities	1,061.54	951.20	110.34	11.60
Total equity	2,157.15	2,104.01	53.14	2.53
Total Liabilities and equity	3,218.69	3,055.21	163.48	5.35

Assets

The company and its' subsidiary had total assets as at 31 March 2022 amounted to Baht 3,218.69 Million, an increase of Baht 163.48 Million or increase by 5.35% as compared to year ended 2021 which consist of assets as follow.

1. Current Assets

The company and its' subsidiary had total current assets as at 31 March 2022 amounted to Baht 2,414.59 Million or equivalent to 75.02% of total assets, an increase of Baht 161.23 Million or increase by 7.16% as compared to year ended 2021. The prominent change in current assets consists of following.

- Trade and other current receivables as at 31 March 2022 totaling Baht 880.01 Million or equivalent to 27.34% of total assets, as increase of Baht 131.21 Million or increase by 17.52% as compared to year ended 2021. The increase in trade accounts receivable due to increased in sales revenue. The average collection period decreased from 59 days to 53 days. Most of company's trade accounts receivable within credit term, approximately 90.92% of trade accounts receivable while other current receivables increase due to advance payment of machine and in order to comply with TFRS9 the company has set up an allowance for impairment loss of trade and other receivables amount of Baht 24.73 Million.

- Inventories as at 31 March 2022 totaling Baht 1,405.79 Million or equivalent to 43.68% total assets, an increase of Baht 59.57 Million or increase by 4.43% as compared to year ended 2021. Mostly consist of Finished goods of Baht 505 Million waiting for delivery, raw materials and goods intrasit of Baht 805 Million to support production and increase raw material prices. The turn over

periods of inventories is decreased from 45 days to 41 days. At the same time the company has a policy to set aside allowance for obsolete products for inventories older than 1 year and set at a higher rate when inventories without movement for a longer period, respectively. The company has set up an allowance for obsolete products as at 31 March 2022 in the amount of Baht 23.97 Million or equivalent to 1.65% total inventories. In addition, the company has set aside reduction in the value of inventories to the net realizable value as at 31 March 2022, in the amount of Baht 26.75 Million or equivalent to 1.84% of total inventories.

2. Non-Current assets

The company and its' subsidiary had total non-current assets as at 31 March 2022 amounted to Baht 804.10 Million or equivalent to 24.98% of total assets, an increase of Baht 2.25 Million or increase by 0.28% as compared to year ended 2021 due to the company has invested in acquisition of building, machinery and equipment amounted to Baht 27.32 Million to support the existing production and increase capacity in the future as well as improve machinery to increase production efficiency while there was depreciation of Baht 24.13 Million.

Liabilities

The company and its subsidiary had total liabilities as at 31 March 2022 amounted to Baht 1,061.54 Million, an increase of Baht 110.34 Million or increase by 11.60% as compared to year ended 2021 which consist of liabilities as following.

1. Current Liabilities

The company and its' subsidiary had total current liabilities as at 31 March 2022 amounted to Baht 872.83 Million or equivalent to 82.22% of total liabilities, an increase of Baht 112.34 Million or increase by 14.77% as compared to year ended 2021 which the prominent changes in current liabilities consist of following.

- Bank overdraft and short-term borrowing from financial institutions as at 31 March 2022 amounted of Baht 136.05 Million or equivalent to 12.82% of total liabilities, an increase of Baht 116.30 Million or increase by 589.09% as compared to year ended 2021 due to the increased purchase of raw materials and higher raw material prices resulted to increase demand for working capital.

- Trade and other payables as at 31 March 2022 totaling Baht 726.33 Million or equivalent to 68.42% of total liabilities, a decrease of Baht 4.45 Million or decrease by 0.61% as compared to year ended 2021. Trade accounts payable increase of Baht 20.51 Million mainly from purchase of raw materials and packaging materials in line with the increase in inventories. The repayment period increase from 43 days to 47 days as compared to year ended 2021 while other current payables decrease of Baht 24.96 Million due to decrease in accrued expenses.

2. Non-Current Liabilities

The company and its' subsidiary had total non-current liabilities as at 31 March 2022 amounted to Baht 188.71 Million or equivalent to 17.78% of total liabilities, a decrease of Baht 2.0 Million or decrease by 1.05% as companied to year ended 2021 due to the lease liabilities decrease of Baht 0.87 Million and non-current provisions for employee benefits decrease of Baht 1.13 Million.

Equity

The company and its subsidiary had total equity as at 31 March 2022 amounted to Baht 2,157.15 Million, an increase of Baht 53.14 Million or increase by 2.53% as compared to year ended 2021 due to the company and its subsidiary reported net profit of Baht 53.14 Million. The company and its subsidiary have the book value as at 31 March 2022 was Baht 6.54 per share, increase from Baht 6.38 per share as compared to year ended 2021.

Analysis of Cash Flows Statement

Consolidated cash flows statement

Description	Unit: Million Baht	
	31 March 2022	31 March 2021
Net cash (used in) from operating activities	(116.71)	77.64
Net cash used in investing activities	(22.80)	(28.81)
Net cash from (used in) financing activities	112.07	(3.44)
Net (decrease)increase in cash and cash equivalents	(27.44)	45.39
Cash and cash equivalents at 1 January	154.91	156.36
Cash and cash equivalents at 31 March	127.47	201.75

The company and its subsidiary has cash and cash equivalents for the three-month period ended 31 March 2022, the amounted to Baht 127.47 Million, a decrease of Baht 74.28 Million or decrease by 36.82% as compared to the same period of the previous year.

Changes in cash and cash equivalent for the three-month period ended 31 March 2022 as follow.

- Net cash used in operating activities totaling Baht 116.71 Million, consisting of cash generated from profit in the amount of Baht 53.14 Million and adjustments that affect profit in cash receipts (payments) before changes in operating assets and liabilities in the amount of Baht 33.18 Million and mainly changes in operating assets and liabilities, such as trade and other current receivables increased of Baht 127.41 Million, inventories increased of Baht 63.32 Million, trade and other current payables increased of Baht 7.69 Million, Employee benefits paid and tax paid of Baht 4.50 Million.
- Net cash used in investing activities totaling Baht 22.80 Million, mainly from cash paid for acquisition of building, machinery and equipment amount of Baht 24.68 Million and cash received from short-term loan and long-term loan to other party amount of Baht 2.15 Million.
- Net cash from financing activities totaling Baht 112.07 Million, mainly from increase in Bank overdrafts and short term borrowing from financial institutions amount of Baht 116.32 Million. Cash payment of lease liabilities amount of Baht 4.02 Million and Finance cost amount of Baht 0.23 Million

Liquidity Ratio

As of 31 March 2022, the company and its' subsidiary had total current assets amount of Baht 2,414.59 Million, total current liabilities amount of Baht 872.83 Million. The current ratio equal to 2.77 times, decrease from year ended 2021 with the current ratio of 2.96 times.

Please acknowledge accordingly.



Yours sincerely,

Kampol Watcharanimit
Managing Director