



**บริษัท ไทยเซ็นทรัลเคมี จำกัด (มหาชน)**  
**THAI CENTRAL CHEMICAL PUBLIC COMPANY LIMITED**

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(Translation)

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24 February 2022

Subject Clarification of the year 2021 performance

To President  
The Stock Exchange of Thailand

Enclosure Management Analysis and Discussion (MD&A)

Thai Central Chemical Public Company Limited would like to submit Management Analysis and Discussion (MD&A) of the year-end performance of the year 2021 as in the attachment.

Please be informed accordingly.

Sincerely yours,

Mr. Takahiro Yamashita  
President & CEO

Company Secretary / Photchara Tel. 0 2639 8888 ext 8909



## Management Discussion and Analysis (MD&A)

### Business Overview

The Company reported the Consolidated Financial Statements of 2021 from January 1 to December 31, 2021 that the Company achieved Profit Attributable to Owners of the parent of 1,579 million baht, increased by 7% or 107 million baht from the previous year of 1,472 million baht. The rise of profit was due to an increase in sales from growers' demand for cultivation and customers' willingness to secure inventories following the upward trend of international fertilizer prices.

### Business Segment Information

The Company's main business is to import, manufacture and distribute various formulas of chemical fertilizer. The Company has 3 subsidiaries, 1) TCCC Myanmar Ltd., an importer and distributor of chemical fertilizer in Myanmar, 2) MC Agro-Chemicals Co., Ltd., an importer and distributor of herbicide, fungicide, and insecticide for agriculture, and 3) N.I.M. Co., Ltd., an owner and operator of the tank terminal for storage of liquid chemicals for industrial uses. The Company performance is analyzed in the segment of Core Business and Subsidiaries businesses.

- **Core Business (Chemical Fertilizers)**

The higher amount of accumulated rainfall than that in the previous year and the average years has the effect of spurring cultivation throughout 2021. Furthermore, the rising global demand of agricultural products arising from a slight improvement of international economy caused the majority of crop prices namely maize, sugarcane, oil palm and para rubber to increase, thereby encouraging growers' willingness to cultivate. Growers' increased farming activities was not only one factor that contributed to a rise in fertilizer usage; however, customers' intention to stock inventories in response with the rising international fertilizer prices is the other factor that resulted in the growing demand for chemical fertilizer when compared with the previous year.

In order to manage raw material prices, the Company continued to make every best effort to adjust the production operation and sales campaigns in accordance with the actual price movement. In the meantime, online and non-physical activities including billboard and sponsorship program were two main channels used by the Company for raising brand awareness while on-field activities were still restricted to prevent the spread of COVID-19.



- **Other Businesses**

The share of Sales Revenue and Service Income from the two non-fertilizer businesses was insignificant at 4% compared with the total revenue in 2021.

Sales Revenue and Service Income of MC Agro-Chemicals increased by 42% from the previous year. The rise was due to growers' higher demand for cultivation from positive agricultural environment.

Service Income of N.I.M. also rose by 11% from the previous year. The increase resulted from the higher volume of chemicals storage in the tanks.

### Policy and Strategy

The Company adheres to the main strategies of 1) consistently enhancing the capability of manufacturing to always produce high-quality fertilizer for farmers to achieve high yield, 2) providing best services such as academic knowledge to offer a better understanding of compound fertilizer and 3) controlling production and procurement to maintain the optimal level of inventory, so as to generate income from operation at best effort. In addition, the Company realizes the importance of sustainable development by operating the business with great care and concern over environment, society and corporate governance with the aim of generating maximum benefits to the Company's stakeholders.

Lastly, the Company strives to adopt advanced technology for the enhancement of manufacturing capabilities to create distinctive products that help improving farmers' yield and quality of life.

### Accounting Policies

The Company's financial year is of the period from January 1 until December 31 of every year. The financial statements have been prepared in accordance with Thai Accounting Standards ("TAS") No.1 and the Regulation of the Stock Exchange of Thailand. The significant accounting policies is to recognize revenue from sales when the Company has transferred the control of the goods to customers. Inventory is recorded either at lower of cost or net reliable value, whichever is lower. Meanwhile, cost is determined by a weighted average method except for a subsidiary, MC Agro-Chemicals Company Limited, which is determined by a first-in, first-out approach.



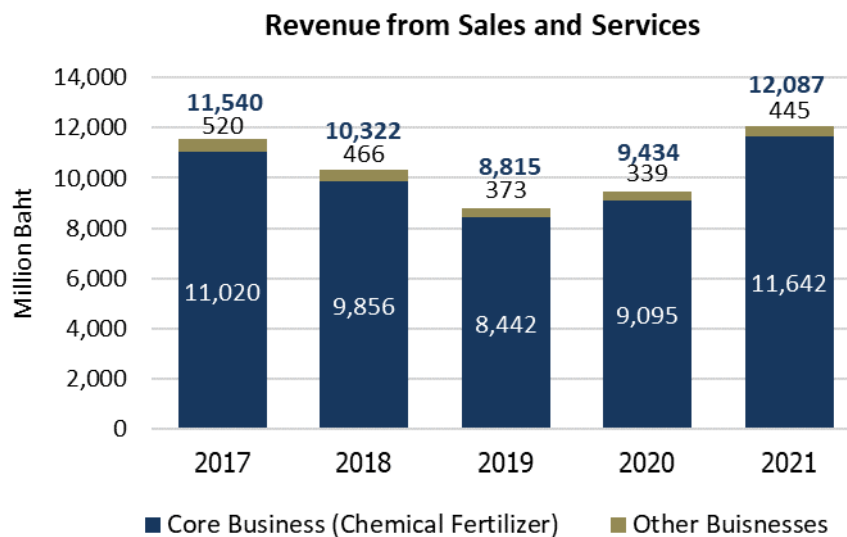
## Results of Operations

### 1. Overview of the Operation

Statements of Comprehensive Income as of December 31, 2021 compares with December 31, 2020.

Unit : Million Baht	Year		Change
	2020	2021	%
Revenues from Sales and Services	9,434	12,087	28
Cost of Goods Sold and Rendering of Services	(6,997)	(9,640)	38
Gross Profit	2,437	2,447	0
Interest and Other Income	108	124	15
Profit Before Expenses	2,545	2,571	1
Selling and Administration Expenses	(670)	(553)	(17)
Profit from Operating Activities	1,875	2,018	8
Finance Costs	(5)	(4)	(23)
Profit Before Income Tax	1,870	2,014	8
Income Tax Expense	(380)	(411)	8
Profit for the Year	1,490	1,603	8
Profit Attributable to Owners of Parent	1,472	1,579	7
Total Comprehensive Income Attributable to Owner of Parent	1,474	1,595	8

### 2. Revenues from Sales and Services



- Core Business (Chemical Fertilizer)

In 2021, the Company earned revenue from sales of chemical fertilizer in the total amount of THB 11,642 Million, risen by THB 2,547 Million or 28% from 2020. There were three reasons contributing for a higher chemical fertilizer sales including the adequate level of water



supplies, the increased price of most cash crops and customers' willingness to secure inventories to minimize the impact from rising international price of raw materials.

- **Income from the Other Businesses**

Overall, income from other businesses was from the sales of pesticides used in the agricultural sector as well as servicing tank rental and terminal operation for the storage of liquid chemicals used in various industries. The revenue generated by these businesses in 2021 was THB 445 Million, increased by THB 106 Million or 31% compared with THB 339 Million in 2020.

### 3. Cost of Goods Sold and Services

In 2021, the continuous surge of raw material prices led the Company to experience with a THB 2,643 Million or 38% increase in Cost of Goods Sold and Services compared with the year 2020.

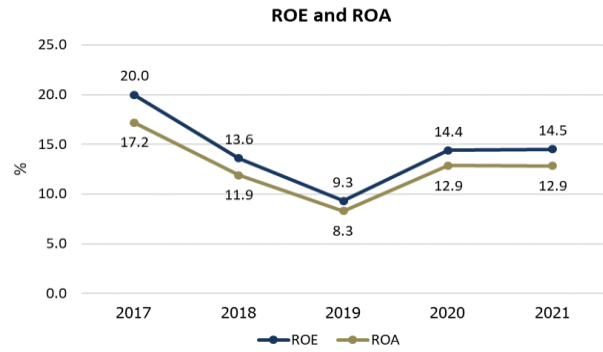
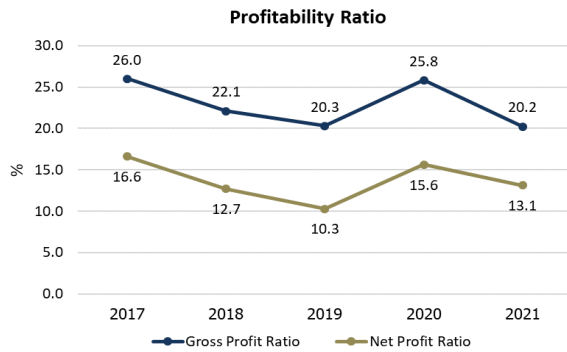
### 4. Selling and Administration Expenses

Selling and Administration Expenses decreased by THB 117 Million or 17% because the Company aimed to control such expenses to alleviate the impact from raw material prices as well as limit on-field activities during the COVID-19 pandemic.

### 5. Profitability Analysis

Description	Year		Change
	2020	2021	%
Gross Profit (Million Baht)	2,437	2,447	0
Profit Attributable to Owners of parent (Million Baht)	1,472	1,579	7
Earning Per Share (Baht)	2.52	2.70	7

Despite an increase in Revenue from Sales and Services, an upward trend of raw material prices and the government's strict control over fertilizer's selling price caused the Company's gross profit to remain unchanged and inevitably reduce the gross profit ratio from 25.8% to 20.2% when compared with the year 2020.



Regarding the Profit Attributable to Owners of parent in 2021, the Company earned THB 1,579 Million, increased from 2020 by THB 107 Million or 7%. As a result, Earning per Share (EPS) rose from 2.52 baht in 2020 to 2.70 baht in 2021.

Both Return on Equity (ROE) and Return on Asset (ROA) was at the same level comparing with the previous year since the value of net profit, equity and asset increased at the same rate. In other words, it indicated the Company's best attempts to maintain profitability to satisfy shareholders and utilize all available assets to generate best outcome.

## Analysis of Liquidity and Financial Position

### 1. Overview of Financial Statements

#### Main Components of Statement of Financial Position (Consolidated)

Description	December 31, 2020		December 31, 2021	
	Million Baht	Percentage to Total Assets	Million Baht	Percentage to Total Assets
Current Assets	9,683	80	10,391	81
Non-current Assets	2,464	20	2,419	19
<b>Total Assets</b>	<b>12,147</b>	<b>100</b>	<b>12,810</b>	<b>100</b>
Current Liabilities	1,040	8	1,169	9
Non-current Liabilities	341	3	326	3
<b>Total Liabilities</b>	<b>1,381</b>	<b>11</b>	<b>1,495</b>	<b>12</b>
<b>Shareholders' Equity</b>	<b>10,766</b>	<b>89</b>	<b>11,315</b>	<b>88</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>12,147</b>	<b>100</b>	<b>12,810</b>	<b>100</b>



## 2. Assets

As of 31 Dec 2021, overall assets of the Company increased by 5% from THB 12,147 Million in 2020 to THB 12,810 Million in 2021. Details are shown in the next table:

Description	December 31, 2020 Million Baht	December 31, 2021 Million Baht	Change %
Cash and Cash Equivalents	2,903	4,505	55
Time Deposits	4,496	3,589	(20)
Trade and Other Current Receivables	628	373	(41)
Inventories	1,654	1,919	16
Assets	12,147	12,810	5

Sales performance in the year 2021 enhanced an increase of Cash and Cash Equivalents by 55% from THB 2,903 Million to THB 4,505 Million. In the meantime, the situation of raw material prices forced the Company to 1) strictly control the cash collection from customers, which resulted in a 41% decrease in Trade and Other Current Receivables and 2) encounter with a 16% rise in Inventories.

### Investments Goodwill and Amortization.

The intangible asset is Right for use of trademarks. The Company engaged an independent appraiser to determine the fair value of the right to use the trademarks in accordance with the Notification of the Stock Exchange Commission dated April 30, 2004 regarding the opinion for accounting treatment for intangible assets. According to the reports of the independent appraiser dated January 7, 2022 and January 7, 2021, the appraisal values of the fair value of such right as at January 4, 2022 and January 2, 2021, respectively, by using the Relief from Royalty Method are higher than the carrying values.

For the year ended December 31, 2021 and 2020, sale under these trademarks were approximately 90% of the Company's total revenue from sales.

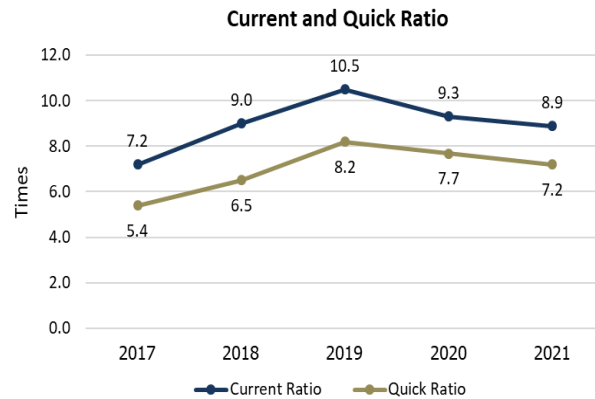
## 3. Liabilities and Equity

- On December 31, 2021, the Company had Total Liabilities of THB 1,495 Million, increased by THB 114 Million or 8% from the end of 2020.
- On December 31, 2021, the Company had Total Equity of 11,315 million baht, increased by THB 549 Million or 5 % from the end of 2020.



#### 4. Liquidity and Cash Flows

Even though both Current Ratio and Quick Ratio decline from 9.3 to 8.9 times and 7.7 to 7.2 times respectively, the Company still had a solid performance in managing liquidity because the value of current assets was sufficient to fully cover short-term liabilities. Therefore, the company's financial status remained strong.



Regarding the Cash Flow Activities, the Net Cash Flow provided by operating activities showed a slight increase from THB 1,883 Million in 2020 to THB 1,921 Million or 2% because of the increase in net profit.

In the meantime, the Net Cash Flow used in financing activities rose by 77% from THB 610 Million in 2020 to THB 1,078 Million baht. The reason for such increase was due to the Company's higher dividend payment from 1.10 baht per share in 2020 (based on appropriation of net profit for 2019) to 1.80 baht per share in 2021 (based on an appropriation of net profit for 2020).

The Net Cash Flow used in investing activities was THB 1,875 Million baht in 2020 whereas the Net Cash Flow provided by investing activities was THB 779 Million in 2021. The difference of THB 2,654 Million was from the Company's significantly reduction in time deposits investment.

#### **Economic & Business Forecast 2022**

The global economy would face a challenge to make a strong recovery. Although many developed countries attempt to loosen up restrictions in order to stimulate their economy under continuous COVID-19, the unpredictability of new variant outbreak could interrupt the rebound of worldwide economic activities. In the meantime, the ongoing supply bottleneck could entail in a higher inflation and eventually have an impact on consumers' purchasing power. Therefore, the preparedness of healthcare system as well as the effectiveness of economic stimulus measures will be crucial factors contributing to overall economy in 2022.

Thailand economic recovery in the year 2022 is likely to be disrupted by the impact of Omicron variant that would slightly undermine the confidence in private spending and affect the number of international tourist arrivals. As a result, export sector driven by an increased





worldwide demand and the government policy to support domestic economy are key engines to foster economic situation throughout the year.

Agricultural sector in Thailand will be challenging since the price trend of farming inputs such as chemical fertilizer and pesticide pressure growers into reducing their cultivation. However, the expected earlier- than- usual rainfalls could alleviate the impact of aforementioned trend and expedite growers' cultivation period. Thus, the movement of these factors will be constantly monitored.

Furthermore, Thai government recently put special focus on inflation of commodities necessary to support citizen's life and shows policy to control the commodity price strictly to maintain citizen's living costs. Under these circumstances, the strict price control for our selling price by the government amid the situation of high production cost due to hike of international raw material prices will play a major role to determine the Company's profitability whereas the competition in the fertilizer market will dictate an organization's sales and marketing strategies. Consequently, Top Management needs to conduct a regular analysis to respond with these factors and find effective approach to enable the Company to remain competitive in the market.

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