



# K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

(Translation)

KWM 019/2564

November 12th, 2021

Subject : Management Discussion and Analysis for the 3-month and 9-month period ended September 30, 2021

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the "Company") would like to submit management discussion and analysis of significant changes for the 3-month and 9-month period ended September 30, 2021, with details as follow.

unit: million baht

| Items  | 3-Month Period Ended September 30 |        |        |        | Changes |          |
|--|-----------------------------------|--------|--------|--------|---------|----------|
|  | 2020                              |        | 2021   |        |         |          |
|  | Amount                            | %      | Amount | %      | Amount  | %        |
| Revenue from sales of goods                    | 72.39                             | 100.00 | 128.10 | 100.00 | 55.71   | 76.96    |
| Cost of sales of goods                         | 47.73                             | 65.93  | 94.63  | 73.87  | 46.90   | 98.26    |
| Gross profit                                   | 24.66                             | 34.06  | 33.47  | 26.13  | 8.81    | 35.73    |
| Other income                                   | 0.57                              | 0.79   | 1.53   | 1.19   | 0.96    | 168.42   |
| Gain on exchange rate                          | 0.05                              | 0.07   | 0.00   | 0.00   | (0.05)  | (100.00) |
| Profit before expenses, finance cost and taxes | 25.28                             | 34.92  | 35.00  | 27.32  | 9.72    | 38.45    |
| Distribution costs                             | 1.92                              | 2.65   | 3.42   | 2.67   | 1.50    | 78.13    |
| Administrative expenses                        | 8.86                              | 12.24  | 9.39   | 7.33   | 0.53    | 5.98     |
| Loss on exchange rate                          | 0.00                              | 0.00   | 0.47   | 0.37   | 0.47    | NA       |
| Profit before finance cost and taxes           | 14.50                             | 20.03  | 21.72  | 16.96  | 7.22    | 49.79    |
| Finance Cost                                   | 0.58                              | 0.80   | 0.96   | 0.75   | 0.38    | 65.52    |
| Profit before income tax expenses              | 13.92                             | 19.23  | 20.76  | 16.21  | 6.84    | 49.14    |
| Income tax expense                             | 1.36                              | 1.88   | 1.35   | 1.05   | (0.01)  | (0.74)   |
| Net profit                                     | 12.55                             | 17.34  | 19.41  | 15.15  | 6.85    | 54.58    |



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unit: million baht

| Items  | 9-Month Period Ended September 30 |        |        |        | Changes |        |
|--|-----------------------------------|--------|--------|--------|---------|--------|
|  | 2020                              |        | 2021   |        |         |        |
|  | Amount                            | %      | Amount | %      | Amount  | %      |
| Revenue from sales of goods                    | 266.32                            | 100.00 | 437.89 | 100.00 | 171.57  | 64.42  |
| Cost of sales of goods                         | 195.06                            | 73.24  | 327.6  | 74.81  | 132.54  | 67.95  |
| Gross profit                                   | 71.26                             | 26.76  | 110.29 | 25.19  | 39.03   | 54.77  |
| Other income                                   | 1.81                              | 0.68   | 3.37   | 0.77   | 1.56    | 86.19  |
| Gain on exchange rate                          | 0.26                              | 0.10   | 0.46   | 0.11   | 0.20    | 76.92  |
| Profit before expenses, finance cost and taxes | 73.33                             | 27.53  | 114.12 | 26.06  | 40.79   | 55.63  |
| Distribution costs                             | 6.54                              | 2.46   | 10.34  | 2.36   | 3.80    | 58.10  |
| Administrative expenses                        | 26.96                             | 10.12  | 25.49  | 5.82   | (1.47)  | (5.45) |
| Profit before finance cost and taxes           | 39.83                             | 14.96  | 78.29  | 17.88  | 38.46   | 96.56  |
| Finance Cost                                   | 2.03                              | 0.76   | 2.44   | 0.56   | 0.41    | 20.2   |
| Profit before income tax expenses              | 37.80                             | 14.19  | 75.85  | 17.32  | 38.05   | 100.66 |
| Income tax expense                             | 3.43                              | 1.29   | 5.78   | 1.32   | 2.35    | 68.51  |
| Net profit                                     | 34.37                             | 12.91  | 70.07  | 16.00  | 35.70   | 103.87 |

## 1. Revenue from sales of goods

For the 3-month period ended September 30, 2021, the Company and its subsidiary's revenue from sales of goods was in the amount of 128.10 million baht, increased by 55.71 million baht or 76.96% of the same period of sales in 2020. With several supporting factors from suitable weather to less drought that resulted to better agricultural output. Agricultural crop prices had also risen in the first half of 2021 which attracted people to grow more, therefore, the overall of agricultural GDP for this quarter of 2021 has increased to 6.5% with crop GDP rise to 9.6% and agricultural services grew to 4.8% when compared to same period of last year. Almost every product of the Company had a rise in sales in this quarter except for the screw flight that had a 17.18% drop of sales when compared to screw flight sales of Q3/2020. The 3<sup>rd</sup> quarter of the year is normally the peak time for screw flight since it's the harvesting season. However, in Q3/2021 one of the companies in screw flight supply chain had to temporary stopped their production due to COVID-19, resulted to less sales of screw flight in this quarter.



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For the 9-month period ended September 30, 2021, the Company and its subsidiary's revenue from sales of goods was in the amount of 437.89 million baht, significantly increased by 171.57 million baht or 64.42% of the same period of sales in 2020 in which the Company had a rise in sales in every product.

However, during the end of September 2021, severe floods have been affected to wide areas of Thailand and the Government is still in the process of evaluate the damage on agricultural economics in Quarter 4/2021. Moreover, there are still some issues that the Company has to assess the situation closely whether it's a currency fluctuation that might affect the export of agricultural products and the cost of production, the falling rice prices, the reopening of the country, and the COVID-19 situation.

## 2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for the 3-month period ended September 30, 2021, increased from the same period of last year around 98.26% or in the amount of 46.90 million baht, the gross profit margin of Q3/2021 was significantly decreased to 26.13% while Q3/2020 was at 34.06%. Due to the fact that the sales portion of Screw flight was down to 13.61% of total sales while last year was at 29.19% and screw flight is the highest gross profit margin products of the Company, resulted to a lower in gross profit margin in this quarter.

Cost of sales of goods for the 9-month period ended September 30, 2021, was affected by the rising in steel price in the global market, with the recent trade war between China and Australia and the shortage of supply which resulted to steel price to skyrocketed in this year. However, the demand of Company's products was dramatically risen up, therefore the Company have increased production capacity in order to serve the market which resulted to a lowering in production cost per unit from economy of scale. Therefore, the cost of sales of goods for the 9-month period of 2021 had only a slight difference from 2020, with the gross profit margin of 25.19% in 2021 and 26.76% in 2020.

2.2. Distribution costs for Q3/2021 had a small change while distribution costs for 9-month period ended September 30, 2021, increased around 58.10% year on year or increased in the amount of 3.80 million baht in accordance with the rise in sales.

2.3. Administration expenses for the 3-month period ended September 30, 2021, was in the amount of 9.39 million Baht, increased by 0.53 million Baht or 5.98% when compares to the same period of last year. As for the 9-month period ended September 30, 2021, the administration expense was in the amount of 25.49 million Baht, decreased by 1.47 million Baht or 5.45% due to an increase in utilization rate of Factory 2 that resulted to less depreciation expense recognized as administration expense.



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### 3. Finance costs

Finance cost for the 3-month and 9-month period ended September 30, 2021, was 0.96 million Baht and 2.44 million Baht accordingly, higher than the same period of 2020. Due to the fact that the Company had more transactions of short-term loan from financial institution for purchasing raw materials from overseas in this year which inline with a rise in sales. Moreover, the Company also had long-term borrowings from 2 of financial institutions total amount of 50 million Baht as a working capital in this quarter.

### 4. Net Profit

For the 3-month period ended September 30, 2021, the Company financial statement represents net profit in the amount of 19.41 million Baht or considered as net profit margin of 15.15%, increased from last year by 6.85 million Baht or 54.58 %. As for the 9-month period ended September 30, 2021, the Company financial statement represents net profit in the amount of 70.07 million Baht or considered as net profit margin of 16.00%, increased from last year by 35.70 million Baht or 103.87%. A rise in net profit was from an increase of sales and a less in administration expenses.

### 5. Statement of financial positions

| Items   | 31 Dec 2020  | 30 Sep 2021  | Changes      |         |
|---|--------------|--------------|--------------|---------|
|   | Million Baht | Million Baht | Million Baht | %       |
| Total Assets                                      | 475.94       | 610.62       | 134.68       | 28.30   |
| Cash and cash equivalents                         | 111.20       | 61.48        | (49.72)      | (44.71) |
| Trade and other account receivables               | 80.96        | 123.37       | 42.41        | 52.38   |
| Inventories                                       | 117.93       | 224.83       | 106.90       | 90.65   |
| Property, plant, and equipment                    | 147.64       | 177.00       | 29.36        | 19.89   |
| Right-of-use assets                               | 13.56        | 10.96        | (2.60)       | (19.17) |
| Other non-current assets                          | 2.60         | 10.93        | 8.33         | 320.38  |
| Total Liabilities                                 | 112.00       | 203.15       | 91.15        | 81.38   |
| Short-term borrowings from financial institutions | 76.55        | 101.64       | 25.09        | 32.78   |
| Trade and other account payables                  | 22.39        | 41.21        | 18.82        | 84.06   |
| Current portion of long-term loan                 | 2.00         | 8.94         | 6.94         | 347.00  |
| Long-term loan                                    | 0.00         | 40.51        | 40.51        | N/A     |
| Total shareholders' equity                        | 363.93       | 407.47       | 43.54        | 11.96   |



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As of September 30, 2021, the Company and its subsidiary's total assets was in the amount of 610.62 million Baht, increased by 134.68 million Baht when compared to total assets as of December 31, 2020. A change in total assets of the Company and its subsidiary came from details as follow.

Cash and cash equivalent decreased by 49.72 million Baht or 44.71% from December 31, 2020. The Company and its subsidiary had net cash used in operating activities amounting to 43.88 million Baht and cash used in investing activities amounting to 41.98 million Baht. The Company also had cash from financing activities in the amount of 36.14 million Baht. Due to the fact that, the Company stocked up more of raw materials in 2021 in order to support customer orders that resulted to a rise in trade and other account receivables and inventories which led to more cash used in operating activities. The Company also had long-term borrowings from 2 financial institutions as a working capital of 50 million Baht resulted to a higher in net cash provided by financing activities in this period. As for investing activities, the Company invested in Land acquisition for the purpose of business expansion.

Trade and other account receivables as of September 30, 2021 was in the amount of 123.37 million Baht, increased by 42.41 million Baht or 52.38% when compares to the trade and other account receivables as of December 31, 2020, which in line with the growth of sales in this period compared to sales of quarter 4 last year.

Inventories as of September 30, 2021 was in the amount of 224.83 million Baht increased by 106.90 million Baht or 90.65% when compare to last year. The Company stocked up more inventories to support with higher demand from the market. Moreover, a rapid rise in global steel prices also effect to an increase in overall of Company's raw metarials. The steel situation in China is getting more intense from its Government's policy to focus on clean energy. Thus, the Company has been monitoring closely on this matter and starting to stock more raw materials.

Property, plant and equipment as of September 30, 2021 was in the amount of 177.00 million Baht increased by 29.36 milllion Baht or 19.89% when compared to the end of 2020. This was due to the fact that the Company acquired new Land for Factory 3 that located in Eastern Seaboard Industrial estate, for business expansion of new warehouse and new production line for extraction manchine.

Other non-current assets as of September 30, 2021 was in the amout of 10.93 million Baht increased by 8.33 million Baht or 320.38% from the deposit of acquiring new machines for establishing new production line for both of Disc and CO2 Extraction Machine.



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As of September 30, 2021, the Company and its subsidiary had a rise in short-term borrowing from financial institutions in the amount of 25.09 million Baht or 32.78% when compare to the end of 2020. Due to more purchase orders of raw materials from oversea suppliers and higher in raw materials price from the upward momentum in steel price, causing a rise in total of of trust receipts and PN Import in short-term borrowing from financial institutions.

Trade and other payables as of September 30, 2021 was in the amount of 41.21 million Baht, increased from last year in the amount of 18.82 million Baht from more purchase orders for parts of product 'Plough' and coil steel for screw flight which in line with higher of sales of these products in this period.

Current portion of long-term borrowings and long-term borrowings from financial institutions as of September 30, 2021 was in the amount of 8.94 million Baht and 40.51 million baht, increased from last year due to the fact that the Company had long-term borrowings from 2 financial institutions as a working capital of 50 million Baht.

Total shareholder's equity of the Company and its subsidiary as of September 30, 2021 was in the amount of 407.47 million Baht, increased by 43.54 million Baht or 11.96%. The change came from an increase in net profit from the Company's performance of the 9-month period of 2021.

Please be informed accordingly

Yours sincerely

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Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited