



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 004/2564

February 25th, 2021

Subject : Management Discussion and Analysis year ended December 31, 2020

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 year ended December 31, 2020 with details as follow;

unit: million baht

Items	2019		2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	336.69	100.00	352.60	100.00	15.91	4.73
Cost of sales of goods	263.03	78.12	259.37	73.56	(3.66)	(1.39)
Gross profit	73.66	21.88	93.23	26.44	19.57	26.57
Other income	4.88	1.45	2.46	0.70	(2.42)	(49.59)
Gain on exchange rate	0.35	0.10	0.37	0.10	0.02	5.71
Profit before expenses, finance cost and taxes	78.89	23.43	96.06	27.24	17.17	21.76
Distribution costs	8.75	2.60	9.09	2.58	0.34	3.89
Administrative expenses	38.42	11.41	36.60	10.38	(1.82)	(4.74)
Profit before finance cost and taxes	31.72	9.42	50.37	14.29	18.65	58.80
Finance Cost	3.09	0.92	2.58	0.73	(0.51)	(16.50)
Profit before income tax expenses	28.63	8.50	47.79	13.55	19.16	66.92
Income tax expense	(1.59)	(0.47)	(4.47)	(1.27)	2.88	181.13
Net profit	27.04	8.03	43.32	12.29	(3.69)	60.21

1. Revenue from sales of goods

For the year of 2020, the Company and its subsidiary's revenue from sales of goods was in the amount of 352.60 million baht, increased by 15.91 million baht or 4.73% of the same period of sales in 2019. This resulted from the fact that the product of Screw Flight that used in the harvesting process had higher sales in this year than last



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year in the amount of 19.65 million baht or 60.29%, this was mainly from normal seasonal rainfall and the water situation was getting better and the trend of agriculture production expected to grow more than last year. Another reason is that in Q3 of 2019, the northeastern region of Thailand was hit by the tropical storm 'Podul' that caused a serious damaged to paddy productions and directly resulted to a drop of sales in Screw flight, while the situation of screw flight market was better and back to normal this year resulting to higher sales in screw flight. However, the situation of the products that were used in the soil preparation process were mixing between rising and dropping in sales. The product 'Disc' and 'Rotary Blade' are the group that has higher in sales, Disc's sale was slightly increased in the amount of 7.12 million baht or 3.31% from last year and Rotary blade was increased in the amount of 2.82 million baht or 212.03%. On the contrary, the product of 'Plough' and 'Dozer blade' have a drop of sales in this year around 20.05% and 11.19% respectively. This was due to a severe drought that was ongoing since late of 2019 to the first half of 2020 and the soil preparation process normally occurs in the beginning of the year, this led to a drop of sales to these products. However, once the situation was getting better in later half of 2020, the sales of Discs and Rotary blades were started to get better with the push of sales from Company's subsidiary that focusing on end users and dealers and received a very good feedback. Therefore, with the factors mentioned above, the overall sales of this year were increased about 4.73% from last year.

2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for 2020 decreased from last year around 1.39% or in the amount of 3.66 million baht contrary to a rise of sales. This was due to the change in sales portion of Screw flight of 14.70% of total sales in 2020 while it was only 9.53% in 2019 and the fact that among all the products, screw flight is the product that has highest gross profit margin. Moreover, Company's raw materials are mainly from steel which the purchasing price is tied to the global steel price in the market in which the beginning of 2020, the price was in the downsize and it resulted to a lower of Company's purchasing cost of raw materials which led to a lower in cost of goods sold in 2020. However, the fact that the global steel price rallied in late of 2020, might affect a higher in Company's cost of goods sold in early of 2021. Even though, the Company always negotiate about adjusting selling price to customers every quarter but there is still lead time factor that might cause an effect to a rise/drop of cost of sales of goods in each period. With all these reasons, the Company's gross profit margin is at 26.44% better than last year of gross profit margin at 21.88%.



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2.2. Distribution costs for the year ended December 31, 2020 slightly increased from 2019 by 3.89% or in the amount of 0.34 million baht due to the ongoing of COVID-19 pandemic situation, the Company could not hold a promotional event such as factory visit for customers therefore there was not much change in selling expenses.

2.3. Administration expenses for the year ended December 31, 2020 was in the amount of 36.60 million baht, decreased by 1.82 million baht or 4.74% when compare to 2019. with a decreased in depreciation expenses of Factory 2 that used to recognize as administration expense while this quarter the Company adjusted the utilization rate in accordance with the actual production, so the depreciation expense was less recognized in administration expense. There was also financial support policy from Social Security Board for COVID-19 by reduced 5% employer's monthly contribution to 4% in March to May and down to 2% in September to November. Moreover, in 2019 there was loss in disposal of fixed assets while there is no such expense in this quarter.

3. Finance costs

Finance cost for the year ended December 31, 2020 was 2.58 million baht decreased by 0.51 million baht or 16.50% when compare to 2019. This mainly came from the fact that the Company made repayments to short-term loan in early of 2020 and the Monetary Policy Committee lowered down the policy rate to 0.5% in May, resulted to a drop in interests expense this year.

4. Net Profit

For year ended December 31, 2020, the Company financial statement represents net profit in the amount of 43.32 million baht or considered as net profit margin of 12.29%, increased from last year by 16.82 million baht or 60.21% of the same period of last year. Even though there was only a slightly increased in sales but with a better performance in gross profit margin and a less in administration expenses and finance cost in this period which resulted to a significantly increase in net profit.

5. Statement of financial positions

Items	31 Dec 2019	31 Dec 2020	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	429.19	475.94	46.57	10.89
Cash and cash equivalents	67.72	111.20	43.48	64.21
Trade and other account receivables	58.62	80.96	22.34	38.11
Inventories	123.14	117.93	(5.21)	(4.23)



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Items	31 Dec 2019	31 Dec 2020	Changes	
	Million baht	Million baht	Million baht	%
Property, plant, and equipment	172.74	147.64	(25.10)	(14.53)
Right-of-use assets	0.00	13.56	13.56	NA
Other non-current assets	4.83	2.60	(2.23)	(46.17)
Total Liabilities	84.16	112.00	27.84	33.08
Short-term borrowings from financial institutions	49.59	76.55	26.96	54.37
Trade and other account payables	17.23	22.39	5.16	29.95
Current portion of lease liabilities	4.16	3.48	(0.68)	(16.35)
Lease liabilities	5.61	2.13	(3.48)	(62.03)
Total shareholders' equity	345.03	363.94	18.91	5.48

As of December 31, 2020, the Company and its subsidiary's total assets was in the amount of 475.94 million baht, increased by 46.75 million baht when compared to total assets as of December 31, 2019. A change in total assets of the Company and its subsidiary came from details as follow;

Cash and cash equivalent increased by 43.48 million baht or 64.21% from December 31, 2019. The Company and its subsidiary had cash from operating activities amounting to 60.66 million baht and cash used in investing activities amounting to 10.20 million baht. Moreover, cash used in financing activities amounting to 6.98 million baht.

Trade and other account receivables as of December 31, 2020 was in the amount of 80.96 million baht, increased by 22.34 million baht or 38.11% when compared to trade and other account receivables as of December 31, 2019 which was in accordance to a rise of revenue from sales in the last quarter of 2020.

Inventory as of December 31, 2020 is in the amount of 117.93 million baht decreased by 5.21 million baht when compare to last year of 2019. This resulted from the delayed in logistic from the container shortage situation which led to a slightly dropped in inventory of 4.23% from 2019.

Property, plant and equipments as of December 31, 2020 was in the amount of 147.64 million baht declined from last year of 2019 in the amount of 25.10 million baht or 14.53%. This year the Company has adopted Thai Financial Reporting Standards no. 16 Lease, resulted to a reclassification of Right-of-use assets under all leases (except short-term leases and leases of low-value assets) to presented seperately under the



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account name as "Right-of-use assets" which was in the amount of 13.56 million baht as of December 31, 2020. A dropped in this year was from depreciation expenses that happened throughout the year of 2020.

As of December 31, 2020, the Company and its subsidiary had a rise in short-term borrowing from financial institutions in the amount of 26.96 million baht or 54.37%, due to a higher demand in Company's products more than in late of 2019, resulted to an increased in importing of raw materials from overseas. In addition, with the Pandemic of COVID-19 that happens in 2020, resulting to the delayed in logistic from the container shortage situation, the Company needed to order more of raw materials to prevent the short in raw materials. Moreover, the global steel price is also rising during the end of 2020 and these resulted to the higher in short-term borrowing from financial institutions in end of 2020. This was also in accordance with a rise in Trade and other account payables as of December 31, 2020 that increased by the amount of 5.16 million baht or 29.95% when compares to the end of 2019 due to the same reason that the steel price increased and more local purchases of raw materials for Screw Flight products from more orders from customers.

As of december 31, 2020, lease liability of the Company and its subsidiary declined from the end of 2019 in the amount of 3.48 million baht or dropped by 62.03% from normal installment payment.

Total shareholder's equity of the Company and its subsidiary as of December 31, 2020 was in the amount of 363.94 million baht, increased by 18.91 million baht or 5.48%. The change came from an increase in net profit from the Company's performance and other comprehensive income of 2020, with the amount of 44.10 million baht while the Company also had dividend payment amounting to 25.20 million baht in 2020.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

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