



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 017/2564

August 16th, 2021

Subject : Management Discussion and Analysis for the 3-month and 6-month period ended June 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 6-month period ended June 30, 2021 with details as follow;

unit: million Baht

Items	Q2/2020		Q2/2021		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	118.75	100.00	156.15	100.00	37.40	31.49
Cost of sales of goods	88.84	74.81	118.00	75.57	29.16	32.82
Gross profit	29.91	25.19	38.15	24.43	8.24	27.55
Other income	0.51	0.43	1.14	0.73	0.63	123.53
Gain on exchange rate	0.13	0.11	0.90	0.58	0.77	592.31
Profit before expenses, finance cost and taxes	30.55	25.73	40.19	25.74	9.64	31.55
Distribution costs	2.33	1.96	3.69	2.36	1.36	58.37
Administrative expenses	8.79	7.40	8.22	5.26	(0.57)	(6.48)
Profit before finance cost and taxes	19.43	16.36	28.28	18.11	8.85	45.55
Finance Cost	0.74	0.62	0.79	0.51	0.05	6.76
Profit before income tax expenses	18.69	15.74	27.49	17.60	8.80	47.08
Income tax expense	1.82	1.53	1.87	1.20	0.05	2.75
Net profit	16.87	14.21	25.62	16.41	8.75	51.87



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Items	6M/2020		6M/2021		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	193.94	100.00	309.79	100.00	115.85	59.73
Cost of sales of goods	147.33	75.97	232.98	75.21	85.65	58.13
Gross profit	46.61	24.03	76.81	24.79	30.20	64.79
Other income	1.24	0.64	1.84	0.59	0.60	48.39
Gain on exchange rate	0.21	0.11	0.94	0.30	0.73	347.62
Profit before expenses, finance cost and taxes	48.06	24.78	79.59	25.69	31.53	65.61
Distribution costs	4.62	2.38	6.93	2.24	2.31	50.00
Administrative expenses	18.10	9.33	16.09	5.19	(2.01)	(11.10)
Profit before finance cost and taxes	25.34	13.07	56.57	18.26	31.23	123.24
Finance Cost	1.45	0.75	1.48	0.48	0.03	2.07
Profit before income tax expenses	23.89	12.32	55.09	17.78	31.20	130.60
Income tax expense	2.07	1.07	4.43	1.43	2.36	114.01
Net profit	21.82	11.25	50.66	16.35	28.84	132.17

1. Revenue from sales of goods

For the 3-month period ended June 30, 2021, the Company and its subsidiary's revenue from sales of goods was in the amount of 156.15 million Baht, increased by 37.40 million Baht or 31.49% of the same period of sales in 2020. This year the Company's Sales of every product has increased dramatically from the same supporting factors of the first quarter of 2021, with suitable weather and less drought that resulted to better agricultural output. Therefore, the overall of agricultural GDP for the second quarter of 2021 has increased to 1.2% with crop GDP rise to 2% and agricultural services grew to 2.5% when compared to last year.

For the 6-month period ended June 30, 2021, the Company and its subsidiary's revenue from sales of goods was in the amount of 309.79 million Baht, increased by 115.85 million Baht or 59.73% of the same period of sales in 2020. This was due to the same supporting factors that mentioned earlier. Therefore, the first 6 months of 2021, the Company and its subsidiary had a rise in sales on every product especially the product "Screw Flight" that increased by 113.53% from last year even though the harvest season hasn't started yet.



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The Company expected that there will be more agricultural output coming out in the second half of 2021 from the supporting factors but there are still some aspects that the Company needs to monitor whether it's a COVID-19 situation, climate change and also the depreciation of Thai Baht.

2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for the 3-month period ended June 30, 2021, increased from the same period of last year around 32.82% or in the amount of 29.16 million Baht, which in line with a rise of sales. However, gross profit margin in Q2/2021 had a slight drop to 24.43% while in Q2/2020 was at 25.19%. This was due to the fact that the steel price has been rising continuously since the 3rd quarter of 2020 to date. 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. Moreover, the screw flight product also had a rise in sales by more than 100%. Thus, with both negative and positive factors, gross profit margin was slightly decreased.

Cost of sales of goods for the 6-month period ended June 30, 2021, was in the amount of 232.98 million Baht increased by 58.13% or in the amount of 85.65 million Baht, an increased was in accordance with a rise of sales for 6 month-period ended June 30, 2021. As for the first 6 months of 2021, the Company and its subsidiary's gross profit margin was at 24.79% while in 2020 was only 24.03%, the change was from a rise of sales in every product in first half of 2021.

2.2. Distribution costs for 3-month and 6-month period ended June 30, 2021, increased for more than 50% from last year in accordance with a rise in sales.

2.3. Administration expenses for the 3-month period ended June 30, 2021, was in the amount of 8.22 million Baht, dropped by 0.57 million Baht or 6.48% when compares to the same period of last year. As for the 6-month period ended June 30, 2021, the administration expense was in the amount of 16.09 million Baht, decreased by 2.01 million Baht or 11.10% due to an increase in utilization rate of Factory 2 that resulted to less depreciation expense recognized as administration expense.

3. Finance costs

Finance cost for the 3-month and 6-month period ended June 30, 2021, was 0.79 million Baht and 1.48 million Baht accordingly. A slight increased from 2020 mainly came from the fact that the Company had more transactions of short-term loan from financial institution for purchasing raw materials from overseas.



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4. Net Profit

For the 3-month period ended June 30, 2021, the Company financial statement represents net profit in the amount of 25.62 million Baht or considered as net profit margin of 16.41%, increased from last year by 8.75 million Baht or 51.87% of the same period of last year. As for the 6-month period ended June 30, 2021, the Company financial statement represents net profit in the amount of 50.66 million Baht or considered as net profit margin of 16.35%, increased from last year by 28.84 million Baht or 132.17%. A rise in net profit was from an increase of sales, a lower in cost of production and a less in administration expenses.

5. Statement of financial positions

Items	31 Dec 2020	30 June 2021	Changes	
	Million Baht	Million Baht	Million Baht	%
Total Assets	475.94	541.23	65.29	13.72
Cash and cash equivalents	111.20	53.04	(58.16)	(52.30)
Trade and other account receivables	80.96	144.21	63.25	78.13
Inventories	117.93	150.43	32.50	27.56
Property, plant, and equipment	147.64	174.69	27.05	18.32
Right-of-use assets	13.56	9.09	(4.47)	(32.96)
Other non-current assets	2.60	7.72	5.12	196.92
Total Liabilities	112.00	155.62	43.62	38.95
Short-term borrowings from financial institutions	76.55	106.23	29.68	38.77
Trade and other account payables	22.39	37.54	15.15	67.66
Current portion of lease liabilities	3.48	2.67	(0.81)	(23.28)
Lease liabilities	2.13	1.44	(0.69)	(32.39)
Total shareholders' equity	363.93	385.61	21.68	5.96

As of June 30, 2021, the Company and its subsidiary's total assets was in the amount of 541.23 million Baht, increased by 65.29 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.



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Cash and cash equivalent decreased by 58.16 million Baht or 52.30% from December 31, 2020. The Company and its subsidiary had net cash used in operating activities amounting to 17.05 million Baht and cash used in investing activities amounting to 34.89 million Baht. The Company also had cash from financing activities in the amount of 6.21 million Baht. Due to the fact that, the Company stocked up more of raw materials in 2021 that resulted to a rise in inventories and short-term borrowings from financial institutions which led to less in cash flows from operating activities and higher in net cash provided by financing activities. Moreover, in Q2/2021 the Company invested in Land acquisition for the purpose of business expansion.

Trade and other account receivables as of June 30, 2021 was in the amount of 144.21 million Baht, increased by 63.25 million Baht or 78.13% 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.

Inventories as of June 30, 2021 was in the amount of 150.43 million Baht increased by 32.50 million Baht 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.

Property, plant and equipment as of June 30, 2021 was in the amount of 174.69 million Baht increased by 27.05 milllion Baht or 18.32% 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 June 30, 2021 was in the amout of 7.72 million Baht increased by 5.12 million Baht or 196.92% from the deposit of acquiring new machines for establishing new production line of CO2 Extraction Machine.

As of June 30, 2021, the Company and its subsidiary had a rise in short-term borrowing from financial institutions in the amount of 29.68 million Baht or 38.77% 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 June 30, 2021 was in the amount of 37.54 million Baht, increased from last year in the amount of 15.15 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.



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Total shareholder's equity of the Company and its subsidiary as of June 30, 2021 was in the amount of 385.61 million Baht, increased by 21.68 million Baht or 5.96%. The change came from an increase in net profit from the Company's performance of the first 6-month of 2021.

Please be informed accordingly

Yours sincerely

Miss Tiya Phon Vanagosoom

Managing Director

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