



**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 002/2567

February 27, 2024

Subject : Management Discussion and Analysis for year ended December 31, 2023

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, 2023, with details as follow.

unit: million Baht

Items	For the year ended December 31				Changes	
	2023		2022			
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods and rendering of services	459.09	100.00	472.90	100.00	(13.81)	(2.92)
Cost of sales of goods and rendering of services	367.35	80.02	388.27	82.10	(20.92)	(5.39)
<b>Gross profit</b>	<b>91.74</b>	<b>19.98</b>	<b>84.63</b>	<b>17.90</b>	<b>7.11</b>	<b>8.40</b>
Other income	3.85	0.84	5.01	1.06	(1.16)	(23.15)
Gain on exchange rate	0.09	0.02	0.20	0.04	(0.11)	(55.00)
<b>Profit before expenses, finance cost and taxes</b>	<b>95.68</b>	<b>20.84</b>	<b>89.84</b>	<b>19.00</b>	<b>5.84</b>	<b>6.50</b>
Distribution costs	19.35	4.21	14.91	3.15	4.44	29.78
Administrative expenses	46.04	10.03	37.29	7.89	8.75	23.46
<b>Profit before finance cost and taxes</b>	<b>30.29</b>	<b>6.60</b>	<b>37.64</b>	<b>7.96</b>	<b>(7.35)</b>	<b>(19.53)</b>
Finance Cost	4.16	0.91	6.16	1.30	(2.00)	(32.47)
Impairment Loss	0.64	0.14	0.03	0.01	0.61	2,033.33
<b>Profit before income tax expenses</b>	<b>25.49</b>	<b>5.55</b>	<b>31.45</b>	<b>6.65</b>	<b>(5.96)</b>	<b>(18.95)</b>
Income tax expense	3.99	0.87	1.59	0.34	(2.40)	150.94
<b>Net profit</b>	<b>21.50</b>	<b>4.68</b>	<b>29.86</b>	<b>6.31</b>	<b>(8.36)</b>	<b>(28.00)</b>



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### **1. Revenue from sales of goods and rendering of services.**

For the year ended December 31, 2023, the Company and its subsidiaries generated revenue from sales of goods and rendering of services amounting to 459.09 million Baht, a decrease of 13.81 million Baht or 2.92% from the previous year. This decrease was primarily due to the contraction of products in the Discs, Dozer blade and Screw Flight categories, which aligned with the economic situation in the agricultural sector where crop farming contracted by 0.30% from the previous year. The significant factors were volatile weather conditions and drought situations, which had a relatively severe impact, including lower rainfall compared to the previous year and continuous reductions in water levels in reservoirs and natural water sources. Additionally, the prolonged hot weather from the beginning of the year until May 2023 and the lack of rain during certain periods affected the plant growth. Furthermore, the prices of several production factors remained high, including fuel and chemical fertilizers, resulting in higher production costs for farmers. Consequently, the demand for new tractors decreased, leading to a continuous impact on the demand for implement set such as Discs and Dozer blades that attached new tractors. It is predicted that the drought situation from the El Niño phenomenon will continue until 2025.

However, sales of the Plough implement set and rotary blade product groups increased in 2023. Particularly, the sales of the Plough implement set saw a rise this year, primarily due to heightened promotion by a major customer. Furthermore, production issues with certain parts of the tractors in 2022 impacted the sales of Plough implement sets, which are typically sold as attachments to new tractors entering the market. In 2023, the major customer successfully resolved supply chain issues, enabling them to further drive sales of heavy-duty tractors. Consequently, the company experienced significant growth in Plough implement set sales, especially in the latter half of 2023. Regarding rotary blades, sales increased through subsidiary sales, with a focus on marketing to end-users. This year, revenue from rotary blade sales grew significantly through online channels, accounting for up to 35% of all rotary blade sales.

### **2. Cost of sales of goods and rendering of services and Expenses**

- 2.1. For the year ended December 31, 2023, the cost of sales of goods and rendering services decreased compared to the corresponding period of the previous year by approximately 5.39%, amounting to a reduction of 20.92 million Baht. This decrease is consistent with the adjustment of revenue from sales and services. However, in terms of profitability, it was noted that in 2023, the company achieved a higher gross profit compared to the previous year, despite lower sales. The gross profit for 2023 stood at 91.74 million Baht, representing a gross profit margin of 19.98%. In contrast, the gross profit for 2022 was 84.63 million Baht, equivalent to an initial profit margin of 17.90%. This increase in profitability can



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be attributed to the reduction in the price of steel raw materials, even though the production costs of other components remained relatively high.

2.2. For the fiscal year ending December 31, 2023, the distribution costs amounted to 19.35 million Baht, representing an increase of 4.44 million Baht or 29.78% compared to the previous year. This significant increase can be attributed to several factors, including higher expenses related to market research travel to the CLMV region, increased expenditures on marketing and advertising due to a focus on online promotions, the implementation of CRM program services starting this year to enhance sales management, and the costs associated with participating in the Agritechnica exhibition in Germany in November 2023. These factors collectively contributed to the rise in distribution costs.

2.3. For the fiscal year ending December 31, 2023, administrative expenses totaled 46.04 million Baht, representing an increase of 8.75 million Baht or 23.46% compared to the same period in 2022. The increase in expenses for this year stemmed from various factors. Firstly, there was an increase in employee-related expenses, including salaries, bonuses, welfare benefits, and various activities. Additionally, there was a gradual increase in research and development personnel since July 2023, leading to higher labor and welfare expenses. Secondly, there were additional expenses related to the leasing of additional space for the new office branch, as well as one of the subsidiary companies leasing space for use as an Extraction Facility, resulting in higher depreciation expenses for right-of-use assets in the current year. Thirdly, there were depreciation expenses related to production line equipment for the Disc production of Factory 1, which incurred administrative expenses due to a reduction in production capacity this year. This also includes depreciation expenses for extractor machines in all three subsidiary companies that have not yet started operating. Another significant factor contributing to the increase in management expenses was the realization of the allowance in declining in value of inventories of the subsidiary companies, resulting in a relatively significant increase in administrative expenses for this year.

### 3. Finance costs

The financial costs for the year ended on December 31, 2023, amounted to 4.16 million Baht, a decrease from 2.00 million Baht in 2022, representing a decrease of 32.47%. The main reason for this decrease was the reduction in raw material imports since late 2022, which led to an overall decrease in short-term debt obligations and interest expenses from financial institutions, resulting in lower financial costs for this year.



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**4. Net Profit**

For the fiscal year ending December 31, 2023, the company and its subsidiaries reported a net profit of 21.50 million Baht, with a net profit margin of 4.68%, down from 8.36 million Baht or 28% compared to the same period in 2022. Although sales revenue decreased this year, the gross profit was higher than the previous year as the company began to gradually improve its profit margin. However, due to the significant increase in distribution costs and administrative expenses, the net profit decreased.

**5. Statement of financial positions**

Items	31 Dec 2023	31 Dec 2022	Changes	
	Million Baht	Million Baht	Million Baht	%
Total Assets	629.47	645.76	(16.29)	(2.52)
Cash and cash equivalents	99.59	28.26	71.33	252.41
Trade and other account receivables	76.62	72.94	3.68	5.05
Inventories	202.41	291.35	(88.94)	(30.53)
Property, plant, and equipment	220.5	223.65	(3.15)	(1.41)
Right-of-use assets	25.38	24.13	1.25	5.18
Other non-current assets	2.05	1.98	0.07	3.54
Total Liabilities	113.22	146.62	(33.40)	(22.78)
Short-term borrowings from financial institutions	31.86	63.98	(32.12)	(50.20)
Trade and other account payables	28.17	20.78	7.39	35.56
Current portion of long-term loan	10.52	10.33	0.19	1.84
Current portion of lease liabilities	5.79	5.67	0.12	2.12
Long-term loan	17.28	27.65	(10.37)	(37.50)
Lease liabilities	14.17	13.57	0.60	4.42
Total shareholders' equity	516.25	499.14	17.11	3.43

As of December 31, 2023, the Company and its subsidiaries' total assets was in the amount of 629.47 million Baht, decreased by 16.29 million Baht when compared to total assets as of December 31, 2022. A change in total assets of the Company and its subsidiaries came from details as follow.



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Cash and cash equivalent increased by 71.33 million Baht or 252.41 percent from December 31, 2022. The Company and its subsidiaries had net cash provided by operating activities amounting to 146.35 million Baht and cash used in investing activities amounting to 16.40 million Baht used for the acquisition of Laser machine in the Plough production line. Additionally, the company had cash outflows of 58.61 million Baht for financing activities, which included the repayment of short-term and long-term loans as well as interest payments, dividend payments, and subscription for purchase of shares.

Trade and other account receivables as of December 31, 2023 was in the amount of 76.62 million Baht increased by 3.68 million Baht or 5.05% when compared to the trade and other account receivables as of December 31, 2022. This increase was due to higher trade receivables resulting from increased sales at the end of 2023 compared to the end of 2022.

As of December 31, 2023, the inventory had a total value of 202.41 million Baht, reflecting a decrease of 88.94 million Baht when compared to the year-end of 2022. This reduction is a consequence of product liquidation throughout the entire year, including reducing the procurement of raw materials for inventory management to maintain an optimal level throughout the current year. Consequently, the remaining inventory at the end of 2023 decreased compared to the late 2022 period.

As of December 31, 2023, the company and its subsidiaries held Right-of-use assets valued at 25.38 million Baht, showing an increase of 1.25 million Baht or an increase of 5.18 percent. This increase is attributed to the 2 additional lease agreements for expanded office space and subsidiary extraction facility entered into during this year, resulting in a higher value of ROU assets by the end of this reporting period.

As of December 31, 2023, the company and its subsidiaries had total liabilities of 113.22 million Baht, comprising the following significant items:

Short-term borrowings from financial institutions as of December 31, 2023, amounted to 31.86 million Baht, a decrease from 32.12 million Baht at the end of 2022, representing a decrease of 50.20% compared to the previous year. This decrease was attributed to the delayed ordering of raw materials to manage inventory and the prudent use of credit facilities. Additionally, the company has been gradually paying off imported goods, leading to a slight reduction in short-term borrowings at the end of the period.

Trade and other payables as of December 31, 2023, amounted to 28.17 million Baht, reflecting an increase of 7.39 million Baht compared to the year-end balance in 2022. This increase can be attributed to a higher volume of orders for raw materials for Plough implement set, in line with increased sales of this product group.



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Overall of Long-term loan as of December 31, 2023 was in the amount of 27.80 million Baht, decreased by 10.18 million Baht from the end of 2022. The decrease can be attributed to the gradual repayment throughout the period.

Total lease liabilities as of December 31, 2023 was in the amount of 19.96 million Baht, increased from last year amounting to 0.72 million Baht. The increment in lease liabilities is a consequence of the expanded lease agreements concerning the new office spaces and extraction facility that the Company initiated in 2023.

Total shareholder's equity of the Company and its subsidiaries as of December 31, 2023 was in the amount of 516.25 million Baht, increased by 17.11 million Baht or 3.43 percent from the end of 2022. The change came from profit from operating activities from the year of 2023 amounting to 21.50 million Baht, capital increased of 19.78 million Baht and the dividend payment in May 2023 amounting to 27.57 million Baht.

Please be informed accordingly.

Yours sincerely

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Miss Tiyaphon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited