



**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

KWM 002/2562

February 27<sup>th</sup>, 2019

Subject : Management Discussion and Analysis for the year ended December 31, 2018

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the “Company”) would like to submit management discussion and analysis for the year ended December 31, 2018 with details as follow;

unit: million baht

Items	2017		2018		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	256.62	100	333.34	100	76.72	29.90
Cost of sales of goods	196.30	76.49	258.33	77.50	62.03	31.60
Gross profit	60.32	23.51	75.01	22.50	14.69	24.35
Other income	2.92	1.14	4.49	1.35	1.57	53.66
Profit before expenses, finance cost and taxes	64.18	25.01	80.53	24.16	16.35	25.47
Distribution costs	3.79	1.48	4.95	1.49	1.16	30.73
Administrative expenses	35.39	13.79	37.95	11.39	2.56	7.25
Profit before finance cost and taxes	25.00	9.74	37.62	11.29	12.62	50.47
Finance Cost	4.28	1.67	5.74	1.72	1.45	34.03
Profit before income tax expenses	20.72	8.08	31.88	9.57	11.16	53.86
Tax income	0.11	0.04	(1.15)	(0.35)	(1.27)	(1,135.12)
Net profit	20.83	8.12	30.73	9.22	9.90	47.50

**1. Revenue from sales of goods**

For the year ended December 31, 2018, the Company and its subsidiary's revenue from sales of goods was in the amount of 333.34 million baht, increased in the amount of 76.72 million baht or 29.90% of the sales of same period of 2017. Mainly resulted from an increase in sales from all of Company's products especially Discs that was risen 46.78% when compares to Disc plough 2017's sales. In overall the growth in Company and its



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subsidiary's revenue came from the supporting factors of both weather condition and water level that were favorable for agricultural products to be produced and the expansion in agricultural economics.

### 2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods for the 2018 was increased by 62.03 million baht or 31.60% when compared to last year which was in accordance to an increase in revenue from sales of good. However, the Company has a slightly drop in gross profit margin from 23.51% to 22.50% in this year. Mainly came from the rising in global steel price which was the raw materials of the Company's products. However, the Company has procedures in managing cost by efficiently planning flat production, continue reducing production cost and also negotiating with customers to review and adjust selling price every quarter.
- 2.2. Distribution costs for 2018 was in the amount of 4.95 million baht, increased by 1.16 million baht from previous year which consistent with an increase of sale.
- 2.3. Administrative expense for 2018 was in the amount of 37.95 million baht, increased by 2.56 million baht or increased 7.25% from 2017. The increased mainly came from loss on disposals of fixed assets in the amount of 1.35 million baht. And also the increased from depreciation expenses from machines that installed in 2nd Factory which was fully recognized in the first half of the year since the Company acquired such machines in April, May and August 2017. This resulted depreciation expense to be increased by 0.83 million baht when compared to last period. Director's remunerations also increased by 0.44 million baht due to the fact that in 2017, the Company increased meeting allowance during the year for subcommittee (only for independent directors) which was approved in Extraordinary Shareholder's meeting on August 28, 2017, resulted to an increase in expenses in 2018

### 3. Finance costs

Finance cost for 2017 and 2018 were 4.28 million baht and 5.74 million baht or 1.67% and 1.72% of revenue from sales which was increased by 1.45 million baht or considered increased by 34.03% from the same period of 2017. This mainly came from an increased in short-term loan from financial institutions that was occurred in first quarter of 2018.

### 4. Net Profit

For fiscal year of 2018, the Company financial statement represents net profit in the amount of 30.73 million baht or considered as net profit margin of 9.22%, increased from last year by 9.90 million baht or 47.50% of net profit of 2017. The main reason was from an increase in revenue from sales.

### 5. Statement of financial positions



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Items	31 Dec 2017	31 Dec 2018	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	342.99	457.86	114.87	33.49
Cash and cash equivalents	6.89	92.96	86.07	1,248.89
Trade and other account receivables	34.55	68.62	34.08	98.65
Inventories	119.41	110.48	(8.93)	(7.48)
Property, plant and equipment	171.52	182.56	11.03	6.43
Other non-current assets	9.97	2.59	(7.38)	(74.06)
Total Liabilities	131.95	114.35	(17.60)	(13.34)
Bank overdraft and short-term borrowings from financial institutions	74.18	58.30	(15.88)	(21.41)
Trade and other account payables	21.9	24.14	2.24	10.23
Current portion of long-term borrowings	9.49	14.86	5.37	56.59
Long-term borrowings	18.86	4.00	(14.86)	(78.79)
Total shareholders' equity	211.04	343.51	132.47	62.77

As of December 31, 2018, the Company and its subsidiary's total assets increased in total amount of 114.87 million baht, or 33.49% compared to total assets as of December 31, 2017. The rose up in total assets of the Company and its subsidiary was mainly from increased in cash and cash equivalent that the Company received from share issuance during September 24<sup>th</sup>, 2018.

Trade and other account receivables as of December 31, 2018 increased in the amount of 34.08 million baht or increased 98.65% when compared to trade and other account receivables as of December 31, 2017. This increment is in accordance to the higher in revenue from sales in quarter 4/2018 when compared to sales during last quarter of 2017. Moreover, the Company also had a special campaign to boost sales by expanding credit term for sales that occurred only in October 2018. These resulted to an increase in Trade and other account receivable when compare to last period.

Inventories as of December 31, 2018 decreased by 8.93 million baht or 7.48% compare to last year which was in accordance to the higher demand in the Company's products that resulted to a higher in revenue from sales of goods in last quarter of 2018 that was in the amount of 83.86 million baht while in 4<sup>th</sup> quarter of 2017, the revenue from sales of goods was only 46.35 million baht.

Property, plant and equipments – net as of December 31, 2018 increased by 11.03 million baht or



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increased by 6.43% when compare to property, plant and equipments – net as of December 31, 2017. Due to an increase in Factory improvement, new vehicles for supporting normal operation and acquisition of new machines such as Screw Flight machine, Powder Booth system machine and also Quenching Furnace machine that is still in the process of installation.

Other non-current assets as of December 31, 2018 decreased in the amount of 7.38 million baht or increased 61.69% when compared to other non-current assets as of December 31, 2017 which was mainly came from a decrease in expense related of share issuance that was reclassified to equity and also a decrease in advance payment of fixed assets that was recorded as of December 31, 2017 and those fixed assets were delivered to the Company during 2018 both ready to use and under installation as of December 31, 2018.

As of December 31, 2018 the Company and its subsidiary had a decreased in bank overdraft and short-term borrowings from financial institutions in the amount of 15.88 million baht from prior period. Due to a repayment of short-term loan from financial institution in the amount of 10.00 million baht. Moreover, the Company also had sufficient liquidity so bank overdraft facilities weren't used during the last quarter of 2018.

As of December 31, 2018 the Company and its subsidiary had trade and other account payables in the amount of 24.14 million baht, increasing by 2.24 million baht or 10.23% from trade and other account payables from previous year which was in accordance to the fact that the Company purchased more of raw materials and supply used for production of the Product 'Disc Plough' when compare to last period.

As of December 31, 2018 the Company and its subsidiary had an increase in current portion of long-term loan in the amount of 5.37 million baht when compare to the end of 2017. The fact that the Company submitted the request of early repayment of the remaining long-term loan to be paid in the end of January 2019 to financial institution, this resulted to an accounting transaction of long-term loan to be classified as current liability.

As a result of above reclassification, long-term loan as of December 31, 2018 of the Company and its subsidiary declined in the amount of 14.86 million baht or dropped by 78.79% when compare to long-term loan as of December 31, 2017. In addition, the Company and its subsidiary also had a continuous growth in the Company's performance and the sufficient liquidity for long-term loan repayment. Therefore, the proportion of long-term loan to total equity was in the rate of 0.87% as of December 31, 2018.

Total shareholder's equity of the Company and its subsidiary as of December 31, 2018 was in the amount of 457.86 million baht, increased by 132.47 million baht or 62.77%. The change came from the fact that the Company issued 120 million ordinary shares at 1.30 baht in September 2018 and received cash from share



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issuance amounted to 156 million baht which consisted of paid-up share capital amounting to 60 million baht and share premium amounting to 86.50 million baht (after deducted expenses relating to capital increase). Moreover, during the year the Company also paid interim dividend amounted to 45 million baht, recognized legal reserve amounted to 6.55 million baht and also had increase in net profit from the Company's performance amounted to 30.58 million baht.

Please be informed accordingly

Yours sincerely

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Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited