



**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 010/2565

August 11st, 2022

Subject : Management Discussion and Analysis for the 3-month and 6-month period ended June 30, 2022

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, 2022, with details as follow.

unit: million Baht

| Items   | Q2/2021 |        | Q2/2022 |        | Changes |          |
|---|---------|--------|---------|--------|---------|----------|
|   | Amount  | %      | Amount  | %      | Amount  | %        |
| Revenue from sales of goods and rendering of services | 156.15  | 100.00 | 155.08  | 100.00 | (1.07)  | (0.69)   |
| Cost of sales of goods and rendering of services      | 118.00  | 75.57  | 130.20  | 83.96  | 12.20   | 10.34    |
| Gross profit  | 38.15   | 24.43  | 24.87   | 16.04  | (13.28) | (34.81)  |
| Other income  | 1.14    | 0.73   | 1.61    | 1.04   | 0.47    | 41.23    |
| Gain on exchange rate                                 | 0.90    | 0.58   | -       | -      | (0.90)  | (100.00) |
| Profit before expenses, finance cost and taxes        | 40.19   | 25.74  | 26.49   | 17.08  | (13.70) | (34.09)  |
| Distribution costs                                    | 3.69    | 2.36   | 3.74    | 2.41   | 0.05    | 1.36     |
| Administrative expenses                               | 8.22    | 5.26   | 9.29    | 5.99   | 1.07    | 13.02    |
| Loss on exchange rate                                 | -       | -      | 0.03    | 0.02   | 0.03    | -        |
| Profit from operating activities                      | 28.27   | 18.11  | 13.44   | 8.67   | (14.83) | (52.46)  |
| Finance Cost  | (0.79)  | (0.51) | (1.74)  | (1.12) | 0.95    | 120.25   |
| Reversal of impairment loss                           | 0.01    | 0.01   | 0.01    | 0.01   | -       | -        |
| Profit before income tax expenses                     | 27.49   | 17.60  | 11.70   | 7.54   | (15.79) | (57.44)  |
| Income tax expense                                    | 1.87    | 1.20   | 0.82    | 0.53   | (1.05)  | (56.15)  |
| Net profit  | 25.62   | 16.41  | 10.88   | 7.02   | (14.74) | (57.53)  |



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unit: million Baht

| Items   | 6M/2021 |        | 6M/2022 |        | Changes |          |
|---|---------|--------|---------|--------|---------|----------|
|   | Amount  | %      | Amount  | %      | Amount  | %        |
| Revenue from sales of goods and rendering of services | 309.79  | 100.00 | 330.44  | 100.00 | 20.65   | 6.67     |
| Cost of sales of goods and rendering of services      | 232.98  | 75.21  | 274.82  | 83.17  | 41.84   | 17.96    |
| Gross profit  | 76.81   | 24.79  | 55.62   | 16.83  | (21.19) | (27.59)  |
| Other income  | 1.84    | 0.59   | 3.08    | 0.93   | 1.24    | 67.39    |
| Gain on exchange rate                                 | 0.94    | 0.30   | 0.06    | 0.02   | (0.88)  | (93.62)  |
| Profit before expenses, finance cost and taxes        | 79.59   | 25.69  | 58.76   | 17.78  | (20.83) | (26.17)  |
| Distribution costs                                    | 6.93    | 2.24   | 7.85    | 2.38   | 0.92    | 13.28    |
| Administrative expenses                               | 16.09   | 5.19   | 19.17   | 5.80   | 3.08    | 19.14    |
| Profit from operating activities                      | 56.57   | 18.26  | 31.74   | 9.61   | (24.83) | (43.89)  |
| Finance Cost  | (1.48)  | (0.48) | (3.17)  | (0.96) | 1.69    | 114.19   |
| Reversal of impairment loss                           | 0.01    | 0.00   | 0.38    | 0.11   | 0.37    | 3,700.00 |
| Profit before income tax expenses                     | 55.09   | 17.78  | 28.95   | 8.76   | (26.14) | (47.45)  |
| Income tax expense                                    | 4.43    | 1.43   | 2.19    | 0.66   | (2.24)  | (50.56)  |
| Net profit  | 50.66   | 16.35  | 26.76   | 8.10   | (23.90) | (47.18)  |

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

For the 3-month period ended June 30, 2022, the Company and its subsidiaries' revenue from sales of goods and rendering of services was in the amount of 155.08 million Baht, decreased by 1.07 million Baht or 0.69% of the same period of sales in 2021. This quarter, the Company's Sales of Disc, Disc Plough, and Dozer blades were slightly increased while the sales of screw flight were continued to decline since Q1/2022 with 45.92% dropped of sales compared to the same period of screw flight's sales in Q2/2021. Even though in this quarter, the macro-outlook of agricultural situation was expanding to 5.7% of GDP from the supporting factors of suitable weather and higher water level reservoirs, but the impact of inflation severely led to less purchasing power of end-users. Therefore, some farmers who have limited budget may delayed the replacement process of agriculture equipment/wear parts which are the Company main products, and it resulted to less growth in revenue from sales.



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For the 6-month period ended June 30, 2022, the Company and its subsidiaries' revenue from sales of goods and rendering of services was in the amount of 330.40 million Baht, increased by 20.65 million Baht or 6.67% of the same period of sales in 2021 from the same supporting factors that mentioned earlier. Moreover, for the 6-month period, the sales of screw flight were also decreased with 43.49% compared to last year's 6-month sales which in accordance with the fact that the harvest season hasn't started yet. While last year, even during the off-season, the sales of screw flight were high throughout year.

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

2.1. Cost of sales of goods and rendering of services for the 3-month period ended June 30, 2022, increased from the same period of last year around 10.34% or in the amount of 12.20 million Baht, with a gross profit margin in Q2/2022 had a slight drop to 16.04% while in Q2/2021 was at 24.43%. This was due to the fact that the steel price has been rising continuously and with the rising of other commodities prices, this directly resulted to higher production cost. In addition, screw flight sales also lessen in this period and these also affected the gross profit margin to be lower.

Cost of sales of goods and rendering of services for the 6-month period ended June 30, 2022, was in the amount of 274.82 million Baht increased by 17.96% or in the amount of 41.84 million Baht, an increased was higher than a rise of sales which resulted to less profit margin for the 6-month period. As for the first 6 months of 2022 the Company and its subsidiaries' gross profit margin was at 16.83% while in 2021 was at 24.79% the change was from a rise in material prices and a less in screw flight sales.

Even though the Company has the policy of price adjustable with customers every quarter but considering the current situation, the Company did not want to push the burden to consumers, so the Company is currently developing automated production line by implementing robots to reduce direct labour cost in the future.

2.2. Distribution costs for 3-month and 6-month period ended June 30, 2022, increased from the same period of last year from an increased in employee expenses because there was an expansion in Sales' department's headcounts. There was also an advertising expense added in this year in order to promote through online platform which resulted to higher in distribution cost in this period.

2.3. Administration expenses for the 3-month period ended June 30, 2022, was in the amount of 9.29 million Baht, increased by 1.07 million Baht or 13.02% when compares to the same period of 2021. As for the 6-month period ended June 30, 2022, the administration expense was in the amount of 19.17 million Baht, increased by 3.08 million Baht or 19.14%. Main reason came from an increase in employee expenses such as providing ATK test kits to every employee. There were mortgage fee and front-end



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fee from increase credit limit with financial institution. Moreover, there was also a warehouse rental fee for stock up finished products. These resulted to an increased in administration expenses in this period.

### 3. Finance costs

Finance cost for the 3-month and 6-month period ended June 30, 2022, was 1.74 million Baht and 3.17 million Baht accordingly. Such dramatically incremental of Finance cost mainly came from the fact that the Company had more transactions of short-term loan from financial institution for purchasing raw materials and the rise in steel price and the depreciation of Thai Baht are causing more value in liabilities. Moreover, the Company also made long-term borrowings from 2 of financial institutions in second half of the 2021 therefore, there wasn't any interest cost occurred in first half of 2021 while there was interest cost from such borrowings in this quarter resulted to an increased in finance cost.

### 4. Net Profit

For the 3-month period ended June 30, 2022, the Company financial statement represents net profit in the amount of 10.88 million Baht or considered as net profit margin of 7.02%, decreased from last year by 14.74 million Baht or 57.53% of the same period of last year. As for the 6-month period ended June 30, 2022, the Company financial statement represents net profit in the amount of 26.76 million Baht or considered as net profit margin of 8.10%, decreased from last year by 23.90 million Baht or 47.18%. Such drop in net profit of both 3-month and 6-month period was from a rise in cost of production, higher in distribution cost, administration expenses and finance cost resulted to lower in net profit.

### 5. Statement of financial positions

| Items                               | 31 Dec 2021  | 30 Jun 2022  | Changes      |         |
|-------------------------------------|--------------|--------------|--------------|---------|
|                                     | Million Baht | Million Baht | Million Baht | %       |
| Total Assets                        | 730.86       | 756.22       | 25.36        | 3.47    |
| Cash and cash equivalents           | 139.64       | 118.91       | (20.73)      | (14.85) |
| Trade and other account receivables | 101.80       | 128.55       | 26.75        | 26.28   |
| Inventories                         | 274.35       | 265.20       | (9.15)       | (3.34)  |
| Property, plant, and equipment      | 189.08       | 229.14       | 40.06        | 21.19   |
| Right-of-use assets                 | 10.22        | 6.44         | (3.78)       | (36.99) |
| Other non-current assets            | 13.38        | 5.72         | (7.66)       | (57.25) |
| Total Liabilities                   | 228.88       | 266.01       | 37.13        | 16.22   |



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| Items   | 31 Dec 2021  | 30 Jun 2022   | Changes      |         |
|---|--------------|---------------|--------------|---------|
|   | Million Baht | Million Baht  | Million Baht | %       |
| Short-term borrowings from financial institutions | 129.96       | <b>179.57</b> | 49.61        | 38.17   |
| Trade and other account payables                  | 39.03        | <b>33.10</b>  | (5.93)       | (15.19) |
| Current portion of long-term loan                 | 9.72         | <b>10.31</b>  | 0.59         | 6.07    |
| Long-term loan                                    | 37.95        | <b>32.76</b>  | (5.19)       | (13.68) |
| Total shareholders' equity                        | 501.98       | <b>490.21</b> | (11.77)      | (2.34)  |

As of June 30, 2022, the Company and its subsidiaries' total assets was in the amount of 756.22 million baht, increased by 25.36 million baht when compared to total assets as of December 31, 2021. A change in total assets of the Company and its subsidiaries came from details as follow.

Cash and cash equivalent decreased by 20.73 million Baht or 14.85% from December 31, 2021. The Company and its subsidiaries had net cash provided by operating activities amounting to 16.48 million Baht and cash used in investing activities amounting to 38.75 million Baht for the acquisition of new production lines and the construction of new factory. Moreover, the Company had net cash provided by financing activities amounting to 1.54 million Baht in this period.

Trade and other account receivables as of June 30, 2022 was in the amount of 128.55 million Baht increased by 26.75 million Baht or 26.28% when compared to the trade and other account receivables as of December 31, 2021, which in line with the growth of sales in this period compared with sales from Q4/2021.

Inventories as of June 30, 2022 was in the amount of 265.20 million Baht decreased by 9.15 million Baht when compared to last year. This quarter the Company gradually used inventories that was stocked up since last year in accordance with customer orders. Moreover, the Company slow down with the purchase order with the Covid-19 lockdowns situation in China. However, the level of inventories that the Company has is still enough for the production.

Property, plant and equipment as of June 30, 2022 was in the amount of 229.14 million Baht increased by 40.06 million Baht or 21.19% when compared to the end of 2021. This was due to the fact that the Company has the Construction in progress of new factory and more machines acquires for new production line.

Right-of-use assets as of June 30, 2022 decreased from the end of last year amounting to 3.78 million Baht. This was due to the fact that some finance leases contracts had reach its end, the Company had reclassified such Right-of-use assets to Property, plant and equipment in Quarter 2/2022.



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As of June 30, 2022, the Company and its subsidiaries had a rise in short-term borrowing from financial institutions in the amount of 49.61 million Baht or 38.17% when compared to the end of 2021 due to the rise in steel price and the depreciation of Thai Baht which caused more value in liabilities. The Company also adjust policy in working capital management which resulted to an increased in short-term borrowings in this period.

Trade and other payables as of June 30, 2022 was in the amount of 33.10 million baht, decreased from last year in the amount of 5.93 million baht from less purchase orders of coil steel for screw flight which in line with less of sales of such product in this period.

Total shareholder's equity of the Company and its subsidiaries as of June 30, 2022 was in the amount of 490.21 million baht, decreased by 11.77 million baht or 2.34%. The change came from profit from operating activities of the first 6 months of 2022 and the dividend payment in May 2022 amounting to 45.31 million Baht.

Please be informed accordingly

Yours sincerely

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Miss Tiyaphon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited