



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 01 1/2565

November 11st, 2022

Subject : Management Discussion and Analysis for the 3-month and 9-month period ended September 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 9-month period ended September 30, 2022, with details as follow.

unit: million baht

Items	3-Month Period Ended September 30				Changes	
	2021		2022		Amount	%
	Amount	%	Amount	%		
Revenue from sales of goods and rendering of services	128.10	100.00	62.26	100.00	(65.84)	(51.40)
Cost of sales of goods and rendering of services	94.63	73.87	47.22	75.84	(47.41)	(50.10)
Gross profit	33.47	26.13	15.04	24.16	(18.43)	(55.06)
Other income	1.53	1.19	1.09	1.75	(0.44)	(28.76)
Profit before expenses, finance cost and taxes	35.00	27.32	16.13	25.91	(18.87)	(53.91)
Distribution costs	3.42	2.67	3.06	4.91	(0.36)	(10.53)
Administrative expenses	9.39	7.33	8.82	14.17	(0.57)	(6.07)
Loss on exchange rate	0.47	0.37	0.15	0.24	(0.32)	(68.09)
Profit before finance cost and taxes	21.72	16.96	4.10	6.59	(17.62)	(81.12)
Finance Cost	0.96	0.75	1.73	2.78	0.77	80.21
Profit before income tax expenses	20.76	16.21	2.37	3.81	(18.39)	(88.58)
Income tax expense	1.35	1.05	0.66	1.06	(0.69)	(51.11)
Net profit	19.41	15.15	1.70	2.73	(17.71)	(91.24)



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Items	9-Month Period Ended September 30				Changes	
	2020		2021		Amount	%
	Amount	%	Amount	%		
Revenue from sales of goods and rendering of services	437.89	100.00	392.70	100.00	(45.19)	(10.32)
Cost of sales of goods and rendering of services	327.6	74.81	322.04	82.01	(5.56)	(1.70)
Gross profit	110.29	25.19	70.66	17.99	(39.63)	(35.93)
Other income	3.37	0.77	4.17	1.06	0.80	23.74
Gain on exchange rate	0.46	0.11	-	0.00	(0.46)	(100.00)
Profit before expenses, finance cost and taxes	114.12	26.06	74.83	19.06	(39.29)	(34.43)
Distribution costs	10.34	2.36	10.91	2.78	0.57	5.51
Administrative expenses	25.49	5.82	27.99	7.13	2.50	9.81
Loss on exchange rate	-	-	0.10	0.03	0.10	100.00
Profit before finance cost and taxes	78.29	17.88	35.83	9.12	(42.46)	(54.23)
Finance Cost	2.44	0.56	4.90	1.25	2.46	100.82
Reversal of impairment loss	-	-	0.38	0.10	0.38	NA
Profit before income tax expenses	75.85	17.32	31.31	7.97	(44.54)	(58.72)
Income tax expense	5.78	1.32	2.85	0.73	(2.93)	(50.69)
Net profit	70.07	16.00	28.46	7.25	(41.61)	(59.38)

1. Revenue from sales of goods

For the 3-month period ended September 30, 2022, the Company and its subsidiaries' revenue from sales of goods and rendering services was in the amount of 62.26 million baht, decreased by 65.84 million baht or 51.40 % of the same period of sales in 2021. Due to the effects of bad weather conditions from the La Nina phenomena, resulting to several monsoons and storms causing severe floods to certain parts especially Norh-eastern, Northern and Central region of Thailand which also causing damage to harvesting activity and agricultural produces. With all these reasons, the sales of Company dropped in every categories especially for the sales of Screw Flight that was less than the expectation. In the normal situation, the third quarter of every year is the low season for the product of Disc and Disc Plough, but in 2021 the sales were exceptionally high throughout the year which even made the total sales of this quarter seemed to be lower than usual.



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For the 9-month period ended September 30, 2022, the Company and its subsidiaries' revenue from sales of goods and rendering services was in the amount of 392.70 million baht, decreased by 45.19 million baht or 10.32% of the same period of sales in 2021. With the economic crisis that directly affected to customer's purchasing power and the weather condition that affected to agricultural activities and produces, these resulted to a drop in Company's performance in this 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 September 30, 2022, decreased from the same period of last year around 50.10% or in the amount of 47.41 million baht, the gross profit margin of Q3/2022 was significantly decreased to 24.16% while Q3/2021 was at 26.13%. Even though this year the cost of production was significantly increased but the portion of screw flight sales in this quarter was higher when compared to screw flight sales of Q3/21, with percentage of sales portion of 24.26% while it was on 13.61% of total sales and screw flight is the highest gross profit margin products of the Company, resulted to not much of a lower in gross profit margin in this quarter. Cost of sales of goods and rendering of services for the 9-month period ended September 30, 2022, decreased by 5.56 million baht or 1.70% when compared to last year which was a slight drop compared to a drop of sales. Main reasons came from both direct and indirect cost of materials were increased significantly resulted to a decline in gross profit margin to 17.99% while last year was 25.19%
- 2.2. Distribution costs for Q3/2022 had a small dropped of 0.36 million baht when compared to Q3/2021 while distribution costs for 9-month period ended September 30, 2022, increased around 0.57 million baht from 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 September 30, 2022, was in the amount of 8.82 million Baht, decreased by 0.57 million Baht or 6.07% when compares to the same period of last year. As for the 9-month period ended September 30, 2022, the administration expense was in the amount of 27.99 million Baht, increased by 2.50 million Baht or 9.81% due to an increase in employee expenses in accordance with incremental of employee headcounts and also increased in warehouse rental fee for stock up finished products. These resulted to an increased in administration expenses in this period.



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3. Finance costs

Finance cost for the 3-month and 9-month period ended June 30, 2022, was 1.73 million Baht and 4.90 million Baht accordingly. Such dramatically incremental of Finance cost mainly came from an increased in short-term loan from financial institution for purchasing raw materials with the rise in steel price and the depreciation of Thai Baht were 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 year resulted to an increased in finance cost.

4. Net Profit

For the 3-month period ended September 30, 2022, the Company financial statement represents net profit in the amount of 1.70 million Baht or considered as net profit margin of 2.73%, significantly decreased from last year by 17.71 million Baht or 91.24% of the same period of last year. As for the 9-month period ended September 30, 2022, the Company financial statement represents net profit in the amount of 28.46 million Baht or considered as net profit margin of 7.25%, decreased from last year by 41.61 million Baht or 59.38%. Such drop in net profit of both 3-month and 9-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 Sep 2022	Changes	
	Million Baht	Million Baht	Million Baht	%
Total Assets	730.86	710.42	(20.44)	(2.80)
Cash and cash equivalents	139.64	95.54	(44.10)	(31.58)
Trade and other account receivables	101.80	62.53	(39.27)	(38.58)
Inventories	274.35	300.82	26.47	9.65
Property, plant, and equipment	189.08	217.56	28.48	15.06
Right-of-use assets	10.22	25.40	15.18	148.53
Other non-current assets	13.38	6.47	(6.91)	(51.64)
Total Liabilities	228.88	218.49	(10.39)	(4.54)
Short-term borrowings from financial institutions	129.96	122.98	(6.98)	(5.37)
Trade and other account payables	39.03	29.95	(9.08)	(23.26)
Current portion of long-term loan	9.72	10.36	0.64	6.58



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Items	31 Dec 2021	30 Sep 2022	Changes	
	Million Baht	Million Baht	Million Baht	%
Current portion of lease liabilities	2.80	5.71	2.91	103.93
Long-term loan	37.95	30.15	(7.80)	(20.55)
Lease liabilities	2.11	14.96	12.85	609.00
Total shareholders' equity	501.98	491.93	(10.05)	(2.00)

As of September 30, 2022, the Company and its subsidiaries' total assets was in the amount of 710.42 million baht, decreased by 20.44 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 44.10 million Baht or 31.58% from December 31, 2021. The Company and its subsidiaries had net cash provided by operating activities amounting to 47.33 million Baht and cash used in investing activities amounting to 45.86 million Baht for the acquisition of new production lines and the construction of new factory. Moreover, the Company had net cash used in financing activities amounting to 45.57 million Baht in this period.

Trade and other account receivables as of September 30, 2022 was in the amount of 62.53 million Baht decreased by 39.27 million Baht or 38.58% when compared to the trade and other account receivables as of December 31, 2021, which in line with the significant drop of sales in this period compared with sales from Q4/2021.

Inventories as of September 30, 2022 was in the amount of 300.82 million Baht increased by 26.47million Baht when compared to last year. Due to the fact that the sales was lower in this quarter than expected and inventories valuation was also higher from the rise in cost of productions.

Property, plant and equipment as of September 30, 2022 was in the amount of 217.56 million Baht increased by 28.48 million Baht or 15.06% 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 September 30, 2022 increased from the end of last year amounting to 15.18 million Baht. This was due to the fact that the Company had sales and lease back transaction for new Furnace and Robot for boron disc production line in Q3/2022.

As of September 30, 2022, the Company and its subsidiaries had a slight drop in short-term borrowing from financial institutions in the amount of 6.98 million Baht or 5.37% when compared to the end of 2021 due to the fact that the Company gradually pay back to the financial institution and lessen the order of raw materials from overseas.



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Trade and other payables as of September 30, 2022 was in the amount of 29.95 million baht, decreased from last year in the amount of 9.08 million baht from less purchase orders of raw materials for Plough which in line with less of sales of such product in this period.

Current portion of lease liabilities and lease liabilities as of September 30, 2022 was in the amount of 5.71 million baht and 14.96 million baht accordingly, increased from the end of year of 2021 in the amount of 2.91 million baht and 12.85 million baht. The change came from sales and lease back transactions that was done in quarter 3/2022 for furnace and robot of boron disc production line.

Total shareholder's equity of the Company and its subsidiaries as of September 30, 2022 was in the amount of 491.93 million baht, decreased by 10.05 million baht or 2.00%. The change came from profit from operating activities of the first 9 months of 2022 and the dividend payment in May 2022 amounting to 45.31 million Baht.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

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