



บริษัท เอส.เอ.เอฟ. สเปเชียล สตีล จำกัด (มหาชน)  
S.A.F. SPECIAL STEEL PUBLIC COMPANY LIMITED

สำนักงานใหญ่ เลขที่ 110 ซอยเทียนทะเล 24 ถนนบางขุนเทียน-ชายทะเล แขวงท่าข้าม เขตบางขุนเทียน กรุงเทพฯ

January 18, 2023

Subject: Management Discussion and Analysis for the 9-Month Period Ended September 30, 2022

Attention: Directors and Managers

Stock Exchange of Thailand

S.A.F. Special Steel Public Company Limited (the “Company”) would like to clarify the operating results for the nine-month period, which ended on September 30, 2022, with the following details:

**Statements of Comprehensive Income**

Statements of Comprehensive Income	For the 9-Month Period Ended on September 30,			
	2021		2022	
	million baht	percent	million baht	percent
<b>Revenues</b>				
Revenue from Sales and Services	160.39	99.75	168.86	99.70
Others Income	0.40	0.25	0.51	0.30
<b>Total Revenues</b>	<b>160.79</b>	<b>100.00</b>	<b>169.37</b>	<b>100.00</b>
<b>Expenses</b>				
Cost of Sales and Services	116.79	72.64	121.86	71.95
Distribution Costs	4.93	3.07	4.42	2.61
Administrative Expenses	19.62	12.20	22.81	13.47
Loss on Exchange Rates	5.72	3.56	3.76	2.22
<b>Total Expenses</b>	<b>147.06</b>	<b>91.46</b>	<b>152.85</b>	<b>90.24</b>
<b>Profit from Operating Activities</b>	<b>13.74</b>	<b>8.54</b>	<b>16.52</b>	<b>9.76</b>
Financial Cost	2.66	1.65	4.01	2.37
<b>Profit Before Income Tax Expense</b>	<b>11.08</b>	<b>6.89</b>	<b>12.52</b>	<b>7.39</b>
Tax Expense	2.09	1.30	2.50	1.48
<b>Profit for the Period</b>	<b>8.99</b>	<b>5.59</b>	<b>10.02</b>	<b>5.92</b>

**Table Showing Revenue from Sales and Services of the Company's Products Classified by Type**

	For the 9-Month Period Ended September 30,			
	2021		2022	
	Million baht	percent	Million baht	percent
<b>Revenue from Sales:</b>				
1) Revenue from Sales of Special Steel				
- For Mold	107.38	66.78	118.68	70.07
- For Engineering Machinery	32.64	20.30	33.99	20.07
<b>Total Revenue from Sales of Special Steel</b>	<b>140.02</b>	<b>87.08</b>	<b>152.68</b>	<b>90.14</b>
2) Others Sales Revenue <sup>/1</sup>	12.45	7.74	8.83	5.21
<b>Total Revenue from Sales</b>	<b>152.47</b>	<b>94.82</b>	<b>161.51</b>	<b>95.36</b>
<b>Revenue from Services:</b>				
3) Revenue from Vacuum Hardening Services	7.93	4.93	7.35	4.34
<b>Total Revenue from Sales and Services</b>	<b>160.39</b>	<b>99.75</b>	<b>168.86</b>	<b>99.70</b>
Others Income <sup>/2</sup>	0.40	0.25	0.51	0.30
<b>Total Revenues</b>	<b>160.79</b>	<b>100.00</b>	<b>169.37</b>	<b>100.00</b>

**Note**

<sup>/1</sup> Others sales revenue was sales revenue, from metal cutting bandsaw blades, metal cutting bandsaw machines, molds, other equipment parts, etc.

<sup>/2</sup> Others income consisted of gain on exchange rate, gain from disposal of assets, interest income, and income from the sale of scrap metal, etc.

**Revenue from Sales**

Revenue from Sales consisted of sales revenue from special steel and revenue from other sales. The details were as follows:

**1) Revenue from Sales of Special Steel**

For the nine-month period ended September 30, 2022, the Company's main income from sales of special steel was 152.68 million baht, accounted for 90.14 percent of the Company's total revenue by dividing the revenue from sales of special steel for molds, accounted for 70.07 percent and revenue from sales of special steel for engineering machinery, accounted for 20.07 percent.

### **1.1 Revenue from Sales of Special Steel for Mold**

For the nine-month period ended September 30, 2022, the Company's revenue from sales of special steel for molds was 118.68 million baht, an increase of 10.53 percent from the same period of last year. This was mainly due to the average selling price of steel increasing by approximately 13.22 percent due to the situation of special steel prices in the world market that had increased as a result of higher raw material and utility costs. While the sales volume of special steel for molds decreased by 2.37 percent as a result of the slowdown in the production of automotive parts due to the shortage of parts and semiconductors. It affected the Company's customers in the automotive industry to decrease their purchases of steel from the Company. In addition, the slowdown in the production of construction materials such as doors and window frames, structural steel and steel pipes, etc., was due to the decline in the purchasing power of the public sector that caused manufacturers of such construction materials to decrease their order steels for use in production.

### **1.2 Revenue from Sales of Special Steel for Engineering Machinery**

For the nine-month period ended on September 30, 2022, the Company's revenue from sales of special steel for engineering machinery was 33.99 million baht, an increase of 4.14 percent compared to the same period of the previous year. The purchase volume of steel decreased significantly during that period. This was due to customer groups still being affected by the COVID pandemic, which caused the reduction or the postponement of the maintenance plan of the machine. However, the average selling price of steel increased about 30.04 percent from the same period of the previous year. It was a result of the Company being able to sell more high-priced special steel.

## **2) Others Sales Revenue**

Other sales revenue consists of the sales of band saw blades, followed by the finished mold, tools and equipment parts such as cutting tools, spare parts, plastic injection cylinders, etc. For the nine-month period that ended September 30, 2022, the Company had revenue from other sales equal to 8.83 million baht, which decreased by 3.62 million baht compared to the same period of the previous year. This was mainly due to a decrease in mold sales of 3.04 million baht due to a decrease in orders for aluminum extrusion molds. In addition, sales of saw blades decreased by 3.39 million baht due to the delay in delivering band saw blades from Germany, which caused the Company to have insufficient stock of band saw blades in some items. While the Company's income from sales of tools and equipment parts increased by 2.82 million baht, mainly due to more sale of plastic injection cylinders and drill bits.

### 3) Revenue from Vacuum Hardening Services

For the nine-month period ended September 30, 2022, the Company had income from vacuum hardening services equal to 7.35 million baht, which slightly decreased from the same period of the previous year equal to 7.93 million baht.

### Others Income

The Company's others income mainly consists of gain on foreign exchange followed by gain from disposal of assets, interest income and income from the sale of scrap steel, etc. For the nine-month period ended September 30, 2022, the Company had other income equal to 0.51 million baht, an increase of 0.11 million baht, mainly due to an increase in gain from the disposal of assets of 0.10 million baht, from the sale of delivery vehicles that had not been used and had been used for a long time to third parties.

### Cost of Sales and Services and Gross Profit Margin

	For the 9-Month Period Ended on September 30,	
	2021	2022



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Revenue from Sales and Services (Million baht)	160.39	168.86
Cost of Sales and Services (Million baht)	116.79	121.86
Gross Profit (Million baht)	43.60	47.00
<b>Proportion of Cost of Sales and Services (percent)</b>	<b>72.82</b>	<b>72.17</b>
<b>Gross Profit Margin (percent)</b>	<b>27.18</b>	<b>27.83</b>

For the nine-month period that ended September 30, 2022, the Company had the cost of sales and services equal to 121.86 million baht, an increase of 5.06 million baht or 4.33 percent compared to the same period of the previous year. This was mainly due to an increased cost of raw materials for sale. In addition, this was due to the increase in average raw material costs in line with the rise in special steel prices in the world market. As a result, the Company's gross profit and gross profit margin for the nine-month period that ended September 30, 2022, increased compared to the same period of the previous year. As the Company was able to adjust the selling price to be higher according to the rising price of special steel in the world market.

#### Distribution Costs

For the nine-month period that ended September 30, 2022, the Company had distribution costs equal to 4.42 million baht, representing 2.61 percent of total revenue, with distribution costs decreasing compared to the same period last year. This was mainly a result of the decrease in personnel expenses due to the decrease in the number of resigned employees who were not related to the production process. The resignation of such employees did not affect the business operations of the Company, including job management with a planning system to reduce overtime hours.

#### Administrative Expenses

For the nine-month period that ended on September 30, 2022, the Company had administrative expenses equal to 22.81 million baht, representing 13.47 percent of total revenue, with administrative expenses increasing compared to the same period last year. This was a result of an increase in expenses for filing preparation and expenses related to preparation for listing on themai.

### **Financial Cost**

For the nine-month period that ended on September 30, 2022, the Company had finance costs equal to 4.01 million baht, which increased due to the increase in trust receipt interest from the increased import the products and interest on long-term loans from entering into an additional loan agreement with a commercial bank in the third quarter of 2021.

### **Net Profit**

For the nine-month period that ended on September 30, 2022, the Company had a net profit equal to 10.02 million baht, representing a net profit margin of 5.92 percent, with an increase in net profit and net profit margin from the same period of the previous year. This was a result of increased selling prices in line with steel prices in the world market and continuous distribution cost control during the COVID-19 pandemic.

### **Statements of Financial Position**

#### **Total Assets**

As of September 30, 2022, the Company had total assets of 316.39 million baht, an increase compared to the end of 2021, mainly due to an increase in inventories of 26.97 million baht can be summarized as follows:

#### **Cash and Cash Equivalents**

As of September 30, 2022, the Company had cash and cash equivalents equal to 2.10 million baht, a decrease of 0.42 million baht compared to the end of 2021 as a result of the Company's net cash used in operating activities in the amount of 0.05 million baht, net cash used in investing activities in the amount of 0.54 million



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baht, and net cash received from financial-related activities in the amount of 0.17 million baht. The cash, in which the Company received from bank overdrafts and short-term loans from financial institutions in the amount of 31.01 million baht to be used as working capital for purchasing the Company's products. Furthermore, the cash received from the capital increase through the existing shareholders in March 2022 in the amount of 20.00 million baht, while there was a dividend payment of 41.80 million baht and cash and cash equivalents at the beginning of the year in the amount of 2.51 million baht.

#### Trade and Other Current Receivables

As of September 30, 2022, the Company had trade and other current receivables of 43.86 million baht, representing 13.86 percent of total assets. Details of trade and other receivables can be summarized as follows:

Overdue Period	December 31, 2021		September 30, 2022	
	Million baht	percent	Million baht	percent
Not Yet Due	32.02	69.54	32.61	78.55
Overdue				
Less than 1 Month	12.19	26.48	8.33	20.06
1 - 2 Months	1.42	3.09	0.28	0.67
2 - 3 Months	0.00	0.01		
Over 3 Months	0.40	0.88	0.30	0.73
<b>Total Trade Accounts Receivable</b>	<b>46.04</b>	<b>100.00</b>	<b>41.52</b>	<b>100.00</b>
Less Allowance for Expected Credit Losses	(0.44)		(0.33)	
<b>Total Trade Receivables - Net</b>	<b>45.60</b>		<b>41.19</b>	
Other Current Receivables	1.30		2.68	
<b>Trade and Other Current Receivables</b>	<b>46.90</b>		<b>43.86</b>	

The Company had the credit term policy of about 30 - 90 days by considering the credit limit and payment period from customer qualifications such as registered capital, financial statements, track records and payment history, etc. As of September 30, 2022, the Company had an average collection period of 71 days, which was within the credit term policy of the Company. Considering the Company's trade receivables, most of them are unpaid, which was 78.55 percent of the trade receivables before deducting the allowance for expected credit losses each year. For overdue debtors, those that were overdue less than one month are due from the timing of the customers' billing cycle, resulting in the repayment schedule from the customer to be postponed by one month. However, the Company regularly followed up on outstanding debtors by the Company's policy. With the efficient control and monitoring system, the Company had a small number of long overdue accounts receivable. The accounts receivable overdue for more than three months accounted for only 0.73 percent of the total accounts receivable before deducting the allowance for expected credit losses each year.

The Company had prepared a summary of outstanding receivables by setting up an allowance for doubtful accounts according to the type of accounts receivable and used to calculate expected credit losses of trade accounts receivable to set up an allowance for doubtful debts of debtors according to the type of debtor. As of September 30, 2022, the Company has debtors overdue for more than three months, equal to 0.30 million baht, which the Company continuously monitored and collected from debtors according to the established guidelines.

Other current receivables of the Company consisted of prepaid expenses, accrued interest, and land deposit. As of September 30, 2022, the Company had other current receivables of 2.68 million baht, an increase of 1.37 million baht from 2021. This was mainly due to an increase in deposits in the amount of 1.00 million baht from placing deposits according to the contract to buy and sell land to be the new warehouse and factory of the Company, together with an increase in prepaid service fees totaling 0.39 million baht from an increase in computer system service fees, financial advisor fee and legal advice fees, etc.

## **Inventories**



The Company had inventories before deducting an allowance for declining in value of inventories as of September 30, 2022, equal to 139.19 million baht. Mostly, this was in the form of raw materials, which consisted of various sizes of special steel, band saw, tools and equipment parts, accounting for 97.00 percent of inventories before deducting allowances. As of September 30, 2022, the Company's inventories increased by 26.58 million baht or increased by 23.60 percent compared to the end of 2021 since the Company planned to purchase additional raw materials throughout the year of 2022. The Company ordered raw materials at the end of 2021, and those products, in which had been ordered, began to gradually arrive during the 1<sup>st</sup> - 3<sup>rd</sup> quarter of 2022 due to the ordering period of approximately 90-120 days. Therefore, the Company had set an allowance for the value of inventories as of September 30, 2022, equal to 0.17 million baht, which decreased by 0.39 million baht compared to 2021 and has net inventories equal to 139.02 million baht.

#### **Other Current Financial Assets**

Other current financial assets consisted of fixed deposits with commercial banks. As of September 30, 2022, the Company had 12-month fixed deposits with two commercial banks of 0.50 million baht, which was equal to the end of 2021.

#### **Restricted Deposits with financial institution**

Restricted deposits with financial institution consist of savings deposits and fixed deposits. As of September 30, 2022, the Company has restricted bank deposits in the amount of 30.00 million baht, which were guaranteed as Collateral for Bank Overdrafts, Trust Receipt/Letters of Credit, Forward Contracts and Letters of Guarantee.

#### **Property, Plant and Equipment**

Property, plants, and equipment consisted of land and land improvements, buildings and structures, office equipment, furniture and fixture, machinery and tools, and vehicles. As of September 30, 2022, the

Company had property, plant, and equipment decreased by 2.45 million baht or decreased by 2.53 percent, mainly due to the depreciation of assets.

### **Liabilities**

The main liabilities of the Company were bank overdrafts and short-term loans from financial institutions, long-term loans from financial institutions and trade payables and other current payables. The total liabilities of the Company, as of September 30, 2022, were 183.22 million baht. The current liabilities accounted for 87.34 percent of the total liabilities, and non-current liabilities for 12.66 percent of total liabilities. As of September 30, 2022, the Company's total liabilities was increased. The main reason was an increase in bank overdrafts and short-term loans from financial institutions in the amount of 35.88 million baht due to the Company's purchase the raw materials supporting for the production and sales; therefore, the working capital was required.

### **Bank Overdrafts and Short-Term Loans from Financial Institutions**

As of September 30, 2022, the Company had bank overdrafts and short-term loans from financial institutions totaling 145.42 million baht, an increase of 35.88 million baht from the end of 2021, mainly due to an increase in trust receipts in the amount of 27.23 million baht for imported products, including an increase in bank overdraft in the amount of 5.81 million baht, and promissory notes in the amount of 2.83 million baht for the Company's working capital.

### **Trade and Other Current Payables**

As of September 30, 2022, the Company had trade and other current payables amounting to 6.58 million baht, divided into trade payables of 5.96 million baht and other current payables of 0.63 million baht. The Company had increased in trade payables, mainly due to an increase in trade payables from the import of special

steel supporting for the customers during the year 2022. Other current payables slightly decreased from the end of 2021.

### **Long-Term Loans from Financial Institutions**

As of September 30, 2022, the Company had long-term loans from financial institutions totaling 20.63 million baht, slightly decreased from the end of 2021 as a result of partial repayment of matured debts.

### **Lease Liabilities**

As of September 30, 2022, the Company's lease liabilities decreased by 0.76 million baht from the end of 2021. This was a result of the payment amounting to 0.85 million baht, which was partially offset with interest in the amount of 0.09 million baht. In addition, there are liabilities due within one year and more than one year equal to 0.82 million baht and 0.23 million baht or 78.21 percent and 21.79 percent respectively.

### **Shareholders' Equity**

As of September 30, 2022, the Company had shareholders' equity equal to 133.18 million baht, a decrease of 11.78 million baht compared to the end of 2021 due to the dividend payment following the resolution of the 2022 Annual General Meeting of Shareholders dated on March 15, 2022. According to the resolution, the shareholders approved the dividend payment of 2021 from the accumulated operating results until December 31, 2021, at the rate of 0.1750 baht per share to shareholders of the Company in the total amount of 38.50 million baht by paying dividends in cash. Moreover, the shareholders, whose names appeared in the shareholder register book as of April 5, 2022, were entitled to receive dividends. Accordingly, the Company determined to pay dividends within 30 days from the date of the general meeting of shareholders and approved the allocation of profit as a legal reserve in the amount of 2.03 million baht. In April 2022, the Company had paid dividends to shareholders. In addition, according to the resolution of the Board of Directors Meeting No. 6/2022 held on August 8, 2022, the Board of Directors approved the interim dividend payment No. 1/2022 from the Company's



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retained earnings to the Company's shareholders at the rate of 0.015 Baht per share, amounting to 3.30 million baht by paying dividends in cash to the shareholders, whose names appeared in the shareholder register book as of August 23, 2022, were entitled to receive dividends, in which the Company would pay to shareholders on September 7, 2022. As a result, the Company had a decrease in retained earnings of 33.81 million baht. In the first quarter of 2022, the Company increased capital in the amount of 20.00 million baht by offering to the existing shareholders in accordance with their stakes.

Please be informed accordingly.

Yours sincerely,

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(Miss Leena Ariyadejwanich)

Chief Financial Officer

S.A.F. Special Steel Public Company Limited