



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 010/2562

November 12th, 2019

Subject : Management Discussion and Analysis the three month-period and nine month-period ended
September 30, 2019

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 three month-period and nine month-period ended September 30, 2019 with details as follow;

unit: million baht

Items	3-month periods ended 30 September				Changes	
	2018		2019			
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	63.07	100.00	61.38	100.00	(1.69)	(2.68)
Cost of sales of goods	45.52	72.17	46.37	75.55	0.85	1.87
Gross profit	17.55	27.83	15.01	24.45	(2.54)	(14.47)
Other income	1.56	2.47	1.99	3.24	0.43	27.56
Gain on exchange rate	0.61	0.97	0.00		(0.61)	(100.00)
Profit before expenses, finance cost and taxes	19.72	31.27	17.00	27.70	(2.72)	(13.79)
Distribution costs	1.18	1.87	1.43	2.33	0.25	21.19
Administrative expenses	10.34	16.39	9.70	15.80	(0.64)	(6.19)
Loss on exchange rate	-	-	0.05	0.08	0.05	100.00
Profit before finance cost and taxes	8.20	13.00	5.82	9.48	(2.38)	(29.02)
Finance Cost	1.52	2.41	0.68	1.11	(0.84)	(55.26)
Profit before income tax expenses	6.68	10.59	5.14	8.37	(1.54)	(23.05)
Income tax expense	0.36	0.57	(0.23)	(0.37)	(0.59)	(163.89)
Net profit	7.04	11.16	4.91	8.00	(2.13)	(30.26)



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Items	9-month periods ended 30 September				Changes	
	2018		2019		Amount	%
	Amount	%	Amount	%		
Revenue from sales of goods	249.48	100.00	261.99	100	12.51	5.01
Cost of sales of goods	192.63	77.21	204.46	78.04	11.83	6.14
Gross profit	56.85	22.79	57.53	21.96	0.68	1.20
Other income	3.72	1.49	3.9	1.49	0.18	4.84
Gain on exchange rate	0.98	0.39	0.28	0.11	(0.70)	(71.43)
Profit before expenses, finance cost and taxes	61.55	24.67	61.71	23.55	0.16	0.26
Distribution costs	3.70	1.48	5.29	2.02	1.59	42.97
Administrative expenses	28.95	11.60	29.97	11.44	1.02	3.52
Profit before finance cost and taxes	28.9	11.58	26.45	10.10	(2.45)	(8.48)
Finance Cost	4.53	1.82	2.42	0.92	(2.11)	(46.58)
Profit before income tax expenses	24.37	9.77	24.03	9.17	(0.34)	(1.40)
Income tax expense	(0.64)	(0.26)	(1.48)	(0.56)	0.84	131.25
Net profit	23.73	9.51	22.55	8.61	(1.18)	(4.97)

1. Revenue from sales of goods

For the 3 month-period ended September 30, 2019 the Company and its subsidiary's revenue from sales of goods was in the amount of 61.38 million baht, decreased by 1.69 million baht or 2.68% of the same period of sales in 2018. Mainly because of the prolonged drought that resulted to less rainfall and low water level in reservoirs which unfavored for agricultural production. And once it was rainy season, the Northeastern region of Thailand also had a severe flood that caused a serious damaged to paddy productions, directly resulting to a drop of sales in product Screw Flight. Moreover, our main customer also lowered their production plan for the Combined Harvester which inline to a decline in sales of our screw flight. Even though the Company has launched 2 new products in this quarter, Fertilizer Mixer Machine and Rotary blade, but these two products are still new to the market therefore, their sales has no affect to a significant change to the total sales in this quarter.

As for the nine month-period ended September 30, 2019 the Company and its subsidiary still has a growth in revenue from sales of goods in the amount of 261.99 million baht, increased by 12.51 million baht or 5.01% from last year. Resulted from an increase in sales from the product 'Discs plough' since early of this year, our main customer held a special promotion in order to boost sales during the preparation of soil cultivation period.



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However, sales of other product, screw flight and plough are also having a downturn this year especially screw flight that worsen by 33% from last year's sales. The decline in sales were caused by several negative factors such as prolonged drought, low water level in reservoirs, severe floods and customer adjusted their production plan.

2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for the three month-period ended September 30, 2019 increased from the same period of last year around 1.87% or in the amount of 0.85 million baht, in opposite of a drop of sales in this period. Main reason was from a decreased from sales of screw flight that caused to less of its sales proportion from 35.45% to 24.44% in this quarter. Among all the products, screw flight is the product that has highest gross profit margin therefore, it resulted to a higher in total of cost of goods sold and less in gross profit margin from 27.38% to 24.45% for the three-month period-ended September 30, 2019

As for the nine-month period-ended September 30, 2019, the Company and its subsidiary had a rise in cost of sales of goods by 6.14%. The change was also in line with a 5.01% rise of sales. One more reason is from the lessen in screw flight's sales proportion that affected to the higher in cost of goods sold.

2.2. Distribution costs for the three month-period and nine month-period ended September 30, 2019 were in the amount of 1.43 million baht and 5.29 million baht respectively. This year there was an expansion in Sales' department's headcounts and the Company also held campaign for Customers visiting factory to promote Company's products.

3. Finance costs

Finance cost for the three month-period and nine month-period ended September 30, 2019 was 0.68 million baht and 2.42 million baht respectively, decreased by 0.84 million baht and 2.11 million baht when compare to the same period of last year. This mainly came from the fact that the Company made repayments to both short-term loan in quarter 4 of 2018 and long-term loan in January of 2019.

4. Net Profit

For the 3 month-period ended September 30, 2019, the Company financial statement represents net profit in the amount of 4.91 million baht or considered as net profit margin of 8.00%, decreased from the same period of last year by 2.13 million baht or 30.26% of net profit of quarter 3 of 2018. The main reason was from a decline in revenue from sales and a rise in cost of sales of goods and cost of distribution expenses in this quarter.



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However, as for the nine month-period ended September 30, 2019 the Company and its subsidiary had net profit in the amount of 22.55 million baht or net profit margin of 8.61%, decreased from last year by 1.17 million baht or 4.93%. Even though there was an increase in sales, but a decline in net profit was from the same reason that caused to a decrease in gross profit margin. Moreover, this year the Company has tax expense from the net profit of nine month-period while last year the Company had tax exemption for net profit of the first two months and expense related to IPO were also counted as tax deduction expenses.

5. Statement of financial positions

Items	31 Dec 2018	30 September 2019	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	457.86	420.02	(37.84)	(8.26)
Cash and cash equivalents	92.96	74.63	(18.33)	(19.72)
Trade and other account receivables	68.62	37.93	(30.69)	(44.72)
Inventories	110.48	127.25	16.77	15.18
Property, plant and equipment	182.56	175.56	(7.00)	(3.83)
Other non-current assets	2.59	3.82	1.23	47.49
Total Liabilities	114.35	79.16	(35.19)	(30.77)
Short-term borrowings from financial institutions	58.30	44.76	(13.54)	(23.22)
Trade and other account payables	24.14	18.94	(5.20)	(21.54)
Current portion of long-term borrowings	14.86	2.00	(12.86)	(86.54)
Long-term borrowings	4.00	2.00	(2.00)	(50.00)
Total shareholders' equity	343.51	340.87	(2.64)	(0.77)

As of September 30, 2019, the Company and its subsidiary's total assets was in the amount of 420.02 million baht, decreased by 37.84 million baht when compared to total assets as of December 31, 2018. A drop in total assets of the Company and its subsidiary came from details as follow;

Cash and cash equivalent decreased by 18.33 million baht or 19.72% from December 31, 2018. The Company and its subsidiary had cash from operating activities amounting to 53.77 million baht and cash used in investing activities amounting to 13.45 million baht. Moreover, cash used in financing activities amounting to 58.65 million baht which mainly used in dividend paid for 25.20 million baht and loan repayment both short-term and long-term for 28.24 million baht.

Trade and other account receivables as of September 30, 2019 was in the amount of 37.93 million baht, decreased by 44.72 million baht when compared to trade and other account receivables as of December 31, 2018 which was in accordance to the gradually decline in revenue from sales in this quarter of 2019.



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Inventory as of September 30, 2019 is in the amount of 127.25 million baht increased by 16.77 million baht when compare to last year. This resulted from the fact that this quarter is low season so there was less demand in inventory but the Company's production plan is flat production therefore the total of inventory at the end of this period is higher than last year. Moreover, in this quarter the Company also has new products thus, the Company has to stock up both of Rotary blade and Raw materials for Fertilizer Mixer machine.

As of September 30, 2019, the Company and its subsidiary had a drop in short-term borrowing from financial institutions in the amount of 13.54 million baht or 23.33% when compare to the end of 2018. Normally this quarter is low season and the key product of this quarter is screw flight that the Company acquire its raw material locally therefore the Company placed less purchase orders for raw materials to overseas suppliers in this period.

As of September 30, 2019 the Company and its subsidiary had a significant drop in current portion of long-term loan in the amount of 12.86 million baht or 86.54% when compare to the end of 2018 because the Company made a repayment of the remaining long-term loan in the end of January 2019 to financial institution.

Long-term loan as of September 30, 2019 of the Company and its subsidiary declined in the amount of 2.00 million baht or dropped by 50% when compare to long-term loan as of December 31, 2018 because the Company paid the installment of low interest long-term loan in the amount of 2 million baht in January 2019.

Total shareholder's equity of the Company and its subsidiary as of September 30, 2019 was in the amount of 340.87 million baht, decreased by 2.64 million baht or 0.77%. The change came from an increase in net profit from the Company's performance of nine month period of 2019, with the amount of 22.55 million baht while the Company also had dividend payment amounting to 25.20 million baht in May 2019.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited