



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 005/2563

May 14th, 2020

Subject : Management Discussion and Analysis for the 3-month period ended March 31, 2020

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 period ended March 31, 2020 with details as follow;

unit: million baht

Items	Q1/2019		Q1/2020		Changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	113.01	100.00	75.19	100.00	(37.82)	(33.47)
Cost of sales of goods	89.4	79.11	58.49	77.79	(30.91)	(34.57)
Gross profit	23.61	20.89	16.70	22.21	(6.91)	(29.27)
Other income	0.85	0.75	0.73	0.97	(0.12)	(14.12)
Gain on exchange rate	0.11	0.10	0.08	0.11	(0.03)	(27.27)
Profit before expenses, finance cost and taxes	24.57	21.74	17.51	23.29	(7.06)	(28.73)
Distribution costs	1.82	1.61	1.84	2.45	0.02	1.10
Administrative expenses	9.82	8.69	9.76	12.98	(0.06)	(0.61)
Profit before finance cost and taxes	12.93	11.44	5.91	7.86	(7.02)	(54.29)
Finance Cost	0.88	0.78	0.71	0.94	(0.17)	(19.32)
Profit before income tax expenses	12.05	10.66	5.20	6.92	(6.85)	(56.85)
Income tax expense	0.87	0.77	0.25	0.33	(0.62)	(71.26)
Net profit	11.18	9.89	4.95	6.58	(6.23)	(55.72)

1. Revenue from sales of goods

For the Quarter1/2020 the Company and its subsidiary's revenue from sales of goods was in the amount of 75.19 million baht, decreased by 37.82 million baht or 33.47% of the same period of sales in 2019. Most of the Company's products had a drop of sales in this quarter, especially 'Disc plough' that decreased by 31.10 million



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baht or 38.82%, this was due to a severe drought and lower of usable water that caused extensive damage to the farm production resulted to less in yield per rai, which led to a contraction of GDP 4.8% of agriculture sector. Moreover, off-season rice harvest areas also declined by 41.21% in this quarter effecting to a contraction of agricultural services' GDP to 1.3%. As for the impact from COVID-19, the Company's revenue from sales of good also effected since targeted customers, mostly end-users have less income to spend on buying new agriculture machines.

2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods for the 3-month period ended March 31, 2020 decreased from the same period of last year around 34.57% or in the amount of 30.91 million baht, which in line with a drop of sales. However, when considered to the gross profit margin, this Q1/2020's gross profit margin has a better performance with 22.21% while in Q1/2019 was at 20.89%. The main reason was from an increased from sales of screw flight that caused to higher of its sales proportion from 3.86% to 10.51% 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 overall gross profit margin in this quarter.
- 2.2. Distribution costs for 3-month period ended March 31, 2020 increased from the same period of last year by 1.10% or in the amount of 0.02 million baht. Even though there was a drop of sales, but the distribution costs were slightly higher than Q1/2019. Due to the fact that in the early of 2020, the Company and its subsidiary started promoting Company's product through social media and other publishing platforms such as brochures, leaflets and calendars that were distributed to customers, causing such expense in this quarter while there was none in last year.
- 2.3. Administration expenses had no significant changes for the 3-month period ended March 31, 2020, only a slight drop with the amount of 0.06 million baht or 0.61% when compares to the administration expenses in Quarter1/2019.

3. Finance costs

Finance cost for the 3-month period ended March 31, 2020 was 0.71 million baht decreased by 0.17 million baht or 19.32% when compare to same period of last year. This mainly came from the fact that the Company made repayments to short-term loan in early of 2020 and the Monetary Policy Committee lowered down the policy rate to 1.00% in early of February and to 0.75% in late of March 2020.

4. Net Profit

For the 3-month period ended March 31, 2020 the Company financial statement represents net profit in the



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amount of 4.95 million baht or considered as net profit margin of 6.58%, decreased from last year by 6.23 million baht or 55.72% of the same period of last year. A decline in net profit was from a drop of sales, a higher in fix distribution costs and moreover, there were no significant changes in an overall of administrative expenses in this period.

5. Statement of financial positions

Items	31 Dec 2019	31 Mar 2020	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	429.19	446.17	16.98	(6.26)
Cash and cash equivalents	67.72	80.05	12.33	(27.15)
Trade and other account receivables	58.62	57.81	(0.81)	(14.57)
Inventories	123.14	132.60	9.46	11.46
Property, plant, and equipment	172.74	172.74	(18.88)	(5.38)
Right-of-use assets	0.00	15.62	15.62	-
Other non-current assets	4.83	4.07	(0.76)	(15.73)
Total Liabilities	84.16	96.19	12.03	14.29
Short-term borrowings from financial institutions	49.59	65.89	16.30	32.87
Trade and other account payables	17.23	15.41	(1.82)	(10.56)
Current portion of lease liabilities	4.16	4.22	0.06	1.44
Lease liabilities	5.61	4.53	(1.08)	(19.25)
Total shareholders' equity	345.03	349.97	4.94	1.43

As of March 31, 2020, the Company and its subsidiary's total assets was in the amount of 446.17 million baht, increased by 16.98 million baht when compared to total assets as of December 31, 2019. A change in total assets of the Company and its subsidiary came from details as follow;

Cash and cash equivalent increased by 12.33 million baht or 18.21% from December 31, 2019. The Company and its subsidiary had cash from operating activities amounting to 1.52 million baht and cash used in investing activities amounting to 1.77 million baht. Moreover, cash provided by financing activities amounting to 12.57 million baht. From an impact of COVID-19, the Company stocked up more of raw materials in Quarter 1/2020 that resulted to a rise in inventories and short-term borrowings from financial institutions which led to less in cash flows from operating activities and higher in net cash provided by financing activities.



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Inventories as of March 31, 2020 was in the amount of 132.60 million baht increased by 9.46 million baht when compare to last year. Several shipments of raw materials from Chinese suppliers were delayed due to an impact of COVID-19. Moreover, the Company also stocked up more inventories because of uncertain situations that might occur from the pandemic,

Property, plant and equipments as of March 31, 2020 was in the amount of 153.86 million baht declined from last year in the amount of 18.88 million baht or 10.93%. This year the Company has adopted Thai Financial Reporting Standards no. 16 Lease, resulted to a reclassification of Right-of-use assets under all leases (except short-term leases and leases of low-value assets) to presented seperately under the account name as "Right-of-use assets" which was in the amount of 15.62 million baht as of March 31, 2020.

As of March 31, 2020, the Company and its subsidiary had a rise in short-term borrowing from financial institutions in the amount of 16.30 million baht or 32.87% when compare to the end of 2019. Due to uncertain situations that might occur from the COVID-19, the Company stocked more of raw materials from oversea suppliers and delayed payment to financial institutions in order to carefully manage Company's Cashflow.

Trade and other payables as of March 31, 2020 was in the amount of 15.41 million baht, dropping by 1.82 million baht from the end of 2019 because there were less in purchase orders for parts of product 'Plough' which in line with lower of sales of this products in this period.

Total shareholder's equity of the Company and its subsidiary as of March 31, 2020 was in the amount of 349.97 million baht, increased by 4.94 million baht or 1.43%. The change came from an increase in net profit from the Company's performance of Quarter 1/2020.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited