



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 008/2565

May 13th, 2022

Subject : Management Discussion and Analysis for the 3-month period ended March 31, 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 period ended March 31, 2022 with details as follow;

unit: million baht

| Items | Q1/2021 | | Q1/2022 | | Changes | |
|---|---------|--------|---------|--------|---------|---------|
| | Amount | % | Amount | % | Amount | % |
| Revenue from sales of goods and rendering of services | 153.63 | 100.00 | 175.37 | 100.00 | 21.74 | 14.15 |
| Cost of sales of goods and rendering of services | 114.98 | 74.84 | 144.61 | 82.46 | 29.63 | 25.77 |
| Gross profit | 38.65 | 25.16 | 30.76 | 17.54 | (7.89) | (20.41) |
| Other income | 0.70 | 0.46 | 1.46 | 0.83 | 0.76 | 108.57 |
| Gain on exchange rate | 0.04 | 0.03 | 0.08 | 0.05 | 0.04 | 100.00 |
| Profit before expenses, finance cost and taxes | 39.39 | 25.64 | 32.30 | 18.42 | (7.09) | (18.00) |
| Distribution costs | 3.23 | 2.10 | 4.11 | 2.34 | 0.88 | 27.24 |
| Administrative expenses | 7.87 | 5.12 | 9.88 | 5.63 | 2.01 | 25.54 |
| Profit before finance cost and taxes | 28.29 | 18.41 | 18.31 | 10.44 | (9.98) | (35.28) |
| Finance Cost | (0.69) | (0.45) | (1.44) | (0.82) | (0.75) | 108.70 |
| Impairment Loss | - | - | 0.37 | 0.21 | 0.37 | NA |
| Profit before income tax expenses | 27.60 | 17.97 | 17.24 | 9.83 | (10.36) | (37.54) |
| Income tax expense | 2.56 | 1.67 | 1.37 | 0.78 | (1.19) | (46.48) |
| Net profit | 25.04 | 16.30 | 15.87 | 9.05 | (9.17) | (36.62) |



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1. Revenue from sales of goods and rendering of services

For the Quarter1/2022 the Company and its subsidiary's revenue from sales of goods was in the amount of 175.37 million baht, increased by 21.74 million baht due to the fact that the Company had a rise in sales from almost every products except for 'Screw flight' that had a drop of sales by 41.17% while 'Plough' is the group of product that had an increase in sales by 52.63%. Other products had an increased in sales around 15%-20% compared to the same period of last year. These resulted to an increase in revenue from sales of goods by 14.15% when compared to Q1/2021. This was due to the fact that agricultural GDP grew 4.4% in Quarter 1/2022, especially for crops GDP blossomed by 6.3% from the continuous rainfall in the second half of 2021 to early of 2022 and suitable weather that resulted to more crop production.

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 March 31, 2022, increased from the same period of last year around 25.77% or in the amount of 29.63 million baht, even though this increased was in line with a rise of sales but when considered to the gross profit margin, this Q1/2022's gross profit margin was dropped to 17.54% while in Q1/2021 gross profit margin was at 25.16%. This was due to the fact that the steel price has been rising continuously and other commodity prices also keep increasing from world economic situation which effect on the Company's cost of production. Moreover, the less in sales portion of screw flight in this period also resulted in a significant drop in gross profit margin because screw flight is the product that has the highest gross profit margin.

2.2. Distribution costs for 3-month period ended March 31, 2022, increased from the same period of last year by 27.24% or in the amount of 0.88 million baht which in accordance with a rise in sales. Moreover, employee expenses increased because there was an expansion in Sales' department's headcounts. There was also an advertising expense added in this quarter 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 March 31, 2022, had a rise in the amount of 2.01 million baht or 25.54% when compared to the administration expenses in Quarter1/2021. 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 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.



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3. Finance costs

Finance cost for the 3-month period ended March 31, 2022, was 1.44 million baht increased by 0.75 million when compared to same period of last year. Due to 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 is 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 Q1/2021 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 March 31, 2022, the Company financial statement represents net profit in the amount of 15.87 million baht or considered as net profit margin of 9.05%, decreased from same period of last year by 9.17 million baht or 36.62%. Such drop in net profit was from a rise in cost of production, higher in distribution cost, administration expenses and finance cost resulted to lower in net profit despite the rise in sales in this period.

5. Statement of financial positions

| Items | 31 Dec 2021 | 31 Mar 2022 | Changes | |
|---|--------------|--------------|--------------|---------|
| | Million Baht | Million Baht | Million Baht | % |
| Total Assets | 730.86 | 733.36 | 2.50 | 0.34 |
| Cash and cash equivalents | 139.64 | 94.70 | (44.94) | (32.18) |
| Trade and other account receivables | 101.80 | 159.38 | 57.58 | 56.56 |
| Inventories | 274.35 | 246.24 | (28.11) | (10.25) |
| Property, plant, and equipment | 189.08 | 206.70 | 17.62 | 9.32 |
| Right-of-use assets | 10.22 | 9.97 | (0.25) | (2.45) |
| Other non-current assets | 13.38 | 14.14 | 0.76 | 5.68 |
| Total Liabilities | 228.88 | 215.51 | (13.37) | (5.84) |
| Short-term borrowings from financial institutions | 129.96 | 123.77 | (6.19) | (4.76) |
| Trade and other account payables | 39.03 | 32.98 | (6.05) | (15.50) |
| Current portion of long-term loan | 9.72 | 10.26 | 0.54 | 5.56 |
| Long-term loan | 37.95 | 35.36 | (2.59) | (6.82) |
| Total shareholders' equity | 501.98 | 517.85 | 15.87 | 3.16 |



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As of March 31, 2022, the Company and its subsidiary's total assets was in the amount of 733.36 million baht, increased by 2.50 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 44.94 million baht or 32.18% from December 31, 2021. The Company and its subsidiaries had cash used in operating activities amounting to 16.20 million baht and cash used in investing activities amounting to 18.10 million baht for the acquisition of new production lines and the construction of new factory. Moreover, cash used in financing activities amounting to 10.63 million baht from repayment of borrowings from financial institutions and interest paid in the period.

Trade and other account receivables as of March 31, 2022 was in the amount of 159.38 million baht increased by 57.58 million baht or 56.56% 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 March 31, 2022 was in the amount of 246.24 million baht decreased by 28.11 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 that is currently happening in China right now. However, the level of inventories that the Company has is still enough for the production.

Property, plant and equipment as of March 31, 2022 was in the amount of 206.70 million Baht increased by 17.62 million Baht or 9.32% 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.

As of March 31, 2022, the Company and its subsidiaries had a drop in short-term borrowing from financial institutions in the amount of 6.19 million Baht or 4.76% when compared to the end of 2021 from less of purchase orders made to suppliers in China that affected by the lockdown situation.

Trade and other payables as of March 31, 2022 was in the amount of 32.98 million baht, decreased from last year in the amount of 6.05 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 March 31, 2022 was in the amount of 517.85 million baht, increased by 15.87 million baht or 3.16%. The change came from an increase in net profit from the Company's performance of Quarter 1/2022.



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Please be informed accordingly

Yours sincerely

Miss Tiya Phon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited