

KC052/64

August 11, 2021

Subject: Management discussion and analysis (MD&A) of operating results for the second quarter ended June 30, 2021

To President

The Market for Alternative Investment (MAI)

Kumwell Corporation Public Company Limited (“company”) would like to submit MD&A of operating results for the second quarter ended June 30, 2021, with details as follows:

Revenues

The revenue structure of company and its subsidiaries for the second quarter of the year 2021 and the year 2020 divided by types of products was as shown in the following table;

	Q2 2021		Q2 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	34.44	36.23%	31.83	34.51%	2.61	8.18%
Lightning System	54.92	57.78%	57.82	62.69%	-2.90	-5.02%
Others	5.69	5.99%	2.58	2.80%	3.11	120.54%
Total	95.05	100.00%	92.23	100.00%	2.82	3.05%

Company and its subsidiaries had sales revenues of grounding system worth 34.44 million baht in the second quarter of 2021, increasing 8.18 percent compared to the same period of the year before. Sales of lightning system were 54.92 million baht, down 5.02 percent compared to the same period of the year before mainly due to a slowdown in construction of private sector projects amid increased spread of COVID-19. Services revenue in the quarter increased thanks to demand from government investment projects.

Domestic sales were 79.26 million baht in the second quarter of 2021, down 4.83 percent from the same period last year. Foreign sales were 15.79 million baht in the quarter, up 76.37 percent from the same quarter of last year as the COVID-19 situation of trading partner countries continued to improve. Total sales were 95.05 million baht, 3.05 percent higher than the same quarter of last year.

	Q2 2021		Q2 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	79.26	83.39%	83.28	90.29%	-4.02	-4.83%
Foreign	15.79	16.61%	8.95	9.71%	6.84	76.37%
Total	95.05	100.00%	92.23	100.00%	2.82	3.05%

	1H 2021		1H 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Grounding System	71.60	34.26%	81.22	38.37%	-9.62	-11.84%
Lightning System	117.55	56.24%	126.62	59.82%	-9.07	-7.16%
Others	19.87	9.51%	3.84	1.81%	16.03	417.45%
Total	209.02	100.00%	211.68	100.00%	-2.66	-1.26%

In the first half of 2021, sales revenues of grounding system were worth 71.60 million baht, down 11.84 percent compared to the same period of the year before. Sales of lightning system products were 117.55 million baht, down 7.16 percent compared to the same period of the year before amid the increased spread of COVID 19.

	1H 2021		1H 2020		Change	
	Mn. Baht	Portion	Mn. Baht	Portion	Mn. Baht	%
Domestic	172.92	82.73%	176.77	83.51%	-3.85	-2.18%
Foreign	36.10	17.27%	34.91	16.49%	1.19	3.41%
Total	209.02	100.00%	211.68	100.00%	-2.66	-1.26%

Domestic sales were 172.92 million baht in the first half of 2021, down 2.18 percent compared to the same period of the year before thanks to the above-mentioned factors. Foreign sales were 36.10 million baht in the first six months of 2021, up 3.41 percent from the same period of last year as the COVID-19 situation of trading partner countries continued to improve. Total sales were 209.02 million baht, declining 1.26 percent from the same period last year.

Cost of goods and services

Cost of goods and services in the second quarter of 2021 was 54.34 million baht, up 6.88 percent from 50.84 million baht of the same quarter of last year. Gross profit margin in the second quarter of 2021 was 42.83 percent, lower than 44.88 percent of the same quarter of last year due to rising raw material costs. The quarter recorded a decrease in inventory impairment less than the level noted in the same quarter of last year. For the first six months of 2021, cost of goods and services was 116.51 million baht, down 4.88 percent from the same period of last year, resulting in a higher gross profit margin of 44.26 percent compared to 42.13 percent of the same period of last year. The increase in gross profit margin was mainly due to company's cost reduction process despite higher raw material costs.

Cost of distribution

Cost of distribution of company and its subsidiaries in the second quarter of 2021 was 7.35 million baht, up 25.86 percent from the same period of last year. For the first six months, cost of distribution of company and its subsidiaries was 14.57 million baht, up 8.15 percent. Company increased employee salaries and adjusted accounting entry of logistic costs to be recorded as distribution costs from cost of goods and services previously.

Administrative expenses

Company and its subsidiaries had administrative expenses of 26.06 million baht in the second quarter of 2021 compared with 22.74 million baht of the same period last year, up 14.60 percent, thanks to salary and employee benefits, product certification expenses and allowances for expected credit loss incurred. For the first six months, administrative expenses were 51.30 million baht, up 8.83 percent from the same period of last year due to salary and employee benefits and allowances for expected credit loss incurred.

Net profit

Net profit for the second quarter of 2021 was worth 6.90 million baht, down 29.76 percent from 9.83 million baht of the same period of last year. For the first six months of 2021, net profit was 22.67 million baht, down 1.06 percent from the same period of last year.

Yours Sincerely,

Mr. Boonsak Kiatjaroonlert
Chief Executive Officer
Kumwell Corporation Public Company Limited