

Nov 12, 2014

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 2014

To President of the Stock Exchange of Thailand
Secretary of the Office of Securities and Exchange Commission

Lohakit Metal Plc. (the "Company") would like to notify the financial status and operating performance for the period of three months and the period of 1st half ended 30th September 2014 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30 th Sept				For the period of 1st half ended 30 th Sept			
	July - Sept 2014	July - Sept 2014	Change	% Change	Apr - Sept 2014	Apr - Sept 2014	Change	% Change
Revenue from sales & service	827.87	873.68	-45.81	-5.2%	1,598.74	1,706.92	-108.18	-6.3%
Other income	14.24	9.88	4.36	44.1%	23.43	17.96	5.47	30.5%
Total revenue	842.11	883.56	-41.45	-4.7%	1,622.17	1,724.88	-102.71	-6.0%
Cost of goods sold & service	742.78	778.07	-35.29	-4.5%	1,431.32	1,507.71	-76.39	-5.1%
Selling expenses	19.69	17.04	2.65	15.6%	37.81	34.36	3.45	10.0%
Administrative expenses	25.48	24.41	1.07	4.4%	49.65	53.63	-3.98	-7.4%
Total expenses	787.95	819.52	-31.57	-3.9%	1,518.78	1,595.70	-76.92	-4.8%
Earning before interest and tax	54.16	64.04	-9.88	-15.4%	103.39	129.18	-25.79	-20.0%
Financial expenses	-3.80	-4.08	0.28	-6.9%	-7.93	-9.01	1.08	-12.0%
Share of income from investment in associate	0.14	0.34	-0.20	-58.8%	0.26	0.66	-0.40	-60.6%
Corporate Income tax expenses *	-10.39	-13.47	3.08	-22.9%	-19.50	-22.87	3.37	-14.7%
Net profit for the period	40.11	46.83	-6.72	-14.3%	76.22	97.96	-21.74	-22.2%
Profit Sharing for non-controlling interest of a subsidiary company	-5.37	-6.61	1.24	-18.8%	-9.45	-15.14	5.69	-37.6%
Net profit for the company and its subsidiaries	34.74	40.22	-5.48	-13.6%	66.77	82.82	-16.05	-19.4%

1. Operating Performance

For the period of three months ended 30th Sept 2014, the net profits for the company and its subsidiaries was Baht 34.74 million or decreased by 5.48 million which accounting for 13.6 percent, the results for the current three-month period compared to the same period of the previous year was declining, but better than the net profit for the company and its subsidiary of Baht 32.04 million in previous quarter. This is due to the domestic spending remains in slow stage of recovery. The demand from foreign market remains weak in almost every market. As such, manufacturing sectors who are the customers of the company and its subsidiaries, such as automotive, electronics or construction are still affected by the weak demand of both domestic and foreign markets. The Company and its subsidiary have been impacted by such slowing down of industries too. However, the future economic trend is expected to recover by the various stimulus measures of the government.

Beside, company and its subsidiaries recorded the profit sharing to non-controlling interest in a subsidiary by Baht 5.37 million, decreased by Baht 1.24 million from the same period of previous year due to the declining of sales and net profit in a subsidiary company who manufacture and supply the automotive exhausted pipes to automotive industry.

For the period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had net operating profit of Baht 103.39 million which accounting for the decrease by 20.00 percent, Net profit for the company and its subsidiaries was 66.77 million or decrease by 19.4 percent when compared with the net profit of Baht 82.82 million of the same period of the previous year. The decrease in net profit for 1st half year was due to the considerable acceleration of vehicle production in the previous year, slowdown of orders from overseas and lower demands from both domestic and oversea market of electrical appliance.

1.1 Revenue

For the period of three months ended 30th Sept 2014, the Company and its subsidiaries had revenue from sales and service of Baht 827.87 million compared with Baht 873.68 million in the same period of the previous year, which decreased by 5.2 percent. The sales decrease is due to lower in overall weight for the core products such as stainless steel, copper and aluminum fell from the same period last year. That was the consequence of the slowdown of manufacturing in the customer sectors in this year compared last year.

The sales of a new subsidiary company mostly came from Copper and Aluminum whereas Stainless products were the main products of Company and its old subsidiaries.

For the period of 1st half of year ended 30th Sept 2014, the Company and its subsidiaries had revenue from sales and service of Baht 1,598.74 million compared with Baht 1,706.92 million in the same period of the previous year, which accounting for the decrease by 6.3 percent . In general, volumes in main products decreased from the same period of previous year due to the concern over the political situation in the country at the beginning of the year and the slowing down of domestic and global economics during the year as a whole.

1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the period of three months and period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had other income of Baht 14.24 million and 23.43 million baht respectively, which increased by 44.1 percent and 30.5 percent from the same periods of previous year. The significant other income is income from scrap sales which were the results from the processing of cold rolled stainless steel sheet and coil such cut to length as per customers' requirements. The Company and its subsidiaries therefore sold scrap and recorded as the other income.

1.3 Cost of goods sold

Major cost of goods sold are cost of raw material such cold rolled stainless steel sheet and coil and special grade stainless which the Company and its subsidiaries process. For the period of three months ended 30th Sept 2014, the Company and its subsidiaries had cost of goods sold of Baht 742.78 million, or accounting for 88.20 percent of the total revenue, increase in comparing with Baht 778.07 million or accounting for 88.06 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2014 decreased by 4.5 percent, lower increase than the increase in sales & services by 5.2 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had cost of goods sold of Baht 1,431.32 million, or accounting for 88.23 percent of the total revenue in comparing with Baht 1,507.71 million, or accounting for 87.41 percent of total revenue of previous year.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, commissions and promotion expenses. For the period of three months and period of 1st half ended 30th Sept

2014, the Company and its subsidiaries had selling expenses of Baht 19.69 million and 37.81 million, compared with selling expenses of Baht 17.04 million and 34.46 million in the same periods of the previous year, or increased by 15.6 percent for three month period and increased by 10.0 percent for the 1st half year respectively. The higher in selling expense was due mainly to normal rise in sell personal costs together with the reversal of bad debt by a subsidiary in 1st quarter of previous year following the settlement of an overdue customer by Baht 1.02 million.

For the period of three months and 1st half ended 30th Sept 2014, the selling expenses were 2.38 percent and 2.37 percent of total sales and service, compared with 1.95 percent and 2.01 percent in the same period of previous year.

1.5 Administrative expenses

Administrative expenses consist of executive expenses and staff expenses other than sale department, office rental expenses and other management and administrative expenses. For the period of three months and period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had administrative expenses of Baht 25.48 million and 49.65 million, compared with administrative expenses of Baht 24.41 million and 53.63 million in the same period of the previous year which increased by 4.4 percent and decreased by 7.4 percent respectively. The lower in administrative expense was due mainly to the previous year records of loss in exchange rate due to Baht sharp depreciation.

The major expenses are in area of personnel costs due to salary normally increased year by year and other administrative expenses.

1.6 Share of income from investment in associate

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co.,Ltd. ,who is the marketing and sale force for the company and its subsidiaries and joint venture, by holding 49 percent of total shares. As for the period of three months and 1st half year ended 30th Sept 2014, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.14 million and 0.26 million in consolidated income statements in which decreased by 58.8 percent for three month period and decreased by 60.6 percent for 1st half year respectively in comparison with the same period of previous year.

1.7 Earning (loss) before interest and tax and Net Profit (loss)

For the period of three months and period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had earning before interest and tax of Baht 54.16 million and Baht 103.39 million respectively. After deducting the financial costs of Baht -3.80 million and Baht -7.93 million, adding the share of income from investment of Baht 0.14 million and Baht 0.26 million, deducting the corporate income tax of Baht -10.39 million and Baht -19.50 million, the net profit of the Company and its subsidiaries were at Baht 40.11 million and Baht 76.22 million. When comparing to the same periods of the previous year, the earning before interest and tax and net profit for the period of the three months were both decreased by 15.4 percent and by 13.6 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both decreased by 20.0 percent and 19.4 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2014, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 5.37 million and 9.45 million respectively. The lower profit sharing was due to the lower in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 34.74 million and 66.77 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2014, the Company and its subsidiaries recognized corporate tax expenses by Baht 10.39 million and 19.50 million, decrease from the same period of previous year of Baht 13.47 million and 22.87 million as the result of lower operating profit.

1.9 Profit Sharing for non-controlling interest of a subsidiary company

On Oct 1' 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc. the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of shareholding of net profit in subsidiary through the period of its holding which was amount by Baht 5.37 million and 9.45 million for the period of three month and 1st half year ended 30th Sept 2014.

2.0 Profitability

For the period of three months ended 30th Sept 2014, the Company and its subsidiaries had gross profit margin of 10.28 percent compared with gross profit margin of 10.94 percent in the same period of the previous year. This was owing to the decreasing of sales in most main products, especially the profitable automotive products.

For the period of 1st half ended 30th Sept 2014, the Company and its subsidiaries had gross profit margin of 10.47 percent compared with gross profit margin of 11.67 percent in the same period the previous year. The gross profit margin decreased by Baht 31.79 million.

(Unit: Baht million)

Consolidated balance sheets	As at 30 st Sept 2014		As at 31 st Mar 2014	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	86.54	3.59%	63.94	2.78%
Short-term investment	5.00	0.21%	5.00	0.22%
Account receivable, trade and others	764.94	31.76%	758.19	33.00%
Inventories, net	892.90	37.07%	831.65	36.20%
Other current assets	8.62	0.36%	7.64	0.34%
Total current assets	1,758.00	72.99%	1,666.42	72.54%
Non-current assets				
Investment in related company	7.70	0.32%	7.44	0.32%
Long-term investment	3.09	0.13%	3.01	0.13%
Property, plant and equipment, net	565.93	23.50%	549.01	23.90%
Intangible assets – net	0.27	0.01%	0.35	0.02%
Restricted fixed deposits	46.00	1.91%	46.00	2.00%
Deferred tax assets	24.06	1.00%	21.80	0.95%
Other non-current assets	3.43	0.14%	3.34	0.14%
Total non-current assets	650.48	27.01%	630.95	27.46%
TOTAL ASSETS	2,408.48	100.00%	2,297.37	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	341.81	14.19%	273.37	11.90%
Account payables, trade and others	522.39	21.69%	499.23	21.73%
Current portion of financial lease	5.01	0.21%	7.59	0.33%
Accrued corporate income tax	21.25	0.88%	17.00	0.74%
Other current liabilities	4.97	0.21%	12.76	0.56%
Total current liabilities	895.43	37.18%	809.95	35.26%
Non-current liabilities				
Financial lease obligations	7.31	0.30%	7.52	0.32%
Provision for employee benefit	28.86	1.20%	27.96	1.22%
Total non-current liabilities	36.17	1.50%	35.48	1.54%
TOTAL LIABILITIES	931.60	38.68%	845.43	36.80%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	15.90%	383.00	16.67%
Premium on stock	519.67	21.58%	519.67	22.62%
Retained earnings				
Legal reserve	48.49	2.01%	48.49	2.11%
Un-appropriated	347.48	14.43%	318.93	13.88%
Non-controlling interest of a subsidiary	178.24	7.40%	181.85	7.92%
Total shareholders' equity	1,476.88	61.32%	1,451.94	63.20%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,408.48	100.00%	2,297.37	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 30th Sept and 31st March 2014, the Company and its subsidiaries had total assets of Baht 2,408.48 million and Baht 2,297.37 million respectively. The increase was Baht 111.11 million, mainly increased in trade receivable and inventories. Since the Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless products wholesale and a new subsidiary who is the trader of metal and non-ferrous metal. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

- 2.1.1 Inventories: As at 30th Sept and 31st March 2014 the Company and its subsidiaries had net inventories of Baht 892.90 million (or 37.07 percent of total assets) and Baht 831.65 million (or 36.20 percent of total assets) respectively. The increase in value of inventory was mainly resulted from higher market price of various material types in current period when compared to the same date ending of period in previous year.
- 2.1.2 Trade account receivables, net – other parties: As at 30th Sept and 31st March 2014, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 764.94 million (or 31.76 percent of total assets) and Baht 758.19 million (or 33.00 percent of total assets) respectively. The increased in trade account receivables was small but higher percent due to the comparison to bigger asset size.
- 2.1.3 Land, plant and equipments--Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 30th Sept and 31st March 2014, the Company and its subsidiaries had Land, plant and equipments – net of Baht 565.93 million (or 23.50 percent of total assets) and Baht 549.01 million (or 23.90 percent of total assets) respectively. The increase in value was due to the continuous investment of new construction of plant, new machine and production infrastructure.
- 2.1.4 Restricted fix deposit: As at 30th Sept and 31st March 2014, the Company and its subsidiaries had net value of Baht 46.00 million (1.91 percent and 2.00 percent of total assets respectively). The restricted fix deposit by a subsidiary was used as guarantee for loans from financial institution.
- 2.1.5 Deferred tax assets: As at 30th Sept and 31st March 2014, the Company and its subsidiaries had net value of Baht 24.06 million and Baht 21.80 million respectively (1.00 percent and 0.95 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 30th Sept and 31st March 2014 stood at Baht 931.60 million and Baht 845.43 million respectively. The increasing in liabilities was trade payable and short term loan.

2.3 Shareholders' equity

As at 30th Sept and 31st March 2014, shareholders' equity was Baht 1,467.88 million and Baht 1,451.94 million respectively. The major changes were from the net profit amounting to Baht 76.22 million, dividend payment of Baht 51.36 million for company shareholders and minority shareholder in a subsidiary and non-controlling interest portion stood by Baht 178.24 million for the share capital and earnings of minority shareholders in a subsidiary.

Debt to Equity ratio, as at 30th Sept and 31st March 2014, the ratios were 0.63 times and 0.58 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th Sept 2014	As at 30th Sept 2013
Net cash from (used in) operating activities	67.86	187.18
Net cash used in investing activities	-57.21	3.95
Net cash from (used in) financing activities	11.95	-212.93
Effect of exchange rate to cash and cash equivalent	0.00	0.06
Net increase (decrease) in cash	22.60	-21.74

3. Cash flows

For the period ended 30th Sept 2014, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 67.86 million, consisting of baht 131.87 million positively from operating performance and net of baht -64.01 million used more in working capital for trade receivable and inventories. There were also net pay in investing activities of Baht -57.21 million, the net spending for the new construction of plant and upgrading the plant equipment to support production. The financing part of cash flow was net increased by Baht 11.95 million. Most activities were net financing of short term loan by Baht 68.26 million and payment of dividend by Baht -51.36 million. In total, company had net increase in cash flow for period ended 30th Sept 2014 by Baht 22.60 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director