

May 28, 2018

Subject Management Discussion and Analysis for the year ended 31<sup>st</sup> March 2018

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 year ended 31<sup>st</sup> March 2018 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2017 - Mar 2018	Apr 2016 - Mar 2017	Change	% Change
Revenue from sales & service	3,376.19	3,199.82	176.37	5.5%
Other income	31.38	26.23	5.15	19.6%
<b>Total revenue</b>	<b>3,407.57</b>	<b>3,226.05</b>	<b>181.52</b>	<b>5.6%</b>
Cost of goods sold & service	2,893.97	2,773.60	120.37	4.3%
Selling expenses	66.05	67.99	-1.94	-2.9%
Administrative expenses	106.14	104.79	1.35	1.3%
<b>Total expenses</b>	<b>3,066.16</b>	<b>2,946.38</b>	<b>119.78</b>	<b>4.1%</b>
<b>Earning before interest and tax</b>	<b>341.41</b>	<b>279.67</b>	<b>61.74</b>	<b>22.1%</b>
Finance cost	-4.83	-8.02	3.19	-39.8%
Share of profit from investment in associate	1.44	1.66	-0.22	-13.3%
Income tax expenses	-67.95	-54.32	-13.63	25.1%
<b>Net profit</b>	<b>270.07</b>	<b>218.99</b>	<b>51.08</b>	<b>23.3%</b>
Minority interest in subsidiary	-61.88	-42.43	-19.45	45.8%
<b>Net profit of the Company</b>	<b>208.19</b>	<b>176.56</b>	<b>31.63</b>	<b>17.9%</b>

## 1. Operating Performance

For the year ended 31<sup>st</sup> March 2018 the Company and its subsidiaries had net profit of Baht 208.19 million or increased by 31.63 million or 17.9 percent from previous year, compared with the net profit of Baht 176.56 million in previous year. The overall increase in sales is due to the recovery of the Thai economy in 2017, driven by strong tourism, exports and including the recovery of investment signals in new projects and government spending. These are the economic stimulus that benefited the customers of the Company and its subsidiaries in various industries and contribution to the good performance of the Company and its subsidiaries. In terms of net profit, the gross margin was maintained at the good level of the metal product segment, especially in the exhaust automotive pipes. This is also due to better production efficiency along the year.

The profit before interest and tax increased by Baht 61.74 million whereas corporate tax increased by 13.63 million, financial cost decreased by Baht 3.19 million and profit sharing to minority shareholders also increased by Baht 19.45 million in current year.

### 1.1 Revenue

For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had revenue from sales and service of Baht 3,376.19 million compared with Baht 3,199.82 million in the same period of the previous year, which increased by 5.5 percent. The increase in sales was mainly due to the increase in overall sales volume of the exhaust automotive pipes.

The majority sales of Company comprised of metal like stainless steel and non-ferrous metal like copper and aluminum whereas sales of a new subsidiary company mostly came from

Stainless Copper and Aluminum as the main product groups among various industries, mainly in particular for automotive, electrical appliance and construction.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had revenue from domestic sales of 99.49 percent of total revenue from sales and services.

## **1.2 Other income**

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had other income of Baht 31.38 million or increased by 19.6 percent from the same period previous year. Other income increased from the gain of old and unused machineries sold.

The significant other income is income from scrap sales which are 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**

Majority of cost of goods sold are cost of raw material are cold rolled stainless steel sheet, coil and pipes which the Company and its subsidiaries process. For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had cost of goods sold of Baht 2,893.97 million, or accounting for 84.92 percent of the total revenue in comparing with Baht 2,773.60 million, or accounting for 85.98 percent of total revenue of previous year. Cost of goods sold increased by 4.3 percent whereas sales & service increased by 5.5 percent.

## **1.4 Selling expenses**

Selling expenses consist of sale staff expenses, transportation expenses, promotional expenses. For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had selling expenses of Baht 66.05 million, compared with selling expenses of Baht 67.99 million in the same period of the previous year which decreased by 2.9 percent. The majority of selling expense was sale personal expenses and logistic expenses. This year, the Company and its subsidiaries have no obligation to reserve doubtful debt as in the first quarter of the previous year. As a result, the selling expenses decreased.

For the period of year ended 31<sup>st</sup> March 2018, the selling expenses were 1.94 percent, decreased when comparing to 2.11 percent of revenue from sales and service 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 year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had administrative expenses of Baht 106.14 million, compared with administrative expenses of Baht 104.79 million in the previous year which slightly increased by 1.3 percent.

For the year ended 31<sup>st</sup> March 2018, the administrative expenses was 3.11 percent of total revenue, decreased in compared with administrative expenses of 3.25 percent of total revenue in the same period of the previous year.

## **1.6 Earning (loss) before interest and tax and Net Profit (loss)**

For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had profit before interest and tax of Baht 341.41 million. After deducting the finance cost of Baht 4.83 million, income tax of Baht 67.95 million, net profit sharing to minority shareholders of subsidiary of Baht 61.88 million and adding the profit sharing from investment in related of Baht 1.44 million, the net profit of the Company and its subsidiaries stood at Baht 208.19 million. When comparing to the profit before interest and tax and the net profit of the same period of the previous year which stood at Baht 279.67 million and Baht 176.56 million respectively, the net profit of the present year increased by 17.9 percent.

## **1.7 Share of income from investment in associate**

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co.,Ltd. by holding 49 percent of total shares. As for the accounting year ended 31<sup>st</sup> March 2018 and 2017, the company and its subsidiary recognized share of profit by equity method of Baht 1.44 million and Baht 1.66 million respectively. The share of profit was lower due to higher personal expenses in the current year compared to the previous year.

## **1.8 Income tax expense**

For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had corporate tax of Baht 67.95 million or increase by 25.1 percent due to the higher in operating profit.

## **1.9 Profit sharing to minority shareholders of subsidiary company**

On Oct 1 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc., As of 31st March 2018, the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of its shareholding in full year which was amount by 61.89 million, increased from amount by 42.43 million of previous year by 45.8 percent. The increased was due mainly to the higher sales and profit of a subsidiary who is the manufacturer of exhausted pipe in automotive industry.

## **1.10 Profitability**

For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had higher gross profit margin of 14.28 percent compared with gross profit margin of 13.32 percent in the same period the previous year. This is mainly due to the high gross margin in the exhaust automotive pipes by the higher production scale and continuous improvement of the production process during the year. The higher margin was also by the lower sales to wholesale channel with lower margins.

For the year ended 31<sup>st</sup> March 2018, the Company and its subsidiaries had net profit margin of 6.11 percent compared with net profit of 5.47 percent in the same period of the previous year. The increase in net profit was mainly from the higher in gross margin.

(Unit: Baht million)

Consolidated balance sheets	As at 31 <sup>st</sup> Mar 2018		As at 31 <sup>st</sup> Mar 2017	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	488.97	20.70%	237.45	10.45%
Short-term investment	4.85	0.21%	21.35	0.94%
Account receivable, trade and others	706.03	29.89%	679.83	29.93%
Inventories	663.32	28.08%	792.71	34.90%
Other current assets	3.24	0.14%	5.71	0.25%
<b>Total current assets</b>	<b>1,866.41</b>	<b>79.02%</b>	<b>1,737.05</b>	<b>76.47%</b>
<b>Non-current assets</b>				
Restricted bank deposits	46.18	1.96%	45.98	2.03%
Investment in associate	12.43	0.53%	10.99	0.48%
Long-term investment	2.76	0.12%	2.73	0.12%
Property, plant and equipment	412.07	17.45%	448.52	19.75%
Intangible assets	0.57	0.02%	0.76	0.03%
Deferred tax assets	17.90	0.76%	21.60	0.95%
Other non-current assets	3.71	0.16%	3.83	0.17%
<b>Total non-current assets</b>	<b>495.62</b>	<b>20.98%</b>	<b>534.41</b>	<b>23.53%</b>
<b>TOTAL ASSETS</b>	<b>2,362.03</b>	<b>100.00%</b>	<b>2,271.46</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short term loans from banks	35.84	1.52%	53.56	2.36%
Account payables, trade and others	563.80	23.87%	531.90	23.42%
Current portion of financial lease payables	-	-	1.17	0.05%
Income tax payable	30.95	1.31%	29.49	1.30%
Other current liabilities	10.33	0.43%	8.23	0.36%
<b>Total current liabilities</b>	<b>640.92</b>	<b>27.13%</b>	<b>624.35</b>	<b>27.49%</b>
<b>Non-current liabilities</b>				
Provision for long-term employee benefits	36.51	1.55%	31.07	1.36%
<b>Total non-current liabilities</b>	<b>36.51</b>	<b>1.55%</b>	<b>31.07</b>	<b>1.36%</b>
<b>TOTAL LIABILITIES</b>	<b>677.43</b>	<b>28.68%</b>	<b>655.42</b>	<b>28.85%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.22%	383.00	16.86%
Premium on stock	519.67	22.00%	519.67	22.88%
Retained earnings				
Legal reserve	74.10	3.14%	72.60	3.20%
Un-appropriated	493.53	20.89%	440.35	19.39%
Non-controlling interest of the subsidiary	214.30	9.07%	200.42	8.82%
<b>Total shareholders' equity</b>	<b>1,684.60</b>	<b>71.32%</b>	<b>1,616.04</b>	<b>71.15%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,362.03</b>	<b>100.00%</b>	<b>2,271.46</b>	<b>100.00%</b>

## **2. Financial Status**

### **2.1 Assets**

As for the assets value as at 31st March 2018 and 2017, the Company and its subsidiaries had total assets of Baht 2,362.03 million and Baht 2,271.46 million respectively. The increase was Baht 90.57 million, mainly increased in account receivable and cash equivalent items. 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 subsidiary who is the finish goods 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 31st March 2018 and 2017 the Company and its subsidiaries had net inventories of Baht 663.32 million (or 28.08 percent of total assets) and Baht 792.71 million (or 34.90 percent of total assets) respectively
- 2.1.2 Trade account receivables – other parties: As at 31st March 2018 and 2017, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 706.03 million (or 29.89 percent of total assets) and Baht 679.83 million (or 29.93 percent of total assets) respectively. Trade receivables increased due to the higher sales in last quarter.
- 2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31st March 2018 and 2017, the Company and its subsidiaries had Land, plant and equipments – net of Baht 412.07 million (or 17.45 percent of total assets) and Baht 448.52 million (or 19.75 percent of total assets) respectively.
- 2.1.4 Restricted bank deposit: As at 31st March 2018 and 2017, the Company and its subsidiaries had net value of Baht 46.18 million (or 1.96 percent of total assets) and Baht 45.98 million (or 2.03 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 31st March 2018 and 2017, the Company and its subsidiaries had net value of Baht 17.90 million and Baht 21.60 million respectively (0.76 percent and 0.95 percent of total assets respectively).

### **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at 31st March 2018 and 2017 stood at Baht 677.43 million and Baht 655.42 million respectively. The decrease in liabilities was the repayment of short-term loans from financial institutions by the remaining cash from operating activities. However, there was an increase in liabilities in respect of trade accounts creditors from purchase of raw materials.

### **2.3 Shareholders' equity**

As at 31st March 2018 and 2017, shareholders' equity was Baht 1,684.60 million and Baht 1,616.04 million respectively. The major changes were from the net profit amounting to Baht 269.57 million, dividend payment of Baht 199.76 million. Therefore, portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,684.60 million and Baht 214.30 million respectively.

Debt to Equity ratio as at 31st March 2018 and 2017 were 0.40 and 0.41 times respectively.

(Unit: Baht million)

<b>Consolidated cash flows statement</b>	<b>As at 31st Mar 2018</b>	<b>As at 31st Mar 2017</b>
Net cash from (used in) operating activities	480.45	430.18
Net cash used in investing activities	-10.29	-23.84
Net cash from (used in) financing activities	-218.65	-346.59
Effect of exchange rate to cash and cash equivalent	0.01	0.06
Net increase (decrease) in cash	251.52	59.81

### **3. Cash flows**

For the year ended 31st Mar 2018, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 480.45 million, consisting of baht 328.38 million positively from operating performance and net positive of Baht 152.07 million from working capital. Most increase was in lower outstanding inventories and higher trade creditors.

Net cash flow from investing activities was -10.29 million baht, with an investment in machinery and equipment of -35.04 million baht, while cash received from disposal of short-term investment was 16.86 million baht and cash received from equipment sales amounted to Baht 8.23 million.

The financing part was net Baht -218.65 million. There were settlement of short term loan by -17.72 million and payment of dividend by Baht -199.76 million.

In total, net cash for the year was increased by Baht 251.52 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)  
Deputy Managing Director