

Feb 9, 2022

Subject Management Discussion and Analysis for the periods of three months and nine months ended 31st December 2021

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 periods of three months and nine months ended 31st December 2021 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For three months ended 31 st December				For nine months ended 31 st December			
	Oct - Dec 2021	Oct - Dec 2020	Change	% Change	Apr - Dec 2021	Apr - Dec 2020	Change	% Change
Revenue from sales & service	693.04	643.13	49.91	7.8%	1,988.49	1,573.62	414.87	26.4%
Other income	12.31	5.89	6.42	109.0%	25.46	13.82	11.64	84.2%
Total revenue	705.35	649.02	56.33	8.7%	2,013.95	1,587.44	426.51	26.9%
Cost of goods sold & service	570.29	541.24	29.05	5.4%	1,655.67	1,378.80	276.87	20.1%
Selling expenses	13.80	15.48	-1.68	-10.9%	39.56	39.31	0.25	0.6%
Administrative expenses	26.95	27.17	-0.22	-0.8%	80.97	82.11	-1.14	-1.4%
Total expenses	611.04	583.89	27.15	4.6%	1,776.20	1,500.22	275.98	18.4%
Earning before interest and tax	94.31	65.13	29.18	44.8%	237.75	87.22	150.53	172.6%
Financial expenses	-0.66	-0.39	-0.27	69.2%	-1.70	-1.47	-0.23	15.6%
Share of income from investment in associate	0.46	0.50	-0.04	-8.0%	1.29	0.89	0.40	44.9%
Corporate Income tax expenses	-18.39	-12.93	-5.46	42.2%	-48.83	-17.42	-31.41	180.3%
Net profit for the period	75.72	52.31	23.41	44.8%	188.51	69.22	119.29	172.3%
Profit Sharing for non-controlling interest of a subsidiary company	-10.99	-14.26	3.27	-22.9%	-29.85	-18.77	-11.08	59.0%
Net profit for the company and its subsidiaries	64.73	38.05	26.68	70.1%	158.66	50.45	108.21	214.5%

1. Operating Performance

For the period of three months ended 31st Dec 2021, the net profit for the company and its subsidiaries was at Baht 64.73 million, increased by 26.68 percent or 70.1 percent. Operating results for the current three months have increased in comparison with the same period of the previous year by a subsidiary, a manufacturer of automobile exhaust pipes. Its sale has returned to high volumes in sales and also having high production to support sales and to compensate the lower inventories in the earlier quarters. The automobile industry has recovered significantly in the latest quarter. Higher sales from auto exhaust products were with good gross margin, along with the electrical appliances industry began to have a recovery better trend and demand for products in global market continually higher. However, the company still has control and caution in terms of selling expenses, thus reducing expenses in this part from the same quarter of the previous year.

For nine months ended 31st Dec 2021, the Company and its subsidiaries reported operating profit of Baht 188.51 million, a increase of 172.3% and net profit of Baht 158.66 million or increased by 214.5% while compared to the same period of last year which the net profit was Baht 50.45 million. The increasing come from the economy began to recover. due to the widespread distribution of vaccines government economic stimulus measures and better export numbers Compared to the same period last year who have been heavily affected by the COVID-19 outbreak Including stainless steel and other metals, world

market prices have risen sharply in the past nine months due to the more accommodative global trade situation. As a result, the company's various metal and non-metal products that are sold to customers in various channels benefit in terms of sales and gross profit as well.

1.1 Revenue

For the period of three months ended 31st Dec 2021, the Company and its subsidiaries had revenue from sales and service of Baht 693.04 million compared with Baht 643.13 million in the same period of the previous year, which slightly increased by 7.8 percent. This was due to the sales of automobile exhaust products in the latest quarter and the rising market prices of most of the metal and non-metal products.

The sales of company and its subsidiaries mostly came from copper, aluminum and stainless products.

For nine months of year ended 31st Dec 2021, the Company and its subsidiaries had revenue from sales and service of Baht 1,988.49 million compared with Baht 1,573.62 million in the same period of the previous year or increased by 26.4 percent. This is due to various economic factors during the latest quarter has improved.

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 nine months ended 31st Dec 2021, the Company and its subsidiaries had other income of Baht 12.31 million and 25.46 million baht respectively, which increased by 109.0 percent and by 84.2 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 31st Dec 2021, the Company and its subsidiaries had cost of goods sold of Baht 570.29 million, or stood at 80.85 percent of the total revenue, increase in comparing with Baht 541.24 million, or stood at 83.39 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 31st Dec 2020 increased by 5.4 percent while sales & service increasing by 7.8 percent from the same period of previous year due to the increase in selling prices of major products The Company.

For nine months ended 31st Dec 2021, the Company and its subsidiaries had cost of goods sold of Baht 1,655.67 million, or stood at 82.21 percent of the total revenue in comparing with Baht 1,378.80 million, or stood at 86.86 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 periods of three months and nine months ended 31st Dec 2021, the Company and its subsidiaries had selling expenses of Baht 13.80 million and 39.56 million, compared with selling expenses of Baht 15.48 million and 39.31 million in the same periods of the previous year, or decreased by 10.9 percent for three months period and increased by 0.6 percent for the nine months period respectively. Most of the expenses were reduced due to the control of sales expenses.

For the period of three months and nine months ended 31st Dec 2021, the selling expenses were 1.99 percent and 1.99 percent of total sales and service respectively, compared with 2.41 percent and 2.50 percent in the same periods 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 nine months ended 31st Dec 2021, the Company and its subsidiaries had administrative expenses of Baht 26.95 million and 80.97 million, compared with administrative expenses of Baht 27.17 million and 82.11 million in the same period of the previous year which slightly decreased by 0.8 percent and decrease by 1.4 percent respectively. The major expenses are mainly in area of personnel costs due to salary normally decreased year by year and other administrative expenses.

The administrative expenses decreased in nine months due to the retirement of one executive in the current year.

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 periods of three months and nine months ended 31st Dec 2021, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.46 million and 1.29 million in consolidated income statements or decreased by 8.0 percent in current quarter and increase by 44.9 for the period of nine months.

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

For the periods of three months and nine months ended 31st Dec 2021, the Company and its subsidiaries had earnings before interest and tax of Baht 94.31 million and Baht 237.75 million respectively. After deducting the financial costs of Baht -0.66 million and Baht -1.70 million, adding the share of income from investment of Baht 0.46 million and Baht 1.29 million, deducting the corporate income tax of Baht -18.39 million and Baht -48.83 million, the net profit of the Company and its subsidiaries were at Baht 75.72 million and Baht 188.51 million. When comparing to the same periods of the previous year, the earnings before interest and tax and net profit for the period of the three months were increased by 44.8 percent and by 44.8 percent respectively, whereas the earnings before interest and tax and net profit for nine months were both increased by 172.6 percent and 172.3 percent respectively.

In addition to the periods of three months and nine months ended 31st Dec 2021, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht -10.99 million and -29.77 million respectively. As a result, the net profit for the company and its subsidiary were amount of Baht 64.73 million and 158.66 million respectively.

1.8 Corporate income tax

For the periods of three months and nine months of year ended 31st Dec 2021, the Company and its subsidiaries recognized corporate tax expenses by Baht 18.39 million and 48.83 million, increase from Baht 12.93 million and increase from 17.42 million for the three month period and nine month period respectively.

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. 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 10.99 million and 29.85 million for the periods of three months and nine months ended 31st Dec 2021.

1.10 Profitability

For the period of three months ended 31st Dec 2021, the Company and its subsidiaries had gross profit margin of 17.71 percent, compared with gross profit margin of 15.84 percent in the same period of the previous year. This was mainly due to the increase in sales prices and sales in the stainless steel products with a high gross profit and an increase in overall selling prices.

For nine months ended 31st Dec 2021, the Company and its subsidiaries had gross profit margin of 16.74 percent compared with gross profit margin of 12.38 percent in the same period the previous year. The gross profit margin increased by Baht 138.0 million.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Dec 2021		As at 31st Mar 2021	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	275.57	12.73%	317.82	15.18%
Financial Assets (Short-term investment)	3.35	0.15%	73.88	3.53%
Account receivable, trade and others	582.53	26.91%	556.31	26.58%
Inventories	687.19	31.74%	506.04	24.18%
Other current assets	5.13	0.24%	4.19	0.20%
Total current assets	1,553.77	71.77%	1,458.24	69.67%
Non-current assets				
Restricted bank deposits	46.18	2.13%	46.18	2.21%
Investment in associate	14.26	0.66%	12.97	0.62%
Non-Current Financial Assets (Long-term investment)	3.23	0.15%	3.30	0.16%
Property, plant and equipment	527.60	24.37%	551.66	26.35%
Intangible assets	2.97	0.14%	3.25	0.15%
Deferred tax assets	13.59	0.63%	14.29	0.68%
Other non-current assets	3.34	0.15%	3.32	0.16%
Total non-current assets	611.17	28.23%	634.97	30.33%
TOTAL ASSETS	2,164.94	100.00%	2,093.21	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	74.58	3.44%	42.51	2.03%
Account payables, trade and others	423.20	19.55%	349.36	16.69%
Lease payable due within one year	2.22	0.10%	3.26	0.16%
Income tax payable	17.62	0.81%	16.23	0.78%
Other current liabilities	16.08	0.74%	10.02	0.47%
Total current liabilities	533.70	24.65%	421.38	20.13%
Non-current liabilities				
Provision for long-term employee benefits	38.73	1.79%	1.39	0.07%
Lease payable	-	-	38.33	1.83%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	38.75	1.79%	39.74	1.90%
TOTAL LIABILITIES	572.45	26.44%	461.12	22.03%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	17.69%	383.00	18.30%
Premium on stock	519.67	24.00%	519.67	24.83%
Retained earnings				
Legal reserve	77.40	3.58%	76.40	3.65%
Un-appropriated	467.46	21.59%	455.35	21.75%
Non-controlling interest of the subsidiary	144.96	6.70%	197.67	9.44%
Total shareholders' equity	1,592.49	73.56%	1,632.09	77.97%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,164.94	100.00%	2,093.21	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st December 2021 and 31st March 2021, the company and subsidiaries had total assets of 2,164.94 million baht and 2,093.21 million baht respectively, with short term investments, trade accounts receivable and inventories increased due to sales and production which contracted considerably. The increase in overall sales of the company and subsidiaries results in a increase in the outstanding inventories and receivables . The Company and subsidiaries are principally engaged in the stainless steel coil processing, which consists of procurement, processing, production and distribution of stainless steel products, metal and non-ferrous metals. As such, assets will be in cash, inventories, trade accounts receivable and property, plant and equipment, with details as follows:

2.1.1 Inventories: As at and 31st December 2021 and 31st March 2021 the Company and its subsidiaries had net inventories of Baht 687.19 million (or 31.74 percent of total assets) and Baht 506.04 million (or 24.18 percent of total assets) respectively.

2.1.2 Trade account receivables – other parties: As at and 31st December 2021 and 31st March 2021, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 582.53 million (or 26.91 percent of total assets) and Baht 556.31 million (or 26.58 percent of total assets) respectively.

2.1.3 Financial Assets: As at and 31st December 2021 and 31st March 2021 the Company and its subsidiaries had short term investment of Baht 3.35 million (or 0.15 percent of total assets) and Baht 73.88 million (or 3.53 percent of total assets) respectively. The investment was the investment in unit value of mutual fund due to the excessive cash balance of a subsidiary company.

2.1.4 Land, plant and equipment - Land and improvements, building, machinery, office equipment, vehicles and work on progress of construction: As at and 31st December 2021 and 31st March 2021, the Company and its subsidiaries had Land, plant and equipment – net of Baht 527.60 million (or 24.37 percent of total assets) and Baht 551.66 million (or 26.35 percent of total assets) respectively.

2.1.5 Restricted bank deposit: As at and 31st December 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.13 percent of total assets and 2.21 percent of total assets) respectively. The restricted fix deposit by a subsidiary was used as guarantee for loans from financial institution.

2.1.6 Deferred tax assets: As at and 31st December 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 13.59 million and Baht 14.29 million respectively (0.63 percent and 0.68 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 31st December 2021 and 31st March 2021 stood at Baht 572.45 million and Baht 461.12 million respectively. The current and total liabilities increased from the purchase of more products at higher prices.

2.3 Shareholders' equity

As at 31st December 2021 and 31st March 2021, shareholders' equity was Baht 1,592.49 million and Baht 1,632.09 million or decrease by 39.60 million. The major changes were the net profit amounting to Baht 188.51 million and dividend payment of Baht 228.10 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,447.53 million and Baht 144.96 million respectively.

Debt to Equity ratio as at and 31st December 2021 and 31st March 2021 were 0.36 and 0.28 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st December 2021	As at 31st December 2020
Net cash from (used in) operating activities	94.51	204.59
Net cash used in investing activities	61.69	36.69
Net cash from (used in) financing activities	-198.55	-161.00
Effect of exchange rate to cash and cash equivalent	-0.10	-0.11
Net increase (decrease) in cash	-42.25	80.17

3. Cash flows

For the period of nine months ended 31st December 2021, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 94.51 million, consisting of baht 221.60 million positively from operating performance and net negative of working capital with Due to the business size in the nine-month period that has recovered due to the easing covid situation This resulted in the residual cash flow from higher operating results and more working capital of Baht -127.10 million.

Net cash flow from investing activities was amount to 61.69 million baht, mostly from net positive in short term investment by 70.61 million baht and investment in other equipment -9.17 million during the period.

The financing part was net Baht -198.55 million with receipt of short term loan 32.07 million and payment of dividend by Baht -228.10 million.

In total, net cash for the period was decreased by Baht 42.25 million.

Sincerely yours,

Signed: Mr. Vittawat Akarapongpisak
(Mr. Vittawat Akarapongpisak)
Deputy Managing Director