

Aug 10, 2022

Subject Management Discussion and Analysis for the period of three months ended 30th June 2022

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 ended 30th June 2022 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30th June			
	Apr 2022 - June 2022	Apr 2021 - June 2021	Change	% Change
Revenue from sales & service	695.01	658.01	37.00	5.6%
Other income	9.42	3.34	6.08	182.0%
Total revenue	704.43	661.35	43.08	6.5%
Cost of goods sold & service	604.85	550.45	54.40	9.9%
Selling expenses	14.45	12.97	1.48	11.4%
Administrative expenses	26.85	26.97	-0.12	-0.4%
Total expenses	646.15	590.39	55.76	9.4%
Earning before interest and tax	58.28	70.96	-12.68	-17.9%
Financial expenses	-1.01	-0.70	-0.31	44.3%
Share of income from investment in associate	0.43	0.42	0.01	2.4%
Income tax expenses	-11.61	-14.20	2.59	-18.2%
Net profit for the period	46.09	56.48	-10.39	-18.4%
Profit Sharing for non-controlling interest of a subsidiary company	-8.90	-9.36	0.46	-4.9%
Net profit for the company and its subsidiaries	37.19	47.12	-9.93	-21.1%

1. Operating Performance

For the period of the first three months ended 30 June 2022, the Company and its subsidiaries recorded a net profit for the company and its subsidiary in the amount of 37.19 million baht, a decrease of 9.93 million baht or a decrease of 21.1 percent. The current three-month performance has decreased from profit in the same period the previous year. This was due to the market price tends to decline, according to the economic conditions around the world that began to slow down from using monetary policy measures in many countries to curb inflation, coupled with a shortage of chips or semiconductor in the automotive and electrical appliances industry which is an industry with a relatively high profit margin thus affecting the production capacity in the short term supply contraction. As a result, the profit margin has decreased in this quarter.

In addition, the Company and its subsidiaries have recognized the share of profit of non-controlling interests of the subsidiaries in the amount of 8.90 million baht, a decrease of 0.46 million baht from the same period of the previous year.

1.1 Revenue

For the period of three months ended 30th June 2022, the Company and its subsidiaries had revenue from sales and service of Baht 695.01 million compared with Baht 658.01 million in the same period of the previous year or increased by 5.6 percent. This is due to the decrease in average selling prices of all major product groups from the previous year, according to the conditions of the price of metal commodities which have risen in the current year.

However the situation of insufficient production capacity in the region to support the rising demand coupled with the decrease in government construction budget disbursement and slowdown in private construction, which has been affected by rising costs and raw materials previously. As a result, sales volume decreased in the category of automobile exhaust pipes, aluminum, galvanized steel and stainless steel in every group. Most of the sales come from the sales of copper, aluminum products, stainless products and galvanized steel.

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 ended 30th June 2022, the Company and its subsidiaries had other income of Baht 9.42 million which increased by 182.0 percent from the same period previous year. 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

Major cost of goods sold are cost of products consisting of cold rolled stainless steel sheet, Copper, Aluminum, Brass, Galvanized iron with various type as coil, sheet, pipe and axle. The Company and its subsidiaries procure finish quality product for sales as well as raw material for manufacture to quality product and sales. For the period of three months ended 30th June 2022, the Company and its subsidiaries had cost of goods sold of Baht 604.85 million, or accounting for 85.86 percent of the total revenue in comparing with Baht 550.45 million, or accounting for 83.23 percent of the total revenue of previous year. The cost of goods sold of the company and its subsidiaries increased by 9.9 percent compared with the same period last year, while revenues from sales and services increased by 5.6 percent.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses and promotion expenses. For the period of three months ended 30th June 2022, the Company and its subsidiaries had selling expenses of Baht 14.45 million, compared with selling expenses of Baht 12.97 million in the same period of the previous year which increased by Baht 1.48 million or 11.4 percent due to the increase in marketing expenses. The selling expenses ratio for the period of three months ended 30th June 2022 was 2.08 percent of sale and service, lower in compared with selling expenses ratio of 1.97 percent of sale and service in the same period of the 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 ended 30th June 2022, the Company and its subsidiaries had administrative expenses of Baht 26.85 million, compared with administrative expenses of Baht 26.97 million in the same period of the previous year which decreased by 0.4 percent since the company and subsidiaries have reduced and controlled administrative expenses.

The other increase is in area of personnel costs due to salary normally increased year by year and other administrative expenses. As such, the administrative expenses for the three months ended 30th June 2022 was 3.81 percent of total revenue, decrease in compared with administrative expenses of 4.08 percent of total revenue in the same period of the previous 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 period of three months ended 30th June 2022, the company and its subsidiaries recognized share of income , by using equity method, of Baht 0.43 million in consolidated

income statements in which increased by Baht 0.01 million or 2.4 percent in comparison with the same period of previous year.

1.7 Earning (loss) before interest and tax and Net Profit (loss) for the period

For the period of three months ended 30th June 2022, the Company and its subsidiaries had profit before interest and tax of Baht 58.28 million. After deducting the financial expense of Baht 1.01 million and income tax of Baht 11.61 million and adding the share of income from investment of Baht 0.43 million, the net profit of the Company and its subsidiaries was at Baht 46.09 million. When comparing to the profit before interest and tax and the net profit of the same period of the previous year which were at Baht 70.96 million and Baht 56.48 million respectively, the profit before interest and tax and net profit of the present period decreased by 17.9 percent and 18.4 percent respectively.

In addition, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 0.43 million for the present period or increase by Baht 0.01 million from the same period of previous year. Therefore, the net profit for the company and its subsidiary for the three months ended as of 30th June 2022 decreased by Baht 9.93 million, from the net profit of 37.19 million from the same period of previous year.

1.8 Income tax

For the three months ended 30th June 2022, the Company and its subsidiaries recognized tax income by Baht 11.61 million or decreased by 18.2 percent. This was mainly due to profit from operations in current three months was reduced.

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 was amount by Baht 8.90 million for the three months period ended 30th June 2022.

1.10 Profitability

For the period of three months ended 30th June 2022, the Company and its subsidiaries had gross profit margin of 12.97 percent, lower by 3.37 percent when compared with gross profit margin of 16.35 percent in the same period of the previous year. This was mainly due to a decrease in gross profit margin in all product categories due to an increase in average cost in accordance with the world market price of metal or non-metal products and the situation of price competition in the market. As a result, the gross profit was lower than the same quarter of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 30th June 2022		As at 31st Mar 2022	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	237.52	10.40%	288.42	12.44%
Financial Assets (Short-term investment)	3.35	0.15%	8.35	0.36%
Account receivable, trade and others	624.01	27.31%	661.51	28.53%
Inventories	813.04	35.58%	745.56	32.15%
Other current assets	10.71	0.47%	9.74	0.42%
Total current assets	1,688.63	73.91%	1,713.58	73.89%
Non-current assets				
Restricted bank deposits	46.18	2.02%	46.18	1.99%
Investment in associate	15.23	0.67%	14.80	0.64%
Non-Current Financial Assets (Long-term investment)	2.79	0.12%	3.02	0.13%
Property, plant and equipment	512.96	22.45%	522.49	22.53%
Intangible assets	2.80	0.12%	2.89	0.12%
Deferred tax assets	12.93	0.57%	12.63	0.54%
Other non-current assets	3.34	0.15%	3.41	0.15%
Total non-current assets	596.23	26.09%	605.42	26.11%
TOTAL ASSETS	2,284.86	100.00%	2,319.00	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	133.88	5.86%	57.01	2.46%
Account payables, trade and others	381.71	16.71%	523.85	22.59%
Lease payable due within one year	0.56	0.02%	1.39	0.06%
Income tax payable	45.00	1.97%	33.30	1.44%
Other current liabilities	5.15	0.23%	6.92	0.30%
Total current liabilities	566.30	24.78%	622.47	26.84%
Non-current liabilities				
Lease Payable	-	-	-	-
Provision for long-term employee benefits	36.30	1.59%	35.40	1.53%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	36.32	1.59%	35.42	1.53%
TOTAL LIABILITIES	602.62	26.37%	657.89	28.37%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.76%	383.00	16.52%
Premium on stock	519.67	22.74%	519.67	22.41%
Retained earnings				
Legal reserve	78.70	3.44%	78.70	3.39%
Un-appropriated	559.04	24.47%	521.85	22.50%
Non-controlling interest of the subsidiary	141.83	6.21%	157.89	6.81%
Total shareholders' equity	1,682.24	73.63%	1,661.11	71.63%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,284.86	100.00%	2,319.00	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th June 2022 and 31st March 2022, the Company and its subsidiaries had total assets of Baht 2,284.86 million and Baht 2,319.00 million respectively. 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 and 30th June 2022 and 31st March 2022 the Company and its subsidiaries had net inventories of Baht 813.04 million (or 35.58 percent of total assets) and Baht 745.56 million (or 32.15 percent of total assets) respectively.
- 2.1.2 Trade account receivables – other parties: As at and 30th June 2022 and 31st March 2022, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 624.01 million (or 27.31 percent of total assets) and Baht 661.51 million (or 28.53 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 30th June 2022 and 31st March 2022 the Company and its subsidiaries had short term investment of Baht 3.35 million (or 0.15 percent of total assets) and Baht 8.35 million (or 0.36 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 30th June 2022 and 31st March 2022, the Company and its subsidiaries had Land, plant and equipment – net of Baht 512.96 million (or 22.45 percent of total assets) and Baht 522.49 million (or 22.53 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 30th June 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.02 percent of total assets and 1.99 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 30th June 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 12.93 million and Baht 12.63 million respectively (0.57 percent and 0.54 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 30th June 2022 and 31st March 2022 stood at Baht 566.30 million and Baht 622.47 million respectively. The current and total liabilities decreased net due to short-term payment of trade accounts payable.

2.3 Shareholders' equity

As at and 30th June 2022 and 31st March 2022, shareholders' equity was Baht 1,682.24 million and Baht 1,661.11 million or increase by 21.13 million. The major changes were the net profit amounting to Baht 46.09 million and dividend payment of Baht 24.96 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,540.41 million and Baht 141.83 million respectively.

Debt to Equity ratio as at and 30th June 2022 and 31st March 2022 were 0.36 and 0.40 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th June 2022	As at 30th June 2021
Net cash from (used in) operating activities	-104.66	77.01
Net cash used in investing activities	2.64	2.81
Net cash from (used in) financing activities	-51.07	-45.77
Effect of exchange rate to cash and cash equivalent	0.05	0.03
Net increase (decrease) in cash	-50.90	34.08

3. Cash flows

For the period ended June 2022 and 2021, the Company and its subsidiaries generated net decrease in cash from operating activities of Baht -104.66 million, consisting of baht 70.59 million positively from operating performance and net negative in working capital of Baht -175.25 million. The net negative cash flow in working capital came from higher inventories.

Net cash flow from investing activities was amount to 2.64 million baht. Most of which are net increases of investments by 5.01 million baht and payment of equipment of -2.47 million baht.

The financing part was net Baht 51.07 million with mostly receive from short term loan of Baht 76.87 million and payment of dividend by Baht -24.96 million.

In total, net cash for the period was decreased by Baht -50.90 million.

Sincerely yours,

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