

Nov 11, 2022

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 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 and the period of 1st half ended 30th September 2022 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 2022	July - Sept 2021	Change	% Change	Apr - Sept 2022	Apr - Sept 2021	Change	% Change
Revenue from sales & service	665.21	637.44	27.77	4.4%	1,360.22	1,295.45	64.77	5.0%
Other income	6.55	10.42	-3.87	-37.1%	15.90	13.43	2.47	18.4%
Total revenue	671.76	647.86	23.90	3.7%	1,376.12	1,308.88	67.24	5.1%
Cost of goods sold & service	586.54	534.92	51.62	9.7%	1,191.39	1,085.37	106.02	9.8%
Selling expenses	14.49	12.79	1.70	13.3%	28.94	25.76	3.18	12.3%
Administrative expenses	27.60	27.67	-0.07	-0.3%	54.38	54.31	0.07	0.1%
Total expenses	628.63	575.38	53.25	9.3%	1,274.71	1,165.44	109.27	9.4%
Earning before interest and tax	43.13	72.48	-29.35	-40.5%	101.41	143.44	-42.03	-29.3%
Financial expenses	-1.40	-0.35	1.05	300.0%	-2.41	-1.05	1.36	129.5%
Share of income from investment in associate	0.54	0.41	0.13	31.7%	0.97	0.83	0.14	16.9%
Corporate Income tax expenses	-8.40	-16.24	7.84	-48.3%	-20.01	-30.44	10.43	-34.3%
Net profit for the period	33.87	56.30	-22.43	-39.8%	79.96	112.78	-32.82	-29.1%
Profit Sharing for non-controlling interest of a subsidiary company	-11.57	-9.51	2.06	21.7%	-20.47	-18.86	1.61	8.5%
Net profit for the company and its subsidiaries	22.30	46.79	-24.49	-52.3%	59.49	93.92	-34.43	-36.7%

1. Operating Performance

For the period of three months ended 30th Sept 2022, the net profits for the company and its subsidiaries was Baht 22.30 million or decreased by Baht 24.49 million which was 52.3 percent, despite the decrease in operating results in the three-month period, it is still affected by the market price tends to decline, according to the economic conditions around the world that began to slow down. Due to central banks using monetary policy measure in many countries curb inflation. Especially in the electrical appliances sector, it has become saturated as people begin to return to workplace. This caused the purchasing power to decrease in both the domestic and export markets. This 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. While the shortage situation of chips or semiconductor in the automotive industry is getting better, causing the expansion of demand from both domestic market and exports compared to the same quarter of the previous year.

For the period of 1st half year ended 30th Sept 2022, the Company and its subsidiaries reported operating profit of Baht 101.41 million, a decrease of 29.3 percent and net profit of Baht 59.49 million or decreased by 36.7% while compared to the same period of last year which the net profit was Baht 93.92 million.

1.1 Revenue

For the period of three months ended 30th Sept 2022, the Company and its subsidiaries had revenue from sales and service of Baht 665.21 million compared with Baht 637.44 million in the same period of the previous year, which increased by 4.4 percent. This was mainly due to the high volume and upper average selling price of exhaust pipes, has increased in line with the level of industrial production activities but still unable to return to normal levels before the epidemic.

For the period of 1st half of year ended 30th Sept 2022, the Company and its subsidiaries had revenue from sales and service of Baht 1,360.22 million compared with Baht 1,295.45 million in the same period of the previous year or increased by 5.0 percent. This was mainly due to the increase in sales in the exhaust pipe products, but but in stainless steel, aluminum and galvanized steel The slight decline was due to the insufficient capacity situation in the region to support the higher demand after the easing of the epidemic situation and the reduction of restrictions on various economic activities, countries around the world. Most of the sales are in the category of copper, aluminum, stainless steel and galvanized steel.

The sales of company and its subsidiaries mostly came from Copper, Aluminum and stainless products.

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 2022, the Company and its subsidiaries had other income of Baht 6.55 million and 15.90 million baht respectively, which decreased by 3.87 percent for three month period and increased by 18.4 percent for the 1st half year respectively. 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 2022, the Company and its subsidiaries had cost of goods sold of Baht 586.54 million, or stood at 87.31 percent of the total revenue, increase in comparing with Baht 534.92 million or stood at 82.57 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 30th Sept 2022 increased by 4.7 percent, while the increase in sales & services was 4.4 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2022, the Company and its subsidiaries had cost of goods sold of Baht 1,191.39 million, or stood at 86.58 percent of the total revenue in comparing with Baht 1,085.37 million, or stood at 82.92 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 2022, the Company and its subsidiaries had selling expenses of Baht 14.49 million and 28.94 million, compared with selling expenses of Baht 12.79 million and 25.76 million in the same periods of the previous year, or increased by 13.3 percent and by 12.3 percent from the same periods of previous year. The increase of selling expense was mainly in area of logistic, sales executive and marketing expenses.

For the period of three months and 1st half ended 30th Sept 2022, the selling expenses were 2.18 percent and 2.13 percent of total sales and service respectively, compared with 2.01 percent and 1.99 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 1st half ended 30th Sept 2022, the Company and its subsidiaries had administrative expenses of Baht 27.60 million and 54.38 million, compared with administrative expenses of Baht 27.67 million and 54.31 million in the same period of the previous year. Administrative expenses slightly decreased because the Company and its subsidiaries had controlled administrative expenses.

For the period of three months and 1st half ended 30th Sept 2022, the administrative expenses were 4.11 percent and 3.95 percent of total revenues respectively, compared with 4.27 percent and 4.15 percent in the same periods of 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 and 1st half year ended 30th Sept 2022, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.54 million and 0.97 million in consolidated income statements respectively.

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 2022, the Company and its subsidiaries had earning before interest and tax of Baht 43.13 million and Baht 101.41 million respectively. After deducting the financial costs of Baht -1.40 million and Baht -2.41 million, adding the share of income from investment of Baht 0.54 million and Baht 0.97 million, deducting the corporate income tax of Baht -8.40 million and Baht -20.01 million, the net profit of the Company and its subsidiaries were at Baht 33.87 million and Baht 79.96 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 40.5 percent and by 39.8 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both decreased by 29.3 percent and 29.1 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2022, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 11.57 million and 20.47 million respectively. The higher profit sharing was due to the high in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 22.30 million and 59.49 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2022, the Company and its subsidiaries recognized corporate tax expenses by Baht 8.40 million and 20.01 million, decrease from the same period of previous year of Baht 16.24 million and 30.44 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. 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 11.57 million and 20.47 million for the period of three month and 1st half year ended 30th Sept 2022.

1.10 Profitability

For the period of three months ended 30th Sept 2022, the Company and its subsidiaries had gross profit margin of 11.83 percent, compared with gross profit margin of 16.08 percent in the same period of the previous year. This was mainly due to an improvement in sales of exhaust pipes but its low gross margins in metal or non-metal products while overall sales are still increased.

For the period of 1st half ended 30th Sept 2022, the Company and its subsidiaries had gross profit margin of 12.41 percent compared with gross profit margin of 16.22 percent in the same period the previous year. This was mainly due to a decrease in gross profit margin in all product categories due to an increase in average selling price in accordance with the world market price of metal or non-metal products, coupled with higher average cost of raw materials As a result, there is a narrower gross profit margin and lower than normal in the same quarter of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 30th Sept 2022		As at 31st Mar 2022	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	75.97	3.62%	288.42	12.44%
Financial Assets (Short-term investment)	22.55	1.07%	8.35	0.36%
Account receivable, trade and others	604.88	28.80%	661.51	28.53%
Inventories	790.54	37.63%	745.56	32.15%
Other current assets	7.39	0.35%	9.74	0.42%
Total current assets	1,501.33	71.47%	1,713.58	73.89%
Non-current assets				
Restricted bank deposits	46.18	2.20%	46.18	1.99%
Investment in associate	15.77	0.75%	14.80	0.64%
Non-Current Financial Assets (Long-term investment)	2.63	0.13%	3.02	0.13%
Property, plant and equipment	514.27	24.48%	522.49	22.53%
Intangible assets	2.72	0.13%	2.89	0.12%
Deferred tax assets	14.33	0.68%	12.63	0.54%
Other non-current assets	3.34	0.16%	3.41	0.15%
Total non-current assets	599.24	28.53%	605.42	26.11%
TOTAL ASSETS	2,100.57	100.00%	2,319.00	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	159.89	7.61%	57.01	2.46%
Account payables, trade and others	323.80	15.41%	523.85	22.59%
Lease payable due within one year	3.03	0.14%	1.39	0.06%
Income tax payable	21.38	1.02%	33.30	1.44%
Other current liabilities	5.14	0.24%	6.92	0.30%
Total current liabilities	513.24	24.43%	622.47	26.84%
Non-current liabilities				
Lease payable	6.36	0.30%	-	-
Provision for long-term employee benefits	37.19	1.77%	35.40	1.53%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	43.57	2.07%	39.74	1.53%
TOTAL LIABILITIES	556.81	26.51%	657.89	28.37%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.23%	383.00	16.52%
Premium on stock	519.67	24.74%	519.67	22.41%
Retained earnings				
Legal reserve	79.10	3.77%	78.70	3.39%
Un-appropriated	408.59	19.45%	521.85	22.50%
Non-controlling interest of the subsidiary	153.40	7.30%	157.89	6.81%
Total shareholders' equity	1,543.76	73.49%	1,661.11	71.63%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,100.57	100.00%	2,319.00	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th Sept 2022 and 31st March 2022, the Company and its subsidiaries had total assets of Baht 2,100.57 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 Sept 2022 and 31st March 2022 the Company and its subsidiaries had net inventories of Baht 790.54 million (or 37.63 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 Sept 2022 and 31st March 2022, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 604.88 million (or 28.80 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 Sept 2022 and 31st March 2022 the Company and its subsidiaries had short term investment of Baht 22.55 million (or 1.07 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 Sept 2022 and 31st March 2022, the Company and its subsidiaries had Land, plant and equipment – net of Baht 514.27 million (or 24.48 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 Sept 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.20 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 Sept 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 14.33 million and Baht 12.63 million respectively (0.68 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 Sept 2022 and 31st March 2022 stood at Baht 513.24 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 Sept 2022 and 31st March 2022, shareholders' equity was Baht 1,543.76 million and Baht 1,661.11 million or decrease by 117.35 million. The major changes were the net profit amounting to Baht 79.96 million and dividend payment of Baht 197.31 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,390.36 million and Baht 153.40 million respectively.

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

(Unit: Baht million)

Consolidated cash flows statement	As at 30th September 2022	As at 30th September 2021
Net cash from (used in) operating activities	-97.12	146.44
Net cash used in investing activities	-19.41	-7.74
Net cash from (used in) financing activities	-96.11	-113.56
Effect of exchange rate to cash and cash equivalent	0.19	0.11
Net increase (decrease) in cash	-212.45	25.25

3. Cash flows

For the 1st half year ended 30th September 2022 and 2021, the Company and its subsidiaries generated net decrease in cash from operating activities of Baht -97.12 million, consisting of baht 97.02 million positively from operating performance and net negative in working capital of Baht -194.14 million. The net negative cash flow in working capital came from the short-term supply of inventories.

Net cash flow from investing activities was amount to -19.41 million baht, mostly from investment in open-end fund of a subsidiary and payment of equipment.

The financing part was net Baht -96.11 million by receive from short term loan 101.20 million and payment of dividend by Baht -197.31 million.

In total, net cash for the period was decreased by Baht -212.45 million.

Sincerely yours,

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