

Feb 13, 2023

Subject Management Discussion and Analysis for the periods of three months and nine months ended 31st December 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 periods of three months and nine months ended 31st December 2022 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 2022	Oct - Dec 2021	Change	% Change	Apr - Dec 2022	Apr - Dec 2021	Change	% Change
Revenue from sales & service	672.80	693.04	-20.24	-2.9%	2,033.03	1,988.49	44.54	2.2%
Other income	6.16	12.31	-6.15	-50.0%	22.05	25.46	-3.41	-13.4%
Total revenue	678.96	705.35	-26.33	-3.7%	2,055.08	2,013.95	41.13	2.0%
Cost of goods sold & service	594.77	570.29	24.48	4.3%	1,786.17	1,655.67	130.50	7.9%
Selling expenses	15.15	13.80	1.35	9.8%	44.09	39.56	4.53	11.5%
Administrative expenses	26.98	26.95	0.03	0.1%	81.35	80.97	0.38	0.5%
Total expenses	636.90	611.04	25.86	4.2%	1,911.61	1,776.20	135.41	7.6%
Earning before interest and tax	42.06	94.31	-52.25	-55.4%	143.47	237.75	-94.28	-39.7%
Financial expenses	-1.57	-0.66	-0.91	137.9%	-3.98	-1.70	-2.28	134.1%
Share of income from investment in associate	0.65	0.46	0.19	41.3%	1.62	1.29	0.33	25.6%
Corporate Income tax expenses	-8.31	-18.39	10.08	-54.8%	-28.33	-48.83	20.50	-42.0%
Net profit for the period	32.83	75.72	-42.89	-56.6%	112.78	188.51	-75.73	-40.2%
Profit Sharing for non-controlling interest of a subsidiary company	-13.92	-10.99	-2.93	26.7%	-34.38	-29.85	-4.53	15.2%
Net profit for the company and its subsidiaries	18.91	64.73	-45.82	-70.8%	78.40	158.66	-80.26	-50.6%

1. Operating Performance

For the period of three months ended 31st December 2022, the net profit for the company and its subsidiaries was at Baht 18.91 million, Decreased by baht 45.82 million or 70.8 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 nine months ended 31st December 2022, the Company and its subsidiaries reported operating profit of Baht 112.78 million, the decrease of 40.2% and net profit for the company and its subsidiaries was at Baht 78.40 million or December decreased by 50.6% while compared to the same period of last year which the net profit was Baht 158.66 million. The decreased net profit for nine months It was the main impact in the third

quarter of the year due to the economic slowdown in the country. The purchasing power of foreign countries is shrinking.

1.1 Revenue

For the period of three months ended 31st December 2022, the Company and its subsidiaries had revenue from sales and service of Baht 672.80 million compared with Baht 693.04 million in the same period of the previous year, which slightly decreased by 2.9 percent. This was due to the increased sales of automobile exhaust products in the latest quarter and the decline 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 December 2022, the Company and its subsidiaries had revenue from sales and service of Baht 2,033.03 million compared with Baht 1,988.49 million in the same period of the previous year or a bit increased by 2.2 percent. This is due to the sales of automobile exhaust factor products 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 December 2022, the Company and its subsidiaries had other income of Baht 6.16 million and 22.05 million baht respectively, which decreased by 50.0 percent and by 13.4 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 December 2022, the Company and its subsidiaries had cost of goods sold of Baht 594.77 million, or stood at 87.60 percent of the total revenue, increase in comparing with Baht 570.29 million, or stood at 80.85 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 31st December 2022 increased by 4.3 percent while sales & service decreasing by 2.9 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 December 2022, the Company and its subsidiaries had cost of goods sold of Baht 1,786.17 million, or stood at 86.91 percent of the total revenue in comparing with Baht 1,655.67 million, or stood at 82.21 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 December 2022, the Company and its subsidiaries had selling expenses of Baht 15.15 million and 44.09 million, compared with selling expenses of Baht 13.80 million and 39.56 million in the same periods of the previous year, or increased by 9.8 percent for three months period and increased by 11.5 percent for the nine months period respectively. Due to increased transportation expenses and sales staff expenses.

For the period of three months and nine months ended 31st December 2022, the selling expenses were 2.25 percent and 2.17 percent of total sales and service respectively, compared with 1.99 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 nine months ended 31st December 2022, the Company and its subsidiaries had administrative expenses of Baht 26.98 million and 81.35 million, compared with administrative expenses of Baht 26.95 million and 80.97 million in the same period of the previous year which slightly increased by 0.1 percent and increase by 0.5 percent respectively. The major expenses are mainly in area of personnel costs due to salary normally 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 periods of three months and nine months ended 31st December 2022, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.65 million and 1.62 million in consolidated income statements or increased by 41.3 percent in current quarter and increase by 25.6 percent 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 December 2022, the Company and its subsidiaries had earnings before interest and tax of Baht 42.06 million and Baht 143.47 million respectively. After deducting the financial costs of Baht -1.57 million and Baht -3.98 million, adding the share of income from investment of Baht 0.65 million and Baht 1.62 million, deducting the corporate income tax of Baht -8.31 million and Baht -28.33 million, the net profit of the Company and its subsidiaries were at Baht 32.83 million and Baht 112.78 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 decreased by 56.6 percent and by 70.8 percent respectively, whereas the earnings before interest and tax and net profit for nine months were both decreased by 40.2 percent and 50.6 percent respectively.

In addition to the periods of three months and nine months ended 31st December 2022, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht -13.92 million and -34.38 million respectively. As a result, the net profit for the company and its subsidiary were amount of Baht 18.91 million and 78.40 million respectively.

1.8 Corporate income tax

For the periods of three months and nine months of year ended 31st December 2022, the Company and its subsidiaries recognized corporate tax expenses by Baht 8.31 million and 28.33 million, decrease from Baht 18.39 million and decrease from Baht 48.83 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 13.92 million and 34.38 million for the periods of three months and nine months ended 31st December 2022.

1.10 Profitability

For the period of three months ended 31st December 2022 , the Company and its subsidiaries had gross profit margin of 11.60 percent, compared with gross profit margin of 17.71 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 nine months ended 31st December 2022, the Company and its subsidiaries had gross profit margin of 12.14 percent compared with gross profit margin of 16.74 percent in the same period the previous year. The gross profit margin decreased by Baht 85.96 million. 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 31st Dec 2022		As at 31st Mar 2022	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	125.00	6.34%	288.42	12.44%
Financial Assets (Short-term investment)	2.56	0.13%	8.35	0.36%
Account receivable, trade and others	559.05	28.35%	661.51	28.53%
Inventories	687.26	34.86%	745.56	32.15%
Other current assets	7.79	0.40%	9.74	0.42%
Total current assets	1,381.66	70.08%	1,713.58	73.89%
Non-current assets				
Restricted bank deposits	46.18	2.34%	46.18	1.99%
Investment in associate	16.41	0.83%	14.80	0.64%
Non-Current Financial Assets (Long-term investment)	2.64	0.13%	3.02	0.13%
Property, plant and equipment	504.83	25.60%	522.49	22.53%
Intangible assets	2.79	0.14%	2.89	0.12%
Deferred tax assets	13.85	0.70%	12.63	0.54%
Other non-current assets	3.28	0.17%	3.41	0.15%
Total non-current assets	589.98	29.92%	605.42	26.11%
TOTAL ASSETS	1,971.64	100.00%	2,319.00	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	106.79	5.42%	57.01	2.46%
Account payables, trade and others	318.59	16.16%	523.85	22.59%
Lease payable due within one year	3.08	0.16%	1.39	0.06%
Income tax payable	7.43	0.38%	33.30	1.44%
Other current liabilities	17.96	0.91%	6.92	0.30%
Total current liabilities	453.85	23.02%	622.47	26.84%
Non-current liabilities				
Provision for long-term employee benefits	28.06	1.42%	-	-
Lease payable	5.57	0.28%	35.40	1.53%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	33.65	1.71%	39.74	1.53%
TOTAL LIABILITIES	487.50	24.73%	657.89	28.37%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	19.43%	383.00	16.52%
Premium on stock	519.67	26.36%	519.67	22.41%
Retained earnings				
Legal reserve	79.10	4.01%	78.70	3.39%
Un-appropriated	354.73	17.99%	521.85	22.50%
Non-controlling interest of the subsidiary	147.64	7.49%	157.89	6.81%
Total shareholders' equity	1,484.14	75.27%	1,661.11	71.63%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,971.64	100.00%	2,319.00	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st December 2022 and 31st March 2022, the Company and its subsidiaries had total assets of Baht 1,971.64 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 31st December 2022 and 31st March 2022 the Company and its subsidiaries had net inventories of Baht 687.26 million (or 34.86 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 31st December 2022 and 31st March 2022, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 559.05 million (or 28.35 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 31st December 2022 and 31st March 2022 the Company and its subsidiaries had short term investment of Baht 2.56 million (or 0.13 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 31st December 2022 and 31st March 2022, the Company and its subsidiaries had Land, plant and equipment – net of Baht 504.83 million (or 25.60 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 31st December 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.34 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 31st December 2022 and 31st March 2022, the Company and its subsidiaries had net value of Baht 13.85 million and Baht 12.63 million respectively (0.70 percent and 0.54 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 31st December 2022 and 31st March 2022 stood at Baht 453.85 million and Baht 622.47 million respectively. The current and total liabilities decreased net due to short-term payment of trade accounts payable and control all purchases.

2.3 Shareholders' equity

As at and 31st December 2022 and 31st March 2022, shareholders' equity was Baht 1,484.14 million and Baht 1,661.11 million or decrease by Baht 176.96 million. The major changes were the net profit amounting to Baht 78.40 million and dividend payment of Baht 245.12 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,336.50 million and Baht 147.64 million respectively.

Debt to Equity ratio as at and 31st December 2022 and 31st March 2022 were 0.33 and 0.40 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st Dec 2022	As at 31st Dec 2021
Net cash from (used in) operating activities	81.08	94.51
Net cash used in investing activities	-1.99	61.69
Net cash from (used in) financing activities	-242.51	-198.55
Effect of exchange rate to cash and cash equivalent	-	0.10
Net increase (Decrease) in cash	-163.42	-42.25

3. Cash flows

For the period of nine months ended 31st December 2022, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 81.08 million, consisting of baht 133.63 million positively from operating performance and net negative of working capital of Baht -52.50 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 -1.99 million baht, mostly from net positive in short term investment by 5.96 million baht and investment in other equipment -8.76 million baht during the period.

The financing part was net Baht -242.51 million with receipt of short term loan of Baht 47.25 million and payment of dividend by Baht -289.76 million.

In total, net cash for the period was decreased by Baht -163.42 million.

Sincerely yours,

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