

May 29, 2023

Subject Management Discussion and Analysis for the year ended 31st March 2023

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 31st March 2023 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2022 - Mar 2023	Apr 2021 - Mar 2022	Change	% Change
Revenue from sales & service	2,790.79	2,761.24	29.55	1.1%
Other income	26.12	29.43	-3.31	-11.2%
Total revenue	2,816.91	2,790.67	26.24	0.9%
Cost of goods sold & service	2,452.20	2,306.56	145.64	6.3%
Selling & distribution expenses	60.30	53.97	6.33	11.7%
Administrative expenses	108.96	110.83	-1.87	-1.7%
Total expenses	2,621.46	2,471.36	150.10	6.1%
Earning before interest and tax	195.45	319.31	-123.86	-38.8%
Finance cost	-4.84	-2.34	-2.50	106.8%
Share of profit from investment in associate	2.28	1.83	0.45	24.6%
Income tax expenses	-38.66	-64.87	-26.21	-40.4%
Net profit	154.23	253.93	-99.70	-39.3%
Minority interest in subsidiary	-47.71	-42.25	-5.46	12.9%
Net profit of the Company	106.52	211.68	-105.16	-49.7%

1. Operating Performance

For the year ended 31st March 2023 the Company and its subsidiaries had net profit of Baht 106.52 million or decreased by 105.16 million or 49.7 percent from previous year while sale slightly increased, compared with the net profit of Baht 211.68 million in previous year. 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. 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 second-half year. 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. The decreased net profit for period year, it was the main impact in the third quarter and Fourth quarter of the year due to the economic slowdown in the country. The purchasing power of foreign countries is shrinking.

The profit before interest and tax decreased by Baht 123.86 million whereas corporate tax decreased by 26.21 million. This was due to the company and a subsidiary's operating profit decreased. The financial cost increased by 2.50 million baht, while the net profit of the subsidiary's minority shareholders increased by 5.46 million baht in the current year.

1.1 Revenue

For the year ended 31st March 2023, the Company and its subsidiaries had revenue from sales and service of Baht 2,790.79 million compared with Baht 2,761.24 million in the same period of the previous year, which slightly increased by 1.1 percent. This was affected by decline sales weight following lower production activities than the previous year in most industries. As a result, the products of stainless steel, copper, aluminum by coil and sheet, which are the main product groups.

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.

1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31st March 2023, the Company and its subsidiaries had other income of Baht 26.12 million or decreased by 11.2 percent.

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 disposal of unused machines and equipment to record as the other income.

1.3 Cost of goods sold & service

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 31st March 2023, the Company and its subsidiaries had cost of goods sold of Baht 2,452.20 million, or accounting for 87.05 percent of the total revenue in comparing with Baht 2,306.56 million, or accounting for 82.65 percent of total revenue of previous year. Cost of goods sold increased by 6.3 percent whereas sales & service increased by 1.1 percent.

1.4 Selling & distribution expenses

Selling & distribution expenses mostly consist of sale staff expenses, transportation expenses and promotional expenses. For the year ended 31st March 2023, the Company and its subsidiaries had selling expenses of Baht 60.30 million, compared with selling expenses of Baht 53.97 million in the same period of the previous year which increased by 11.7 percent. Most of these expenses are staff expenses and delivery costs.

For the period of year ended 31st March 2023, the selling & distribution expenses were 2.16 percent, increased when comparing to 1.95 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 31st March 2023, the Company and its subsidiaries had administrative expenses of Baht 108.96 million, compared with administrative expenses of Baht 110.83 million in the previous year which decreased by 1.7 percent. The major expenses are mainly in area of personnel costs and other administrative expenses due to the retirement of one executive in the previous year.

For the year ended 31st March 2023, the administrative expenses was 3.87 percent of total revenue, decreased in compared with administrative expenses of 3.97 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 31st March 2023, the Company and its subsidiaries had profit before interest and tax of Baht 195.45 million. After deducting the finance cost of Baht 4.84 million, income tax of Baht 38.66 million, net profit sharing to minority shareholders of subsidiary of Baht 47.71 million and adding the profit sharing from investment in related of Baht 2.28 million, the net profit of the Company and its subsidiaries stood at Baht 106.52 million, the net profit of Baht 154.23 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 319.31 million and Baht 253.93 million respectively, the net profit of the present year decreased by 39.3 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 31st March 2023 and 2022, the company and its subsidiary recognized share of profit by equity method of Baht 2.28 million and Baht 1.83 million respectively.

1.8 Income tax expense

For the year ended 31st March 2023, the Company and its subsidiaries had corporate tax of Baht 38.66 million or decrease by 40.4 percent. This was due to the company and a subsidiary's had net profit decreased.

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 2023, the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of its shareholding in full year which was amount of Baht 47.71 million, increased from amount by Baht 42.25 million of previous year by 12.9 percent. The high profit share was due to an increase net profit of the subsidiary, a manufacturer of exhaust pipe in the automotive industry.

1.10 Profitability

For the year ended 31st March 2023, the Company and its subsidiaries had lower gross profit margin of 12.13 percent compared with gross profit margin of 16.47 percent in the same period the previous year. The main reason is that sales of the company and a subsidiary have low gross profit margin of stainless steel, copper and aluminum, while an automobile exhaust pipes with a slightly decline gross profit accounted for a high percentage of total sales.

For the year ended 31st March 2023, the Company and its subsidiaries had net profit margin of 3.78 percent compared with net profit of 7.59 percent in the same period of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Mar 2023		As at 31st Mar 2022	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	239.61	11.60%	288.42	12.44%
Financial Assets (Short-term investment)	2.56	0.12%	8.35	0.36%
Account receivable, trade and others	606.36	29.34%	661.51	28.53%
Inventories	632.73	30.62%	745.56	32.15%
Other current assets	5.03	0.24%	9.74	0.42%
Total current assets	1,486.29	71.92%	1,713.58	73.89%
Non-current assets				
Restricted bank deposits	46.18	2.23%	46.18	1.99%
Investment in associate	17.08	0.83%	14.80	0.64%
Non-Current Financial Assets (Long-term investment)	2.89	0.14%	3.02	0.13%
Property, plant and equipment	494.81	23.94%	522.49	22.53%
Intangible assets	2.73	0.13%	2.89	0.12%
Deferred tax assets	13.14	0.64%	12.63	0.54%
Other non-current assets	3.33	0.16%	3.41	0.15%
Total non-current assets	580.16	28.08%	605.42	26.11%
TOTAL ASSETS	2,066.45	100.00%	2,319.00	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	69.42	3.36%	57.01	2.46%
Account payables, trade and others	409.77	19.83%	523.85	22.59%
Lease payable due within one year	3.13	0.15%	1.39	0.06%
Income tax payable	15.72	0.76%	33.30	1.44%
Other current liabilities	9.23	0.45%	6.92	0.30%
Total current liabilities	507.27	24.55%	622.47	26.84%
Non-current liabilities				
Lease Payable	4.77	0.23%	-	-
Provision for long-term employee benefits	29.05	1.41%	35.40	1.53%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	33.84	1.64%	35.42	1.53%
TOTAL LIABILITIES	541.11	26.19%	657.89	28.37%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.53%	383.00	16.52%
Premium on stock	519.67	25.15%	519.67	22.41%
Retained earnings				
Legal reserve	79.15	3.83%	78.70	3.39%
Un-appropriated	382.49	18.51%	521.85	22.50%
Non-controlling interest of the subsidiary	161.03	7.79%	157.89	6.81%
Total shareholders' equity	1,525.34	73.81%	1,661.11	71.63%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,066.45	100.00%	2,319.00	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st March 2023 and 2022, the Company and its subsidiaries had total assets of Baht 2,066.45 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 March 2023 and 2022 the Company and its subsidiaries had net inventories of Baht 632.73 million (or 30.62 percent of total assets) and Baht 745.56 million (or 32.15 percent of total assets) respectively. The decrease in inventories were mainly following the lower sales in during year due to the unrecovered demand for both domestic and export consumption. The company and its subsidiaries have a policy to reserve inventory according to customer orders only.
- 2.1.2 Trade account receivables – other parties: As at and 31st March 2023 and 2022, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 606.36 million (or 29.34 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 March 2023 and 2022 the Company and its subsidiaries had short term investment of Baht 2.56 million (or 0.12 percent of total assets) and Baht 8.35 million (or 0.36 percent of total assets) respectively. The small investment value came from the investment in unit value of mutual fund due to the excessive cash balance of a subsidiary company.
- 2.1.4 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at and 31st March 2023 and 2022, the Company and its subsidiaries had Land, plant and equipments – net of Baht 494.81 million (or 23.94 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 March 2023 and 2022, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.23 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 March 2023 and 2022, the Company and its subsidiaries had net value of Baht 13.14 million and Baht 12.63 million respectively (0.64 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 March 2023 and 2022 stood at Baht 507.27 million and Baht 622.47 million respectively. The current liabilities decreased following the lower volume of raw material purchases and less long-term liabilities as a subsidiary paid compensation for employee benefits for the executives who have due to retirement.

2.3 Shareholders' equity

As at and 31st March 2023 and 2022, shareholders' equity was Baht 1,525.34 million and Baht 1,661.11 million or decrease by Baht 135.77 million. The major changes were the net profit amounting to Baht 153.99 million and dividend payment of Baht 289.76 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,364.32 million and Baht 161.03 million respectively.

Debt to Equity ratio as at and 31st March 2023 and 2022 were 0.35 and 0.40 times respectively. The slightly decrease D/E ratio was due to lower current liabilities as a result of common size of business transactions in the latest quarter.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st Mar 2023	As at 31st Mar 2022
Net cash from (used in) operating activities	235.31	136.93
Net cash used in investing activities	-3.36	50.54
Net cash from (used in) financing activities	-280.72	-216.96
Effect of exchange rate to cash and cash equivalent	-0.04	0.09
Net increase (decrease) in cash	-48.81	-29.40

3. Cash flows

For the year ended 2023 and 2022, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 235.31 million, consisting of baht 192.71 million positively from operating performance and net positive in working capital of Baht 42.60 million. The net positive cash flow in working capital came from lower trade account receivables, trade account payable and inventories.

Net cash flow from investing activities was amount to -3.36 million baht. Most of which are net investments current of Baht 5.83 million and payment of machine and equipment of Baht -10.39 million.

The financing part was net Baht -280.72 million with some received of short term loan Baht 12.40 million and payment of dividend by Baht -289.76 million, lease right payment of Baht -3.36 Million.

In total, net cash for the period was decreased by Baht 48.81 million.

Sincerely yours,

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