

Nov 13, 2023

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 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 period of three months and the period of 1st half ended 30th September 2023 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30 <sup>th</sup> Sept				For the period of 1st half ended 30 <sup>th</sup> Sept			
	July - Sept 2023	July - Sept 2022	Change	% Change	Apr - Sept 2023	Apr - Sept 2022	Change	% Change
Revenue from sales & service	706.64	665.21	41.43	6.2%	1,319.29	1,360.22	-40.93	-3.0%
Other income	8.52	6.55	1.97	30.1%	12.96	15.90	-2.94	-18.5%
<b>Total revenue</b>	<b>715.16</b>	<b>671.76</b>	<b>43.40</b>	<b>6.5%</b>	<b>1,332.25</b>	<b>1,376.12</b>	<b>-43.87</b>	<b>-3.2%</b>
Cost of goods sold & service	634.20	586.54	47.66	8.1%	1,183.09	1,191.39	-8.30	-0.7%
Selling expenses	13.99	14.49	-0.50	-3.5%	27.01	28.94	-1.93	-6.7%
Administrative expenses	28.22	27.60	0.62	2.2%	55.47	54.38	1.09	2.0%
<b>Total expenses</b>	<b>676.41</b>	<b>628.63</b>	<b>47.78</b>	<b>7.6%</b>	<b>1,265.57</b>	<b>1,274.71</b>	<b>-9.14</b>	<b>-0.7%</b>
<b>Earning before interest and tax</b>	<b>38.75</b>	<b>43.13</b>	<b>-4.38</b>	<b>-10.2%</b>	<b>66.68</b>	<b>101.41</b>	<b>-34.73</b>	<b>-34.2%</b>
Financial expenses	-0.79	-1.40	0.61	-43.6%	-1.79	-2.41	0.62	-25.7%
Share of income from investment in associate	0.68	0.54	0.14	25.9%	1.27	0.97	0.30	30.9%
Corporate Income tax expenses	-7.59	-8.40	0.81	-9.6%	-13.16	-20.01	6.85	-34.2%
<b>Net profit for the period</b>	<b>31.05</b>	<b>33.87</b>	<b>-2.82</b>	<b>-8.3%</b>	<b>53.00</b>	<b>79.96</b>	<b>-26.96</b>	<b>-33.7%</b>
Profit Sharing for non-controlling interest of a subsidiary company	-10.82	-11.57	0.75	-6.5%	-20.95	-20.47	-0.48	2.3%
<b>Net profit for the company and its subsidiaries</b>	<b>20.23</b>	<b>22.30</b>	<b>-2.07</b>	<b>-9.3%</b>	<b>32.05</b>	<b>59.49</b>	<b>-27.44</b>	<b>-46.1%</b>

## 1. Operating Performance

For the period of three months ended 30th Sept 2023, the net profits for the company and its subsidiaries was Baht 20.23 million or decreased by Baht 2.07 million which was 9.3 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 work. 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 rate decreased slightly in this quarter. Meanwhile, the production of the automotive industry has begun to return to normal. However, demand for products in the domestic market and exports compared to the same quarter of the previous year decreased due to the global economic situation that was affected by the threat of war.

For the period of 1st half year ended 30th Sept 2023, the Company and its subsidiaries reported operating profit of Baht 66.68 million, a decrease of 34.2 percent and net profit of Baht 32.05 million or decreased by 46.1% while compared to the same period of last year which the net profit was Baht 59.49 million.

## **1.1 Revenue**

For the period of three months ended 30th Sept 2023, the Company and its subsidiaries had revenue from sales and service of Baht 706.64 million compared with Baht 665.21 million in the same period of the previous year, which increased by 6.2 percent. This is due to the increase selling volume but average selling prices of aluminum, galvanized steel and stainless steel in all groups are declined for the period, according to the conditions of the price of metal commodities which have declined in the market of current year due to the situation of sufficient production capacity in the region to support demand. While , the demand increased in the market and world market.

For the period of 1st half of year ended 30th Sept 2023, the Company and its subsidiaries had revenue from sales and service of Baht 1,319.29 million compared with Baht 1,360.22 million in the same period of the previous year or decreased by 3.0 percent. This was mainly due to the average selling price of the products decreased, but the same time the sales weight in the current car exhaust pipe category has improved. Include purchasing power both domestically and internationally are still decreasing. As a result, sales volume decreased in the category of aluminum, copper, galvanized steel and stainless steel in every group

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 2023, the Company and its subsidiaries had other income of Baht 8.52 million and 12.96 million baht respectively, which decreased by 30.1 percent for three month period and decreased by 18.5 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 2023, the Company and its subsidiaries had cost of goods sold of Baht 634.20 million, or stood at 88.68 percent of the total revenue, increase in comparing with Baht 586.54 million or stood at 87.31 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 30th Sept 2023 increased by 8.1 percent, while the increase in sales & services was 6.2 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2023, the Company and its subsidiaries had cost of goods sold of Baht 1,183.09 million, or stood at 88.80 percent of the total revenue in comparing with Baht 1,191.39 million, or stood at 86.58 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 2023, the Company and its subsidiaries had selling expenses of Baht 13.99 million and 27.01 million, compared with selling expenses of Baht 14.49 million and 28.94 million in the same periods of the previous year, or decreased by 3.5 percent and by 6.7 percent from the same periods of previous year. The decrease of selling expense was mainly in area of logistic, sales executive and marketing expenses.

For the period of three months and 1<sup>st</sup> half ended 30th Sept 2023, the selling expenses were 1.98 percent and 2.05 percent of total sales and service respectively, compared with 2.18 percent and 2.13 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 2023, the Company and its subsidiaries had administrative expenses of Baht 28.22 million and 55.47 million, compared with administrative expenses of Baht 27.60 million and 54.38 million in the same period of the previous year. Administrative expenses slightly increased cause from the executive expenses. The Company and its subsidiaries had still controlled administrative expenses.

For the period of three months and 1st half ended 30th Sept 2023, the administrative expenses were 3.95 percent and 4.16 percent of total revenues respectively, compared with 4.11 percent and 3.95 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 1<sup>st</sup> half year ended 30<sup>th</sup> Sept 2023, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.68 million and 1.27 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 2023, the Company and its subsidiaries had earning before interest and tax of Baht 38.75 million and Baht 66.68 million respectively. After deducting the financial costs of Baht -0.79 million and Baht -1.79 million, adding the share of income from investment of Baht 0.68 million and Baht 1.27 million, deducting the corporate income tax of Baht -7.59 million and Baht -13.16 million, the net profit of the Company and its subsidiaries were at Baht 31.05 million and Baht 53.00 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 10.2 percent and by 8.3 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both decreased by 34.2 percent and 33.7 percent respectively.

In addition to the period of three month and period of 1<sup>st</sup> half ended 30th Sept 2023, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 10.82 million and 20.95 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 20.23 million and 32.05 million respectively.

## **1.8 Corporate income tax**

For the period of three month and 1<sup>st</sup> half of year ended 30<sup>th</sup> Sept 2023, the Company and its subsidiaries recognized corporate tax expenses by Baht 7.59 million and 13.16 million, decrease from the same period of previous year of Baht 8.40 million and 20.01 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 10.82 million and 20.95 million for the period of three month and 1<sup>st</sup> half year ended 30<sup>th</sup> Sept 2023.

## **1.10 Profitability**

For the period of three months ended 30<sup>th</sup> Sept 2023, the Company and its subsidiaries had gross profit margin of 10.25 percent, compared with gross profit margin of 11.83 percent in the same period of the previous year. This was mainly decreased due to high average cost of raw materials of the metal or non-metal products. While the high sales volume but the average selling price declined. The overall sales are still increased.

For the period of 1<sup>st</sup> half ended 30<sup>th</sup> Sept 2023, the Company and its subsidiaries had gross profit margin of 10.32 percent compared with gross profit margin of 12.41 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 decrease in average selling price in accordance with the world market price of metal or non-metal products, coupled with still high average cost of raw materials and high sales volume, 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 2023		As at 31st Mar 2023	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	326.22	16.02%	239.61	11.60%
Financial Assets (Short-term investment)	2.57	0.13%	2.56	0.12%
Account receivable, trade and others	592.72	29.11%	606.36	29.34%
Inventories	555.84	27.30%	632.73	30.62%
Other current assets	4.94	0.24%	5.03	0.24%
<b>Total current assets</b>	<b>1,482.29</b>	<b>72.80%</b>	<b>1,486.29</b>	<b>71.92%</b>
<b>Non-current assets</b>				
Restricted bank deposits	46.18	2.27%	46.18	2.23%
Investment in associate	6.83	0.34%	17.08	0.83%
Non-Current Financial Assets (Long-term investment)	2.64	0.13%	2.89	0.14%
Property, plant and equipment	475.75	23.37%	494.81	23.94%
Intangible assets	4.40	0.22%	2.73	0.13%
Deferred tax assets	14.40	0.71%	13.14	0.64%
Other non-current assets	3.52	0.17%	3.33	0.16%
<b>Total non-current assets</b>	<b>553.72</b>	<b>27.20%</b>	<b>580.16</b>	<b>28.08%</b>
<b>TOTAL ASSETS</b>	<b>2,036.01</b>	<b>100.00%</b>	<b>2,066.45</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short term loans from banks	65.89	3.24%	69.42	3.36%
Account payables, trade and others	395.69	19.43%	409.77	19.83%
Lease payable due within one year	3.23	0.16%	3.13	0.15%
Income tax payable	14.37	0.71%	15.72	0.76%
Other current liabilities	6.11	0.30%	9.23	0.45%
<b>Total current liabilities</b>	<b>485.29</b>	<b>23.84%</b>	<b>507.27</b>	<b>24.55%</b>
<b>Non-current liabilities</b>				
Lease payable	3.13	0.15%	4.77	0.23%
Provision for long-term employee benefits	30.58	1.50%	29.05	1.41%
Other non-current liabilities	0.02	-	0.02	-
<b>Total non-current liabilities</b>	<b>33.73</b>	<b>1.66%</b>	<b>33.84</b>	<b>1.64%</b>
<b>TOTAL LIABILITIES</b>	<b>519.02</b>	<b>25.49%</b>	<b>541.11</b>	<b>26.19%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.81%	383.00	18.53%
Premium on stock	519.67	25.52%	519.67	25.15%
Retained earnings				
Legal reserve	79.70	3.91%	79.15	3.83%
Un-appropriated	379.52	18.64%	382.49	18.51%
Non-controlling interest of the subsidiary	155.10	7.62%	161.03	7.79%
<b>Total shareholders' equity</b>	<b>1,516.99</b>	<b>74.51%</b>	<b>1,525.34</b>	<b>73.81%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,036.01</b>	<b>100.00%</b>	<b>2,066.45</b>	<b>100.00%</b>

## **2. Financial Status**

### **2.1 Assets**

As for the assets value as at and 30th September 2023 and 31st March 2023, the Company and its subsidiaries had total assets of Baht 2,036.01 million and Baht 2,066.45 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 September 2023 and 31st March 2023 the Company and its subsidiaries had net inventories of Baht 555.84 million (or 27.30 percent of total assets) and Baht 632.73 million (or 30.62 percent of total assets) respectively.
- 2.1.2 Trade account receivables – other parties: As at and 30th September 2023 and 31st March 2023, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 592.72 million (or 29.11 percent of total assets) and Baht 606.36 million (or 29.34 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 30th September 2023 and 31st March 2023 the Company and its subsidiaries had short term investment of Baht 2.57 million (or 0.13 percent of total assets) and Baht 2.56 million (or 0.12 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 September 2023 and 31st March 2023, the Company and its subsidiaries had Land, plant and equipment – net of Baht 475.75 million (or 23.37 percent of total assets) and Baht 494.81 million (or 23.94 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 30th September 2023 and 31st March 2023, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.27 percent of total assets and 2.23 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 September 2023 and 31st March 2023, the Company and its subsidiaries had net value of Baht 14.40 million and Baht 13.14 million respectively (0.71 percent and 0.64 percent of total assets respectively).

### **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at and 30th September 2023 and 31st March 2023 stood at Baht 485.29 million and Baht 507.27 million respectively. The current and total liabilities decreased net due to the purchase of goods was reduced and short-term payment of trade accounts payable.

### **2.3 Shareholders' equity**

As at and 30th September 2023 and 31st March 2023, shareholders' equity was Baht 1,516.99 million and Baht 1,525.34 million or decrease by 8.35 million. The major changes were the net profit amounting to Baht 53.00 million and dividend payment of Baht 61.35 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,361.89 million and Baht 155.10 million respectively.

Debt to Equity ratio as at and 30th September 2023 and 31st March 2023 were 0.34 and 0.35 times respectively.

(Unit: Baht million)

<b>Consolidated cash flows statement</b>	<b>As at 30th September 2023</b>	<b>As at 30th September 2022</b>
Net cash from (used in) operating activities	146.17	-97.12
Net cash used in investing activities	6.85	-19.41
Net cash from (used in) financing activities	-66.57	-96.11
Effect of exchange rate to cash and cash equivalent	0.17	0.19
Net increase (decrease) in cash	86.62	-212.45

### **3. Cash flows**

For the 1<sup>st</sup> half year ended 30th September 2023 and 2022, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 146.17 million, consisting of baht 74.71 million positively from operating performance and net positive in working capital of Baht 71.46 million. The net positive cash flow in working capital came from the short-term supply of inventories and increased total sales for the period of three months.

Net cash flow from investing activities was amount to 6.85 million baht, mostly from dividend received from investment in associate of Baht 11.52 million, and the Company and its subsidiary payment of equipment and intangible of Baht -5.38 million.

The financing part was net Baht -66.57 million by settlement short term loan -5.22 million to bank and payment of dividend by Baht -61.35 million.

In total, net cash for the period was increased by Baht 86.62 million.

Sincerely yours,

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