

May 30, 2024

Subject Management Discussion and Analysis for the year ended 31st March 2024

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 2024 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2023 - Mar 2024	Apr 2022 - Mar 2023	Change	% Change
Revenue from sales & service	2,631.62	2,790.79	-159.17	-5.7%
Other income	25.65	26.12	-0.47	-1.8%
Total revenue	2,657.27	2,816.91	-159.64	-5.7%
Cost of goods sold & service	2,341.31	2,452.20	-110.89	-4.5%
Selling & distribution expenses	52.59	60.30	-7.71	-12.8%
Administrative expenses	111.09	108.96	2.13	2.0%
Total expenses	2,504.99	2,621.46	-116.47	-4.4%
Earning before interest and tax	152.28	195.45	-43.17	-22.11%
Finance cost	-3.56	-4.84	1.28	-26.4%
Share of profit from investment in associate	2.46	2.28	0.18	7.9%
Income tax expenses	-31.03	-38.66	7.63	-19.7%
Net profit	120.15	154.23	-34.08	-22.1%
Minority interest in subsidiary	-41.14	-47.71	6.57	-13.8%
Net profit of the Company	79.01	106.52	-27.51	-25.8%

1. Operating Performance

For the year ended 31st March 2024 the Company and its subsidiaries had net profit of Baht 79.01 million or decreased by 27.51 million or 25.8 percent from previous year while total sales decreased and net profit decreased when compared to the operating results of the same previous year with the net profit of Baht 106.52 million. It comes from the direction that the market price has continuously decreased and begun to stabilize. Resulting in the average cost of raw materials being reduced to a reasonable level. As a result, the profit rate has increased in the past 6 months, along with the economic conditions abroad starting to recover and the policy interest rate has risen to its highest point. This has caused export sales in the electrical appliances and tourism sectors to improve. However, this is due to the high level of household debt in the country, Affects commercial vehicle loan approval. Therefore, the production and sales of this group of cars have decreased significantly. Meanwhile, many government construction projects continue to be halted from the delayed budget.

The profit before interest and tax decreased by Baht 43.17 million whereas corporate tax decreased by 7.63 million. This was due to the company and a subsidiary's operating profit decreased. The financial cost decreased by 1.28 million baht, while the net profit of the subsidiary's minority shareholders decreased by 6.57 million baht in the current year.

1.1 Revenue

For the year ended 31st March 2024, the Company and its subsidiaries had revenue from sales and service of Baht 2,631.62 million compared with Baht 2,790.79 million in the same period of the previous year, which decreased by 5.7 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 there are the main product group.

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 2024, the Company and its subsidiaries had other income of Baht 25.65 million or decreased by 0.47 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 2,341.31 million, or accounting for 88.11 percent of the total revenue in comparing with Baht 2,452.20 million, or accounting for 87.05 percent of total revenue of previous year. Cost of goods sold decreased by 4.5 percent whereas sales & service decreased by 5.7 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 2024, the Company and its subsidiaries had selling expenses of Baht 52.59 million, compared with selling expenses of Baht 60.30 million in the same period the previous year, which decreased by 7.71 percent. Most of these expenses are staff expenses and delivery costs.

For the period of year ended 31st March 2024, the selling & distribution expenses were 2.00 percent, increased when comparing to 2.16 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 2024, the Company and its subsidiaries had administrative expenses of Baht 111.09 million, compared with administrative expenses of Baht 108.96 million in the previous year which increased by 2.17 percent. The major expenses are mainly in area of personnel costs and other administrative expenses.

For the year ended 31st March 2024, the administrative expenses was 4.18 percent of total revenue, decreased in compared with administrative expenses of 3.87 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 2024, the Company and its subsidiaries had profit before interest and tax of Baht 152.28 million. After deducting the finance cost of Baht 3.56 million, income tax of Baht 31.03 million, net profit sharing to minority shareholders of subsidiary of Baht 41.14 million and adding the profit sharing from investment in related of Baht 2.46 million, the net profit of the Company and its subsidiaries stood at Baht 79.01 million, the net profit of Baht 120.15 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 195.45 million and Baht 106.52 million respectively, the net profit of the present year decreased by 22.1 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 2024 and 2023, the company and its subsidiary recognized share of profit by equity method of Baht 2.46 million and Baht 2.28 million respectively.

1.8 Income tax expense

For the year ended 31st March 2024, the Company and its subsidiaries had corporate tax of Baht 31.03 million or decrease by 19.7 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 2024, 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 41.14 million, decreased from amount by Baht 47.71 million of previous year by 13.8 percent. The lower profit share was due to an decrease net profit of the subsidiary, a manufacturer of exhaust pipe in the automotive industry.

1.10 Profitability

For the year ended 31st March 2024, the Company and its subsidiaries had lower gross profit margin of 11.03 percent compared with gross profit margin of 12.13 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 decreased gross profit accounted compare in total sales decrease.

For the year ended 31st March 2024, the Company and its subsidiaries had net profit margin of 2.97 percent decreased in compared with net profit of 3.78 percent in the same period of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Mar 2024		As at 31st Mar 2023	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	416.26	20.85%	239.61	11.60%
Financial Assets (Short-term investment)	14.64	0.73%	2.56	0.12%
Account receivable, trade and others	503.18	25.21%	606.36	29.34%
Inventories	518.52	25.98%	632.73	30.62%
Other current assets	3.50	0.18%	5.03	0.24%
Total current assets	1,456.10	72.95%	1,486.29	71.92%
Non-current assets				
Restricted bank deposits	46.18	2.31%	46.18	2.23%
Investment in associate	8.02	0.40%	17.08	0.83%
Non-Current Financial Assets (Long-term investment)	2.59	0.13%	2.89	0.14%
Property, plant and equipment	459.67	23.03%	494.81	23.95%
Intangible assets	7.01	0.35%	2.73	0.13%
Deferred tax assets	12.94	0.65%	13.14	0.64%
Other non-current assets	3.52	0.18%	3.33	0.16%
Total non-current assets	539.93	27.05%	580.16	28.08%
TOTAL ASSETS	1,996.03	100.00%	2,066.45	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	44.83	2.25%	69.42	3.36%
Account payables, trade and others	382.75	19.18%	409.77	19.83%
Lease payable due within one year	3.63	0.18%	3.13	0.15%
Income tax payable	14.10	0.71%	15.72	0.76%
Other current liabilities	8.12	0.41%	9.23	0.45%
Total current liabilities	453.43	22.73%	507.27	24.55%
Non-current liabilities				
Lease Payable	2.47	0.12%	4.77	0.23%
Provision for long-term employee benefits	31.82	1.59%	29.05	1.41%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	34.31	1.71%	33.84	1.64%
TOTAL LIABILITIES	487.47	24.44%	541.11	26.19%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	19.19%	383.00	18.53%
Premium on stock	519.67	26.03%	519.67	25.15%
Retained earnings				
Legal reserve	38.30	1.92%	38.30	1.85%
Un-appropriated	412.98	20.69%	423.34	20.49%
Non-controlling interest of the subsidiary	154.34	7.73%	161.03	7.79%
Total shareholders' equity	1,508.29	75.56%	1,525.34	73.81%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,996.03	100.00%	2,066.45	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st March 2024 and 2023, the Company and its subsidiaries had total assets of Baht 1,996.03 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 31st March 2024 and 2023 the Company and its subsidiaries had net inventories of Baht 518.52 million (or 25.98 percent of total assets) and Baht 632.73 million (or 30.62 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 2024 and 2023, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 503.18 million (or 25.21 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 31st March 2024 and 2023 the Company and its subsidiaries had short term investment of Baht 14.64 million (or 0.73 percent of total assets) and Baht 2.56 million (or 0.12 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 2024 and 2023, the Company and its subsidiaries had Land, plant and equipments – net of Baht 459.67 million (or 23.03 percent of total assets) and Baht 494.81 million (or 23.95 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 31st March 2024 and 2023, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.31 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 31st March 2024 and 2023, the Company and its subsidiaries had net value of Baht 12.94 million and Baht 13.14 million respectively (0.65 percent and 0.64 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 31st March 2024 and 2023 stood at Baht 453.43 million and Baht 507.27 million respectively. The current liabilities decreased following the low of accrued income tax, lower volume of raw material purchases and settled of short term loan.

2.3 Shareholders' equity

As at and 31st March 2024 and 2023, shareholders' equity was Baht 1,508.29 million and Baht 1,525.34 million or decrease by Baht 17.05 million. The major changes were the net profit amounting to Baht 118.55 million and dividend payment of Baht 135.61 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,353.95 million and Baht 154.34 million respectively.

Debt to Equity ratio as at and 31st March 2024 and 2023 were 0.32 and 0.35 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 2024	As at 31st Mar 2023
Net cash from (used in) operating activities	352.10	235.31
Net cash used in investing activities	-11.68	-3.36
Net cash from (used in) financing activities	-163.93	-280.72
Effect of exchange rate to cash and cash equivalent	0.16	-0.04
Net increase (decrease) in cash	176.65	-48.81

3. Cash flows

For the year ended 2024 and 2023, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 352.10 million, consisting of baht 156.48 million positively from operating performance and net positive in working capital of Baht 195.61 million. The net positive cash flow in working capital came from lower trade account receivables, trade account payable and inventories that can be quickly managed in the short term to be sufficient to support customer orders.

Net cash flow from investing activities was amount to -11.68 million baht. Most of which are net investments current of Baht -12.00 million and payment of equipment and software computer of Baht -13.37 million off-set by Dividend received of Baht 11.52 million from Investment in associate, including Other-Income received of Baht 2.17 million.

The financing part was net Baht -163.93 million with some settled of short term loan Baht -24.59 million and payment of dividend by Baht -135.61 million, lease right payment of Baht -3.73 Million.

In total, net cash for the period was increased by Baht 176.65 million.

Sincerely yours,

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