

May 25, 2022

Subject Management Discussion and Analysis for the year ended 31st March 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 year ended 31st March 2022 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2021 - Mar 2022	Apr 2020 - Mar 2021	Change	% Change
Revenue from sales & service	2,761.24	2,226.16	535.08	24.0%
Other income	29.43	21.38	8.05	37.7%
Total revenue	2,790.67	2,247.54	543.13	24.2%
Cost of goods sold & service	2,306.56	1,920.39	386.17	20.1%
Selling & distribution expenses	53.97	52.88	1.09	2.1%
Administrative expenses	110.83	113.50	-2.67	-2.4%
Total expenses	2,471.36	2,086.77	384.59	18.4%
Earning before interest and tax	319.31	160.77	158.54	98.6%
Finance cost	-2.34	-1.87	-0.47	25.1%
Share of profit from investment in associate	1.83	1.34	0.49	36.6%
Income tax expenses	-64.87	-27.08	-37.79	139.5%
Net profit	253.93	133.16	120.77	90.7%
Minority interest in subsidiary	-42.25	-31.80	-10.45	32.9%
Net profit of the Company	211.68	101.36	110.32	108.8%

1. Operating Performance

For the year ended 31st March 2022 the Company and its subsidiaries had net profit of Baht 211.68 million or increased by 110.32 million or 108.8 percent from previous year while sale increased, compared with the net profit of Baht 101.36 million in previous year. The increasing come from the economy began to recover. due to the widespread distribution of vaccines government economic stimulus measures and better export numbers Compared to the same period last year who have been heavily affected by the COVID-19 outbreak Including stainless steel and other metals, world market prices have risen sharply in the past nine months due to the more accommodative global trade situation. As a result, the company's various metal and non-metal products that are sold to customers in various channels benefit in terms of sales and gross profit as well. Including a manufacturer of automobile exhaust pipes. Its sale has returned to high volumes in sales and also having high production to support sales and to compensate the lower inventories in the earlier quarters. The automobile industry has recovered significantly in the latest quarter. Higher sales from auto exhaust products were with good gross margin, along with the electrical appliances industry began to have a recovery better trend and demand for products in global market continually higher.

The profit before interest and tax increased by Baht 158.54 million whereas corporate tax increased by 37.79 million. This was due to the company and a subsidiary's received income tax exemption from the Board of Investment in the Solar Roof Project in the previous year. The financial cost increased slightly by 0.47 million baht, while the net profit of the subsidiary's minority shareholders increased by 10.45 million baht in the current year.

1.1 Revenue

For the year ended 31st March 2022, the Company and its subsidiaries had revenue from sales and service of Baht 2,761.24 million compared with Baht 2,226.16 million in the same period of the previous year, which increased by 24.0 percent. This is due to the upper sales weight following lower production activities than the previous year in most industries but world market price rising. 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 2022, the Company and its subsidiaries had other income of Baht 29.43 million or increased by 37.7 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 2022, the Company and its subsidiaries had cost of goods sold of Baht 2,306.56 million, or accounting for 82.65 percent of the total revenue in comparing with Baht 1,920.39 million, or accounting for 85.44 percent of total revenue of previous year. Cost of goods sold increased by 20.1 percent whereas sales & service increased by 24.0 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 2022, the Company and its subsidiaries had selling expenses of Baht 53.97 million, compared with selling expenses of Baht 52.88 million in the same period of the previous year which increased by 2.1 percent. Most of these expenses are staff expenses and delivery costs.

For the period of year ended 31st March 2022, the selling & distribution expenses were 1.95 percent, decreased when comparing to 2.38 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 2022, the Company and its subsidiaries had administrative expenses of Baht 110.83 million, compared with administrative expenses of Baht 113.50 million in the previous year which decreased by 2.4 percent. The major expenses are mainly in area of personnel costs due to salary normally decreased year by year and other administrative expenses due to the retirement of one executive in the current year.

For the year ended 31st March 2022, the administrative expenses was 3.97 percent of total revenue, decreased in compared with administrative expenses of 5.05 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 2022, the Company and its subsidiaries had profit before interest and tax of Baht 319.31 million. After deducting the finance cost of Baht 2.34 million, income tax of Baht 64.87 million, net profit sharing to minority shareholders of subsidiary of Baht 42.25 million and adding the profit sharing from investment in related of Baht 1.83 million, the net profit of the Company and its subsidiaries stood at Baht 211.68 million, the net profit of Baht 253.93 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 160.77 million and Baht 133.16 million respectively, the net profit of the present year increased by 90.7 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 2022 and 2021, the company and its subsidiary recognized share of profit by equity method of Baht 1.83 million and Baht 1.34 million respectively.

1.8 Income tax expense

For the year ended 31st March 2022, the Company and its subsidiaries had corporate tax of Baht 64.87 million or increase by 139.5 percent. This was due to the company and a subsidiary's received less investment income tax exemption from the Board of Investment in the Solar Roof Project in the previous year, while the current year the Company had net profit increased.

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 2022, 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 42.25 million, increased from amount by Baht 10.45 million of previous year by 32.9 percent. The higher profit share was due to the upper net profit of the subsidiary, a manufacturer of exhaust pipe in the automotive industry.

1.10 Profitability

For the year ended 31st March 2022, the Company and its subsidiaries had upper gross profit margin of 16.47 percent compared with gross profit margin of 13.74 percent in the same period the previous year. The main reason is that sales of automobile exhaust pipes with a high gross profit accounted for a higher percentage of total sales.

For the year ended 31st March 2022, the Company and its subsidiaries had net profit margin of 7.59 percent compared with net profit of 4.51 percent in the same period of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 31 st Mar 2022		As at 31 st Mar 2021	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	288.42	12.44%	317.82	15.18%
Financial Assets (Short-term investment)	8.35	0.36%	73.88	3.53%
Account receivable, trade and others	661.51	28.53%	556.31	26.58%
Inventories	745.56	32.15%	506.04	24.18%
Other current assets	9.74	0.42%	4.19	0.20%
Total current assets	1,713.58	73.89%	1,458.24	69.67%
Non-current assets				
Restricted bank deposits	46.18	1.99%	46.18	2.21%
Investment in associate	14.80	0.64%	12.97	0.62%
Non-Current Financial Assets (Long-term investment)	3.02	0.13%	3.30	0.16%
Property, plant and equipment	522.49	22.53%	551.66	26.35%
Intangible assets	2.89	0.12%	3.25	0.15%
Deferred tax assets	12.63	0.54%	14.29	0.68%
Other non-current assets	3.41	0.15%	3.32	0.16%
Total non-current assets	605.42	26.11%	634.97	30.33%
TOTAL ASSETS	2,319.00	100.00%	2,093.21	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	57.01	2.46%	42.51	2.03%
Account payables, trade and others	523.85	22.59%	349.36	16.69%
Lease payable due within one year	1.39	0.06%	3.26	0.16%
Income tax payable	33.30	1.44%	16.23	0.78%
Other current liabilities	6.92	0.30%	10.02	0.47%
Total current liabilities	622.47	26.84%	421.37	20.13%
Non-current liabilities				
Lease Payable	-	-	1.39	0.07%
Provision for long-term employee benefits	35.40	1.53%	38.34	1.83%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	35.42	1.53%	39.75	1.90%
TOTAL LIABILITIES	657.89	28.37%	461.12	22.03%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.52%	383.00	18.30%
Premium on stock	519.67	22.41%	519.67	24.83%
Retained earnings				
Legal reserve	78.70	3.39%	76.40	3.65%
Un-appropriated	521.85	22.50%	455.35	21.75%
Non-controlling interest of the subsidiary	157.89	6.81%	197.67	9.44%
Total shareholders' equity	1,661.11	71.63%	1,632.09	77.97%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,319.00	100.00%	2,093.21	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st March 2022 and 2021, the Company and its subsidiaries had total assets of Baht 2,319.00 million and Baht 2,093.21 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 2022 and 2021 the Company and its subsidiaries had net inventories of Baht 745.56 million (or 32.15 percent of total assets) and Baht 506.04 million (or 24.18 percent of total assets) respectively. The increase in inventories were mainly following the upper sales and increase in global material price.
- 2.1.2 Trade account receivables – other parties: As at and 31st March 2022 and 2021, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 661.51 million (or 28.53 percent of total assets) and Baht 556.31 million (or 26.58 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 31st March 2022 and 2021 the Company and its subsidiaries had short term investment of Baht 8.35 million (or 0.36 percent of total assets) and Baht 73.88 million (or 3.53 percent of total assets) respectively. The higher 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 2022 and 2021, the Company and its subsidiaries had Land, plant and equipments – net of Baht 522.49 million (or 22.53 percent of total assets) and Baht 551.66 million (or 26.35 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 31st March 2022 and 2021, the Company and its subsidiaries had net value of Baht 46.18 million (or 1.99 percent of total assets and 2.21 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 2022 and 2021, the Company and its subsidiaries had net value of Baht 12.63 million and Baht 14.29 million respectively (0.54 percent and 0.68 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 31st March 2022 and 2021 stood at Baht 622.47 million and Baht 421.37 million respectively. The current liabilities increased following the lower volume of raw material purchases but market price rising and less long-term liabilities as the Company paid compensation for employee benefits for the executives who have due to retirement.

2.3 Shareholders' equity

As at and 31st March 2022 and 2021, shareholders' equity was Baht 1,661.11 million and Baht 1,632.09 million or increase by Baht 29.02 million. The major changes were the net profit amounting to Baht 257.13 million and dividend payment of Baht 228.10 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,503.22 million and Baht 157.89 million respectively.

Debt to Equity ratio as at and 31st March 2022 and 2021 were 0.40 and 0.28 times respectively. The upper D/E ratio was due to large current liabilities as a result of big size of business transactions in the latest quarter.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st Mar 2022	As at 31st Mar 2021
Net cash from (used in) operating activities	136.93	239.22
Net cash used in investing activities	50.54	20.28
Net cash from (used in) financing activities	-216.96	-153.15
Effect of exchange rate to cash and cash equivalent	0.09	-0.06
Net increase (decrease) in cash	-29.40	106.50

3. Cash flows

For the year ended 2022 and 2021, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 136.93 million, consisting of baht 313.22 million positively from operating performance and net negative in working capital of Baht -176.21 million. The net positive cash flow in working capital came from upper trade account receivables, trade account payable and inventories.

Net cash flow from investing activities was amount to 50.54 million baht. Most of which are net investments of 65.65 million baht and payment of equipment of -21.78 million baht.

The financing part was net Baht -216.96 million with some received of short term loan 14.50 million and payment of dividend by Baht -228.10 million.

In total, net cash for the period was decreased by Baht 29.40 million.

Sincerely yours,

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