

November 14, 2012

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 2012

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 2012 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30 th Sept				For the period of 1st half ended 30 th Sept			
	July - Sept 2012	July - Sept 2011	Change	% Change	Apr - Sept 2012	Apr - Sept 2011	Change	% Change
Revenue from sales & service	687.54	675.73	11.81	1.7%	1,294.37	1,239.79	54.58	4.4%
Other income	8.91	9.25	-0.34	-3.7%	15.68	16.36	-0.68	-4.2%
Total revenue	696.45	684.98	11.47	1.7%	1,310.05	1,256.15	53.90	4.3%
Cost of goods sold & service	609.26	599.95	9.31	1.6%	1,144.67	1,097.18	47.49	4.3%
Selling expenses	14.69	14.75	-0.06	-0.4%	29.54	24.24	5.30	21.9%
Administrative expenses	16.88	17.27	-0.39	-2.3%	32.38	36.20	-3.82	-10.6%
Total expenses	640.83	631.97	8.86	1.4%	1,206.59	1,157.62	48.97	4.2%
Earning before interest and tax	55.62	53.01	2.61	4.9%	103.46	98.53	4.93	5.0%
Financial expenses	-4.95	-5.42	0.47	8.7%	-9.51	-9.32	-0.19	-2.0%
Share of income from investment in associate	0.46	0.58	-0.12	-20.7%	1.20	0.91	0.29	31.9%
Corporate Income tax expenses	-5.98	-7.76	1.78	22.9%	-11.77	-16.12	4.35	27.0%
Net profit for the period	45.15	40.41	4.74	11.7%	83.38	74.00	9.38	12.7%
Profit Sharing for non-controlling interest of a subsidiary company	-11.49	-8.96	-2.53	-28.2%	-19.23	-13.85	-5.38	-38.8%
Net profit for the company and its subsidiaries	33.66	31.45	2.21	7.0%	64.15	60.15	4.00	6.7%

1. Operating Performance

For the period of three months ended 30th Sept 2012, the Company and its subsidiaries had net operating profit and net profit for the period higher than the same period of previous year by Baht 2.61 million and Baht 4.74 million respectively. However, the net profit for the company and its subsidiaries was Baht 33.66 million, increased by 2.21 million which accounting for 7.0 percent, compared with the net profit of Baht 31.45 million of the same period of the previous year. When compared with previous quarter, the present quarter's net profit increased by 10.4 percent from the previous quarter's net profit of Baht 30.50 million. This were due to the higher gross margin from the growth of profitable exhausted pipes in automotive industry, lower of selling, administration and interest expenses comparing with the same period of previous year. In addition, corporate tax was booked lower by Baht 1.78 million as the result of lower in the corporate tax rate from 30 percent to 23 percent.

For the period of 1st half ended 30th Sept 2012, the Company and its subsidiaries had net operating profit of Baht 103.46 million which accounting for the increase by 5.00 percent, Net profit for the company and its subsidiaries was 64.15 million or increase by 6.7 percent when compared with the net profit of Baht 60.15 million of the same period of the previous year. The increase for 1st half year was due to sale growth by 4.4 percent in which attributable from the

growth of exhausted pipe for automotive industry and lower corporate tax rate in the current year.

1.1 Revenue

For the period of three months ended 30th Sept 2012, the Company and its subsidiaries had revenue from sales and service of Baht 687.54 million compared with Baht 675.73 million in the same period of the previous year, which increased by 1.7 percent. When compared with previous quarter, the present quarter revenue grown by 13.3 percent from previous quarter. This was mainly due from the increasing in sales of exhausted pipes and stainless parts for automotive industry to support higher demand in vehicles and production capacity of automotive industry. The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the period of three months ended 30th Sept 2012, the Company and its subsidiaries had revenue mostly from domestic sales of 99.9 percent of total revenue from sales. The proportion of domestic sale to port was higher due the growth in sales together with internal problems caused by big protest inside a major car manufacturer as well as the problem of depreciation of currency value in India.

For the period of 1st half of year ended 30th Sept 2012, the Company and its subsidiaries had revenue from sales and service of Baht 1,294.37 million compared with Baht 1,239.79 million in the same period of the previous year, which accounting for the increase by 4.4 percent. The increased was due mainly to the increase in volumes of automotive parts and exhaust pipe. The Company and its subsidiaries had revenue from domestic sales of 99.4 percent of total revenue from sales, higher than 97.1 percent in previous year.

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 2012, the Company and its subsidiaries had other income of Baht 8.91 million and 15.68 million baht respectively, which decreased by 3.7 percent and 4.2 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 30th Sept 2012, the Company and its subsidiaries had cost of goods sold of Baht 609.26 million, or accounting for 87.48 percent of the total revenue, slightly decrease in comparing with Baht 599.95 million or accounting for 87.58 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2012 increased by 1.6 percent, in line with the increase in sales by 1.7 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2012, the Company and its subsidiaries had cost of goods sold of Baht 1,144.67 million, or accounting for 87.37 percent of the total revenue in comparing with Baht 1,097.18 million, or accounting for 87.34 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 2012, the Company and its subsidiaries had selling expenses of Baht 14.69 million and

29.54 million, compared with selling expenses of Baht 14.75 million and 24.24 million in the same periods of the previous year, or slightly decreased by 0.4 percent for three month period and increased by 21.9 percent for the 1st half year respectively. For the period of three months and 1st half ended 30th Sept 2012, the selling expenses were 2.13 percent and 2.28 percent of total sales and service, compared with 2.18 percent and 1.95 percent in the same period of previous year. This increase for 1st half year was due to the lower expenses than normal in previous year by the settlement of an overdue amount of Baht 4.04 million from a customer.

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 2012, the Company and its subsidiaries had administrative expenses of Baht 16.88 million and 32.38 million, compared with administrative expenses of Baht 17.27 million and 36.20 million in the same period of the previous year which decreased by 2.3 percent and 10.6 percent respectively. This was due to the additional payment of tax surcharge for an amount of Baht 2.5 million in 1st half of previous year.

The major expenses are in area of personnel costs due to salary normally increased 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 period of three months and 1st half year ended 30th Sept 2012, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.46 million and 1.20 million in consolidated income statements in which decreased by Baht 20.7 percent for three month period and increase by 31.9 percent for 1st half year respectively in comparison with the same period of previous year. The decreases in share of profit for three month period due mainly to reduction of service rate since 1 July 2012.

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 2012, the Company and its subsidiaries had earning before interest and tax of Baht 55.62 million and Baht 103.46 million respectively. After deducting the financial costs of Baht 4.95 million and Baht 9.51 million, adding the share of income from investment of Baht 0.46 million and Baht 1.20 million, deducting the corporate income tax of Baht 5.98 million and Baht 11.77 million, the net profit of the Company and its subsidiaries were at Baht 45.15 million and Baht 83.38 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 present period for three months period were increased by 4.9 percent and by 11.7 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both increased by 5.0 percent and 12.7 percent respectively.

In addition to the period of three month and period of 1st half ended 30 Sept 2012, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 11.49 million and 19.23 million respectively. The higher profit sharing was due to the higher net profit of a subsidiary. As a result, the net profit for the company and its subsidiary increase to amount of Baht 33.66 million and 64.15 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2012, the Company and its subsidiaries recognized corporate tax expenses by Baht 5.98 million and 11.77 million,

decrease from the same period of previous year of Baht 7.76 million and 16.12 million as the result of corporate tax rate deduction.

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, Mory Industrial Inc. 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 11.49 million and 19.23 million for the period of three month and 1st half year ended 30th Sept 2012.

2.0 Profitability

For the period of three months ended 30th Sept 2012, the Company and its subsidiaries had gross profit margin of 11.38 percent compared with gross profit margin of 11.21 percent in the same period of the previous year. The gross profit margin increased by 2.50 million, owing to increase in sale volume when comparing with the same period of previous year. The Company and its subsidiaries had net profit margin of 4.83 percent, compared with net profit margin of 4.59 percent in the same period of the previous year. Increase in net profit was due mainly to the lower of financial expenses and corporate tax.

For the period of 1st half ended 30th Sept 2012, the Company and its subsidiaries had gross profit margin of 11.56 percent compared with gross profit margin of 11.50 percent in the same period the previous year. The gross profit margin increased by 7.09 million, owing to the increase in sale volume in overall.

(Unit: Baht million)

Consolidated balance sheets	As at 30th September 2012		As at 31st March 2012	
	Amount	%	Amount	%
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	52.06	2.94%	53.85	3.54%
Account receivable, trade and others	627.61	35.43%	541.54	35.56%
Inventories, net	691.97	39.06%	553.95	36.38%
Other current assets	16.58	0.94%	7.03	0.46%
Total current assets	1,388.22	78.37%	1,156.37	75.94%
<u>Non-current assets</u>				
Investment in related company	10.35	0.59%	9.14	0.60%
Property, plant and equipment, net	365.00	20.60%	349.50	22.95%
Intangible assets – net	0.25	0.01%	0.37	0.02%
Restricted fixed deposits	5.00	0.28%	5.00	0.33%
Other non-current assets	2.64	0.15%	2.46	0.16%
Total non-current assets	383.24	21.63%	366.47	24.06%
TOTAL ASSETS	1,771.46	100.00%	1,522.84	100.00%
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Bank overdraft and borrowing from financial institutions	329.21	18.59%	266.17	17.48%
Account payables, trade and others	378.64	21.37%	223.12	14.65%
Current portion of financial lease	4.69	0.26%	3.63	0.24%
Accrued corporate income tax	11.02	0.62%	9.35	0.61%
Other current liabilities	2.04	0.12%	6.07	0.40%
Total current liabilities	725.60	40.96%	508.34	33.38%
<u>Non-current liabilities</u>				
Financial lease obligations	7.35	0.42%	9.57	0.63%
Provision for employee benefit	16.21	0.91%	16.07	1.05%
Total non-current liabilities	23.56	1.33%	25.64	1.68%
TOTAL LIABILITIES	749.16	42.29%	533.98	35.06%
<u>SHAREHOLDERS' EQUITY</u>				
Shareholder equity				
Registered capital				
Issued and Paid up capital	320.00	-	320.00	-
Premium on stock	320.00	18.06%	320.00	21.01%
Retained earnings	330.67	18.67%	330.67	21.72%
Legal reserve	24.56	1.39%	24.46	1.61%
Un-appropriated	202.57	11.43%	183.32	12.04%
Non-controlling interest of a subsidiary	144.50	8.16%	130.41	8.56%
Total shareholders' equity	1,022.30	57.71%	988.86	64.94%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,771.46	100.00%	1,522.84	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 30th Sept and 31st March 2012 the Company and its subsidiaries had total assets of Baht 1,771.46 million and Baht 1,522.84 million respectively since the Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless product wholesale. 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 30th Sept and 31st March 2012 the Company and its subsidiaries had net inventories of Baht 691.97 million (or 39.06 percent of total assets) and Baht 553.95 million (or 36.38 percent of total assets) respectively. The increase in value of inventory was resulted from the buffering of raw material to support the future production of automotive industry.
- 2.1.2 Trade account receivables, net – other parties: As at 30th Sept and 31st March 2012, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 627.61 million (or 35.43 percent of total assets) and Baht 541.54 million (or 35.56 percent of total assets) respectively. The increased in trade account receivables was the result of the growth in sales for the three month period ended 30th Sept 2012.
- 2.1.3 Land, plant and equipments--Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 30th Sept and 31st March 2012, the Company and its subsidiaries had Land, plant and equipments – net of Baht 365.00 million (or 20.60 percent of total assets) and Baht 349.50 million (or 22.95 percent of total assets) respectively. The increase in value was from the purchase of machine for exhausted pipe in a subsidiary.

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 30th Sept and 31st March 2012 stood at Baht 749.16 million and Baht 533.98 million respectively. The major increasing in liabilities was trade payable.

As at 30th Sept and 31st March 2012 the Company and its subsidiaries reserved provision for employee benefit of Baht 16.21 million (or 0.91 percent of total assets) and Baht 16.07 million (or 1.05 percent of total assets) respectively.

2.3 Shareholders' equity

As at 30th Sept and 31st March 2012, shareholders' equity was Baht 1,022.30 million and Baht 988.86 million respectively. The major changes were from the net profit amounting to Baht 64.15 million from the three month period and the existing non-controlling interest portion was Baht 144.50 million.

Debt to Equity ratio, as at 30th Sept and 31st March 2012, the ratios were at 0.73 times and 0.54 times respectively. The higher ratio was reflected by the material sourcing with using more suppliers' credit.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th Sept 2012	As at 30th Sept 2011
Net cash from (used in) operating activities	34.27	68.74
Net cash used in investing activities	-46.08	-40.20
Net cash from (used in) financing activities	9.98	-14.20
Effect of exchange rate to cash and cash equivalent	0.04	0.33
Net increase (decrease) in cash	-1.79	14.67

3. Cash flows

For the 1st half year ended 30th Sept 2012, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 34.27 million, consisting of baht 120.39 million positively from operating performance and baht negative -86.12 million in working capital which were mostly dominated by account receivable and inventories due the growth in sale in last three month and sourcing raw material. There were also some investing activities of Baht -46.08 million by mostly purchasing of machine for automotive pipe of a subsidiary. The other part of cash flow by Baht 9.98 in financing activities was due to the dividend payment by Baht -49.95 million and paid back of short term loan by Baht -20.00 million but higher trust receipt by Baht 81.86 million from sourcing raw material. In total, company had the net decrease in cash flow for period of three months ended 30th Sept 2012 by Baht -1.79 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director