

Nov 16, 2015

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 2015

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 2015 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 2015	July - Sept 2014	Change	% Change	Apr - Sept 2015	Apr - Sept 2014	Change	% Change
Revenue from sales & service	788.60	827.87	-39.27	-4.7%	1,574.36	1,598.74	-24.38	-1.5%
Other income	9.02	14.24	-5.22	-36.7%	19.96	23.43	-3.47	-14.8%
Total revenue	797.62	842.11	-44.49	-5.3%	1,594.32	1,622.17	-27.85	-1.7%
Cost of goods sold & service	712.27	742.78	-30.51	-4.1%	1,423.96	1,431.32	-7.36	-0.5%
Selling expenses	19.00	19.69	-0.69	-3.5%	38.10	37.81	0.29	0.8%
Administrative expenses	23.53	25.48	-1.95	-7.6%	47.97	49.65	-1.68	-3.4%
Total expenses	754.80	787.95	-33.15	-4.2%	1,510.03	1,518.78	-8.75	-0.6%
Earning before interest and tax	42.82	54.16	-11.34	-20.9%	84.29	103.39	-19.10	-18.5%
Financial expenses	-3.66	-3.80	0.14	-3.7%	-8.52	-7.93	-0.59	7.4%
Share of income from investment in associate	0.26	0.14	0.12	85.7%	0.53	0.26	0.27	103.9%
Corporate Income tax expenses	-7.89	-10.39	2.50	-24.1%	-15.42	-19.50	4.08	-20.9%
Net profit for the period	31.53	40.11	-8.58	-21.4%	60.88	76.22	-15.34	-20.1%
Profit Sharing for non-controlling interest of a subsidiary company	-7.06	-5.37	-1.69	31.5%	-12.80	-9.45	-3.35	35.5%
Net profit for the company and its subsidiaries	24.47	34.74	-10.27	-29.6%	48.08	66.77	-18.69	-28.0%

1. Operating Performance

For the period of three months ended 30th Sept 2015, the net profits for the company and its subsidiaries was Baht 24.47 million or decreased by 10.27 million which accounting for 29.6 percent, the results for the current three-month period compared to the same period of the previous year was declining, same situation as in previous quarter. This is Due to the global economic slowdown, the slow recovery of the china economic, domestic drought and the weakness of purchasing power and confidence. It is still negative despite positive factors from tourism sector and government spending. This is evidenced by the contraction of activity in many ways, especially in the export sector, industrial production and agricultural productivity. However, the economic recovery of Thailand in the last quarter of 2558 is expected to have a positive image from a series of stimulus measures began to push from the late quarter 3/2015 and to accelerate spending under the budget and various investment projects of the government.

Beside, company and its subsidiaries recorded the profit sharing to non-controlling interest in a subsidiary by Baht 7.06 million, increased by Baht 1.69 million from the same period of previous year due to the better sales and net profit of a subsidiary company who manufacture and supply the automotive exhausted pipes to automotive industry.

For the period of 1st half ended 30th Sept 2015, the Company and its subsidiaries had net operating profit of Baht 84.29 million which accounting for the decrease by 18.5 percent, Net profit for the company and its subsidiaries was 48.08 million or decrease by 28.0 percent when compared with the net profit of Baht 66.77 million of the same period of the previous year. Net profit decreased for the first half due to the overall production in the industrial sector has shrunk when compared to the previous year, due to the economic slowdown in both domestic and international.

1.1 Revenue

For the period of three months ended 30th Sept 2015, the Company and its subsidiaries had revenue from sales and service of Baht 788.60 million compared with Baht 827.87 million in the same period of the previous year, which decreased by 4.7 percent. The sales decrease is due to lower in overall weight for the core products of stainless steel, fell from the same period last year. That was the consequence of the slowdown of manufacturing in the customer sectors in this year, together with declining of global market price of stainless steel from last year.

The sales of a new subsidiary company mostly came from Copper and Aluminum whereas Stainless products were the main products of Company and its old subsidiaries.

For the period of 1st half of year ended 30th Sept 2015, the Company and its subsidiaries had revenue from sales and service of Baht 1,574.36 million compared with Baht 1,598.74 million in the same period of the previous year, which accounting for the decrease by 1.5 percent . Sales decline caused by the weight of its overall sales are down from the same period last year as impacted by purchasing power and the slowdown of overall economic conditions both at local and international.

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 2015, the Company and its subsidiaries had other income of Baht 9.02 million and 19.96 million baht respectively, which decreased by 36.7 percent and 14.8 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 2015, the Company and its subsidiaries had cost of goods sold of Baht 712.27 million, or accounting for 89.30 percent of the total revenue, increase in comparing with Baht 742.78 million or accounting for 88.20 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2015 decreased by 4.1 percent, lower decrease than the decrease in sales & services by 4.7 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2015, the Company and its subsidiaries had cost of goods sold of Baht 1,423.96 million, or accounting for 89.31 percent of the total revenue in comparing with Baht 1,431.32 million, or accounting for 88.23 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 2015, the Company and its subsidiaries had selling expenses of Baht 19.00 million and 38.10 million, compared with selling expenses of Baht 19.69 million and 37.81 million in the same periods of the previous year, or decreased by 3.5 percent for three month period and increased by 0.8 percent for the 1st half year respectively. The majority of selling expense was sell personal expenses.

For the period of three months and 1st half ended 30th Sept 2015, the selling expenses were 2.41 percent and 2.42 percent of total sales and service, compared with 2.38 percent and 2.36 percent 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 period of three months and period of 1st half ended 30th Sept 2015, the Company and its subsidiaries had administrative expenses of Baht 23.53 million and 47.97 million, compared with administrative expenses of Baht 25.48 million and 49.65 million in the same period of the previous year which decreased by 7.6 percent and 3.4 percent respectively. The lower in administrative expense was due mainly to the control of expenses.

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 2015, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.26 million and 0.53 million in consolidated income statements in which increased by 85.7 percent for three month period and increased by 103.9 percent for 1st half year respectively in comparison with the same period of previous year.

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 2015, the Company and its subsidiaries had earning before interest and tax of Baht 42.82 million and Baht 84.29 million respectively. After deducting the financial costs of Baht -3.66 million and Baht -8.52 million, adding the share of income from investment of Baht 0.26 million and Baht 0.53 million, deducting the corporate income tax of Baht -7.89 million and Baht -15.42 million, the net profit of the Company and its subsidiaries were at Baht 31.53 million and Baht 60.88 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 20.9 percent and by 21.4 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both decreased by 18.5 percent and 20.1 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2015, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 7.06 million and 12.80 million respectively. The higher profit sharing was due to the higher in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 24.47 million and 48.08 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2015, the Company and its subsidiaries recognized corporate tax expenses by Baht 7.89 million and 15.42 million, decrease from the same period of previous year of Baht 10.39 million and 19.50 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, 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 7.06 million and 12.80 million for the period of three month and 1st half year ended 30th Sept 2015.

1.10 Profitability

For the period of three months ended 30th Sept 2015, the Company and its subsidiaries had gross profit margin of 9.68 percent, compared with gross profit margin of 10.28 percent in the same period of the previous year. This was owing to high pressure from competition and price bargaining during the economic weakness as well as sales in other channels that have lower margins.

For the period of 1st half ended 30th Sept 2015, the Company and its subsidiaries had gross profit margin of 9.55 percent compared with gross profit margin of 10.47 percent in the same period the previous year. The gross profit margin decreased by Baht 17.02 million.

(Unit: Baht million)

Consolidated balance sheets	As at 30 th Sept 2015		As at 31 st Mar 2015	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	107.24	4.69%	134.81	5.63%
Short-term investment	-	-	20.03	0.83%
Account receivable, trade and others	709.70	31.04%	778.52	32.50%
Inventories, net	843.83	36.91%	823.80	34.39%
Other current assets	7.74	0.34%	7.90	0.33%
Total current assets	1,668.51	72.98%	1,765.06	73.68%
Non-current assets				
Investment in related company	8.66	0.38%	8.13	0.34%
Long-term investment	3.08	0.14%	3.08	0.13%
Property, plant and equipment, net	530.75	23.21%	545.46	22.77%
Intangible assets – net	0.49	0.02%	0.57	0.02%
Restricted fixed deposits	46.00	2.01%	46.00	1.92%
Deferred tax assets	22.31	0.98%	18.67	0.78%
Other non-current assets	6.48	0.28%	8.53	0.36%
Total non-current assets	617.77	27.02%	630.44	26.32%
TOTAL ASSETS	2,286.28	100.00%	2,395.50	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	339.12	14.83%	378.85	15.82%
Account payables, trade and others	365.53	15.99%	435.81	18.19%
Current portion of financial lease	4.99	0.22%	4.85	0.20%
Accrued corporate income tax	18.38	0.80%	15.54	0.65%
Other current liabilities	11.33	0.50%	12.91	0.54%
Total current liabilities	739.35	32.34%	847.96	35.40%
Non-current liabilities				
Financial lease obligations	2.20	0.10%	4.65	0.19%
Provision for employee benefit	24.00	1.05%	22.66	0.95%
Total non-current liabilities	26.20	1.15%	27.31	1.14%
TOTAL LIABILITIES	765.55	33.49%	875.27	36.54%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.75%	383.00	15.99%
Premium on stock	519.67	22.73%	519.67	21.69%
Retained earnings				
Legal reserve	60.21	2.63%	57.71	2.41%
Un-appropriated	374.19	16.37%	366.91	15.32%
Non-controlling interest of a subsidiary	183.66	8.03%	192.94	8.05%
Total shareholders' equity	1,520.73	66.51%	1,520.23	63.46%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,286.28	100.00%	2,395.50	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 30th September and 31st March 2015, the Company and its subsidiaries had total assets of Baht 2,286.28 million and Baht 2,395.50 million respectively. The decrease was Baht 109.22 million, mainly decreased in cash on hand. Since 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 30th September and 31st March 2015 the Company and its subsidiaries had net inventories of Baht 843.83 million (or 36.91 percent of total assets) and Baht 823.80 million (or 34.39 percent of total assets) respectively. The increase in present period due mainly to the raw material of aluminum, copper and other in order to prepare for next phrase.
- 2.1.2 Trade account receivables, net – other parties: As at 30th September and 31st March 2015, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 709.70 million (or 31.04 percent of total assets) and Baht 778.52 million (or 32.50 percent of total assets) respectively. The decreased in value was due to the lower sales in current quarter than the other quarters.
- 2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 30th September and 31st March 2015, the Company and its subsidiaries had Land, plant and equipments – net of Baht 530.75 million (or 23.21 percent of total assets) and Baht 545.46 million (or 22.77 percent of total assets) respectively. During the period, there were the investments to upgrade machine and production equipments to reach the better efficiency.
- 2.1.4 Restricted fix deposit: As at 30th September and 31st March 2015, the Company and its subsidiaries had net value of Baht 46.00 million (2.01 percent and 1.92 percent of total assets respectively). The restricted fix deposit by a subsidiary was used as guarantee for loans from financial institution.
- 2.1.5 Deferred tax assets: As at 30th September and 31st March 2015, the Company and its subsidiaries had net value of Baht 22.31 million and Baht 18.67 million respectively (0.98 percent and 0.78 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 30th September and 31st March 2015 stood at Baht 765.55 million and Baht 875.27 million respectively. The decreasing in liabilities was mainly to the settlement of trade creditor and pay back the short term loan by excessive operating cash flow.

2.3 Shareholders' equity

As at 30th September and 31st March 2015, shareholders' equity was Baht 1,520.73 million and Baht 1,520.23 million respectively. The major changes were from the net profit amounting to Baht 60.88 million, dividend payment of Baht 60.38 million for company shareholders and minority shareholder in a subsidiary. Therefore, portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,337.07 million and Baht 183.66 million respectively.

Debt to Equity ratio, as at 30th September and 31st March 2015, the ratios were 0.5 and 0.58 times respectively. The decrease in ratio was due to the settlement of trade creditors and pay back of short term loan.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th September 2015	As at 30th September 2014
Net cash from (used in) operating activities	84.47	67.86
Net cash used in investing activities	-9.66	-57.21
Net cash from (used in) financing activities	-102.42	11.95
Effect of exchange rate to cash and cash equivalent	0.04	0.00
Net increase (decrease) in cash	-27.57	22.60

3. Cash flows

For the 1st half ended 30th September 2015, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 84.47 million, consisting of baht 121.56 million positively from operating performance and net of Baht -37.09 million working capital. Most decrease was in trade receivable and trade creditors but increases in inventories. There was also net pay in investing activities of Baht -9.66 million, the net spending for upgrade machine and equipment was Baht -31.34 million but receiving from sales of short term investment of Baht 20.12 million. The financing part was net increased by Baht -102.42 million. There were net paying back of short term loan by Baht -39.72 million and payment of dividend by Baht -60.38 million. In total, net cash flow for the period was decreased by Baht -27.57 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director