

May 27, 2013

Subject Management Discussion and Analysis for the year ended 31st March 2013

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 2013 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2012 - Mar 2013 **	Apr 2011 - Mar 2012	Change	% Change
Revenue from sales & service	2,889.38	2,287.87	601.51	26.3%
Other income	49.26	34.07	15.19	44.6%
Total revenue	2,938.64	2,321.94	616.70	26.6%
Cost of goods sold & service	2,542.06	2,037.69	504.37	24.8%
Selling expenses	63.29	50.40	12.89	25.6%
Administrative expenses	83.99	67.61	16.38	24.2%
Total expenses	2,689.34	2,155.70	533.64	24.8%
Earning before interest and tax	249.30	166.24	83.06	50.0%
Finance cost	-17.94	-19.60	1.66	-8.5%
Share of profit from investment in associate	2.11	1.62	0.49	30.3%
Corporate Income tax expenses	-32.17	-25.78	-6.39	24.8%
Net profit	201.30	122.48	78.82	64.4%
Minority interest in subsidiary	-44.10	-25.76	-18.34	71.2%
Net profit of the Company	157.20	96.72	60.48	62.5%

** Including two month performance (Feb & Mar'13) of a new subsidiary company

1. **Operating Performance**

For the year ended 31st March 2013, the Company and its subsidiaries had net profit of Baht 157.20 million or increased by 60.48 million or 62.5 percent from previous year, compared with the net profit of Baht 96.72 million of the same period of the previous year. The profit performance for present year was good itself and much better than previous year due to the previous year low base in which impacted by mega flooding. In addition, there were some positive factors to present year performance from the growth in automotive industrial supported by order backlogs carried over and the first car policy from government as well as sales growth in electrical appliances and construction. In addition, the Company entered into the acquisition of an entity and completed the 100 percent share-holding by January 2013. Therefore, the present year performance included two month (Feb-Mar 2013) net profit of amount by Baht 6.40 million of a new subsidiary company as part of total performance.

The profit before interest and tax increased by Baht 83.06 million whereas corporate tax increased by Baht 6.39 million, financial cost decreased by Baht 1.66 million by positive cash flow from operating profit and increases by Baht 18.34 million of profit sharing to minority shareholders due to sale and profit growth of a subsidiary company.

1.1 Revenue

For the year ended 31st March 2013, the Company and its subsidiaries had revenue from sales and service of Baht 2,889.38 million compared with Baht 2,287.87 million in the same period of the previous year, which increased by 26.3 percent. The increased was due mainly to the increase in volumes of automotive parts and exhaust pipe and without impacts of Mega flooding like last year. In addition, total revenue included two month revenue from a new subsidiary amount by Baht 132.69 million.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31st March 2013, the Company and its subsidiaries had revenue from domestic sales of 99.99 percent of total revenue from sales. The proportion of domestic sale to port was higher due the growth in domestic sales whereas the lower in export of exhausted automotive pipes to India of a subsidiary. Apart from that, domestic sale was also supported by combining part of domestic sale from a new subsidiary company.

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 2013, the Company and its subsidiaries had other income of Baht 49.26 million or increased by 15.19 percent from the same period previous year. This was owing to the realization of gain from bargaining in acquisition price of Baht 9.60 million in present year whereas there was no such transaction in previous year.

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 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 D-Stainless which the Company and its subsidiaries process. For the year ended 31st March 2013, the Company and its subsidiaries had cost of goods sold of Baht 2,542.06 million, or accounting for 86.50 percent of the total revenue in comparing with Baht 2,037.69 million, or accounting for 87.75 percent of total revenue of previous year. Cost of goods sold increased by 24.8 percent whereas sales & service increased by 26.3 percent.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, promotion expenses. For the year ended 31st March 2013, the Company and its subsidiaries had selling expenses of Baht 63.29 million, compared with selling expenses of Baht 50.40 million in the same period of the previous year which increased by 25.6 percent. The increase in expenses was due mainly to the comparing to low delivery expenses and low marketing expenses in the previous year which impacted by Mega flooding incident and two month additional selling expenses from a new subsidiary company of Baht 2.44 million.

For the period of year ended 31st Dec 2013, the selling expenses were 2.15 percent, slightly decreased when comparing to 2.17 percent of total 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 2013, the Company and its subsidiaries had administrative expenses of Baht 83.99 million, compared with administrative expenses of Baht 67.61 million in the same period of the previous year which increased by 24.2 percent. This was due to the recognition of professional expenses for services render to investigate the acquisition amounting by Baht 6.24 million and two month additional administrative expenses from a new subsidiary company of Baht 3.48 million.

For the year ended 31st March 2013, the administrative expenses were 2.86 percent of total revenue, slightly decreased in compared with administrative expenses of 2.91 percent of total revenue in the same period the previous year.

1.6 Earning (loss) before interest and tax and Net Profit (loss)

For the year ended 31st March 2013, the Company and its subsidiaries had profit before interest and tax of Baht 249.30 million. After deducting the finance cost of Baht 17.94 million, income tax of Baht 32.17 million, net profit sharing to minority shareholders of subsidiary of Baht 44.10 million and adding the profit sharing from investment in related of Baht 2.11 million , the net profit of the Company and its subsidiaries stood at Baht 157.20 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 166.24 million and Baht 96.72 million respectively, the net profit of the present year increased by 62.5 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 2013 and 2012, the company and its subsidiary recognized share of profit by equity method of Baht 2.11 million and Baht 1.62 million respectively.

1.8 Corporate income tax

For the year ended 31st March 2013, the Company and its subsidiaries recognized corporate tax expenses by 32.17 million or increased by 24.8 percent. It was recorded by using new tax rate of 23.0 percent in current year from 30% in previous year. However, the increasing in corporate tax was due to the increase in profit before tax.

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 2013, the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of its shareholding in full year which was amount by 44.10 million, increased from amount by 25.76 million of previous year by 71.2 percent. The increased was due mainly to the growth in sales and profit of automotive business as well as lower base profit in previous year from Mega flooding incident.

1.10 Profitability

For the year ended 31st March 2013 the Company and its subsidiaries had gross profit margin of 12.02 percent compared with gross profit margin of 10.93 percent in the same period the previous year. The increase in gross profit margin was owing to the growing in profitable product sales.

For the year ended 31st March 2013, the Company and its subsidiaries had net profit margin of 5.35 percent compared with net profit of 4.17 percent in the same period of the previous year. The increase in net profit was mainly contributable from the higher in gross margin as mention above.

(Unit: Baht million)

Consolidated balance sheets	As at 31st March 2013		As at 31st March 2012	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	87.28	3.59%	53.85	3.54%
Short-term investment	70.51	2.90%		
Account receivable, trade and others	855.39	35.16%	541.54	35.56%
Inventories, net	896.03	36.83%	553.95	36.38%
Other current assets	6.66	0.27%	7.03	0.46%
Total current assets	1,915.87	78.75%	1,156.37	75.94%
Non-current assets				
Investment in related company	11.25	0.46%	9.14	0.60%
Long-term investment	3.21	0.13%		
Other long-term investment	5.00	0.21%		
Property, plant and equipment, net	447.90	18.41%	349.50	22.95%
Intangible assets – net	0.48	0.02%	0.37	0.02%
Restricted fixed deposits	46.00	1.89%	5.00	0.33%
Other non-current assets	3.18	0.13%	2.46	0.16%
Total non-current assets	517.02	21.25%	366.47	24.06%
TOTAL ASSETS	2,432.89	100.00%	1,522.84	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	469.89	19.31%	266.17	17.48%
Account payables, trade and others	531.50	21.85%	223.12	14.65%
Current portion of financial lease	4.35	0.18%	3.63	0.24%
Accrued corporate income tax	25.11	1.03%	9.35	0.61%
Other current liabilities	8.44	0.35%	6.07	0.40%
Total current liabilities	1,039.29	42.72%	508.34	33.38%
Non-current liabilities				
Financial lease obligations	8.03	0.33%	9.57	0.63%
Provision for employee benefit	25.33	1.04%	16.07	1.05%
Total non-current liabilities	33.36	1.37%	25.64	1.68%
TOTAL LIABILITIES	1,072.65	44.09%	533.98	35.06%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		320.00	
Issued and Paid up capital	383.00	15.74%	320.00	21.01%
Premium on stock	519.67	21.36%	330.67	21.72%
Retained earnings				
Legal reserve	38.05	1.57%	24.46	1.61%
Un-appropriated	250.16	10.28%	183.32	12.04%
Non-controlling interest of a subsidiary	169.36	6.96%	130.41	8.56%
Total shareholders' equity	1,360.24	55.91%	988.86	64.94%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,432.89	100.00%	1,522.84	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 31st March 2013 and 2012 the Company and its subsidiaries had total assets of Baht 2,432.89 million and Baht 1,522.84 million respectively. The increase was Baht 910.05 million mainly resulted by integration of assets from a new subsidiary. 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 and a new subsidiary who is the 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 Short-term investment: As at 31st March 2013 a new subsidiaries had net value of Baht 70.51 million (or 2.90 percent of total assets) for the short-term investment in investment units for the purpose of using it as their working capital for raw material procurement.
- 2.1.2 Inventories: As at 31st March 2013 the Company and its subsidiaries had net inventories of Baht 896.03 million (or 36.83 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 including inventory from a new subsidiary whose its main inventories was copper, aluminium and stainless steel.
- 2.1.3 Trade account receivables, net – other parties: As at 31st March 2013, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 855.39 million (or 35.16 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 as well as including trade receivable from a new subsidiary.
- 2.1.4 Land, plant and equipments--Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31st March 2013, the Company and its subsidiaries had Land, plant and equipments – net of Baht 447.90 million (or 18.41 percent of total assets) and Baht 349.50 million (or 22.95 percent of total assets) respectively. The increase in value was from the efficiency upgrading of a shearing machine of company, purchasing machines for exhausted pipe in a subsidiary and including land, building and equipments from a new subsidiary.
- 2.1.5 Restricted fix deposit: As at 31st March 2013 the Company and its subsidiaries had net value of Baht 46.00 million (or 1.89 percent of total assets). The restricted fix deposit was used as guarantee for loans from financial institution.

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 31st March 2013 stood at Baht 1,072.65 million and Baht 533.98 million respectively. The major increasing in liabilities was trade payable, short term loan and trust receipt from a new subsidiary.

2.3 Shareholders' equity

As at 31st March 2013, shareholders' equity was Baht 1,360.24 million and Baht 988.86 million respectively. The major changes were from the net profit amounting to Baht 157.20 million, dividend paid by Baht 81.95 million and non-controlling interest portion by Baht 169.36 million. During the year, company issued new shares by 63 million shares with the market value of Baht 252 million to settle acquisition price to ex-shareholders of a new subsidiary company.

Debt to Equity ratio, as at 31st March 2013, the ratios were at 0.79 times and 0.54 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st March 2013	As at 31st March 2012
Net cash from (used in) operating activities	180.29	151.41
Net cash used in investing activities	-52.81	-57.88
Net cash from (used in) financing activities	-94.07	-73.66
Effect of exchange rate to cash and cash equivalent	0.02	0.01
Net increase (decrease) in cash	33.43	19.88

3. Cash flows

For the period of year ended 31st March 2013, the Company and its subsidiaries had net positive cash from operating activities of Baht 180.29 million, consisting of positive cash inflow from profit of Baht 285.38 million but decreased in net working capital by Baht -105.09 million. The decreased in newt working capital was due to higher in receivable and inventories even though company had longer credit term from raw material supplier.

Beside, the Company used cash in investing activities of Baht -52.81 million, mostly in machine and equipments of the subsidiary, the upgrading of a cutting machine and cash balance from a new subsidiary.

The cash flow from the financing activities was net decrease by Baht -94.07 million with consisting of repayment of short term loan by Baht -7.05 million, dividend payment of Baht -81.95 million. In overall, it was the net increase in cash of Baht 33.43 million.

Sincerely yours,

Signed: Mr. Anan Manatchinapisit
(Mr. Anan Manatchinapisit)
Deputy Managing Director