

May 26, 2016

Subject Management Discussion and Analysis for the year ended 31st March 2016

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 2016 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2015 - Mar 2016	Apr 2014 - Mar 2015	Change	% Change
Revenue from sales & service	3,176.85	3,372.45	-195.60	-5.8%
Other income	30.16	43.72	-13.56	-31.0%
Total revenue	3,207.01	3,416.17	-209.16	-6.1%
Cost of goods sold & service	2,858.66	3,026.19	-167.53	-5.5%
Selling expenses	75.20	76.30	-1.10	-1.4%
Administrative expenses	99.32	100.96 *	-1.64	-1.6%
Total expenses	3,033.18	3,203.45	-170.27	-5.3%
Earning before interest and tax	173.83	212.72	-38.89	-18.3%
Finance cost	-14.91	-18.38	3.47	-18.9%
Share of profit from investment in associate	1.20	0.69	0.51	73.9%
Income tax expenses	-33.40	-39.52 *	6.12	-15.5%
Net profit	126.72	155.51	-28.79	-18.5%
Minority interest in subsidiary	-29.02	-23.59 *	-5.43	23.0%
Net profit of the Company	97.70	131.92	-34.22	-25.9%

* Restating financial statement for the year Apr 2014-Mar 2015 following the enforcement of Thai Accounting Standard no. 19 (Revise 2014) regarding employee benefit which require actuarial gain/loss to present in other comprehensive income while previous year company recorded under profit or loss.

1. Operating Performance

For the year ended 31st March 2016 the Company and its subsidiaries had net profit of Baht 97.70 million or decreased by 34.22 million or 25.9 percent from previous year, compared with the net profit of Baht 131.92 million in previous year. The economy was still recovering slowly with support from continued government spending, better private spending from stimulation and the well recovery of tourism sector. However, exports of goods continued to contract as a result of the economic slowdown especially in China and ASEAN. Also, low oil prices in the world market has put pressure on the price of goods for export and put pressure in industrial sectors and private investment to remain at low levels. However, the coming economic recovery seem to have a positive result from a series of stimulus measures, aim to restructure economic by strengthening SME and encourage new investment via various investment incentives together with accelerate spending under the budget spending and investment in Mega projects of government.

The profit before interest and tax decreased by Baht 38.89 million whereas corporate tax decreased by 6.12 million, financial cost decreased by Baht 3.47 million and profit sharing to minority shareholders also increased by Baht 5.43 million in current year.

1.1 Revenue

For the year ended 31st March 2016, the Company and its subsidiaries had revenue from sales and service of Baht 3,176.85 million compared with Baht 3,372.45 million in the same period of the previous year, which decreased by 5.8 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 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.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31st March 2016, the Company and its subsidiaries had revenue from domestic sales of 99.45 percent of total revenue from sales and services.

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 2016, the Company and its subsidiaries had other income of Baht 30.16 million or decreased by 31.0 percent from the same period previous year. This was owing to the less scrap from production as well as lower scrap price during the 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 2016, the Company and its subsidiaries had cost of goods sold of Baht 2,858.66 million, or accounting for 89.14 percent of the total revenue in comparing with Baht 3,026.19 million, or accounting for 88.58 percent of total revenue of previous year. Cost of goods sold decreased by 5.5 percent whereas sales & service decreased by 5.8 percent.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, promotional expenses. For the year ended 31st March 2016, the Company and its subsidiaries had selling expenses of Baht 75.20 million, compared with selling expenses of Baht 76.30 million in the same period of the previous year which decreased by 1.4 percent. The lower in selling expense was due mainly to control over selling expenses during lower sales despite the fact that personnel expenses increased as usual.

For the period of year ended 31st March 2016, the selling expenses were 2.34 percent, increased when comparing to 2.23 percent of total revenue 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 2016, the Company and its subsidiaries had administrative expenses of Baht 99.32 million, compared with administrative expenses of Baht 100.96 million in the same period of the previous year which decreased by 1.6 percent. The lower in administrative expense was due mainly to control over administrative expenses.

For the year ended 31st March 2016, the administrative expenses were 3.10 percent of total revenue, increased in compared with administrative expenses of 2.96 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 2016, the Company and its subsidiaries had profit before interest and tax of Baht 173.83 million. After deducting the finance cost of Baht 14.91 million, income tax of Baht 33.40 million, net profit sharing to minority shareholders of subsidiary of Baht 29.02 million and adding the profit sharing from investment in related of Baht 1.20 million , the net profit of the Company and its subsidiaries stood at Baht 97.70 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 212.72 million and Baht 131.92 million respectively, the net profit of the present year decreased by 25.9 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 2016 and 2015, the company and its subsidiary recognized share of profit by equity method of Baht 1.20 million and Baht 0.69 million respectively. The increase in share of profit for period was due mainly to the higher sales of a new subsidiary who is the manufacturer of exhausted pipe in automotive industry.

1.8 Income tax expense

For the year ended 31st March 2016, the Company and its subsidiaries had corporate tax of Baht 33.40 million or decrease by 15.5 percent due to the lower in operating profit.

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 2016, 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 29.02 million, increased from amount by 23.59 million of previous year by 23.0 percent. The increased was due mainly to the higher sales and profit of a subsidiary who is the manufacturer of exhausted pipe in automotive industry.

1.10 Profitability

For the year ended 31st March 2016 the Company and its subsidiaries had lower gross profit margin of 10.02 percent compared with gross profit margin of 10.27 percent in the same period the previous year. This was owing to the competition and more cost control by customers.

For the year ended 31st March 2016, the Company and its subsidiaries had net profit margin of 3.05 percent compared with net profit of 3.86 percent in the same period of the previous year. The decrease in net profit was mainly from the lower in gross margin.

(Unit: Baht million)

Consolidated balance sheets	As at 31 st Mar 2016		As at 31 st Mar 2015	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	177.64	8.01%	134.81	5.63%
Short-term investment	4.51	0.20%	20.03	0.83%
Account receivable, trade and others	762.17	34.37%	778.52	32.50%
Inventories, net	664.35	29.96%	823.80	34.39%
Other current assets	4.97	0.23%	7.90	0.33%
Total current assets	1,613.64	72.77%	1,765.06	73.68%
Non-current assets				
Investment in related company	9.33	0.42%	8.13	0.34%
Long-term investment	3.16	0.14%	3.08	0.13%
Property, plant and equipment, net	519.22	23.42%	545.46	22.77%
Intangible assets – net	0.43	0.02%	0.57	0.02%
Restricted fixed deposits	46.50	2.10%	46.00	1.92%
Deferred tax assets	21.49	0.97%	18.67	0.78%
Other non-current assets	3.63	0.16%	8.53	0.36%
Total non-current assets	603.76	27.23%	630.44	26.32%
TOTAL ASSETS	2,217.40	100.00%	2,395.50	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	252.95	11.41%	378.85	15.82%
Account payables, trade and others	362.82	16.36%	435.81	18.19%
Current portion of financial lease	3.48	0.16%	4.85	0.20%
Accrued corporate income tax	15.17	0.68%	15.54	0.65%
Other current liabilities	13.05	0.59%	12.91	0.54%
Total current liabilities	647.47	29.20%	847.96	35.40%
Non-current liabilities				
Financial lease obligations	1.16	0.05%	4.65	0.19%
Provision for employee benefit	30.02	1.36%	22.66	0.95%
Total non-current liabilities	31.18	1.41%	27.31	1.14%
TOTAL LIABILITIES	678.65	30.61%	875.27	36.54%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	17.27%	383.00	15.99%
Premium on stock	519.67	23.44%	519.67	21.69%
Retained earnings				
Legal reserve	65.30	2.94%	57.71	2.41%
Un-appropriated	376.49	16.98%	366.91	15.32%
Non-controlling interest of a subsidiary	194.29	8.76%	192.94	8.05%
Total shareholders' equity	1,538.75	69.39%	1,520.23	63.46%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,217.40	100.00%	2,395.50	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 31st March 2016 and 2015, the Company and its subsidiaries had total assets of Baht 2,217.40 million and Baht 2,395.50 million respectively. The decrease was Baht 178.10 million, mainly decreased in account receivable and inventories. 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 31st March 2016 and 2015 the Company and its subsidiaries had net inventories of Baht 664.35 million (or 29.96 percent of total assets) and Baht 823.80 million (or 34.39 percent of total assets) respectively. The decrease was following the slowing down of sales trend in the short term.
- 2.1.2 Trade account receivables, net – other parties: As at 31st March 2016 and 2015, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 762.17 million (or 34.37 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 same quarters of previous year.
- 2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31st March 2016 and 2015, the Company and its subsidiaries had Land, plant and equipments – net of Baht 519.22 million (or 23.42 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 31st March 2016 and 2015, the Company and its subsidiaries had net value of Baht 46.50 million and Baht 46.00 million (2.10 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 31st March 2016 and 2015, the Company and its subsidiaries had net value of Baht 21.49 million and Baht 18.67 million respectively (0.97 percent and 0.78 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 31st March 2016 and 2015 stood at Baht 678.65 million and Baht 875.27 million respectively. The decreasing in liabilities was mainly to the settlement of trade creditor and short term loan by excessive operating cash flow.

2.3 Shareholders' equity

As at 31st March 2016 and 2015, shareholders' equity was Baht 1,538.75 million and Baht 1,520.23 million respectively. The major changes were from the net profit amounting to Baht 122.67 million, dividend payment of Baht 105.40 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 1,344.46 million and Baht 194.29 million respectively.

Debt to Equity ratio, as at 31st March 2016 and 2015, the ratios were 0.44 and 0.58 times respectively. The decrease in ratio was due to the settlement of trade creditors and short term loan.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st March 2016	As at 31st March 2015
Net cash from (used in) operating activities	325.84	162.34
Net cash used in investing activities	-48.02	-95.68
Net cash from (used in) financing activities	-234.89	4.22
Effect of exchange rate to cash and cash equivalent	-0.09	-0.01
Net increase (decrease) in cash	42.84	70.87

3. Cash flows

For the year ended 31st March 2016, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 325.84 million, consisting of baht 223.59 million positively from operating performance and net positive of Baht 102.25 million from working capital. Most decrease was in trade receivable, inventory and trade creditors.

There was also net pay in investing activities of Baht -48.02 million that consist of spending for purchasing of pipe forming & polishing machines and upgrading machine & equipment of Baht -64.25 million and have net receiving from sales of short term investment of Baht 20.12 million.

The financing part was net increased by Baht -234.89 million. There were settlement of short term loan by Baht -125.89 million and payment of dividend by Baht -105.40 million.

In total, net cash for the year was increased by Baht 42.84 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director