

May 27, 2015

Subject Management Discussion and Analysis for the year ended 31<sup>st</sup> March 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 year ended 31<sup>st</sup> March 2015 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2014 - Mar 2015	Apr 2013 - Mar 2014	Change	% Change
Revenue from sales & service	3,372.45	3,358.67	13.78	0.4%
Other income	43.72	35.85	7.87	22.0%
<b>Total revenue</b>	<b>3,416.17</b>	<b>3,394.52</b>	<b>21.65</b>	<b>0.6%</b>
Cost of goods sold & service	3,026.20	2,987.11	39.09	1.3%
Selling expenses	76.30	69.51	6.79	9.8%
Administrative expenses	93.22	105.79	-12.57	-11.9%
<b>Total expenses</b>	<b>3,195.72</b>	<b>3,162.41</b>	<b>33.31</b>	<b>1.1%</b>
<b>Earning before interest and tax</b>	<b>220.45</b>	<b>232.11</b>	<b>-11.66</b>	<b>-5.0%</b>
Finance cost	-18.38	-16.59	-1.79	10.8%
Share of profit from investment in associate	0.69	1.09	-0.40	-36.7%
Income tax expenses	-41.06	-42.01	0.95	-2.3%
<b>Net profit</b>	<b>161.70</b>	<b>174.60</b>	<b>-12.90</b>	<b>-7.4%</b>
Minority interest in subsidiary	-24.15	-25.95	1.80	-6.9%
<b>Net profit of the Company</b>	<b>137.55</b>	<b>148.65</b>	<b>-11.10</b>	<b>-7.5%</b>

## 1. Operating Performance

For the year ended 31<sup>st</sup> March 2015 the Company and its subsidiaries had net profit of Baht 137.55 million or decreased by 11.10 million or 7.5 percent from previous year, compared with the net profit of Baht 148.65 million in previous year. Sales slightly growth up but net profit declined due to the high competition as well as more cost control by price bargaining from customers. In addition, economic conditions were still not yet recovered and the domestic spending remains in slow pace of recovery. Despite domestic fuel prices went down but household debt remained high. The spending by government sectors was not resulting in enough stimulating at this stage. The demand from foreign market remains weak due to the low demands from main customer countries. As such, manufacturing sectors who are the customers of the company and its subsidiaries, such as automotive, electronics or construction are still affected from the weak demand of both domestic and foreign markets. Thus, the strong controls over production cost and expenses by customers have been remaining on.

The profit before interest and tax decreased by Baht 11.66 million whereas corporate tax slightly decreased, financial cost increased by Baht 1.79 million and profit sharing to minority shareholders also slightly decreases by Baht 1.80 million in current year.

### 1.1 Revenue

For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had revenue from sales and service of Baht 3,372.45 million compared with Baht 3,358.67 million in the same period of the previous year, which increased by 0.4 percent. The sales increased almost in all product groups, except sales in exhausted pipe for automotive sector remained low following

its industry and copper sales decreased in weight sold and market price down. The yearly proportion of sales in metal and non-ferrous metal were approximately 78.00% and 22.00% of total sales and service respectively.

The majority sales of Company and its subsidiaries comprised of metal like stainless steel and non-ferrous metal like copper and aluminum as the main product groups among various industries, mostly 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 31<sup>st</sup> March 2015, the Company and its subsidiaries had revenue from domestic sales of 99.11 percent of total revenue from sales.

## **1.2 Other income**

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had other income of Baht 43.72 million or increased by 22.0 percent from the same period previous year. This was owing to the sales of scrap 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 31<sup>st</sup> March 2015, the Company and its subsidiaries had cost of goods sold of Baht 3,026.20 million, or accounting for 88.58 percent of the total revenue in comparing with Baht 2,987.11 million, or accounting for 88.00 percent of total revenue of previous year. Cost of goods sold increased by 1.3 percent whereas sales & service increased by 0.4 percent.

## **1.4 Selling expenses**

Selling expenses consist of sale staff expenses, transportation expenses, promotional expenses. For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had selling expenses of Baht 76.30 million, compared with selling expenses of Baht 69.51 million in the same period of the previous year which increased by 9.8 percent. The higher in selling expense was due mainly to normal rise in sell personal costs and the reversal in first quarter of previous year for the amount of 3.24 million Baht of a subsidiary due to the settlement of bad debt for an overdue customer.

For the period of year ended 31st Mar 2015, the selling expenses were 2.32 percent, increased when comparing to 2.05 percent of total revenue in the same period of previous year due to the reason as mentioned beforehand.

## **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 31<sup>st</sup> March 2015, the Company and its subsidiaries had administrative expenses of Baht 93.22 million, compared with administrative expenses of Baht 105.79 million in the same period of the previous year which decreased by 11.9 percent. The decrease in expenses was mainly resulted by the previous year records in first quarter for the loss in exchange rate following Baht sharp depreciation at that time.

For the year ended 31<sup>st</sup> March 2015, the administrative expenses were 2.73 percent of total revenue, decreased in compared with administrative expenses of 3.12 percent of total revenue in the same period of the previous year. The lower ratio this year was due to the reason as mentioned beforehand.

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

For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had profit before interest and tax of Baht 220.45 million. After deducting the finance cost of Baht 18.38 million, income tax of Baht 41.06 million, net profit sharing to minority shareholders of subsidiary of Baht 24.15 million and adding the profit sharing from investment in related of Baht 0.69 million , the net profit of the Company and its subsidiaries stood at Baht 137.55 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 232.11 million and Baht 148.65 million respectively, the net profit of the present year decreased by 7.5 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 31<sup>st</sup> March 2015 and 2014, the company and its subsidiary recognized share of profit by equity method of Baht 0.69 million and Baht 1.09 million respectively. The decrease in share of profit for period was due mainly to the declining in sales of a new subsidiary who is the manufacturer of exhausted pipe in automotive industry.

#### **1.8 Income tax expense**

For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had corporate tax of Baht 41.06 million or decrease by 2.3 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 2015, 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 24.15 million, decreased from amount by 25.95 million of previous year by 6.9 percent. The decreased was due mainly to the slowing in sales and profit of a subsidiary who is the manufacturer of exhausted pipe in automotive industry.

#### **1.10 Profitability**

For the year ended 31<sup>st</sup> March 2015 the Company and its subsidiaries had lower gross profit margin of 10.27 percent compared with gross profit margin of 11.06 percent in the same period the previous year. This was owing to the competition and more cost control by customers together with lower in sales of exhaust pipes which are the profitable products.

For the year ended 31<sup>st</sup> March 2015, the Company and its subsidiaries had net profit margin of 4.03 percent compared with net profit of 4.38 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 <sup>st</sup> Mar 2015		As at 31 <sup>st</sup> Mar 2014	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	134.81	5.63%	63.94	2.78%
Short-term investment	20.03	0.83%	5.00	0.22%
Account receivable, trade and others	778.52	32.50%	758.19	33.00%
Inventories, net	823.80	34.39%	831.65	36.20%
Other current assets	7.90	0.33%	7.64	0.34%
<b>Total current assets</b>	<b>1,765.06</b>	<b>73.68%</b>	<b>1,666.42</b>	<b>72.54%</b>
<b>Non-current assets</b>				
Investment in related company	8.13	0.34%	7.44	0.32%
Long-term investment	3.08	0.13%	3.01	0.13%
Property, plant and equipment, net	545.46	22.77%	549.01	23.90%
Intangible assets – net	0.57	0.02%	0.35	0.02%
Restricted fixed deposits	46.00	1.92%	46.00	2.00%
Deferred tax assets	18.67	0.78%	21.80	0.95%
Other non-current assets	8.53	0.36%	3.34	0.14%
<b>Total non-current assets</b>	<b>630.44</b>	<b>26.32%</b>	<b>630.95</b>	<b>27.46%</b>
<b>TOTAL ASSETS</b>	<b>2,395.50</b>	<b>100.00%</b>	<b>2,297.37</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft and borrowing from financial institutions	378.85	15.82%	273.37	11.90%
Account payables, trade and others	435.81	18.19%	499.23	21.73%
Current portion of financial lease	4.85	0.20%	7.59	0.33%
Accrued corporate income tax	15.54	0.65%	17.00	0.74%
Other current liabilities	12.91	0.54%	12.76	0.56%
<b>Total current liabilities</b>	<b>847.96</b>	<b>35.40%</b>	<b>809.95</b>	<b>35.26%</b>
<b>Non-current liabilities</b>				
Financial lease obligations	4.65	0.19%	7.52	0.32%
Provision for employee benefit	22.66	0.95%	27.96	1.22%
<b>Total non-current liabilities</b>	<b>27.31</b>	<b>1.14%</b>	<b>35.48</b>	<b>1.54%</b>
<b>TOTAL LIABILITIES</b>	<b>875.27</b>	<b>36.54%</b>	<b>845.43</b>	<b>36.80%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	15.99%	383.00	16.67%
Premium on stock	519.67	21.69%	519.67	22.62%
Retained earnings				
Legal reserve	57.70	2.41%	48.49	2.11%
Un-appropriated	366.92	15.32%	318.93	13.88%
Non-controlling interest of a subsidiary	192.94	8.05%	181.85	7.92%
<b>Total shareholders' equity</b>	<b>1,520.23</b>	<b>63.46%</b>	<b>1,451.94</b>	<b>63.20%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,395.50</b>	<b>100.00%</b>	<b>2,297.37</b>	<b>100.00%</b>

## **2. Financial Status**

### **2.1 Assets**

As for the assets value as at 31st March 2015 and 2014, the Company and its subsidiaries had total assets of Baht 2,395.50 million and Baht 2,297.37 million respectively. The increase was Baht 98.13 million, mainly increased in trade receivable and cash on hand of a subsidiary. 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 31st March 2015 and 2014 the Company and its subsidiaries had net inventories of Baht 823.80 million (or 34.39 percent of total assets) and Baht 831.65 million (or 36.20 percent of total assets) respectively. The net value of inventory was close to the outstanding cost in previous year.
- 2.1.2 Trade account receivables, net – other parties: As at 31st March 2015 and 2014, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 778.52 million (or 32.50 percent of total assets) and Baht 758.19 million (or 33.00 percent of total assets) respectively. The increased in value was slightly higher but less percentage due to bigger total asset sizes at the end of its years.
- 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 2015 and 2014, the Company and its subsidiaries had Land, plant and equipments – net of Baht 545.46 million (or 22.77 percent of total assets) and Baht 549.01 million (or 23.90 percent of total assets) respectively. During the year, there were the continuous investment of new construction of plant, new machine and production infrastructure. In view of lower percentage, decrease was due to the higher total asset size.
- 2.1.4 Restricted fix deposit: As at 31st March 2015 and 2014, the Company and its subsidiaries had net value of Baht 46.00 million (1.92 percent and 2.00 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 2015 and 2014, the Company and its subsidiaries had net value of Baht 18.67 million and Baht 21.80 million respectively (0.78 percent and 0.95 percent of total assets respectively).

### **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at 31st March 2015 and 2014 stood at Baht 875.27 million and Baht 845.43 million respectively. The increasing in liabilities was mainly with short term loan in order to pay suppliers for material procurement and investment.

### **2.3 Shareholders' equity**

As at 31st March 2015 and 2014, shareholders' equity was Baht 1,520.23 million and Baht 1,451.94 million respectively. The major changes were from the net profit amounting to Baht 161.70 million, dividend payment of Baht 93.49 million for company shareholders and minority shareholder in a subsidiary and non-controlling interest portion stood by Baht 192.94 million for the share capital and earnings of minority shareholders in a subsidiary.

Debt to Equity ratio, as at 31st March 2015 and 2014, the ratios were 0.58 times for both years.

(Unit: Baht million)

<b>Consolidated cash flows statement</b>	<b>As at 31st Mar 2015</b>	<b>As at 31st Mar 2014</b>
Net cash from (used in) operating activities	162.34	367.45
Net cash used in investing activities	-95.68	-85.17
Net cash from (used in) financing activities	4.22	-314.69
Effect of exchange rate to cash and cash equivalent	-0.01	0.07
Net increase (decrease) in cash	70.87	-23.34

### **3. Cash flows**

For the year ended 31st March 2015, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 162.34 million, consisting of baht 233.65 million positively from operating performance and net of baht -71.31 million working capital. Most decrease was resulting from higher trade receivable and payment to trade creditors. There were also net pay in investing activities of Baht -95.68 million, the net spending for the new construction of plant and upgrading the plant equipment to support production. The financing part of cash flow was net increased by Baht 4.22 million. There were net financing during the year of short term loan by Baht 105.48 million and payment of dividend by Baht -93.49 million. In total, company had net increase in cash flow for the year by Baht 70.87 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)  
Deputy Managing Director