

Aug 14, 2024

Subject Management Discussion and Analysis for the period of three months ended 30th June 2024

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 ended 30th June 2024 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30th June			
	Apr 2024 - June 2024	Apr 2023 - June 2023	Change	% Change
Revenue from sales & service	679.32	612.65	66.67	10.9%
Other income	7.08	4.52	2.56	56.6%
Total revenue	686.40	617.17	69.23	11.4%
Cost of goods sold & service	595.54	548.89	46.65	8.5%
Selling expenses	12.79	13.03	-0.24	-1.8%
Administrative expenses	28.02	27.33	0.69	2.5%
Total expenses	636.35	589.25	47.10	8.0%
Earning before interest and tax	50.05	27.92	22.13	79.3%
Financial expenses	-0.88	-0.99	0.11	-11.1%
Share of income from investment in associate	0.53	0.59	-0.06	-10.2%
Income tax expenses	-9.86	-5.57	-4.29	-77.0%
Net profit for the period	39.84	21.95	17.89	81.5%
Profit Sharing for non-controlling interest of a subsidiary company	-9.60	-10.13	0.53	-5.2%
Net profit for the company and its subsidiaries	30.24	11.82	18.42	155.8%

1. Operating Performance

For the period of the first three months ended 30 June 2024, the Company and its subsidiaries recorded a net profit for the company and its subsidiary in the amount of 30.24 million baht, an increase of 18.42 million baht or an increase of 155.8 percent. The current three-month performance has increased from profit in the same period the previous year. This was due to the market price tends to continue to decline and have begun to stabilize, causing the average cost of raw materials to decrease to an appropriate level, resulting in a higher profit margin in this quarter. In addition, the economic situation abroad has begun to recover and the policy interest rate has stabilized, causing exports in the electrical appliance and tourism groups to recover. However, due to the high level of household debt in the country, it has affected the approval of commercial vehicle loans, causing the production and sales of automobiles in this group of countries to adjust down significantly. Meanwhile, many government construction projects are still on hold and waiting for the next year's budget plan.

In addition, the Company and its subsidiaries have recognized the share of profit of non-controlling interests of the subsidiaries in the amount of 9.60 million baht, a decrease of 0.53 million baht or a decrease of 5.2 percent from the same period of the previous year.

1.1 Revenue

For the period of three months ended 30th June 2024, the Company and its subsidiaries had revenue from sales and service of Baht 679.32 million compared with Baht 612.65 million in the same period of the previous year or increased by 10.9 percent. This is due to the increased sales weight in both metal and non-metal groups, coupled with the average selling price of all main product groups that

have continuously fluctuated up and down in line with the price conditions of metal commodities since the beginning of the year. However, at the same time, the sales weight in the automotive exhaust pipe product group has decreased in the Truck group. However, the Company and its subsidiaries are focusing on increasing sales volume both domestically and internationally.

Most of the sales are from copper, aluminum, stainless steel and galvanized steel products, while most of the sales of the subsidiaries are from stainless steel and non-metal products such as copper and aluminum, which are sold to various industries, mostly automotive, electrical appliances and construction.

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 ended 30th June 2024, the Company and its subsidiaries had other income of Baht 7.08 million which increased by 56.6 percent from the same period 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 products consisting of cold rolled stainless steel sheet, Copper, Aluminum, Brass, Galvanized iron with various type as coil, sheet, pipe and axle. The Company and its subsidiaries procure finish quality product for sales as well as raw material for manufacture to quality product and sales. For the period of three months ended 30th June 2024, the Company and its subsidiaries had cost of goods sold of Baht 595.54 million, or accounting for 86.76 percent of the total revenue in comparing with Baht 548.89 million, or accounting for 88.94 percent of the total revenue of previous year. The cost of goods sold of the company and its subsidiaries decreased by 2.18 percent compared with the same period last year, while revenues from sales and services increased by 10.9 percent. This is mainly due to the stable raw material prices in the previous year, resulting in a decrease in average product costs.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses and promotion expenses. For the period of three months ended 30th June 2024, the Company and its subsidiaries had selling expenses of Baht 12.79 million, compared with selling expenses of Baht 13.03 million in the same period of the previous year which decreased by Baht 0.24 million or 1.8 percent due to the decrease in marketing expenses. The selling expenses ratio for the period of three months ended 30th June 2024 was 1.88 percent of sale and service, a bit decrease in compared with selling expenses ratio of 2.13 percent of sale and service in the same period of the 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 ended 30th June 2024, the Company and its subsidiaries had administrative expenses of Baht 28.02 million, compared with administrative expenses of Baht 27.33 million in the same period of the previous year which increased by Baht 0.69 million or 2.5 percent.

The other increase is in area of personnel costs due to salary normally increased year by year and other administrative expenses. As such, the administrative expenses for the three months ended 30th June 2024 was 4.08 percent of total revenue, a bit decrease in compared with administrative expenses of 4.43 percent of total revenue in the same period of the previous year.

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 ended 30th June 2024, the company and its subsidiaries recognized share of income , by using equity method, of Baht 0.53 million in consolidated income statements in which a bit decreased by Baht 0.06 million or 10.2 percent in comparison with the same period of previous year.

1.7 Earning (loss) before interest and tax and Net Profit (loss) for the period

For the period of three months ended 30th June 2024, the Company and its subsidiaries had profit before interest and tax of Baht 50.05 million. After deducting the financial expense of Baht 0.88 million and income tax of Baht 9.86 million and adding the share of income from investment of Baht 0.53 million, the net profit of the Company and its subsidiaries was at Baht 39.84 million. When comparing to the profit before interest and tax and the net profit of the same period of the previous year which were at Baht 27.92 million and Baht 21.95 million respectively, the profit before interest and tax and net profit of the present period increased by 79.3 percent and 81.5 percent respectively.

In addition, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 0.53 million for the present period or a bit decrease by Baht 0.06 million from the same period of previous year. Therefore, the net profit for the company and its subsidiary for the three months ended as of 30th June 2024 increased by Baht 18.42 million, from the net profit of 30.24 million Baht in comparison with the same period of previous year.

1.8 Income tax

For the three months ended 30th June 2024, the Company and its subsidiaries recognized tax income by Baht 9.86 million or increased by 77.0 percent. This was mainly due to improved profit from operating results in current quarter.

1.9 Profit Sharing for non-controlling interest of a subsidiary company

On 1st Oct 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industries Inc. The Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of shareholding of net profit in subsidiary was amount by Baht 9.60 million for the three months period ended 30th June 2024.

1.10 Profitability

For the period of three months ended 30th June 2024, the Company and its subsidiaries had gross profit margin of 12.33 percent, upper by 1.92 percent when compared with gross profit margin of 10.41 percent in the same period of the previous year. This was mainly due to the average selling price that has decreased in line with the world market price of metal or non-metal products, the average cost of goods has decreased and the demand for using the products has begun to improve. Although there is increased competition in the domestic market price, the marketing strategies of the Company and its subsidiaries have resulted in increased sales weight, resulting in a wider gross profit margin in this quarter compared to the same quarter of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 30th June 2024		As at 31st Mar 2024	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	411.30	19.76%	416.26	20.85%
Financial Assets (Short-term investment)	8.07	0.39%	14.64	0.73%
Account receivable, trade and others	569.46	27.36%	503.18	25.21%
Inventories	551.53	26.50%	518.52	25.98%
Other current assets	6.21	0.30%	3.50	0.18%
Total current assets	1,546.57	74.31%	1,456.10	72.95%
Non-current assets				
Restricted bank deposits	46.18	2.22%	46.18	2.31%
Investment in associate	8.56	0.41%	8.02	0.40%
Non-Current Financial Assets (Long-term investment)	2.16	0.10%	2.59	0.13%
Property, plant and equipment	454.84	21.85%	459.67	23.03%
Intangible assets	6.93	0.33%	7.01	0.35%
Deferred tax assets	12.66	0.61%	12.94	0.65%
Other non-current assets	3.53	0.17%	3.52	0.18%
Total non-current assets	534.86	25.69%	539.93	27.05%
TOTAL ASSETS	2,081.43	100.00%	1,996.03	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	54.90	2.64%	44.83	2.25%
Account payables, trade and others	431.73	20.74%	382.75	19.18%
Lease payable due within one year	3.69	0.18%	3.63	0.18%
Income tax payable	23.34	1.12%	14.10	0.71%
Other current liabilities	5.16	0.25%	8.12	0.41%
Total current liabilities	518.82	24.93%	453.43	22.73%
Non-current liabilities				
Lease Payable	1.53	0.07%	2.47	0.12%
Provision for long-term employee benefits	32.63	1.57%	31.82	1.59%
Other non-current liabilities	0.00	-	0.02	-
Total non-current liabilities	34.16	1.64%	34.31	1.71%
TOTAL LIABILITIES	552.98	26.57%	487.74	24.44%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.40%	383.00	19.19%
Premium on stock	519.67	24.97%	519.67	26.03%
Retained earnings				
Legal reserve	38.30	1.84%	38.30	1.92%
Un-appropriated	443.22	21.29%	412.98	20.69%
Non-controlling interest of the subsidiary	144.26	6.93%	154.34	7.73%
Total shareholders' equity	1,528.45	73.43%	1,508.29	75.56%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,081.43	100.00%	1,996.03	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th June 2024 and 31st March 2024, the Company and its subsidiaries had total assets of Baht 2,081.43 million and Baht 1,996.03 million respectively. 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 and 30th June 2024 and 31st March 2024 the Company and its subsidiaries had net inventories of Baht 551.53 million (or 26.50 percent of total assets) and Baht 518.52 million (or 25.98 percent of total assets) respectively.
- 2.1.2 Trade account receivables – other parties: As at and 30th June 2024 and 31st March 2024, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 569.46 million (or 27.36 percent of total assets) and Baht 503.18 million (or 25.21 percent of total assets) respectively.
- 2.1.3 Other Current Financial Assets: As at and 30th June 2024 and 31st March 2024 the Company and its subsidiaries had short term investment of Baht 8.07 million (or 0.39 percent of total assets) and Baht 14.64 million (or 0.73 percent of total assets) respectively. The investment was the investment in unit value of mutual fund due to the excessive cash balance of a subsidiary company.
- 2.1.4 Land, plant and equipment - Land and improvements, building, machinery, office equipment, vehicles and work on progress of construction: As at and 30th June 2024 and 31st March 2024, the Company and its subsidiaries had Land, plant and equipment – net of Baht 454.84 million (or 21.85 percent of total assets) and Baht 459.67 million (or 23.03 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 30th June 2024 and 31st March 2024, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.22 percent of total assets and 2.31 percent of total assets) respectively. The restricted fix deposit by a subsidiary was used as guarantee for loans from financial institution.
- 2.1.6 Deferred tax assets: As at and 30th June 2024 and 31st March 2024, the Company and its subsidiaries had net value of Baht 12.66 million and Baht 12.94 million respectively (0.61 percent and 0.65 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 30th June 2024 and 31st March 2024 stood at Baht 518.82 million and Baht 453.43 million respectively. The current and total liabilities increased net due to the purchase of goods to support increased orders and reserves short-term market expansion.

2.3 Shareholders' equity

As at and 30th June 2024 and 31st March 2024, shareholders' equity was Baht 1,528.45 million and Baht 1,508.29 million or increase by 20.16 million. The major changes were the net profit amounting to Baht 39.84 million and dividend payment of Baht 19.68 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,384.19 million and Baht 144.26 million respectively.

Debt to Equity ratio as at and 30th June 2024 and 31st March 2024 were 0.36 and 0.32 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th June 2024	As at 30th June 2023
Net cash from (used in) operating activities	4.83	35.43
Net cash used in investing activities	0.75	10.80
Net cash from (used in) financing activities	-10.55	-13.27
Effect of exchange rate to cash and cash equivalent	0.02	0.13
Net increase (decrease) in cash	-4.95	33.09

3. Cash flows

For the period ended June 2024 and 2023, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 4.83 million, consisting of baht 58.37 million positively from operating performance and net negative in working capital of Baht -53.54 million. The net slightly positive cash flow in working capital came from due to the increased operating results in this quarter and to the management of inventory to be sufficient for customer demand, including the expansion of the market in the short term, resulting in higher trade payables and trade receivables from the increased sales.

Net positive cash flow from investing activities was amount to 0.75 million baht. Most of which are net increases due to A Subsidiary received from short term investment by 6.65 million baht and payment of Vehicle and Other equipment of -6.09 million baht.

The financing part was net Baht -10.55 million with mostly received from short term loan of Baht 10.07 million and payment of dividend by Baht -19.68 million.

In total, net cash for the period was decreased by Baht 4.95 million.

Sincerely yours,

Signed: Mr. Vittawat Akarapongpisak
(Mr. Vittawat Akarapongpisak)
Deputy Managing Director