

Nov. 13, 2024

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 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 and the period of 1st half ended 30th September 2024 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 2024	July - Sept 2023	Change	% Change	Apr - Sept 2024	Apr - Sept 2023	Change	% Change
Revenue from sales & service	669.05	706.64	-37.59	-5.3%	1,348.37	1,319.29	29.08	2.2%
Other income	7.02	8.52	-1.50	-17.6%	13.54	12.96	0.58	4.5%
Total revenue	676.07	715.16	-39.09	-5.5%	1,361.91	1,332.25	29.66	2.2%
Cost of goods sold & service	591.15	634.20	-43.05	-6.8%	1,186.69	1,183.09	3.60	0.3%
Selling expenses	12.66	13.99	-1.33	-9.5%	25.45	27.01	-1.56	-5.8%
Administrative expenses	30.48	28.22	2.26	8.0%	57.95	55.47	2.48	4.5%
Total expenses	634.29	676.41	-42.12	-6.2%	1,270.09	1,265.57	4.52	0.4%
Earning before interest and tax	41.78	38.75	3.03	7.8%	91.82	66.68	25.14	37.7%
Financial expenses	-0.93	-0.79	-0.14	17.7%	-1.81	-1.79	-0.02	1.1%
Share of income from investment in associate	0.56	0.68	-0.12	-17.6%	1.10	1.27	-0.17	-13.4%
Corporate Income tax expenses	-8.26	-7.59	-0.67	8.8%	-18.12	-13.16	-4.96	37.7%
Net profit for the period	33.15	31.05	2.10	6.8%	72.99	53.00	19.99	37.7%
Profit Sharing for non-controlling interest of a subsidiary company	-11.02	-10.82	-0.20	1.8%	-20.61	-20.95	0.34	-1.6%
Net profit for the company and its subsidiaries	22.13	20.23	-1.90	9.4%	52.38	32.05	20.33	63.4%

1. Operating Performance

For the period of three months ended 30th Sept 2024, the net profits for the company and its subsidiaries was Baht 22.13 million or increased by Baht 1.90 million which was 9.4 percent, despite the increase in operating results in the three-month period, 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 facing problems with disbursements in time , so they have to wait for the next year's budget plan.

For the period of 1st half year ended 30th Sept 2024, the Company and its subsidiaries reported operating profit of Baht 91.82 million, a increase of 37.7 percent and net profit of Baht 52.38 million or increased by 63.4 percent while compared to the same period of last year which the net profit was Baht 32.05 million.

1.1 Revenue

For the period of three months ended 30th Sept 2024, the Company and its subsidiaries had revenue from sales and service of Baht 669.05 million compared with Baht 706.64 million in the same period of the previous year, which decreased by 5.3 percent. This is because the automotive industry has not yet recovered, resulting in the sales weight of automotive exhaust pipes continuing to decline, while the sales weight increased in the aluminum, galvanized steel, and stainless steel groups, consisted with the average selling price of all main product groups continuously decreasing in line with the price of metal commodities, which decreased in the current fiscal year due to the situation of sufficient production capacity in the region to support demand, but purchasing power continuously shrinking both domestically and internationally.

For the period of 1st half of year ended 30th Sept 2024, the Company and its subsidiaries had revenue from sales and service of Baht 1,348.37 million compared with Baht 1,319.29 million in the same period of the previous year or increased by 2.2 percent. This was mainly due to the volume of sales increased in the first half of year, while the selling price of the category of aluminum, copper, galvanized steel and stainless steel in every group, but in the volume of automotive exhaust pipe category decreased due to the impact of the commercial lending situation, including the stable purchasing power situation in both domestic and international markets.

The sales of company and its subsidiaries mostly came from Copper, Aluminum and stainless products.

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 2024, the Company and its subsidiaries had other income of Baht 7.02 million and 13.54 million baht respectively, which decreased by 17.6 percent for three month period and increased by 4.5 percent for the 1st half year respectively. 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 2024, the Company and its subsidiaries had cost of goods sold of Baht 591.15 million, or stood at 87.44 percent of the total revenue, decrease in comparing with Baht 634.20 million or stood at 88.68 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 30th Sept 2024 decreased by 1.2 percent, while the decrease in sales & services was 5.3 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2024, the Company and its subsidiaries had cost of goods sold of Baht 1,186.69 million, or stood at 87.13 percent of the total revenue in comparing with Baht 1,183.09 million, or stood at 88.80 percent of total revenue, or decreased by 1.7 percent when compared same period 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 2024, the Company and its subsidiaries had selling expenses of Baht 12.66 million and 25.45 million, compared with selling expenses of Baht 13.99 million and 27.01 million in the same periods of the previous year, or decreased by 9.5 percent and by 5.8 percent from the same periods of previous year. The decrease of selling expense were due to better management control, as mainly in area of logistic, sales executive and marketing expenses even though the proportion of income increased.

For the period of three months and 1st half ended 30th Sept 2024, the selling expenses were 1.89 percent and 1.89 percent of total sales and service respectively, compared with 1.98 percent and 2.05 percent in the same periods of previous year, due to mainly well cost control management.

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 2024, the Company and its subsidiaries had administrative expenses of Baht 30.48 million and 57.95 million, compared with administrative expenses of Baht 28.22 million and 55.47 million in the same period of the previous year. Administrative expenses increased cause from the executive expenses. The Company and its subsidiaries had still controlled administrative expenses.

For the period of three months and 1st half ended 30th Sept 2024, the administrative expenses were 4.51 percent and 4.26 percent of total revenues respectively, compared with 3.95 percent and 4.16 percent in the same periods of 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 and 1st half year ended 30th Sept 2024, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.56 million and 1.10 million in consolidated income statements respectively.

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 2024, the Company and its subsidiaries had earning before interest and tax of Baht 41.78 million and Baht 91.82 million respectively. After deducting the financial costs of Baht -0.93 million and Baht -1.81 million, adding the share of income from investment of Baht 0.56 million and Baht 1.10 million, deducting the corporate income tax of Baht -8.26 million and Baht -18.12 million, the net profit of the Company and its subsidiaries were at Baht 33.15 million and Baht 72.99 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 increased by 7.8 percent and by 6.8 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both increased by 37.7 percent and 37.7 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2024, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 11.02 million and 20.61 million respectively. The decreased profit sharing was due to the low in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 22.13 million and 52.38 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2024, the Company and its subsidiaries recognized corporate tax expenses by Baht 8.26 million and 18.12 million, increase from the same period of previous year of Baht 7.59 million and 13.16 million as the result of high 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. 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 11.02 million and 20.61 million for the period of three month and 1st half year ended 30th Sept 2024.

1.10 Profitability

For the period of three months ended 30th Sept 2024, the Company and its subsidiaries had gross profit margin of 11.64 percent, compared with gross profit margin of 10.25 percent in the same period of the previous year. This was mainly increased due to decline average cost of raw materials of the metal or non-metal products, but the combat strategy to push sales in the market resulted in higher sales weight from the previous period, even though the average market price decreased resulting in an increase in overall sales.

For the period of 1st half ended 30th Sept 2024, the Company and its subsidiaries had gross profit margin of 11.99 percent compared with gross profit margin of 10.32 percent in the same period the previous year. This was mainly due to an increase in gross profit margin in all product categories even though the average selling price of metal or non-metal products decreased in line with world market prices. However, the average cost of raw materials decreased in the first half of the year, resulting in an increased gross profit margin with a slightly wider gross profit margin when compared to the same quarter of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 30th Sept 2024		As at 31st Mar 2024	
	Amount	%	Amount	%
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	348.99	17.06%	416.26	20.85%
Financial Assets (Short-term investment)	10.03	0.49%	14.64	0.73%
Account receivable, trade and others	555.26	27.14%	503.18	25.21%
Inventories	596.06	29.14%	518.52	25.98%
Other current assets	6.40	0.30%	3.50	0.18%
Total current assets	1,516.74	74.13%	1,456.10	72.95%
<u>Non-current assets</u>				
Restricted bank deposits	46.18	2.26%	46.18	2.31%
Investment in associate	9.12	0.45%	8.02	0.40%
Non-Current Financial Assets (Long-term investment)	2.82	0.14%	2.59	0.13%
Property, plant and equipment	447.71	21.88%	459.67	23.03%
Intangible assets	7.11	0.35%	7.01	0.35%
Deferred tax assets	12.52	0.61%	12.94	0.65%
Other non-current assets	3.64	0.18%	3.52	0.18%
Total non-current assets	529.10	25.87%	539.93	27.05%
TOTAL ASSETS	2,045.84	100.00%	1,996.03	100.00%
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Short term loans from banks	60.70	2.97%	44.83	2.25%
Account payables, trade and others	404.84	19.79%	382.75	19.18%
Lease payable due within one year	3.59	0.18%	3.63	0.18%
Income tax payable	17.17	0.84%	14.10	0.71%
Other current liabilities	5.13	0.25%	8.12	0.41%
Total current liabilities	491.43	24.03%	453.43	22.73%
<u>Non-current liabilities</u>				
Lease payable	1.50	0.07%	2.47	0.12%
Provision for long-term employee benefits	33.44	1.63%	31.82	1.59%
Other non-current liabilities	-	-	0.02	-
Total non-current liabilities	34.94	1.70%	34.31	1.71%
TOTAL LIABILITIES	526.37	25.73%	487.74	24.44%
<u>SHAREHOLDERS' EQUITY</u>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.72%	383.00	19.19%
Premium on stock	519.67	25.40%	519.67	26.03%
Retained earnings				
Legal reserve	38.30	1.87%	38.30	1.92%
Un-appropriated	423.22	20.69%	412.98	20.69%
Non-controlling interest of the subsidiary	155.28	7.59%	154.34	7.73%
Total shareholders' equity	1,519.47	74.27%	1,508.29	75.56%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,045.84	100.00%	1,996.03	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th September 2024 and 31st March 2024, the Company and its subsidiaries had total assets of Baht 2,045.84 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 September 2024 and 31st March 2024 the Company and its subsidiaries had net inventories of Baht 596.06 million (or 29.14 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 September 2024 and 31st March 2024, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 555.26 million (or 27.14 percent of total assets) and Baht 503.18 million (or 25.21 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 30th September 2024 and 31st March 2024 the Company and its subsidiaries had short term investment of Baht 10.03 million (or 0.49 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 September 2024 and 31st March 2024, the Company and its subsidiaries had Land, plant and equipment – net of Baht 447.71 million (or 21.88 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 September 2024 and 31st March 2024, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.26 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 September 2024 and 31st March 2024, the Company and its subsidiaries had net value of Baht 12.52 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 September 2024 and 31st March 2024 stood at Baht 491.43 million and Baht 453.43 million respectively. The current and total liabilities increased net due to the purchase of goods was increased to ensure short-term market expansion.

2.3 Shareholders' equity

As at and 30th September 2024 and 31st March 2024, shareholders' equity was Baht 1,516.99 million and Baht 1,519.47 million or increase by 11.18 million. The major changes were the net profit amounting to Baht 72.99 million and dividend payment of Baht 61.81 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,364.19 million and Baht 155.28 million respectively.

Debt to Equity ratio as at and 30th September 2024 and 31st March 2024 were 0.35 and 0.32 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th September 2024	As at 30th September 2023
Net cash from (used in) operating activities	-11.77	146.17
Net cash used in investing activities	-7.20	6.85
Net cash from (used in) financing activities	-47.88	-66.57
Effect of exchange rate to cash and cash equivalent	-0.41	0.17
Net increase (decrease) in cash	-67.26	86.62

3. Cash flows

For the 1st half year ended 30th September 2024 and 2023, the Company and its subsidiaries generated net decrease in cash from operating activities of Baht -11.77 million, consisting of baht 95.76 million positively from operating performance and net negative in working capital of Baht -107.53 million. The net negative cash flow in working capital came from the sales growth in the market in the first half of the year has increased receivables in this quarter, including inventory to support customer demand during the short-term market expansion period, causing creditors to increase in the same direction as sales.

Net cash flow from investing activities was amount to -7.20 million baht, mostly received from net current of investment by a subsidiary of Baht 2.00 million, and the Company and its subsidiary payment of vehicle, machine, equipments and intangible of Baht -9.53 million.

The financing part was net Baht -47.88 million by received from short term loan and off-set the settlement to Lease agreement net of Baht 13.93 million and payment of dividend by Baht -61.81 million.

In total, net cash for the period was decreased by Baht -67.26 million.

Sincerely yours,

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