

Feb 10, 2021

Subject Management Discussion and Analysis for the periods of three months and nine months ended 31st December 2020

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 periods of three months and nine months ended 31st December 2020 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For three months ended 31 st December				For nine months ended 31 st December			
	Oct - Dec 2020	Oct - Dec 2019	Change	% Change	Apr - Dec 2020	Apr - Dec 2019	Change	% Change
Revenue from sales & service	643.13	634.48	8.65	1.4%	1,573.62	2,099.99	-526.37	-25.1%
Other income	5.89	4.96	0.93	18.8%	13.82	14.89	-1.07	-7.2%
Total revenue	649.02	639.44	9.58	1.5%	1,587.44	2,114.88	-527.44	-24.9%
Cost of goods sold & service	541.24	558.33	-17.09	-3.1%	1,378.80	1,855.61	-476.81	-25.7%
Selling expenses	15.48	18.00	-2.52	-14.0%	39.31	51.41	-12.10	-23.5%
Administrative expenses	27.17	28.95	-1.78	-6.1%	82.11	95.26	-13.15	-13.8%
Total expenses	583.89	605.28	-21.39	-3.5%	1,500.22	2,002.28	-502.06	-25.1%
Earning before interest and tax	65.13	34.16	30.97	90.7%	87.22	112.60	-25.38	-22.5%
Financial expenses	-0.39	-0.94	0.55	-58.5%	-1.47	-2.97	1.50	-50.5%
Share of income from investment in associate	0.50	0.45	0.05	11.1%	0.89	1.52	-0.63	-41.4%
Corporate Income tax expenses	-12.93	-6.47	-6.46	99.8%	-17.42	-21.39	3.97	-18.6%
Net profit for the period	52.31	27.20	25.11	92.3%	69.22	89.76	-20.54	-22.9%
Profit Sharing for non-controlling interest of a subsidiary company	-14.26	-10.35	-3.91	37.8%	-18.77	-32.77	14.00	-42.7%
Net profit for the company and its subsidiaries	38.05	16.85	21.20	125.8%	50.45	56.99	-6.54	-11.5%

1. Operating Performance

For the period of three months ended 31st Dec 2020, the net profit for the company and its subsidiaries was at Baht 38.05 million, increased by 21.20 million or 125.8 percent. Operating results for the current three months have increased in comparison with the same period of the previous year by a subsidiary, a manufacturer of automobile exhaust pipes. Its sale has returned to high volumes in sales and also having high production to support sales and to compensate the lower inventories in the earlier quarters. The automobile industry has recovered significantly in the latest quarter. Higher sales from exhausted pipes were with good gross margin, along with stainless steel and other metals, which recorded a significant increase in global market prices in the latest quarter following the positive easing in global trade situation. As a result, the Company's various metal and non-metal products sold to customers in various channels got benefit in terms of sales and gross profit as well. However, the company still has control and caution in terms of selling expenses, thus reducing expenses in this part from the same quarter of the previous year.

For nine months ended 31st Dec 2020, the Company and its subsidiaries reported operating profit of Baht 69.22 million, a decrease of 22.9% and net profit of Baht 50.45 million or decreased by 11.5% while compared to the same period of last year which the net profit was Baht 56.99 million. The declining of net profit for nine months came from the main negative impacts in the first six months of the year from slowing economic conditions in the

country. Foreign purchasing power contracted due to trade impact and the epidemic situation together with competition among entrepreneurs. The operating results just improved in the latest quarter.

1.1 Revenue

For the period of three months ended 31st Dec 2020, the Company and its subsidiaries had revenue from sales and service of Baht 643.13 million compared with Baht 634.48 million in the same period of the previous year, which slightly increased by 1.4 percent. This was due to the sales of automobile exhaust products in the latest quarter and the rising market prices of most of the metal and non-metal products.

The sales of company and its subsidiaries mostly came from copper, aluminum and stainless products.

For nine months of year ended 31st Dec 2020, the Company and its subsidiaries had revenue from sales and service of Baht 1,573.62 million compared with Baht 2,099.99 million in the same period of the previous year or decreased by 25.1 percent. This is due to various unfavorable economic factors during the nine month period.

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 nine months ended 31st Dec 2020, the Company and its subsidiaries had other income of Baht 5.89 million and 13.82 million baht respectively, which increased by 18.8 percent and decreased by 7.2 percent from the same periods of previous year. 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 31st Dec 2020, the Company and its subsidiaries had cost of goods sold of Baht 541.24 million, or stood at 83.39 percent of the total revenue, decrease in comparing with Baht 558.33 million, or stood at 87.32 percent of total revenue of previous year. However, cost of goods sold for the period of three months ended 31st Dec 2019 decreased by 3.1 percent while sales & service increasing by 1.4 percent from the same period of previous year due to the increase in selling prices of major.

For nine months ended 31st Dec 2020, the Company and its subsidiaries had cost of goods sold of Baht 1,378.80 million, or stood at 86.86 percent of the total revenue in comparing with Baht 1,855.61 million, or stood at 87.74 percent of total revenue of previous year.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, commissions and promotion expenses. For the periods of three months and nine months ended 31st Dec 2020, the Company and its subsidiaries had selling expenses of Baht 15.48 million and 39.31 million, compared with selling expenses of Baht 18.00 million and 51.41 million in the same periods of the previous year, or decreased by 14.0 percent for three months period and decreased by 23.5 percent for the nine months period respectively.

For the period of three months and nine months ended 31st Dec 2020, the selling expenses were 2.41 percent and 2.50 percent of total sales and service respectively, compared with 2.84 percent and 2.45 percent in the same periods 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 period of three months and period of nine months ended 31st Dec 2020, the Company and its subsidiaries had administrative expenses of Baht 27.17 million and 82.11 million, compared with administrative expenses of Baht 28.95 million and 95.26 million in the same period of the previous year which decreased by 6.2 percent and decrease by 13.8 percent respectively. The major expenses are mainly in area of personnel costs due to salary normally increased year by year and other administrative expenses.

The administrative expenses decreased in nine months due to the retirement of one executive in the current year. In addition, the Company and its subsidiaries had set aside a one-time provision last year for additional employee benefits in order to comply with the Labor Protection Act Revised and announced for the year 2019 in the first quarter 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 periods of three months and nine months ended 31st Dec 2020, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.50 million and 0.89 million in consolidated income statements or increased by 11.1 percent in current quarter and decrease by 41.4 for the period of nine months.

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

For the periods of three months and nine months ended 31st Dec 2020, the Company and its subsidiaries had earnings before interest and tax of Baht 65.13 million and Baht 87.22 million respectively. After deducting the financial costs of Baht -0.39 million and Baht -1.47 million, adding the share of income from investment of Baht 0.50 million and Baht 0.89 million, deducting the corporate income tax of Baht -12.93 million and Baht -17.42 million, the net profit of the Company and its subsidiaries were at Baht 52.31 million and Baht 69.22 million. When comparing to the same periods of the previous year, the earnings before interest and tax and net profit for the period of the three months were increased by 90.7 percent and by 92.3 percent respectively, whereas the earnings before interest and tax and net profit for nine months were both decreased by -22.5 percent and -22.9 percent respectively.

In addition to the periods of three months and nine months ended 31st Dec 2020, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht -14.27 million and -18.77 million respectively. As a result, the net profit for the company and its subsidiary were amount of Baht 38.05 million and 50.45 million respectively.

1.8 Corporate income tax

For the periods of three months and nine months of year ended 31st Dec 2020, the Company and its subsidiaries recognized corporate tax expenses by Baht 12.93 million and 17.42 million, increase from Baht 6.47 million but decrease from 21.39 million for the three month period and nine month period respectively.

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 14.26 million and 18.77 million for the periods of three months and nine months ended 31st Dec 2020.

1.10 Profitability

For the period of three months ended 31st Dec 2020, the Company and its subsidiaries had gross profit margin of 15.84 percent, compared with gross profit margin of 12.38 percent in the same period of the previous year. This was mainly due to the increase in sales prices and sales in the stainless steel products with a high gross profit and an increase in overall selling prices.

For nine months ended 31st Dec 2020, the Company and its subsidiaries had gross profit margin of 12.38 percent compared with gross profit margin of 11.64 percent in the same period the previous year. The gross profit margin decreased by Baht -49.56 million.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Dec 2020		As at 31st Mar 2020	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	291.50	14.10%	211.33	9.98%
Financial Assets (Short-term investment)	63.79	3.09%	107.03	5.05%
Account receivable, trade and others	541.73	26.21%	542.31	25.60%
Inventories	525.78	25.44%	588.75	27.79%
Other current assets	3.29	0.16%	4.04	0.19%
Total current assets	1,426.09	69.00%	1,453.46	68.61%
Non-current assets				
Restricted bank deposits	46.18	2.23%	46.18	2.18%
Investment in associate	12.52	0.61%	11.63	0.55%
Non-Current Financial Assets (Long-term investment)	3.00	0.15%	3.46	0.16%
Property, plant and equipment	556.25	26.91%	581.77	27.46%
Intangible assets	3.37	0.16%	1.74	0.08%
Deferred tax assets	16.07	0.78%	16.90	0.80%
Other non-current assets	3.32	0.16%	3.40	0.16%
Total non-current assets	640.71	31.00%	665.08	31.39%
TOTAL ASSETS	2,066.80	100.00%	2,118.54	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	33.66	1.63%	55.72	2.63%
Account payables, trade and others	400.38	19.37%	368.07	17.38%
Lease payable due within one year	3.23	0.16%	-	-
Income tax payable	7.94	0.39%	6.64	0.31%
Other current liabilities	7.72	0.37%	9.76	0.46%
Total current liabilities	452.93	21.92%	440.19	20.78%
Non-current liabilities				
Provision for long-term employee benefits	45.12	2.18%	43.22	2.04%
Lease payable	2.22	0.11%	0.00	0.00%
Other non-current liabilities	0.01	0.00%	0.00	0.00%
Total non-current liabilities	47.35	2.29%	43.22	2.04%
TOTAL LIABILITIES	500.28	24.21%	483.41	22.82%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.53%	383.00	18.08%
Premium on stock	519.67	25.14%	519.67	24.53%
Retained earnings				
Legal reserve	75.60	3.66%	75.25	3.55%
Un-appropriated	403.60	19.53%	439.01	20.72%
Non-controlling interest of the subsidiary	184.65	8.93%	218.20	10.30%
Total shareholders' equity	1,566.52	75.79%	1,635.13	77.18%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,066.80	100.00%	2,118.54	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st December 2020 and 31st March 2020, the company and subsidiaries had total assets of 2,066.80 million baht and 2,118.54 million baht respectively, with inventories decreased due to purchase and production which in contraction. The Company and subsidiaries are principally engaged in the stainless steel coil processing, which consists of procurement, processing, production and distribution of stainless steel products, metal and non-ferrous metals. As such, assets will be in cash, inventories, trade accounts receivable and property, plant and equipment, with details as follows:

- 2.1.1 Inventories: As at and 31st December 2020 and 31st March 2020 the Company and its subsidiaries had net inventories of Baht 525.78 million (or 25.44 percent of total assets) and Baht 588.75 million (or 27.79 percent of total assets) respectively. The decrease in inventories were mainly due to reduced overall raw material procurement and production in the meantime.
- 2.1.2 Trade account receivables – other parties: As at and 31st December 2020 and 31st March 2020, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 541.73 million (or 26.21 percent of total assets) and Baht 542.31 million (or 25.60 percent of total assets) respectively.
- 2.1.3 Financial Assets (Short-term investment): As at and 31st December 2020 and 31st March 2020 the Company and its subsidiaries had short term investment of Baht 63.79 million (or 3.09 percent of total assets) and Baht 107.03 million (or 5.05 percent of total assets) respectively. The lower investment value came from the redemption of investment in unit value of mutual fund.
- 2.1.4 Land, plant and equipment - Land and improvements, building, machinery, office equipment, vehicles, right of use and work on progress of construction: As at and 31st December 2020 and 31st March 2020, the Company and its subsidiaries had Land, plant and equipment – net of Baht 556.25 million (or 26.91 percent of total assets) and Baht 581.77 million (or 27.46 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 31st December 2020 and 31st March 2020, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.23 percent of total assets and 2.18 percent of total assets) respectively. The restricted fixed deposit by a subsidiary was used as guarantee for loans from financial institution.
- 2.1.6 Deferred tax assets: As at and 31st December 2020 and 31st March 2020, the Company and its subsidiaries had net value of Baht 16.07 million and Baht 16.90 million respectively (0.78 percent and 0.80 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as of 31st December 2020 and 31st March 2020 were Baht 500.28 million and Baht 483.41 million respectively. The current liabilities decreased from the decrease in short-term loans from banks. The company has long-term liabilities, mainly from the long-term employee retirement benefits reserve and the recognition of long-term lease creditors remaining amount of 2.22 million baht.

2.3 Shareholders' equity

As of 31st December 2020, shareholders equity from the consolidated financial statements was Baht 1,566.52 million, decreased from shareholders' equity as at 31st March 2020 in the amount of 1,635.13 million baht or decrease by 68.61 million baht following the accounting policy adjustments under new applied financial & accounting standards in 2020

by 1.25 Million, total comprehensive profit for the period of 69.22 Million and dividends paid-out by 136.58 million baht. The equity of the company and the minority shareholders of the subsidiaries have outstanding value of 1,381.87 and 184.65 million baht respectively.

Debt to Equity ratio as at and 31st December 2020 and 31st March 2020 were 0.32 and 0.30 times respectively. The higher D/E ratio was due to higher account payable while lower equity caused by dividend paid-out.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st December 2020	As at 31st December 2019
Net cash from (used in) operating activities	204.59	196.96
Net cash used in investing activities	36.69	-181.46
Net cash from (used in) financing activities	-161.00	-191.75
Effect of exchange rate to cash and cash equivalent	-0.11	-0.03
Net increase (decrease) in cash	80.17	-176.28

3. Cash flows

For the period of nine months ended 31st December 2020, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 204.59 million, consisting of baht 106.90 million positively from operating performance and net positive of working capital with cash back from smaller business size this year of Baht 97.69 million.

Net cash flow from investing activities was amount to 36.69 million baht, mostly from net positive in short term investment by 43.50 million baht and no major investment during the period.

The financing part was net Baht -161.00 million with the settlement of short term loan -22.06 million and payment of dividend by Baht -136.58 million.

In total, net cash for the period was increased by Baht 80.17 million.

Sincerely yours,

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