

Nov 11, 2016

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 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 period of three months and the period of 1st half ended 30th September 2016 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 2016	July - Sept 2015	Change	% Change	Apr - Sept 2016	Apr - Sept 2015	Change	% Change
Revenue from sales & service	812.92	788.60	24.32	3.1%	1,557.90	1,574.36	-16.46	-1.1%
Other income	7.16	9.02	-1.86	-20.6%	14.18	19.96	-5.78	-29.0%
Total revenue	820.08	797.62	22.46	2.8%	1,572.08	1,594.32	-22.24	-1.4%
Cost of goods sold & service	715.13	712.27	2.86	0.4%	1,361.14	1,423.96	-62.82	-4.4%
Selling expenses	16.49	19.00	-2.51	-13.2%	36.36	38.10	-1.74	-4.6%
Administrative expenses	25.42	23.53	1.89	8.0%	50.37	47.97	2.40	5.0%
Total expenses	757.04	754.80	2.24	0.3%	1,447.87	1,510.03	-62.16	-4.1%
Earning before interest and tax	63.04	42.82	20.22	47.2%	124.21	84.29	39.92	47.4%
Financial expenses	-2.04	-3.66	1.62	-44.3%	-4.76	-8.52	3.76	-44.0%
Share of income from investment in associate	0.40	0.26	0.14	53.9%	0.80	0.53	0.27	50.9%
Corporate Income tax expenses	-12.02	-7.89	-4.13	52.3%	-23.75	-15.42	-8.33	54.0%
Net profit for the period	49.38	31.53	17.85	56.6%	96.50	60.88	35.62	58.5%
Profit Sharing for non-controlling interest of a subsidiary company	-8.72	-7.06	-1.66	23.5%	-18.72	-12.80	-5.92	46.3%
Net profit for the company and its subsidiaries	40.66	24.47	16.19	66.2%	77.78	48.08	29.70	61.8%

1. Operating Performance

For the period of three months ended 30th Sept 2016, the net profits for the company and its subsidiaries was Baht 40.66 million or increased by 16.19 million which accounting for 66.2 percent, the results for the current three-month period was better when comparing to the same period of the previous year and earlier 1st quarter. Mainly due to the gross margin of the exhaust products in the automotive industry remained in high level as resulted from the continuation in improvement and development of process. Together with cautious in selling stainless steel sheet and strip to the wholesalers, who may be strongly impacted by the unwell economy recovery as well as china economic slowing down.

Beside, company and its subsidiaries recorded the profit sharing to non-controlling interest in a subsidiary by Baht 8.72 million, increased by Baht 1.66 million from the same period of previous year due to the better sales and net profit of a subsidiary company who manufacture and supply the automotive exhausted pipes to automotive industry.

For the period of 1st half ended 30th Sept 2016, the Company and its subsidiaries had net operating profit of Baht 124.21 million which accounting for the increase by 47.4 percent, Net profit for the company and its subsidiaries was 77.78 million or increase by 61.8 percent when compared with the net profit of Baht 48.08 million of the same period of the previous year. Net profit increased for the first half due to the overall management to focus

on improvement in relating to any process inefficiency, together with higher sales of automotive exhausted pipes in automotive customer group.

1.1 Revenue

For the period of three months ended 30th Sept 2016, the Company and its subsidiaries had revenue from sales and service of Baht 812.92 million compared with Baht 788.60 million in the same period of the previous year, which increased by 3.1 percent. The sales remained increase by more weight sold in almost product groups, although the average selling prices fell in most of product groups following the global material prices down comparing to the same period of previous year.

The sales of company and it subsidiaries mostly came from Copper, Aluminum and Stainless products.

For the period of 1st half of year ended 30th Sept 2016, the Company and its subsidiaries had revenue from sales and service of Baht 1,557.90 million compared with Baht 1,574.36 million in the same period of the previous year, slightly decrease by 1.1 percent due to the cautious in sales to wholesaler group.

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 2016, the Company and its subsidiaries had other income of Baht 7.16 million and 14.18 million baht respectively, which decreased by 20.6 percent and 29.0 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 30th Sept 2016, the Company and its subsidiaries had cost of goods sold of Baht 715.13 million, or accounting for 87.20 percent of the total revenue, decrease in comparing with Baht 712.17 million or accounting for 89.30 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2016 increased by 0.4 percent, showing the saving by the lower increase in cost than the increase in sales & services by 3.1 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2016, the Company and its subsidiaries had cost of goods sold of Baht 1,361.14 million, or accounting for 86.58 percent of the total revenue in comparing with Baht 1,423.96 million, or accounting for 89.31 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 period of three months and period of 1st half ended 30th Sept 2016, the Company and its subsidiaries had selling expenses of Baht 16.49 million and 36.36 million, compared with selling expenses of Baht 19.00 million and 38.10 million in the same periods of the previous year, or decreased by 13.2 percent for three month period and decreased by 4.6 percent for the 1st half year respectively. The majority of selling

expense was sale personal expenses annually adjusted as normal. However, the bad debt reserve in current year was lower than previous year reserve.

For the period of three months and 1st half ended 30th Sept 2016, the selling expenses were 2.03 percent and 2.33 percent of total sales and service, compared with 2.41 percent and 2.42 percent 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 period of three months and period of 1st half ended 30th Sept 2016, the Company and its subsidiaries had administrative expenses of Baht 25.42 million and 50.37 million, compared with administrative expenses of Baht 23.53 million and 47.97 million in the same period of the previous year which increased by 8.0 percent and 5.0 percent respectively..

The major expenses are in area of personnel costs due to salary normally increased year by year and other administrative expenses.

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 2016, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.40 million and 0.80 million in consolidated income statements in which increased by 53.9 percent for three month period and increased by 50.9 percent for 1st half year respectively in comparison with the same period of previous year.

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 2016, the Company and its subsidiaries had earning before interest and tax of Baht 63.04 million and Baht 124.21 million respectively. After deducting the financial costs of Baht -2.04 million and Baht -4.76 million, adding the share of income from investment of Baht 0.40 million and Baht 0.80 million, deducting the corporate income tax of Baht -12.02 million and Baht -23.75 million, the net profit of the Company and its subsidiaries were at Baht 49.38 million and Baht 96.50 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 47.2 percent and by 56.6 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both increased by 47. percent and 58.5 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2016, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 8.72 million and 18.72 million respectively. The higher profit sharing was due to the higher in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 40.66 million and 77.78 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2016, the Company and its subsidiaries recognized corporate tax expenses by Baht 12.02 million and 23.75 million, increase from the same period of previous year of Baht 7.89 million and 15.42 million as the result of higher 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, Mory Industrial Inc. 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 8.72 million and 18.72 million for the period of three month and 1st half year ended 30th Sept 2016.

1.10 Profitability

For the period of three months ended 30th Sept 2016, the Company and its subsidiaries had gross profit margin of 12.03 percent, compared with gross profit margin of 9.68 percent in the same period of the previous year. This was owing to high gross margin of exhausted pipes in automotive industry from the continuation of process improvement during the years together with lower sales in wholesaler channel which normally had lower gross margin.

For the period of 1st half ended 30th Sept 2016, the Company and its subsidiaries had gross profit margin of 12.63 percent compared with gross profit margin of 9.55 percent in the same period the previous year. The gross profit margin increased by Baht 46.36 million.

(Unit: Baht million)

Consolidated balance sheets	As at 30 th Sept 2016		As at 31 st Mar 2016	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	218.55	9.34%	177.64	8.01%
Short-term investment	3.62	0.15%	4.51	0.20%
Account receivable, trade and others	766.27	32.74%	762.17	34.37%
Inventories, net	774.23	33.08%	664.35	29.96%
Other current assets	7.80	0.33%	4.97	0.23%
Total current assets	1,770.47	75.64%	1,613.64	72.77%
Non-current assets				
Investment in related company	10.13	0.43%	9.33	0.42%
Long-term investment	2.98	0.13%	3.16	0.14%
Property, plant and equipment, net	481.46	20.57%	519.22	23.42%
Intangible assets – net	0.86	0.04%	0.43	0.02%
Restricted fixed deposits	46.88	2.00%	46.50	2.10%
Deferred tax assets	24.11	1.03%	21.49	0.97%
Other non-current assets	3.70	0.16%	3.63	0.16%
Total non-current assets	570.12	24.36%	603.76	27.23%
TOTAL ASSETS	2,340.59	100.00%	2,217.40	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	187.90	8.03%	252.95	11.41%
Account payables, trade and others	520.94	22.26%	362.82	16.36%
Current portion of financial lease	2.20	0.09%	3.48	0.16%
Accrued corporate income tax	26.34	1.13%	15.17	0.68%
Other current liabilities	8.84	0.38%	13.05	0.59%
Total current liabilities	746.22	31.89%	647.47	29.20%
Non-current liabilities				
Financial lease obligations	-	-	1.16	0.05%
Provision for employee benefit	32.13	1.37%	30.02	1.36%
Total non-current liabilities	32.13	1.37%	31.18	1.41%
TOTAL LIABILITIES	778.35	33.26%	678.65	30.61%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.36%	383.00	17.27%
Premium on stock	519.67	22.20%	519.67	23.44%
Retained earnings				
Legal reserve	68.80	2.94%	65.30	2.94%
Un-appropriated	396.96	16.96%	376.49	16.98%
Non-controlling interest of a subsidiary	193.81	8.28%	194.29	8.76%
Total shareholders' equity	1,562.24	66.74%	1,538.75	69.39%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,340.59	100.00%	2,217.40	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 30th Sept 2016 and 31st March 2016, the Company and its subsidiaries had total assets of Baht 2,340.59 million and Baht 2,217.40 million respectively. The increase was Baht 123.18 million, mainly increased in inventories and cash equivalent items. 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 30th Sept 2016 and 31st March 2016 the Company and its subsidiaries had net inventories of Baht 774.23 million (or 33.08 percent of total assets) and Baht 664.35 million (or 29.96 percent of total assets) respectively. The increase was following the better sales trend in the short term.
- 2.1.2 Trade account receivables, net – other parties: As at 30th Sept 2016 and 31st March 2016, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 766.27 million (or 32.74 percent of total assets) and Baht 762.17 million (or 34.37 percent of total assets) respectively.
- 2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 30th Sept 2016 and 31st March 2016, the Company and its subsidiaries had Land, plant and equipments – net of Baht 481.46 million (or 20.57 percent of total assets) and Baht 519.22 million (or 23.42 percent of total assets) respectively. During the period, there was no significant investment.
- 2.1.4 Restricted fix deposit: As at 30th Sept 2016 and 31st March 2016, the Company and its subsidiaries had net value of Baht 46.88 million (or 2.00 percent of total assets) and Baht 46.50 million (or 2.10 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 30th Sept 2016 and 31st March 2016, the Company and its subsidiaries had net value of Baht 24.11 million and Baht 21.49 million respectively (1.03 percent and 0.97 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 30th Sept 2016 and 31st March 2016 stood at Baht 778.35 million and Baht 678.65 million respectively. The increasing in liabilities was mainly to the purchase of raw material although there was settlement of short term loan by excessive operating cash flow.

2.3 Shareholders' equity

As at 30th Sept 2016 and 31st March 2016, shareholders' equity was Baht 1,562.24 million and Baht 1,538.75 million respectively. The major changes were from the net profit amounting to Baht 96.50 million, dividend payment of Baht 72.82 million. Therefore, portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,368.43 million and Baht 193.81 million respectively.

Debt to Equity ratio, as at 30th Sept 2016 and 31st March 2016, the ratios were 0.50 and 0.44 times respectively. The increase in ratio was due to increase in trade creditor.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th Sept 2016	As at 30th Sept 2015
Net cash from (used in) operating activities	183.76	84.47
Net cash used in investing activities	-2.62	-9.67
Net cash from (used in) financing activities	-140.32	-102.41
Effect of exchange rate to cash and cash equivalent	0.08	0.04
Net increase (decrease) in cash	40.90	-27.57

3. Cash flows

For the quarter ended 30th Sept 2016, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 183.76 million, consisting of baht 157.26 million positively from operating performance and net positive of Baht 29.50 million from working capital. Most increase was in inventory and trade creditors.

There was also net pay in investing activities of Baht -2.62 million with no major investment during the quarter.

The financing part was net Baht -140.32 million. There were settlement of short term loan by Baht -65.05 million and payment of dividend by Baht -72.82 million.

In total, net cash for the year was increased by Baht 40.90 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director