

May 27, 2020

Subject Management Discussion and Analysis for the year ended 31st March 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 year ended 31st March 2020 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 st March			
	Apr 2019 - Mar 2020	Apr 2018 - Mar 2019	Change	% Change
Revenue from sales & service	2,756.44	3,293.90	-537.46	-16.3%
Other income	19.49	25.33	-5.84	-23.1%
Total revenue	2,775.93	3,319.23	-543.30	-16.4%
Cost of goods sold & service	2,427.69	2,882.47	-454.78	-15.8%
Selling & distribution expenses	65.95	67.77	-1.82	-2.7%
Administrative expenses	122.77	115.49	7.28	6.3%
Total expenses	2,616.41	3,065.73	-449.32	-14.7%
Earning before interest and tax	159.52	253.50	-93.98	-37.1%
Finance cost	-3.67	-5.55	1.88	-33.9%
Share of profit from investment in associate	1.95	2.14	-0.19	-8.9%
Income tax expenses	-23.50	-49.39	25.89	-52.4%
Net profit	134.30	200.70	-66.40	-33.1%
Minority interest in subsidiary	-47.35	-57.11	9.76	-17.1%
Net profit of the Company	86.95	143.59	-56.64	-39.4%

1. Operating Performance

For the year ended 31st March 2020 the Company and its subsidiaries had net profit of Baht 86.95 million or decreased by 56.64 million or -39.4 percent from previous year, compared with the net profit of Baht 143.59 million in previous year. This is due to the continuously slowing economy in the country throughout the year. Foreign purchasing power was greatly contracted by the impact of trade war affecting the sales volume while the falling price of raw materials in global market and intensive competition among operators in the condition of excess supply have affected the selling price. The contracted volume and selling price therefore have a direct impact on the company's gross profit and net profit, although the Company and its subsidiaries have controlled the selling and administrative expenses during the year. Moreover, the Company and its subsidiaries have set aside provision in first quarter of the year for the additional employee benefits at the amount of approximately 7.7 million baht in administrative expenses in order to comply with the Labor Protection Act, revised and announced in 2019.

The profit before interest and tax decreased by Baht 93.98 million whereas corporate tax decreased by 25.89 million from the lower operating profit together with tax exemption of a subsidiary as granted by the Board of Investment Promotion for the Solar Roof Project, financial cost also slightly decreased by Baht 1.88 million and profit sharing to minority shareholders also decreased by Baht 9.76 million in current year.

1.1 Revenue

For the year ended 31st March 2020, the Company and its subsidiaries had revenue from sales and service of Baht 2,756.44 million compared with Baht 3,293.90 million in the same period of the previous year, which decreased by 16.3 percent. The sales volume has decreased following the economic and export slowdown and the selling price has decreased in accordance with the intensive competition in the main products such as copper, aluminum and stainless pipes in accordance with lower in global raw material prices and increasing competition.

The majority sales of Company comprised of metal like stainless steel and non-ferrous metal like copper and aluminum whereas sales of a new subsidiary company mostly came from Stainless Copper and Aluminum as the main product groups among various industries, mainly in particular for automotive, electrical appliance and construction.

1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31st March 2020, the Company and its subsidiaries had other income of Baht 19.49 million or decreased by 23.1 percent from the same period previous year. Other income decreased from the lower disposal amount than last year of the old and unused equipment.

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

Majority of cost of goods sold are cost of raw material are cold rolled stainless steel sheet, coil and pipes which the Company and its subsidiaries process. For the year ended 31st March 2020, the Company and its subsidiaries had cost of goods sold of Baht 2,427.69 million, or accounting for 87.46 percent of the total revenue in comparing with Baht 2,882.47 million, or accounting for 86.84 percent of total revenue of previous year. Cost of goods sold decreased by 15.8 percent whereas sales & service decreased by 16.3 percent.

1.4 Selling & distribution expenses

Selling & distribution expenses mostly consist of sale staff expenses, transportation expenses and promotional expenses. For the year ended 31st March 2020, the Company and its subsidiaries had selling expenses of Baht 65.95 million, compared with selling expenses of Baht 67.77 million in the same period of the previous year which decreased by 2.7 percent. Most of these expenses are staff expenses and delivery costs.

For the period of year ended 31st March 2020, the selling & distribution expenses were 2.39 percent, increased when comparing to 2.06 percent of revenue from sales and service in the same period of previous year. This is due to the decrease in sales due to the impacts on quantity and selling price.

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 31st March 2020, the Company and its subsidiaries had administrative expenses of Baht 122.77 million, compared with administrative expenses of Baht 115.49 million in the previous year which increased by 6.3 percent. The higher was due to the

Company and its subsidiaries have set aside provision in first quarter for additional employee benefits at the amount of approximately 7.7 million baht in order to comply with the Labor Protection Act, revised and announced in 2019.

For the year ended 31st March 2020, the administrative expenses was 4.42 percent of total revenue, increased in compared with administrative expenses of 3.48 percent of total revenue in the same period of the previous year.

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

For the year ended 31st March 2020, the Company and its subsidiaries had profit before interest and tax of Baht 159.52 million. After deducting the finance cost of Baht 3.67 million, income tax of Baht 23.50 million, net profit sharing to minority shareholders of subsidiary of Baht 47.35 million and adding the profit sharing from investment in related of Baht 1.95 million, the net profit of the Company and its subsidiaries stood at Baht 86.95 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 253.50 million and Baht 143.59 million respectively, the net profit of the present year decreased by 39.4 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 31st March 2020 and 2019, the company and its subsidiary recognized share of profit by equity method of Baht 1.95 million and Baht 2.14 million respectively.

1.8 Income tax expense

For the year ended 31st March 2020, the Company and its subsidiaries had corporate tax of Baht 23.50 million or decrease by 52.4 percent due to the lower in operating profit together with using the tax exemption privilege of 8.5 million baht granted by the Board of Investment Promotion of a subsidiary in the Solar Roof Energy Saving Project

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 2020, 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 47.35 million, decreased from amount by 57.11 million of previous year by 17.1 percent. The decreased was due mainly to the higher sales and administrative expenses of a subsidiary who is the manufacturer of exhausted pipe in automotive industry.

1.10 Profitability

For the year ended 31st March 2020, the Company and its subsidiaries had lower gross profit margin of 11.93 percent compared with gross profit margin of 12.49 percent in the same period the previous year. This was mainly due to lower sales in the higher margin segment like automotive pipes among metal products.

For the year ended 31st March 2020, the Company and its subsidiaries had net profit margin of 3.13 percent compared with net profit of 4.33 percent in the same period of the previous year. The decrease in net profit was mainly from the lower gross margin together with higher administrative expenses.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Mar 2020		As at 31 st Mar 2019	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	211.33	9.98%	314.32	13.40%
Short-term investment	107.03	5.05%	4.38	0.19%
Account receivable, trade and others	542.31	25.60%	673.05	28.70%
Inventories	588.75	27.79%	716.37	30.54%
Other current assets	4.04	0.19%	5.91	0.25%
Total current assets	1,453.46	68.61%	1,714.03	73.08%
Non-current assets				
Restricted bank deposits	46.18	2.18%	46.18	1.97%
Investment in associate	11.63	0.55%	9.67	0.41%
Long-term investment	3.46	0.16%	3.51	0.15%
Property, plant and equipment	581.77	27.46%	544.27	23.20%
Intangible assets	1.74	0.08%	0.37	0.02%
Deferred tax assets	16.90	0.80%	15.56	0.66%
Other non-current assets	3.40	0.16%	11.94	0.51%
Total non-current assets	665.08	31.39%	631.50	26.92%
TOTAL ASSETS	2,118.54	100.00%	2,345.53	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	55.72	2.63%	92.25	3.93%
Account payables, trade and others	368.07	17.38%	516.82	22.03%
Income tax payable	6.64	0.31%	20.12	0.86%
Other current liabilities	9.76	0.46%	8.56	0.37%
Total current liabilities	440.19	20.78%	637.75	27.19%
Non-current liabilities				
Provision for long-term employee benefits	43.22	2.04%	41.37	1.76%
Total non-current liabilities	43.22	2.04%	41.37	1.76%
TOTAL LIABILITIES	483.41	22.82%	679.12	28.95%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.08%	383.00	16.33%
Premium on stock	519.67	24.53%	519.67	22.16%
Retained earnings				
Legal reserve	75.25	3.55%	74.90	3.19%
Un-appropriated	439.01	20.72%	468.04	19.96%
Non-controlling interest of the subsidiary	218.20	10.30%	220.80	9.41%
Total shareholders' equity	1,635.13	77.18%	1,666.41	71.05%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,118.54	100.00%	2,345.53	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 31st March 2020 and 2019, the Company and its subsidiaries had total assets of Baht 2,118.54 million and Baht 2,345.53 million respectively. Cash, Short-term investment, trade accounts receivable and inventory decreased by 211.33 million baht, 107.03 million baht, 542.31 million baht and 588.75 million baht respectively. The decreasing in overall sales of the company and subsidiaries lower the outstanding receivables and inventories. 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 31st March 2020 and 2019 the Company and its subsidiaries had net inventories of Baht 588.75 million (or 27.79 percent of total assets) and Baht 716.37 million (or 30.54 percent of total assets) respectively. The decrease in inventories were mainly following the lower sales and decrease in global material price.
- 2.1.2 Trade account receivables – other parties: As at and 31st March 2020 and 2019, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 542.31 million (or 25.60 percent of total assets) and Baht 673.05 million (or 28.70 percent of total assets) respectively. Trade receivables decreased in following to the lower sales.
- 2.1.3 Short term investment: As at and 31st March 2020 and 2019 the Company and its subsidiaries had short term investment of Baht 107.03 million (or 5.05 percent of total assets) and Baht 4.38 million (or 0.19 percent of total assets) respectively. The higher investment value came from the investment in unit value of mutual fund due to the excessive cash balance of a subsidiary company.
- 2.1.4 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at and 31st March 2020 and 2019, the Company and its subsidiaries had Land, plant and equipments – net of Baht 581.77 million (or 27.46 percent of total assets) and Baht 544.27 million (or 23.20 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 31st March 2020 and 2019, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.18 percent of total assets and 1.97 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 31st March 2020 and 2019, the Company and its subsidiaries had net value of Baht 16.90 million and Baht 15.56 million respectively (0.80 percent and 0.66 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 31st March 2020 and 2019 stood at Baht 483.41 million and Baht 679.12 million respectively. The decrease in liabilities was mainly due to decreasing in current liabilities, reflecting lower purchases of raw materials in the meantime. In addition, the company and its subsidiaries have additional long-term liabilities following the setting of one time provision for additional employee benefits of approximately 7.7 million baht in order to comply with the Labor Protection Act. Revised and announced in 2019.

2.3 Shareholders' equity

As at and 31st March 2020 and 2019, shareholders' equity was Baht 1,635.13 million and Baht 1,666.41 million or decrease by 31.38 million. The major changes were the net profit amounting to Baht 86.22 million and dividend payment of Baht -164.82 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,416.93 million and Baht 218.20 million respectively.

Debt to Equity ratio as at and 31st March 2020 and 2019 were 0.30 and 0.41 times respectively. The lower D/E ratio was due to smaller current liabilities as a result of smaller size of business transactions in the latest quarter.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st Mar 2020	As at 31st Mar 2019
Net cash from (used in) operating activities	289.91	166.38
Net cash used in investing activities	-191.61	-178.47
Net cash from (used in) financing activities	-201.35	-162.52
Effect of exchange rate to cash and cash equivalent	0.05	-0.04
Net increase (decrease) in cash	-103.00	-174.65

3. Cash flows

For the year ended 2020 and 2019, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 289.91 million, consisting of baht 185.98 million positively from operating performance and net positive in working capital of Baht 103.93 million. The net positive cash flow in working capital came from less account receivable and inventory over net payment of trade payable.

Net cash flow from investing activities was amount to -191.61 million baht with the short-term investment by -103.00 million baht and also investing in new machines and equipment in solar roof-top project and other by -93.56 million baht.

The financing part was net Baht -201.35 million with some settlement of short term loan -36.53 million and payment of dividend by Baht -164.82 million.

In total, net cash for the period was decreased by Baht -103.00 million.

Sincerely yours,



(Mr. Vittawat Akarapongpisak)
Deputy Managing Director