

Aug 10, 2021

Subject Management Discussion and Analysis for the period of three months ended 30th June 2021

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 2021 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 2021 - June 2021	Apr 2020 - June 2020	Change	% Change
Revenue from sales & service	658.01	411.58	246.43	59.9%
Other income	3.34	5.01	-1.67	-33.3%
Total revenue	661.35	416.59	244.76	58.8%
Cost of goods sold & service	550.45	383.13	167.32	43.7%
Selling expenses	12.97	10.96	2.01	18.3%
Administrative expenses	26.97	27.15	-0.18	-0.7%
Total expenses	590.39	421.24	169.15	40.2%
Earning before interest and tax	70.96	-4.65	75.61	1,626.0%
Financial expenses	-0.70	-0.66	-0.04	6.1%
Share of income from investment in associate	0.42	0.09	0.33	366.7%
Income tax expenses	-14.20	0.82	-15.02	1,831.7%
Net profit for the period	56.48	-4.40	60.88	1,383.6%
Profit Sharing for non-controlling interest of a subsidiary company	9.36	-1.77	11.13	628.8%
Net profit for the company and its subsidiaries	47.12	-2.63	49.75	1,891.6%

1. Operating Performance

For the period of the first three months ended 30 June 2021, the Company and its subsidiaries recorded a net profit for the company and its subsidiary in the amount of 47.12 million baht, an increase of 49.75 million baht or an increase of 1,891.6 percent. The current three-month performance has greatly increased from losses in the same period the previous year. This was due to the high market price recovery in the quarter following the accommodative global economic conditions from the availability of vaccines and the distribution of vaccines in various countries, as well as the easing of monetary and fiscal policies to drive economic recovery. The increase in net profit was a result of higher market prices, raw material and production control, restructuring of production and effective control of production costs and operating costs. In addition, the situation in the same quarter of last year which resulted in losses due to the pandemic of the novel coronavirus disease 2019 (Covid-19) resulted to the lockdown in many countries around the world, including Thailand. This negative impact greatly affected the domestic consumption, manufacturing and export sectors which have severely declined.

In addition, the Company and its subsidiaries have recognized the share of profit of non-controlling interests of the subsidiaries in the amount of 9.36 million baht, a increase of 11.13 million baht from the same period of the previous year.

1.1 Revenue

For the period of three months ended 30th June 2021, the Company and its subsidiaries had revenue from sales and service of Baht 658.01 million compared with Baht 411.58 million in the same period

of the previous year or increased by 59.9 percent. This is due to the increase in volume in the category of automobile exhaust pipes, aluminum and galvanized steel. In addition, the average selling price of all major commodities has risen sharply in line with the rise in metal commodities prices in the current year. This is due to the situation of insufficient production capacity in the region to support the rising demand after the epidemic situation eased and restrictions on economic activities in many countries around the world were reduced. Most of the sales come from the sales of copper, aluminum products, stainless products and galvanized steel.

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 2021, the Company and its subsidiaries had other income of Baht 3.34 million which decreased by 33.3 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 2021, the Company and its subsidiaries had cost of goods sold of Baht 550.45 million, or accounting for 83.23 percent of the total revenue in comparing with Baht 383.13 million, or accounting for 91.97 percent of the total revenue of previous year. The cost of goods sold of the company and its subsidiaries increased by 43.7 percent compared with the same period last year, while revenues from sales and services increased by 59.9 percent.

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 2021, the Company and its subsidiaries had selling expenses of Baht 12.97 million, compared with selling expenses of Baht 10.96 million in the same period of the previous year which increased by Baht 2.01 million or 18.3 percent due to the increase in marketing and delivery expenses. The selling expenses ratio for the period of three months ended 30th June 2021 was 1.97 percent of sale and service, lower in compared with selling expenses ratio of 2.66 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 2021, the Company and its subsidiaries had administrative expenses of Baht 26.97 million, compared with administrative expenses of Baht 27.15 million in the same period of the previous year which decreased by 0.7 percent since the company and subsidiaries have reduced and controlled administrative expenses.

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 2021 was 4.08 percent of total revenue, decrease in compared with administrative expenses of 6.52 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 2021, the company and its

subsidiaries recognized share of income , by using equity method, of Baht 0.42 million in consolidated income statements in which increased by Baht 0.33 million or 366.7 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 2021, the Company and its subsidiaries had profit before interest and tax of Baht 70.96 million. After deducting the financial expense of Baht 0.70 million and income tax of Baht 14.20 million and adding the share of income from investment of Baht 0.42 million, the net profit of the Company and its subsidiaries was at Baht 56.48 million. When comparing to the loss before interest and tax and the net loss of the same period of the previous year which were at Baht -4.65 million and Baht -4.40 million respectively, the profit before interest and tax and net profit of the present period increased by 1,626.0 percent and 1,383.6 percent respectively.

In addition, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 0.42 million for the present period or increase by Baht 0.33 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 2021 increased by Baht 49.75 million, from the net loss of -2.63 million from the same period of previous year.

1.8 Income tax

For the three months ended 30th June 2021, the Company and its subsidiaries recognized tax income by 14.20 million or increased by 1,831.7 percent. This was mainly due to profit from operations in current three months.

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 was amount by 9.36 million for the three months period ended 30th June 2021.

1.10 Profitability

For the period of three months ended 30th June 2021, the Company and its subsidiaries had gross profit margin of 16.35 percent, higher by 9.44 percent when compared with gross profit margin of 6.91 percent in the same period of the previous year. This was mainly due to an increase in gross profit margin in all product categories due to an increase in average selling price in accordance with the world market price of metal or non-metal products, together with effective control of raw material costs and production costs. Thus, there was the wider gross profit margin. In addition, gross profit in the same quarter of the previous year was much lower than normal due to the epidemic situation.

(Unit: Baht million)

Consolidated balance sheets	As at 30th June 2021		As at 31st Mar 2021	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	351.91	16.66%	317.82	15.18%
Financial Assets (Short-term investment)	68.68	3.25%	73.88	3.53%
Account receivable, trade and others	558.11	26.42%	556.31	26.58%
Inventories	501.97	23.76%	506.04	24.18%
Other current assets	4.41	0.21%	4.19	0.20%
Total current assets	1,485.08	70.30%	1,458.24	69.67%
Non-current assets				
Restricted bank deposits	46.18	2.19%	46.18	2.21%
Investment in associate	13.39	0.64%	12.97	0.62%
Non-Current Financial Assets (Long-term investment)	3.53	0.17%	3.30	0.16%
Property, plant and equipment	543.40	25.72%	551.66	26.35%
Intangible assets	3.15	0.15%	3.25	0.15%
Deferred tax assets	14.23	0.67%	14.29	0.68%
Other non-current assets	3.47	0.16%	3.32	0.16%
Total non-current assets	627.35	29.70%	634.97	30.33%
TOTAL ASSETS	2,112.43	100.00%	2,093.21	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	23.51	1.11%	42.51	2.03%
Account payables, trade and others	346.57	16.41%	349.36	16.69%
Lease payable due within one year	3.29	0.16%	3.26	0.16%
Income tax payable	29.61	1.40%	16.23	0.78%
Other current liabilities	6.99	0.33%	10.02	0.47%
Total current liabilities	409.97	19.41%	421.38	20.13%
Non-current liabilities				
Lease Payable	0.56	0.03%	1.39	0.07%
Provision for long-term employee benefits	39.24	1.86%	38.33	1.83%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	39.82	1.89%	39.74	1.90%
TOTAL LIABILITIES	449.79	21.30%	461.12	22.03%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.13%	383.00	18.30%
Premium on stock	519.67	24.60%	519.67	24.83%
Retained earnings				
Legal reserve	76.40	3.62%	76.40	3.65%
Un-appropriated	502.47	23.78%	455.35	21.75%
Non-controlling interest of the subsidiary	181.10	8.57%	197.67	9.44%
Total shareholders' equity	1,662.64	78.70%	1,632.09	77.97%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,112.43	100.00%	2,093.21	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th June 2021 and 31st March 2021, the Company and its subsidiaries had total assets of Baht 2,112.43 million and Baht 2,093.21 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 2021 and 31st March 2021 the Company and its subsidiaries had net inventories of Baht 501.97 million (or 23.76 percent of total assets) and Baht 506.04 million (or 24.18 percent of total assets) respectively.
- 2.1.2 Trade account receivables – other parties: As at and 30th June 2021 and 31st March 2021, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 558.11 million (or 26.42 percent of total assets) and Baht 556.31 million (or 26.58 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 30th June 2021 and 31st March 2021 the Company and its subsidiaries had short term investment of Baht 68.68 million (or 3.25 percent of total assets) and Baht 73.88 million (or 3.53 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 2021 and 31st March 2021, the Company and its subsidiaries had Land, plant and equipment – net of Baht 543.40 million (or 25.72 percent of total assets) and Baht 551.66 million (or 26.35 percent of total assets) respectively.
- 2.1.5 Restricted bank deposit: As at and 30th June 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.19 percent of total assets and 2.21 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 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 14.23 million and Baht 14.29 million respectively (0.67 percent and 0.68 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at and 30th June 2021 and 31st March 2021 stood at Baht 449.79 million and Baht 461.12 million respectively. The current and total liabilities decreased due to the repayment of short term loans from bank.

2.3 Shareholders' equity

As at 30th June 2021 and 31st March 2021, shareholders' equity was Baht 1,662.64 million and Baht 1,632.09 million or increase by 30.55 million. The major changes were the net profit amounting to Baht 56.48 million and dividend payment of Baht 25.92 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,481.55 million and Baht 181.10 million respectively.

Debt to Equity ratio as at and 30th June 2021 and 31st March 2021 were 0.27 and 0.28 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th June 2021	As at 30th June 2020
Net cash from (used in) operating activities	77.01	63.30
Net cash used in investing activities	2.81	21.26
Net cash from (used in) financing activities	-45.77	-67.53
Effect of exchange rate to cash and cash equivalent	0.03	-0.11
Net increase (decrease) in cash	34.08	16.92

3. Cash flows

For the period ended June 2021 and 2020, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 77.01 million, consisting of baht 80.15 million positively from operating performance and net negative in working capital of Baht -3.22 million. The net negative cash flow in working capital came from higher inventories.

Net cash flow from investing activities was amount to 2.81 million baht. Most of which are net increases of investments by 5.25 million baht and payment of equipment of -4.25 million baht.

The financing part was net Baht -45.77 million with some settlement of short term loan -19.00 million and payment of dividend by Baht -25.92 million.

In total, net cash for the period was increased by Baht 34.08 million.

Sincerely yours,



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