

Nov 11, 2021

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 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 and the period of 1st half ended 30th September 2021 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 2021	July - Sept 2020	Change	% Change	Apr - Sept 2021	Apr - Sept 2020	Change	% Change
Revenue from sales & service	637.44	518.91	118.53	22.8%	1,295.45	930.49	364.96	39.2%
Other income	10.42	3.28	7.14	217.7%	13.43	8.14	5.29	65.0%
Total revenue	647.86	522.19	125.67	24.1%	1,308.88	938.63	370.25	39.4%
Cost of goods sold & service	534.92	454.43	80.49	17.7%	1,085.37	837.56	247.81	29.6%
Selling expenses	12.79	12.87	-0.08	-0.6%	25.76	23.83	1.93	8.1%
Administrative expenses	27.67	28.15	-0.48	-1.7%	54.31	55.15	-0.84	-1.5%
Total expenses	575.38	495.45	79.93	16.1%	1,165.44	916.54	248.90	27.2%
Earning before interest and tax	72.48	26.74	45.74	171.1%	143.44	22.09	121.35	549.3%
Financial expenses	-0.35	-0.43	0.08	-18.6%	-1.05	-1.09	0.04	-3.7%
Share of income from investment in associate	0.41	0.30	0.11	36.7%	0.83	0.39	0.44	112.8%
Corporate Income tax expenses	-16.24	-5.31	-10.93	205.8%	-30.44	-4.49	-25.95	578.0%
Net profit for the period	56.30	21.30	35.00	164.3%	112.78	16.90	95.88	567.3%
Profit Sharing for non-controlling interest of a subsidiary company	-9.51	-6.27	-3.24	51.7%	-18.86	-4.50	14.36	319.1%
Net profit for the company and its subsidiaries	46.79	15.03	31.76	211.3%	93.92	12.40	81.52	657.4%

1. Operating Performance

For the period of three months ended 30th Sept 2021, the net profits for the company and its subsidiaries was Baht 46.79 million or increased by 31.76 million which was 211.3 percent, despite the increase in operating results in the three-month period, it is still affected by measures to control the Covid-19 epidemic. due to limited commercial activities But still better compared to the same period of 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 product control restructuring of production and effective control of production costs and operating costs. Compared to the same quarter of the previous year which resulted in a slight increase in profit Due to the outbreak of the novel coronavirus disease 2019 (Covid-19) and Lockdown in many countries around the world including Thailand This had a negative impact on the domestic consumption, manufacturing and export sectors.

For the period of 1st half year ended 30th Sept 2021, the Company and its subsidiaries reported operating profit of Baht 143.44 million, a increase of 549.3 percent and net profit of Baht 93.92 million or increased by 657.4% while compared to the same period of last year which the net profit was Baht 12.40 million due to the epidemic situation from the first

quarter to the present, and has a direct impact on the gross profit and net profit of the company.

1.1 Revenue

For the period of three months ended 30th Sept 2021, the Company and its subsidiaries had revenue from sales and service of Baht 637.44 million compared with Baht 518.91 million in the same period of the previous year, which increased by 22.8 percent. This was due to the higher volume and upper average selling price of stainless steel, copper, aluminum, galvanized steel, strip and sheet, which are the main product groups, has increased in line with the level of production activity of the main industries that have not yet returned to Normal level before the epidemic.

For the period of 1st half of year ended 30th Sept 2021, the Company and its subsidiaries had revenue from sales and service of Baht 1,295.45 million compared with Baht 930.49 million in the same period of the previous year or increased by 39.2 percent. 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.

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 2021, the Company and its subsidiaries had other income of Baht 10.42 million and 3.28 million baht respectively, which increased by 217.7 percent and 65.0 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 2021, the Company and its subsidiaries had cost of goods sold of Baht 534.92 million, or stood at 82.57 percent of the total revenue, increase in comparing with Baht 454.43 million or stood at 87.02 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2021 increased by 17.7 percent, while the increase in sales & services was 22.8 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2021, the Company and its subsidiaries had cost of goods sold of Baht 1,085.37 million, or stood at 82.92 percent of the total revenue in comparing with Baht 837.56 million, or stood at 89.23 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 2021, the Company and its subsidiaries had selling expenses of Baht 12.79 million and 25.76 million, compared with selling expenses of Baht 12.87 million and 23.83 million in the same periods of the previous year, or decreased by 0.6 percent for three month period and increased by 8.1 percent for the 1st half year respectively. The decrease of selling expense was mainly in area of logistic and marketing expenses.

For the period of three months and 1st half ended 30th Sept 2021, the selling expenses were 2.01 percent and 1.99 percent of total sales and service respectively, compared with 2.48 percent and 2.56 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 1st half ended 30th Sept 2021, the Company and its subsidiaries had administrative expenses of Baht 27.67 million and 54.31 million, compared with administrative expenses of Baht 28.15 million and 55.15 million in the same period of the previous year. Administrative expenses decreased because the Company and its subsidiaries had reduced and controlled administrative expenses.

For the period of three months and 1st half ended 30th Sept 2021, the administrative expenses were 4.27 percent and 4.15 percent of total revenues respectively, compared with 5.39 percent and 5.88 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 2021, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.41 million and 0.83 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 2021, the Company and its subsidiaries had earning before interest and tax of Baht 72.48 million and Baht 143.44 million respectively. After deducting the financial costs of Baht -0.35 million and Baht -1.05 million, adding the share of income from investment of Baht 0.41 million and Baht 0.83 million, deducting the corporate income tax of Baht -16.24 million and Baht -30.44 million, the net profit of the Company and its subsidiaries were at Baht 56.30 million and Baht 112.78 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 171.1 percent and by 164.3 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both increased by 549.3 percent and 567.3 percent respectively.

In addition to the period of three month and period of 1st half ended 30th Sept 2021, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 9.51 million and 18.86 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 46.79 million and 93.92 million respectively.

1.8 Corporate income tax

For the period of three month and 1st half of year ended 30th Sept 2021, the Company and its subsidiaries recognized corporate tax expenses by Baht 16.24 million and 30.44 million, increase from the same period of previous year of Baht 5.31 million and 4.49 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. 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 9.51 million and 18.86 million for the period of three month and 1st half year ended 30th Sept 2021.

1.10 Profitability

For the period of three months ended 30th Sept 2021, the Company and its subsidiaries had gross profit margin of 16.08 percent, compared with gross profit margin of 12.43 percent in the same period of the previous year. This was mainly due to an improvement in sales of exhaust pipes with its high gross margins while overall sales are still increased.

For the period of 1st half ended 30th Sept 2021, the Company and its subsidiaries had gross profit margin of 16.22 percent compared with gross profit margin of 9.99 percent in the same period 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 Sept 2021		As at 31st Mar 2021	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	343.08	15.76%	317.82	15.18%
Financial Assets (Short-term investment)	73.67	3.38%	73.88	3.53%
Account receivable, trade and others	552.19	25.37%	556.31	26.58%
Inventories	581.54	26.72%	506.04	24.18%
Other current assets	5.97	0.27%	4.19	0.20%
Total current assets	1,556.45	71.50%	1,458.24	69.67%
Non-current assets				
Restricted bank deposits	46.18	2.12%	46.18	2.21%
Investment in associate	13.80	0.63%	12.97	0.62%
Non-Current Financial Assets (Long-term investment)	3.17	0.15%	3.30	0.16%
Property, plant and equipment	537.30	24.68%	551.66	26.35%
Intangible assets	3.06	0.14%	3.25	0.15%
Deferred tax assets	13.72	0.63%	14.29	0.68%
Other non-current assets	3.27	0.15%	3.32	0.16%
Total non-current assets	620.50	28.50%	634.97	30.33%
TOTAL ASSETS	2,176.95	100.00%	2,093.21	100.00%
LIABILITIES				
Current liabilities				
Short term loans from banks	25.49	1.17%	42.51	2.03%
Account payables, trade and others	426.53	19.59%	349.36	16.69%
Lease payable due within one year	3.03	0.14%	3.26	0.16%
Income tax payable	27.62	1.27%	16.23	0.78%
Other current liabilities	4.10	0.19%	10.02	0.47%
Total current liabilities	486.77	22.36%	421.38	20.13%
Non-current liabilities				
Lease payable	-	-	1.39	0.07%
Provision for long-term employee benefits	40.15	1.85%	38.33	1.83%
Other non-current liabilities	0.02	-	0.02	-
Total non-current liabilities	40.17	1.85%	39.74	1.90%
TOTAL LIABILITIES	526.94	24.21%	461.12	22.03%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	17.59%	383.00	18.30%
Premium on stock	519.67	23.87%	519.67	24.83%
Retained earnings				
Legal reserve	77.40	3.56%	76.40	3.65%
Un-appropriated	479.33	22.02%	455.35	21.75%
Non-controlling interest of the subsidiary	190.61	8.75%	197.67	9.44%
Total shareholders' equity	1,650.01	75.79%	1,632.09	77.97%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,176.95	100.00%	2,093.21	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at and 30th September 2021 and 31st March 2021, the company and subsidiaries had total assets of 2,176.95 million baht and 2,093.21 million baht respectively, with short term investments, trade accounts receivable and inventories increased due to sales and production which contracted considerably. The increase in overall sales of the company and subsidiaries results in a increase in the outstanding inventories, receivables are still slightly decline. 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 30th September 2021 and 31st March 2021 the Company and its subsidiaries had net inventories of Baht 518.54 million (or 26.72 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 September 2021 and 31st March 2021, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 552.19 million (or 25.37 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 September 2021 and 31st March 2021 the Company and its subsidiaries had short term investment of Baht 73.67 million (or 3.38 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 September 2021 and 31st March 2021, the Company and its subsidiaries had Land, plant and equipment – net of Baht 537.30 million (or 24.68 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 September 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.12 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 September 2021 and 31st March 2021, the Company and its subsidiaries had net value of Baht 13.72 million and Baht 14.29 million respectively (0.63 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 September 2021 and 31st March 2021 stood at Baht 526.94 million and Baht 461.12 million respectively. The current and total liabilities increased from the purchase of more products.

2.3 Shareholders' equity

As at 30th September 2021 and 31st March 2021, shareholders' equity was Baht 1,662.64 million and Baht 1,650.01 million or increase by 17.92 million. The major changes were the net profit amounting to Baht 112.78 million and dividend payment of Baht 94.86 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,459.40 million and Baht 191.61 million respectively.

Debt to Equity ratio as at and 30th September 2021 and 31st March 2021 were 0.32 and 0.28 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 30th September 2021	As at 30th September 2020
Net cash from (used in) operating activities	146.44	148.51
Net cash used in investing activities	-7.74	19.23
Net cash from (used in) financing activities	-113.56	-108.85
Effect of exchange rate to cash and cash equivalent	0.11	-0.05
Net increase (decrease) in cash	25.25	58.84

3. Cash flows

For the 1st half year ended 30th September 2021 and 2020, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 146.44 million, consisting of baht 144.22 million positively from operating performance and net positive in working capital of Baht 2.33 million. The net positive cash flow in working capital came from increase inventories.

Net cash flow from investing activities was amount to -7.74 million baht, mostly from payment of equipment and no major investment during the period.

The financing part was net Baht -113.56 million by settlement of short term loan -17.03 million and payment of dividend by Baht -94.86 million.

In total, net cash for the period was increased by Baht 25.25 million.

Sincerely yours,

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