

May 27, 2021

Subject Management Discussion and Analysis for the year ended 31<sup>st</sup> March 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 year ended 31<sup>st</sup> March 2021 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2020 - Mar 2021	Apr 2019 - Mar 2020	Change	% Change
Revenue from sales & service	2,226.16	2,756.44	-530.28	-19.2%
Other income	21.38	19.49	1.89	9.7%
<b>Total revenue</b>	<b>2,247.54</b>	<b>2,775.93</b>	<b>-528.39</b>	<b>-19.0%</b>
Cost of goods sold & service	1,920.39	2,427.69	-507.30	-20.9%
Selling & distribution expenses	52.88	65.95	-13.07	-19.8%
Administrative expenses	113.50	122.77	-9.27	-7.6%
<b>Total expenses</b>	<b>2,086.77</b>	<b>2,616.41</b>	<b>-529.64</b>	<b>-20.2%</b>
<b>Earning before interest and tax</b>	<b>160.77</b>	<b>159.52</b>	<b>1.25</b>	<b>0.8%</b>
Finance cost	-1.87	-3.67	1.80	-49.0%
Share of profit from investment in associate	1.34	1.95	-0.61	-31.3%
Income tax expenses	-27.08	-23.50	-3.58	15.2%
<b>Net profit</b>	<b>133.16</b>	<b>134.30</b>	<b>-1.14</b>	<b>-0.9%</b>
Minority interest in subsidiary	-31.80	-47.35	15.55	-32.8%
<b>Net profit of the Company</b>	<b>101.36</b>	<b>86.95</b>	<b>14.41</b>	<b>16.6%</b>

## 1. Operating Performance

For the year ended 31<sup>st</sup> March 2021 the Company and its subsidiaries had net profit of Baht 101.36 million or increased by 14.41 million or 16.6 percent from previous year while sale decreased, compared with the net profit of Baht 86.95 million in previous year. The drop in sales was mainly due to the coronavirus outbreak (COVID-19) and lockdown in many countries around the world. This included Thailand in the first quarter. The domestic and foreign purchasing power also contracted according to limited economic activity during the epidemic. The said impact affects the production chains of various industries and affecting the volume of sales weight that has decreased significantly during the year. However, the market price of raw materials declined initially but further recovered at the end of the year in line with the more relaxed global economic conditions from the availability of vaccines and vaccination in various countries together with the easing of monetary and fiscal policies of various countries to drive economic recovery. The higher net profit while lower sales came from inventory controls, restructuring and effective control of production costs and operating costs. In addition, the company has no obligation to set aside a one-time provision for employee benefits in the current year.

The profit before interest and tax increased by Baht 1.25 million whereas corporate tax increased by 3.58 million. This was due to a subsidiary's income tax exemption from the Board of Investment in the Solar Roof Project in the previous year, while the current year the Company received less investment income tax exemption. The financial cost decreased slightly by 1.80 million baht, while the net profit of the subsidiary's minority shareholders decreased by 0.61 million baht in the current year.

## **1.1 Revenue**

For the year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had revenue from sales and service of Baht 2,226.16 million compared with Baht 2,756.44 million in the same period of the previous year, which decreased by 19.2 percent. This is due to the lower sales weight following lower production activities than the previous year in most industries. As a result, the products of stainless steel, copper, aluminum by coil and sheet, which are the main product groups, decreased in line with the production activities.

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 31<sup>st</sup> March 2021, the Company and its subsidiaries had other income of Baht 21.38 million or increased by 9.7 percent .

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 disposal of unused machines and equipment to record as the other income.

## **1.3 Cost of goods sold & service**

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 31<sup>st</sup> March 2021, the Company and its subsidiaries had cost of goods sold of Baht 1,920.39 million, or accounting for 85.44 percent of the total revenue in comparing with Baht 2,427.69 million, or accounting for 87.46 percent of total revenue of previous year. Cost of goods sold decreased by 20.9 percent whereas sales & service decreased by 19.2 percent.

## **1.4 Selling & distribution expenses**

Selling & distribution expenses mostly consist of sale staff expenses, transportation expenses and promotional expenses. For the year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had selling expenses of Baht 52.88 million, compared with selling expenses of Baht 65.95 million in the same period of the previous year which decreased by 19.8 percent. Most of these expenses are staff expenses and delivery costs.

For the period of year ended 31st March 2021, the selling & distribution expenses were 2.38 percent, decreased when comparing to 2.39 percent of revenue from sales and service 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 year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had administrative expenses of Baht 113.50 million, compared with administrative expenses of Baht 122.77 million in the previous year which decreased by 7.6 percent. The lower expense 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.

For the year ended 31<sup>st</sup> March 2021, the administrative expenses was 5.05 percent of total revenue, increased in compared with administrative expenses of 4.42 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 31<sup>st</sup> March 2021, the Company and its subsidiaries had profit before interest and tax of Baht 160.77 million. After deducting the finance cost of Baht 1.87 million, income tax of Baht 27.08 million, net profit sharing to minority shareholders of subsidiary of Baht 31.80 million and adding the profit sharing from investment in related of Baht 1.34 million, the net profit of the Company and its subsidiaries stood at Baht 101.36 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 159.52 million and Baht 86.95 million respectively, the net profit of the present year increased by 16.6 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 31<sup>st</sup> March 2021 and 2020, the company and its subsidiary recognized share of profit by equity method of Baht 1.34 million and Baht 1.95 million respectively.

#### **1.8 Income tax expense**

For the year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had corporate tax of Baht 27.08 million or increase by 15.2 percent. This was due to a subsidiary's income tax exemption from the Board of Investment in the Solar Roof Project in the previous year, while the current year the Company received less investment income tax exemption.

#### **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 2021, 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 31.80 million, decreased from amount by 47.35 million of previous year by 32.8 percent. The lower profit share was due to the lower net profit of the subsidiary, a manufacturer of exhaust pipe in the automotive industry.

#### **1.10 Profitability**

For the year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had lower gross profit margin of 13.74 percent compared with gross profit margin of 11.93 percent in the same period the previous year. The main reason is that sales of automobile exhaust pipes with a high gross profit accounted for a higher percentage of total sales.

For the year ended 31<sup>st</sup> March 2021, the Company and its subsidiaries had net profit margin of 4.51 percent compared with net profit of 3.13 percent in the same period of the previous year.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Mar 2021		As at 31st Mar 2020	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	317.82	15.18%	211.33	9.98%
Financial Assets (Short-term investment)	73.88	3.53%	107.03	5.05%
Account receivable, trade and others	556.31	26.58%	542.31	25.60%
Inventories	506.04	24.18%	588.75	27.79%
Other current assets	4.19	0.20%	4.04	0.19%
<b>Total current assets</b>	<b>1,458.24</b>	<b>69.67%</b>	<b>1,453.46</b>	<b>68.61%</b>
<b>Non-current assets</b>				
Restricted bank deposits	46.18	2.21%	46.18	2.18%
Investment in associate	12.97	0.62%	11.63	0.55%
Non-Current Financial Assets (Long-term investment)	3.30	0.16%	3.46	0.16%
Property, plant and equipment	551.66	26.35%	581.77	27.46%
Intangible assets	3.25	0.15%	1.74	0.08%
Deferred tax assets	14.29	0.68%	16.90	0.80%
Other non-current assets	3.32	0.16%	3.40	0.16%
<b>Total non-current assets</b>	<b>634.97</b>	<b>30.33%</b>	<b>665.08</b>	<b>31.39%</b>
<b>TOTAL ASSETS</b>	<b>2,093.21</b>	<b>100.00%</b>	<b>2,118.54</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short term loans from banks	42.51	2.03%	55.72	2.63%
Account payables, trade and others	349.36	16.69%	368.07	17.38%
Lease payable due within one year	3.26	0.16%	-	-
Income tax payable	16.23	0.78%	6.64	0.31%
Other current liabilities	10.02	0.47%	9.76	0.46%
<b>Total current liabilities</b>	<b>421.38</b>	<b>20.13%</b>	<b>440.19</b>	<b>20.78%</b>
<b>Non-current liabilities</b>				
Lease Payable	1.39	0.07%	-	-
Provision for long-term employee benefits	38.33	1.83%	43.22	2.04%
Other non-current liabilities	0.02	-	-	-
<b>Total non-current liabilities</b>	<b>39.74</b>	<b>1.90%</b>	<b>43.22</b>	<b>2.04%</b>
<b>TOTAL LIABILITIES</b>	<b>461.12</b>	<b>22.03%</b>	<b>483.41</b>	<b>22.82%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	18.30%	383.00	18.08%
Premium on stock	519.67	24.83%	519.67	24.53%
Retained earnings				
Legal reserve	76.40	3.65%	75.25	3.55%
Un-appropriated	455.35	21.75%	439.01	20.72%
Non-controlling interest of the subsidiary	197.67	9.44%	218.20	10.30%
<b>Total shareholders' equity</b>	<b>1,632.09</b>	<b>77.97%</b>	<b>1,635.13</b>	<b>77.18%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,093.21</b>	<b>100.00%</b>	<b>2,118.54</b>	<b>100.00%</b>

## **2. Financial Status**

### **2.1 Assets**

As for the assets value as at and 31st March 2021 and 2020, the Company and its subsidiaries had total assets of Baht 2,093.21 million and Baht 2,118.54 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 31st March 2021 and 2020 the Company and its subsidiaries had net inventories of Baht 506.04 million (or 24.18 percent of total assets) and Baht 588.75 million (or 27.79 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 2021 and 2020, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 556.31 million (or 26.58 percent of total assets) and Baht 542.31 million (or 25.60 percent of total assets) respectively.
- 2.1.3 Financial Assets: As at and 31st March 2021 and 2020 the Company and its subsidiaries had short term investment of Baht 73.88 million (or 3.53 percent of total assets) and Baht 107.03 million (or 5.05 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 2021 and 2020, the Company and its subsidiaries had Land, plant and equipments – net of Baht 551.66 million (or 26.35 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 March 2021 and 2020, the Company and its subsidiaries had net value of Baht 46.18 million (or 2.21 percent of total assets and 2.18 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 2021 and 2020, the Company and its subsidiaries had net value of Baht 14.29 million and Baht 16.90 million respectively (0.68 percent and 0.80 percent of total assets respectively).

### **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at and 31st March 2021 and 2020 stood at Baht 461.12 million and Baht 483.41 million respectively. The current liabilities decreased following the lower volume of raw material purchases and less long-term liabilities as the Company and its subsidiaries paid compensation for employee benefits for the executives who have due to retirement.

### 2.3 Shareholders' equity

As at and 31st March 2021 and 2020, shareholders' equity was Baht 1,632.09 million and Baht 1,635.13 million or decrease by 3.04 million. The major changes were the net profit amounting to Baht 134.79 million and dividend payment of Baht 136.58 million. Therefore, existing portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,434.42 million and Baht 197.67 million respectively.

Debt to Equity ratio as at and 31st March 2021 and 2020 were 0.28 and 0.30 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)

<b>Consolidated cash flows statement</b>	<b>As at 31st Mar 2021</b>	<b>As at 31st Mar 2020</b>
Net cash from (used in) operating activities	239.43	289.91
Net cash used in investing activities	20.28	-191.61
Net cash from (used in) financing activities	-153.15	-201.35
Effect of exchange rate to cash and cash equivalent	-0.06	0.05
Net increase (decrease) in cash	106.50	-103.00

### 3. Cash flows

For the year ended March 2021 and 2020, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 239.43 million, consisting of baht 191.62 million positively from operating performance and net positive in working capital of Baht 47.81 million. The net positive cash flow in working capital came from lower inventories.

Net cash flow from investing activities was amount to 20.28 million baht. Most of which are net increases of investments by 33.50 million baht and payment of equipment of -18.57 million baht.

The financing part was net Baht -153.15 million with some settlement of short term loan -13.20 million and payment of dividend by Baht -136.58 million.

In total, net cash for the period was increased by Baht 106.50 million.

Sincerely yours,

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