

Nov 7, 2017

Subject Management Discussion and Analysis for the period of three months and the period of 1st half ended 30th September 2017

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 2017 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 30 <sup>th</sup> Sept				For the period of 1st half ended 30 <sup>th</sup> Sept			
	July - Sept 2017	July - Sept 2017	Change	% Change	Apr - Sept 2017	Apr - Sept 2017	Change	% Change
Revenue from sales & service	927.44	812.92	114.52	14.1%	1,737.91	1,557.90	180.01	11.6%
Other income	8.03	7.16	0.87	12.2%	14.42	14.18	0.24	1.7%
<b>Total revenue</b>	<b>935.47</b>	<b>820.08</b>	<b>115.39</b>	<b>14.1%</b>	<b>1,752.33</b>	<b>1,572.08</b>	<b>180.25</b>	<b>11.5%</b>
Cost of goods sold & service	802.70	715.13	87.57	12.2%	1,503.52	1,361.14	142.38	10.5%
Selling expenses	16.84	16.49	0.35	2.1%	31.67	36.36	-4.69	-12.9%
Administrative expenses	25.28	25.42	-0.14	-0.6%	50.95	50.37	0.58	1.2%
<b>Total expenses</b>	<b>844.82</b>	<b>757.04</b>	<b>87.78</b>	<b>11.6%</b>	<b>1,586.14</b>	<b>1,447.87</b>	<b>138.27</b>	<b>9.5%</b>
<b>Earning before interest and tax</b>	<b>90.65</b>	<b>63.04</b>	<b>27.61</b>	<b>43.8%</b>	<b>166.19</b>	<b>124.21</b>	<b>41.98</b>	<b>33.8%</b>
Financial expenses	-1.38	-2.04	0.66	-32.4%	-3.03	-4.76	1.73	-36.3%
Share of income from investment in associate	0.40	0.40	0.00	0.0%	0.66	0.80	-0.14	-17.5%
Corporate Income tax expenses	-17.77	-12.02	-5.75	47.8%	-32.60	-23.75	-8.85	37.3%
<b>Net profit for the period</b>	<b>71.90</b>	<b>49.38</b>	<b>22.52</b>	<b>45.6%</b>	<b>131.22</b>	<b>96.50</b>	<b>34.72</b>	<b>36.0%</b>
Profit Sharing for non-controlling interest of a subsidiary company	-15.85	-8.72	-7.13	81.8%	-28.45	-18.72	-9.73	52.0%
<b>Net profit for the company and its subsidiaries</b>	<b>56.05</b>	<b>40.66</b>	<b>15.39</b>	<b>37.9%</b>	<b>102.77</b>	<b>77.78</b>	<b>24.99</b>	<b>32.1%</b>

## 1. Operating Performance

For the period of three months ended 30th Sept 2017, the net profits for the company and its subsidiaries was Baht 56.05 million or increased by 15.39 million which accounting for 37.9 percent, the results for the current three-month period was better when comparing to the same period of the previous year. Mainly due to the higher sales from the economic recovery and the good gross margin remained of the metal products, especially the automotive exhaust pipes, following the gradual economic growth and the export sector has expanded well from the economic recovery.

Beside, company and its subsidiaries recorded the profit sharing to non-controlling interest in a subsidiary by Baht 15.85 million, increased by Baht 7.13 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 2017, the Company and its subsidiaries had net operating profit of Baht 166.19 million which accounting for the increase by 33.8 percent, Net profit for the company and its subsidiaries was 102.77 million or increase by 32.1 percent when compared with the net profit of Baht 77.78 million of the same period of the previous year. Net profit increased for the first half as a result of overall economic recovery and higher sales of exhaust pipes in the automotive industry.

## **1.1 Revenue**

For the period of three months ended 30th Sept 2017, the Company and its subsidiaries had revenue from sales and service of Baht 927.44 million compared with Baht 812.92 million in the same period of the previous year, which increased by 14.1 percent. The increase in sales was due to the increase in overall sales volume in almost all categories of metal products together with the increase in the price of exhaust pipes following the rise in price of raw materials in the global market.

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

For the period of 1st half of year ended 30th Sept 2017, the Company and its subsidiaries had revenue from sales and service of Baht 1,737.91 million compared with Baht 1,557.90 million in the same period of the previous year or increase by 11.6 percent.

## **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 2017, the Company and its subsidiaries had other income of Baht 8.03 million and 14.42 million baht respectively, which increased by 12.2 percent and 1.7 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 2017, the Company and its subsidiaries had cost of goods sold of Baht 802.70 million, or accounting for 85.81 percent of the total revenue, decrease in comparing with Baht 715.13 million or accounting for 87.20 percent of total revenue of previous year. However, cost of good sold for the period of three months ended 30th Sept 2017 increased by 12.2 percent, saving by the lower increase in cost than the increase in sales & services by 14.1 percent from the same period of previous year.

For the period of 1st half ended 30th Sept 2017, the Company and its subsidiaries had cost of goods sold of Baht 1,503.52 million, or accounting for 85.80 percent of the total revenue in comparing with Baht 1,361.14 million, or accounting for 86.58 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 2017, the Company and its subsidiaries had selling expenses of Baht 16.84 million and 31.67 million, compared with selling expenses of Baht 16.49 million and 36.36 million in the same periods of the previous year, or increased by 2.1 percent for three month period and decreased by 12.9 percent for the 1<sup>st</sup> half year respectively. The majority of selling expense was sale personal expenses annually adjusted as normal. However, there was bad debt reserved in 1<sup>st</sup> quarter last year where no such reserve needed during this year. So the 1<sup>st</sup> half year showed the decrease in selling expenses.

For the period of three months and 1<sup>st</sup> half ended 30th Sept 2017, the selling expenses were 1.82 percent and 1.82 percent of total sales and service respectively, compared with 2.03 percent and 2.33 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 2017, the Company and its subsidiaries had administrative expenses of Baht 25.28 million and 50.95 million, compared with administrative expenses of Baht 25.42 million and 50.37 million in the same period of the previous year which decreased by 0.6 percent and increase by 1.2 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 1<sup>st</sup> half year ended 30<sup>th</sup> Sept 2017, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.40 million and 0.66 million in consolidated income statements in which no change for three month period and decreased by 17.5 percent for 1<sup>st</sup> 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 2017, the Company and its subsidiaries had earning before interest and tax of Baht 90.65 million and Baht 166.19 million respectively. After deducting the financial costs of Baht -1.38 million and Baht -3.03 million, adding the share of income from investment of Baht 0.40 million and Baht 0.66 million, deducting the corporate income tax of Baht -17.77 million and Baht -32.60 million, the net profit of the Company and its subsidiaries were at Baht 71.90 million and Baht 131.22 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 43.8 percent and by 45.6 percent respectively, whereas the earning before interest and tax and net profit for the period of 1st half were both increased by 33.8 percent and 36.0 percent respectively.

In addition to the period of three month and period of 1<sup>st</sup> half ended 30th Sept 2017, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 15.85 million and 28.45 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 56.05 million and 102.77 million respectively.

## **1.8 Corporate income tax**

For the period of three month and 1<sup>st</sup> half of year ended 30<sup>th</sup> Sept 2017, the Company and its subsidiaries recognized corporate tax expenses by Baht 17.77 million and 32.60 million, increase from the same period of previous year of Baht 12.02 million and 23.75 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 15.85 million and 28.45 million for the period of three month and 1<sup>st</sup> half year ended 30<sup>th</sup> Sept 2017.

### **1.10 Profitability**

For the period of three months ended 30th Sept 2017, the Company and its subsidiaries had gross profit margin of 13.45 percent, compared with gross profit margin of 12.03 percent in the same period of the previous year. This is mainly due to the higher gross margin in car exhaust pipes and other metal products.

For the period of 1<sup>st</sup> half ended 30th Sept 2017, the Company and its subsidiaries had gross profit margin of 13.49 percent compared with gross profit margin of 12.63 percent in the same period the previous year. The gross profit margin increased by Baht 37.63 million.

(Unit: Baht million)

Consolidated balance sheets	As at 30 <sup>th</sup> Sept 2017		As at 31 <sup>st</sup> Mar 2017	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	286.53	12.33%	237.45	10.45%
Short-term investment	4.83	0.20%	21.35	0.94%
Account receivable, trade and others	791.88	34.08%	679.83	29.93%
Inventories, net	712.59	30.67%	792.71	34.90%
Other current assets	4.90	0.21%	5.71	0.25%
<b>Total current assets</b>	<b>1,800.73</b>	<b>77.49%</b>	<b>1,737.05</b>	<b>76.47%</b>
<b>Non-current assets</b>				
Investment in related company	11.65	0.50%	10.99	0.48%
Long-term investment	2.88	0.13%	2.73	0.12%
Property, plant and equipment, net	436.66	18.79%	448.52	19.75%
Intangible assets – net	0.66	0.03%	0.76	0.03%
Restricted fixed deposits	46.18	1.99%	45.98	2.03%
Deferred tax assets	21.25	0.91%	21.60	0.95%
Other non-current assets	3.71	0.16%	3.83	0.17%
<b>Total non-current assets</b>	<b>522.99</b>	<b>22.51%</b>	<b>534.41</b>	<b>23.53%</b>
<b>TOTAL ASSETS</b>	<b>2,323.72</b>	<b>100.00%</b>	<b>2,271.46</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft and borrowing from financial institutions	119.51	5.14%	53.56	2.36%
Account payables, trade and others	479.56	20.64%	531.90	23.42%
Current portion of financial lease	-	-	1.17	0.05%
Accrued corporate income tax	31.70	1.37%	29.49	1.30%
Other current liabilities	10.23	0.44%	8.23	0.36%
<b>Total current liabilities</b>	<b>641.00</b>	<b>27.59%</b>	<b>624.35</b>	<b>27.49%</b>
<b>Non-current liabilities</b>				
Provision for employee benefit	33.03	1.42%	31.07	1.36%
<b>Total non-current liabilities</b>	<b>33.03</b>	<b>1.42%</b>	<b>31.07</b>	<b>1.36%</b>
<b>TOTAL LIABILITIES</b>	<b>674.03</b>	<b>29.01%</b>	<b>655.42</b>	<b>28.85%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	16.48%	383.00	16.86%
Premium on stock	519.67	22.36%	519.67	22.88%
Retained earnings				
Legal reserve	73.40	3.16%	72.60	3.20%
Un-appropriated	465.87	20.05%	440.35	19.39%
Non-controlling interest of a subsidiary	207.75	8.94%	200.42	8.82%
<b>Total shareholders' equity</b>	<b>1,649.69</b>	<b>70.99%</b>	<b>1,616.04</b>	<b>71.15%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,323.72</b>	<b>100.00%</b>	<b>2,271.46</b>	<b>100.00%</b>

## **2. Financial Status**

### **2.1 Assets**

As for the assets value as at 30th Sept 2017 and 31st Mar 2017, the Company and its subsidiaries had total assets of Baht 2,323.72 million and Baht 2,217.46 million respectively. The increase was Baht 52.26 million, mainly increased in account receivable following the sale increase in current quarter. 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 2017 and 31st March 2017 the Company and its subsidiaries had net inventories of Baht 712.59 million (or 30.67 percent of total assets) and Baht 792.71 million (or 34.90 percent of total assets) respectively
- 2.1.2 Trade account receivables, net – other parties: As at 30th Sept 2017 and 31st March 2017, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 791.88 million (or 34.08 percent of total assets) and Baht 679.83 million (or 29.93 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 2017 and 31st March 2017, the Company and its subsidiaries had Land, plant and equipments – net of Baht 436.66 million (or 18.79 percent of total assets) and Baht 448.52 million (or 19.75 percent of total assets) respectively. During the period, there were the some investment in machine and equipment to expand the production capacities.
- 2.1.4 Restricted fix deposit: As at 30th Sept 2017 and 31st March 2017, the Company and its subsidiaries had the net value of Baht 46.18 million and Baht 45.98 (or 1.99 percent of total assets and 2.03 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 2017 and 31st March 2017, the Company and its subsidiaries had net value of Baht 21.25 million and Baht 21.60 million respectively (0.91 percent and 0.95 percent of total assets respectively).

### **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at 30th Sept 2017 and 31st March 2017 stood at Baht 674.03 million and Baht 655.42 million respectively. The increasing in liabilities was mainly drawing of the short term fund from financial institution to settle the trade payable.

### **2.3 Shareholders' equity**

As at 30th Sept 2017 and 31st March 2017, shareholders' equity was Baht 1,649.69 million and Baht 1,616.04 million respectively. The major changes were from the net profit amounting to Baht 131.37 million, dividend payment by company and its subsidiaries of Baht 97.72 million. Therefore, portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,441.94 million and Baht 207.75 million respectively.

Debt to Equity ratio as at 30th Sept 2017 and 31st March 2017 were 0.41 and 0.41 times respectively.

(Unit: Baht million)

<b>Consolidated cash flows statement</b>	<b>As at 30<sup>th</sup> Sept 2017</b>	<b>As at 30<sup>th</sup> Sept 2016</b>
Net cash from (used in) operating activities	87.92	183.76
Net cash used in investing activities	-5.77	-2.62
Net cash from (used in) financing activities	-32.94	-140.32
Effect of exchange rate to cash and cash equivalent	-0.13	0.09
Net increase (decrease) in cash	49.08	40.91

### **3. Cash flows**

For the three month period ended 30th Sept 2017, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 87.92 million, consisting of baht 165.86 million positively from operating performance and net pay of Baht -77.94 million to use with working capital from higher account receivable and trade payable settlement.

There was also net pay in investing activities of Baht -5.77 million with Investments in machinery and equipment by Baht -26.49 million, while cash received from disposal of short-term investments by Baht 21.97 million baht.

The financing part was net pay in Baht -32.94 million. The major activity was payment of dividend by Baht -97.72 million to shareholders and minor shareholder in a subsidiary company. Whereas, the short term loan from bank increase 65.95 million baht.

In total, net cash for the year was increased by Baht 49.08 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)  
Deputy Managing Director