

Earning Review

LOTCHEM: 3QCY21 EPS clocked in at Rs0.41, down 34% YoY

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) disclosed its 3QCY21 financial result with earnings of Rs0.41/sh (down by 34/35% YoY/QoQ). This takes 9MCMY21 profitability to Rs3.2bn (EPS of Rs2.13) as compared Rs867mn (EPS of Rs0.57) in 9MCMY20.
- The result is accompanied with a dividend of Rs1.5/sh.

Impact

- The company's profitability decreased by 34/35% YoY/QoQ during 3Q as finance cost increased by 15.3x despite (1) 61% YoY increase in PTA-PX margin (avg. margin of US\$129/ton in 3QCY21) and (2) 7% YoY decline in gas prices due to removal of GIDC.
- Revenue increased by 59% YoY to Rs17.3bn given that PTA prices at US\$779/ton were up by 67% YoY during 3QCY21.
- Finance cost was recorded at Rs577mn during the quarter (vs Rs38mn in 3QCY20) due to exchange losses, in our view.
- Admin/Distribution expenses were up/down by 12/4% YoY during 3QCY21.

Outlook

- We are positive towards LOTCHEM as PTA-PX margins are still above breakeven level of US\$82/ton.

Fig 1: LOTCHEM - 3QCY21 Financial Highlights

Rs (mn)	3QCY21	3QCY20	YoY	QoQ	9HCY21	9MCMY20	YoY
Net sales	17,299	10,865	59%	6%	48,221	26,987	79%
Gross profit	1,394	1,340	4%	-15%	5,306	1,221	335%
Distribution & marketing expenses	28	29	-4%	-5%	86	81	6%
Administrative expenses	124	110	12%	10%	351	318	10%
Other Expenses	98	101	-4%	-30%	436	244	79%
Other Income	290	266	9%	-6%	877	887	-1%
Finance cost	577	38	1426%	93%	778	174	346%
PBT	859	1,328	-35%	-38%	4,532	1,291	251%
PAT	628	951	-34%	-35%	3,230	867	272%
EPS	0.41	0.63			2.13	0.57	
Gross Margin	8.1%	12.3%			11.0%	4.5%	
Net Margin	3.6%	8.8%			6.7%	3.2%	
Effective Tax Rate	26.9%	28.4%			28.7%	32.8%	

Source: PSX, Company Accounts, Foundation Research October 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.