

Earning Review

LOTCHEM: 4QCY21 EPS clocked in at Rs0.93, up 30% YoY

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) disclosed its 4QCY21 financial result with earnings of Rs0.93/sh (up by 30/125% YoY/QoQ). This takes CY21 profitability to Rs4.6bn (EPS of Rs3.07) as compared Rs2.1bn (EPS of Rs1.40) in CY20.

Impact

- Increase in profitability is attributable to (1) increase in PTA-PX margin, (2) depreciation of Rs-US\$, (3) lower other expenses and (4) lower finance cost.
- Revenue increased by 57% YoY to Rs18.9bn given that PTA prices at US\$740/ton were up by 61% YoY during 4QCY21.
- Gross profit was up by 45/63% YoY/QoQ during 4Q whereas gross margins declined by 1ppt to 12.0% attributable to 105% YoY increase in cost of Acetic Acid (raw material). However, some respite to GM came from (1) 62% YoY increase in PTA-PX margin (avg. margin of US\$137/ton in 4QCY21) and (2) 7.9% YoY depreciation of Rs-US\$ during 4Q.
- Distribution/Admin expenses were up by 29/20% YoY during 4QCY21.
- Finance cost/Other expenses declined by 32/60% YoY whereas other income fell by 78% YoY during 4Q.

Outlook

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

Fig 1: LOTCHEM - 4QCY21 Financial Highlights

Rs (mn)	4QCY21	4QCY20	YoY	QoQ	CY21	CY20	YoY
Net sales	18,944	12,073	57%	10%	67,165	38,965	72%
Gross profit	2,275	1,570	45%	63%	7,581	2,642	187%
Distribution & marketing expenses	34	26	29%	24%	120	107	12%
Administrative expenses	140	116	20%	13%	491	434	13%
Other Expenses	51	129	-60%	-47%	488	373	31%
Other Income	113	526	-78%	-61%	990	1,422	-30%
Finance cost	196	286	-32%	-66%	974	150	548%
PBT	1,967	1,538	28%	129%	6,499	2,999	117%
PAT	1,413	1,087	30%	125%	4,643	2,125	118%
EPS	0.93	0.72			3.07	1.40	
Gross Margin	12.0%	13.0%			11.3%	6.8%	
Net Margin	7.5%	9.0%			6.9%	5.5%	
Effective Tax Rate	28.2%	29.3%			28.6%	29.1%	

Source: PSX, Company Accounts, Foundation Research February 2022

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