

Earning Review

LOTCHEM: 1QCY22 EPS clocked in at Rs1.73, up 60% YoY

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) disclosed its 1QCY22 financial result with earnings of Rs1.73/sh (up by 60/85% YoY/QoQ).

Impact

- Increase in profitability is attributable to (1) increase in PTA-PX margin and (2) depreciation of Rs-US\$.
- Revenue increased by 39% YoY to Rs20.3bn given that PTA prices at US\$857/ton were up by 34% YoY during 1QCY22.
- Gross profit increased by 77/76% YoY/QoQ during 1Q whereas gross margins inclined by 4.3ppt to 19.7% attributable to (1) PTA-PX margin rising by 21% YoY to US\$159/ton and (2) ~11% YoY depreciation of avg. Rs-US\$.
- Distribution expenses were up by 34% YoY during 1QCY22 accredited to higher transportation costs.
- Other expenses increased by 38% YoY during 1Q.
- Other income was up by 35% due to higher interest rates during the quarter.
- Finance cost increased to Rs277mn in 1QCY22 compared to reversal of Rs98mn in 1QCY21.

Outlook

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

Fig 1: LOTCHEM - 1QCY22 Financial Highlights

Rs (mn)	1QCY22	1QCY21	YoY	QoQ
Net sales	20,332	14,672	39%	7%
Gross profit	4,010	2,264	77%	76%
Distribution & marketing expenses	39	29	34%	14%
Administrative expenses	125	115	9%	-11%
Other Expenses	276	200	38%	435%
Other Income	376	278	35%	232%
Finance cost	277	(98)	n/a	41%
PBT	3,669	2,295	60%	87%
PAT	2,615	1,639	60%	85%
EPS	1.73	1.08		
Gross Margin	19.7%	15.4%		
Net Margin	12.9%	11.2%		
Effective Tax Rate	28.7%	28.6%		

Source: PSX, Company Accounts, Foundation Research April 2022

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Important disclosures:

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