

Earning Review

LOTCHEM: 2QCY22 EPS clocked in at Rs1.84, up 2.9x YoY

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) released its 2QCY22 financial result with earnings of Rs1.84/sh (up by 2.9x/2.0x YoY/QoQ).
- The result is accompanied with an interim cash dividend of Rs4.0/sh.

Impact

- Increase in profitability is attributable to (1) increase in PTA-PX margin, (2) depreciation of Rs-US\$ and (3) higher premium charged to customers.
- Revenue increased by 82% YoY to Rs29.6bn during 2QCY22 given that (1) PTA prices at US\$991/ton were up by 41% YoY and (2) ~20.6% YoY depreciation of avg. Rs-US\$.
- Gross profit increased by 3.6x/2.6x YoY/QoQ during 2Q whereas gross margins inclined by 10.1ppt to 20.2% attributable to (1) PTA-PX margin rising by ~23% YoY to US\$162/ton, (2) ~20.6% YoY depreciation of avg. Rs-US\$ and (3) higher premium charged to customers.
- Distribution expenses were up by 18% YoY during 2QCY22 accredited to higher transportation costs.
- Other expenses increased by 2.8x YoY during 2Q.
- Other income was up by 48% YoY due to higher interest rates during the quarter.
- Finance cost increased to by 3.7x YoY due to higher interest rates in 2QCY22 and increased working capital cost.
- Effective Tax rate clocked in at 46.2% YoY, up 16.1ppts given imposition of super tax.

Outlook

- We are positive towards LOTCHEM as PTA-PX margins are well above breakeven level of US\$92/ton.

Fig 1: LOTCHEM - 2QCY22 Financial Highlights

Rs (mn)	2QCY22	2QCY21	YoY	QoQ	1HCY22	1HCY21	YoY
Net sales	29,627	16,250	82%	56%	49,958	30,922	62%
Gross profit	5,996	1,649	264%	164%	10,006	3,912	156%
Distribution & marketing expenses	34	29	18%	1%	73	58	26%
Administrative expenses	126	113	12%	-9%	251	228	10%
Other Expenses	393	139	183%	662%	668	338	97%
Other Income	458	309	48%	305%	834	587	42%
Finance cost	721	299	141%	268%	998	201	395%
PBT	5,180	1,378	276%	163%	8,849	3,673	141%
PAT	2,786	963	189%	97%	5,401	2,602	108%
EPS	1.84	0.64			3.57	1.72	
DPS	4.0	-			4.0	-	
Gross Margin	20.2%	10.1%			20.0%	12.7%	
Net Margin	9.4%	5.9%			10.8%	8.4%	
Effective Tax Rate	46.2%	30.1%			39.0%	29.2%	

Source: PSX, Company Accounts, Foundation Research Aug 2022

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Expected return from -10% to +10%	Neutral.
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