

Earning Review

LOTCHEM: 3QCY22 EPS clocked in at Rs1.79, up 4.3x YoY

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) released its 3QCY22 financial result with earnings of Rs1.79/sh (up/down by 4.3x/3% YoY/QoQ). This cumulated into EPS of Rs5.35, up by 2.5x YoY, in 9MCY22.
- The result is in line with our expectation.

Impact

- Increase in profitability on YoY basis is attributable to (1) increase in PTA-PX margin, (2) depreciation of Rs-US\$ and (3) higher premium charged to customers.
- Revenue increased by 71% YoY to Rs29.6bn during 3QCY22 given that (1) PTA prices at US\$880/ton were up by 18% YoY and (2) ~26% YoY depreciation of avg. Rs-US\$.
- Gross profit increased by 3.4x YoY during 3Q whereas gross margins inclined by 8.2ppt to 16.3% attributable to (1) PTA-PX margin rising by ~22% YoY to US\$157/ton, (2) ~26% YoY depreciation of avg. Rs-US\$ and (3) higher premium charged to customers.
- Admin/Other expenses were up by 43%/3.2x YoY during 3QCY22.
- Other income was up by 2.1 YoY due to higher interest rates during the quarter.
- Finance cost increased to by 38% YoY due to higher interest rates and exchange losses in 3QCY22.
- Effective Tax rate clocked in at 33.6%, up 6.7ppts YoY 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 - 3QCY22 Financial Highlights

Rs (mn)	3QCY22	3QCY21	YoY	QoQ	9MCY22	9MCY21	YoY
Net sales	29,555	17,299	71%	0%	79,513	48,221	65%
COGS	24,750	15,905	56%	5%	64,702	42,915	51%
Gross profit	4,805	1,394	245%	-20%	14,811	5,306	179%
Distribution & marketing expenses	41	28	47%	18%	114	86	33%
Administrative expenses	176	124	43%	39%	428	351	22%
Other Expenses	315	98	223%	-20%	983	436	125%
Other Income	596	290	105%	30%	1,429	877	63%
Finance cost	795	577	38%	10%	1,792	778	130%
PBT	4,074	859	375%	-21%	12,924	4,532	185%
Tax	1,370	231	494%	-43%	4,818	1,302	270%
PAT	2,704	628	331%	-3%	8,106	3,230	151%
EPS	1.79	0.41			5.35	2.13	
Gross Margin	16.3%	8.1%			18.6%	11.0%	
Net Margin	9.1%	3.6%			10.2%	6.7%	
Effective Tax Rate	33.6%	26.9%			37.3%	28.7%	

Source: PSX, Company Accounts, Foundation Research October 2022

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