

Earning Review

LOTCHEM: 1QCY23 EPS clocked in at Rs1.68, DPS Rs2.0

Event

- Lotte Chemical Pakistan Limited (LOTCHEM) released its 1QCY23 financial result with earnings of Rs1.68/sh (down/up by 3/26% YoY/QoQ).
- Result was accompanied with an interim cash dividend of Rs2.0/sh.

Impact

- Decrease in YoY profitability is attributable to higher finance cost and higher tax charges.
- Revenue increased by 9% YoY to Rs22.1bn during 1QCY23 given ~31.7% YoY depreciation of avg. Rs-US\$ despite decline of 6% YoY in PTA prices to US\$806/ton.
- Gross profit increased by 11% YoY during 1Q whereas gross margins inclined by 0.4ppt to 20.1% attributable to ~31.7% YoY depreciation of avg. Rs-US\$ despite PTA-PX margin falling by ~16% YoY to US\$134/ton.
- Other income was up by 56% YoY due to higher interest rates during the quarter.
- Finance cost increased by 2.7/4.7x YoY/QoQ in 1QCY23 given foreign exchange losses during the quarter.
- Effective tax rate clocked in at 32.8%, up by 4.1ppt YoY.

Outlook

- We have an “Underperform” rating on LOTCHEM as its receivables have increased by 64% YoY as of Dec’31, 2022.

Fig 1: LOTCHEM - 1QCY23 Financial Highlights

Rs (mn)	1QCY23	1QCY22	YoY	QoQ
Net sales	22,113	20,332	9%	7%
COGS	17,674	16,322	8%	0%
Gross profit	4,439	4,010	11%	47%
Distribution & marketing expenses	37	39	-5%	-17%
Administrative expenses	152	125	21%	-13%
Other Expenses	298	276	8%	42%
Other Income	585	376	56%	42%
Finance cost	756	277	173%	368%
PBT	3,783	3,669	3%	33%
Tax	1,240	1,054	18%	51%
PAT	2,542	2,615	-3%	26%
EPS	1.68	1.73		
Gross Margin	20.1%	19.7%		
Net Margin	11.5%	12.9%		
Effective Tax Rate	32.8%	28.7%		

Source: PSX, Company Accounts, Foundation Research, April 2023

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Recommendations definitions

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