

Flash Note

Thursday, 17 October 2019

Chemicals

LOTTE Chemical Pakistan Limited (LOTCEM)

Earnings for the 3QCY19 decreased by 18%YoY to PKR 1.11/share; dividend of PKR 1.50/share

- LOTTE Chemical Pakistan Limited (LOTCEM) announced its financial results for 3QCY19 with earnings clocking in at PKR 1.68bn (EPS: PKR 1.11) as compared to PKR 2.06bn (EPS: PKR 1.36) in the same period last year. On a cumulative basis, for 9MCY19 earnings have increased by +39% YoY to PKR 4.73bn (EPS: PKR 3.13).
- The company announced a cash dividend of PKR 1.50/share for the 3QCY19.
- Net sales for the quarter decreased by 12%YoY to PKR 14.4bn owing to 19%YoY drop in international PTA prices (710 USD/ton) despite 28%YoY PKR depreciation, signaling lower sales volumes.
- Gross margins declined by 140bpsYoY to 16% while international PTA-margins improved by +4%YoY (171 USD/ton), failing to arrest the impact of increase in gas prices during 3QCY19, in our view.
- Major respite to earnings came from increase in other income by +3.1xYoY on the back of income/gains from short term investments.
- Effective tax rate for the period stood at 30% during 3QCY19 as against 23% in the same period last year.

Exhibit:

LOTCEM: 3QCY19 Result Highlights

Period End Dec- PKRmn	3QCY19	3QCY18	YoY	9MCY19	9MCY18	YoY
Net Sales	14,428	16,445	-12%	47,617	42,140	13%
Gross Profit	2,375	2,937	-19%	6,855	5,771	19%
Selling / Dist.	25	38	-35%	75	79	-6%
Other Op. Income	373	122	3.1x	800	339	2.4x
EBIT	2,432	2,712	-10%	6,770	5,274	28%
Finance Cost	19	26	-26%	137	302	-54.8%
Pre-Tax Profits	2,413	2,685	-10%	6,634	4,972	33%
Taxation	730	623	17%	1,901	1,564	22%
Post-Tax Profits	1,682	2,062	-18%	4,733	3,408	39%
EPS	1.11	1.36		3.13	2.25	
DPS	1.50	1.50		1.50	1.50	

Key Ratios

Gross Profit Margins	16.5%	17.9%		14.4%	13.7%	
Ebit Margins	16.9%	16.5%		14.2%	12.5%	
Effective Tax Rate	30.3%	23.2%		28.7%	31.5%	

Source: IGI Research, Company Financials, PSX

No. of shares: 1514mn

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