

LOTCHEM | SGF

LOTCHEM: Earnings to plunge by 7% YoY to settle at PKR 1.74/share in 1HCY24

Lotte Chemical Pakistan (LOTCHEM) is slated to reveal its financial results for the 1HCY24 on 21st Aug'24 where we expect earnings to clock in at PKR 2,642mn (EPS: PKR 1.74), showcasing a decline of 7% YoY. On quarterly basis, we expect that the company to post bottom line of PKR 1,744mn (EPS: PKR 1.15) for 2QCY24, registering a jump of 4.6x YoY. During 2QCY24, we foresee sales to experience a 104% YoY jump, due to higher volumetric sales as the plant remained operational throughout the quarter while a 10-day plant shutdown was observed in the previous quarter. In addition, the company's gross margins are expected to decline by 350bps to 8.7% in 2QCY24. This decline in gross margins is primarily due to 15% YoY decline in international PTA margins and an increase in gas prices. Furthermore, the finance cost is expected to plummet by 37% YoY to clock in at PKR 88mn on account of the absence of exchange loss in 2QCY24. Alongside the result, we expect the company to payout PKR 0.5/share dividend during the outgoing quarter (PKR 1.0 in 1HCY24).

Exhibit: Financial Highlights

(PKR mn)	1HCY24e	1HCY23a	YoY	2QCY24e	2QCY23a	YoY	QoQ
Net Sales	65,782	38,543	71%	33,505	16,430	104%	96%
Cost of Sales	61,188	32,103	91%	30,595	14,430	112%	100%
Gross Profit	4,594	6,439	-29%	2,910	2,000	45%	58%
Gross Margins	7.0%	16.7%		8.7%	12.2%		
Other Income	839	1,184	-29%	488	598	-19%	72%
Other Expense	341	458	-26%	229	161	42%	49%
Finance Cost	311	895	-65%	88	140	-37%	252%
PAT	2,642	2,854	-7%	1,744	311	460%	51%
EPS (PKR)	1.74	1.88		1.15	0.21		
DPS (PKR)	1.00	2.00		0.50	-		

Source (s): Company Financials, AHL Research

SGF: Earnings of PKR 2.18/share expected during 2QCY24

Service Global Footwear Limited (SGF) is set to reveal its financial results for the 1HCY24 on 24th Aug'24. We expect the company to post a PAT of PKR 800mn (EPS: PKR 3.88) for the 1HCY24, up by 84% YoY. On a quarterly basis, the company is expected to register a profit of PKR 448mn (EPS: PKR 2.18) up by 142% YoY, owed to surge in export sales, and a contribution of PKR 398mn from Service Long March (SLM). A surge in topline of PKR 5.2bn (35% YoY) is expected on the back of higher volumetric sales of shoes. Alongside the result, we expect the company to announce a cash dividend of PKR 2.00/share (PKR 2.00/share in 1HCY24).

Exhibit: Financial Highlights

(PKR mn)	1HCY24e	1HCY23a	YoY	2QCY24e	2QCY23a	YoY	QoQ
Net Sales	9,702	7,414	31%	5,157	3,826	35%	13%
Cost of Sales	7,789	5,817	34%	4,096	2,940	39%	11%
Gross Profit	1,912	1,597	20%	1,061	886	20%	25%
Other Expense	46	40	15%	27	24	14%	51%
Other Income	101	430	-76%	51	224	-77%	0%
Finance Cost	419	504	-17%	214	293	-27%	4%
PAT	800	436	84%	448	185	142%	27%
EPS (PKR)	3.88	2.12		2.18	0.90		
DPS (PKR)	2.00	-		2.00	-		

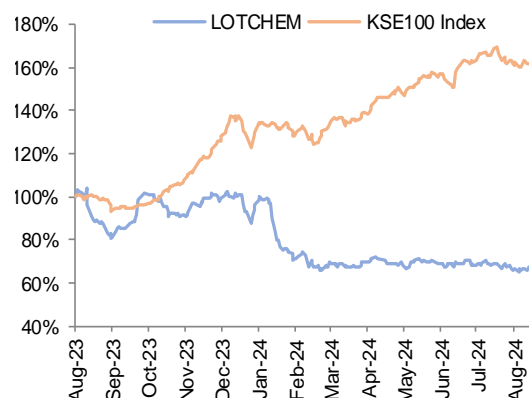
Source (s): Company Financials, AHL Research

LOTCHEM

HOLD

Target Price	19.43
Last Closing	17.07
Upside	13.8%
PSX Code	LOTCHEM
Bloomberg Code	LOTCHEM PA

Relative Performance



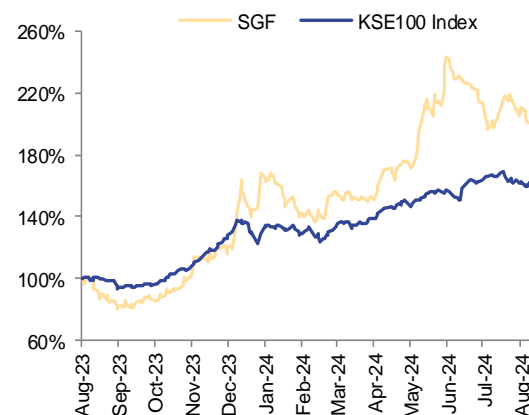
Source (s): PSX, AHL Research

SGF

BUY

Target Price	92.45
Last Closing	68.00
Upside	36.0%
PSX Code	SGF
Bloomberg Code	SGF PA

Relative Performance



Source (s): PSX, AHL Research

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun 2025 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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