

Lotte Chemical Pakistan Limited (LOTCHEM)

- We estimate that LOTCHEM's profitability will improve during CY18 as LOTCHEM's primary margins (i.e. PTA-PX) has improved to \$131 (Average YTD-18) from \$94(Average CY17). Including duty protection, domestic margins are estimated at \$150
- International Dynamics: A major PX capacity addition in India, strong downstream demand (capacity addition in PSF and PET) and environmental controls imposed in China are expected to keep the supply demand dynamics balanced during CY18
- Domestic Dynamics: Improved power availability, anti dumping duty on PSF and strong demand from PET sector are expected to keep the demand for locally produced PTA upbeat
- To recall LOTCHEM earned Rs0.27/share during CY17 and paid a dividend of Rs0.2/share (74% Payout ratio)
- We recommend BUY stance on the scrip with an initial TP of Rs15/share, providing an upside of ~37% from LDCP

Disclaimer

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Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

Rating

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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