

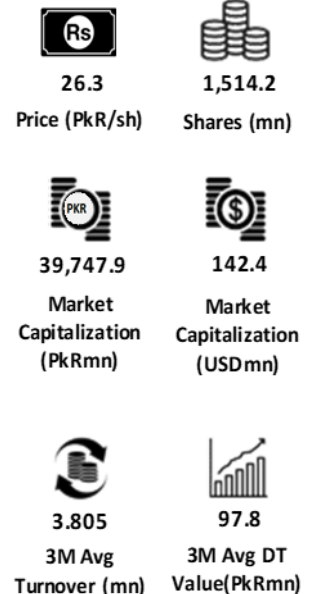


LOTCEM: CY25 & 1QCY26 Analyst Briefing Takeaways

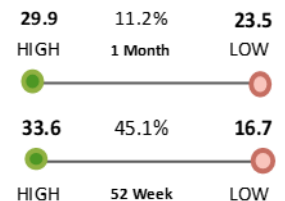
Lotte Chemical Pakistan Ltd. (LOTCEM) held its corporate briefing session today to discuss 1QCY26 and CY25 financial results, and provide insights on the future outlook. Key takeaways from the call are as follows:

- During 1QCY26, the company posted revenue of PkR20.9bn vs. PkR21.5bn in SPLY, with reported earnings clocking in at PkR1.5bn vs. PkR662mn in SPLY (+123%YoY). EPS for the quarter stood at PkR1.0 vs. PkR0.4 in 1QCY25.
- Gross profit for the quarter clocked in at PkR2.9bn, up 120%YoY from PkR1.3bn in SPLY, with gross profit margin improving to 14.0% from 6.2% in SPLY, supported by inventory gains amid the upstream price rally.
- On the demand side, the recently imposed anti-dumping duty on Chinese PTA has continued to support improving domestic demand.
- With regards to CY26 outlook, management noted that total PTA demand in CY25 was ~750k tons (including EFS re-export demand), of which LOTCEM supplied 380k tons with the remainder imported. Utilization during CY26 is likely to be constrained more by PX availability than by demand, a reversal from CY25 when the constraint was demand.
- On feedstock, the term contract with Kuwait remains under force majeure and the company has been sourcing alternate PX from Oman on spot to bridge the gap.
- LOTCEM's per-ton specifications were disclosed as 420kwh of power, 2 mmbtu of natural gas for processing, and a PX-to-PTA conversion ratio of 0.7 tons of PX per ton of PTA.
- Management noted that their BESS (Battery Energy Storage System) became operational last week, eliminating the need for diesel-backed standby generators and yielding ~US\$5/ton reduction in conversion cost going forward.
- Management clarified that the 60% reduction in the captive gas levy actual impact is much smaller, and the grid remains materially more competitive than co-gen for both LOTCEM and EPCL on an ongoing basis.
- On the EPCL acquisition, management highlighted that due diligence is well advanced and commercial discussions with the seller are progressing toward finalization of an SPA.
- Management highlighted that energy is the largest synergy LOTCEM brings to the table for EPCL. EPCL is currently not connected to the grid and runs on co-gen (gas/RLNG), with a total power requirement of 54MW at an effective power cost of ~PkR49–50/kwh (captive gas rate of PkR3,500mmbtu plus IMF captive levy of PkR1,406/mmbtu), translating into an annual energy cost of above PkR22bn.
- The grid connection plan for EPCL involves two phases, with Phase 1, which can be deployed within a couple of months post-acquisition close, will cater to 50–60% of EPCL's power load using the existing spare line. Phase 2 will scale to 100% within 12–18 months and will require additional capex in the installation of transformer. The end-state envisaged is no co-gen at either site, with both plants on the grid to fully capture renewable savings.
- The scrip is not under our formal coverage.

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Price Performance



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