

TOMCL

1QFY23 Result Review: BUY Stance Maintained

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TOMCL has announced its 1QFY23 result where the company posted a profit after tax of Rs124mn (Diluted EPS: Rs0.83) as compared to a profit after tax of Rs91mn (Diluted EPS: Rs0.62) in the same period last year, up by 33.3% YoY amid a surge in other income.

The company has posted a revenue of Rs1.14bn against Rs1.07bn in SPLY, recording a growth of 6.6% YoY. We note that this growth is attributed to the increase in exports and higher retention prices.

The gross margin has decreased to 14.5% as compared to 16.8% in SPLY due to higher input costs.

SG&A expenses have increased by 29.9% YoY to Rs89mn as compared to Rs69mn during SPLY. Lastly, effective taxation has been increased to 9.8% as compared to 7.8% during SPLY.

TOMCL is trading at a FY23E P/E of 10.10x. Further, the scrip is also trading at FY23E P/B of 1.61. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs 30 which provides an upside potential of 36%.

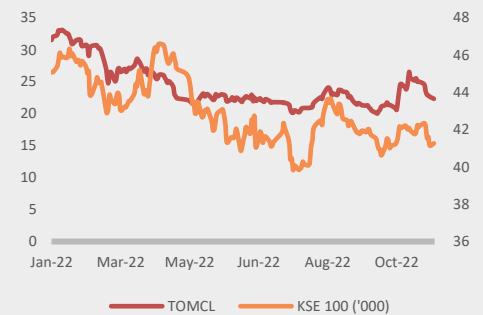
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	1,140	1,070	6.6% ▲	4,658	3,928	18.6% ▲
Cost of Sales	-975	-889	9.6% ▲	-4,048	-3,278	23.5% ▲
Gross Profit	165	180	8.3% ▼	610	650	6.2% ▼
SG&A Expenses	-89	-69	29.9% ▲	-379	-221	71.6% ▲
Other Expenses	-7	-7	199.6% ▼	-32	-13	150.6% ▲
Operating Profit	69	104	33.9% ▼	199	416	52.2% ▼
Other Income	90	4	2193.2% ▲	345	14	2431.8% ▲
Finance Cost	-35	-17	107.2% ▲	-88	-89	1.1% ▼
Profit Before Taxation	124	91	35.9% ▲	455	340	33.7% ▲
Taxation	-12	-7	65.2% ▲	-44	-37	18.7% ▲
Profit After Taxation	112	84	33.3% ▲	411	303	35.6% ▲
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Earnings Per Share	0.83	0.62	33.3% ▲	3.05	2.25	35.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	0.00		9.75%	0.00	
Gross Margin	14.5%	16.8%	2.3% ▼	13.1%	16.5%	3.5% ▼
SG&A Expenses to Sales	-7.8%	-6.4%	1.4% ▲	-8.1%	-5.6%	2.5% ▲
Other Income to Sales	7.9%	0.4%	7.6% ▲	7.4%	0.3%	7.1% ▲
Ex. Gain / (Loss) to Sales	-7.8%	-6.4%	1.4% ▲	-8.1%	-5.6%	2.5% ▲
Effective Taxation	-9.9%	-8.1%	1.8% ▲	-9.6%	-10.9%	1.2% ▼
Net Margin	9.8%	7.8%	2.0% ▲	8.8%	7.7%	1.1% ▲

Source: ACPL Research, Company Financials

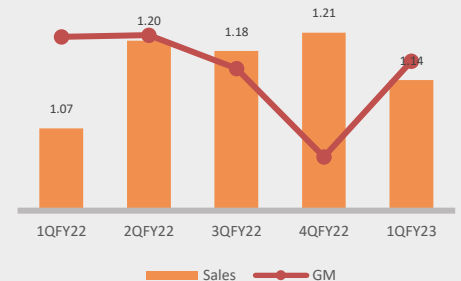
Key Statistics

Symbol	TOMCL
TP - Jun 23	30.00
LDCP	22.31
Upside (%)	36
Free Float ('mn)	55
Market Cap. (Rs.'mn)	3,078

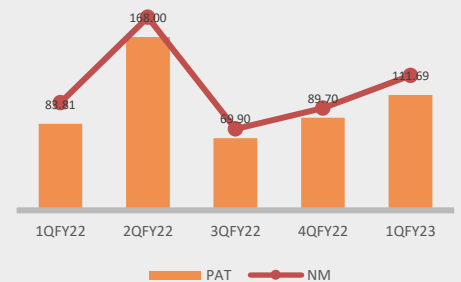
TOMCL vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	3,384	3,928	4,658	4,774	4,894	5,016	5,141
Cost of sales	- 2,754	- 3,278	- 4,048	- 4,082	- 4,184	- 4,289	- 4,396
Gross profit	630	650	610	692	709	727	745
Administrative expenses	- 67	- 59	- 86	- 109	- 112	- 115	- 118
Distribution cost	- 120	- 162	- 293	- 264	- 271	- 277	- 284
Profit from operations	442	429	231	318	326	335	343
Finance cost	- 90	- 89	- 88	- 164	- 166	- 165	- 177
Other (Expense)/income	1	14	345	378	388	397	407
Profit before income tax	283	340	455	533	548	567	573
Income tax expense	- 17	- 37	- 44	- 51	- 53	- 55	- 55
Profit for the year	266	303	411	481	495	512	518
EPS	1.97	2.25	3.05	3.57	3.67	3.79	3.84

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	31.3%	16.1%	18.6%	2.5%	2.5%	2.5%	2.5%
Cost of sales	26.9%	19.0%	23.5%	0.8%	2.5%	2.5%	2.5%
Gross profit	54.5%	3.1%	-6.2%	13.5%	2.5%	2.5%	2.5%
Administrative expenses	25.5%	-12.0%	45.4%	27.2%	2.5%	2.5%	2.5%
Distribution cost	-11.5%	34.1%	81.2%	-9.8%	2.5%	2.5%	2.5%
Profit from operations	102.9%	-3.0%	-46.2%	38.0%	2.5%	2.5%	2.5%
Finance cost	26.7%	-0.8%	-1.1%	85.4%	1.4%	-0.6%	7.1%
Other income	-99.1%	1218.0%	2431.8%	9.7%	2.5%	2.5%	2.5%
Profit before income tax	6.8%	20.1%	33.7%	17.0%	2.8%	3.4%	1.2%
Income tax expense	-63.9%	116.2%	18.7%	17.0%	2.8%	3.4%	1.2%
Profit for the year	22.2%	13.9%	35.6%	17.0%	2.8%	3.4%	1.2%
EPS	22.2%	13.9%	35.6%	17.0%	2.8%	3.4%	1.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	18.61	16.54	13.09	14.49	14.49	14.49	14.49
NP Margin	%	7.87	7.73	8.83	10.08	10.11	10.21	10.07
OP Margin	%	13.07	10.92	4.95	6.67	6.67	6.67	6.67
ROE	%	19.74	13.37	14.99	15.92	14.58	13.55	12.43
ROCE	%	23.49	15.96	17.76	20.66	16.71	14.07	12.22
ROA	%	9.75	8.33	9.64	10.54	8.92	7.79	6.80
Liquidity Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.55	2.09	2.34	2.09	2.53	2.92	3.26
Quick	x	0.84	1.19	1.69	1.53	1.99	2.41	2.78
Activity Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	13.08	13.08	13.08	13.08	13.08	13.08	13.08
Inventory Days		27.90	27.90	27.90	27.90	27.90	27.90	27.90
Receivables Days		118.47	118.47	110.00	105.00	100.00	95.00	90.00
Payables Days		25.00	25.00	30.00	33.00	36.00	39.00	42.00
Operating Cycle		121.37	121.37	107.90	99.90	91.90	83.90	75.90
Investment Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	134.99	134.99	134.99	134.99	134.99	134.99	134.99
EPS		1.97	2.25	3.05	3.57	3.67	3.79	3.84
BVPS		13.98	20.32	23.37	22.40	25.15	27.99	30.87
P/E	x	18.25	16.01	11.81	10.10	9.82	9.49	9.38
Sales per share		25.07	29.10	34.50	35.37	36.25	37.16	38.09
P/BV	x	2.57	1.77	1.54	1.61	1.43	1.29	1.17
P/S	x	1.44	1.24	1.04	1.02	0.99	0.97	0.95
Solvency Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.36	0.27	0.28	0.34	0.32	0.31	0.31
L.T Debt to Equity	x	0.01	0.01	0.04	0.03	0.02	0.01	0.01
Total Debt to Assets	x	0.25	0.20	0.21	0.23	0.20	0.18	0.17
L.T Debt to Assets	x	0.00	0.01	0.03	0.02	0.01	0.01	0.00
Interest Cover	x	4.92	4.95	6.51	4.25	4.30	4.43	4.24

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com