

TOMCL

9MFY21 Result Review: SELL Stance Maintained

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TOMCL has announced its 9MFY21 result where the company posted profit after tax of Rs210mn (EPS: Rs1.88) as compared to a profit after tax of Rs266mn (EPS: Rs2.38) in the same period last year, down by 21.1% YoY.

The company has posted the revenue of Rs2.7bn against Rs3.4bn in SPLY, recording a negative growth of 20.4% YoY. We note that this decline in growth is attributed to the decline in exports owing to Covid-19 crisis.

The gross margin has been squeezed to 16.4% as compared to 18.6% in SPLY due to higher input costs and lower international prices.

SG&A expenses have declined by 21.3% YoY to Rs95mn as compared to Rs120mn during SPLY.

Lastly, the effective taxation has been increased to 10.6% as compared to 6% during SPLY.

TOMCL is trading at a FY21E P/E of 11.47x. We have a **SELL** stance on the script with a DCF based Dec-21 TP of Rs 27 which provides a downside potential of 5%.

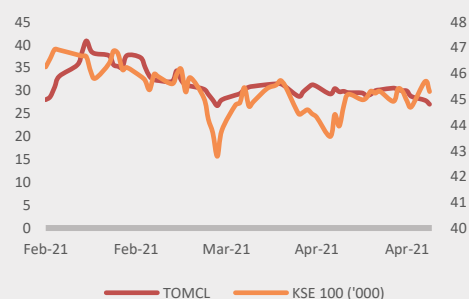
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	897	747	20.1% ▲	2,693	3,384	20.4% ▼
Cost of Sales	-761	-629	20.9% ▲	-2,251	-2,754	18.3% ▼
Gross Profit	136	118	15.9% ▲	442	630	29.9% ▼
SG&A Expenses	-38	-44	13.6% ▼	-95	-120	21.3% ▼
Other Charges	-13	11	213.0% ▼	-19	-69	71.9% ▼
Operating Profit	86	85	1.1% ▲	277	374	25.7% ▼
Finance Cost	-15	-20	22.9% ▼	-42	-90	53.0% ▼
Profit Before Taxation	70	65	8.6% ▲	235	283	17.1% ▼
Taxation	-6	-9	32.1% ▼	-25	-17	45.3% ▲
Profit After Taxation	64	56	15.1% ▲	210	266	21.1% ▼
Earnings Per Share	0.57	0.50	15.1% ▲	1.88	2.38	21.1% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	15.2%	15.7%	0.6% ▼	16.4%	18.6%	2.2% ▼
SG&A Expenses to Sales	-4.2%	-5.9%	1.7% ▼	-3.5%	-3.6%	0.0% ▼
Ex. Gain / (Loss) to Sales	-4.2%	-5.9%	1.7% ▼	-3.5%	-3.6%	0.0% ▼
Effective Taxation	-8.6%	-13.8%	5.2% ▼	-10.6%	-6.0%	4.5% ▲
Net Margin	7.2%	7.5%	0.3% ▼	7.8%	7.9%	0.1% ▼

Source: ACPL Research, Company Financials

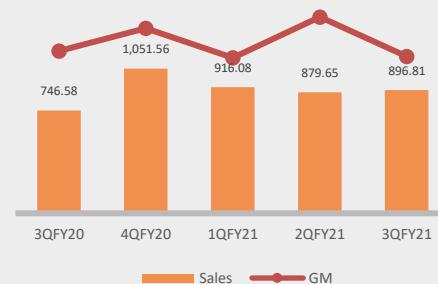
Key Statistics

Symbol	TOMCL
TP - Dec 21	27.00
LDGP	28.30
Upside (%)	(5)
Free Float ('mn) (Post-Right)	447
Market Cap. (Rs.'mn) (Post-Right)	28,131

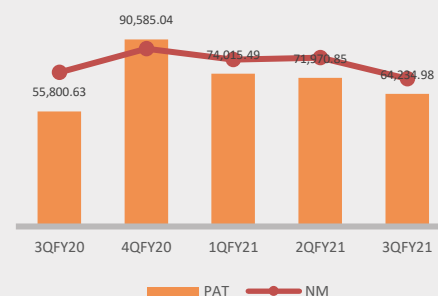
TOMCL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	962	1,203	922	2,053	2,578	3,384	3,689	4,426	5,312
Cost of sales	- 849	- 1,001	- 763	- 1,699	- 2,170	- 2,754	- 3,080	- 3,696	- 4,435
Gross profit	113	203	159	354	408	630	609	730	876
Administrative expenses	- 60	- 48	- 35	- 44	- 54	- 67	- 68	- 82	- 98
Distribution cost	- 7	- 10	- 17	- 62	- 136	- 120	- 148	- 177	- 212
Profit from operations	47	145	108	248	218	442	393	471	566
Finance cost	- 32	- 39	- 37	- 57	- 71	- 90	- 64	- 30	- 21
Other (Expense)/income	38	- 5	- 17	- 34	119	- 69	- 15	- 18	- 21
Profit before income tax	53	100	55	157	265	283	314	424	523
Income tax expense	- 8	- 11	- 1	- 13	- 47	- 17	- 38	- 46	- 52
Profit for the year	45	89	54	143	218	266	276	378	471
EPS	0.41	0.80	0.48	1.28	1.95	2.38	2.47	3.38	4.21

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue		25.1%	-23.4%	122.7%	25.6%	31.3%	9.0%	20.0%	20.0%
Cost of sales		17.9%	-23.8%	122.8%	27.7%	26.9%	11.8%	20.0%	20.0%
Gross profit		79.0%	-21.5%	122.3%	15.2%	54.5%	-3.4%	20.0%	20.0%
Administrative expenses		-19.4%	-28.3%	28.0%	21.0%	25.5%	1.6%	20.0%	20.0%
Distribution cost		45.3%	70.9%	274.8%	119.8%	-11.5%	22.5%	20.0%	20.0%
Profit from operations		209.3%	-25.4%	129.1%	-12.0%	102.9%	-11.2%	20.0%	20.0%
Finance cost		22.2%	-7.3%	56.4%	24.3%	26.7%	-28.9%	-53.4%	-29.8%
Other income		-113.1%	231.5%	102.2%	-451.7%	-158.0%	-78.5%	20.0%	20.0%
Profit before income tax		89.5%	-45.3%	185.8%	69.3%	6.8%	10.8%	35.0%	23.5%
Income tax expense		47.2%	-88.6%	952.0%	252.0%	-63.9%	122.2%	19.8%	14.8%
Profit for the year		96.7%	-39.9%	167.4%	52.1%	22.2%	3.6%	37.1%	24.6%
EPS		96.7%	-39.9%	167.4%	52.1%	22.2%	3.6%	37.1%	24.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	11.77	16.85	17.27	17.24	15.82	18.61	16.50	16.50	16.50
NP Margin	%	4.71	7.40	5.81	6.98	8.46	7.87	7.48	8.55	8.87
OP Margin	%	4.87	12.04	11.73	12.06	8.46	13.07	10.65	10.65	10.65
ROE	%	18.62	26.80	13.88	22.81	21.20	13.22	12.42	15.10	16.48
ROCE	%	15.26	22.32	13.29	14.54	20.57	14.34	13.44	14.66	15.78
ROA	%	4.87	7.25	4.00	6.14	8.49	7.58	8.27	10.36	11.87
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.00	1.09	1.22	1.25	1.42	2.61	3.99	4.38	5.44
Quick	x	0.60	0.46	0.58	1.00	0.89	2.26	2.70	3.47	3.75
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	12.84	9.23	5.40	12.94	13.08	13.08	13.08	13.08	13.08
Inventory Days		28.43	39.54	67.64	28.22	27.90	27.90	27.90	27.90	27.90
Receivables Days		76.44	71.74	124.29	107.18	118.47	100.00	100.00	100.00	100.00
Payables Days		15.29	21.00	42.50	31.02	28.46	35.00	35.00	35.00	35.00
Operating Cycle		89.58	90.28	149.43	104.37	117.92	92.90	92.90	92.90	92.90
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
DPS		0.00	0.00	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	0.00	0.00
Dividend Cover	x	0.00	0.00	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	100.00	100.00
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	111.82	111.82	111.82	111.82	111.82	111.82	111.82	111.82	111.82
EPS		0.41	0.80	0.48	1.28	1.95	2.38	2.47	3.38	4.21
BVPS		4.07	4.87	5.35	12.64	14.50	23.32	25.17	27.71	30.87
P/E	x	69.86	35.52	59.06	22.09	14.52	11.88	11.47	8.37	6.72
Sales per share		8.61	10.76	8.24	18.36	23.05	30.26	32.99	39.59	47.50
P/BV	x	6.95	5.81	5.29	2.24	1.95	1.21	1.12	1.02	0.92
P/S	x	3.29	2.63	3.43	1.54	1.23	0.94	0.86	0.71	0.60
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	0.97	1.12	1.10	0.48	0.48	0.22	0.08	0.04	0.04
L.T Debt to Equity	x	0.31	0.21	0.19	0.07	0.03	0.00	0.00	0.00	0.00
Total Debt to Assets	x	0.47	0.50	0.49	0.29	0.30	0.16	0.07	0.03	0.03
L.T Debt to Assets	x	0.15	0.09	0.08	0.04	0.02	0.00	0.00	0.00	0.00
Interest Cover	x	2.64	3.54	2.50	3.74	4.73	4.15	5.90	15.19	25.95

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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