

TOMCL

1HFY21 Result Review: Stance downgraded to SELL

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TOMCL has announced its 1HFY21 result where the company posted profit after tax of Rs146mn (LPS: Rs1.31) as compared to a profit after tax of Rs120mn (EPS: Rs1.07) in the same period last year, up by 21.7% YoY.

The company has posted the revenue of Rs1.8bn against Rs1.6bn in SPLY, recording a growth of 13.2% YoY. We note that this growth is attributed to the increase in the volumetric sales.

The gross margin has been squeezed to 17% as compared to 20.4% in SPLY due to higher input costs and lower international prices.

SG&A expenses have declined by 8.9% YoY to Rs74mn as compared to Rs81mn during SPLY.

Lastly, the effective taxation has been increased to 11.4% as compared to 6.8% during SPLY.

TOMCL is trading at a FY21E P/E of 12.97x. We have a **SELL** stance on the script with a DCF based Dec-21 TP of Rs 27 which provides a downside potential of 16%.

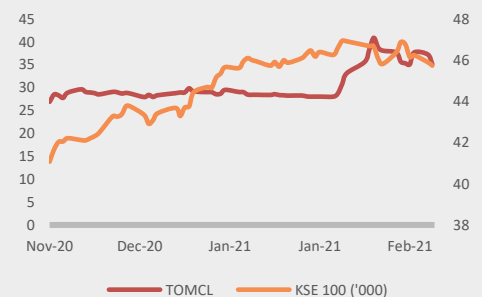
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	880	863	1.9% ▲	1,796	1,586	13.2% ▲
Cost of Sales	-712	-675	5.5% ▲	-1,490	-1,262	18.1% ▲
Gross Profit	167	188	11.0% ▼	306	324	5.6% ▼
SG&A Expenses	-81	-65	25.6% ▲	-74	-81	8.9% ▼
Other Charges	12	-40	130.1% ▼	-7	-35	80.7% ▼
Operating Profit	98	83	18.1% ▲	192	170	13.0% ▲
Finance Cost	-16	-23	31.4% ▼	-27	-41	34.3% ▼
Profit Before Taxation	82	60	37.3% ▲	165	129	28.0% ▲
Taxation	-10	-2	412.1% ▲	-19	-9	114.9% ▲
Profit After Taxation	72	58	24.4% ▲	146	120	21.7% ▲
Earnings Per Share	0.64	0.52	24.4% ▲	1.31	1.07	21.7% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	19.0%	21.8%	2.8% ▼	17.0%	20.4%	3.4% ▼
SG&A Expenses to Sales	-9.3%	-7.5%	1.7% ▲	-4.1%	-5.1%	1.0% ▼
Ex. Gain / (Loss) to Sales	-9.3%	-7.5%	1.7% ▲	-4.1%	-5.1%	1.0% ▼
Effective Taxation	-12.4%	-3.3%	9.1% ▲	-11.4%	-6.8%	4.6% ▲
Net Margin	8.2%	6.7%	1.5% ▲	8.1%	7.6%	0.6% ▲

Source: ACPL Research, Company Financials

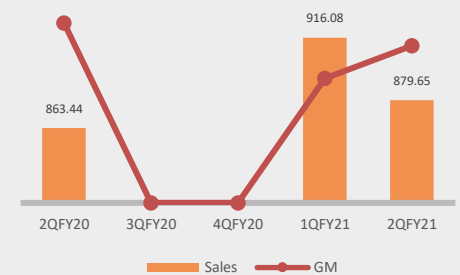
Key Statistics

Symbol	TOMCL
TP - Dec 21	27.00
LDCP	32.00
Upside (%)	(16)
Free Float ('mn) (Post-Right)	447
Market Cap. (Rs.'mn) (Post-Right)	31,809

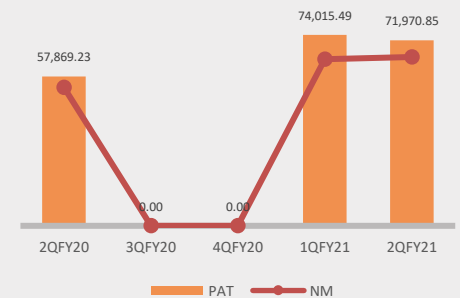
TOMCL vs KSE 100



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	1	- 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%	-99.1%	-1528.1%	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	17.02	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	78.99	40.17	66.79	24.97	16.42	13.43	12.97	9.46	7.59
Sales per share		8.61	10.76	8.24	18.36	23.05	30.26	32.99	39.59	47.50
P/BV	x	7.86	6.57	5.98	2.53	2.21	1.37	1.27	1.15	1.04
P/S	x	3.72	2.97	3.88	1.74	1.39	1.06	0.97	0.81	0.67
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	4.92	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
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Market Weight	Neutral
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