

TOMCL

1HFY23 Result Review: BUY Stance Maintained

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TOMCL has announced its 1HFY23 result where the company posted a profit after tax of Rs204mn (EPS: Rs1.51) as compared to a profit after tax of Rs252mn (EPS: Rs1.87) in the same period last year, down by 19% YoY amid a drop in gross margins, and surge in finance cost and effective taxation.

The company has posted a revenue of Rs2.54bn against Rs2.27bn in SPLY, recording a growth of 12.2% YoY. We note that this growth is attributed to the increase in exports.

The gross margin has decreased to 15.4% as compared to 16.9% in SPLY mainly due to increased fuel and power consumption charges. Finance cost has surged by 73.6% to Rs65mn as compared to Rs37mn SPLY amid higher policy rate.

SG&A expenses have increased by 53.1% YoY to Rs231mn as compared to Rs151mn during SPLY amid increased freight cost by 67.82%. Lastly, effective taxation has been increased to 11.7% as compared to 6.8% during SPLY.

TOMCL is trading at a FY23E P/E of 11.85x. Further, the scrip is also trading at FY23E P/B of 1.64. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs 24 which provides an upside potential of 26%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	1,403	1,197	17.2% ▲	2,543	2,267	12.2% ▲
Cost of Sales	-1,177	-994	18.5% ▲	-2,152	-1,883	14.3% ▲
Gross Profit	226	204	10.9% ▲	391	384	1.9% ▲
SG&A Expenses	-142	-83	72.4% ▲	-231	-151	53.1% ▲
Other Expenses	2	-28	93.5% ▼	-5	-35	85.3% ▼
Operating Profit	85	93	8.2% ▼	154	197	21.8% ▼
Other Income	51	106	52.0% ▼	141	110	28.4% ▲
Finance Cost	-30	-20	45.3% ▲	-65	-37	73.6% ▲
Profit Before Taxation	107	179	40.2% ▼	231	270	14.5% ▼
Taxation	-15	-11	35.4% ▲	-27	-18	47.5% ▲
Profit After Taxation	92	168	45.1% ▼	204	252	19.0% ▼
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Earnings Per Share	0.68	1.24	45.1% ▼	1.51	1.87	19.0% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	0.00		0.00%	0.00	
Gross Margin	16.1%	17.0%	0.9% ▼	15.4%	16.9%	1.6% ▼
SG&A Expenses to Sales	-10.1%	-6.9%	3.2% ▲	-9.1%	-6.7%	2.4% ▲
Other Income to Sales	3.6%	8.9%	5.2% ▼	5.6%	4.9%	0.7% ▲
Ex. Gain / (Loss) to Sales	-10.1%	-6.9%	3.2% ▲	-9.1%	-6.7%	2.4% ▲
Effective Taxation	-13.8%	-6.1%	7.7% ▲	-11.7%	-6.8%	4.9% ▲
Net Margin	6.6%	14.0%	7.5% ▼	8.0%	11.1%	3.1% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	TOMCL
TP - Dec 23	24.00
LDGP	19.09
Upside (%)	26
Free Float ('mn)	61
Market Cap. (Rs.'mn)	2,701

TOMCL vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	3,384	3,928	4,658	5,089	5,559	6,074	6,635
Cost of sales	- 2,754	- 3,278	- 4,048	- 4,306	- 4,704	- 5,139	- 5,615
Gross profit	630	650	610	783	855	934	1,021
Administrative expenses	- 67	- 59	- 86	- 110	- 121	- 132	- 144
Distribution cost	- 120	- 162	- 293	- 353	- 385	- 421	- 460
Profit from operations	442	429	231	320	349	381	417
Finance cost	- 90	- 89	- 88	- 136	- 135	- 131	- 126
Other (Expense)/income	1	14	345	282	309	337	368
Profit before income tax	283	340	455	466	522	588	659
Income tax expense	- 17	- 37	- 44	- 56	- 63	- 71	- 79
Profit for the year	266	303	411	410	460	517	580
EPS	1.97	2.25	3.05	3.04	3.41	3.83	4.30

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	31.3%	16.1%	18.6%	9.3%	9.2%	9.3%	9.3%
Cost of sales	26.9%	19.0%	23.5%	6.4%	9.3%	9.3%	9.3%
Gross profit	54.5%	3.1%	-6.2%	28.4%	9.2%	9.2%	9.3%
Administrative expenses	25.5%	-12.0%	45.4%	28.4%	9.3%	9.3%	9.3%
Distribution cost	-11.5%	34.1%	81.2%	20.4%	9.3%	9.3%	9.3%
Profit from operations	102.9%	-3.0%	-46.2%	38.5%	9.2%	9.2%	9.3%
Finance cost	26.7%	-0.8%	-1.1%	53.6%	-0.4%	-3.4%	-3.6%
Other income	-99.1%	1218.0%	2431.8%	-18.1%	9.3%	9.3%	9.3%
Profit before income tax	6.8%	20.1%	33.7%	2.4%	12.1%	12.5%	12.1%
Income tax expense	-63.9%	116.2%	18.7%	27.3%	12.1%	12.5%	12.1%
Profit for the year	22.2%	13.9%	35.6%	-0.3%	12.1%	12.5%	12.1%
EPS	22.2%	13.9%	35.6%	-0.3%	12.1%	12.5%	12.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	18.61	16.54	13.09	15.38	15.38	15.38	15.38
NP Margin	%	7.87	7.73	8.83	8.06	8.27	8.52	8.74
OP Margin	%	13.07	10.92	4.95	6.28	6.28	6.28	6.28
ROE	%	19.74	13.37	14.99	13.81	13.87	13.97	14.02
ROCE	%	23.49	15.96	17.76	18.24	15.78	14.09	12.87
ROA	%	9.75	8.33	9.64	9.97	9.13	8.58	8.17
Liquidity Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.55	2.09	2.34	2.52	3.13	3.72	4.30
Quick	x	0.84	1.19	1.69	1.64	2.23	2.81	3.37
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	3.04	3.41	3.83	4.30
BVPS		13.98	20.32	23.37	22.00	24.56	27.43	30.65
P/E	x	18.25	16.01	11.81	11.85	10.57	9.39	8.38
Sales per share		25.07	29.10	34.50	37.70	41.18	44.99	49.15
P/BV	x	2.57	1.77	1.54	1.64	1.47	1.31	1.17
P/S	x	1.44	1.24	1.04	0.96	0.87	0.80	0.73
Solvency Ratios		FY20E	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.36	0.27	0.28	0.21	0.20	0.19	0.18
L.T Debt to Equity	x	0.01	0.01	0.04	0.03	0.02	0.02	0.01
Total Debt to Assets	x	0.25	0.20	0.21	0.16	0.13	0.12	0.11
L.T Debt to Assets	x	0.00	0.01	0.03	0.02	0.01	0.01	0.01
Interest Cover	x	4.92	4.95	6.51	4.43	4.86	5.50	6.23

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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