

# TOMCL

## 1HFY22 Result Review: Stance Maintained to BUY

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TOMCL has announced its 1HFY22 result where the company posted profit after tax of Rs252mn (EPS: Rs2.05) as compared to a profit after tax of Rs146mn (EPS: Rs1.19) in the same period last year, up by 72.5% YoY.

The company has posted a revenue of Rs2.27bn against Rs1.79bn in SPLY, recording a growth of 26.2% YoY. We note that this growth is attributed to the increase in exports and higher retention prices.

The gross margin has been decreased slightly to 16.9% as compared to 17.0% in SPLY due to higher input costs.

SG&A expenses have increased by 104% YoY to Rs151mn as compared to Rs74mn during SPLY. Lastly, the effective taxation has been decreased to 6.8% as compared to 11.4% during SPLY.

TOMCL is trading at a FY22E P/E of 8.04x. Further, the scrip is also trading at FY22E P/B of 1.67 which offers a discount of 34% relative to its historical 3-Year average of 2.23x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 40 which provides an upside potential of 32%.

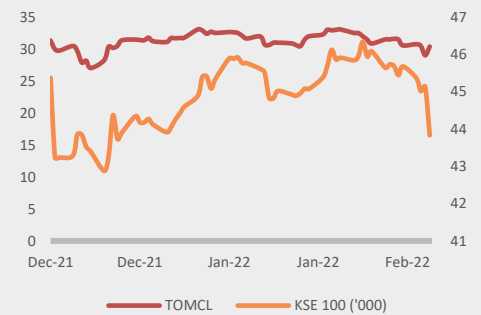
Rupees' millions	1QFY22	1QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	1,197	880	36.1% ▲	2,267	1,796	26.2% ▲
Cost of Sales	-994	-712	39.5% ▲	-1,883	-1,490	26.4% ▲
<b>Gross Profit</b>	<b>204</b>	<b>167</b>	<b>21.7% ▲</b>	<b>384</b>	<b>306</b>	<b>25.6% ▲</b>
SG&A Expenses	-83	-81	1.4% ▲	-151	-74	104.4% ▲
Other Expenses	-28	12	343.5% ▼	-35	-7	377.1% ▲
<b>Operating Profit</b>	<b>93</b>	<b>97</b>	<b>4.5% ▼</b>	<b>197</b>	<b>191</b>	<b>3.3% ▲</b>
Other Income	106	1	17526.3% ▲	110	1	18180.5% ▲
Finance Cost	-20	-16	27.7% ▲	-37	-27	39.4% ▲
Profit Before Taxation	179	82	117.6% ▲	270	165	63.9% ▲
Taxation	-11	-10	6.3% ▲	-18	-19	3.0% ▼
<b>Profit After Taxation</b>	<b>168</b>	<b>72</b>	<b>133.4% ▲</b>	<b>252</b>	<b>146</b>	<b>72.5% ▲</b>
Earnings Per Share	1.37	0.59	133.4% ▲	2.05	1.19	72.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus						
Gross Margin	17.0%	19.0%	2.0% ▼	16.9%	17.0%	0.1% ▼
SG&A Expenses to Sales	-6.9%	-9.3%	2.4% ▼	-6.7%	-4.1%	2.6% ▲
Other Income to Sales	8.9%	0.1%	8.8% ▲	4.9%	0.0%	4.8% ▲
Ex. Gain / (Loss) to Sales	-6.9%	-9.3%	2.4% ▼	-6.7%	-4.1%	2.6% ▲
Effective Taxation	-6.1%	-12.4%	6.4% ▼	-6.8%	-11.4%	4.7% ▼
Net Margin	14.0%	8.2%	5.9% ▲	11.1%	8.1%	3.0% ▲

Source: ACPL Research, Company Financials

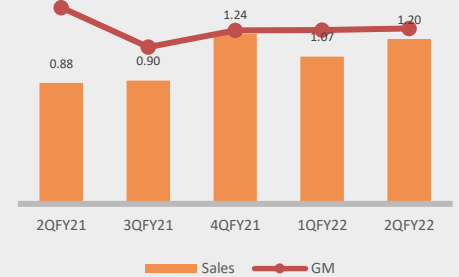
### Key Statistics

Symbol	TOMCL
TP - Dec 22	40.00
LDCP	30.39
Upside (%)	32
Free Float ('mn)	55
Market Cap. (Rs.'mn)	3,726

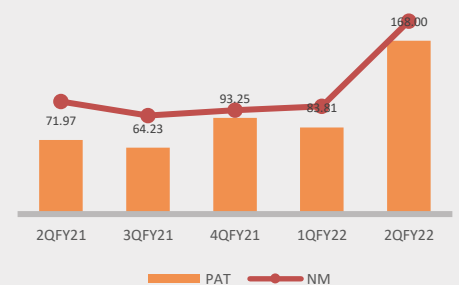
### AGHA vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	2,578	3,384	3,928	4,517	5,420	6,504	7,805
Cost of sales	- 2,170	- 2,754	- 3,278	- 3,752	- 4,503	- 5,403	- 6,484
<b>Gross profit</b>	<b>408</b>	<b>630</b>	<b>650</b>	<b>765</b>	<b>918</b>	<b>1,101</b>	<b>1,321</b>
Administrative expenses	- 54	- 67	- 59	- 86	- 103	- 124	- 148
Distribution cost	- 136	- 120	- 162	- 215	- 257	- 309	- 371
<b>Profit from operations</b>	<b>218</b>	<b>442</b>	<b>429</b>	<b>464</b>	<b>557</b>	<b>669</b>	<b>802</b>
Finance cost	- 71	- 90	- 89	- 95	- 89	- 84	- 79
Other (Expense)/income	119	1	14	219	263	315	379
<b>Profit before income tax</b>	<b>265</b>	<b>283</b>	<b>340</b>	<b>588</b>	<b>731</b>	<b>900</b>	<b>1,102</b>
Income tax expense	- 47	- 17	- 37	- 35	- 44	- 54	- 66
<b>Profit for the year</b>	<b>218</b>	<b>266</b>	<b>303</b>	<b>553</b>	<b>687</b>	<b>846</b>	<b>1,036</b>
<b>EPS</b>	<b>1.77</b>	<b>2.17</b>	<b>2.47</b>	<b>4.50</b>	<b>5.58</b>	<b>6.88</b>	<b>8.42</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	25.6%	31.3%	16.1%	15.0%	20.0%	20.0%	20.0%
Cost of sales	27.7%	26.9%	19.0%	14.5%	20.0%	20.0%	20.0%
<b>Gross profit</b>	<b>15.2%</b>	<b>54.5%</b>	<b>3.1%</b>	<b>17.7%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>
Administrative expenses	21.0%	25.5%	-12.0%	45.1%	20.0%	20.0%	20.0%
Distribution cost	119.8%	-11.5%	34.1%	32.8%	20.0%	20.0%	20.0%
<b>Profit from operations</b>	<b>-12.0%</b>	<b>102.9%</b>	<b>-3.0%</b>	<b>8.3%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>
Finance cost	24.3%	26.7%	-0.8%	6.4%	-5.9%	-6.0%	-6.2%
Other income	-451.7%	-99.1%	1218.0%	1508.9%	20.0%	20.0%	20.0%
<b>Profit before income tax</b>	<b>69.3%</b>	<b>6.8%</b>	<b>20.1%</b>	<b>72.8%</b>	<b>24.2%</b>	<b>23.2%</b>	<b>22.4%</b>
Income tax expense	252.0%	-63.9%	116.2%	-4.7%	24.2%	23.2%	22.4%
<b>Profit for the year</b>	<b>52.1%</b>	<b>22.2%</b>	<b>13.9%</b>	<b>82.2%</b>	<b>24.2%</b>	<b>23.2%</b>	<b>22.4%</b>
<b>EPS</b>	<b>52.1%</b>	<b>22.2%</b>	<b>13.9%</b>	<b>82.2%</b>	<b>24.2%</b>	<b>23.2%</b>	<b>22.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	15.82	18.61	16.54	16.93	16.93	16.93	16.93
NP Margin	%	8.46	7.87	7.73	12.24	12.67	13.01	13.27
OP Margin	%	8.46	13.07	10.92	10.28	10.28	10.28	10.28
ROE	%	21.20	19.74	13.37	20.82	21.65	22.23	22.60
ROCE	%	20.62	23.49	15.96	24.95	22.03	20.17	18.91
ROA	%	8.66	9.75	8.33	15.41	15.11	14.89	14.72
Liquidity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.44	1.55	2.09	2.16	3.23	4.58	6.19
Quick	x	0.88	0.84	1.19	1.13	1.96	3.02	4.30
Activity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
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	118.47	110.00	105.00	100.00	95.00
Payables Days		28.46	25.00	25.00	30.00	33.00	36.00	39.00
Operating Cycle		117.92	121.37	121.37	107.90	99.90	91.90	83.90
Investment Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
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)	123.00	123.00	123.00	123.00	123.00	123.00	123.00
EPS		1.77	2.17	2.47	4.50	5.58	6.88	8.42
BVPS		13.18	15.35	22.31	21.60	25.79	30.95	37.26
P/E	x	20.31	16.62	14.59	8.01	6.45	5.23	4.27
Sales per share		20.96	27.51	31.93	36.72	44.07	52.88	63.46
P/BV	x	2.73	2.35	1.61	1.67	1.40	1.16	0.97
P/S	x	1.72	1.31	1.13	0.98	0.82	0.68	0.57
Solvency Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.44	0.36	0.27	0.27	0.21	0.16	0.12
L.T Debt to Equity	x	0.00	0.01	0.01	0.01	0.01	0.00	0.00
Total Debt to Assets	x	0.29	0.25	0.20	0.20	0.14	0.11	0.08
L.T Debt to Assets	x	0.00	0.00	0.01	0.01	0.01	0.00	0.00
Interest Cover	x	4.73	4.92	4.95	7.19	9.17	11.71	14.97

Source: ACPL Research, Company Financials

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

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
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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