

# TOMCL

## FY21 Result Review: Stance Upgraded to BUY

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TOMCL has announced its FY21 result where the company posted profit after tax of Rs303mn (EPS: Rs2.71) as compared to a profit after tax of Rs266mn (EPS: Rs2.38) in the same period last year, up by 13.9% YoY.

The company has posted a revenue of Rs3.9bn against Rs3.4bn in SPLY, recording a growth of 16.1% YoY. We note that this growth is attributed to the increase in exports owing to the withdrawal of restrictions imposed due to the Covid-19 crisis.

The gross margin has been squeezed to 16.5% as compared to 18.4% in SPLY due to higher input costs and lower international prices.

SG&A expenses have increased by 34.1% YoY to Rs162mn as compared to Rs120mn during SPLY. Lastly, the effective taxation has been increased to 10.9% as compared to 6% during SPLY.

TOMCL is trading at a FY22E P/E of 9.84x. Further, the script is also trading at FY22E P/B of 1.28 which offers a discount of 42% relative to its historical 5-Year average of 1.82x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 50 which provides an upside potential of 41%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	1,235	1,052	17.5% ▲	3,928	3,384	16.1% ▲
Cost of Sales	-1,027	-871	18.0% ▲	-3,278	-2,762	18.7% ▲
<b>Gross Profit</b>	<b>208</b>	<b>181</b>	<b>15.0% ▲</b>	<b>650</b>	<b>622</b>	<b>4.4% ▲</b>
SG&A Expenses	-76	-17	354.9% ▲	-162	-120	34.1% ▲
Other Expenses	-23	-65	64.2% ▼	-37	-87	57.9% ▼
<b>Operating Profit</b>	<b>109</b>	<b>99</b>	<b>9.9% ▲</b>	<b>392</b>	<b>355</b>	<b>10.4% ▲</b>
Other Income	44	20	116.9% ▲	37	18	107.5% ▲
Finance Cost	-47	-29	61.3% ▲	-89	-90	0.8% ▼
Profit Before Taxation	105	90	17.1% ▲	340	283	20.1% ▲
Taxation	-12	1	2190.0% ▼	-37	-17	116.2% ▲
<b>Profit After Taxation</b>	<b>93</b>	<b>91</b>	<b>2.9% ▲</b>	<b>303</b>	<b>266</b>	<b>13.9% ▲</b>
Earnings Per Share	0.83	0.81	2.9% ▲	2.71	2.38	13.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	10%	0.00	100.0% ▲	10%	0.00	100.0% ▲

Closing Period: 21 Oct 2021 – 28 Oct 2021

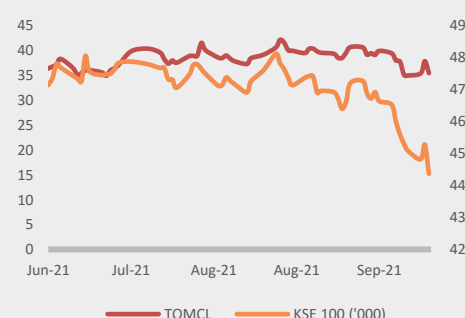
	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Gross Margin	16.8%	17.2%	0.4% ▼	16.5%	18.4%	1.8% ▼
SG&A Expenses to Sales	-6.1%	-1.6%	4.5% ▲	-4.1%	-3.6%	0.6% ▲
Other Income to Sales	3.5%	1.9%	1.6% ▲	1.0%	0.5%	0.4% ▲
Ex. Gain / (Loss) to Sales	-6.1%	-1.6%	4.5% ▲	-4.1%	-3.6%	0.6% ▲
Effective Taxation	-11.5%	0.6%	10.9% ▲	-10.9%	-6.0%	4.8% ▲
Net Margin	7.5%	8.6%	1.1% ▼	7.7%	7.9%	0.1% ▼

Source: ACPL Research, Company Financials

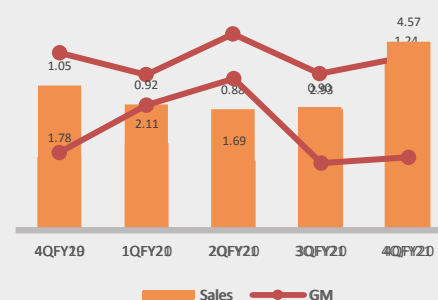
### Key Statistics

Symbol	TOMCL
TP - Jun 22	50.00
LDCP	35.93
Upside (%)	41
Free Float ('mn)	50
Market Cap. (Rs.'mn)	4,025

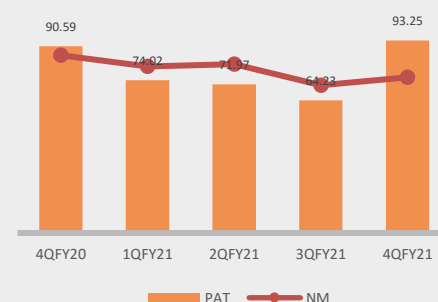
### TOMCL vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	2,578	3,384	3,928	4,517	5,195	5,974	6,870
Cost of sales	- 2,170	- 2,754	- 3,278	- 3,794	- 4,363	- 5,018	- 5,771
<b>Gross profit</b>	<b>408</b>	<b>630</b>	<b>650</b>	<b>723</b>	<b>831</b>	<b>956</b>	<b>1,099</b>
Administrative expenses	- 54	- 67	- 59	- 68	- 78	- 90	- 103
Distribution cost	- 136	- 120	- 162	- 186	- 214	- 246	- 283
<b>Profit from operations</b>	<b>218</b>	<b>442</b>	<b>429</b>	<b>469</b>	<b>539</b>	<b>620</b>	<b>713</b>
Finance cost	- 71	- 90	- 89	- 30	- 21	- 22	- 22
Other (Expense)/income	119	1	14	16	18	21	24
<b>Profit before income tax</b>	<b>265</b>	<b>283</b>	<b>340</b>	<b>455</b>	<b>536</b>	<b>619</b>	<b>715</b>
Income tax expense	- 47	- 17	- 37	- 46	- 52	- 60	- 69
<b>Profit for the year</b>	<b>218</b>	<b>266</b>	<b>303</b>	<b>409</b>	<b>484</b>	<b>559</b>	<b>646</b>
<b>EPS</b>	<b>1.95</b>	<b>2.38</b>	<b>2.71</b>	<b>3.66</b>	<b>4.33</b>	<b>5.00</b>	<b>5.78</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	25.6%	31.3%	16.1%	15.0%	15.0%	15.0%	15.0%
Cost of sales	27.7%	26.9%	19.0%	15.7%	15.0%	15.0%	15.0%
<b>Gross profit</b>	<b>15.2%</b>	<b>54.5%</b>	<b>3.1%</b>	<b>11.3%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>
Administrative expenses	21.0%	25.5%	-12.0%	15.0%	15.0%	15.0%	15.0%
Distribution cost	119.8%	-11.5%	34.1%	15.0%	15.0%	15.0%	15.0%
<b>Profit from operations</b>	<b>-12.0%</b>	<b>102.9%</b>	<b>-3.0%</b>	<b>9.3%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>
Finance cost	24.3%	26.7%	-0.8%	-66.6%	-29.8%	5.7%	1.0%
Other income	-451.7%	-99.1%	1218.0%	15.0%	15.0%	15.0%	15.0%
<b>Profit before income tax</b>	<b>69.3%</b>	<b>6.8%</b>	<b>20.1%</b>	<b>33.5%</b>	<b>17.9%</b>	<b>15.4%</b>	<b>15.5%</b>
Income tax expense	252.0%	-63.9%	116.2%	23.1%	14.8%	13.8%	15.5%
<b>Profit for the year</b>	<b>52.1%</b>	<b>22.2%</b>	<b>13.9%</b>	<b>34.8%</b>	<b>18.3%</b>	<b>15.5%</b>	<b>15.5%</b>
<b>EPS</b>	<b>52.1%</b>	<b>22.2%</b>	<b>13.9%</b>	<b>34.8%</b>	<b>18.3%</b>	<b>15.5%</b>	<b>15.5%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	15.82	18.61	16.54	16.00	16.00	16.00	16.00
NP Margin	%	8.46	7.87	7.73	9.06	9.32	9.36	9.40
OP Margin	%	8.46	13.07	10.92	10.38	10.38	10.38	10.38
ROE	%	21.20	13.22	13.54	16.05	16.62	16.78	16.93
ROCE	%	20.57	17.02	15.63	15.44	15.91	16.34	16.73
ROA	%	8.49	7.84	9.14	11.52	12.23	12.65	13.11
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.42	2.84	4.25	5.63	6.17	6.72	7.53
Quick	x	0.89	2.50	2.83	4.58	4.28	5.46	5.54
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	13.08	14.60	14.60	14.60	14.60	14.60	14.60
Inventory Days		27.90	25.00	25.00	25.00	25.00	25.00	25.00
Receivables Days		118.47	75.00	114.00	114.00	114.00	114.00	114.00
Payables Days		28.46	25.00	25.00	25.00	25.00	25.00	25.00
Operating Cycle		117.92	75.00	114.00	114.00	114.00	114.00	114.00
Investment Ratios		FY19A	FY20A	FY21E	FY22E	FY23E	FY23E	FY23E
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)	111.82	111.82	111.82	111.82	111.82	111.82	111.82
EPS		1.95	2.38	2.71	3.66	4.33	5.00	5.78
BVPS		14.50	23.32	25.35	28.10	31.34	35.09	39.43
P/E	x	18.47	15.11	13.26	9.84	8.32	7.20	6.23
Sales per share		23.05	30.26	35.13	40.40	46.46	53.42	61.44
P/BV	x	2.48	1.54	1.42	1.28	1.15	1.03	0.91
P/S	x	1.56	1.19	1.02	0.89	0.77	0.67	0.59
Solvency Ratios		FY19A	FY20A	FY21E	FY22E	FY23E	FY23E	FY23E
Total Debt to Equity	x	0.48	0.22	0.08	0.04	0.04	0.03	0.03
L.T Debt to Equity	x	0.03	0.00	0.00	0.00	0.00	0.00	0.00
Total Debt to Assets	x	0.30	0.17	0.07	0.04	0.03	0.03	0.03
L.T Debt to Assets	x	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	4.73	4.92	4.95	16.22	26.56	28.89	32.90

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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

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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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