

TOMCL

1QFY22 Result Review: Stance Maintained to BUY

Equity Research | Food & Personal Care Products | Thursday, 4 November, 2021

TOMCL has announced its 1QFY22 result where the company posted profit after tax of Rs84mn (EPS: Rs0.75) as compared to a profit after tax of Rs74mn (EPS: Rs0.66) in the same period last year, up by 13% YoY.

The company has posted a revenue of Rs1.07bn against Rs916mn in SPLY, recording a growth of 16.7 % 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 increased to 16.8% as compared to 15.1% in SPLY due to lower input costs and an increase in international prices.

SG&A expenses have increased by 167% YoY to Rs69mn as compared to Rs26mn during SPLY. Lastly, the effective taxation has been decreased to 8.1% as compared to 10.4% during SPLY.

TOMCL is trading at a FY22E P/E of 11.59x. Further, the script is also trading at FY22E P/B of 1.30 which offers a discount of 40% relative to its historical 3-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 33%.

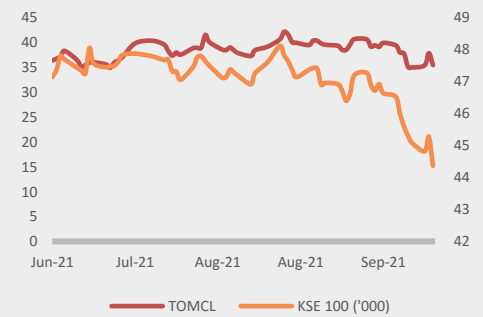
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	1,070	916	16.7% ▲	3,928	3,384	16.1% ▲
Cost of Sales	-889	-778	14.3% ▲	-3,278	-2,762	18.7% ▲
Gross Profit	180	138	30.4% ▲	650	622	4.4% ▲
SG&A Expenses	-69	-26	167.4% ▲	-162	-120	34.1% ▲
Other Expenses	-7	-19	62.9% ▼	-37	-87	57.9% ▼
Operating Profit	104	94	11.6% ▲	392	355	10.4% ▲
Other Income	4	0		37	18	107.5% ▲
Finance Cost	-17	-11	56.3% ▲	-89	-90	0.8% ▼
Profit Before Taxation	91	83	10.4% ▲	340	283	20.1% ▲
Taxation	-7	-9	14.1% ▼	-37	-17	116.2% ▲
Profit After Taxation	84	74	13.2% ▲	303	266	13.9% ▲
Earnings Per Share	0.75	0.66	13.2% ▲	2.71	2.38	13.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	10%	0.00		10%	0.00	
Gross Margin	16.8%	15.1%	1.8% ▲	16.5%	18.4%	1.8% ▼
SG&A Expenses to Sales	-6.4%	-2.8%	3.6% ▲	-4.1%	-3.6%	0.6% ▲
Other Income to Sales	0.4%	0.0%	0.4% ▲	1.0%	0.5%	0.4% ▲
Ex. Gain / (Loss) to Sales	-6.4%	-2.8%	3.6% ▲	-4.1%	-3.6%	0.6% ▲
Effective Taxation	-8.1%	-10.4%	2.3% ▼	-10.9%	-6.0%	4.8% ▲
Net Margin	7.8%	8.1%	0.2% ▼	7.7%	7.9%	0.1% ▼

Source: ACPL Research, Company Financials

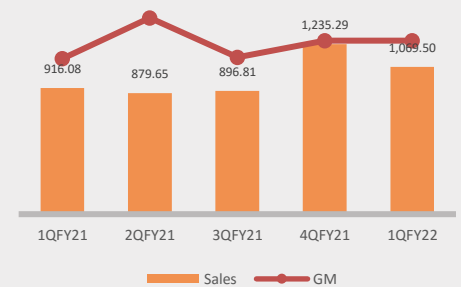
Key Statistics

Symbol	TOMCL
TP - Jun 22	50.00
LDCP	37.23
Upside (%)	33
Free Float ('mn)	50
Market Cap. (Rs.'mn)	4,643

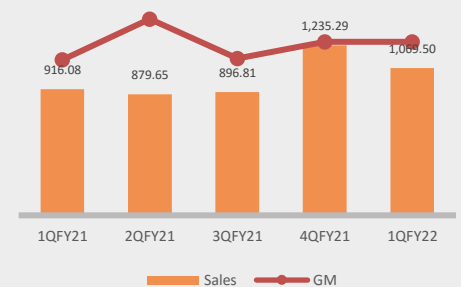
TOMCL vs KSE 100



Sales (Rs'mn) vs Gross Margin



Sales (Rs'mn) vs Gross 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	4,279	4,662	5,080	5,534
Cost of sales	- 2,170	- 2,754	- 3,278	- 3,572	- 3,891	- 4,240	- 4,619
Gross profit	408	630	650	708	771	840	915
Administrative expenses	- 54	- 67	- 59	- 86	- 93	- 102	- 111
Distribution cost	- 136	- 120	- 162	- 193	- 210	- 229	- 249
Profit from operations	218	442	429	430	468	510	556
Finance cost	- 71	- 90	- 89	- 67	- 48	- 42	- 42
Other (Expense)/income	119	1	14	15	16	18	19
Profit before income tax	265	283	340	377	436	486	533
Income tax expense	- 47	- 17	- 37	- 30	- 52	- 60	- 65
Profit for the year	218	266	303	347	383	426	467
EPS	1.95	2.38	2.71	3.11	3.43	3.81	4.18

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	25.6%	31.3%	16.1%	8.9%	8.9%	9.0%	9.0%
Cost of sales	27.7%	26.9%	19.0%	8.9%	8.9%	8.9%	9.0%
Gross profit	15.2%	54.5%	3.1%	9.0%	8.9%	9.0%	8.9%
Administrative expenses	21.0%	25.5%	-12.0%	44.7%	8.9%	9.0%	8.9%
Distribution cost	119.8%	-11.5%	34.1%	19.2%	8.9%	9.0%	8.9%
Profit from operations	-12.0%	102.9%	-3.0%	0.2%	8.9%	9.0%	8.9%
Finance cost	24.3%	26.7%	-0.8%	-24.6%	-28.0%	-14.0%	1.0%
Other income	-451.7%	-99.1%	1218.0%	8.9%	8.9%	9.0%	8.9%
Profit before income tax	69.3%	6.8%	20.1%	10.7%	15.6%	11.5%	9.6%
Income tax expense	252.0%	-63.9%	116.2%	-20.0%	76.6%	13.8%	9.6%
Profit for the year	52.1%	22.2%	13.9%	14.5%	10.4%	11.2%	9.6%
EPS	52.1%	22.2%	13.9%	14.5%	10.4%	11.2%	9.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	15.82	18.61	16.54	16.54	16.54	16.54	16.54
NP Margin	%	8.46	7.87	7.73	8.12	8.22	8.39	8.44
OP Margin	%	8.46	13.07	10.92	10.04	10.04	10.04	10.04
ROE	%	21.20	13.22	13.54	13.88	13.74	13.71	13.51
ROCE	%	20.57	17.02	15.63	14.37	14.33	14.26	14.20
ROA	%	8.49	7.84	9.14	8.54	9.27	9.27	9.86
Liquidity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.42	2.84	4.25	2.92	3.95	3.92	5.40
Quick	x	0.89	2.50	2.83	2.28	2.83	3.04	3.96
Activity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	13.08	14.60	14.60	10.43	10.43	10.43	10.43
Inventory Days		27.90	25.00	25.00	35.00	35.00	35.00	35.00
Receivables Days		118.47	75.00	114.00	150.00	150.00	150.00	150.00
Payables Days		28.46	25.00	25.00	35.00	35.00	35.00	35.00
Operating Cycle		117.92	75.00	114.00	150.00	150.00	150.00	150.00
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)	111.82	111.82	111.82	111.82	111.82	111.82	111.82
EPS		1.95	2.38	2.71	3.11	3.43	3.81	4.18
BVPS		14.50	23.32	25.35	27.68	30.26	33.12	36.25
P/E	x	18.47	15.11	13.26	11.59	10.50	9.44	8.61
Sales per share		23.05	30.26	35.13	38.27	41.70	45.43	49.49
P/BV	x	2.48	1.54	1.42	1.30	1.19	1.09	0.99
P/S	x	1.56	1.19	1.02	0.94	0.86	0.79	0.73
Solvency Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.48	0.22	0.08	0.16	0.12	0.09	0.06
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	0.12	0.10	0.07	0.05
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	6.60	9.99	12.66	13.65

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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