

Foundation Alert

TREET: Analyst Briefing Takeaways

Event

- Treet Corporation limited (TREET PA) held its Analyst briefing today to discuss financial performance of the company along with its future prospects.
- Following are the key takeaways.

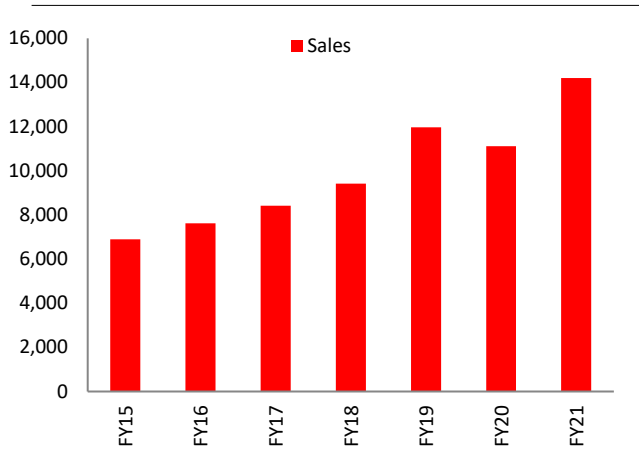
Impact

- To recall company reported net loss of Rs617mn for 2021 as compared to Rs2,985mn for 2020.
- Company's gross profit clocked in at 17.94% in 2021. Soap segment's gross profitability decline from 75mn in 2020 to 26mn in 2021 due to increase in input costs thus reducing sales volume and shrinking margins. Motorcycles/Batteries segment, although recovered greatly but contributes negatively by 10mn/135mn respectively.
- Company's net revenue is 14bn (up by 27.75% YoY). Major contribution comes from Blades & Razors and recovery in batteries segment.
- Company's topline consists of (67%) local sales and (33%) export sales. Company export its products to 45 countries especially Australia, China, Middle-east.
- As per management, company's current assets decline significantly (by 227%) due to conversion of TREET account receivables to FTMM equity. This has increased TREET holding in FTMM. FTMM business segments include Packaging Solutions, Treet Bikes, Treet Soaps, and Daewoo Battery.
- According to management, Treet has deleveraged itself by selling Global Art Limited and paying 30% of its debt to bank, ahead of rise in interest rates. They are also looking for debt re-profiling by converting ST borrowings (6bn) to LT debt out of which 50% (3bn) is already completed.
- As mentioned earlier, Company is looking for capital restructuring of FTMM to make equity positive and spin off battery segment from FTMM into a separate company (IPO expected in next financial year). New Battery Company will be formed under demerger scheme subject to approval from high court in next two months. NOC is already granted for the new company by SECP.
- Company is looking for revamping bike segment and may introduce electric bikes by joining hands with some other key players in the market.
- For blade's segment, 95% of raw material is imported. There is significant increase in production costs due to exchange rate hikes. Company was able to pass on these costs to consumers.
- For battery's segment, total market size is 5.5mn. TREET's market share stands at 10-11% that is 0.58mn approximately.
- Company is enhancing its production capacity for hygiene razors that will add 25% to existing capacity. Project completion is expected in Jan 2022.
- Renacon Pharma, have 70% local and 30% export sales. To benefit from greater export potential company is enhancing its capacity by 5 times (project is expected to complete in 10 months). Project will be financed with TERF and Private Equity Participation. IPO is expected in 2nd half of next fiscal year.

Outlook

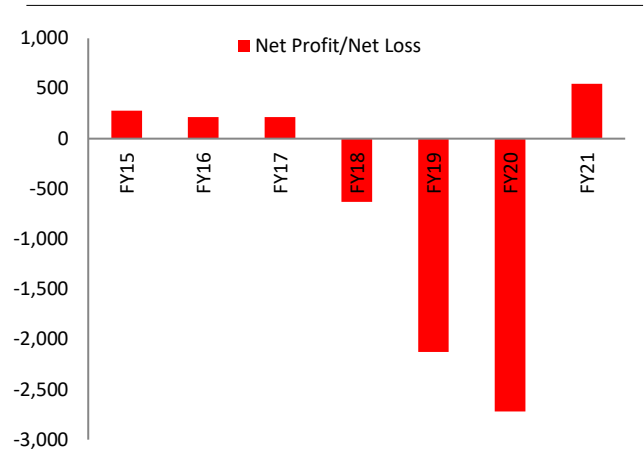
- The company is not in our formal coverage.

Fig 1: Sales recovered post Covid...



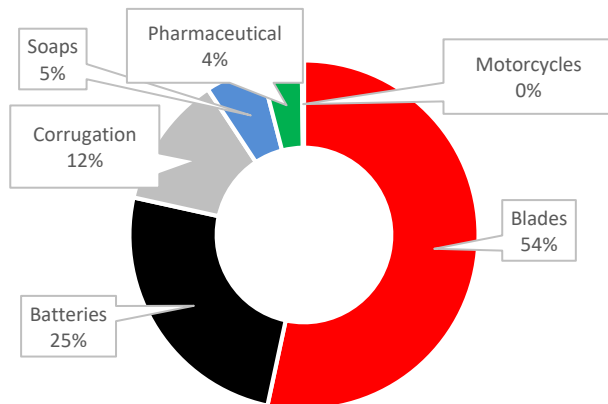
Source: PSX, Foundation Research, Dec'21

Fig 2: ...and profitability recovered as well



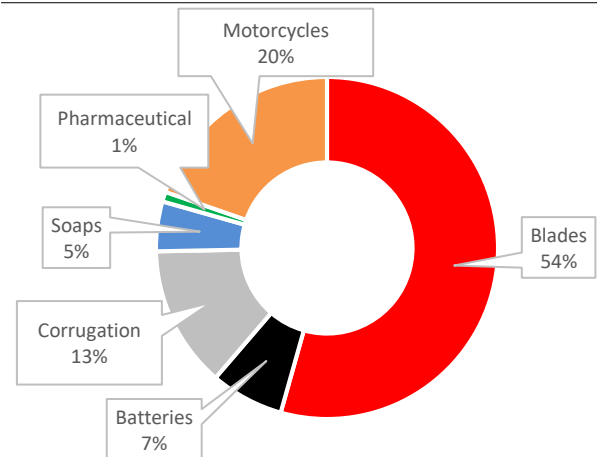
Source: PSX, Foundation Research, Dec'21

Fig 3: Segment wise revenue distribution 2021



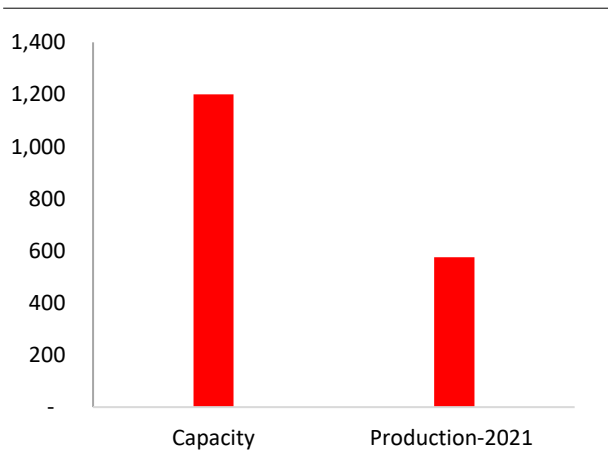
Source: PSX, Foundation Research, Dec'21

Fig 4: Segment wise revenue distribution 2020



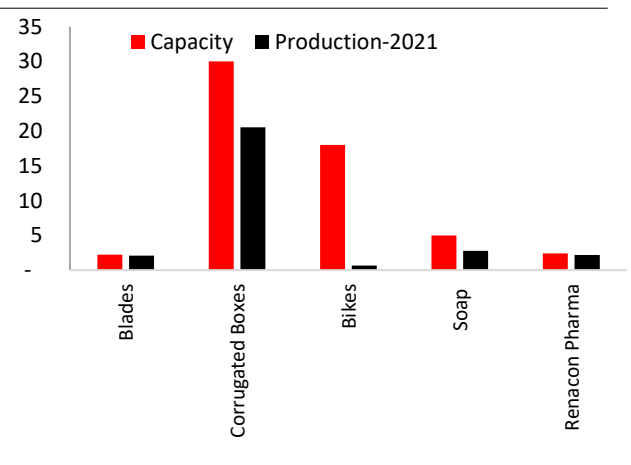
Source: PSX, Foundation Research, Dec'21

Fig 5: Batteries production FY21 (000' Units)



Source: PSX, Foundation Research, Dec'21

Fig 6: Segment wise production FY21 (000' Units)



Source: PSX, Foundation Research, Dec'21

Table 01: TREET Key financial and operational ratios

Rs mn		FY15	FY16	FY17	FY18	FY19	FY20	FY21
Sales		6,900	7,615	8,418	9,410	11,972	11,112	14,195
GP		1,437	1,921	2,084	1,757	1,247	1,245	2,547
PBT/LBT		250	268	305	-479	-1,949	-2,249	524
Net Profit/Net Loss		278	214	214	-631	-2,125	-2,720	548
Share capital		540	1,378	1,421	1,601	1,655	1,698	1,748
Shareholder's equity		5,648	7,475	7,877	8,708	10,146	7,891	9,796
Fixed assets - net		4,175	7,821	11,364	13,289	17,681	15,273	16,861
Total assets		10,991	12,544	17,733	21,002	26,223	24,148	25,248
Dividend	%	10	10	-	-	-	-	10
RATIOS:								
PROFITABILITY								
GP Margin	%	20.8	25.2	24.8	18.7	10.4	11.2	17.9
PBT Margin	%	3.6	3.5	3.6	-5.1	-16.3	-20.2	3.7
NP Margin	%	4.0	2.8	2.5	-6.7	-17.8	-24.5	3.9
RETURN TO SHAREHOLDERS								
ROE before tax	%	4.4	3.6	3.9	-5.5	-19.2	-28.5	5.3
ROE after tax	%	4.9	2.9	2.7	-7.2	-20.9	-34.5	5.6
EPS	Rs	5.2	1.6	1.5	-3.9	-12.8	-16.0	3.1
Sales to fixed assets		1.7	1.0	0.7	0.7	0.7	0.7	0.8
Sales to total assets		0.6	0.6	0.5	0.4	0.5	0.5	0.6
LIQUIDITY/LEVERAGE/VALUATION								
Current ratio		2.2	1.2	0.7	0.6	0.5	0.5	0.5
Debt-to-Equity ratio		0.06	0.22	0.78	1.11	1.30	1.66	1.70
Book Value per Share		32.30	42.76	45.05	49.81	58.03	45.14	56.03

Source: Company Accounts, Foundation Research, December 2021

Table 02: TREET 1QFY22 earnings preview

Income Statement (Rs mn)	1QFY22	1QFY21	YoY	4QFY21	QoQ
Net Sales	4,032	3,554	13%	3,500	15%
COGS	3,323	3,009	10%	3,018	10%
Gross Profit	709	545	30%	482	47%
Administrative And General Expenses	149	131	13%	273	-45%
Selling and Marketing Expenses	269	302	-11%	413	-35%
Other Income	318	105	204%	1,254	-75%
other operating expense	4	24	-83%	227	-98%
EBIT	605	192	215%	823	-26%
Finance Cost	211	303	-30%	280	-25%
PBT	394	(111)	-456%	543	-27%
(Tax)/Reversal	4	(67)	-106%	(334)	-101%
Net Profit	398	(178)	-324%	209	90%
EPS	2.25	-0.95		4.94	
Gross Margins	17.58%	15.33%		13.77%	
Net Margins	9.87%	-5.00%		5.97%	
ETR	1.0%	60.6%		-61.5%	

Source: Company Accounts, Foundation Research, December 2021

About the company

Treet Corporation Limited was incorporated in Pakistan on 22 January 1977 as a Public Limited Company under the Company’s Act 1913 (now Companies Act, 2017). The principal activity of the Company is to manufacture and sell razors and razor blades along with other trading activities.

Auditor: Yousuf Adil, Chartered Accountants

Table 03: Pattern shareholders

Pattern of Shareholders	Holding	Shares (mn)
Directors	40%	69.93
Join Stock Companies	9%	15.74
Others	51%	89.17
Free Float	50%	87.42

Source: Company Accounts, Foundation Research, December 2021

Fig 7: Percentage Share Holdings in Subsidiaries and Associates

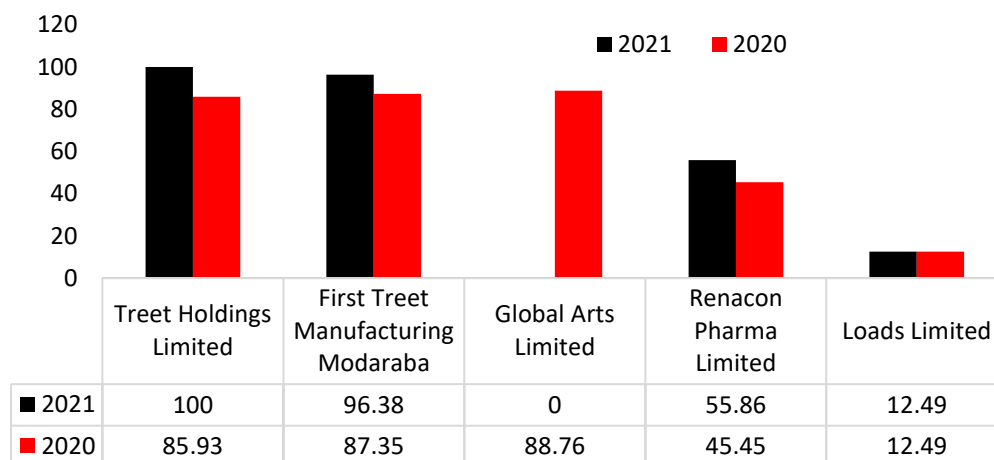


Table 04: TREET key personnel

Key Personnel	Name	Designation
Board of Directors	Dr. Salman Faridi	Independent Director
	Mr. Imran Azim	Non-Executive Director
	Mr. Munir Karim Bana	Non-Executive Director
	Mr. Saulat Said	Non-Executive Director
	Dr. Mrs. Niloufer Qsim Mahdi	Chairperson
	Mr. Syed Shahid Ali	Cheif Executive Officer
	Mr. Syed Sheharyar Ali	Executive Director
	Mr. M. Shafique Anjum	Executive Director
Management	Dr. Salman Faridi	Chairman
	Mr. Imran Azim	Non-Executive Director
	Mr. Munir Karim Bana	Non-Executive Director

Source: Company Accounts, Foundation Research, December 2021

Analyst

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.