



# 2012

## PAKISTAN TOBACCO COMPANY



**BBA-2K10(A)**

**Khizr Hasan**

**Tehreem Zahra**

**Tazeen Rashid**

**Fabiha Mughal**

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**Contents**

EXECUTIVE SUMMARY ..... 4

Introduction to PTC..... 5

Production Process of PTC: ..... 5

    Harvesting ..... 5

    Curing ..... 6

    Manufacturing ..... 6

    Packaging ..... 6

    Distribution ..... 7

INDUSTRY ANALYSIS..... 7

    Difficulties faced by the industry ..... 7

        Drop in volume sales..... 7

        Legislation, advertising and strategies..... 7

        Value versus volume versus oligopoly ..... 7

        Legislation versus illicit trade ..... 7

        Challenges versus opportunities over forecast period ..... 8

    Customer Base: ..... 8

    Political Factors affecting the company:..... 9

        Tax Rate:..... 9

        Labor Laws: ..... 9

        Political Stability:..... 9

        Health and social issues ..... 9

        Technological Factors..... 10

        Environmental factors..... 10

Economic Analysis..... 11

    Per capita real income ..... 11

    Inflation Rate: ..... 11

    Economic Growth: ..... 11

Company Analysis ..... 12

Pakistan Tobacco Company

SWOT ANALYSIS OF COMPANY ..... 12

PROBLEMS FACED BY PTC..... 14

    Smuggling..... 14

    Price war ..... 14

## **EXECUTIVE SUMMARY**

The tobacco industry in Pakistan has experienced growth since the past few years as the overall consumption of tobacco in Pakistan has increased. This project that we've done basically talks about the tobacco industry of Pakistan and most importantly, the key shareholder of this industry i.e. Pakistan Tobacco Company (PTC). Phase 1 of this report focuses on the Introduction to PTC, its market share, Pakistani tobacco industry analysis and finally the company analysis. Phase 1 also focuses on the key production processes of the company and its consumer base. Some difficulties faced by the tobacco industry have also been mentioned and explained.

The second phase of this report/project is more analytical and focuses on the different financial ratios that help determine the future of the company. To analyze these ratios, they are compared with the ratios of the industry and the overall industry average which makes it clear where the company currently stands in the market and where it is placed in the upcoming future.

The work done by each group member in this project is equal and the project has helped in understanding the general financial trends in the tobacco industry, Apart from that there has been an increase in the overall knowledge of the industry and its competitors. A lot of new terms have been learnt from the project as well e.g. air-curing etc.

## Introduction to PTC

The tobacco industry in Pakistan has grown since the last few years as there has been an increase in the number of smokers in Pakistan. Pakistan Tobacco company has been the major shareholder and market leader in this industry. It is the first multinational to start its operations in Pakistan after it took over the business of the Imperial tobacco company which started its operations in the subcontinent in 1905. Its parent company is the British American Tobacco company which has been in business for over a 100 years now and has its operations in over 150 countries of the world. British American Tobacco owns 51% of PTC's shares and thus owns it. PTC currently employs 1700 workers while indirectly providing livelihood to a million people nationwide indirectly involved in various aspects of the business. Every year PTC pays approx. Rs.30bn in excise duties and taxation to the government and is the highest tax paying company of Pakistan. Pakistan Tobacco Company basically works on the following 4 basic principles:

- **Strength from diversity:** This refers to the safeguarding and the respecting of the individual cultural diversity in the company.
- **Open Mindedness:** This refers to the nature of the company to welcome change and to make use of different opportunities
- **Freedom through responsibility:** The company operates as close to the customer as possible and everyone in the organization is responsible for his/her own actions.
- **Enterprising spirit:** This refers to the company's comfort enterprising spirit and its openness to change and opportunities in the environment.

Pakistan Tobacco company at the moment owns to state of the art factories, one based in Jhelum and one based in Akora Khattak. Recently the government of Pakistan placed a ban on the small 10 cigarette pack and it is because of this reason PTC plans to close its production line of the 10 cigarette packet and make 700 workers redundant due to large amounts of cost savings.

## Production Process of PTC:

### Harvesting

The first step in the production process is that of harvesting i.e. the gathering of mature crops from the field. This tobacco crop was initiated in NWFP by Virginia Tobacco and the company faced quite a many hurdles in the initiation process but because of this step taken by Virginia Tobacco, Pakistan is the 5<sup>th</sup> largest producer of tobacco and 4<sup>th</sup> highest in yield worldwide.

## Curing

The second step in the production process is that of curing. Curing is a controlled process used to achieve a texture, color and an overall quality of a specific tobacco type. During the process, leaf starch is converted into sugar and made to dry until the leaf experiences a color change from lemon to yellow to orange to brown. The three types of curing practiced in Pakistan are air-curing, flue-curing and sun curing.

- Air-curing: In this type of curing the leaves are hung in unheated ventilated barns to dry naturally until their color gets medium to light brown. At this point virtually no sugars are present in the leaf.
- Flue-curing: In this type of curing heat is entered into the barn via pipes from external furnace like radiators connected to a central heating system. This controlled heat allows the leaf to change its color to yellow or orange. A high level of sugar content is available in the leaf at this point.
- Sun-curing: In this type of curing leaves are strung out on shelves and exposed to the heat of the sun until the heat allows the leaf to change its color to yellow/orange. This leaf has a high level of sugar content present in it at this point.

After the leaf has been through curing it is processed through a green leaf threshing plant in order to remove any sand, dust etc. But the main purpose of this green leaf threshing plant processing is to remove the lamina from the stem.

## Manufacturing

After the leaf has been processed through the green leaf threshing plant the tobacco is packed in boxes and sent to the manufacturing plant. The overall quality of the tobacco and its features are checked in the manufacturing plant and finally the tobacco is blended with the right ingredients. The tobacco is treated with the right amount of steam and water to make it supple and then cut in the form as we see inside a cigarette. After the tobacco is processed through the manufacturing plant, it is sent for packaging.

## Packaging

Different packs for different brands are kept and workers likewise pack different cigarettes of different brands separately placing a protective film on each pack in order to keep the cigarettes protected and the packs are time dated in order to make the latest and newest batch of products available to the consumer. In 2010, the government made it obligatory for all the cigarette firms to show warnings on their packs and the warnings should cover at least 40% of the front side of the packing and 40% of the backside. PTC's cigarette packs are covered 40% in the front and 40% in the back (the break up being 30% pictorial warning of mouth cancer and 10% written warning of cancer). This to some extent has adversely affected the sales of the company.

## **Distribution**

The last step after packaging is distribution. PTC currently has 250 exclusive distributors, 1200 distribution representatives that sell directly to more than 500,000 retail stores nationwide.

## **INDUSTRY ANALYSIS**

### **Difficulties faced by the industry**

#### **Drop in volume sales**

In 2010, Pakistan witnessed the worst floods since 1974, with one-fifth of the country affected, including the fertile tobacco-producing lands such as the Khyber Pakhtoon Khoah province. In addition, taxation, inflationary trends in other necessities and legislations such as on advertising, reduced volume sales of cigarettes in the country. To make matters worse for the manufacturers, many consumers especially from low-income groups shifted to the illicit products which resulted in reduced sales of legally manufactured brands.

#### **Legislation, advertising and strategies**

In 2010, legislations were brought about regarding the advertising of cigarettes, placing warnings on cigarette packs, sale of cigarettes to under-age consumers and restrictions on indoor smoking. The manufacturers dealt with this situation very carefully as they adopted strategies to incentivise retailers to promote their brands, increase point-of-sale marketing, and improve distribution strategies.

#### **Value versus volume versus oligopoly**

Tobacco in Pakistan is value-driven, whereby retail volume sales of cigarettes may have declined, but value sales significantly increased. The tobacco landscape is oligopolistic in nature with Pakistan Tobacco Co Ltd being the biggest player followed by Phillip Morris Pakistan. Most of the volume and value is comprised of economy cigarettes which are primarily driven by low-income consumers. The drop in volume sales was mostly incurred by economy cigarettes, while premium category remained almost unaffected as its consumers belonged to high income groups. The share of cigarettes was maintained by the two largest companies while other small manufacturers and illicit trade also retained a minor share.

#### **Legislation versus illicit trade**

Tobacco has been a major source of revenue through tax generation, employment, and foreign exchange for Pakistan. The legislations introduced proved to be a threat to retail volumes of manufacturers, although they faced the sensitive situation and increased the value sales significantly due to rise of taxation. Legislations like advertising bands and taxation increased the demand of smuggled brands and despite strict checks allowed room for illicit trade.

## Challenges versus opportunities over forecast period

While the Tobacco Control Cell (TCC) and Pakistan's Ministry of Health continue to keep a watch on the implementation of legislations, their execution has been a challenge. However, manufacturers have followed the regulations by placing the pictorial warnings and steering clear of direct advertising. Similarly, hotels, shops and many restaurants have banned indoor smoking. These restrictions along with the floods of 2010 and increased unit prices due to taxation left the retail volume size to shrink considerably. Despite this challenging environment, tobacco in Pakistan is expected to grow over the forecast period. Retail volume as well as value sales are expected to rise by 2015, and additional varieties, innovation and new product developments is likely to be introduced.

The tobacco industry plays a critical economic role in Pakistan by generating income and employment in the tobacco farming, manufacturing, distribution and retailing. There are almost 3,500,000 people, directly and indirectly, working in the tobacco industry.

The major players of the industry are the following:

- Pakistan Tobacco company
- Phillip Morris Pakistan
- Souvenir Tobacco company
- Saleem Cigarette industry
- Universal Tobacco company
- Imperial Cigarette industry
- Khyber Tobacco company
- International Cigarette Industry
- Walton Tobacco company

Amongst these companies PTC owns 48.6% of the market share, second comes Phillip Moris Pakistan with 31.4% of the market share and the rest of 20% is owned by other smaller firms. This market share of PTC experienced an increase and growth in 2011 from 47.8% to 48.6%.

There are 26 cigarette manufacturing factories of 15 tobacco companies in the country with an installed capacity up to 126 billion pieces on three shift basis. (2011)

## Customer Base:

Pakistan is the 6<sup>th</sup> most populous country of the world and its 60% of the population is below the age of 30 i.e. most people are young and thus it determines a good future for PTC in Pakistan. According to PPA



(Pakistan Pediatric Association) everyday 1000 children between the ages of 6 and 16 start smoking. Apart from that 4% of the nation's women smoke whereas one third of men in Pakistan smoke.

## Political Factors affecting the company:

### Tax Rate:

- A number of brands available in the market sell below the total amount of Excise and Sales Tax applicable on the lowest price tier of cigarettes other than Phillip Morris and PTC and it is because of this reason most have made their name in the rural areas of Pakistan targeting the illiterate and poor people.

### Labor Laws:

- Recently the government of Pakistan has increased the minimum labor pay. Minimum wage rate is PKR 7000 (Federal Budget 2010-11) This has led to an increase in the overall cost of production for PTC but yet it has not exceeded limits

### Political Stability:

- Any new political issue arises may give uncertainty in stock market e.g. in the near past a series of political issues in Karachi adversely affected the KSE Index and thus adversely affected the share prices of PTC

## Health and social issues

- Increasing know how of smoking hazards (e.g. smoking causes cancer)
- Anti-cigarette campaigns and litigations

### *Community Involvement Initiatives*

Pakistan Tobacco Company is very much concerned with its community development. The management has taken some somber actions relating to community involvement and has taken care of the general public. Some of these initiatives are:

- People believe that hepatitis disease is because of pesticides and it should be avoided in
- Cigarettes. In response to this, PTC started using pesticides which is approved by
- Government of Pakistan. This disease has another cause so for this PTC has also made a
- Joint venture with NIH (National Institute of Health) to pay attention to the issue.
- PTC has also reduced the use of agro chemical in their crops which is another dangerous
- Element for environment diseases and PTC is leading in this initiative.
- PTC has set mobile doctor units to facilitate the people in order to fight against diseases.

## Pakistan Tobacco Company

- This strategy is mainly for people in rural areas because they need medical assistance.
- iv. Medical camps are also arranged by PTC in collaboration with LBRT (Leyton Rehmatullah Benevolent Trust) and Merck Pakistan limited.
- PTC is providing educational opportunities like scholarships and building schools. The
- Company has also partnered with two NGO's that is ABES (adult basic education society)
- and TCF (the citizen foundation)
- PTC is not using child labor in operations of the company because it has prohibition
- Clauses in contracts with the farmers that don't allow the use of child labor.

### Technological Factors

- Need to cope up with the latest innovation and technology and the widely used Information Technology

### Environmental factors

- PTC is currently working according to the Pakistan Environmental Protection Act of 1972

### Corporate Social Responsibility

Pakistan Tobacco Company believes to have a good business practice which they think is attained by good environmental practices. They control their impact on environment by using 3R's principle i.e. Reduce, Recover and Recycle. So now the question arise that how they work on this principle and what they have done till now regarding environmental practices. Their basic aim of PTC is to control or reduce CO<sub>2</sub> (carbon dioxide) which effect the environment badly. They have several environmental programs which include: (1) Waste management; (2) Energy conversation; (3) Water management; (4) CO<sub>2</sub> emission. PTC also guides other companies to become environmental friendly and to work on 3R's principle. PTC believes that their approach to CSR is letting them to survive in the market because by doing business in risk to health product and still doing business from so long means that they are behaving in socially responsible way and care for the impact and effect on environment. PTC is also trying to fulfill society's expectations by taking in account some concern issues. In terms of the transparency to the stakeholders of the company, PTC Annual Report for 2007 was recognized as the best in its category by Institute of Chartered Accountants of Pakistan.

PTC conducts their business operations in a way which is not harmful for their employees or workers. The management uses clean technologies and safety systems and it is ensured that there is safe environment for employees by minimizing the use of natural resources, water recycles etc. All these are

done in NEQS (national environmental quality standards) limits. PTC ensures that their EHS policy is fulfilling British American tobacco's policy which has international standards and best practices. PTC is also involved in monitoring their environmental performance for GRI (Global Reporting Initiative) where they communicate their social performance. In 2006, National Forum for Health and Education (NFEH), a not for profit organization focusing on environmental, health and educational awareness in Pakistan awarded Pakistan Tobacco with the "Environment Excellence Award". Moreover, British American Tobacco Company has awarded PTC with "EHS Excellence Award" in 2007.

### **Economic Analysis:**

The Real GDP is estimated to grow at 2.4 percent on the back of strong performance of services sector as against actual growth of 3.8 percent last year and target of 4.5 percent. It means GDP growth has slowed down in Pakistan which will impose negative effect on all industries in Pakistan.

However, it is contributing some **27.5 billion rupees** per year - the equivalent of **4.4% of Pakistan's GDP** through tax generation, employment through development, and foreign exchange.

### **Per capita real income**

Pakistan's per capita real income has risen by 0.7 percent in 2010-11 as against 2.9 percent last year. It means there can be decrease in sales of products of PTC due to increase in poverty in Pakistan. But specifically as tobacco products demand is inelastic so this company will be less affected from this economic indicator.

### **Inflation Rate:**

Inflation rate is a very big challenge for PTC. Because it can affect the price control and ultimately the market place of the business. Nowadays, Pakistan is facing the high inflation rate. It is about 10.8% for May 2012.

### **Economic Growth:**

PTC is largest cigarette company in Pakistan. It has a very economic significance. It is contributing in economic growth by:

Paying every year about 30 billion tax to FBR.

Employing some 1 million Pakistanis.

Also as its sales has increased 9.6% from 2010-2011, it is thus contributing in economic growth.

## Company Analysis

The following is the Brand portfolio of PTC:

- Dunhill.
- Benson and Hedges
- John Player Gold Leaf
- Capstan
- Wills Kings
- Embassy
- Gold Flake

"**Dunhill**" and "**Benson and Hedges**" are the premium quality global. Both the brands are showing good year-on-year growth.

**John Player Gold Leaf** is the largest urban brand in Pakistan as it thrashed all other FMCG products to become the most familiar brand in Pakistan and the highest in terms of value as well

**Capstan** by Pall Mall is the leading brand in *medium price segment*. The brand was created under the auspices of W.D. & H.O. WILLS at Bristol and London.

In the low range segment, the company offers "**Wills Kings**", "**Embassy**" and "**Gold Flake**". **Gold flake** is the largest volume brand in Pakistan, and the second largest brand in British American Tobacco's Asia Pacific region.

**Wills Kings** was launched in July, 2009 to defend PTC's position in the very low price segment. Extensive retailer support and consumer communication were central to its success. The brand managed to capture 2.7 % market share within five months of its introduction.

"**Embassy**" is the most popular brand in Punjab in terms of sales volume. Its locally tailor-made taste has enabled it to achieve high brand loyalty

## SWOT ANALYSIS OF COMPANY

### Strengths

- Large brand portfolio & strong market share.
- Geographically diversified.
- PTC provides opportunities for professional and career growth.
- Social responsibilities activities by implementing international market standards.

## Pakistan Tobacco Company

- Continuous market research by AC Nelson to develop future plans and strategies.
- Multinational company connected with BAT worldwide.
- It has a well developed integrated supply chain system, right from the crop to the consumer.

### **Weaknesses**

- Resource allocation for rural communication is not according to number of outlets in a village which is improper utilization of resources.
- Slow in new brand development.
- Salesman commission is low.
- Offices should be maintained according to PTC standards. (Regional Office)
- Lack of advertisement due to controversial industry.

### **Opportunities**

- As most of the population is in low social economic class, there is an opportunity for PTC to increase market share in this segment through focus strategy.
- Light cigarettes.
- Market potential in rural areas.
- Rising popularity of smokeless tobacco.
- Promoting IMS implementation can enhance the relationship with government and other regulatory authorities.
- Participation in social activities can enhance the corporate image.
- Intense competition provides opportunity for continuous improvement in the quality of brand.

### **Threats**

- Strict laws and regulations by Government.
- Increasing health concerns.
- Competitor strategies

## Pakistan Tobacco Company

- Contraband and counterfeit cigarettes
- Administrative Expenses may rise more owing to rising cost of doing business in the country due to shortage of utilities and high inflation. Hence, Operating will be affected.
- Increased Sales Tax and Excise Duty.

## PROBLEMS FACED BY PTC

### Smuggling

It is easy to understand the threat of huge revenue loss due to the presence and easy availability of smuggled cigarettes pose to the economy of Pakistan. The government is losing substantial revenue of Rs 3 billion from the smuggling of cigarettes into the country. According to Aslam Khaliq, the director consumer and regulatory affairs of Pakistan Tobacco Company, the government is losing at least Rs 1 billion every year due to cigarette smuggling. He blamed the high taxation as the singular most important incentive for cigarette smuggling.

This is true if one looks at the global trends of taxation on cigarettes. Smokers in Pakistan pay the highest tax in the world second only to Denmark and the UK where 85 per cent and 82 per cent of the retail price respectively goes toward taxation. In Pakistan, 78 per cent of the retail price of premium brands (all brands whose retail price is over Rs 10 per 20 sticks) and 58 per cent of the retail price of low segment brands goes towards taxation.

### Price war

Defending the price war started by PTC by slashing the prices of a number of its middle-priced brands brought numerous domestic manufacturers in the excise duty and sales tax net. For instance, slashing the prices on some of its brand by 50 per cent from Rs 19 to Rs 9 reduced the excise duty from 63 per cent to 43 per cent with sales tax remaining unchanged at 15 per cent. Despite price reduction, PTC was able to break even due to increased turnover and at the same time forced manufacturers who did not pay excise duty and sales tax in the net to create a level playing field.

Experience in many countries show that each 10 per cent increase in cigarette prices results in a 5 per cent decrease in the numbers of smoking adults and much more in young adults — between 6 to 8 per cent — who have little surplus funds to spend on smoke. However, the argument that high prices discourage smoking is a bit flawed particularly in the context of Pakistan.

Unlike all developed and many developing countries Pakistan chose not to spend even a negligible portion of tobacco taxes on healthcare, research, education, and anti-smoking activities. Such developing countries, not to mention the developed ones, as Nepal and Peru spend a share of cigarette taxes to support cancer research and treatment. Latvia allocates 30 per cent of the revenue which it earns from the tobacco tax on healthcare. Iran earmarks a portion of tobacco tax revenue on healthcare and education.

Secondly, if the manufacturers and policy makers are really serious about reducing smoking in Pakistan through price increases they need to raise taxes on all brands of cigarettes. Supporting the domestic tobacco industry against imports, as is the case with Pakistan, may be good for the local industry but negates the very argument that higher prices and taxation discourages smoking.

## COMPANY ANALYSIS:

### ASSET MANAGEMENT RATIOS:

Fixed Assets Turnover Ratio -- The fixed assets turnover ratio measures how fixed assets are used to generate sales, by comparing sales to net fixed assets. This interactive tutorial walks you through the calculations as well as where to find the numbers on your financial statements.

Inventory Turnover Ratio -- The inventory turnover ratio compares sales to inventories, reflecting a company's ability to convert inventory into cash. This interactive tutorial walks you through the calculations, and shows you where to find the numbers of your financial statements.

Total Asset Turnover Ratio -- The total assets turnover ratio measures the use of all assets in terms of sales, by comparing sales with net total assets. This interactive tutorial walks you through the calculations as well as where on the financial statements to find the numbers.

This table shows the debt management ratios of PTC:

<b>PTC</b>	2007	2008	2009	2010	2011
<b>Inventory Turnover</b>	2.446	2.878	2.703	1.657	2.680
<b>Fixed Asset turnover</b>	7.930	8.7599	9.669	10.34	11.08
<b>Total assets turnover</b>	4.161 times	4.719 times	4.706 times	4.869 times	5.098 times

The following table shows the industry averages of these ratios

<b>Industry</b>	2007	2008	2009	2010	2011
<b>Inventory Turnover</b>	1.99	2.3	2.344	1.77	2.72
<b>Fixed Asset turnover</b>	5.55	6.7	7.8	8.8	8.9
<b>Total assets turnover</b>	1.4 times	1.505 times	1.52 times	1.37 times	1.89 times

This shows that the assets management ratios of PTC are higher than the industry.

### DEBT MANAGEMENT RATIOS:

## Pakistan Tobacco Company

A ratio of a company's debt to its total financing is called debt management ratios. The debt management ratio measures how much of a company's operations come from debt instead of other forms of financing, such as stock or personal savings. The debt management ratio is one measure among many of a company's risk and likelihood of default. See also: Debt ratio, Debt-to-equity ratio.

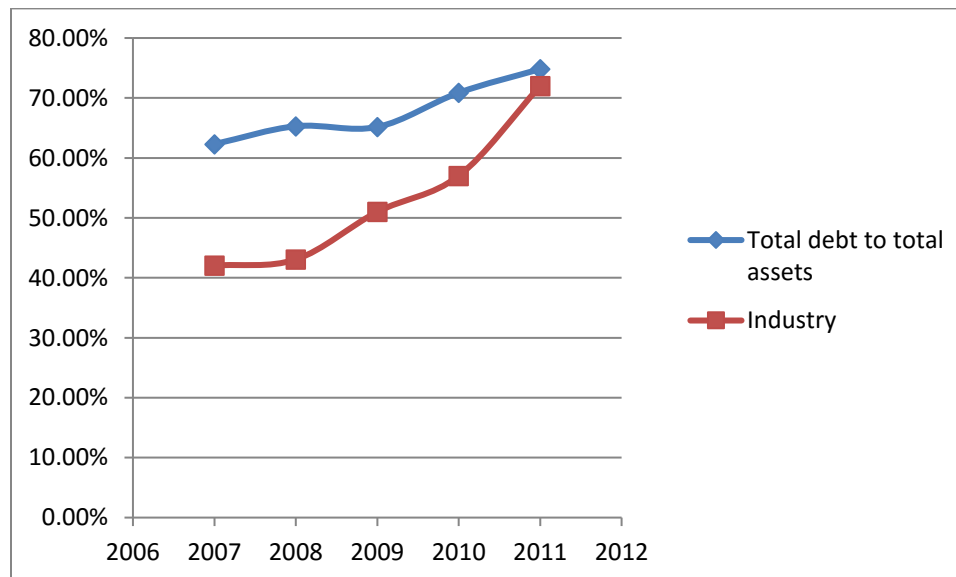
The following table shows the industry averages of these ratios:

<b>Industry</b>	2007	2008	2009	2010	2011
<b>Total debt to total assets</b>	42.04%	43.06%	51%	57%	72%
<b>Times Interest earned</b>	74.4 times	94.69 times	61.49 times	8.73 times	4.81%

And this table shows the debt management ratios of PTC:

<b>PTC</b>	2007	2008	2009	2010	2011
<b>Total debt to total assets</b>	62.30%	65.29%	65.16%	70.86%	74.82%
<b>Times Interest earned</b>	65.479 times	45.088 times	31.300 times	8.203 times	3.676 times

The following graph shows the trend of PTC and the overall tobacco industry:



It shows that PTC is using debt financing. The financial leverage of tobacco industry is increasing with a high rate but PTC's leverage is increasing at a lower rate.



**PROFITABILITY RATIOS:**

<b>PTC</b>	2007	2008	2009	2010	2011
<b>Profit Margin on Sales</b>	5.92%	5.16%	5.25%	1.54%	0.54%
Return on total assets(ROA)	24.63%	24.36%	24.72%	7.48%	2.75%
Basic earning power(BEP)	37.85%	37.13%	37.54%	12.38%	4.99%
Return on common equity(ROE)	65.33%	70.18%	70.94%	25.68%	10.91%

**Return on total assets(ROA) ANALYSIS**

Return on total assets(ROA) of company is decreasing along the years from 2007 to 2011. While the Return on total assets(ROA) of the industry is less than the company's Return on total assets(ROA).

**Basic earning power(BEP) ANALYSIS**

Basic earning power(BEP) of company is somehow constant from 2007-2009 while decreasing after that. While Basic earning power(BEP) of the industry is less than the company's Basic earning power(BEP).

**Return on common equity(ROE) ANALYSIS**

Return on common equity(ROE) of company is increasing from 2007 to 2009 while decreasing after that. WHILE Return on common equity(ROE) of industry is less than the company's Return on common equity(ROE).

Return on total assets(ROA), Basic earning power(BEP), Return on common equity(ROE) of the company is better than the industry.

<b>Industry</b>	2007	2008	2009	2010	2011
<b>Profit Margin on Sales</b>	8.12%	18.22%	17%	8%	2.4%
Return on total assets(ROA)	9.06%	6.00%	6%	5.38%	3.48%
Basic earning power(BEP)	32%	31%	26%	10%	3.45%
Return on common equity(ROE)	15.65%	31.37%	28.28%	12.41%	10.49%

**MARKET VALUE RATIOS:**

	2007	2008	2009	2010	2011	INDUSTRY 2011
Price/Earning(P/E)	16.41567	10.725059	8.8759981	30.443307	38.978839	37.60%
Price/Cash flow	14.04992	8.4652241	7.128038	23.868635	8.8618112	37.90%
Market/Book(M/B)	9.936848	6.6909561	4.6531071	4.6916424	2.1942422	4.45%

Market value ratios of company are fluctuating from 2007 to 2011 as market stocks fluctuate.

## **Conclusion and Recommendations:**

Cigarettes are basically inelastic products. This can be proved easily since with the increase in taxes on these cigarettes that led to an increase in Price of cigarettes has not affected the demand of the cigarettes'. Like previously mentioned, Cigarettes' is a value based product. PTC should tend to add more value for the user that is they should work more on their value proposition while trying to achieve economies of scale and scope will lead them to success in Pakistan. PTC Limited is a fully integrated affiliate of PTC and as such benefits from global resources and expertise to help further improve its effectiveness and long-term sustainability and profitability.

# Pakistan Tobacco Company

	2007	2008	2009	2010	2011
<b>Sales (Gross Turnover)</b>	40,889,275,000	49,053,928,000	57,544,309,000	60,195,535,000	67,451,816,000
<b>Total assets</b>	9,826,232,000	10,395,041,000	12,226,861,000	12,363,196,000	13,239,068,000
<b>Total assets turnover</b>	4.161	4.719	4.706	4.869	5.098
<b>Debt Management Ratios:</b>					
<b>Total Debt</b>	6,121,552,000	6,786,710,000	7,966,627,000	8,761,107,000	9,905,133,000
<b>Total assets</b>	9,826,232,000	10,395,041,000	12,226,861,000	12,363,196,000	13,239,068,000
<b>Total debt to total assets</b>	62.10%	65.29%	65.18%	70.86%	74.82%
<b>Industry</b>	42.04%	43.06%	51%	57%	72%
<b>EBIT</b>	3,719,624,000	3,860,130,000	4,589,465,000	1,530,756,000	660,654,000
<b>Interest charges</b>	56809000	85613000	146628000	189613000	179699000
<b>Times interest earned</b>	65.47941119	45.06812914	31.30005865	8.202898817	3.676447834
The average value of Times interest earned of PTC is approximately 2.8 for previous six years. IT PROVIDES COMPANY'S ABILITY TOMEET interest payments as they come due. Times interest earned					
	4,257,000,000	4,455,000,000	5,246,000,000	2,276,000,000	1,435,000,000
<b>Profitability Ratios:</b>					
<b>Net income</b>	2,420,207,000	2,532,295,000	3,022,406,000	925,100,000	363,785,000
<b>Sales (Gross turnover)</b>	40,889,275,000	49,053,928,000	57,544,309,000	60,195,535,000	67,451,816,000
<b>Profit Margin on Sales</b>	5.92%	5.16%	5.25%	1.54%	0.54%

# Pakistan Tobacco Company

Year	Current Assets	Current Liabilities	Current Ratio	Industry Average	Analysis
<b>LIQUIDITY RATIOS FOR 2007-2007:</b>					
2007	4,641,368	4,822,940	0.962352424	1.07	the liquidity ratio for the company is less than the average, so we can say that company has weak liquidity position.
<b>CURRENT RATIO 2008:</b>					
2008	4,739,867	5,210,638	0.909651947	1.98	the current ratio for 2008 as compared to industry average is less so. It means it has weak position.
<b>CURRENT RATIO 2009:</b>					
2009	6,242,528	6,856,780	0.910410843	1.99	comparing to last 5-years industry average and PTC liquidity ratio we can say that company has low liquidity than on average.
<b>CURRENT RATIO 2010:</b>					
2010	6,515,716	7,623,526	0.854685352	1.72	here again liquidity is low than industry average.
<b>CURRENT RATIO 2011:</b>					
2011	7,117,884	8,823,095	0.806733238	1.15	the short term solvency position of the company is not very liquid as the current ratio stood below one, depicting a relatively
<b>QUICK RATIO 2007-2010:</b>					
2007		INVENTORIES: 3,396,181			

# Pakistan Tobacco Company

Year	Current Assets	Current Liabilities	Inventory	Ratio	Notes
<b>QUICK RATIO 2007-2010:</b>					
2007	4,641,368	4,822,940	3,998,181	0.13335942	the liquidity ratio of the company is less than the average.
Industry Average				0.334	
<b>QUICK RATIO 2008:</b>					
2008	4,739,867	5,210,638	4,059,063	0.13066553	the liquidity ratio of the company is less than the average.
Industry Average				0.52	
<b>QUICK RATIO 2009:</b>					
2009	5,242,528	6,856,780	5,785,367	0.069589662	the liquidity ratio of the company is less than the average.
Industry Average				0.489	
<b>QUICK RATIO 2010:</b>					
2010	6,515,716	7,623,526	6,002,824	0.08727753	the liquidity ratio of the company is less than the average.
Industry Average				0.424	
<b>QUICK RATIO 2011:</b>					
2011	7,117,884	8,823,095	6,462,330	0.074299778	the liquidity ratio of the company is less than the average.
Industry Average				0.456	the company need to improve the position.
<b>ASSET MANAGEMENT 2007-2010</b>					
<b>INVENTORY TURN-OVER 2007:</b>					

# Pakistan Tobacco Company

Year	Category	Value	Notes
<b>ASSET MANAGEMENT 2007-2010</b>			
<b>INVENTORY TURN-OVER 2007:</b>			
75	SALES	9,527,306	
76	INVENTORIES	3,854,517	
77	SALES/INVENTORIES	2.46838275	the company has good turn-over rate a compared to other company's
78			
79	INDUSTRY ANALYSIS:	1.99	
80			
81	<b>INVENTORY TURN-OVER 2008:</b>		
82	SALES	11,595,736	
83	INVENTORIES	4,028,622	
84	SALES/INVENTORIES	2.878	the company has good turn-over rate a compared to other company's
85			
86	INDUSTRY ANALYSIS:	2.3	
87			
88	<b>INVENTORY TURN-OVER 2009:</b>		
89	SALES	13,442,066	
90	INVENTORIES	4,972,215	
91	SALES/INVENTORIES	2.703436195	the company has good turn-over rate a compared to other company's
92			
93	INDUSTRY ANALYSIS:	2.344	
94			
95	<b>INVENTORY TURN-OVER 2010:</b>		
96	SALES	10,789,048	
97	INVENTORIES	6,510,187	
98	SALES/INVENTORIES	1.657256235	their inventory turn-over ratio has decreased over the year.
99			
100	INDUSTRY ANALYSIS:	1.77	
101			
102	<b>INVENTORY TURN-OVER 2011:</b>		
103	SALES	16,709,273	
104	INVENTORIES	6,232,577	
105	SALES/INVENTORIES	2.680957331	their inventory turn-over ratio has decreased over the year.
106			
107	INDUSTRY ANALYSIS:	2.72	
108			
109	<b>FIXED ASSETS TURNOVER 2007-2011:</b>		
110	<b>FIXED ASSETS TURNOVER 2007:</b>		

# Pakistan Tobacco Company

Year	Category	Value	Notes
2007	FIXED ASSETS TURNOVER 2007-2011:		
	FIXED ASSETS TURNOVER 2007:		
	SALES	37,188,000	
	NET FIXED ASSETS	4689533.417	
	SALES/NET FIXED ASSETS	7.930000001	the company has good asset utilization
2008	INDUSTRY AVERAGE	5.55	
	FIXED ASSETS TURNOVER 2008:		
	SALES	41,469,000	
	NET FIXED ASSETS	4733904.11	
	SALES/NET FIXED ASSETS	8.759999999	industry average is low and company's verage is ncreasing per year
2009	INDUSTRY AVERAGE	6.7	
	FIXED ASSETS TURNOVER 2009:		
	SALES	41,183,000	
	NET FIXED ASSETS	4258841.779	
	SALES/NET FIXED ASSETS	9.609999999	industry average is low and company's verage is ncreasing per year
2010	INDUSTRY AVERAGE	7.8	
	FIXED ASSETS TURNOVER 2010:		
	SALES	36,831,000	
	NET FIXED ASSETS	3561992.263	industry average is low and company's verage is ncreasing per year
	SALES/NET FIXED ASSETS	10.34	
2011	INDUSTRY AVERAGE	8.8	
	FIXED ASSETS TURNOVER 2011:		
	SALES	35,795,000	
	NET FIXED ASSETS	3,581,606.50	after the analysis of 5-year we come to the conclusion that pakistan obbacco company is using its equipment very effectively
	SALES/NET FIXED ASSETS	11.08	
2011	INDUSTRY AVERAGE	8.9	



# Pakistan Tobacco Company

	2007	2008	2009	2010	2011		2007	2008	2009	2010	2011
Profit for the Year(net income)	2,420,207	2,532,295	3,022,406	925,100	363,785	industry avg.					
Total assets	9,826,252	10,895,041	12,226,861	12,363,196	13,239,068						
Return on total assets(ROA)	24.63%	24.36%	24.72%	7.48%	2.75%		9.00%	6.00%	6%	5.38%	3.48%
EBIT	3,719,624	3,860,130	4,589,465	1,530,756	660,654						
Basic earning power(BEP)	37.85%	37.13%	37.54%	12.38%	4.99%		32%	31%	26%	10%	1.45%
Share capital and reserve(common equity)	3,704,680	3,608,331	4,260,234	3,602,089	3,333,935						
Return on common equity(ROE)	65.33%	70.18%	70.94%	25.68%	10.51%		15.65%	31.37%	28.28%	12.41%	10.49%
Share capital(share outstanding)	255,494	255,494	255,494	255,494	255,494						
Earnings per share	9.472657	9.9113678	11.829655	3.6206287	1.4238495						
Price per share	155.50	106.30	105.00	110.23	55.50						
Price/Earning(P/E)	16.41367	10.725059	8.8759981	30.443307	38.376839						37.00%
depreciation(other operating income)	71,756	60,551	226,499	46,610	53,967						
amortization(other operating expense)	335,763	615,458	514,665	206,211	1,182,363						
cash flow per share(Net income-depreciamor)	11.06709	12.557258	14.730561	4.6181946	6.2628261						
Price/Cash flow	14.04992	8.4652241	7.128038	23.868635	8.8618112						37.90%
Stock in trade(book value)	3,398,181	4,059,063	5,765,367	6,002,824	4,462,330						
Book value per share	13.64883	15.887137	22.565567	23.494971	25.293471						
Market/Book(M/B)	9.936848	6.690561	4.6511071	4.6916424	2.1942422						4.45%



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