

TGL has announced its 1QFY23 result where it posted a profit after tax of Rs353mn (Diluted EPS: Rs2.05) as compared to a profit after tax of Rs1.156bn (Diluted EPS: Rs.6.71) in the same period last year, down by 69.4% YoY amid a surge in input cost and lower demand due to heavy floods.

The company has posted a revenue of Rs6.44bn against Rs6.69bn in SPLY, recording a decline of 3.7 YoY. The gross margin has dropped to 11% as compared to 28.1% during SPLY. SG&A went up by 43.5% YoY while other expenses have dropped by 72.4% YoY to 29mn as compared to 114mn in the SPLY.

Furthermore, finance cost has been increased by 12.1% YoY due to higher interest rates. Lastly, effective taxation has dropped to 5.1% as compared to 24.9% in the SPLY.

Going forward, we expect the contractionary monetary and fiscal policies to keep the profitability of the company in check during current year. However, TGL is trading at a FY23E P/E of 9.46x. Furthermore, the scrip is trading at FY23E P/B of 0.96x which provides a discount of 33% relative to the 3-year historical average of 1.44x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 110 which provides an upside potential of 42%.

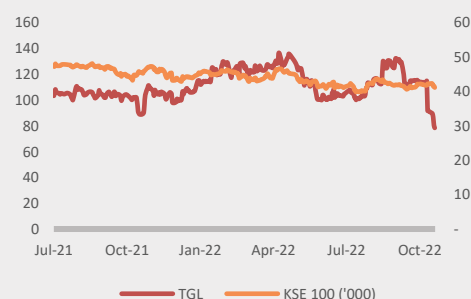
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	6,437	6,685	3.7% ▼	29,416	19,103	54.0% ▲
Cost of Sales	-5,730	-4,807	19.2% ▲	-21,667	-14,988	44.6% ▲
Gross Profit	706	1,878	62.4% ▼	7,749	4,115	88.3% ▲
SG&A Expenses	-236	-164	43.5% ▲	-773	-615	25.7% ▲
Other Expenses	-29	-114	74.9% ▼	-474	-243	95.1% ▲
Operating Profit	442	1,599	72.4% ▼	6,502	3,257	99.6% ▲
Other Income	38	36	3.8% ▲	112	15	671.3% ▲
Finance Cost	-108	-96	12.1% ▲	-346	-313	10.5% ▲
Profit Before Taxation	372	1,540	75.8% ▼	6,268	2,959	111.9% ▲
Taxation	-19	-384	95.1% ▼	-2,127	-849	150.5% ▲
Profit After Taxation	353	1,156	69.4% ▼	4,141	2,109	96.3% ▲
Earnings Per Share	2.05	6.71	69.4% ▼	24.05	12.25	96.3% ▲
Dividend	0.00	0.00		2.00	12.00	
Bonus	-	-		25%	-	
Gross Margin	11.0%	28.1%	17.1% ▼	26.3%	21.5%	4.8% ▲
SG&A Expenses to Sales	-3.7%	-2.5%	1.2% ▲	-2.6%	-3.2%	0.6% ▼
Other Income to Sales	0.6%	0.5%	0.0% ▲	0.4%	0.1%	0.3% ▲
Ex. Gain / (Loss) to Sales	-3.7%	-2.5%	1.2% ▲	-2.6%	-3.2%	0.6% ▼
Effective Taxation	-5.1%	-24.9%	19.8% ▼	-33.9%	-28.7%	5.2% ▲
Net Margin	5.5%	17.3%	11.8% ▼	14.1%	11.0%	3.0% ▲

Source: ACPL Research, Company Financials

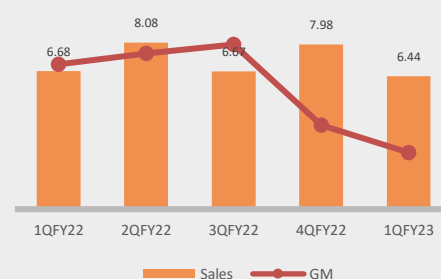
Key Statistics

Symbol	TGL
TP - Jun 23	110
LDCP	78.41
Upside (%)	42
Free Float ('mn)	69
Market Cap. (Rs.'mn)	13,646

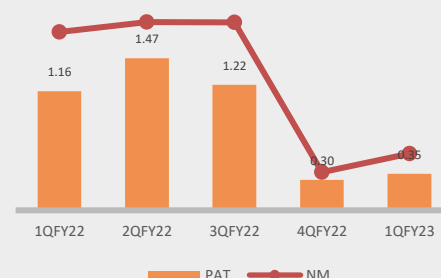
TGL vs KSE 100



Sales (Rs'Bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	13,587	19,103	29,416	29,772	32,775	35,882	39,100
Cost of sale	11,387	14,988	21,667	25,821	25,059	27,895	31,083
Gross profit	2,200	4,115	7,749	3,951	7,716	7,988	8,017
Selling and promotion expenses	251	320	363	575	633	693	755
Administration expenses	272	296	411	514	566	620	675
Other operating expenses	94	243	474	258	284	311	339
Operating Profit	1,584	3,257	6,502	2,604	6,233	6,364	6,248
Other operating income	30	15	112	176	70	76	83
Finance cost	568	313	346	650	562	433	307
Profit before taxation	1,045	2,959	6,268	2,130	5,741	6,008	6,023
Taxation	284	849	2,127	703	1,895	1,982	1,988
Profit after taxation	762	2,109	4,141	1,427	3,847	4,025	4,036
EPS	4.42	12.25	24.05	8.29	22.34	23.38	23.44

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-5.6%	40.6%	54.0%	1.2%	10.1%	9.5%	9.0%
Cost of sale	-1.6%	31.6%	44.6%	19.2%	-2.9%	11.3%	11.4%
Gross profit	-21.9%	87.1%	88.3%	-49.0%	95.3%	3.5%	0.4%
Selling and promotion expenses	-21.3%	27.6%	13.5%	58.6%	10.1%	9.5%	9.0%
Administration expenses	14.2%	8.9%	38.8%	25.2%	10.1%	9.5%	9.0%
Other operating expenses	-30.7%	157.9%	95.1%	-45.6%	10.1%	9.5%	9.0%
Operating Profit	#REF!	105.7%	99.6%	-60.0%	139.4%	2.1%	-1.8%
Other operating income	-23.2%	-50.7%	671.3%	56.3%	-60.4%	9.5%	9.0%
Finance cost	83.1%	-44.8%	10.5%	87.7%	-13.5%	-23.0%	-29.0%
Profit before taxation	-43.6%	183.0%	111.9%	-66.0%	169.5%	4.6%	0.3%
Taxation	-46.5%	199.2%	150.5%	-67.0%	169.5%	4.6%	0.3%
Profit after taxation	-42.5%	177.0%	96.3%	-65.5%	169.5%	4.6%	0.3%
EPS	#REF!	177.0%	96.3%	-65.5%	169.5%	4.6%	0.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	16.19	21.54	26.34	13.27	23.54	22.26	20.50
OP Margin	%	11.87	17.13	22.49	9.34	19.23	17.95	16.19
NP Margin	%	5.61	11.04	14.08	4.79	11.74	11.22	10.32
ROE	%	11.83	24.33	34.96	10.52	25.05	22.25	19.30
ROCE	%	10.52	18.19	31.66	11.90	25.76	24.50	21.95
ROA	%	4.97	11.72	19.82	6.11	15.72	15.31	13.99

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.01	1.54	1.41	1.43	1.70	2.26	2.05
Acid-test	x	0.56	0.97	0.90	0.74	0.97	1.38	1.34

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.67	7.59	9.23	7.42	5.99	6.41	6.41
Inventory Days		31.47	24.17	22.84	30.00	30.00	30.00	30.00
Receivables Days		95.00	60.22	71.11	80.00	80.00	80.00	80.00
Payables Days		56.01	51.88	47.76	47.76	47.76	47.76	47.76
Operating Cycle		70.46	32.50	46.19	62.24	62.24	62.24	62.24

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	4.42	12.25	24.05	8.29	22.34	23.38	23.44
DPS	Rs.	0.00	12.00	2.00	2.00	7.00	7.00	7.00
Div. Yield	%	0.00	10.78	1.80	1.80	6.29	6.29	6.29
Dividend Cover	x	0.00	1.02	12.03	4.14	3.19	3.34	3.35
BVPS	Rs.	39.16	61.57	76.02	81.53	96.87	113.25	129.69
Payout	%	0.00	97.94	8.32	20.00	30.00	30.00	30.00
Retention	%	100.00	2.06	91.68	80.00	70.00	70.00	70.00
No. of Shares	mn	172.17	172.17	172.17	172.17	172.17	172.17	172.17
P/E		17.73	6.40	3.26	9.46	3.51	3.35	3.35
Sales per share		78.92	110.96	170.86	172.92	190.37	208.42	227.11
P/BV		2.00	1.27	1.03	0.96	0.81	0.69	0.60
Price to Sales		0.99	0.71	0.46	0.45	0.41	0.38	0.35

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.16	0.47	0.43	0.35	0.24	0.16	0.19
L.T. Debt to Equity	x	0.59	0.39	0.28	0.21	0.13	0.06	0.01
Interest Cover	x	2.84	10.45	19.11	4.28	11.22	14.89	20.60

Source: ACPL Research, Company Financials

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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

VALUATION METHODOLOGY

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

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com