

TGL has announced its 9MFY22 result where it posted profit after tax of Rs3.84bn (EPS: Rs27.92) as compared to a profit after tax of Rs1.63bn (EPS: Rs.11.86 in the same period last year, up by 135% YoY.

The company has posted a revenue of Rs21.43bn against Rs14.06bn in SPLY, recording a growth of 52.5% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has increased to 30.1% as compared to 22.6% during SPLY. SG&A expenses went up by 26.6% YoY to Rs574mn as compared to Rs453mn during SPLY.

Furthermore, finance cost has been reduced by 1.8% YoY to Rs253mn.

TGL is trading at a FY22E P/E of 4.05x. Moreover, the scrip is also trading at FY22 P/B of 1.42x which offers a discount of 42% relative to its historical 3-year average of 2.45x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-22 TP of Rs 175 which provides an upside potential of 33%. Further, the scrip also provides a dividend yield of 9% which makes the total return of 42%.

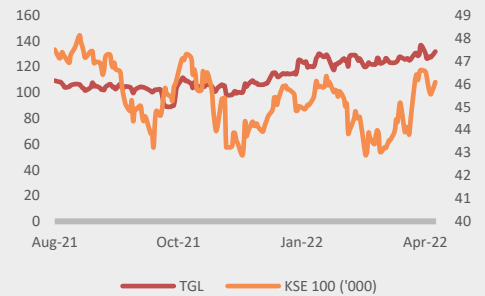
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	6,670	5,036	32.4% ▲	21,433	14,059	52.5% ▲
Cost of Sales	-4,541	-3,789	19.8% ▲	-14,985	-10,885	37.7% ▲
Gross Profit	2,129	1,247	70.7% ▲	6,447	3,174	103.1% ▲
SG&A Expenses	-224	-145	54.1% ▲	-574	-453	26.6% ▲
Other Expenses	-127	-70	80.5% ▲	-391	-178	119.4% ▲
Operating Profit	1,779	1,032	72.4% ▲	5,482	2,543	115.6% ▲
Other Income	12	3	321.5% ▲	69	4	1554.5% ▲
Finance Cost	-81	-126	35.6% ▼	-253	-258	1.8% ▼
Profit Before Taxation	1,709	908	88.2% ▲	5,299	2,290	131.4% ▲
Taxation	-494	-277	78.5% ▲	-1,453	-656	121.4% ▲
Profit After Taxation	1,216	632	92.4% ▲	3,845	1,633	135.5% ▲
Earnings Per Share	8.83	4.59	92.4% ▲	27.92	11.86	135.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Gross Margin	31.9%	24.8%	7.2% ▲	30.1%	22.6%	7.5% ▲
SG&A Expenses to Sales	-3.4%	-2.9%	0.5% ▲	-2.7%	-2.9%	0.2% ▼
Other Income to Sales	0.2%	0.1%	0.1% ▲	0.3%	0.1%	0.3% ▲
Ex. Gain / (Loss) to Sales	-3.4%	-2.9%	0.5% ▲	-2.7%	-2.9%	0.2% ▼
Effective Taxation	-28.9%	-30.4%	1.6% ▼	-27.4%	-30.4%	3.0% ▼
Net Margin	18.2%	12.5%	5.7% ▲	17.9%	12.5%	5.4% ▲

Source: ACPL Research, Company Financials

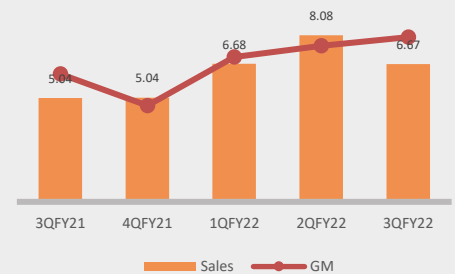
## Key Statistics

Symbol	TGL
TP - Jun 22	175.00
LDCP	131.68
Upside (%)	33
Free Float ('mn)	55
Market Cap. (Rs.'mn)	18,306

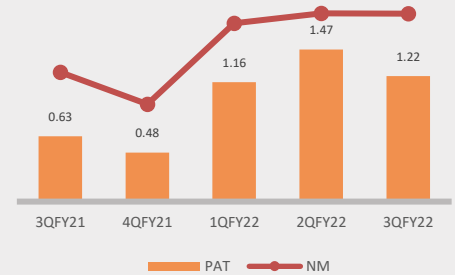
## TGL vs KSE 100



## Sales (Rs'Bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

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

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	14,389	13,587	19,103	26,828	29,407	32,089	34,881
Cost of sale	11,571	11,387	14,988	19,323	20,903	22,725	24,658
<b>Gross profit</b>	<b>2,818</b>	<b>2,200</b>	<b>4,115</b>	<b>7,505</b>	<b>8,504</b>	<b>9,364</b>	<b>10,223</b>
Selling and promotion expenses	318	251	320	392	430	469	510
Administration expenses	238	272	296	309	338	369	401
Other operating expenses	136	94	243	451	494	539	586
<b>Operating Profit</b>	<b>2,126</b>	<b>1,584</b>	<b>3,257</b>	<b>6,353</b>	<b>7,242</b>	<b>7,986</b>	<b>8,725</b>
Other operating income	38	30	15	89	97	106	115
Finance cost	310	568	313	465	319	224	142
Profit before taxation	1,855	1,045	2,959	5,977	7,020	7,868	8,698
Taxation	531	284	849	1,494	1,755	1,967	2,175
<b>Profit after taxation</b>	<b>1,324</b>	<b>762</b>	<b>2,109</b>	<b>4,483</b>	<b>5,265</b>	<b>5,901</b>	<b>6,524</b>
EPS	9.61	5.53	15.31	32.55	38.23	42.85	47.36

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	17.0%	-5.6%	40.6%	40.4%	9.6%	9.1%	8.7%
Cost of sale	16.0%	-1.6%	31.6%	28.9%	8.2%	8.7%	8.5%
<b>Gross profit</b>	<b>21.3%</b>	<b>-21.9%</b>	<b>87.1%</b>	<b>82.4%</b>	<b>13.3%</b>	<b>10.1%</b>	<b>9.2%</b>
Selling and promotion expenses	-28.0%	-21.3%	27.6%	22.7%	9.6%	9.1%	8.7%
Administration expenses	11.9%	14.2%	8.9%	4.3%	9.6%	9.1%	8.7%
Other operating expenses	29.8%	-30.7%	157.9%	85.6%	9.6%	9.1%	8.7%
<b>Operating Profit</b>	<b>35.9%</b>	<b>-25.5%</b>	<b>105.7%</b>	<b>95.0%</b>	<b>14.0%</b>	<b>10.3%</b>	<b>9.3%</b>
Other operating income	165.1%	-23.2%	-50.7%	507.8%	9.6%	9.1%	8.7%
Finance cost	102.0%	83.1%	-44.8%	48.5%	-31.4%	-29.9%	-36.4%
Profit before taxation	30.1%	-43.6%	183.0%	102.0%	17.4%	12.1%	10.5%
Taxation	61.9%	-46.5%	199.2%	75.9%	17.4%	12.1%	10.5%
<b>Profit after taxation</b>	<b>20.6%</b>	<b>-42.5%</b>	<b>177.0%</b>	<b>112.5%</b>	<b>17.4%</b>	<b>12.1%</b>	<b>10.5%</b>
EPS	20.6%	-42.5%	177.0%	112.5%	17.4%	12.1%	10.5%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	19.59	16.19	21.54	27.97	28.92	29.18	29.31
OP Margin	%	15.04	11.87	17.13	24.01	24.96	25.22	25.35
NP Margin	%	9.20	5.61	11.04	16.71	17.90	18.39	18.70
ROE	%	23.20	11.83	24.33	38.40	37.42	34.93	32.60
ROCE	%	19.50	10.52	18.19	33.54	36.22	37.14	37.33
ROA	%	11.93	4.97	11.72	23.34	25.98	27.09	27.55

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.00	1.01	1.54	1.17	1.44	1.70	2.32
Acid-test	x	0.59	0.56	0.97	0.50	0.75	1.02	1.51

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	7.77	6.67	7.59	6.79	5.42	5.43	5.43
Inventory Days		22.85	31.47	24.17	35.00	35.00	35.00	35.00
Receivables Days		78.01	95.00	60.22	80.00	80.00	80.00	80.00
Payables Days		44.08	56.01	51.88	51.88	51.88	51.88	51.88
Operating Cycle		56.78	70.46	32.50	63.12	63.12	63.12	63.12

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	9.61	5.53	15.31	32.55	38.23	42.85	47.36
DPS	Rs.	4.00	0.00	12.00	16.00	19.00	21.00	24.00
Div. Yield	%	2.28	0.00	6.84	9.12	10.83	11.97	13.68
Dividend Cover	x	2.40	0.00	1.28	2.03	2.01	2.04	1.97
BVPS	Rs.	44.57	48.95	76.96	92.53	111.75	133.60	156.96
Payout	%	41.62	0.00	78.36	50.00	50.00	50.00	50.00
Retention	%	58.38	100.00	21.64	50.00	50.00	50.00	50.00
No. of Shares	mn	137.73	137.73	137.73	137.73	137.73	137.73	137.73
P/E		13.70	23.81	8.60	4.05	3.44	3.07	2.78
Sales per share		104.47	98.65	138.70	194.78	213.51	232.98	253.25
P/BV		2.95	2.69	1.71	1.42	1.18	0.99	0.84
Price to Sales		1.26	1.33	0.95	0.68	0.62	0.57	0.52

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.87	1.16	0.47	0.38	0.24	0.16	0.10
L.T. Debt to Equity	x	0.36	0.59	0.39	0.31	0.17	0.08	0.02
Interest Cover	x	6.98	2.84	10.45	13.86	23.00	36.16	62.13

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

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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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#### 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

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com