

TGL has announced its FY22 result where it posted a profit after tax of Rs4.14bn (Diluted EPS: Rs24.05) as compared to a profit after tax of Rs2.10bn (Diluted EPS: Rs.12.25) in the same period last year, up by 96.3% YoY amid an increase in volumetric sales and higher retention prices.

The company has posted a revenue of Rs29.41bn against Rs19.10bn in SPLY, recording a growth of 54% YoY. The gross margin has increased to 26.3% as compared to 21.5% during SPLY due to higher retention prices. SG&A and other expenses went up by 25.7% YoY and 95.1% YoY respectively as compared to SPLY.

Furthermore, finance cost has been increased by 10.5% YoY due to higher interest rates. Lastly, effective taxation has increased to 33.9% due to imposition of super tax by the government.

Going forward, we expect the contractionary monetary and fiscal policies to keep the profitability of the company in check. Furthermore, the gross margin is expected to normalize as well amid higher production cost. However, the proposed expansion plan and sound financial performance are the key reasons for our liking of the stock. TGL is trading at a FY23E P/E of 5.80x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 145 which provides an upside potential of 21%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	7,983	5,045	58.2% ▲	29,416	19,103	54.0% ▲
Cost of Sales	-6,681	-4,103	62.8% ▲	-21,667	-14,988	44.6% ▲
<b>Gross Profit</b>	<b>1,301</b>	<b>941</b>	<b>38.3% ▲</b>	<b>7,749</b>	<b>4,115</b>	<b>88.3% ▲</b>
SG&A Expenses	-200	-162	23.0% ▲	-773	-615	25.7% ▲
Other Expenses	-82	-64	27.7% ▲	-474	-243	95.1% ▲
<b>Operating Profit</b>	<b>1,019</b>	<b>714</b>	<b>42.7% ▲</b>	<b>6,502</b>	<b>3,257</b>	<b>99.6% ▲</b>
Other Income	43	10	315.1% ▲	112	15	671.3% ▲
Finance Cost	-93	-56	67.3% ▲	-346	-313	10.5% ▲
Profit Before Taxation	970	669	44.9% ▲	6,268	2,959	111.9% ▲
Taxation	-674	-193	249.5% ▲	-2,127	-849	150.5% ▲
<b>Profit After Taxation</b>	<b>295</b>	<b>476</b>	<b>38.0% ▼</b>	<b>4,141</b>	<b>2,109</b>	<b>96.3% ▲</b>
Earnings Per Share	1.71	2.77	38.0% ▼	24.05	12.25	96.3% ▲
Dividend	2.00	12.00		2.00	12.00	
Bonus	25%	-		25%	-	

## Closing Period: Oct 21, 2022 to Oct 27, 2022

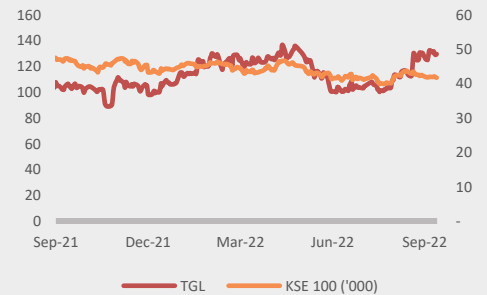
	16.3%	18.7%	2.4% ▼	26.3%	21.5%	4.8% ▲
Gross Margin						
SG&A Expenses to Sales	-2.5%	-3.2%	0.7% ▼	-2.6%	-3.2%	0.6% ▼
Other Income to Sales	0.5%	0.2%	0.3% ▲	0.4%	0.1%	0.3% ▲
Ex. Gain / (Loss) to Sales	-2.5%	-3.2%	0.7% ▼	-2.6%	-3.2%	0.6% ▼
Effective Taxation	-69.5%	-28.8%	40.7% ▲	-33.9%	-28.7%	5.2% ▲
Net Margin	3.7%	9.4%	5.7% ▼	14.1%	11.0%	3.0% ▲

Source: ACPL Research, Company Financials

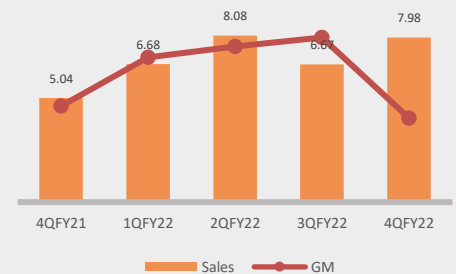
## Key Statistics

Symbol	TGL
TP - Jun 23	145.00
LDPC	119.76
Upside (%)	21
Free Float ('mn)	68
Market Cap. (Rs.'mn)	20,613

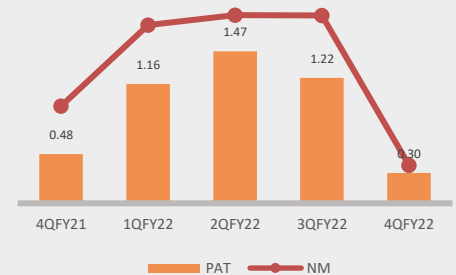
## TGL vs KSE 100



## Sales (Rs'Bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	14,389	13,587	19,103	29,416	32,532	35,436	38,466
Cost of sale	11,571	11,387	14,988	21,667	25,827	27,497	29,844
<b>Gross profit</b>	<b>2,818</b>	<b>2,200</b>	<b>4,115</b>	<b>7,749</b>	<b>6,705</b>	<b>7,939</b>	<b>8,622</b>
Selling and promotion expenses	318	251	320	363	201	219	238
Administration expenses	238	272	296	411	612	666	723
Other operating expenses	136	94	243	474	335	365	396
<b>Operating Profit</b>	<b>2,126</b>	<b>1,584</b>	<b>3,257</b>	<b>6,502</b>	<b>5,557</b>	<b>6,688</b>	<b>7,265</b>
Other operating income	38	30	15	112	124	135	147
Finance cost	310	568	313	346	372	322	205
Profit before taxation	1,855	1,045	2,959	6,268	5,309	6,502	7,207
Taxation	531	284	849	2,127	1,752	2,146	2,378
<b>Profit after taxation</b>	<b>1,324</b>	<b>762</b>	<b>2,109</b>	<b>4,141</b>	<b>3,557</b>	<b>4,356</b>	<b>4,828</b>
EPS	7.69	4.42	12.25	24.05	20.66	25.30	28.05

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	17.0%	-5.6%	40.6%	54.0%	10.6%	8.9%	8.6%
Cost of sale	16.0%	-1.6%	31.6%	44.6%	19.2%	6.5%	8.5%
<b>Gross profit</b>	<b>21.3%</b>	<b>-21.9%</b>	<b>87.1%</b>	<b>88.3%</b>	<b>-13.5%</b>	<b>18.4%</b>	<b>8.6%</b>
Selling and promotion expenses	-28.0%	-21.3%	27.6%	13.5%	-44.5%	8.9%	8.6%
Administration expenses	11.9%	14.2%	8.9%	38.8%	48.9%	8.9%	8.6%
Other operating expenses	29.8%	-30.7%	157.9%	95.1%	-29.2%	8.9%	8.6%
<b>Operating Profit</b>	<b>35.9%</b>	<b>-25.5%</b>	<b>105.7%</b>	<b>99.6%</b>	<b>-14.5%</b>	<b>20.4%</b>	<b>8.6%</b>
Other operating income	165.1%	-23.2%	-50.7%	671.3%	10.6%	8.9%	8.6%
Finance cost	102.0%	83.1%	-44.8%	10.5%	7.6%	-13.5%	-36.3%
Profit before taxation	30.1%	-43.6%	183.0%	111.9%	-15.3%	22.5%	10.8%
Taxation	61.9%	-46.5%	199.2%	150.5%	-17.6%	22.5%	10.8%
<b>Profit after taxation</b>	<b>20.6%</b>	<b>-42.5%</b>	<b>177.0%</b>	<b>96.3%</b>	<b>-14.1%</b>	<b>22.5%</b>	<b>10.8%</b>
EPS	20.6%	-42.5%	177.0%	96.3%	-14.1%	22.5%	10.8%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	19.59	16.19	21.54	26.34	20.61	22.40	22.41
OP Margin	%	15.04	11.87	17.13	22.49	17.46	19.26	19.27
NP Margin	%	9.20	5.61	11.04	14.08	10.93	12.29	12.55
ROE	%	23.20	11.83	24.33	33.31	22.66	23.39	22.11
ROCE	%	19.50	10.52	18.19	32.86	25.36	28.20	28.27
ROA	%	11.93	4.97	11.72	20.57	15.87	18.00	18.42

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.00	1.01	1.54	1.17	1.21	1.29	1.71
Acid-test	x	0.59	0.56	0.97	0.55	0.55	0.60	0.86

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	7.77	6.67	7.59	7.06	5.67	5.38	5.43
Inventory Days		22.85	31.47	24.17	35.00	35.00	35.00	35.00
Receivables Days		78.01	78.01	95.00	60.22	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	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	7.69	4.42	12.25	24.05	20.66	25.30	28.05
DPS	Rs.	4.00	0.00	12.00	2.00	4.00	8.00	8.00
Div. Yield	%	2.76	0.00	8.28	1.38	2.76	5.52	5.52
Dividend Cover	x	1.92	0.00	1.02	12.03	5.17	3.16	3.51
BVPS	Rs.	35.66	39.16	61.57	82.84	99.50	116.80	136.84
Payout	%	52.03	0.00	97.94	8.32	20.00	30.00	30.00
Retention	%	47.97	100.00	2.06	91.68	80.00	70.00	70.00
No. of Shares	mn	172.17	172.17	172.17	172.17	172.17	172.17	172.17
P/E		15.58	27.07	9.77	4.98	5.80	4.73	4.27
Sales per share		83.58	78.92	110.96	170.86	188.96	205.82	223.43
P/BV		3.36	3.06	1.95	1.45	1.20	1.03	0.88
Price to Sales		1.43	1.52	1.08	0.70	0.63	0.58	0.54

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	0.87	1.16	0.47	0.38	0.25	0.15	0.08
L.T. Debt to Equity	x	0.36	0.59	0.39	0.28	0.16	0.08	0.02
Interest Cover	x	6.98	2.84	10.45	19.11	15.26	21.18	36.10

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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SELL	Less than and equal to -5%

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Market Weight	Neutral
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