

TGL has announced its 1HFY23 result where it posted a profit after tax of Rs1.29bn (EPS: Rs7.49) as compared to a profit after tax of Rs2.63bn (EPS: Rs.15.27) in the same period last year, down by 51% YoY amid a surge in input cost and lower demand due to high construction cost.

The company has posted a revenue of Rs13.91bn against Rs14.76bn in SPLY, recording a decline of 5.8% YoY. The gross margin has dropped to 18.2% as compared to 29.2% during SPLY. SG&A went up by 24.5% YoY while other expenses have dropped by 48.7% YoY to 136mn as compared to 265mn in the SPLY.

Furthermore, finance cost has been increased by 68.3% YoY due to higher interest rates. Lastly, effective taxation has dropped to 25.8% as compared to 26.7% 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 4.53x. Furthermore, the scrip is trading at FY23E P/B of 0.77x which provides a discount of 73% relative to the 3-year historical average of 1.22x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs 85 which provides an upside potential of 28%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	7,473	8,078	7.5% ▼	13,910	14,763	5.8% ▼
Cost of Sales	-5,646	-5,638	0.2% ▲	-11,377	-10,445	8.9% ▲
<b>Gross Profit</b>	<b>1,827</b>	<b>2,440</b>	<b>25.1% ▼</b>	<b>2,533</b>	<b>4,318</b>	<b>41.3% ▼</b>
SG&A Expenses	-200	-185	7.6% ▲	-435	-350	24.5% ▲
Other Expenses	-107	-151	28.9% ▼	-136	-265	48.7% ▼
<b>Operating Profit</b>	<b>1,520</b>	<b>2,104</b>	<b>27.8% ▼</b>	<b>1,962</b>	<b>3,704</b>	<b>47.0% ▼</b>
Other Income	27	21	28.2% ▲	65	58	12.7% ▲
Finance Cost	-181	-76	139.9% ▲	-289	-172	68.3% ▲
Profit Before Taxation	1,366	2,050	33.4% ▼	1,738	3,589	51.6% ▼
Taxation	-429	-576	25.4% ▼	-448	-959	53.3% ▼
<b>Profit After Taxation</b>	<b>937</b>	<b>1,474</b>	<b>36.5% ▼</b>	<b>1,290</b>	<b>2,630</b>	<b>51.0% ▼</b>
<b>Earnings Per Share</b>	<b>5.44</b>	<b>8.56</b>	<b>36.5% ▼</b>	<b>7.49</b>	<b>15.27</b>	<b>51.0% ▼</b>
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	24.4%	30.2%	5.8% ▼	18.2%	29.2%	11.0% ▼
SG&A Expenses to Sales	-2.7%	-2.3%	0.4% ▲	-3.1%	-2.4%	0.8% ▲
Other Income to Sales	0.4%	0.3%	0.1% ▲	0.5%	0.4%	0.1% ▲
Ex. Gain / (Loss) to Sales	-2.7%	-2.3%	0.4% ▲	-3.1%	-2.4%	0.8% ▲
Effective Taxation	-31.4%	-28.1%	3.3% ▲	-25.8%	-26.7%	0.9% ▼
Net Margin	12.5%	18.2%	5.7% ▼	9.3%	17.8%	8.5% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	TGL
TP - Dec 23	85
LDPCP	66.58
Upside (%)	28
Free Float ('mn)	69
Market Cap. (Rs.'mn)	11,330

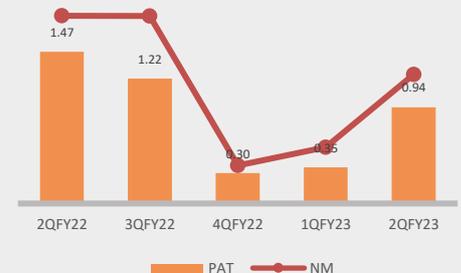
## TGL vs KSE 100



## 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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	13,587	19,103	29,416	28,497	33,354	36,692	40,163
Cost of sale	11,387	14,988	21,667	23,282	26,881	29,815	32,984
<b>Gross profit</b>	<b>2,200</b>	<b>4,115</b>	<b>7,749</b>	<b>5,215</b>	<b>6,473</b>	<b>6,877</b>	<b>7,179</b>
Selling and promotion expenses	251	320	363	456	534	587	643
Administration expenses	272	296	411	427	500	550	602
Other operating expenses	94	243	474	271	317	349	382
<b>Operating Profit</b>	<b>1,584</b>	<b>3,257</b>	<b>6,502</b>	<b>4,061</b>	<b>5,122</b>	<b>5,391</b>	<b>5,553</b>
Other operating income	30	15	112	134	71	78	85
Finance cost	568	313	346	603	797	632	466
Profit before taxation	1,045	2,959	6,268	3,592	4,396	4,836	5,172
Taxation	284	849	2,127	1,064	1,301	1,432	1,531
<b>Profit after taxation</b>	<b>762</b>	<b>2,109</b>	<b>4,141</b>	<b>2,529</b>	<b>3,094</b>	<b>3,404</b>	<b>3,641</b>
EPS	4.42	12.25	24.05	14.69	17.97	19.77	21.15

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-5.6%	40.6%	54.0%	-3.1%	17.0%	10.0%	9.5%
Cost of sale	-1.6%	31.6%	44.6%	7.5%	15.5%	10.9%	10.6%
<b>Gross profit</b>	<b>-21.9%</b>	<b>87.1%</b>	<b>88.3%</b>	<b>-32.7%</b>	<b>24.1%</b>	<b>6.2%</b>	<b>4.4%</b>
Selling and promotion expenses	-21.3%	27.6%	13.5%	25.7%	17.0%	10.0%	9.5%
Administration expenses	14.2%	8.9%	38.8%	4.1%	17.0%	10.0%	9.5%
Other operating expenses	-30.7%	157.9%	95.1%	-42.8%	17.0%	10.0%	9.5%
<b>Operating Profit</b>		<b>105.7%</b>	<b>99.6%</b>	<b>-37.5%</b>	<b>26.1%</b>	<b>5.2%</b>	<b>3.0%</b>
Other operating income	-23.2%	-50.7%	671.3%	19.2%	-47.1%	10.0%	9.5%
Finance cost	83.1%	-44.8%	10.5%	74.2%	32.2%	-20.7%	-26.4%
Profit before taxation	-43.6%	183.0%	111.9%	-42.7%	22.4%	10.0%	6.9%
Taxation	-46.5%	199.2%	150.5%	-50.0%	22.4%	10.0%	6.9%
<b>Profit after taxation</b>	<b>-42.5%</b>	<b>177.0%</b>	<b>96.3%</b>	<b>-38.9%</b>	<b>22.4%</b>	<b>10.0%</b>	<b>6.9%</b>
EPS		<b>177.0%</b>	<b>96.3%</b>	<b>-38.9%</b>	<b>22.4%</b>	<b>10.0%</b>	<b>6.9%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	16.19	21.54	26.34	18.30	19.41	18.74	17.88
OP Margin	%	11.87	17.13	22.49	14.72	15.57	14.90	14.04
NP Margin	%	5.61	11.04	14.08	8.87	9.28	9.28	9.07
ROE	%	11.83	24.33	34.96	18.03	19.24	18.52	17.44
ROCE	%	10.52	18.19	31.66	17.73	20.65	20.39	19.41
ROA	%	4.97	11.72	19.82	10.69	12.31	12.69	12.53

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.01	1.54	1.41	1.59	1.75	2.22	2.01
Acid-test	x	0.56	0.97	0.90	0.92	1.02	1.34	1.28

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.67	7.59	9.23	7.12	6.52	6.40	6.39
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	14.69	17.97	19.77	21.15
DPS	Rs.	0.00	12.00	2.00	3.00	5.00	6.00	6.00
Div. Yield	%	0.00	14.11	2.35	3.53	5.88	7.06	7.06
Dividend Cover	x	0.00	1.02	12.03	4.90	3.59	3.30	3.52
BVPS	Rs.	39.16	61.57	76.02	86.92	99.90	113.67	128.82
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		15.05	5.43	2.77	4.53	3.70	3.37	3.15
Sales per share		78.92	110.96	170.86	165.52	193.73	213.12	233.28
P/BV		1.70	1.08	0.88	0.77	0.67	0.59	0.52
Price to Sales		0.84	0.60	0.39	0.40	0.34	0.31	0.29

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.16	0.47	0.43	0.32	0.23	0.15	0.19
L.T. Debt to Equity	x	0.59	0.39	0.28	0.20	0.12	0.06	0.01
Interest Cover	x	2.84	10.45	19.11	6.96	6.51	8.65	12.11

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
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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