

TGL has announced its 9MFY23 result where it posted a profit after tax of Rs2.19bn (EPS: Rs12.73) as compared to a profit after tax of Rs3.84bn (EPS: Rs22.34) in the same period last year, down by 43% YoY amid a surge in input cost in addition to lower demand due to high costs of construction.

The company has posted a revenue of Rs21.81bn against Rs21.43bn in SPLY, recording a growth of merely 1.8% YoY. The gross margin has dropped to 19.3% as compared to 30.1% during SPLY. SG&A went up by 13.1% YoY to Rs648mn while other expenses have dropped by 41.3% YoY to Rs230mn.

Furthermore, other income increased by 82.1% to Rs126mn. Finance cost has surged by 65% YoY to Rs418mn due to higher interest rates. Lastly, effective taxation has increased to 27.8% as compared to 27.4% in the SPLY.

TGL is currently trading at CY23E PE of 3.73x. Furthermore, the scrip is trading at FY23E P/B of 0.68x which provides a discount of 39% relative to the 3-year historical average of 1.26x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs85 which provides an upside potential of 23%. Furthermore, it also offers an attractive dividend yield of 3% which makes a total return of 26%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	7,903	6,670	18.5% ▲	21,813	21,433	1.8% ▲
Cost of Sales	-6,234	-4,541	37.3% ▲	-17,610	-14,985	17.5% ▲
Gross Profit	1,670	2,129	21.6% ▼	4,203	6,447	34.8% ▼
SG&A Expenses	-213	-224	4.8% ▼	-648	-574	13.1% ▲
Other Expenses	-94	-127	25.7% ▼	-230	-391	41.3% ▼
Operating Profit	1,362	1,779	23.4% ▼	3,325	5,482	39.4% ▼
Other Income	61	12	423.7% ▲	126	69	82.1% ▲
Finance Cost	-128	-81	58.1% ▲	-418	-253	65.0% ▲
Profit Before Taxation	1,295	1,709	24.2% ▼	3,033	5,299	42.8% ▼
Taxation	-394	-494	20.2% ▼	-842	-1,453	42.1% ▼
Profit After Taxation	902	1,216	25.8% ▼	2,191	3,845	43.0% ▼
Earnings Per Share	5.24	7.06	25.8% ▼	12.73	22.34	43.0% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	21.1%	31.9%	10.8% ▼	19.3%	30.1%	10.8% ▼
SG&A Expenses to Sales	-2.7%	-3.4%	0.7% ▼	-3.0%	-2.7%	0.3% ▲
Other Income to Sales	0.8%	0.2%	0.6% ▲	0.6%	0.3%	0.3% ▲
Ex. Gain / (Loss) to Sales	-2.7%	-3.4%	0.7% ▼	-3.0%	-2.7%	0.3% ▲
Effective Taxation	-30.4%	-28.9%	1.5% ▲	-27.8%	-27.4%	0.3% ▲
Net Margin	11.4%	18.2%	6.8% ▼	10.0%	17.9%	7.9% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	TGL
TP - Dec 23	85
LDGP	68.95
Upside (%)	23
Free Float ('mn)	69
Market Cap. (Rs.'mn)	11,871

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	30,165	33,829	37,192	41,016
Cost of sale	11,387	14,988	21,667	24,172	27,022	29,956	33,381
Gross profit	2,200	4,115	7,749	5,992	6,807	7,236	7,635
Selling and promotion expenses	251	320	363	465	521	573	632
Administration expenses	272	296	411	497	557	613	676
Other operating expenses	94	243	474	435	487	536	591
Operating Profit	1,584	3,257	6,502	4,596	5,241	5,515	5,736
Other operating income	30	15	112	142	72	79	87
Finance cost	568	313	346	603	797	632	466
Profit before taxation	1,045	2,959	6,268	4,135	4,516	4,961	5,358
Taxation	284	849	2,127	1,224	1,337	1,469	1,586
Profit after taxation	762	2,109	4,141	2,911	3,179	3,492	3,771
EPS	4.42	12.25	24.05	16.91	18.46	20.28	21.91

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-5.6%	40.6%	54.0%	2.5%	12.1%	9.9%	10.3%
Cost of sale	-1.6%	31.6%	44.6%	11.6%	11.8%	10.9%	11.4%
Gross profit	-21.9%	87.1%	88.3%	-22.7%	13.6%	6.3%	5.5%
Selling and promotion expenses	-21.3%	27.6%	13.5%	28.1%	12.1%	9.9%	10.3%
Administration expenses	14.2%	8.9%	38.8%	21.0%	12.1%	9.9%	10.3%
Other operating expenses	-30.7%	157.9%	95.1%	-8.3%	12.1%	9.9%	10.3%
Operating Profit	#REF!	105.7%	99.6%	-29.3%	14.0%	5.2%	4.0%
Other operating income	-23.2%	-50.7%	671.3%	26.2%	-49.4%	9.9%	10.3%
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%	-34.0%	9.2%	9.9%	8.0%
Taxation	-46.5%	199.2%	150.5%	-42.5%	9.2%	9.9%	8.0%
Profit after taxation	-42.5%	177.0%	96.3%	-29.7%	9.2%	9.9%	8.0%
EPS	#REF!	177.0%	96.3%	-29.7%	9.2%	9.9%	8.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	16.19	21.54	26.34	19.87	20.12	19.46	18.61
OP Margin	%	11.87	17.13	22.49	15.71	15.70	15.04	14.20
NP Margin	%	5.61	11.04	14.08	9.65	9.40	9.39	9.19
ROE	%	11.83	24.33	34.96	20.47	19.16	18.15	17.00
ROCE	%	10.52	18.19	31.66	19.82	20.66	20.19	19.16
ROA	%	4.97	11.72	19.82	12.18	12.36	12.61	12.41

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.01	1.54	1.41	1.64	1.84	2.38	2.18
Acid-test	x	0.56	0.97	0.90	0.95	1.11	1.50	1.45

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.67	7.59	9.23	7.23	6.42	6.40	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	85.00	90.00	95.00
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	67.24	72.24	77.24

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	4.42	12.25	24.05	16.91	18.46	20.28	21.91
DPS	Rs.	0.00	12.00	2.00	3.00	4.00	4.00	4.00
Div. Yield	%	0.00	14.12	2.35	3.53	4.71	4.71	4.71
Dividend Cover	x	0.00	1.02	12.03	5.64	4.62	5.07	5.48
BVPS	Rs.	39.16	61.57	76.02	89.14	103.61	119.89	137.80
Payout	%	0.00	97.94	8.32	20.00	20.00	20.00	20.00
Retention	%	100.00	2.06	91.68	80.00	80.00	80.00	80.00
No. of Shares	mn	172.17	172.17	172.17	172.17	172.17	172.17	172.17
P/E		15.59	5.63	2.87	4.08	3.73	3.40	3.15
Sales per share		78.92	110.96	170.86	175.21	196.49	216.02	238.23
P/BV		1.76	1.12	0.91	0.77	0.67	0.58	0.50
Price to Sales		0.87	0.62	0.40	0.39	0.35	0.32	0.29

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.16	0.47	0.43	0.32	0.22	0.15	0.17
L.T. Debt to Equity	x	0.59	0.39	0.28	0.19	0.12	0.05	0.01
Interest Cover	x	2.84	10.45	19.11	7.86	6.67	8.85	12.51

Source: ACPL Research, Company Financials

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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

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