

HINOON

1HCY21 Result Review: BUY Stance Maintained

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HINOON has announced its 1HCY21 result where it posted profit after tax of Rs850mn (EPS: Rs22.32) as compared to profit after tax of Rs652mn (EPS: Rs17.11) in the same period last year, up by 30.4% YoY.

The company has posted a revenue of Rs6.4bn against Rs5.1bn in SPLY, recording a growth of 26% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been expanded to 49.5% as compared to 48.5% during SPLY on account of lower input cost.

SG&A expenses have been increased by 28.6% to Rs1.9bn as compared to Rs1.5bn during SPLY. Lastly, the effective taxation has been decreased to 26.4% as compared to 27.3% during SPLY.

HINOON is currently trading at CY21E PE of 13.85x. Furthermore, it is also trading at a CY21E PB of 4.32x which offers a discount of 50% relative to its historical 5-year average of 8.57x. We maintain our **BUY** stance on the script with a DCF based Jun-22 TP of Rs725 which provides an upside potential of 18%. Further, the scrip provides a dividend yield of 3%, which makes the cumulative return of 21%.

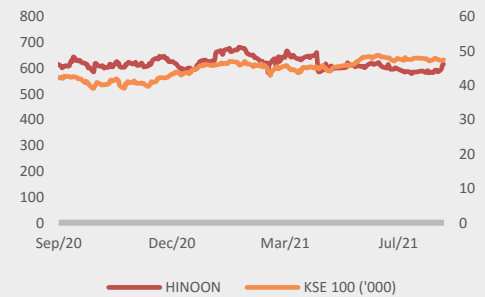
Rupees' millions	2QCY21	2QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	3,253	2,491	30.6% ▲	6,370	5,057	26.0% ▲
Cost of Sales	1,623	1,229	32.0% ▲	3,216	2,605	23.5% ▲
Gross Profit	1,630	1,262	29.1% ▲	3,154	2,452	28.6% ▲
SG&A Expenses	1,008	751	34.2% ▲	1,942	1,510	28.6% ▲
Other Expenses	60	42	43.8% ▲	110	78	42.3% ▲
Operating Profit	560	468	19.5% ▲	1,097	861	27.4% ▲
Other Income	42	25	67.7% ▲	73	41	79.8% ▲
Finance Cost	7	2	331.1% ▲	15	5	187.1% ▲
Profit Before Taxation	595	492	20.9% ▲	1,156	897	28.9% ▲
Taxation	154	128	20.3% ▲	306	245	24.6% ▲
Profit After Taxation	441	364	21.1% ▲	850	652	30.4% ▲
Earnings Per Share	11.58	9.56	21.1% ▲	22.32	17.11	30.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0.00	
Gross Margin	50.1%	50.7%	0.6% ▼	49.5%	48.5%	1.0% ▲
SG&A Expenses to Sales	31.0%	30.1%	0.8% ▲	30.5%	29.9%	0.6% ▲
Other Expenses to Sales	1.8%	1.7%	0.2% ▲	1.7%	1.5%	0.2% ▲
Other Income to Sales	1.3%	1.0%	0.3% ▲	1.1%	0.8%	0.3% ▲
Effective Taxation	25.8%	26.0%	0.1% ▼	26.4%	27.3%	0.9% ▼
Net Margin	13.6%	14.6%	1.1% ▼	13.3%	12.9%	0.5% ▲

Source: ACPL Research, Company Financials

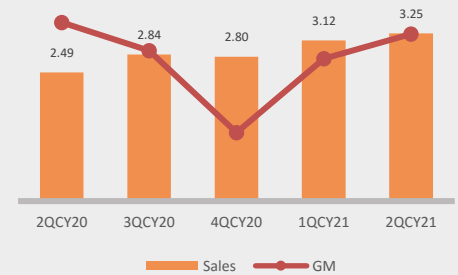
Key Statistics

Symbol	HINOON
TP - Jun 22	725.00
LDCP	614.80
Upside	18%
Free Float (mn)	15
Market Cap. (Rs.mn)	23,409

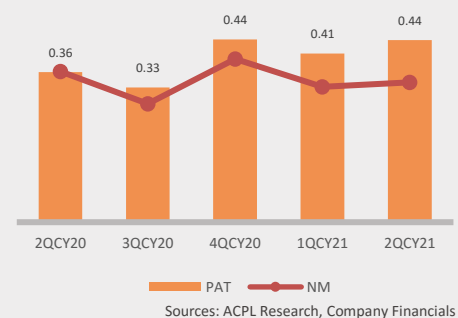
HINOON vs KSE 100



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	CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	4,404	5,071	5,971	7,503	9,048	10,698	12,547	14,429	16,593
Cost of sale	2,312	2,693	3,125	4,003	4,886	5,576	6,336	7,585	8,708
Gross profit	2,092	2,378	2,846	3,500	4,162	5,121	6,211	6,844	7,885
Selling and distribution	1,126	1,279	1,600	2,027	2,387	2,645	3,262	3,751	4,314
Administration expenses	245	245	270	350	370	448	497	571	657
Research and development	3	4	4	4	5	6	7	9	10
Other operating expenses	73	74	84	89	120	179	203	234	269
Operating Profit	646	777	888	1,032	1,280	1,842	2,241	2,278	2,635
Other operating income	30	19	29	33	85	104	123	141	163
Finance cost	9	6	5	8	24	24	24	24	24
Profit before taxation	667	790	912	1,056	1,341	1,922	2,340	2,396	2,773
Taxation	223	255	286	330	370	501	650	665	770
Profit after taxation	444	535	626	726	971	1,421	1,690	1,731	2,004
EPS	11.66	14.05	16.45	19.06	25.50	37.31	44.39	45.45	52.62

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	22.9%	19.2%	15.1%	17.8%	25.7%	20.6%	18.2%	17.3%	15.0%
Cost of sale	14.8%	13.3%	16.5%	16.1%	28.1%	22.1%	14.1%	13.6%	19.7%
Gross profit	34.5%	26.4%	13.7%	19.7%	23.0%	18.9%	23.1%	21.3%	10.2%
Selling and distribution	29.0%	16.2%	13.6%	25.1%	26.7%	17.8%	10.8%	23.3%	15.0%
Administration expenses	6.4%	11.4%	0.2%	10.1%	29.5%	5.8%	21.2%	10.9%	15.0%
Research and development	0.8%	-22.3%	20.1%	-1.3%	5.3%	31.9%	27.2%	17.3%	15.0%
Other operating expenses	45.3%	58.3%	0.7%	14.9%	4.9%	35.6%	49.0%	13.5%	15.0%
Operating Profit	75.6%	54.9%	20.3%	14.4%	16.2%	24.1%	43.9%	21.6%	1.7%
Other operating income	-34.8%	198.8%	-34.9%	50.8%	12.9%	157.9%	21.7%	18.6%	15.0%
Finance cost	-39.4%	-29.2%	-30.6%	-18.3%	69.1%	185.2%	0.8%	-0.8%	0.0%
Profit before taxation	78.4%	60.9%	18.5%	15.5%	15.8%	27.0%	43.3%	21.8%	2.4%
Taxation	85.6%	56.3%	14.5%	12.1%	15.6%	12.0%	35.4%	29.7%	2.4%
Profit after taxation	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	46.3%	19.0%	2.4%
EPS	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	46.3%	19.0%	2.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
GP Margin	%	47.51	46.90	47.66	46.65	46.00	47.87	49.50	47.43	47.52
NP Margin	%	10.08	10.55	10.49	9.67	10.73	13.28	13.47	12.00	12.07
OP Margin	%	14.66	15.31	14.87	13.75	14.14	17.22	17.86	15.79	15.88
ROE	%	36.23	29.49	25.93	25.29	28.21	32.22	31.22	27.11	26.67
ROCE	%	28.63	24.64	22.07	21.78	24.59	28.90	28.55	25.12	24.99
ROA	%	19.39	18.88	18.63	19.25	20.98	19.41	17.27	13.92	12.97
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Current	x	2.66	2.80	4.19	5.83	4.76	7.92	9.95	11.06	12.37
Acid-test	x	1.77	1.61	2.80	3.73	3.21	3.28	3.34	3.37	3.40
Cash to current liab.	x	0.67	1.03	1.17	1.78	1.26	4.35	6.31	7.39	8.66
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Inventory Turnover	x	3	3	3	3	3	3	3	3	3
Inventory Days		118	126	123	113	117	125	126	123	125
Receivables Days		6	6	17	15	17	17	17	17	17
Payables Days		65	67	46	31	45	45	45	45	45
Operating Cycle		59	65	93	97	90	98	98	95	97
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS		11.66	14.05	16.45	19.06	25.50	37.31	44.39	45.45	52.62
DPS		7.50	8.50	10.00	13.00	13.00	15.00	18.00	20.00	23.00
Div. Yield	%	1.22	1.38	1.63	2.11	2.11	2.44	2.93	3.25	3.74
Dividend Cover	x	1.55	1.65	1.65	1.47	1.96	2.49	2.47	2.27	2.29
BVPS		32.19	47.65	63.45	75.39	90.39	115.81	142.21	167.66	197.28
Payout	%	64.31	60.50	60.78	68.19	50.98	40.20	40.55	44.00	43.71
Retention	%	35.69	39.50	39.22	31.81	49.02	59.80	59.45	56.00	56.29
No. of Shares	'000	38,076	38,076	38,076	38,076	38,076	38,076	38,076	38,076	38,076
P/E		52.72	43.76	37.37	32.25	24.11	16.48	13.85	13.53	11.68
Sales per share		115.66	133.17	156.82	197.05	237.62	280.95	329.52	378.94	435.78
P/BV		19.10	12.90	9.69	8.16	6.80	5.31	4.32	3.67	3.12
Price to Sales		6.28	5.46	4.63	3.69	3.06	2.59	2.21	1.92	1.67
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20A	CY21E	CY22E	CY23E
Debt to Equity	x	0.03	0.09	0.02	0.03	0.02	0.02	0.02	0.01	0.01
Interest Cover	x	73.75	127.91	179.03	122.99	53.50	76.41	93.68	95.25	110.15

Source: ACPL Research, Company Financials

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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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