

HINOON

1QCY22 Result Review: BUY Stance Maintained

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HINOON has announced its 1QCY22 result where it posted a profit after tax of Rs534mn (EPS: Rs12.74) as compared to profit after tax of Rs409mn (EPS: Rs9.77) in the same period last year, up by 30.5% YoY.

The company has posted a revenue of Rs3.756bn against Rs3.117bn in SPLY, recording a growth of 20.5% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been elevated to 50.1% as compared to 48.9% during SPLY.

SG&A expenses have been increased by 22.6% to Rs1145mn as compared to Rs934mn during SPLY. Lastly, the effective taxation has been decreased to 26.8% as compared to 27.1% during SPLY.

HINOON is currently trading at CY22E PE of 11.17x. Furthermore, it is also trading at a CY22E PB of 3.14x which offers a discount of 45% relative to its historical 3-year average of 5.66x. We maintain our **BUY** stance on the script with a DCF based Dec-22 TP of Rs800 which provides an upside potential of 36%. Further, the scrip provides a dividend yield of 3.85%, which makes the cumulative return of 40%.

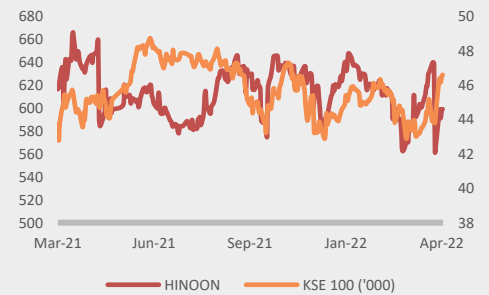
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	3,756	3,117	20.5% ▲	13,001	10,698	21.5% ▲
Cost of Sales	1,875	1,593	17.7% ▲	6,585	5,576	18.1% ▲
Gross Profit	1,881	1,524	23.4% ▲	6,416	5,121	25.3% ▲
SG&A Expenses	1,145	934	22.6% ▲	3,947	3,094	27.6% ▲
Other Expenses	61	50	21.5% ▲	214	179	19.6% ▲
Operating Profit	672	538	24.9% ▲	2,245	1,842	21.9% ▲
Other Income	58	31	90.3% ▲	154	104	48.2% ▲
Finance Cost	1	7	81.9% ▼	27	24	11.7% ▲
Profit Before Taxation	729	561	29.9% ▲	2,372	1,922	23.4% ▲
Taxation	195	152	28.2% ▲	564	501	12.6% ▲
Profit After Taxation	534	409	30.5% ▲	1,808	1,421	27.3% ▲
Earnings Per Share	12.74	9.77	30.5% ▲	43.17	33.92	27.3% ▲
Dividend	0.00	0.00		20.00	15.00	
Bonus	0%	0%		0.00	0.10	
Gross Margin	50.1%	48.9%	1.2% ▲	49.3%	47.9%	1.5% ▲
SG&A Expenses to Sales	30.5%	30.0%	0.5% ▲	30.4%	28.9%	1.4% ▲
Other Expenses to Sales	1.6%	1.6%	0.0% ▲	1.6%	1.7%	0.0% ▼
Other Income to Sales	1.5%	1.0%	0.6% ▲	1.2%	1.0%	0.2% ▲
Effective Taxation	26.8%	27.1%	0.3% ▼	23.8%	26.1%	2.3% ▼
Net Margin	14.2%	13.1%	1.1% ▲	13.9%	13.3%	0.6% ▲

Source: ACPL Research, Company Financials

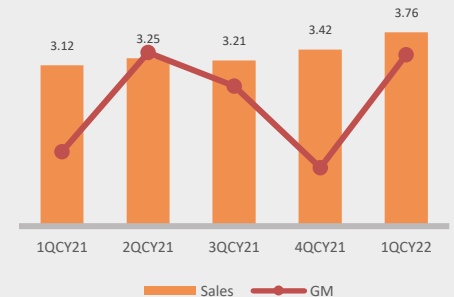
Key Statistics

Symbol	HINOON
TP - Dec 22	800
LDCP	590
Upside	36%
Free Float (mn)	18
Market Cap. (Rs.mn)	24,711

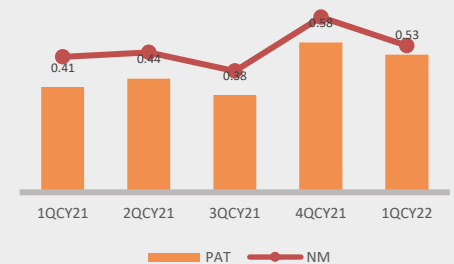
HINOON vs KSE 100



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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	9,048	10,698	13,001	16,383	19,839	24,026	29,099
Cost of sale	4,886	5,576	6,585	8,617	10,434	12,636	15,305
Gross profit	4,162	5,121	6,416	7,766	9,404	11,389	13,794
Selling and distribution	2,387	2,645	3,416	4,096	4,960	6,006	7,275
Administration expenses	370	448	531	573	694	841	1,018
Research and development	5	6	9	11	13	16	19
Other operating expenses	120	179	214	254	308	372	451
Operating Profit	1,280	1,842	2,245	2,832	3,430	4,153	5,030
Other operating income	85	104	154	194	234	284	344
Finance cost	24	24	27	5	5	5	5
Profit before taxation	1,341	1,922	2,372	3,021	3,659	4,432	5,369
Taxation	370	501	564	808	979	1,186	1,436
Profit after taxation	971	1,421	1,808	2,213	2,680	3,246	3,933
EPS	23.18	33.92	43.17	52.83	63.99	77.51	93.90

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	25.7%	20.6%	18.2%	21.5%	26.0%	21.1%	21.1%
Cost of sale	28.1%	22.1%	14.1%	18.1%	30.9%	21.1%	21.1%
Gross profit	23.0%	18.9%	23.1%	25.3%	21.1%	21.1%	21.1%
Selling and distribution	26.7%	17.8%	10.8%	29.1%	19.9%	21.1%	21.1%
Administration expenses	29.5%	5.8%	21.2%	18.5%	8.0%	21.1%	21.1%
Research and development	5.3%	31.9%	27.2%	36.0%	26.0%	21.1%	21.1%
Other operating expenses	4.9%	35.6%	49.0%	19.6%	18.5%	21.1%	21.1%
Operating Profit	16.2%	24.1%	43.9%	21.9%	26.1%	21.1%	21.1%
Other operating income	12.9%	157.9%	21.7%	48.2%	26.0%	21.1%	21.1%
Finance cost	69.1%	185.2%	0.8%	11.7%	-80.2%	0.0%	0.0%
Profit before taxation	15.8%	27.0%	43.3%	23.4%	27.3%	21.1%	21.1%
Taxation	15.6%	12.0%	35.4%	12.6%	43.2%	21.1%	21.1%
Profit after taxation	15.9%	33.8%	46.3%	27.3%	22.4%	21.1%	21.1%
EPS	15.9%	33.8%	46.3%	27.3%	22.4%	21.1%	21.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	46.00	47.87	49.35	47.40	47.40	47.40	47.40
NP Margin	%	10.73	13.28	13.91	13.51	13.51	13.51	13.52
OP Margin	%	14.14	17.22	17.27	17.29	17.29	17.29	17.29
ROE	%	28.21	31.67	31.38	28.10	28.76	29.36	29.87
ROCE	%	24.59	26.59	28.08	25.88	26.82	27.67	28.41
ROA	%	20.98	22.09	22.49	19.59	17.38	15.89	14.84
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	4.76	4.30	3.87	5.73	7.24	8.69	10.05
Acid-test	x	3.21	3.24	3.10	3.56	3.58	3.60	3.61
Cash to current liab.	x	1.26	0.76	0.51	1.92	3.40	4.81	6.14
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		117	128	123	114	119	119	119
Receivables Days		17	12	18	16	16	16	16
Payables Days		45	36	54	42	42	42	42
Operating Cycle		90	103	86	88	93	93	93
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		23.18	33.92	43.17	52.83	63.99	77.51	93.90
DPS		13.00	15.00	20.00	24.50	29.50	36.00	43.50
Div. Yield	%	2.20	2.54	3.39	4.15	5.00	6.10	7.37
Dividend Cover	x	1.78	2.26	2.16	2.16	2.17	2.15	2.16
BVPS		82.17	107.11	137.59	187.98	222.46	263.98	314.37
Payout	%	56.07	44.22	46.33	46.38	46.10	46.44	46.33
Retention	%	43.93	55.78	53.67	53.62	53.90	53.56	53.67
No. of Shares	'000	41,884	41,884	41,884	41,884	41,884	41,884	41,884
P/E		25.45	17.39	13.67	11.17	9.22	7.61	6.28
Sales per share		216.02	255.41	310.40	391.16	473.66	573.62	694.74
P/BV		7.18	5.51	4.29	3.14	2.65	2.24	1.88
Price to Sales		3.86	3.27	2.69	2.13	1.76	1.45	1.20
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.02	0.11	0.06	0.04	0.04	0.03	0.03
Interest Cover	x	53.50	76.41	83.37	530.20	642.02	777.51	941.69

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

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