

HINOON

9MCY21 Result Review: BUY Stance Maintained

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HINOON has announced its 9MCY21 result where it posted a profit after tax of Rs1.2bn (EPS: Rs32.23) as compared to profit after tax of Rs978mn (EPS: Rs25.68) in the same period last year, up by 25.5% YoY.

The company has posted a revenue of Rs9.6bn against Rs7.9bn in SPLY, recording a growth of 21% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been elevated slightly to 49.6% as compared to 48.8% during SPLY.

SG&A expenses have been increased by 24.3% to Rs3bn as compared to Rs2.4bn during SPLY. Lastly, the effective taxation has been decreased to 27.4% as compared to 28.2% during SPLY.

HINOON is currently trading at CY21E PE of 14.53x. Furthermore, it is also trading at a CY21E PB of 4.54x which offers a discount of 29% relative to its historical 2-year average of 6.35x. We maintain our **BUY** stance on the script with a DCF based Jun-22 TP of Rs770 which provides an upside potential of 19%. Further, the scrip provides a dividend yield of 3%, which makes the cumulative return of 21%.

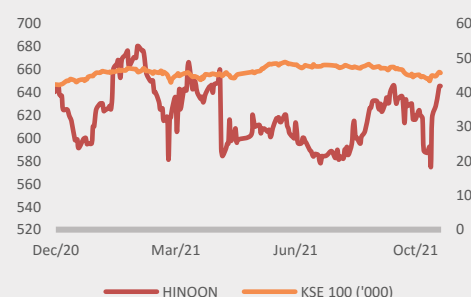
Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Net Sales	3,210	2,842	12.9% ▲	9,580	7,899	21.3% ▲
Cost of Sales	1,615	1,441	12.0% ▲	4,830	4,046	19.4% ▲
Gross Profit	1,595	1,401	13.9% ▲	4,749	3,853	23.3% ▲
SG&A Expenses	1,059	904	17.2% ▲	3,001	2,414	24.3% ▲
Other Expenses	38	47	19.2% ▼	149	125	19.0% ▲
Operating Profit	495	448	10.6% ▲	1,593	1,309	21.6% ▲
Other Income	41	19	120.1% ▲	114	59	92.6% ▲
Finance Cost	2	1	73.8% ▲	17	7	163.4% ▲
Profit Before Taxation	534	465	14.8% ▲	1,690	1,362	24.1% ▲
Taxation	157	139	13.0% ▲	463	384	20.4% ▲
Profit After Taxation	377	326	15.6% ▲	1,227	978	25.5% ▲
Earnings Per Share	9.90	8.57	15.6% ▲	32.23	25.68	25.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0.00	
Gross Margin	49.7%	49.3%	0.4% ▲	49.6%	48.8%	0.8% ▲
SG&A Expenses to Sales	33.0%	31.8%	1.2% ▲	31.3%	30.6%	0.8% ▲
Other Expenses to Sales	1.2%	1.7%	0.5% ▼	1.6%	1.6%	0.0% ▼
Other Income to Sales	1.3%	0.7%	0.6% ▲	1.2%	0.8%	0.4% ▲
Effective Taxation	29.4%	29.9%	0.5% ▼	27.4%	28.2%	0.8% ▼
Net Margin	11.7%	11.5%	0.3% ▲	12.8%	12.4%	0.4% ▲

Source: ACPL Research, Company Financials

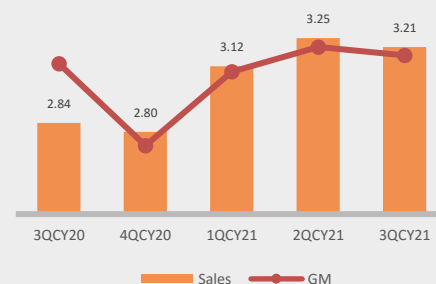
Key Statistics

Symbol	HINOON
TP - Jun 22	770.00
LDCP	645
Upside	19%
Free Float (mn)	17
Market Cap. (Rs.mn)	24,140

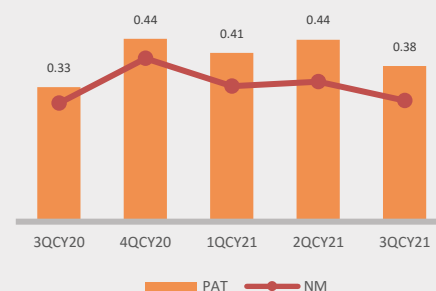
HINOON vs KSE 100



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	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	9,048	10,698	12,547	13,174	14,755	16,526	18,509
Cost of sale	4,886	5,576	6,336	6,926	7,744	8,677	9,692
Gross profit	4,162	5,121	6,211	6,248	7,011	7,849	8,817
Selling and distribution	2,387	2,645	3,262	3,425	3,836	4,297	4,812
Administration expenses	370	448	497	522	584	654	733
Research and development	5	6	7	8	9	10	11
Other operating expenses	120	179	203	158	177	198	222
Operating Profit	1,280	1,842	2,241	2,136	2,405	2,690	3,038
Other operating income	85	104	123	129	145	162	181
Finance cost	24	24	24	24	24	24	24
Profit before taxation	1,341	1,922	2,340	2,241	2,526	2,828	3,196
Taxation	370	501	650	622	701	785	887
Profit after taxation	971	1,421	1,690	1,619	1,824	2,043	2,309
EPS	25.50	37.31	44.39	42.51	47.92	53.65	60.63

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	25.7%	20.6%	18.2%	17.3%	5.0%	12.0%	12.0%
Cost of sale	28.1%	22.1%	14.1%	13.6%	9.3%	11.8%	12.1%
Gross profit	23.0%	18.9%	23.1%	21.3%	0.6%	12.2%	11.9%
Selling and distribution	26.7%	17.8%	10.8%	23.3%	5.0%	12.0%	12.0%
Administration expenses	29.5%	5.8%	21.2%	10.9%	5.0%	12.0%	12.0%
Research and development	5.3%	31.9%	27.2%	17.3%	5.0%	12.0%	12.0%
Other operating expenses	4.9%	35.6%	49.0%	13.5%	-22.2%	12.0%	12.0%
Operating Profit	16.2%	24.1%	43.9%	21.6%	-4.7%	12.6%	11.8%
Other operating income	12.9%	157.9%	21.7%	18.6%	5.0%	12.0%	12.0%
Finance cost	69.1%	185.2%	0.8%	-0.8%	0.0%	0.0%	0.0%
Profit before taxation	15.8%	27.0%	43.3%	21.8%	-4.2%	12.7%	12.0%
Taxation	15.6%	12.0%	35.4%	29.7%	-4.2%	12.7%	12.0%
Profit after taxation	15.9%	33.8%	46.3%	19.0%	-4.2%	12.7%	12.0%
EPS	15.9%	33.8%	46.3%	19.0%	-4.2%	12.7%	12.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	46.00	47.87	49.50	47.43	47.52	47.49	47.64
NP Margin	%	10.73	13.28	13.47	12.29	12.37	12.36	12.47
OP Margin	%	14.14	17.22	17.86	16.21	16.30	16.28	16.42
ROE	%	28.21	32.22	31.22	25.81	25.27	24.58	24.16
ROCE	%	24.59	28.90	28.55	23.88	23.61	23.17	22.95
ROA	%	20.98	19.41	17.27	12.82	11.79	10.96	10.40
Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	4.76	7.92	9.95	8.64	9.73	10.68	11.58
Acid-test	x	3.21	3.28	3.34	2.00	2.02	2.03	2.04
Cash to current liab.	x	1.26	4.35	6.31	6.45	7.52	8.46	9.35
Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		117	125	126	121	114	114	114
Receivables Days		17	17	17	10	11	11	11
Payables Days		45	45	45	65	65	65	65
Operating Cycle		90	98	98	66	59	59	59
Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
EPS		25.50	37.31	44.39	42.51	47.92	53.65	60.63
DPS		13.00	15.00	18.00	20.00	23.00	25.00	28.00
Div. Yield	%	2.02	2.33	2.79	3.10	3.57	3.88	4.34
Dividend Cover	x	1.96	2.49	2.47	2.13	2.08	2.15	2.17
BVPS		90.39	115.81	142.21	164.72	189.64	218.28	250.92
Payout	%	50.98	40.20	40.55	47.05	48.00	46.60	46.18
Retention	%	49.02	59.80	59.45	52.95	52.00	53.40	53.82
No. of Shares	'000	38,076	38,076	38,076	38,076	38,076	38,076	38,076
P/E		25.29	17.29	14.53	15.17	13.46	12.02	10.64
Sales per share		237.62	280.95	329.52	345.99	387.51	434.01	486.09
P/BV		7.14	5.57	4.54	3.92	3.40	2.95	2.57
Price to Sales		3.24	2.74	2.34	2.23	1.99	1.77	1.58
Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Interest Cover	x	53.50	76.41	93.68	89.28	100.54	112.44	127.02

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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