

HINOON

CY21 Result Review: BUY Stance Maintained

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HINOON has announced its CY21 result where it posted a profit after tax of Rs1.808bn (EPS: Rs47.48) as compared to profit after tax of Rs1.421bn (EPS: Rs37.31) in the same period last year, up by 27.3% YoY.

The company has posted a revenue of Rs13.001bn against Rs10.698bn in SPLY, recording a growth of 21.5% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been elevated slightly to 49.3% as compared to 47.9% during SPLY.

SG&A expenses have been increased by 27.6% to Rs3.95bn as compared to Rs3.1bn during SPLY. Lastly, the effective taxation has been decreased to 23.8% as compared to 26.1% during SPLY.

HINOON is currently trading at CY22E PE of 10.9x. Furthermore, it is also trading at a CY22E PB of 3.44x which offers a discount of 36% relative to its historical 3-year average of 5.39x. We maintain our **BUY** stance on the script with a DCF based Dec-22 TP of Rs800 which provides an upside potential of 31%. Further, the scrip provides a dividend yield of 3.85%, which makes the cumulative return of 35%.

Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	3,421	2,798	22.3% ▲	13,001	10,698	21.5% ▲
Cost of Sales	1,755	1,530	14.7% ▲	6,585	5,576	18.1% ▲
Gross Profit	1,666	1,268	31.4% ▲	6,416	5,121	25.3% ▲
SG&A Expenses	946	680	39.2% ▲	3,947	3,094	27.6% ▲
Other Expenses	66	54	21.0% ▲	214	179	19.6% ▲
Operating Profit	653	533	22.5% ▲	2,245	1,842	21.9% ▲
Other Income	39	44	11.2% ▼	154	104	48.2% ▲
Finance Cost	10	18	44.5% ▼	27	24	11.7% ▲
Profit Before Taxation	682	559	21.9% ▲	2,372	1,922	23.4% ▲
Taxation	101	117	13.1% ▼	564	501	12.6% ▲
Profit After Taxation	581	443	31.2% ▲	1,808	1,421	27.3% ▲
Earnings Per Share	15.26	11.63	31.2% ▲	47.48	37.31	27.3% ▲
Dividend	20.00	15.00		20.00	15.00	
Bonus	0%	10%		0.00	0.10	

Closing period : April 11, 2022 – April 18, 2022

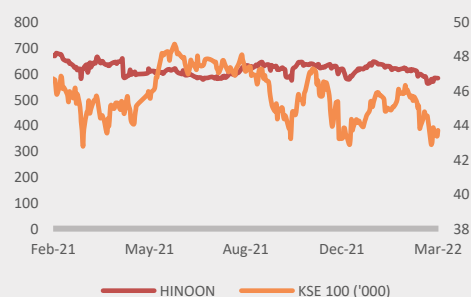
	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Gross Margin	48.7%	45.3%	3.4% ▲	49.3%	47.9%	1.5% ▲
SG&A Expenses to Sales	27.7%	24.3%	3.4% ▲	30.4%	28.9%	1.4% ▲
Other Expenses to Sales	1.9%	1.9%	0.0% ▼	1.6%	1.7%	0.0% ▼
Other Income to Sales	1.2%	1.6%	0.4% ▼	1.2%	1.0%	0.2% ▲
Effective Taxation	14.8%	20.8%	6.0% ▼	23.8%	26.1%	2.3% ▼
Net Margin	17.0%	15.8%	1.2% ▲	13.9%	13.3%	0.6% ▲

Source: ACPL Research, Company Financials

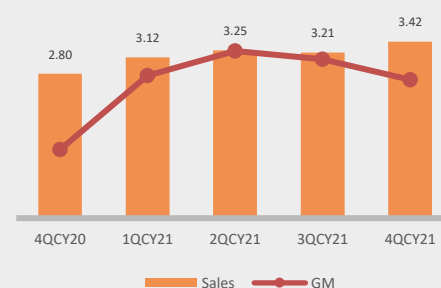
Key Statistics

Symbol	HINOON
TP - Jun 22	800
LDCP	611
Upside	31%
Free Float (mn)	17
Market Cap. (Rs.mn)	23,279

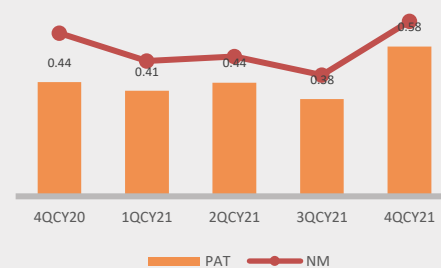
HINOON vs KSE 100



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	14,920	16,412	18,053	19,859
Cost of sale	4,886	5,576	6,585	7,557	8,313	9,144	10,059
Gross profit	4,162	5,121	6,416	7,363	8,099	8,909	9,800
Selling and distribution	2,387	2,645	3,416	3,921	4,313	4,744	5,218
Administration expenses	370	448	531	609	670	737	811
Research and development	5	6	9	10	11	12	13
Other operating expenses	120	179	214	179	197	217	238
Operating Profit	1,280	1,842	2,245	2,644	2,908	3,199	3,519
Other operating income	85	104	154	176	194	213	235
Finance cost	24	24	27	20	20	20	20
Profit before taxation	1,341	1,922	2,372	2,800	3,082	3,392	3,734
Taxation	370	501	564	666	733	807	888
Profit after taxation	971	1,421	1,808	2,134	2,349	2,586	2,846
EPS	25.50	37.31	47.48	56.05	61.70	67.91	74.74

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	25.7%	20.6%	18.2%	21.5%	14.8%	10.0%	10.0%
Cost of sale	28.1%	22.1%	14.1%	18.1%	14.8%	10.0%	10.0%
Gross profit	23.0%	18.9%	23.1%	25.3%	14.8%	10.0%	10.0%
Selling and distribution	26.7%	17.8%	10.8%	29.1%	14.8%	10.0%	10.0%
Administration expenses	29.5%	5.8%	21.2%	18.5%	14.8%	10.0%	10.0%
Research and development	5.3%	31.9%	27.2%	36.0%	14.8%	10.0%	10.0%
Other operating expenses	4.9%	35.6%	49.0%	19.6%	-16.4%	10.0%	10.0%
Operating Profit	16.2%	24.1%	43.9%	21.9%	17.7%	10.0%	10.0%
Other operating income	12.9%	157.9%	21.7%	48.2%	14.8%	10.0%	10.0%
Finance cost	69.1%	185.2%	0.8%	11.7%	-25.8%	0.0%	0.0%
Profit before taxation	15.8%	27.0%	43.3%	23.4%	18.0%	10.1%	10.1%
Taxation	15.6%	12.0%	35.4%	12.6%	18.0%	10.1%	10.1%
Profit after taxation	15.9%	33.8%	46.3%	27.3%	18.0%	10.1%	10.1%
EPS	15.9%	33.8%	46.3%	27.3%	18.0%	10.1%	10.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	46.00	47.87	49.35	49.35	49.35	49.35	49.35
NP Margin	%	10.73	13.28	13.91	14.30	14.31	14.32	14.33
OP Margin	%	14.14	17.22	17.27	17.72	17.72	17.72	17.72
ROE	%	28.21	31.67	32.79	31.60	28.96	26.90	25.27
ROCE	%	24.59	26.59	29.14	28.67	26.68	25.09	23.81
ROA	%	20.98	22.09	20.06	16.96	14.63	13.01	11.82
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	4.76	4.30	5.25	5.51	6.75	7.95	9.13
Acid-test	x	3.21	3.24	3.03	2.12	2.12	2.12	2.13
Cash to current liab.	x	1.26	0.76	2.01	3.24	4.47	5.68	6.84
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		117	128	125	118	115	115	115
Receivables Days		17	12	17	11	10	10	10
Payables Days		45	45	45	65	65	65	65
Operating Cycle		90	95	98	64	60	60	60
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		25.50	37.31	47.48	56.05	61.70	67.91	74.74
DPS		13.00	15.00	20.00	23.50	26.00	28.50	31.50
Div. Yield	%	2.13	2.45	3.27	3.85	4.26	4.66	5.16
Dividend Cover	x	1.96	2.49	2.37	2.39	2.37	2.38	2.37
BVPS		90.39	117.82	144.81	177.36	213.06	252.46	295.70
Payout	%	50.98	40.20	42.12	41.93	42.14	41.97	42.15
Retention	%	49.02	59.80	57.88	58.07	57.86	58.03	57.85
No. of Shares	'000	38,076	38,076	38,076	38,076	38,076	38,076	38,076
P/E		23.96	16.38	12.87	10.90	9.90	9.00	8.18
Sales per share		237.62	280.95	341.44	391.85	431.03	474.13	521.55
P/BV		6.76	5.19	4.22	3.44	2.87	2.42	2.07
Price to Sales		3.38	2.86	2.35	2.05	1.86	1.69	1.54
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.02	0.11	0.06	0.05	0.04	0.03	0.03
Interest Cover	x	53.50	76.41	83.37	132.34	145.58	160.14	176.15

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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