

HINOON

1HCY22 Result Review: BUY Stance Maintained

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HINOON has announced its 1HCY22 result where it posted a profit after tax of Rs1.09bn (EPS: Rs26.10) as compared to a profit after tax of Rs850mn (EPS: Rs20.29) in the same period last year, up by 28.6% YoY.

The company has posted a revenue of Rs8.084bn against Rs6.370bn in SPLY, recording a growth of 26.9% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been elevated to 51.5% as compared to 49.5% during SPLY.

SG&A expenses have been increased by 32.7% to Rs2.58bn as compared to Rs1.94bn during SPLY. Lastly, the effective taxation has been increased to 28.5% as compared to 26.4% during SPLY.

HINOON is currently trading at CY22E PE of 10.28x. Furthermore, it is also trading at a CY22E PB of 2.87x which offers a discount of 44% relative to its historical 3-year average of 5.16x. We maintain our **BUY** stance on the script with a DCF based Jun-23 TP of Rs641 which provides an upside potential of 19%. Further, the scrip provides a dividend yield of 4.5%, which makes the cumulative return of 23.5%.

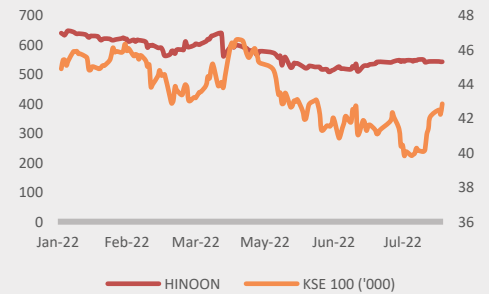
Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Net Sales	4,328	3,253	33.0% ▲	8,084	6,370	26.9% ▲
Cost of Sales	2,048	1,623	26.2% ▲	3,923	3,216	22.0% ▲
Gross Profit	2,280	1,630	39.9% ▲	4,161	3,154	31.9% ▲
SG&A Expenses	1,432	1,008	42.1% ▲	2,577	1,942	32.7% ▲
Other Expenses	113	60	89.4% ▲	175	110	58.3% ▲
Operating Profit	732	560	30.8% ▲	1,404	1,097	27.9% ▲
Other Income	82	42	94.2% ▲	141	73	92.6% ▲
Finance Cost	14	7	87.9% ▲	15	15	2.7% ▲
Profit Before Taxation	800	595	34.6% ▲	1,529	1,156	32.3% ▲
Taxation	241	154	56.7% ▲	436	306	42.5% ▲
Profit After Taxation	560	441	26.9% ▲	1,093	850	28.6% ▲
Earnings Per Share	13.36	10.53	26.9% ▲	26.10	20.29	28.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0.00	0.00	
Gross Margin	52.7%	50.1%	2.6% ▲	51.5%	49.5%	2.0% ▲
SG&A Expenses to Sales	33.1%	31.0%	2.1% ▲	31.9%	30.5%	1.4% ▲
Other Expenses to Sales	2.6%	1.8%	0.8% ▲	2.2%	1.7%	0.4% ▲
Other Income to Sales	1.9%	1.3%	0.6% ▲	1.7%	1.1%	0.6% ▲
Effective Taxation	30.1%	25.8%	4.2% ▲	28.5%	26.4%	2.0% ▲
Net Margin	12.9%	13.6%	0.6% ▼	13.5%	13.3%	0.2% ▲

Source: ACPL Research, Company Financials

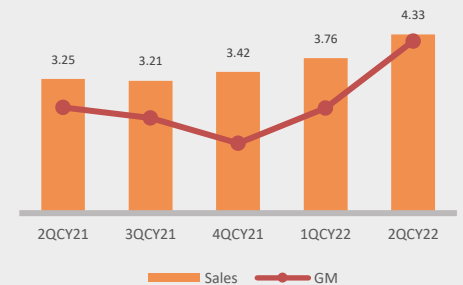
Key Statistics

Symbol	HINOON
TP - Jun 23	641
LDPCP	543.9
Upside	19%
Free Float (mn)	19
Market Cap. (Rs.mn)	22,764

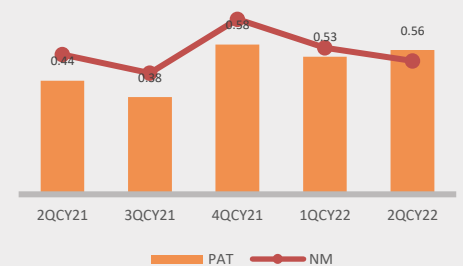
HINOON vs KSE 100



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	16,208	19,417	23,261	27,869
Cost of sale	4,886	5,576	6,585	7,861	10,043	12,032	14,415
Gross profit	4,162	5,121	6,416	8,347	9,373	11,229	13,453
Selling and distribution	2,387	2,645	3,416	4,522	5,417	6,490	7,775
Administration expenses	370	448	531	643	771	923	1,106
Research and development	5	6	9	11	13	16	19
Other operating expenses	120	179	214	350	419	502	602
Operating Profit	1,280	1,842	2,245	2,821	2,753	3,298	3,951
Other operating income	85	104	154	276	330	395	474
Finance cost	24	24	27	30	25	20	15
Profit before taxation	1,341	1,922	2,372	3,066	3,057	3,673	4,409
Taxation	370	501	564	873	810	973	1,168
Profit after taxation	971	1,421	1,808	2,192	2,248	2,700	3,242
EPS	23.18	33.92	43.17	52.35	53.67	64.47	77.40

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	25.7%	20.6%	18.2%	21.5%	24.7%	19.8%	19.8%
Cost of sale	28.1%	22.1%	14.1%	18.1%	19.4%	27.8%	19.8%
Gross profit	23.0%	18.9%	23.1%	25.3%	30.1%	12.3%	19.8%
Selling and distribution	26.7%	17.8%	10.8%	29.1%	32.4%	19.8%	19.8%
Administration expenses	29.5%	5.8%	21.2%	18.5%	21.2%	19.8%	19.8%
Research and development	5.3%	31.9%	27.2%	36.0%	24.7%	19.8%	19.8%
Other operating expenses	4.9%	35.6%	49.0%	19.6%	63.4%	19.8%	19.8%
Operating Profit	16.2%	24.1%	43.9%	21.9%	25.6%	-2.4%	19.8%
Other operating income	12.9%	157.9%	21.7%	48.2%	79.3%	19.8%	19.8%
Finance cost	69.1%	185.2%	0.8%	11.7%	12.7%	-16.5%	-19.7%
Profit before taxation	15.8%	27.0%	43.3%	23.4%	29.2%	-0.3%	20.1%
Taxation	15.6%	12.0%	35.4%	12.6%	54.8%	-7.3%	20.1%
Profit after taxation	15.9%	33.8%	46.3%	27.3%	21.3%	2.5%	20.1%
EPS	15.9%	33.8%	46.3%	27.3%	21.3%	2.5%	20.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	46.00	47.87	49.35	51.50	48.27	48.27	48.27
NP Margin	%	10.73	13.28	13.91	13.53	11.58	11.61	11.63
OP Margin	%	14.14	17.22	17.27	17.40	14.18	14.18	14.18
ROE	%	28.21	31.67	31.38	27.92	24.83	25.72	26.50
ROCE	%	24.59	26.59	28.08	25.70	23.10	24.16	25.11
ROA	%	20.98	22.09	22.49	19.60	15.26	14.27	13.54
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	4.76	4.30	3.87	5.99	7.04	8.25	9.39
Acid-test	x	3.21	3.24	3.10	3.58	3.58	3.60	3.62
Cash to current liab.	x	1.26	0.76	0.51	2.16	3.20	4.37	5.48
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		117	128	123	119	117	120	120
Receivables Days		17	12	18	16	16	16	16
Payables Days		45	36	54	42	42	42	42
Operating Cycle		90	103	86	93	90	93	93
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		23.18	33.92	43.17	52.35	53.67	64.47	77.40
DPS		13.00	15.00	20.00	24.50	25.00	30.00	36.00
Div. Yield	%	2.42	2.79	3.72	4.55	4.65	5.58	6.69
Dividend Cover	x	1.78	2.26	2.16	2.14	2.15	2.15	2.15
BVPS		82.17	107.11	137.59	187.50	216.16	250.63	292.02
Payout	%	56.07	44.22	46.33	46.80	46.59	46.54	46.51
Retention	%	43.93	55.78	53.67	53.20	53.41	53.46	53.49
No. of Shares	'000	41,884	41,884	41,884	41,884	41,884	41,884	41,884
P/E		23.21	15.86	12.46	10.28	10.03	8.35	6.95
Sales per share		216.02	255.41	310.40	386.98	463.58	555.37	665.38
P/BV		6.55	5.02	3.91	2.87	2.49	2.15	1.84
Price to Sales		2.97	2.51	2.07	1.66	1.38	1.15	0.96
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	92.97	108.62	162.12	257.53

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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