

HINOON

1QCY20 Result Review: BUY Stance Maintained

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HINOON has announced its 1QCY20 result where it posted profit after tax of Rs288mn (EPS: Rs8.31) as compared to profit after tax of Rs229mn (EPS: Rs6.62) in same period last year, up by 25.5% YoY.

The company has posted the revenue of Rs2.6bn against Rs2.1bn in SPLY, recording a growth of 21.1% YoY. We note that this growth is attributed to the increase in volumetric growth and medicine prices.

Gross margin has slightly been expanded to 46.4% in 1QCY20 as compared to 45.9% in 1QCY19 on account of lower input cost.

SG&A expenses have been increased by 23.3% to Rs759mn as compared to Rs616mn during SPLY.

Finance cost has been decreased by 54.5% YoY to Rs3mn in 1QCY20 as compared to Rs8mn in SPLY.

Lastly, the effective taxation has been decreased to 29% as compared to 29.4% during SPLY.

HINOON is currently trading at CY20E PE of 16.71x. Furthermore, it is also trading at a CY20E PB of 4.67x which offers a discount of 50% relative to its historical 5-year average of 9.37x. We maintain our **BUY** stance on the script with a DCF based Jun-21 TP of Rs660 which provides an upside potential of 18%.

Rupees' millions	1QCY20	1QCY19	YoY	CY19	CY18	YoY
Net Sales	2,566	2,119	21.1% ▲	9,048	7,503	20.6% ▲
Cost of Sales	1,376	1,147	19.9% ▲	4,886	4,003	22.1% ▲
Gross Profit	1,190	972	22.5% ▲	4,162	3,500	18.9% ▲
SG&A Expenses	759	616	23.3% ▲	2,757	2,376	16.0% ▲
Other Expenses	36	31	16.7% ▲	120	89	35.6% ▲
Operating Profit	393	324	21.5% ▲	1,280	1,032	24.1% ▲
Other Income	15	9	78.1% ▲	85	33	157.9% ▲
Finance Cost	3	8	54.5% ▼	24	8	185.2% ▲
Profit Before Taxation	405	325	24.8% ▲	1,341	1,056	27.0% ▲
Taxation	118	96	23.0% ▲	370	330	12.0% ▲
Profit After Taxation	288	229	25.5% ▲	971	726	33.8% ▲
Earnings Per Share	8.31	6.62	25.5% ▲	28.05	20.97	33.8% ▲
Dividend	0.00	0.00		13.00	13.00	
Bonus	0%	0%		10%	10%	
Gross Margin	46.4%	45.9%	0.5% ▲	46.0%	46.7%	0.7% ▼
SG&A Expenses to Sales	29.6%	29.1%	0.5% ▲	30.5%	31.7%	1.2% ▼
Other Expenses to Sales	1.4%	1.5%	0.1% ▼	1.3%	1.2%	0.1% ▲
Other Income to Sales	0.6%	0.4%	0.2% ▲	0.9%	0.4%	0.5% ▲
Effective Taxation	29.0%	29.4%	0.4% ▼	27.6%	31.3%	3.7% ▼
Net Margin	11.2%	10.8%	0.4% ▲	10.7%	9.7%	1.1% ▲

Source: ACPL Research, Company Financials

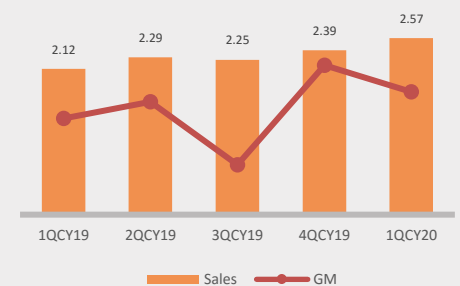
Key Statistics

Symbol	HINOON
TP - Jun 21	660.00
LDCP	559.42
Upside	18%
Free Float (mn)	13
Market Cap. (Rs.mn)	19,364

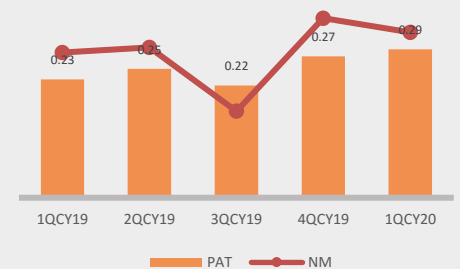
HINOON vs KSE 100



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	CY20E	CY21E	CY22E	CY23E
Net sales	4,404	5,071	5,971	7,503	9,048	10,910	13,156	15,865	19,130
Cost of sale	2,312	2,693	3,125	4,003	4,886	5,828	6,988	8,443	10,185
Gross profit	2,092	2,378	2,846	3,500	4,162	5,082	6,168	7,421	8,945
Selling and distribution	1,126	1,279	1,600	2,027	2,387	2,878	3,471	4,185	5,047
Administration expenses	245	245	270	350	370	491	592	714	861
Research and development	3	4	4	4	5	6	7	9	11
Other operating expenses	73	74	84	89	120	145	175	211	254
Operating Profit	646	777	888	1,032	1,280	1,562	1,923	2,303	2,773
Other operating income	30	19	29	33	85	65	79	95	115
Finance cost	9	6	5	8	24	24	24	24	24
Profit before taxation	667	790	912	1,056	1,341	1,604	1,978	2,374	2,864
Taxation	223	255	286	330	370	445	549	659	795
Profit after taxation	444	535	626	726	971	1,159	1,429	1,715	2,069
EPS	12.83	15.46	18.10	20.97	28.05	33.47	41.29	49.54	59.77

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Net sales	22.9%	19.2%	15.1%	17.8%	25.7%	20.6%	20.6%	20.6%	20.6%
Cost of sale	14.8%	13.3%	16.5%	16.1%	28.1%	22.1%	19.3%	19.9%	20.8%
Gross profit	34.5%	26.4%	13.7%	19.7%	23.0%	18.9%	22.1%	21.4%	20.3%
Selling and distribution	29.0%	16.2%	13.6%	25.1%	26.7%	17.8%	20.6%	20.6%	20.6%
Administration expenses	6.4%	11.4%	0.2%	10.1%	29.5%	5.8%	32.8%	20.6%	20.6%
Research and development	0.8%	-22.3%	20.1%	-1.3%	5.3%	31.9%	20.6%	20.6%	20.6%
Other operating expenses	45.3%	58.3%	0.7%	14.9%	4.9%	35.6%	20.6%	20.6%	20.6%
Operating Profit	75.6%	54.9%	20.3%	14.4%	16.2%	24.1%	22.1%	23.1%	19.7%
Other operating income	-34.8%	198.8%	-34.9%	50.8%	12.9%	157.9%	-23.2%	20.6%	20.6%
Finance cost	-39.4%	-29.2%	-30.6%	-18.3%	69.1%	185.2%	0.0%	0.0%	0.0%
Profit before taxation	78.4%	60.9%	18.5%	15.5%	15.8%	27.0%	19.6%	23.4%	20.0%
Taxation	85.6%	56.3%	14.5%	12.1%	15.6%	12.0%	20.3%	23.4%	20.0%
Profit after taxation	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	19.3%	23.4%	20.0%
EPS	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	19.3%	23.4%	20.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
GP Margin	%	47.51	46.90	47.66	46.65	46.00	46.58	46.88	46.78	46.76
NP Margin	%	10.08	10.55	10.49	9.67	10.73	10.62	10.86	10.81	10.81
OP Margin	%	14.66	15.31	14.87	13.75	14.14	14.32	14.62	14.51	14.50
ROE	%	36.23	29.49	25.93	25.29	28.21	27.94	29.08	29.39	29.79
ROCE	%	28.63	24.64	22.07	21.78	24.59	24.90	26.37	27.05	27.77
ROA	%	19.39	18.88	18.63	19.25	20.98	16.43	15.39	14.32	13.60
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	2.66	2.80	4.19	5.83	4.76	7.28	8.56	9.61	10.51
Acid-test	x	1.77	1.61	2.80	3.73	3.21	3.28	3.34	3.39	3.43
Cash to current liab.	x	0.67	1.03	1.17	1.78	1.26	3.71	4.93	5.92	6.77
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Inventory Turnover	x	3	3	3	3	3	3	3	3	3
Inventory Days		118	126	123	113	117	123	123	122	122
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	96	95	95	95
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS		12.83	15.46	18.10	20.97	28.05	33.47	41.29	49.54	59.77
DPS		7.50	8.50	10.00	13.00	13.00	15.51	19.13	22.96	27.70
Div. Yield	%	1.34	1.52	1.79	2.32	2.32	2.77	3.42	4.10	4.95
Dividend Cover	x	1.71	1.82	1.81	1.61	2.16	2.16	2.16	2.16	2.16
BVPS		35.41	52.42	69.80	82.93	99.42	119.81	141.96	168.55	200.62
Payout	%	58.47	55.00	55.25	61.99	46.34	46.34	46.34	46.34	46.34
Retention	%	41.53	45.00	44.75	38.01	53.66	53.66	53.66	53.66	53.66
No. of Shares	'000	34,615	34,615	34,615	34,615	34,615	34,615	34,615	34,615	34,615
P/E		43.61	36.20	30.91	26.68	19.94	16.71	13.55	11.29	9.36
Sales per share		127.23	146.49	172.50	216.76	261.38	315.19	380.07	458.32	552.67
P/BV		15.80	10.67	8.02	6.75	5.63	4.67	3.94	3.32	2.79
Price to Sales		5.19	4.51	3.83	3.05	2.53	2.10	1.74	1.44	1.19
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	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	65.31	80.40	96.26	115.92

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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