

# HINOON

## 1QCY23 Result Review: BUY Stance Maintained

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HINOON has announced its 1QCY23 result where it posted a profit after tax of Rs626mn (EPS: Rs14.93) as compared to a profit after tax of Rs534mn (EPS: Rs12.74) in the same period last year, up by 17.2% YoY. We note that this growth is attributed to the increase in volumetric sales along with a hike in prices.

The company has posted a revenue of Rs4.87bn against Rs3.76bn in SPLY, recording a growth of 29.7% YoY. The gross margin has improved to 54.7% as compared to 48.7% during SPLY.

SG&A expenses have increased by 16.0% to Rs1.33bn as compared to Rs1.14bn during SPLY. Lastly, effective taxation has increased to 29.5% as compared to 14.8% during SPLY.

HINOON is currently trading at CY23E PE of 7.24x. Furthermore, it is also trading at CY23E PB of 1.83x which offers a discount of 43% relative to its historical 3-year average of 3.25x. We maintain our **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs520 which provides an upside potential of 19%. Further, the scrip provides a dividend yield of 5%, which makes the cumulative return 24%.

Rupees' millions	1QCY23	1QCY22	YoY	CY22	CY21	YoY
Net Sales	4,873	3,756	29.7% ▲	15,816	13,001	21.7% ▲
Cost of Sales	2,660	1,875	41.9% ▲	7,786	6,585	18.2% ▲
Gross Profit	2,213	1,881	17.6% ▲	8,030	6,416	25.2% ▲
SG&A Expenses	1,328	1,145	16.0% ▲	4,603	3,947	16.6% ▲
Other Expenses	87	61	41.8% ▲	321	214	50.0% ▲
Operating Profit	795	672	18.3% ▲	3,095	2,245	37.8% ▲
Other Income	48	58	16.8% ▼	305	163	87.5% ▲
Finance Cost	1	1	37.2% ▼	54	36	51.4% ▲
Profit Before Taxation	842	729	15.6% ▲	3,346	2,372	41.0% ▲
Taxation	217	195	11.1% ▲	928	564	64.6% ▲
Profit After Taxation	626	534	17.2% ▲	2,417	1,808	33.7% ▲
Earnings Per Share	14.93	12.74	17.2% ▲	57.71	43.17	33.7% ▲
Dividend	0.00	0.00	-	20.00	20.00	-
Bonus	0%	0%	-	10%	0.00	-
Gross Margin	54.7%	48.7%	6.0% ▲	50.8%	49.3%	1.4% ▲
SG&A Expenses to Sales	28.9%	27.7%	1.3% ▲	29.1%	30.4%	1.3% ▼
Other Expenses to Sales	1.5%	1.9%	0.4% ▼	2.0%	1.6%	0.4% ▲
Other Income to Sales	2.1%	1.4%	0.7% ▲	1.9%	1.3%	0.7% ▲
Effective Taxation	29.5%	14.8%	14.7% ▲	27.7%	23.8%	4.0% ▲
Net Margin	18.1%	17.0%	1.1% ▲	15.3%	13.9%	1.4% ▲

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	HINOON
TP - Dec 23	520
LDCP	438
Upside	19%
Free Float (mn)	19
Market Cap. (Rs.mn)	20,180

### 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	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	10,698	13,001	15,816	19,491	22,933	27,063	32,048
Cost of sale	5,576	6,585	7,786	10,641	12,088	14,265	16,892
<b>Gross profit</b>	<b>5,121</b>	<b>6,416</b>	<b>8,030</b>	<b>8,850</b>	<b>10,845</b>	<b>12,798</b>	<b>15,155</b>
Selling and distribution	2,645	3,416	3,988	4,510	5,839	6,890	8,159
Administration expenses	448	531	615	754	887	1,047	1,240
Research and development	6	9	11	12	14	16	19
Other operating expenses	179	214	321	348	361	426	504
<b>Operating Profit</b>	<b>1,842</b>	<b>2,245</b>	<b>3,095</b>	<b>3,227</b>	<b>3,745</b>	<b>4,419</b>	<b>5,233</b>
Other operating income	104	163	305	194	228	269	318
Finance cost	24	36	54	10	16	22	28
Profit before taxation	1,922	2,372	3,346	3,410	3,956	4,665	5,523
Taxation	501	564	928	877	1,018	1,200	1,421
<b>Profit after taxation</b>	<b>1,421</b>	<b>1,808</b>	<b>2,417</b>	<b>2,533</b>	<b>2,939</b>	<b>3,465</b>	<b>4,102</b>
EPS	<b>33.92</b>	<b>43.17</b>	<b>57.71</b>	<b>60.48</b>	<b>70.16</b>	<b>82.74</b>	<b>97.95</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	20.6%	18.2%	21.5%	21.7%	23.2%	17.7%	18.0%
Cost of sale	22.1%	14.1%	18.1%	18.2%	36.7%	13.6%	18.0%
<b>Gross profit</b>	<b>18.9%</b>	<b>23.1%</b>	<b>25.3%</b>	<b>25.2%</b>	<b>10.2%</b>	<b>22.5%</b>	<b>18.0%</b>
Selling and distribution	17.8%	10.8%	29.1%	16.7%	13.1%	29.5%	18.0%
Administration expenses	5.8%	21.2%	18.5%	15.8%	22.7%	17.7%	18.0%
Research and development	31.9%	27.2%	36.0%	22.6%	10.9%	17.7%	18.0%
Other operating expenses	35.6%	49.0%	19.6%	50.0%	8.2%	3.7%	18.0%
<b>Operating Profit</b>	<b>24.1%</b>	<b>43.9%</b>	<b>21.9%</b>	<b>37.8%</b>	<b>4.3%</b>	<b>16.0%</b>	<b>18.0%</b>
Other operating income	157.9%	21.7%	56.9%	87.5%	-36.5%	17.7%	18.0%
Finance cost	185.2%	0.8%	49.0%	51.4%	-80.9%	57.6%	36.6%
Profit before taxation	27.0%	43.3%	23.4%	41.0%	1.9%	16.0%	17.9%
Taxation	12.0%	35.4%	12.6%	64.6%	-5.5%	16.0%	17.9%
<b>Profit after taxation</b>	<b>33.8%</b>	<b>46.3%</b>	<b>27.3%</b>	<b>33.7%</b>	<b>4.8%</b>	<b>16.0%</b>	<b>17.9%</b>
EPS	<b>33.8%</b>	<b>46.3%</b>	<b>27.3%</b>	<b>33.7%</b>	<b>4.8%</b>	<b>16.0%</b>	<b>17.9%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	47.87	49.35	50.77	45.41	47.29	47.29	47.29
NP Margin	%	13.28	13.91	15.28	13.00	12.81	12.81	12.80
OP Margin	%	17.22	17.27	19.57	16.56	16.33	16.33	16.33
ROE	%	31.67	31.38	32.47	25.34	24.67	24.43	24.33
ROCE	%	26.59	28.08	29.48	23.59	23.23	23.22	23.31
ROA	%	22.09	22.18	22.72	17.86	15.95	14.74	13.89
Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	4.30	3.69	3.37	4.06	4.95	5.71	6.42
Acid-test	x	3.24	2.96	2.61	2.72	2.77	2.81	2.83
Cash to current liab.	x	0.76	0.47	0.18	0.69	1.50	2.19	2.85
Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	3	3	3	2	2	2	2
Inventory Days		128	123	144	155	166	161	159
Receivables Days		12	21	34	33	32	32	32
Payables Days		36	65	70	70	70	70	70
Operating Cycle		103	79	107	117	128	123	120
Investment Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
EPS		33.92	43.17	57.71	60.48	70.16	82.74	97.95
DPS		20.00	20.00	20.00	21.00	24.50	28.50	34.00
Div. Yield	%	4.57	4.57	4.57	4.79	5.59	6.51	7.76
Dividend Cover	x	1.70	2.16	2.89	2.88	2.86	2.90	2.88
BVPS		107.11	137.59	177.76	238.71	284.37	338.61	402.56
Payout	%	58.96	46.33	34.66	34.72	34.92	34.45	34.71
Retention	%	41.04	53.67	65.34	65.28	65.08	65.55	65.29
No. of Shares	'000	41,884	41,884	41,884	41,884	41,884	41,884	41,884
P/E		12.91	10.15	7.59	7.24	6.24	5.29	4.47
Sales per share		255.41	310.40	377.61	465.36	547.54	646.14	765.16
P/BV		4.09	3.18	2.46	1.83	1.54	1.29	1.09
Price to Sales		2.04	1.68	1.38	1.12	0.95	0.81	0.68
Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.11	0.06	0.10	0.08	0.06	0.05	0.05
Interest Cover	x	76.41	62.50	56.89	310.04	228.22	197.21	184.21

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
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