

HINOON

CY19 Result Review: BUY Stance Maintained

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HINOON has announced its CY19 result where it posted profit after tax of Rs971mn (EPS: Rs30.86) as compared to profit after tax of Rs726mn (EPS: Rs23.07) in same period last year, up by 33.8% YoY.

The company has posted the revenue of Rs9.05bn against Rs7.5bn in SPLY, recording a growth of 20.6% YoY. We note that this growth is attributed to the increase in volumetric growth and medicine prices.

Gross margin has slightly been squeezed to 46% in CY19 as compared to 46.7% in CY18 on account of higher input cost.

Despite increase of 16% YoY in SG&A expenses in CY19, the SG&A expenses to sales ratio has declined to 30.5% as compared to 31.7% during SPLY.

Finance cost has massively been increased by 185.2% YoY to Rs24mn in CY19 as compared to Rs8mn in SPLY on account of higher working capital requirement.

Lastly, the effective taxation has been decreased to 27.6% as compared to 31.3% during SPLY.

HINOON is currently trading at FY20E PE of 16.43x. Furthermore, it is also trading at a FY20E PB of 4.31x which offers a discount of 49% relative to its historical 5-year average of 8.38x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs603 which provides an upside potential of 20%.

Rupees' millions	4QCY19	4QCY18	YoY	CY19	CY18	YoY
Net Sales	2,388	2,060	15.9% ▲	9,048	7,503	20.6% ▲
Cost of Sales	1,268	1,114	13.8% ▲	4,886	4,003	22.1% ▲
Gross Profit	1,120	945	18.5% ▲	4,162	3,500	18.9% ▲
SG&A Expenses	767	633	21.1% ▲	2,757	2,376	16.0% ▲
Other Expenses	33	19	75.0% ▲	120	89	35.6% ▲
Operating Profit	319	293	8.9% ▲	1,280	1,032	24.1% ▲
Other Income	21	7	203.4% ▲	85	33	157.9% ▲
Finance Cost	4	0	4616.8% ▼	24	8	185.2% ▲
Profit Before Taxation	336	300	12.2% ▲	1,341	1,056	27.0% ▲
Taxation	62	107	42.4% ▼	370	330	12.0% ▲
Profit After Taxation	274	192	42.7% ▲	971	726	33.8% ▲
Earnings Per Share	8.71	6.11	42.7% ▲	30.86	23.07	33.8% ▲
Dividend	13.00	13.00		13.00	13.00	
Bonus	10%	10%		10%	10%	
Gross Margin	46.9%	45.9%	1.0% ▲	46.0%	46.7%	0.7% ▼
SG&A Expenses to Sales	32.1%	30.8%	1.4% ▲	30.5%	31.7%	1.2% ▼
Other Expenses to Sales	1.4%	0.9%	0.5% ▲	1.3%	1.2%	0.1% ▲
Other Income to Sales	0.9%	0.3%	0.5% ▲	0.9%	0.4%	0.5% ▲
Effective Taxation	18.4%	35.9%	17.5% ▼	27.6%	31.3%	3.7% ▼
Net Margin	11.5%	9.3%	2.2% ▲	10.7%	9.7%	1.1% ▲

Source: ACPL Research, Company Financials

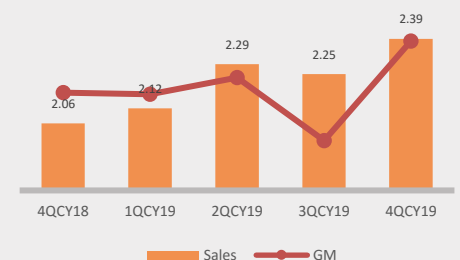
Key Statistics

Symbol	HINOON
TP - Dec 20	603.00
LDPCP	500.50
Upside	20%
Free Float (mn)	13
Market Cap. (Rs.mn)	15,750

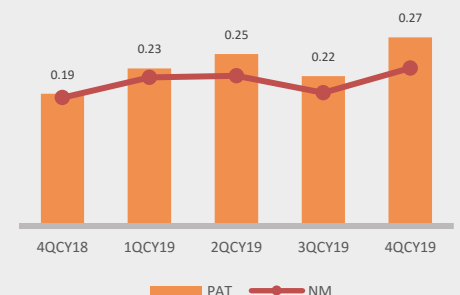
HINOON vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117
Email: fawad@abbasiandcompany.com

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	9,581	10,826	12,234	13,824
Cost of sale	2,312	2,693	3,125	4,003	4,886	5,118	5,751	6,511	7,360
Gross profit	2,092	2,378	2,846	3,500	4,162	4,463	5,076	5,723	6,464
Selling and distribution	1,126	1,279	1,600	2,027	2,387	2,527	2,856	3,227	3,647
Administration expenses	245	245	270	350	370	431	487	551	622
Research and development	3	4	4	4	5	5	6	7	8
Other operating expenses	73	74	84	89	120	127	144	163	184
Operating Profit	646	777	888	1,032	1,280	1,372	1,583	1,776	2,004
Other operating income	30	19	29	33	85	90	102	115	130
Finance cost	9	6	5	8	24	8	8	8	8
Profit before taxation	667	790	912	1,056	1,341	1,454	1,677	1,883	2,126
Taxation	223	255	286	330	370	400	461	518	584
Profit after taxation	444	535	626	726	971	1,054	1,216	1,365	1,542
EPS	12.83	15.46	18.10	20.97	28.05	30.46	35.12	39.44	44.54

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%	5.9%	13.0%	13.0%
Cost of sale	14.8%	13.3%	16.5%	16.1%	28.1%	22.1%	4.7%	12.4%	13.2%
Gross profit	34.5%	26.4%	13.7%	19.7%	23.0%	18.9%	7.2%	13.7%	12.7%
Selling and distribution	29.0%	16.2%	13.6%	25.1%	26.7%	17.8%	5.9%	13.0%	13.0%
Administration expenses	6.4%	11.4%	0.2%	10.1%	29.5%	5.8%	16.6%	13.0%	13.0%
Research and development	0.8%	-22.3%	20.1%	-1.3%	5.3%	31.9%	5.9%	13.0%	13.0%
Other operating expenses	45.3%	58.3%	0.7%	14.9%	4.9%	35.6%	5.9%	13.0%	13.0%
Operating Profit	75.6%	54.9%	20.3%	14.4%	16.2%	24.1%	7.2%	15.4%	12.2%
Other operating income	-34.8%	198.8%	-34.9%	50.8%	12.9%	157.9%	5.9%	13.0%	13.0%
Finance cost	-39.4%	-29.2%	-30.6%	-18.3%	69.1%	185.2%	-66.9%	0.0%	0.0%
Profit before taxation	78.4%	60.9%	18.5%	15.5%	15.8%	27.0%	8.4%	15.3%	12.3%
Taxation	85.6%	56.3%	14.5%	12.1%	15.6%	12.0%	8.0%	15.3%	12.3%
Profit after taxation	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	8.6%	15.3%	12.3%
EPS	74.8%	63.3%	20.5%	17.1%	15.9%	33.8%	8.6%	15.3%	12.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	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	11.01	11.23	11.16	11.15
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	28.13	26.25	26.04	25.27	24.75
ROCE	%	28.63	24.64	22.07	21.78	24.81	23.54	23.69	23.28	23.04
ROA	%	19.39	18.88	18.63	19.25	31.53	23.24	19.97	17.46	15.78
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Current	x	2.66	2.80	4.19	5.83	3.69	6.30	8.36	10.18	11.86
Acid-test	x	1.77	1.61	2.80	3.73	3.88	3.92	4.00	4.08	4.14
Cash to current liab.	x	0.67	1.03	1.17	1.78	3.69	6.30	8.36	10.18	11.86
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19E	CY20E	CY21E	CY22E	CY23E
Inventory Turnover	x	3	3	3	3	3	3	3	3	3
Inventory Days		118	126	123	113	112	121	117	116	116
Receivables Days		6	6	17	15	15	14	15	15	15
Payables Days		65	67	46	31	31	31	31	31	31
Operating Cycle		59	65	93	97	96	103	100	99	100
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
EPS		12.83	15.46	18.10	20.97	28.05	30.46	35.12	39.44	44.54
DPS		7.50	8.50	10.00	13.00	13.00	14.12	16.28	18.28	20.64
Div. Yield	%	1.50	1.70	2.00	2.60	2.60	2.82	3.25	3.65	4.12
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	99.71	116.06	134.90	156.07	179.97
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		39.02	32.38	27.65	23.87	17.84	16.43	14.25	12.69	11.24
Sales per share		127.23	146.49	172.50	216.76	261.38	276.78	312.76	353.42	399.36
P/BV		14.14	9.55	7.17	6.04	5.02	4.31	3.71	3.21	2.78
Price to Sales		4.74	4.11	3.49	2.78	2.31	2.18	1.93	1.71	1.51
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	0.02	0.01
Interest Cover	x	73.75	127.91	179.03	122.99	53.50	173.01	199.60	223.93	252.70

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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SELL	Less than and equal to -5%

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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com