

HINOON

CY22 Result Review: BUY Stance Maintained

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HINOON has announced its CY22 result where it posted a profit after tax of Rs2.42bn (EPS: Rs57.71) as compared to a profit after tax of Rs1.81bn (EPS: Rs43.17) in the same period last year, up by 33.7% 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 Rs15.82bn against Rs13.00bn in SPLY, recording a growth of 21.7% YoY. The gross margin has slightly increased to 50.8% as compared to 49.3% during SPLY.

SG&A expenses have been increased by 16.6% to Rs4.60bn as compared to Rs3.95bn during SPLY. Lastly, effective taxation has slightly decreased to 27.7% as compared to 23.8% during SPLY.

HINOON is currently trading at CY23E PE of 7.70x. Furthermore, it is also trading at a CY23E PB of 2.02x which offers a discount of 42% relative to its historical 3-year average of 3.49x. We maintain our **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs560 which provides an upside potential of 16%. Further, the scrip provides a dividend yield of 4%, which makes the cumulative return 20%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Net Sales	3,784	3,421	10.6% ▲	15,816	13,001	21.7% ▲
Cost of Sales	1,713	1,755	2.4% ▼	7,786	6,585	18.2% ▲
Gross Profit	2,071	1,666	24.3% ▲	8,030	6,416	25.2% ▲
SG&A Expenses	1,095	946	15.7% ▲	4,603	3,947	16.6% ▲
Other Expenses	59	66	10.9% ▼	321	214	50.0% ▲
Operating Profit	914	653	40.1% ▲	3,095	2,245	37.8% ▲
Other Income	81	48	68.1% ▲	305	163	87.5% ▲
Finance Cost	22	19	18.9% ▲	54	36	51.4% ▲
Profit Before Taxation	973	682	42.6% ▲	3,346	2,372	41.0% ▲
Taxation	287	101	183.6% ▲	928	564	64.6% ▲
Profit After Taxation	686	581	18.0% ▲	2,417	1,808	33.7% ▲
Earnings Per Share	16.37	13.87	18.0% ▲	57.71	43.17	33.7% ▲
Dividend	20.00	20.00	-	20.00	20.00	-
Bonus	10%	0%		10%	0.00	

Closing Date: April 22, 2023 to April 29, 2023

	4QCY22	4QCY21	YoY	CY22	CY21	YoY
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	560
LDCP	483
Upside	16%
Free Float (mn)	19
Market Cap. (Rs.mn)	20,230

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	17,089	19,288	21,770	24,572
Cost of sale	5,576	6,585	7,786	8,659	9,773	11,031	12,450
Gross profit	5,121	6,416	8,030	8,430	9,515	10,739	12,121
Selling and distribution	2,645	3,416	3,988	4,310	4,864	5,490	6,196
Administration expenses	448	531	615	590	666	752	849
Research and development	6	9	11	11	13	15	17
Other operating expenses	179	214	321	265	299	337	380
Operating Profit	1,842	2,245	3,095	3,254	3,673	4,145	4,679
Other operating income	104	163	305	367	414	468	528
Finance cost	24	36	54	65	70	75	80
Profit before taxation	1,922	2,372	3,346	3,556	4,017	4,538	5,127
Taxation	501	564	928	929	1,049	1,185	1,339
Profit after taxation	1,421	1,808	2,417	2,627	2,968	3,353	3,788
EPS	33.92	43.17	57.71	62.73	70.86	80.05	90.43

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Net sales	20.6%	18.2%	21.5%	21.7%	8.1%	12.9%	12.9%
Cost of sale	22.1%	14.1%	18.1%	18.2%	11.2%	12.9%	12.9%
Gross profit	18.9%	23.1%	25.3%	25.2%	5.0%	12.9%	12.9%
Selling and distribution	17.8%	10.8%	29.1%	16.7%	8.1%	12.9%	12.9%
Administration expenses	5.8%	21.2%	18.5%	15.8%	-3.9%	12.9%	12.9%
Research and development	31.9%	27.2%	36.0%	22.6%	8.1%	12.9%	12.9%
Other operating expenses	35.6%	49.0%	19.6%	50.0%	-17.7%	12.9%	12.9%
Operating Profit	24.1%	43.9%	21.9%	37.8%	5.1%	12.9%	12.9%
Other operating income	157.9%	21.7%	56.9%	87.5%	20.4%	12.9%	12.9%
Finance cost	185.2%	0.8%	49.0%	51.4%	20.1%	7.7%	7.1%
Profit before taxation	27.0%	43.3%	23.4%	41.0%	6.3%	13.0%	13.0%
Taxation	12.0%	35.4%	12.6%	64.6%	0.0%	13.0%	13.0%
Profit after taxation	33.8%	46.3%	27.3%	33.7%	8.7%	13.0%	13.0%
EPS	33.8%	46.3%	27.3%	33.7%	8.7%	13.0%	13.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
GP Margin	%	47.87	49.35	50.77	49.33	49.33	49.33	49.33
NP Margin	%	13.28	13.91	15.28	15.37	15.39	15.40	15.42
OP Margin	%	17.22	17.27	19.57	19.04	19.04	19.04	19.04
ROE	%	31.67	31.38	29.24	26.29	24.87	23.72	22.81
ROCE	%	26.59	28.08	27.03	24.62	23.53	22.63	21.92
ROA	%	22.09	22.49	21.56	17.70	15.65	14.20	13.11
Liquidity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Current	x	4.30	3.87	6.04	7.81	9.50	11.16	12.76
Acid-test	x	3.24	3.10	3.58	3.58	3.59	3.60	3.61
Cash to current liab.	x	0.76	0.51	2.22	3.98	5.65	7.28	8.87
Activity Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	3	3	3	3	3	3	3
Inventory Days		128	123	120	124	123	123	123
Receivables Days		12	18	16	15	15	15	15
Payables Days		36	54	42	42	42	42	42
Operating Cycle		103	86	93	97	96	96	96
Investment Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
EPS		33.92	43.17	57.71	62.73	70.86	80.05	90.43
DPS		20.00	20.00	20.00	21.50	24.50	27.50	31.50
Div. Yield	%	4.14	4.14	4.14	4.45	5.07	5.69	6.52
Dividend Cover	x	1.70	2.16	2.89	2.92	2.89	2.91	2.87
BVPS		107.11	137.59	197.36	238.59	284.95	337.50	396.43
Payout	%	58.96	46.33	34.66	34.27	34.58	34.35	34.83
Retention	%	41.04	53.67	65.34	65.73	65.42	65.65	65.17
No. of Shares	'000	41,884	41,884	41,884	41,884	41,884	41,884	41,884
P/E		14.24	11.19	8.37	7.70	6.82	6.03	5.34
Sales per share		255.41	310.40	377.61	408.02	460.51	519.76	586.66
P/BV		4.51	3.51	2.45	2.02	1.70	1.43	1.22
Price to Sales		2.19	1.80	1.48	1.37	1.22	1.08	0.95
Gearing Ratios		CY20A	CY21A	CY22A	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.11	0.06	0.04	0.04	0.03	0.02	0.02
Interest Cover	x	76.41	62.50	56.89	49.80	52.21	55.02	58.24

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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