

Sector**CHEMICAL****Chase Research**

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Symbol: **DYNO**

Current Price: **PKR 196.99**

Market Cap (PKR bn): **3.72**

Total Shares (mn): **18.87**

Free Float (mn): **12.27**

52 Week Low: **PKR 100.00**

52 Week High: **PKR 216.00**

Dynea Pakistan Limited (DYNO)

In 1QFY24, Dynea Pakistan Limited demonstrated substantial growth, with net profit reaching PKR 345.33 million (EPS: PKR 18.30) from a net loss of PKR 1.53 million (LPS: PKR 0.08) in the corresponding period of the previous year.

The Company's revenue saw a notable increase to PKR 3.13 billion in 1QFY24, marking a 52% YoY growth from the PKR 2.06 billion reported in the same period last year.

Cost of sales experienced a notable rise of 27% YoY to PKR 2.33 billion in 1QFY24 from PKR 1.84 billion in the prior year. In contrast, administrative and distribution expenses increased by 49% YoY and 39% YoY to PKR 70.93 million and PKR 81.09 million in 1QFY24.

The finance cost of the Company decreased by 80% YoY to PKR 4.71 million in 1QFY24. Both gross profit and operating profit recorded substantial increases of 266% YoY and 640% YoY, reaching PKR 795.83 million and 639.74 million, respectively, in 1QFY24.

In FY23, DYNO witnessed a 16% YoY increase in net sales revenue to PKR 11.08 billion compared to PKR 9.54 billion. The surge in the top line was attributed to product price increases, leading to a profit before tax of PKR 1.08 billion in FY23.

Despite macroeconomic challenges, the sales quantity of the Company increased by 10% YoY to 92,874 M. Tons, resulting in a 7% YoY increase in profit after tax to PKR 665 million (EPS: PKR 35.25) in FY23, compared to PKR 622 million (EPS: PKR 32.93) in FY22.

Total assets and shareholder's equity grew by 17% YoY and 18% YoY to PKR 4.56 billion and PKR 3.43 billion, respectively, in FY23.

In the Resin Division of Hub Unit, the total capacity of Formaldehyde and Urea/Melamine Formaldehyde is 39,000 M Tons per annum and 26,000 M.Tons per annum, respectively. However, the Resin plant is operating at less than 80% capacity due to low demand in the market.

The total capacity of the Moulding Compound division in the Hub Unit is 7,000 M.tons per annum. Formaldehyde capacity increased to 30,000 M. Tons per annum after debottlenecking in the Resin Division of Gadoon Unit in 2022. Additionally, the total capacity of Urea/Melamine Formaldehyde was reported at 51,000 M.Tons per annum.

The second plant of Formaldehyde in Gadoon Unit consists of a 50,000 M. Tons per annum capacity since 2018. The capacity of the Moulding Compound division is 7,500 per annum, and that of MCP and Glaze is 7,500 M. Tons per annum and 2,000 M. Tons per annum respectively.

Presently, Dynea Pakistan is operating the Moulding Compound plant at 90%. The Company has a concentration of customers for Moulding Compounds for the production of Melamine-based Crockery in Rawalpindi. The high-margin product is Moulding Compound, while Resin demand is under pressure, as discussed by the management.

Management reported the successful commissioning of a 1MW solar power plant on a 500-acre land in June 2023 and aims to add another 4MW to increase dependence on renewable sources.

The company maintains an inventory for three to four months on average. Due to low demand in previous months, DYNO is likely to carry 10-15% excess inventory and plans to rationalize low inventory going forward.

In Afghanistan, DYNO exported 800,000 tons against the target of 100,000 tons. Moreover, the leads of exports to Africa are nearing maturity. Raw material constitutes 80% of total annual products, with the average price of Methanol at \$330 per ton, which increases in winter.

Regarding the adhesive market, the management acknowledged challenges due to the informal nature of the market.

Going forward, the management foresees an increase in international prices of raw materials. Moreover, demand will remain a key challenge for the Company due to the ongoing macroeconomic situation in the country. Additionally, the Company aims to operate plants at their full capacity.

The management indicated that DYNO is evaluating options to localize raw materials with low CAPEX that the Company can source from internal cash instead of going for debt. Moreover, the Company is targeting zero debt given the current high interest environment in the country.

Financial Highlights			
PKR million	1QFY24	1QFY23	YoY Change
Sales - net	3,125	2,057	52%
Cost of Sales	2,330	1,839	27%
Gross profit	796	218	266%
Administrative Expenses	71	48	49%
Distribution Expenses	81	58	39%
Operating Profit	639	87	640%
Other Income	16	2	570%
Finance Cost	5	24	-80%
Profit Before Taxation	567	(2)	NM
Taxation	(221)	740	NM
Profit After Taxation	345	(2)	NM
Earnings per share (Rs.)	18.30	(0.08)	-
*Source: Dynea Pakistan Limited, PSX			

Important Disclosures

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