

UNITY

9MFY21 Result Review: BUY Stance Maintained

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UNITY has announced its 9MFY21 result where it posted profit after tax of Rs2.7bn (EPS: Rs2.68) as compared to profit after tax of Rs42mn (EPS: Rs0.04) in same period last year, up by 6228% YoY.

The company has posted the revenue of Rs48bn against Rs21bn in SPLY, recording a growth of 134% YoY. We note that this growth is attributed to the increase in the volumetric sales.

Gross margin has slightly been increased to 8.2% as compared to 7.3% in SPLY due to the strengthening of PKR against USD. SG&A expenses have increased by 50% YoY to Rs1bn as compared to Rs717mn during SPLY.

Lastly, the finance cost has been increased by 47.7% YoY to Rs590mn as compared to Rs399mn during SPLY owing to higher working capital requirement.

Going forward, we expect the company's revenues to grow further amid rising demand of company's products in the market. UNITY is currently trading at FY21E PE of 8.62x. We recommend to **BUY** the scrip with a DCF based Dec-21 TP of Rs 45 which provides an upside potential of 40%.

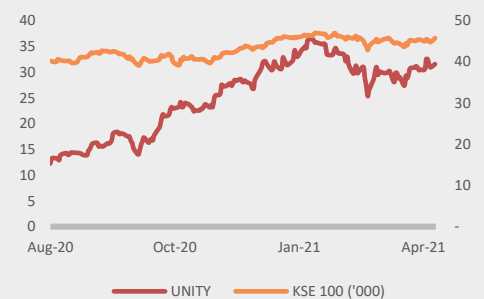
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	18,786	9,319	101.6% ▲	48,187	20,629	133.6% ▲
Cost of Sales	-17,335	-8,905	94.7% ▲	-44,247	-19,115	131.5% ▲
Gross Profit	1,451	414	250.4% ▲	3,939	1,514	160.1% ▲
SG&A Expenses	-397	-256	55.1% ▲	-1,076	-717	50.0% ▲
Other Charges	295	23	1172.3% ▲	425	-5	8937.7% ▼
Operating Profit	1,349	181	643.9% ▲	3,289	792	315.1% ▲
Other Income	100	-353	128.4% ▼	200	-325	161.6% ▼
Finance Cost	-254	-155	64.2% ▲	-590	-399	47.7% ▲
Profit Before Taxation	1,195	-326	466.0% ▼	2,899	68	4181.7% ▲
Taxation	-60	-6	832.9% ▲	-240	-26	835.4% ▲
Profit After Taxation	1,135	-333	441.1% ▼	2,659	42	6227.9% ▲
Earnings Per Share	1.14	-0.33	441.1% ▼	2.68	0.04	6227.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	7.7%	4.4%	3.3% ▲	8.2%	7.3%	0.8% ▲
SG&A Expenses to Sales	-2.1%	-2.7%	0.6% ▼	-2.2%	-3.5%	1.2% ▼
Other Income to Sales	0.5%	-3.8%	4.3% ▲	0.4%	-1.6%	2.0% ▲
Ex. Gain / (Loss) to Sales	-2.1%	-2.7%	0.6% ▼	-2.2%	-3.5%	1.2% ▼
Effective Taxation	-5.0%	2.0%	3.0% ▲	-8.3%	-37.9%	29.7% ▼
Net Margin	6.0%	-3.6%	9.6% ▲	5.5%	0.2%	5.3% ▲

Source: ACPL Research, Company Financials

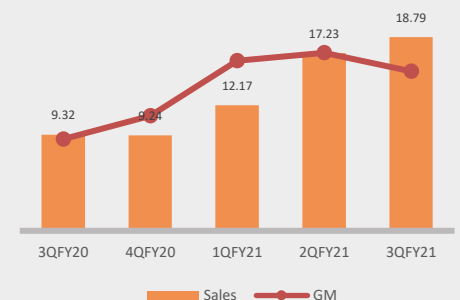
Key Statistics

Symbol	UNITY
TP - Dec 21	45.00
LDCP	32.20
Upside (%)	40
Free Float ('mn)	447
Market Cap. (Rs.'mn)	32,008

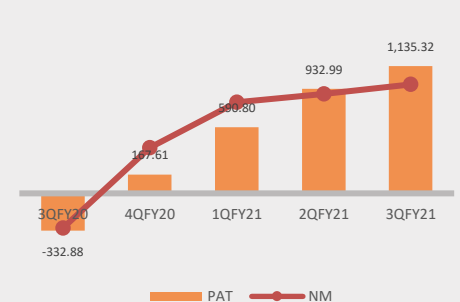
UNITY vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue	2,782	14,097	29,872	64,461	77,278	88,696	101,818
Cost of sales	-2,534	-12,820	-27,843	-58,982	-70,323	-79,827	-90,618
Gross profit	248	1,277	2,029	5,479	6,955	8,870	11,200
Distribution cost	-56	-357	-691	-1,173	-1,406	-1,614	-1,853
Administrative expenses	-55	-181	-220	-290	-348	-399	-458
Other operating expenses	-22	-178	-388	567	680	781	896
Profit from operations	116	562	731	4,583	5,881	7,637	9,785
Other income	34	1	9	219	263	302	346
Finance cost	-52	-288	-545	-648	-648	-578	-508
Profit before income tax	98	275	195	4,154	5,496	7,360	9,623
Income tax expense	24	-20	15	-440	-583	-780	-1,020
Profit for the year	122	255	210	3,714	4,913	6,580	8,603
EPS	0.12	0.26	0.21	3.74	4.94	6.62	8.65
EBITDA	138	624	855	4,822	6,155	7,950	10,143

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue		406.7%	111.9%	115.8%	19.9%	14.8%	14.8%
Cost of sales		405.9%	117.2%	111.8%	19.2%	13.5%	13.5%
Gross profit		414.8%	58.9%	170.0%	26.9%	27.5%	26.3%
Distribution cost		541.3%	93.7%	69.9%	19.9%	14.8%	14.8%
Administrative expenses		228.5%	21.5%	32.0%	19.9%	14.8%	14.8%
Other operating expenses		715.0%	118.0%	46.2%	19.9%	14.8%	14.8%
Profit from operations		386.1%	30.1%	527.0%	28.3%	29.9%	28.1%
Other income		-96.6%	641.8%	2468.2%	19.9%	14.8%	14.8%
Finance cost		456.0%	89.1%	18.9%	0.0%	-10.8%	-12.1%
Profit before income tax		180.9%	-29.2%	2035.3%	32.3%	33.9%	30.7%
Income tax expense		-17.2%	-23.3%	2820.4%	32.3%	33.9%	30.7%
Profit for the year		109.9%	-17.8%	1671.7%	32.3%	33.9%	30.7%
EPS		109.9%	-17.8%	1671.7%	32.3%	33.9%	30.7%
EBITDA		350.9%	36.9%	464.3%	27.6%	29.2%	27.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
GP Margin	%	8.92	9.06	6.79	8.50	9.00	10.00	11.00
NP Margin	%	4.37	1.81	0.70	5.76	6.36	7.42	8.45
OP Margin	%	4.15	3.99	2.45	7.11	7.61	8.61	9.61
ROE	%	6.85	4.48	3.58	26.98	26.88	27.06	26.74
ROCE	%	6.51	9.87	12.05	34.21	33.69	33.10	31.96
ROA	%	2.66	2.44	1.11	9.44	10.47	11.85	12.94
Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Current	x	1.08	1.54	1.17	1.35	1.44	1.55	1.69
Quick	x	0.43	0.65	0.62	0.85	0.92	1.03	1.17
Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Inventory Turnover	x	1.71	5.48	6.75	7.49	6.00	5.86	5.86
Inventory Days		213.07	66.63	54.07	48.71	60.85	62.24	62.24
Receivables Days		4.07	0.03	0.12	0.12	0.12	0.12	0.12
Payables Days		251.31	56.48	115.86	115.86	115.86	115.86	115.86
Operating Cycle		-34.18	10.18	-61.67	-67.03	-54.90	-53.50	-53.50
Investment Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
DPS		0.50	0.10	0.00	0.30	0.40	0.55	0.75
Div. Yield	%	1.55	0.31	0.00	0.93	1.24	1.71	2.33
Dividend Cover	x	0.24	2.57	0.00	12.45	12.36	12.04	11.54
Retention	%		61.03	100.00	91.97	91.91	91.69	91.33
Payout	%		38.97	0.00	8.03	8.09	8.31	8.67
No. of Shares	('m)	0.99	0.99	0.99	0.99	0.99	0.99	0.99
EPS		0.12	0.26	0.21	3.74	4.94	6.62	8.65
BVPS		1.78	5.73	5.88	13.85	18.39	24.46	32.36
P/E	x	263.40	125.48	152.69	8.62	6.51	4.86	3.72
Sales per share		2.80	14.18	30.05	64.85	77.74	89.23	102.43
P/BV	x	18.04	5.62	5.47	2.33	1.75	1.32	0.99
P/S	x	11.50	2.27	1.07	0.50	0.41	0.36	0.31
Solvency Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Debt to Equity	x	0.35	0.45	0.71	0.52	0.39	0.29	0.22
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	2.23	1.95	1.34	7.07	9.07	13.21	19.26

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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