

UNITY

FY21 Result Review: BUY Stance Maintained

Equity Research | Food & Personal Care Products | Wednesday, 6 October, 2021

UNITY has announced its FY21 result where it posted a profit after tax of Rs3.1bn (EPS: Rs3.13) as compared to profit after tax of Rs210mn (EPS: Rs0.21) in the same period last year, up by 1384% YoY.

The company has posted a revenue of Rs66bn against Rs30bn in SPLY, recording a growth of 122% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has been increased to 7.8% as compared to 6.8% in SPLY due to better retention prices. SG&A expenses have increased by 57% YoY to Rs1.4bn as compared to Rs910mn during SPLY. Lastly, the finance cost has been increased by 61.5% YoY to Rs880mn as compared to Rs545mn during SPLY owing to higher working capital requirements.

Going forward, we expect the company's revenues to grow further amid the rising demand for the company's products in the market. UNITY is currently trading at FY22E PE of 8.57x. Further, the script is also trading at FY22E PB of 1.81x which offers a discount of 58% relative to its 3 Year average of 5.55x. We recommend to **BUY** the script with a DCF based Jun-22 TP of Rs 45 which provides an upside potential of 42%.

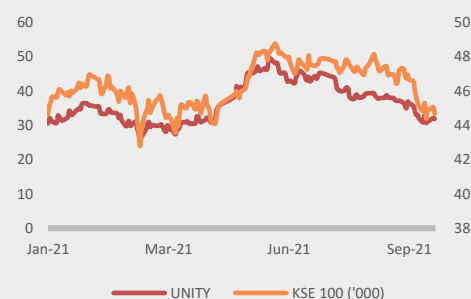
Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	18,214	9,243	97.1% ▲	66,401	29,872	122.3% ▲
Cost of Sales	-16,962	-8,728	94.3% ▲	-61,209	-27,843	119.8% ▲
Gross Profit	1,252	515	143.2% ▲	5,192	2,029	155.8% ▲
SG&A Expenses	-353	-193	82.6% ▲	-1,428	-910	56.9% ▲
Other Charges	-236	-383	38.5% ▼	189	-388	148.8% ▼
Operating Profit	664	-61	983.5% ▲	3,953	731	440.7% ▲
Other Income	116	334	65.2% ▼	317	9	3609.0% ▲
Finance Cost	-291	-146	99.3% ▲	-880	-545	61.5% ▲
Profit Before Taxation	490	127	286.1% ▲	3,389	195	1642.0% ▲
Taxation	-37	41	190.8% ▼	-277	15	1939.6% ▼
Profit After Taxation	453	168	170.1% ▲	3,112	210	1384.4% ▲
Earnings Per Share	0.46	0.17	170.1% ▲	3.13	0.21	1384.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	6.9%	5.6%	1.3% ▲	7.8%	6.8%	1.0% ▲
SG&A Expenses to Sales	-1.9%	-2.1%	0.2% ▼	-2.2%	-3.0%	0.9% ▼
Other Income to Sales	0.6%	3.6%	3.0% ▼	0.5%	0.0%	0.4% ▲
Ex. Gain / (Loss) to Sales	-1.9%	-2.1%	0.2% ▼	-2.2%	-3.0%	0.9% ▼
Effective Taxation	-7.6%	32.1%	24.6% ▼	-8.2%	7.8%	0.4% ▲
Net Margin	2.5%	1.8%	0.7% ▲	4.7%	0.7%	4.0% ▲

Source: ACPL Research, Company Financials

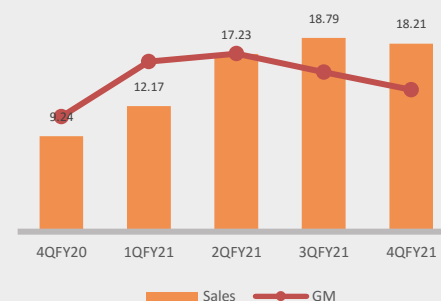
Key Statistics

Symbol	UNITY
TP - Jun 22	45.00
LDCP	31.80
Upside (%)	42
Free Float ('mn)	447
Market Cap. (Rs.'mn)	31,690

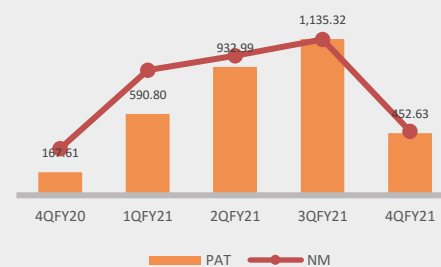
UNITY vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	14,097	29,872	66,401	80,576	88,634	97,498	107,247
Cost of sales	-12,820	-27,843	-61,209	-74,533	-81,543	-89,210	-97,595
Gross profit	1,277	2,029	5,192	6,043	7,091	8,287	9,652
Distribution cost	-357	-691	-1,035	-886	-975	-1,072	-1,180
Administrative expenses	-181	-220	-393	-725	-798	-877	-965
Other operating expenses	-178	-388	189	-161	-177	-195	-214
Profit from operations	562	731	3,953	4,271	5,141	6,142	7,293
Other income	1	9	317	384	423	465	511
Finance cost	-288	-545	-880	-527	-553	-581	-610
Profit before income tax	275	195	3,389	4,128	5,010	6,026	7,194
Income tax expense	-20	15	-277	-438	-531	-639	-763
Profit for the year	255	210	3,112	3,690	4,479	5,388	6,432
EPS	0.26	0.21	3.13	3.71	4.51	5.42	6.47
EBITDA	624	855	4,192	4,544	5,454	6,500	7,703

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	406.7%	111.9%	122.3%	21.3%	10.0%	10.0%	10.0%
Cost of sales	405.9%	117.2%	119.8%	21.8%	9.4%	9.4%	9.4%
Gross profit	414.8%	58.9%	155.8%	16.4%	17.3%	16.9%	16.5%
Distribution cost	541.3%	93.7%	49.9%	-14.4%	10.0%	10.0%	10.0%
Administrative expenses	228.5%	21.5%	78.9%	84.4%	10.0%	10.0%	10.0%
Other operating expenses	715.0%	118.0%	-51.2%	-14.9%	10.0%	10.0%	10.0%
Profit from operations	386.1%	30.1%	440.7%	8.0%	20.4%	19.5%	18.7%
Other income	-96.6%	641.8%	3609.0%	21.3%	10.0%	10.0%	10.0%
Finance cost	456.0%	89.1%	61.5%	-40.2%	5.0%	5.0%	5.0%
Profit before income tax	180.9%	-29.2%	1642.0%	21.8%	21.4%	20.3%	19.4%
Income tax expense	-17.2%	-23.3%	1739.6%	57.7%	21.4%	20.3%	19.4%
Profit for the year	109.9%	-17.8%	1384.4%	18.6%	21.4%	20.3%	19.4%
EPS	109.9%	-17.8%	1384.4%	18.6%	21.4%	20.3%	19.4%
EBITDA	36.9%	390.5%	8.4%	20.0%	19.2%	18.5%	

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	9.06	6.79	7.82	7.50	8.00	8.50	9.00
NP Margin	%	1.81	0.70	4.69	4.58	5.05	5.53	6.00
OP Margin	%	3.99	2.45	5.95	5.30	5.80	6.30	6.80
ROE	%	4.48	3.58	23.12	21.52	20.71	19.94	19.23
ROCE	%	9.87	12.05	31.46	27.00	26.02	25.02	24.03
ROA	%	2.44	1.11	8.53	8.25	8.76	9.19	9.54
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.54	1.17	1.35	1.39	1.47	1.55	1.65
Quick	x	0.65	0.62	0.79	0.84	0.92	1.00	1.10
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	5.48	6.75	7.58	6.06	5.76	5.76	5.76
Inventory Days		66.63	54.07	48.14	60.27	63.34	63.34	63.34
Receivables Days		0.03	0.12	0.12	0.12	0.12	0.12	0.12
Payables Days		56.48	115.86	115.86	115.86	115.86	115.86	115.86
Operating Cycle		10.18	-61.67	-67.60	-55.48	-52.40	-52.40	-52.40
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		0.10	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.31	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	2.57	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	61.03	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	38.97	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	0.99	0.99	0.99	0.99	0.99	0.99	0.99
EPS		0.26	0.21	3.13	3.71	4.51	5.42	6.47
BVPS		5.73	5.88	13.54	17.25	21.76	27.18	33.65
P/E	x	123.93	150.79	10.16	8.57	7.06	5.87	4.91
Sales per share		14.18	30.05	66.80	81.06	89.16	98.08	107.89
P/BV	x	5.55	5.40	2.35	1.84	1.46	1.17	0.95
P/S	x	2.24	1.06	0.48	0.39	0.36	0.32	0.29
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.45	0.71	0.33	0.30	0.25	0.21	0.18
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	1.95	1.34	4.49	8.11	9.30	10.58	11.96

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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