

# UNITY

## FY20 Result Review: Stance Downgraded to SELL

Equity Research | Vanaspati & Allied Industries | Wednesday, 30 September, 2020

UNITY has announced its annual result where it posted profit after tax of Rs210mn (Post-Right EPS: Rs0.21) in FY20 as compared to profit after tax of Rs255mn (Post-Right EPS: Rs0.26) in same period last year, down by 17.8% YoY.

The company has posted the revenue of Rs29.9bn against Rs14.1bn in SPLY, recording a tremendous growth of 111.9% YoY. We note that this growth is attributed to the increase in the volumetric sales.

Gross margin has been squeezed to 6.8% in FY20 as compared to 9.1% in FY19 owing to rising input costs.

SG&A expenses have increased by 69.4% YoY to Rs910mn in FY20 as compared to Rs537mn during SPLY. Other charges have grown by 118% YoY to Rs388mn in FY20 as compared to Rs178mn during SPLY.

Lastly, increase in finance cost by 89.1% YoY caused the bottom-line to plunge despite growth in revenues.

Going forward, we expect the company's revenues to grow further amid rising demand of company's products in the market. However, the fundamentals do not justify the current share price in our view. UNITY is currently trading at FY21E PE of 26.7x. We have a **SELL** stance on the scrip with a DCF based Jun-21 TP of Rs 15 which provides a downside potential of 10%.

Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	9,243	4,710	96.3% ▲	29,872	14,097	111.9% ▲
Cost of Sales	-8,728	-4,308	102.6% ▲	-27,843	-12,820	117.2% ▲
Gross Profit	515	402	28.1% ▲	2,029	1,277	58.9% ▲
SG&A Expenses	-193	-152	27.3% ▲	-910	-537	69.4% ▲
Other Charges	-383	-28	1279.1% ▲	-388	-178	118.0% ▲
Operating Profit	-61	222	127.5% ▼	731	562	30.1% ▲
Other Income	334	-6	5683.1% ▼	9	1	641.8% ▲
Finance Cost	-146	-143	1.7% ▲	-545	-288	89.1% ▲
Profit Before Taxation	127	73	73.5% ▲	195	275	29.2% ▼
Taxation	41	-5	951.0% ▼	15	-20	176.7% ▼
Profit After Taxation	168	68	145.3% ▲	210	255	17.8% ▼
Earnings Per Share	0.17	0.07	145.3% ▲	0.21	0.26	17.8% ▼
Dividend	0.00	0.10		0.00	0.10	
Bonus	0%	0%		0%	0%	
Gross Margin	5.6%	8.5%	3.0% ▼	6.8%	9.1%	2.3% ▼
SG&A Expenses to Sales	-2.1%	-3.2%	1.1% ▼	-3.0%	-3.8%	0.8% ▼
Other Income to Sales	3.6%	-0.1%	3.7% ▲	0.0%	0.0%	0.0% ▲
Ex. Gain / (Loss) to Sales	-2.1%	-3.2%	1.1% ▼	-3.0%	-3.8%	0.8% ▼
Effective Taxation	32.1%	-6.6%	25.6% ▲	7.8%	-7.2%	0.6% ▲
Net Margin	1.8%	1.5%	0.4% ▲	0.7%	1.8%	1.1% ▼

Source: ACPL Research, Company Financials

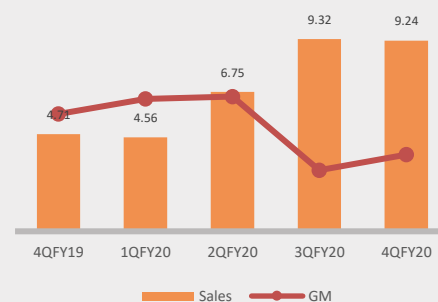
### Key Statistics

Symbol	UNITY
TP - Jun 21	15.00
LDCP	16.65
Upside (%)	(10)
Free Float ('mn) (Post-Right)	447
Market Cap. (Rs.'mn) (Post-Right)	16,551

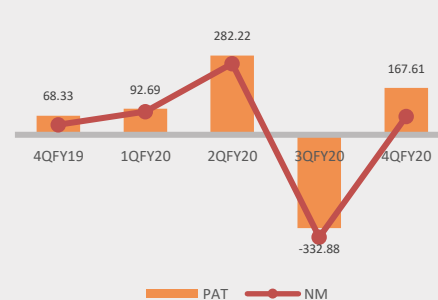
### UNITY vs KSE 100



### Sales (Rs'bn) vs Gross Margin



### PAT (Rs'mn) 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	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue	2,782	14,097	29,872	38,217	53,122	60,915	69,867
Cost of sales	-2,534	-12,820	-27,843	-35,160	-48,341	-54,823	-62,182
<b>Gross profit</b>	<b>248</b>	<b>1,277</b>	<b>2,029</b>	<b>3,057</b>	<b>4,781</b>	<b>6,091</b>	<b>7,685</b>
Distribution cost	-56	-357	-691	-884	-1,228	-1,408	-1,615
Administrative expenses	-55	-181	-220	-281	-391	-448	-514
Other operating expenses	-22	-178	-388	-496	-690	-791	-907
<b>Profit from operations</b>	<b>116</b>	<b>562</b>	<b>731</b>	<b>1,396</b>	<b>2,472</b>	<b>3,444</b>	<b>4,649</b>
Other income	34	1	9	11	15	17	20
Finance cost	-52	-288	-545	-534	-802	-715	-628
<b>Profit before income tax</b>	<b>98</b>	<b>275</b>	<b>195</b>	<b>873</b>	<b>1,686</b>	<b>2,747</b>	<b>4,041</b>
Income tax expense	24	-20	15	-253	-489	-797	-1,172
<b>Profit for the year</b>	<b>122</b>	<b>255</b>	<b>210</b>	<b>620</b>	<b>1,197</b>	<b>1,950</b>	<b>2,869</b>
<b>EPS</b>	<b>0.12</b>	<b>0.26</b>	<b>0.21</b>	<b>0.62</b>	<b>1.20</b>	<b>1.96</b>	<b>2.89</b>
<b>EBITDA</b>	<b>138</b>	<b>624</b>	<b>831</b>	<b>1,566</b>	<b>2,725</b>	<b>3,734</b>	<b>4,949</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue		406.7%	111.9%	27.9%	39.0%	14.7%	14.7%
Cost of sales		405.9%	117.2%	26.3%	37.5%	13.4%	13.4%
<b>Gross profit</b>		<b>414.8%</b>	<b>58.9%</b>	<b>50.7%</b>	<b>56.4%</b>	<b>27.4%</b>	<b>26.2%</b>
Distribution cost		541.3%	93.7%	27.9%	39.0%	14.7%	14.7%
Administrative expenses		228.5%	21.5%	27.9%	39.0%	14.7%	14.7%
Other operating expenses		715.0%	118.0%	27.9%	39.0%	14.7%	14.7%
<b>Profit from operations</b>		<b>386.1%</b>	<b>30.1%</b>	<b>91.0%</b>	<b>77.0%</b>	<b>39.3%</b>	<b>35.0%</b>
Other income		-96.6%	641.8%	27.9%	39.0%	14.7%	14.7%
Finance cost		456.0%	89.1%	-2.0%	50.0%	-10.8%	-12.1%
<b>Profit before income tax</b>		<b>180.9%</b>	<b>-29.2%</b>	<b>348.7%</b>	<b>93.1%</b>	<b>62.9%</b>	<b>47.1%</b>
Income tax expense		-17.2%	-23.3%	1579.0%	93.1%	62.9%	47.1%
<b>Profit for the year</b>		<b>109.9%</b>	<b>-17.8%</b>	<b>195.7%</b>	<b>93.1%</b>	<b>62.9%</b>	<b>47.1%</b>
<b>EPS</b>		<b>109.9%</b>	<b>-17.8%</b>	<b>195.7%</b>	<b>93.1%</b>	<b>62.9%</b>	<b>47.1%</b>
<b>EBITDA</b>		<b>350.9%</b>	<b>33.1%</b>	<b>88.3%</b>	<b>74.0%</b>	<b>37.0%</b>	<b>32.5%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
GP Margin	%	8.92	9.06	6.79	8.00	9.00	10.00	11.00
NP Margin	%	4.37	1.81	0.70	1.62	2.25	3.20	4.11
OP Margin	%	4.15	3.99	2.45	3.65	4.65	5.65	6.65
ROE	%	6.85	4.48	3.55	9.96	17.04	23.14	27.19
ROCE	%	6.51	9.87	13.73	25.72	44.48	58.26	63.05
ROA	%	2.66	2.44	1.04	2.49	3.63	5.44	7.15
Liquidity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Current	x	1.08	1.54	1.08	1.02	0.99	1.00	1.04
Quick	x	0.43	0.65	0.50	0.48	0.48	0.46	0.49
Activity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Inventory Turnover	x	1.71	5.48	5.48	4.47	4.64	4.26	4.26
Inventory Days		213.07	66.63	66.55	81.66	78.72	85.75	85.75
Receivables Days		4.07	0.03	0.03	0.03	0.03	0.03	0.03
Payables Days		251.31	56.48	140.00	140.00	140.00	140.00	140.00
Operating Cycle		-34.18	10.18	-73.42	-58.31	-61.26	-54.22	-54.22
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	%	3.00	0.60	0.00	1.80	2.40	3.30	4.50
Dividend Cover	x	0.24	2.57	0.00	2.08	3.01	3.57	3.85
Retention	%		61.03	100.00	51.89	66.78	71.96	74.01
Payout	%		38.97	0.00	48.11	33.22	28.04	25.99
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	0.62	1.20	1.96	2.89
BVPS		1.78	5.73	5.94	6.26	7.07	8.48	10.62
P/E	x	136.20	64.89	78.95	26.70	13.83	8.49	5.77
Sales per share		2.80	14.18	30.05	38.45	53.44	61.28	70.29
P/BV	x	9.33	2.91	2.80	2.66	2.36	1.96	1.57
P/S	x	5.95	1.17	0.55	0.43	0.31	0.27	0.24
Solvency Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Total Debt to Equity	x	0.35	0.45	0.65	0.93	1.23	1.03	0.82
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	2.61	3.08	4.82	7.40

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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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