

UNITY

1HFY21 Result Review: BUY Stance Maintained

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UNITY has announced its 1HFY21 result where it posted profit after tax of Rs1.5bn (EPS: Rs1.53) as compared to profit after tax of Rs375mn (EPS: Rs0.38) in same period last year, up by 306.4% YoY.

The company has posted the revenue of Rs29.4bn against Rs11.3bn in SPLY, recording a growth of 160% YoY. We note that this growth is attributed to the increase in the volumetric sales.

Gross margin has been squeezed to 8.5% as compared to 9.7% in SPLY owing to rising input costs. SG&A expenses have increased by 47.2% YoY to Rs679mn as compared to Rs461mn during SPLY.

Lastly, the finance cost has been increased by 37.2% YoY to Rs335mn as compared to Rs244mn during SPLY owing to higher working capital requirement.

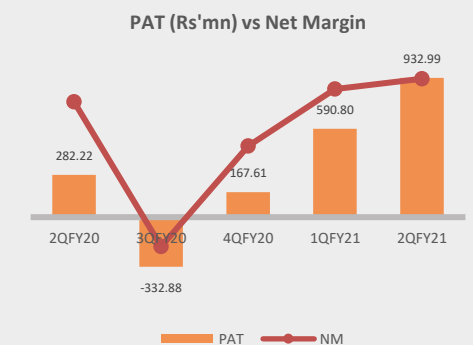
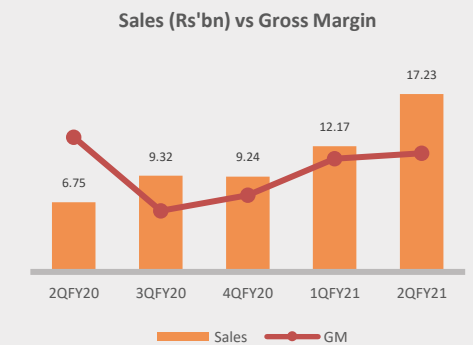
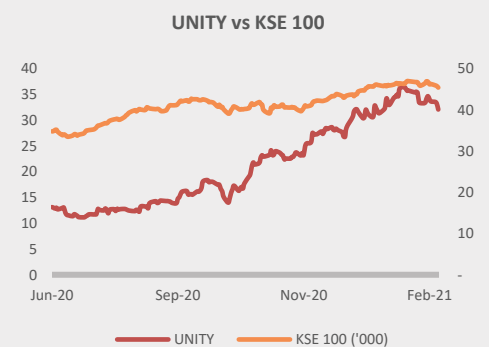
Going forward, we expect the company's revenues to grow further amid rising demand of company's products in the market. UNITY is currently trading at FY21E PE of 10.65x. We recommend to **BUY** the scrip with a DCF based Dec-21 TP of Rs 42 which provides an upside potential of 27%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	17,232	6,755	155.1% ▲	29,401	11,310	160.0% ▲
Cost of Sales	-15,746	-6,093	158.4% ▲	-26,913	-10,210	163.6% ▲
Gross Profit	1,486	662	124.6% ▲	2,488	1,100	126.2% ▲
SG&A Expenses	-436	-230	89.9% ▲	-679	-461	47.2% ▲
Other Charges	118	-21	670.1% ▼	130	-28	564.4% ▼
Operating Profit	1,168	412	183.9% ▲	1,940	611	217.5% ▲
Other Income	83	17	400.8% ▲	100	27	264.3% ▲
Finance Cost	-189	-137	38.1% ▲	-335	-244	37.2% ▲
Profit Before Taxation	1,063	291	264.7% ▲	1,705	394	332.4% ▲
Taxation	-130	-9	1305.5% ▲	-181	-19	836.3% ▲
Profit After Taxation	933	282	230.6% ▲	1,524	375	306.4% ▲
Earnings Per Share	0.94	0.28	230.6% ▲	1.53	0.38	306.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	8.6%	9.8%	1.2% ▼	8.5%	9.7%	1.3% ▼
SG&A Expenses to Sales	-2.5%	-3.4%	0.9% ▼	-2.3%	-4.1%	1.8% ▼
Other Income to Sales	0.5%	0.2%	0.2% ▲	0.3%	0.2%	0.1% ▲
Ex. Gain / (Loss) to Sales	-2.5%	-3.4%	0.9% ▼	-2.3%	-4.1%	1.8% ▼
Effective Taxation	-12.2%	-3.2%	9.1% ▲	-10.6%	-4.9%	5.7% ▲
Net Margin	5.4%	4.2%	1.2% ▲	5.2%	3.3%	1.9% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	UNITY
TP - Dec 21	42.00
LDCP	33.00
Upside (%)	27
Free Float ('mn)	447
Market Cap. (Rs.'mn)	32,803



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	58,738	70,410	80,798	92,736
Cost of sales	-2,534	-12,820	-27,843	-53,745	-64,073	-72,719	-82,535
Gross profit	248	1,277	2,029	4,993	6,337	8,080	10,201
Distribution cost	-56	-357	-691	-1,069	-1,281	-1,471	-1,688
Administrative expenses	-55	-181	-220	-288	-345	-396	-454
Other operating expenses	-22	-178	-388	258	310	356	408
Profit from operations	116	562	731	3,894	5,020	6,569	8,467
Other income	34	1	9	200	239	275	315
Finance cost	-52	-288	-545	-648	-648	-578	-508
Profit before income tax	98	275	195	3,446	4,612	6,266	8,274
Income tax expense	24	-20	15	-365	-489	-664	-877
Profit for the year	122	255	210	3,081	4,123	5,601	7,397
EPS	0.12	0.26	0.21	3.10	4.15	5.64	7.44
EBITDA	138	624	855	4,134	5,294	6,882	8,825

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue		406.7%	111.9%	96.6%	19.9%	14.8%	14.8%
Cost of sales		405.9%	117.2%	93.0%	19.2%	13.5%	13.5%
Gross profit		414.8%	58.9%	146.0%	26.9%	27.5%	26.3%
Distribution cost		541.3%	93.7%	54.8%	19.9%	14.8%	14.8%
Administrative expenses		228.5%	21.5%	31.0%	19.9%	14.8%	14.8%
Other operating expenses		715.0%	118.0%	-33.4%	19.9%	14.8%	14.8%
Profit from operations		386.1%	30.1%	432.7%	28.9%	30.8%	28.9%
Other income		-96.6%	641.8%	2240.2%	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%	1671.3%	33.8%	35.9%	32.1%
Income tax expense		-17.2%	-23.3%	2322.5%	33.8%	35.9%	32.1%
Profit for the year		109.9%	-17.8%	1369.6%	33.8%	35.9%	32.1%
EPS		109.9%	-17.8%	1369.6%	33.8%	35.9%	32.1%
EBITDA		350.9%	36.9%	383.7%	28.1%	30.0%	28.2%

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	5.24	5.86	6.93	7.98
OP Margin	%	4.15	3.99	2.45	6.63	7.13	8.13	9.13
ROE	%	6.85	4.48	3.58	23.46	24.46	25.56	25.90
ROCE	%	6.51	9.87	12.05	30.51	31.32	31.78	31.35
ROA	%	2.66	2.44	1.11	8.32	9.48	11.01	12.27
Liquidity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Current	x	1.08	1.54	1.17	1.35	1.41	1.51	1.64
Quick	x	0.43	0.65	0.62	0.86	0.91	1.00	1.12
Activity Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Inventory Turnover	x	1.71	5.48	6.75	7.27	6.00	5.86	5.86
Inventory Days		213.07	66.63	54.07	50.23	60.85	62.25	62.25
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	-65.51	-54.89	-53.49	-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	%	1.52	0.30	0.00	0.91	1.21	1.67	2.27
Dividend Cover	x	0.24	2.57	0.00	10.33	10.37	10.25	9.92
Retention	%		61.03	100.00	90.32	90.36	90.24	89.92
Payout	%		38.97	0.00	9.68	9.64	9.76	10.08
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	3.10	4.15	5.64	7.44
BVPS		1.78	5.73	5.88	13.21	16.96	22.04	28.73
P/E	x	269.95	128.60	156.48	10.65	7.96	5.86	4.43
Sales per share		2.80	14.18	30.05	59.09	70.83	81.28	93.29
P/BV	x	18.49	5.76	5.61	2.50	1.95	1.50	1.15
P/S	x	11.79	2.33	1.10	0.56	0.47	0.41	0.35
Solvency Ratios		FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Debt to Equity	x	0.35	0.45	0.71	0.55	0.42	0.32	0.25
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	6.01	7.75	11.36	16.67

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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