

UNITY

1HFY23 Result Review: BUY Stance Maintained

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UNITY has announced its 2QFY23 result where it posted a profit after tax of Rs1.619bn (EPS: Rs1.36) as compared to a loss after tax of Rs.2.24bn (LPS: Rs.1.88). Meanwhile, 1HFY23 loss after tax stands at Rs0.62bn (LPS: 0.52) as compared to profit after tax of Rs.1.09bn (EPS:0.91) in the same period last year, amid shrunk gross margin in the first quarter.

The company has posted a revenue of Rs42.81bn against Rs36.76bn in SPLY, recording a growth of 16.4% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has plunged to 7.3% from 9.6% SPLY. Furthermore, operating expenses has increased by 54% YoY to Rs1.04bn as compared to Rs0.68bn during SPLY. In addition, the finance cost has been increased by 52.9% YoY to Rs1.123bn as compared to Rs0.734bn during SPLY owing to higher interest rates. Lastly, other charges have gone up by 64% to Rs1.95bn as compared to Rs1.19bn SPLY.

Unity has declared to invest 5 billion rupees in Sunridge Foods Private Limited in order to achieve sustained growth in the long run. The scrip is currently trading at FY23E PB of 0.97x which offers a discount of 38% relative to its 3-Year average of 1.57x. We recommend to **BUY** the scrip with a DCF-based Dec-23 TP of Rs 16 which provides an upside potential of 19%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	23,284	20,174	15.4% ▲	42,806	36,761	16.4% ▲
Cost of Sales	-20,738	-17,860	16.1% ▲	-39,677	-33,221	19.4% ▲
Gross Profit	2,546	2,314	10.0% ▲	3,128	3,539	11.6% ▼
SG&A Expenses	-503	-395	27.2% ▲	-1,042	-677	54.0% ▲
Other Charges	275	-503	154.6% ▼	-1,954	-1,191	64.0% ▲
Operating Profit	2,317	1,415	63.7% ▲	132	1,671	92.1% ▼
Other Income	112	172	35.1% ▼	286	325	12.1% ▼
Finance Cost	-616	-377	63.5% ▲	-1,123	-734	52.9% ▲
Profit Before Taxation	1,813	1,211	49.7% ▲	-705	1,262	155.9% ▼
Taxation	-194	-95	103.2% ▲	82	-175	146.6% ▼
Profit After Taxation	1,619	1,115	245.2% ▼	-623	1,087	157.4% ▼
Earnings Per Share	1.36	0.93	245.2% ▼	-0.52	0.91	157.4% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0	0%	
Gross Margin	10.9%	11.5%	0.5% ▼	7.3%	9.6%	2.3% ▼
SG&A Expenses to Sales	-2.2%	-2.0%	0.2% ▲	-2.4%	-1.8%	0.6% ▲
Other Income to Sales	0.5%	0.9%	0.4% ▼	0.7%	0.9%	0.2% ▼
Ex. Gain / (Loss) to Sales	-2.2%	-2.0%	0.2% ▲	-2.4%	-1.8%	0.6% ▲
Effective Taxation	-10.7%	-7.9%	2.8% ▲	-11.6%	-13.9%	2.3% ▼
Net Margin	7.0%	5.5%	1.4% ▲	-1.5%	3.0%	4.4% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	UNITY
TP - Dec 23	16.0
LDGP	13.37
Upside (%)	19
Free Float ('mn)	478
Market Cap. (Rs.'mn)	16,036

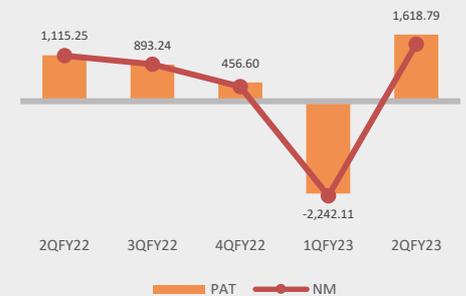
UNITY vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	29,872	66,401	82,185	85,611	94,173	103,590	113,949
Cost of sales	-27,843	-61,209	-74,339	-79,354	-86,639	-94,888	-104,035
Gross profit	2,029	5,192	7,846	6,257	7,534	8,702	9,914
Distribution cost	-691	-1,035	-726	-1,291	-1,420	-1,562	-1,719
Administrative expenses	-220	-393	-659	-793	-872	-960	-1,056
Other operating expenses	-388	189	-3,152	-3,909	-1,799	-1,979	-2,177
Profit from operations	731	3,953	3,310	264	3,442	4,201	4,963
Other income	9	317	843	572	629	692	761
Finance cost	-545	-880	-1,664	-2,247	-2,292	-2,337	-2,384
Profit before income tax	195	3,389	2,489	-1,411	1,779	2,555	3,339
Income tax expense	15	-277	-52	164	-76	-109	-142
Profit for the year	210	3,112	2,436	-1,248	1,704	2,446	3,197
EPS	0.18	2.61	2.04	(1.04)	1.43	2.05	2.68
EBITDA	855	4,113	3,609	987	4,210	5,016	5,828

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	111.9%	122.3%	23.8%	4.2%	10.0%	10.0%	10.0%
Cost of sales	117.2%	119.8%	21.5%	6.7%	9.2%	9.5%	9.6%
Gross profit	58.9%	155.8%	51.1%	-20.2%	20.4%	15.5%	13.9%
Distribution cost	93.7%	49.9%	-29.9%	77.9%	10.0%	10.0%	10.0%
Administrative expenses	21.5%	78.9%	67.5%	20.4%	10.0%	10.0%	10.0%
Other operating expenses	118.0%	-51.2%	1564.3%	24.0%	-54.0%	10.0%	10.0%
Profit from operations	30.1%	440.7%	-16.3%	-92.0%	1204.0%	22.0%	18.1%
Other income	641.8%	3609.0%	166.2%	-32.2%	10.0%	10.0%	10.0%
Finance cost	89.1%	61.5%	89.0%	35.0%	2.0%	2.0%	2.0%
Profit before income tax	-29.2%	1642.0%	-26.6%	-156.7%	-226.1%	43.6%	30.7%
Income tax expense	-23.3%	1739.6%	-81.2%	213.1%	-53.7%	43.6%	30.7%
Profit for the year	-17.8%	1384.4%	-21.7%	-151.2%	-236.5%	43.6%	30.7%
EPS	-17.8%	1384.4%	-21.7%	-151.2%	-236.5%	43.6%	30.7%
EBITDA	36.9%	381.2%	-12.3%	-72.6%	326.4%	19.1%	16.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	6.79	7.82	9.55	7.31	8.00	8.40	8.70
NP Margin	%	0.70	4.69	2.96	-1.46	1.81	2.36	2.81
OP Margin	%	2.45	5.95	4.03	0.31	3.66	4.06	4.36
ROE	%	3.58	23.26	11.52	-7.56	9.35	11.84	12.44
ROCE	%	12.05	28.80	15.41	9.04	146.68	170.78	148.16
ROA	%	1.11	7.32	4.16	-3.54	4.62	6.20	7.43
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.17	1.17	1.32	0.78	0.77	0.77	0.80
Quick	x	0.62	0.44	0.61	0.26	0.25	0.25	0.27
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.75	7.75	6.77	6.84	6.91	6.93	6.93
Inventory Days		54.07	47.11	53.95	53.36	52.79	52.71	52.68
Receivables Days		0.12	0.47	0.40	0.40	0.40	0.40	0.40
Payables Days		115.86	81.29	101.57	101.57	101.57	101.57	101.57
Operating Cycle		-61.67	-33.70	-47.22	-47.81	-48.39	-48.47	-48.49
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	1.19	1.19	1.19	1.19	1.19	1.19	1.19
EPS		0.18	2.61	2.04	-1.04	1.43	2.05	2.68
BVPS		4.90	11.20	17.72	13.83	15.25	17.30	21.53
P/E	x	76.50	5.15	6.58	-12.85	9.41	6.56	5.02
Sales per share		25.02	55.61	68.83	71.70	78.87	86.75	95.43
P/BV	x	2.74	1.20	0.76	0.97	0.88	0.78	0.62
P/S	x	0.54	0.24	0.20	0.19	0.17	0.15	0.14
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.71	1.14	0.77	0.61	0.56	0.50	0.41
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	1.34	4.49	1.99	0.12	1.50	1.80	2.08

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
- IV. Sum of Parts Valuation

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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
Underweight	Negative

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