

UNITY

1QFY23 Result Review: BUY Stance Maintained

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UNITY has announced its 1QFY23 result where it posted a loss after tax of Rs2.24bn (LPS: Rs1.88) as compared to a loss after tax of Rs0.03bn (LPS: 0.02) in the same period last year, amid huge foreign exchange loss.

The company has posted a revenue of Rs19.52bn against Rs16.59bn in SPLY, recording a growth of 17.7% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has plunged to 3% from 7.4% SPLY. Furthermore, operating expenses has increased by 91.6% YoY to Rs539mn as compared to Rs281mn during SPLY. In addition, the finance cost has been increased by 41.7% YoY to Rs507mn as compared to Rs358mn during SPLY owing to higher interest rates. Lastly, other charges have gone up by 2.24x to Rs2.23bn as compared to Rs0.27bn SPLY.

UNITY is currently trading at FY23E PB of 1.21x which offers a discount of 20% relative to its 3-Year average of 1.53x. We recommend to **BUY** the scrip with a DCF-based Dec-23 TP of Rs 15 which provides an upside potential of 15%.

Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	19,522	16,587	17.7% ▲	82,185	66,401	23.8% ▲
Cost of Sales	-18,939	-15,362	23.3% ▲	-74,339	-61,209	21.5% ▲
Gross Profit	583	1,225	52.4% ▼	7,846	5,192	51.1% ▲
SG&A Expenses	-539	-281	91.6% ▲	-1,385	-1,428	3.1% ▼
Other Charges	-2,229	-688	224.1% ▲	-3,152	189	1564.3% ▲
Operating Profit	-2,185	256	954.0% ▼	3,310	3,953	16.3% ▼
Other Income	174	153	13.9% ▲	843	317	166.2% ▲
Finance Cost	-507	-358	41.7% ▲	-1,664	-880	89.0% ▲
Profit Before Taxation	-2,518	51	5025.7% ▼	2,489	3,389	26.6% ▼
Taxation	276	-80	445.6% ▼	-52	-277	81.2% ▼
Profit After Taxation	-2,242	-29	7921.8% ▼	2,436	3,112	21.7% ▼
Earnings Per Share	-1.88	-0.02	7921.8% ▼	2.04	2.61	21.7% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0	0%	
Gross Margin	3.0%	7.4%	4.4% ▼	9.5%	7.8%	1.7% ▲
SG&A Expenses to Sales	-2.8%	-1.7%	1.1% ▲	-1.7%	-2.2%	0.5% ▼
Other Income to Sales	0.9%	0.9%	0.0% ▼	1.0%	0.5%	0.5% ▲
Ex. Gain / (Loss) to Sales	-2.8%	-1.7%	1.1% ▲	-1.7%	-2.2%	0.5% ▼
Effective Taxation	-11.0%	-156.1%	145.1% ▼	-2.1%	-8.2%	6.1% ▼
Net Margin	-11.5%	-0.2%	11.3% ▼	3.0%	4.7%	1.7% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	UNITY
TP - Dec 23	15.0
LDCP	13.08
Upside (%)	15
Free Float ('mn)	478
Market Cap. (Rs.'mn)	15,618

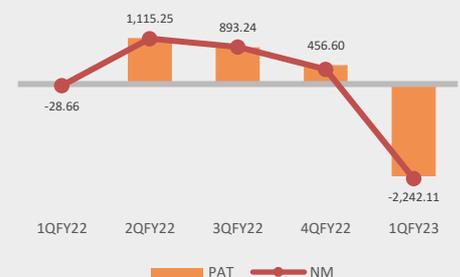
UNITY vs KSE 100



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	86,312	94,944	104,438	114,882
Cost of sales	-27,843	-61,209	-74,339	-81,997	-87,348	-95,665	-104,887
Gross profit	2,029	5,192	7,846	4,316	7,595	8,773	9,995
Distribution cost	-691	-1,035	-726	-1,450	-1,734	-1,908	-2,099
Administrative expenses	-220	-393	-659	-777	-996	-1,095	-1,205
Other operating expenses	-388	189	-3,152	-5,179	-2,041	-2,245	-2,469
Profit from operations	731	3,953	3,310	-3,090	2,825	3,525	4,222
Other income	9	317	843	768	578	636	700
Finance cost	-545	-880	-1,664	-2,691	-2,744	-2,799	-2,855
Profit before income tax	195	3,389	2,489	-5,012	658	1,362	2,066
Income tax expense	15	-277	-52	121	-16	-33	-50
Profit for the year	210	3,112	2,436	-4,891	642	1,329	2,016
EPS	0.18	2.61	2.04	(4.10)	0.54	1.11	1.69
EBITDA	855	4,113	3,609	-2,367	3,593	4,340	5,087

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	111.9%	122.3%	23.8%	5.0%	10.0%	10.0%	10.0%
Cost of sales	117.2%	119.8%	21.5%	10.3%	6.5%	9.5%	9.6%
Gross profit	58.9%	155.8%	51.1%	-45.0%	76.0%	15.5%	13.9%
Distribution cost	93.7%	49.9%	-29.9%	99.7%	19.6%	10.0%	10.0%
Administrative expenses	21.5%	78.9%	67.5%	18.0%	28.2%	10.0%	10.0%
Other operating expenses	118.0%	-51.2%	1564.3%	64.3%	-60.6%	10.0%	10.0%
Profit from operations	30.1%	440.7%	-16.3%	-193.4%	-191.4%	24.8%	19.8%
Other income	641.8%	3609.0%	166.2%	-8.8%	-24.7%	10.0%	10.0%
Finance cost	89.1%	61.5%	89.0%	61.7%	2.0%	2.0%	2.0%
Profit before income tax	-29.2%	1642.0%	-26.6%	-301.4%	-113.1%	106.8%	51.8%
Income tax expense	-23.3%	1739.6%	-81.2%	132.4%	-86.9%	106.8%	51.8%
Profit for the year	-17.8%	1384.4%	-21.7%	-300.7%	-113.1%	106.8%	51.8%
EPS	-17.8%	1384.4%	-21.7%	-300.7%	-113.1%	106.8%	51.8%
EBITDA	36.9%	381.2%	-12.3%	-165.6%	-251.8%	20.8%	17.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	6.79	7.82	9.55	5.00	8.00	8.40	8.70
NP Margin	%	0.70	4.69	2.96	-5.67	0.68	1.27	1.76
OP Margin	%	2.45	5.95	4.03	-3.58	2.98	3.38	3.68
ROE	%	3.58	23.26	11.52	-38.02	4.76	8.95	10.86
ROCE	%	12.05	28.80	15.41	264.78	-86.79	-74.66	-77.00
ROA	%	1.11	7.32	4.16	-13.43	1.78	3.57	5.13
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.17	1.17	1.32	0.70	0.65	0.63	0.62
Quick	x	0.62	0.44	0.61	0.24	0.19	0.17	0.16
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.75	7.75	6.77	6.95	6.83	6.93	6.93
Inventory Days		54.07	47.11	53.95	52.53	53.41	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	-48.64	-47.76	-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	-4.10	0.54	1.11	1.69
BVPS		4.90	11.20	17.72	10.77	11.31	12.43	15.55
P/E	x	74.50	5.02	6.41	-3.19	24.31	11.76	7.75
Sales per share		25.02	55.61	68.83	72.29	79.51	87.47	96.21
P/BV	x	2.67	1.17	0.74	1.21	1.16	1.05	0.84
P/S	x	0.52	0.24	0.19	0.18	0.16	0.15	0.14
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.71	1.14	0.77	1.14	1.10	1.02	0.83
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	-1.15	1.03	1.26	1.48

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
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