

UNITY

9MFY20 Result Review: BUY Stance Maintained

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UNITY has announced its 3QFY20 result where it posted profit after tax of Rs42mn (EPS: Rs0.08) in 9MFY20 as compared to profit after tax of Rs187mn (EPS: Rs0.34) in same period last year, down by 77.5% YoY.

The company has posted the revenue of Rs20.1bn against Rs9.4bn in SPLY, recording a growth of 119.7% YoY. We note that this growth is attributed to the increase in the volumetric sales.

Gross margin has been squeezed to 7.3% in 9MFY20 as compared to 9.3% in 9MFY19 due to rupee devaluation.

SG&A expenses have increased by 85.9% YoY to Rs717mn in 9MFY20 as compared to Rs386mn during SPLY.

Higher exchange losses, increase in finance cost by 175.6% YoY and higher effective taxation of 37.9% as compared to 7.4% during SPLY, caused the bottom-line to plunge despite growth in revenues.

Going forward, we expect the sales to remain unaffected during COVID-19 crisis. UNITY is currently trading at FY21E PE of 9.3x. Furthermore, the script is trading at a FY21E P/B of 0.93x which offers a discount of 56% relative to its historical 5-year average of 2.2x. We maintain our **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 15 which provides an upside potential of 37%.

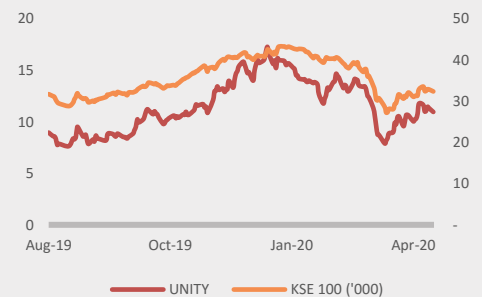
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	9,319	2,674	248.5% ▲	20,629	9,388	119.7% ▲
Cost of Sales	-8,905	-2,289	288.9% ▲	-19,115	-8,512	124.6% ▲
Gross Profit	414	384	7.7% ▲	1,514	875	73.0% ▲
SG&A Expenses	-256	-194	31.8% ▲	-717	-386	85.9% ▲
Other Charges	23	-74	131.4% ▼	-5	-150	96.8% ▼
Operating Profit	181	116	55.8% ▲	792	339	133.5% ▲
Other Income	-353	1	26737.8% ▼	-325	7	4662.8% ▼
Finance Cost	-155	-56	175.6% ▲	-399	-145	175.6% ▲
Profit Before Taxation	-326	62	630.7% ▼	68	202	66.4% ▼
Taxation	-6	-21	70.0% ▼	-26	-15	73.0% ▲
Profit After Taxation	-333	40	927.3% ▼	42	187	77.5% ▼
Earnings Per Share	-0.61	0.07	927.3% ▼	0.08	0.34	77.5% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	4.4%	14.4%	9.9% ▼	7.3%	9.3%	2.0% ▼
SG&A Expenses to Sales	-2.7%	-7.3%	4.5% ▼	-3.5%	-4.1%	0.6% ▼
Other Income to Sales	-3.8%	0.0%	3.8% ▼	-1.6%	0.1%	1.7% ▼
Ex. Gain / (Loss) to Sales	-2.7%	-7.3%	4.5% ▼	-3.5%	-4.1%	0.6% ▼
Effective Taxation	2.0%	-34.6%	32.6% ▼	-37.9%	-7.4%	30.6% ▲
Net Margin	-3.6%	1.5%	5.1% ▼	0.2%	2.0%	1.8% ▼

Source: ACPL Research, Company Financials

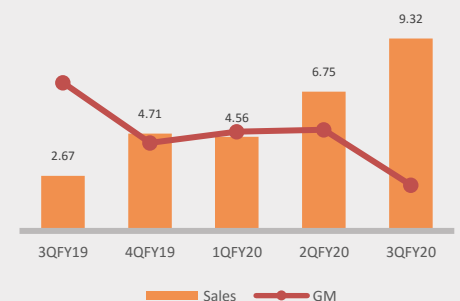
Key Statistics

Symbol	UNITY
TP - Jun 21	15.00
LDCP	10.94
Upside (%)	37.11
Free Float ('mn)	245
Market Cap. (Rs.'mn)	5,952

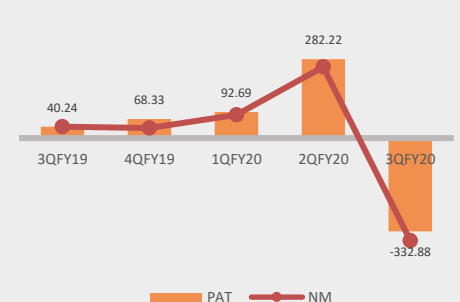
UNITY vs KSE 100



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	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Revenue	2,782	14,097	27,480	38,217	53,122	60,915	69,867
Cost of sales	-2,534	-12,820	-25,474	-35,160	-48,341	-54,823	-62,182
Gross profit	248	1,277	2,006	3,057	4,781	6,091	7,685
Distribution cost	-56	-357	-742	-1,032	-1,434	-1,645	-1,886
Administrative expenses	-55	-181	-209	-290	-404	-463	-531
Other operating expenses	-22	-178	-5	-191	-266	-305	-349
Profit from operations	116	562	1,050	1,544	2,677	3,679	4,919
Other income	34	1	-412	8	11	12	14
Finance cost	-52	-288	-510	-650	-888	-802	-715
Profit before income tax	98	275	127	902	1,800	2,890	4,218
Income tax expense	24	-20	-48	-262	-522	-838	-1,223
Profit for the year	122	255	79	640	1,278	2,052	2,995
EPS	0.22	0.47	0.15	1.18	2.35	3.77	5.50
EBITDA	138	624	1,150	1,713	2,930	3,969	5,219

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Revenue		406.7%	94.9%	39.1%	39.0%	14.7%	14.7%
Cost of sales		405.9%	98.7%	38.0%	37.5%	13.4%	13.4%
Gross profit		414.8%	57.1%	52.4%	56.4%	27.4%	26.2%
Distribution cost		541.3%	108.1%	39.1%	39.0%	14.7%	14.7%
Administrative expenses		228.5%	15.4%	39.1%	39.0%	14.7%	14.7%
Other operating expenses		715.0%	-96.9%	3376.8%	39.0%	14.7%	14.7%
Profit from operations		386.1%	86.9%	47.1%	73.4%	37.4%	33.7%
Other income		-96.6%	-35929.1%	-101.9%	39.0%	14.7%	14.7%
Finance cost		456.0%	77.0%	27.4%	36.7%	-9.8%	-10.8%
Profit before income tax		180.9%	-53.7%	608.5%	99.6%	60.6%	45.9%
Income tax expense		-17.2%	146.2%	440.7%	99.6%	60.6%	45.9%
Profit for the year		109.9%	-69.1%	711.4%	99.6%	60.6%	45.9%
EPS		109.9%	-69.1%	711.4%	99.6%	60.6%	45.9%
EBITDA		350.9%	84.2%	49.0%	71.0%	35.5%	31.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
GP Margin	%	8.92	9.06	7.30	8.00	9.00	10.00	11.00
NP Margin	%	4.37	1.81	0.29	1.68	2.41	3.37	4.29
OP Margin	%	4.15	3.99	3.82	4.04	5.04	6.04	7.04
ROE	%	6.85	4.48	1.40	10.47	17.81	22.98	26.01
ROCE	%	6.51	9.87	19.92	30.00	49.53	61.80	63.86
ROA	%	2.66	2.44	0.51	3.23	4.88	7.24	9.38
Liquidity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Current	x	1.08	1.54	1.10	1.01	0.98	1.00	1.07
Quick	x	0.43	0.65	0.43	0.37	0.37	0.36	0.41
Activity Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Inventory Turnover	x	1.71	5.48	5.80	5.29	5.28	4.85	4.85
Inventory Days		213.07	66.63	62.93	68.98	69.09	75.27	75.27
Receivables Days		4.07	0.03	0.03	0.03	0.03	0.03	0.03
Payables Days		251.31	56.48	90.00	90.00	90.00	90.00	90.00
Operating Cycle		-34.18	10.18	-27.04	-20.99	-20.88	-14.70	-14.71
Investment Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
DPS		0.50	0.10	0.25	0.30	0.40	0.55	0.75
Div. Yield	%	4.57	0.91	2.29	2.74	3.66	5.03	6.86
Dividend Cover	x	0.45	4.69	0.58	3.92	5.87	6.86	7.34
Retention	%		78.67	-72.37	74.51	82.97	85.42	86.37
Payout	%		21.33	172.37	25.49	17.03	14.58	13.63
No. of Shares	('m)	0.54	0.54	0.54	0.54	0.54	0.54	0.54
EPS		0.22	0.47	0.15	1.18	2.35	3.77	5.50
BVPS		3.26	10.47	10.36	11.24	13.19	16.41	21.16
P/E	x	48.98	23.33	75.43	9.30	4.66	2.90	1.99
Sales per share		5.11	25.91	50.51	70.25	97.64	111.97	128.42
P/BV	x	3.36	1.05	1.06	0.97	0.83	0.67	0.52
P/S	x	2.14	0.42	0.22	0.16	0.11	0.10	0.09
Solvency Ratios		FY18A	FY19A	FY20E	FY21E	FY22E	FY23E	FY24E
Total Debt to Equity	x	0.35	0.45	0.68	0.94	1.21	0.97	0.75
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	2.06	2.38	3.01	4.59	6.88

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

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Market Weight	Neutral
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