



Unity Foods (UNITY) Analyst Briefing Key Takeaways

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Analyst Briefing Key Takeaways

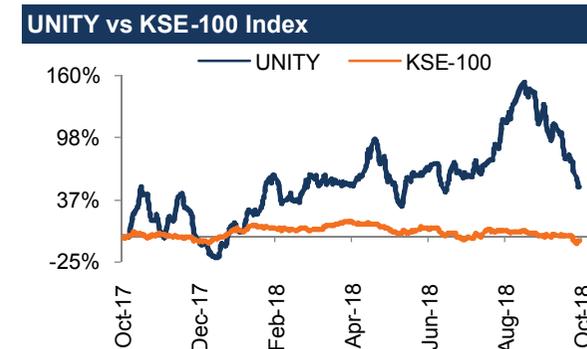
Topline Securities today conducted analyst briefing of UNITY (previously Taha Spinning) where the company discussed its business model and future outlook with investors/analysts.

The company is primarily engaged in importing oil seeds and extracting edible oil and animal feeds, which they mostly sell through B2B channel. The company has: 1) oil seed crush plant (capacity of 450 tons/day); 2) pellet mill (150 tons/day) and 3) edible oil refinery (150 tons/day).

Following are key takeaways of today's session:

- Going forward, UNITY is expecting normalized gross margins of 13-16% while net margin is estimated at 5-7%.
- Total Pakistan edible oil consumption for 2018 is estimated at 4.8mn tons. For 2019 and 2020, consumption is estimated at 5.11mn tons and 5.42mn tons respectively. UNITY is targeting market share of 4% in edible oil.
- Edible oil market growth is estimated at 6% per annum.
- During 2010 to 2017, the market for cooking oil grew from 28% to 37% while market for ghee went down from 72% to 63%, respectively.

KATS Code	UNITY
Bloomberg Code	UNITY PA
Reuters Code	UNITY.KAR
Market Price	Rs26.52
Market Cap	Rs4.5bn/US\$33.5mn
Free float Market Cap	Rs2.0bn/US\$15.1mn
1-Yr Avg. Daily Vol. (mn)	4.7
1-Yr Avg. Daily Val. (mn)	Rs143.4/US\$1.26
1-Yr High/ Low	Rs44.9/614.1
Estimated free float	45%
Share outstanding (mn)	169.05
Index weight	0.11%



Source: PSX, Topline Research

Analyst Briefing Key Takeaways

- In edible oil, the company launched a brand name Dastak. Edible oil markets are categorized in three segments (Premium, Popular and Discounted). Premium edible oil market share is at 10% with brands like Dalda and Habib.
- Popular segment has about 40% market share where UNITY's brand Dastak is placed. The third segment which is the discounted one has a market share of 50% with brand names like Moulvi, Taaza etc.
- The company in FY18 operated for about one and a half quarter and generated Soybean revenue of Rs893mn and Canola Meal revenue of Rs244mn. The company's FY18 revenues excluded sales from Dastak (B2C market).
- Pakistan's edible oil Premium segment market share changed from 33% in 2010 to 10% in 2017. Popular segment market share changed from 18% in 2010 to 40% 2017. Discounted segment market share changed from 49% in 2010 to 50% 2017.
- UNITY's sales share is at the moment (58% Edible oil, 41% Animal Feeds, 1% Industrial & Specialty fats).
- UNITY is currently selling palm oil and processed palm oil to large buyers (B2B market). Since UNITY's brand Dastak is now in the market, the company's focus is to move towards B2C market.
- In its future plans, UNITY is negotiating to acquire 100% stake in an edible Oil refinery with 500 tons per day of capacity. It is also in negotiation to acquire a Pesa Flour mill with a capacity of 120 tons/day.
- To expand its footprints, UNITY is opening sales offices and warehouses in Islamabad, Lahore, Multan and Hyderabad. The company is also improving its internal systems through investment in SAP.

Analyst Briefing Key Takeaways

- The company's oil seed crush plant & pellet mill products include soybean meal, canola meal and animal feed products. Edible oil refinery products range include: refined soybean oil, refined canola oil, banaspati and industrial fats.
- Sales growth in 1QFY19 is expected to be higher than 4QFY18. The management is expecting around Rs2.5bn sales per quarter. Gross margins in coming quarter should improve going forward.

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Neutral	Stock will perform in line with the average total return of stocks in universe
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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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