

UNITY FOODS LIMITED



ANALYST BRIEFING PRESENTATION - 2020

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UNITY IN A SNAPSHOT – THREE YEAR JOURNEY

Financial Highlights



FY 2020
Revenue
PKR 30bn



2 Year Revenue
CAGR
PKR 231%




LT Credit
Rating
A-




Net Margins
1QFY21
PKR 5.0%

Expansions Mergers & Acquisitions



Reverse Merger
Change of name to
Unity Foods Limited
Jun 2017



Purchase
**Solvent Plant,
Refinery and
Feed Mill**
Dec 2017



Purchase of
refinery
500tpd
May 2019



Acquisition (69%)
**Sunridge Foods
(Pvt.) Limited**
Feb 2020

Scale



FY 2020
Market
Capitalization*
PKR 23bn



Employees
500+



Asset Base
1QFY21
PKR 27bn



Equity
1QFY21
PKR 11bn

* Market Capitalization as of Nov 18th 2020

COMPANY OVERVIEW: UNITY FOODS LTD



- Formed as a result of reverse merger with Taha Spinning Mills Limited in the year 2016
- Principal business - refining and marketing of edible oil products, animal feed, meal and industrial fats
- Additionally, the Company has recently acquired 69% stake in Sunridge Foods (Private) Limited (“**Sunridge**”) as part of its consumer staples strategy
- Infrastructure - 2 Edible Oil refineries at SITE and Port Qasim Authority respectively, Crushing Plants (Soyabean and Canola) at Kotri, Sindh and a Flour Mill at Port Qasim Authority
- As a part of its expansion plans, the Company intends to further expand its operations and enter into the staples (Rice, Pulses, etc.) food category
- Established network of over 450 distributors and 5 warehouses supplying to more than 47,000 retail outlets across Pakistan
- The Company has maintained A- (long-term) and A-2 (short-term) credit rating with a Stable outlook from VIS Credit Rating Agency

Refining capacity

650

MT / day

Crushing capacity

450

MT / day

Flour production capacity

130

MT / day

BRANDS AND PRODUCTS



Cooking Oil
Canola Oil
Banaspati
Palm Olein

33 SKUs



Whole Wheat Atta
Fortified Atta

3 SKUs



Cooking Oil
Canola Oil
Banaspati
Palm Olein

43 SKUs



Palm Kernel Expeller
Palm Kernel Pellets
Soybean Meal Hi-Pro
Soybean Meal Low-Pro
Soya Pellets
Canola Meal

7 SKUs



Cooking Oil
Banaspati
Palm Olien

39 SKUs

Specialty
Fats

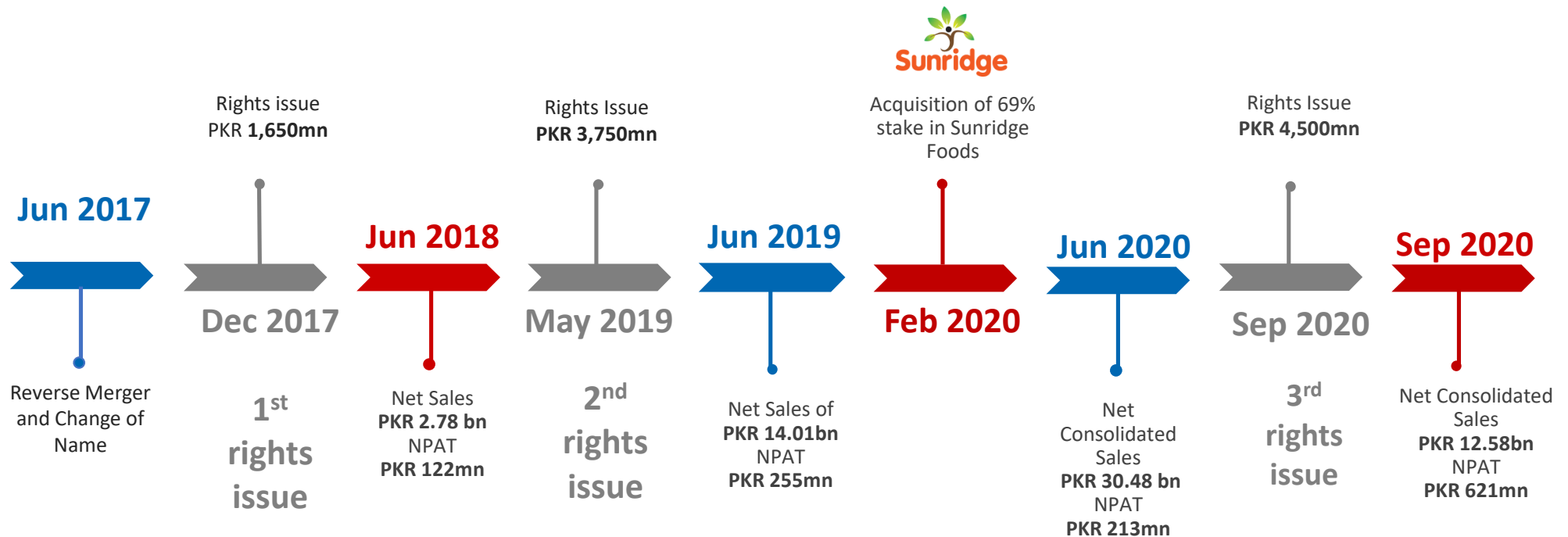


Ultra Choco
Bonkote
Bonkrim
Bonshort

4 SKUs

MILESTONES

- Market capitalization of over PKR 22bn
- Exceptional sales growth post acquisition coupled with consistent positive bottom line is the testament to the success of new management in its commitment to maximize shareholder wealth, as well as an indicator of the strong capacity to serve the interests of other stakeholders



PRODUCTION FACILITIES



Oil Refinery, SITE, Karachi

Capacity 150 metric tons / day

Standards applied ISO 9001 (Quality Management System)
ISO 22000 (Food Safety Management System)
HACCP
PS 3733 & GSO/UAE 2055-1(Halal Food Management System)
(ISO 14001:2015) Environmental Management System
FSSC 22000:2005 Certified



Oil Refinery, Port Qasim, Karachi

Capacity 500 metric tons / day

Standards applied ISO 9001 (Quality Management System)
ISO 22000 (Food Safety Management System)
HACCP
PS 3733 & GSO/UAE 2055-1(Halal Food Management System)
(ISO 14001:2015) Environmental Management System
ISO 45001:2018 Occupational Health & Safety Management System
RSPO Certified
FSSC 22000:2005 Certified



PRODUCTION FACILITIES



Solvent Plant, Kotri

Capacity

450 metric tons / day

Standards applied

ISO 9001 (Quality Management System)

ISO 22000 (Food Safety Management System)

HACCP

PS 3733 & GSO/UAE 2055-1(Halal Food Management System)

(ISO 14001:2015) Environmental Management System



Sunridge Foods, Port Qasim, Karachi

Capacity

130 metric tons / day

Standards applied

PS 3733 & GSO/UAE 2055-1(Halal Food Management System)



BUSINESS PARTNERS

Customers



Suppliers

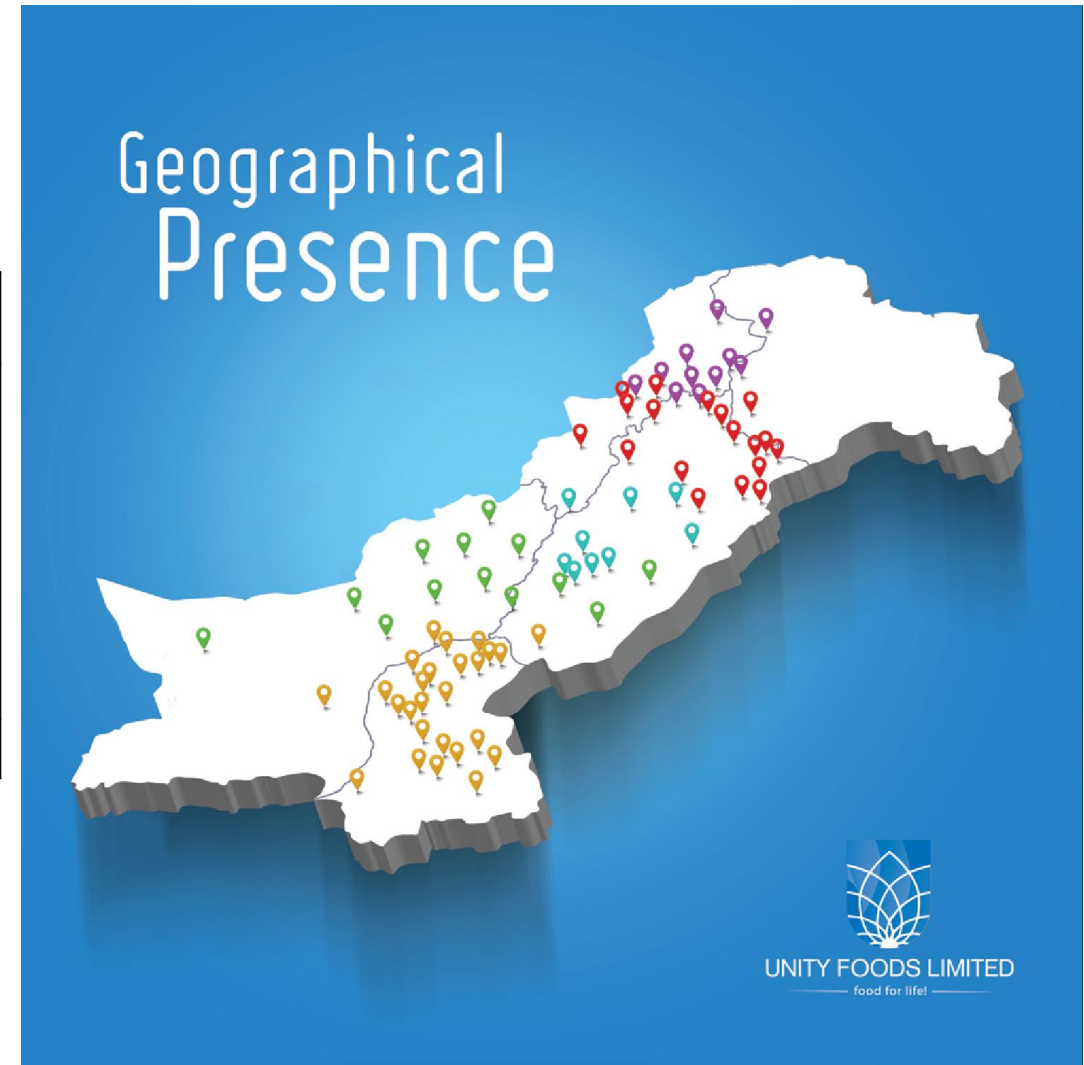


VIRGOZ OILS & FATS



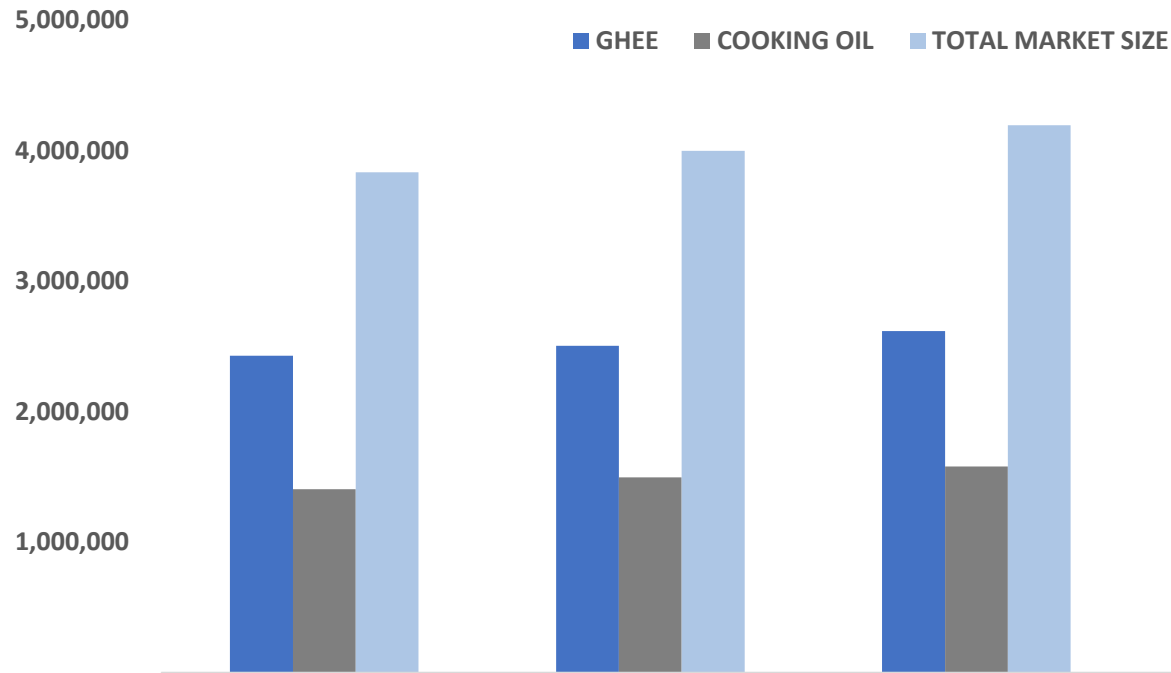
GEOGRAPHIC FOOTPRINT & DISTRIBUTION NETWORK

Region	Towns	Customers	Numeric Coverage
Karachi	6	106	5,093
Sindh	84	119	5,047
South Punjab	32	48	7,165
Central Punjab	60	110	12,519
North	70	104	12,145
Others	2	2	5,209
Total	254	489	47,178



INDUSTRY TRENDS

Pakistan: Edible Oil Market (tons)



	2016	2017	2018	2019	2020
■ GHEE	2,427,938	2,502,270	2,615,990	2,753,670	2,781,207
■ COOKING OIL	1,405,611	1,495,793	1,577,836	1,654,695	1,737,430
■ TOTAL MARKET SIZE	3,833,549	3,998,063	4,193,826	4,408,365	4,518,636

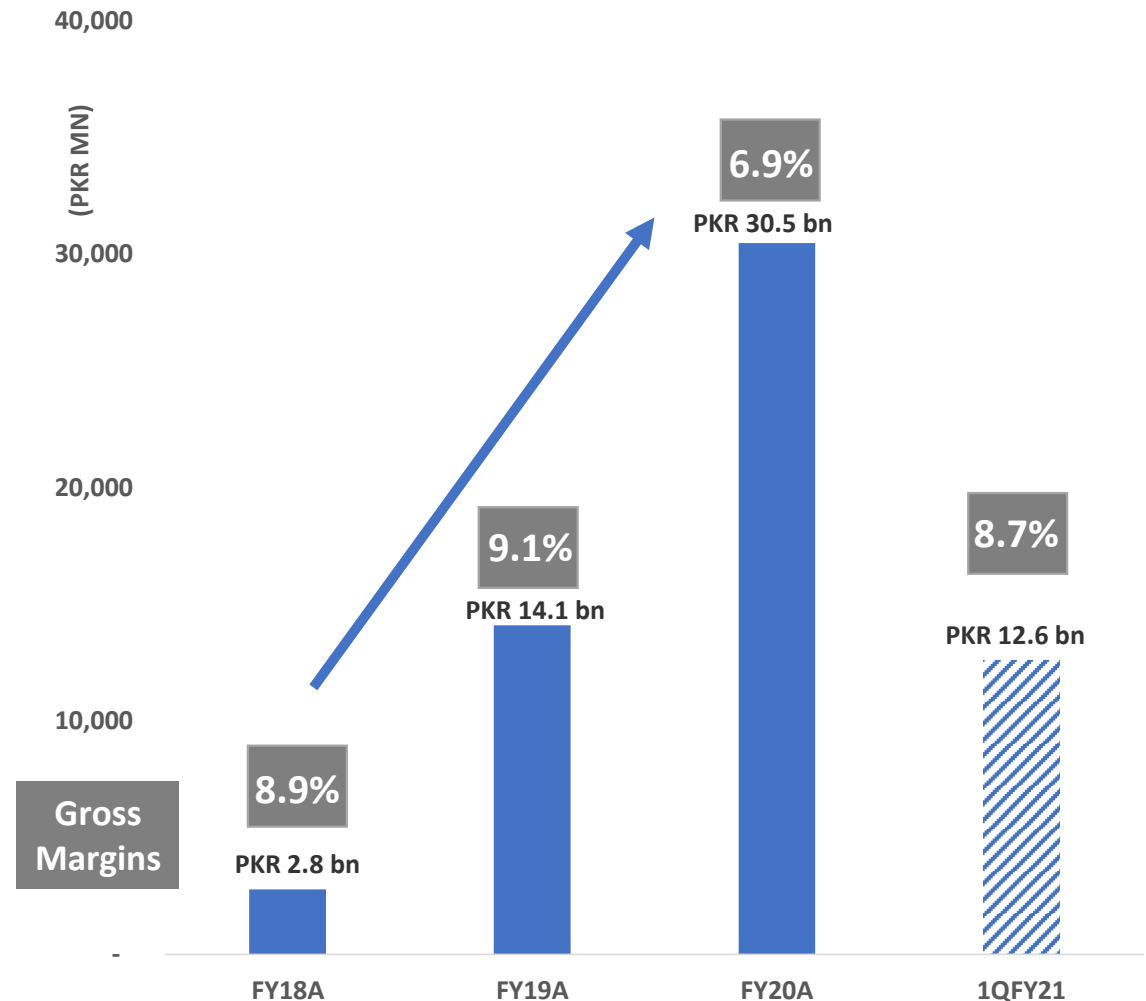
Source Market intel, Company Research

CONSOLIDATED SALES – UNITY FOODS LIMITED (ANNUAL)

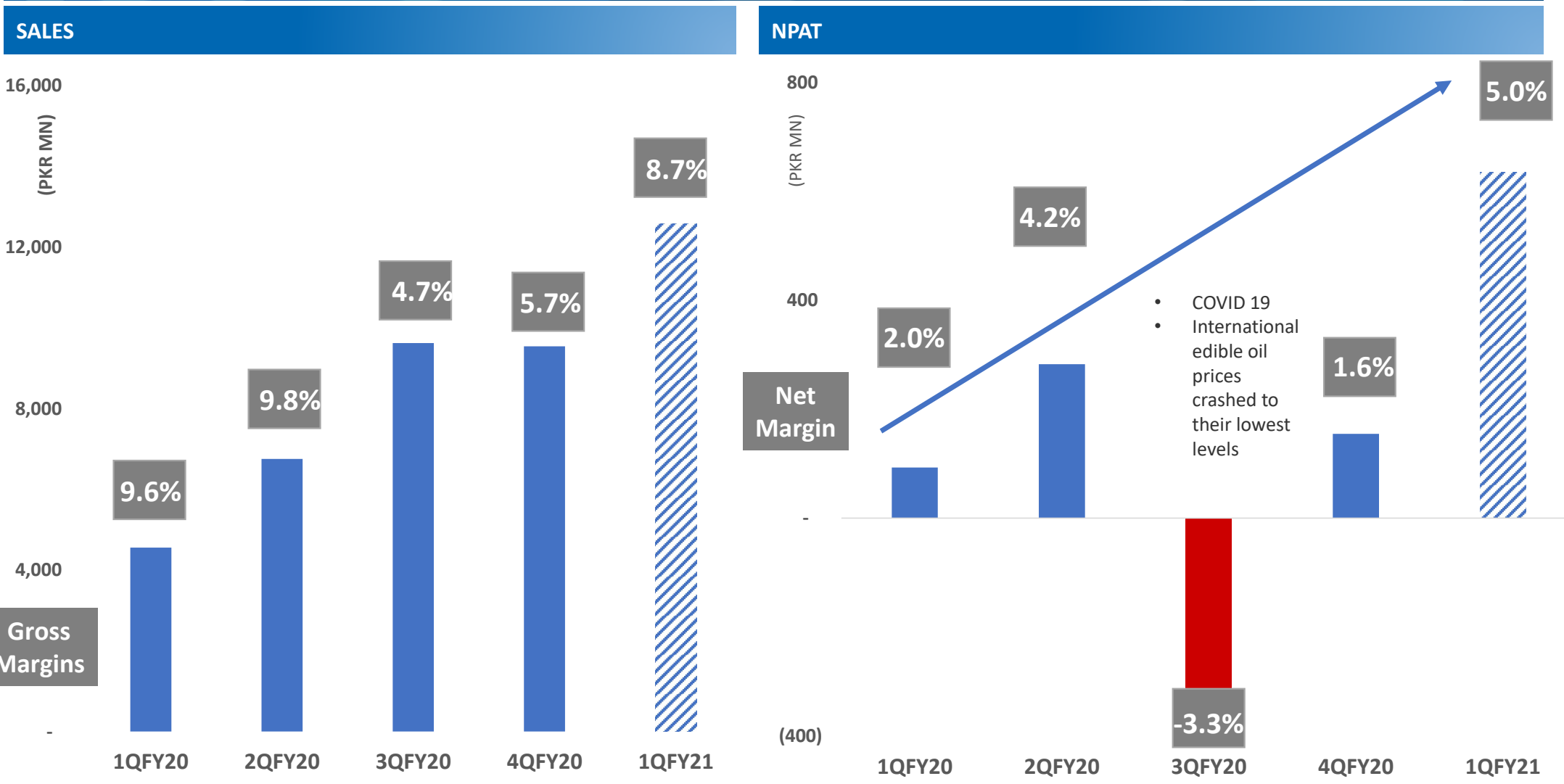
- Preceding fiscal year remained challenging for the company in many ways;
 - High policy rate during the first half
 - Second half was marred by business disruptions caused by the spread of COVID-19
 - International edible oil prices crashed

- The dent on earnings during 3QFY20 recovered as the economy started regaining momentum.

- The firm has made substantial progress in operations during the last quarter as retail edible oil prices remained high.



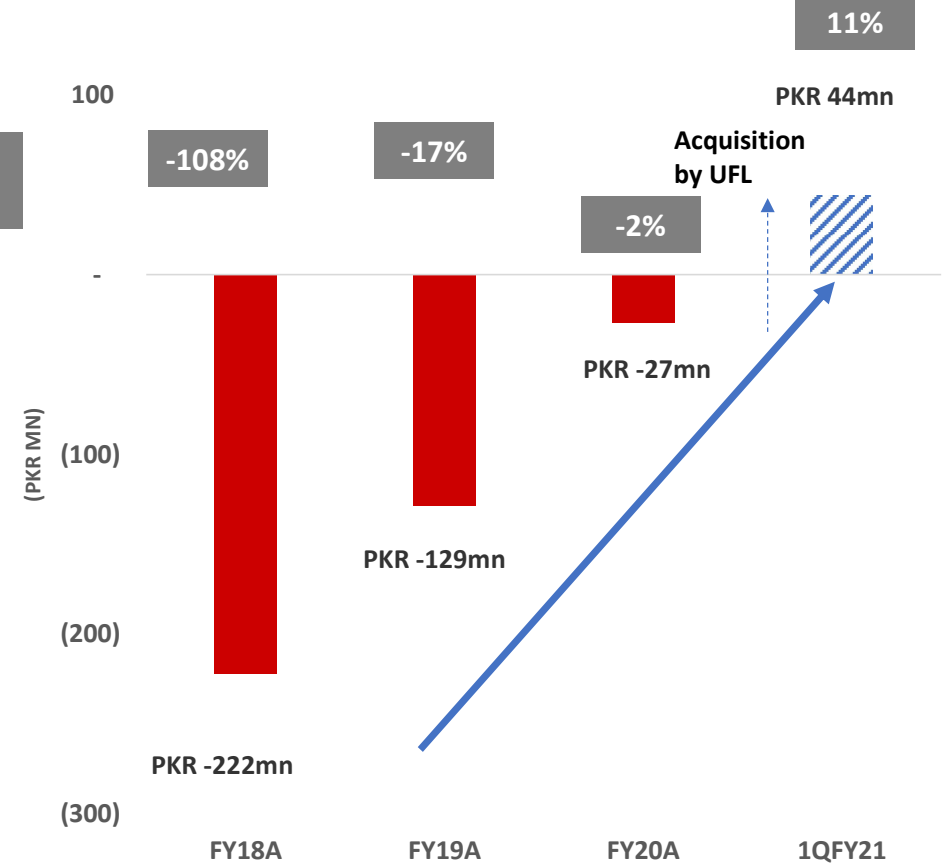
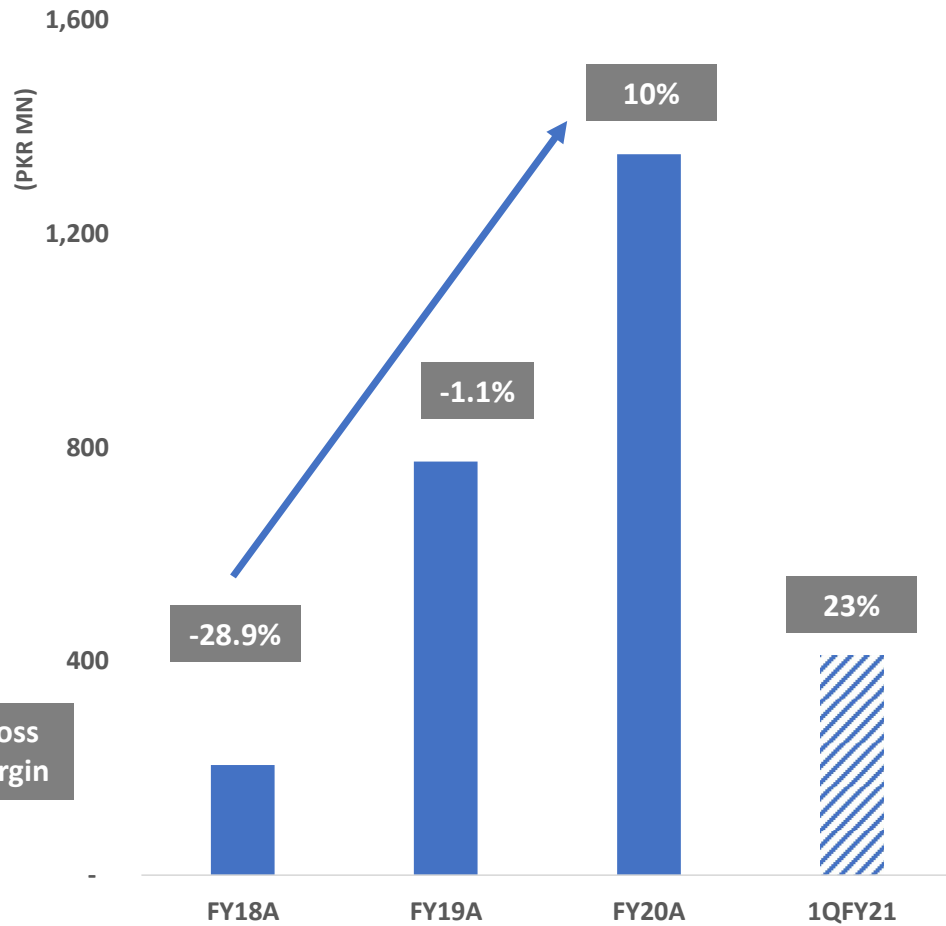
CONSOLIDATED SALES & NPAT – UNITY FOODS LIMITED (QUARTERLY)



PERFORMANCE REVIEW – SUNRIDGE FOODS

SALES

NPAT



TOTAL OIL SALES FY20

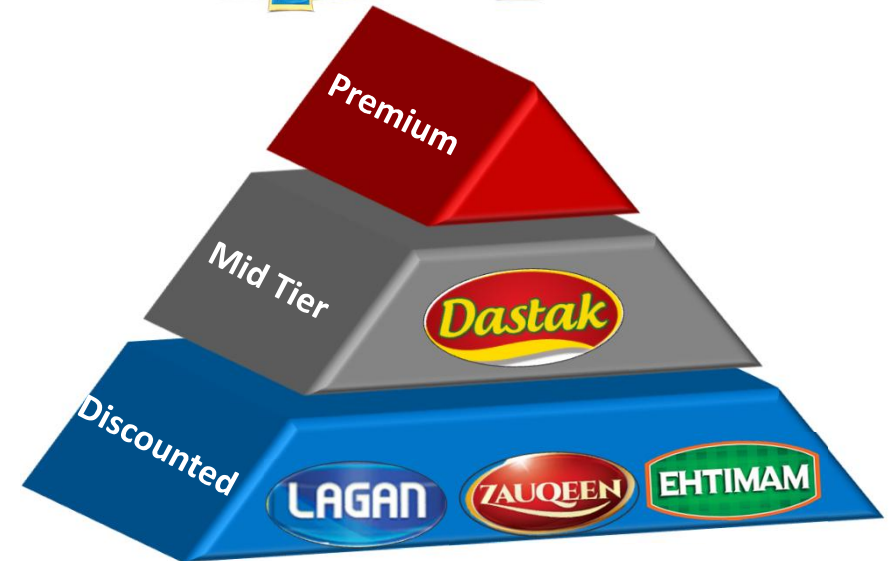
B2B



B2C

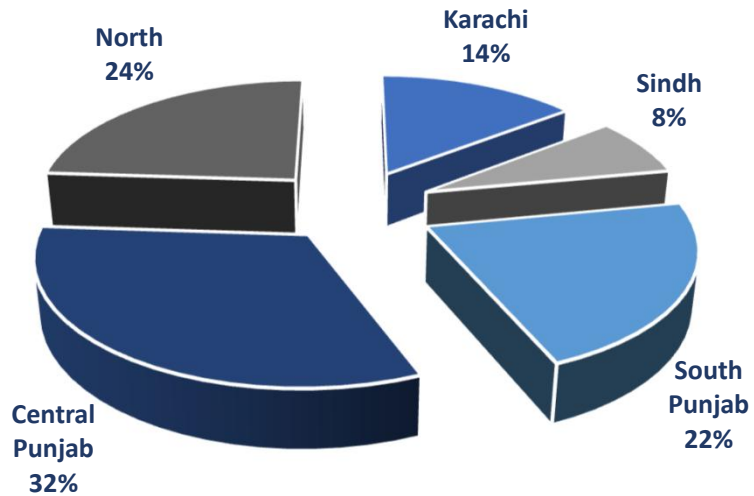


Sales (PKR mn)	FY18	FY19	FY20	1QFY21
Bulk	1,615	9,160	13,945	6,173
Consumer Packs	-	1,178	7,595	2,170

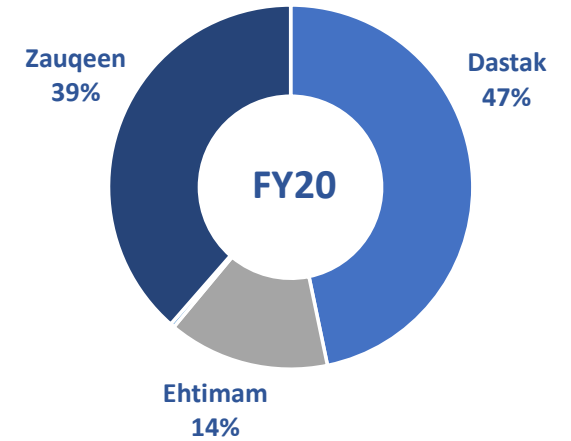
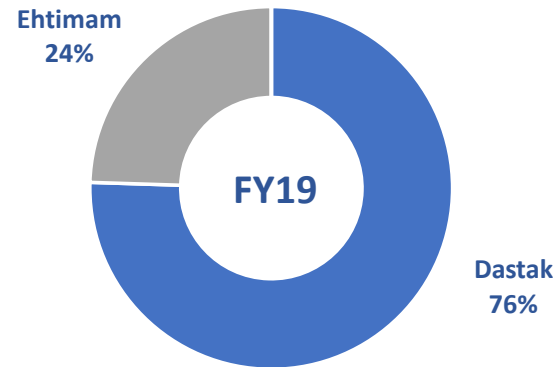


SALES BREAKUP – Consumer Packs

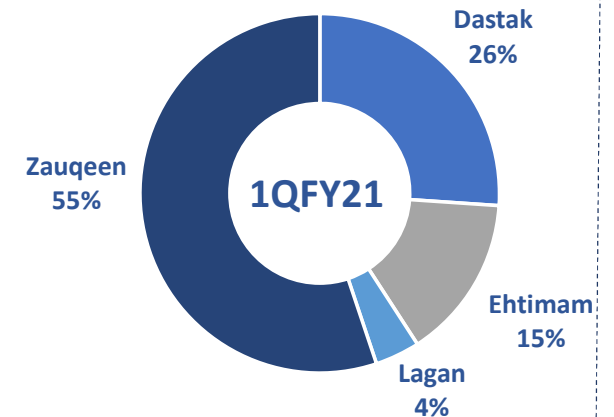
Regional Sales (tons)



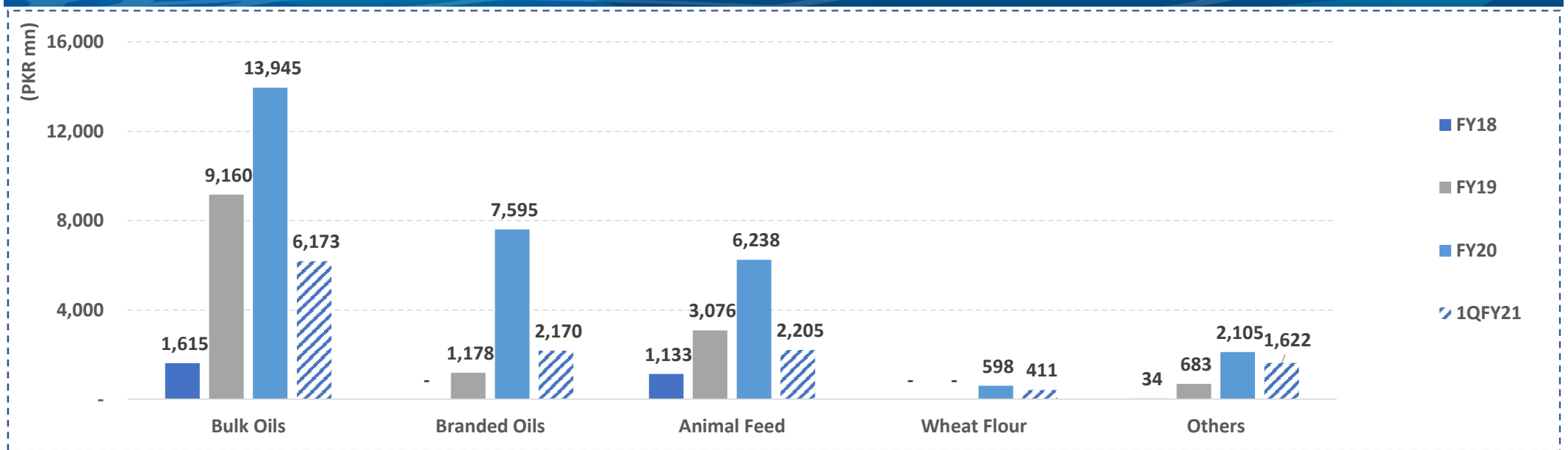
Product Wise Sales



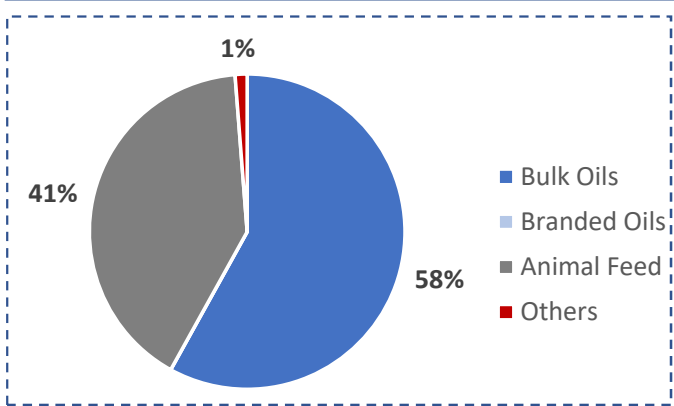
Regional Sales	FY 2019	FY 2020	1Q FY 2021
Karachi	26%	14%	13%
Sindh	21%	8%	20%
South Punjab	10%	22%	23%
Central Punjab	20%	32%	19%
North	22%	24%	26%
TOTAL	100%	100%	100%



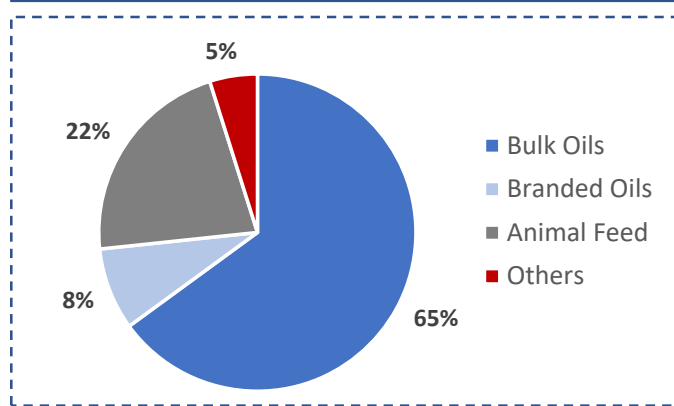
SEGMENT FINANCIALS



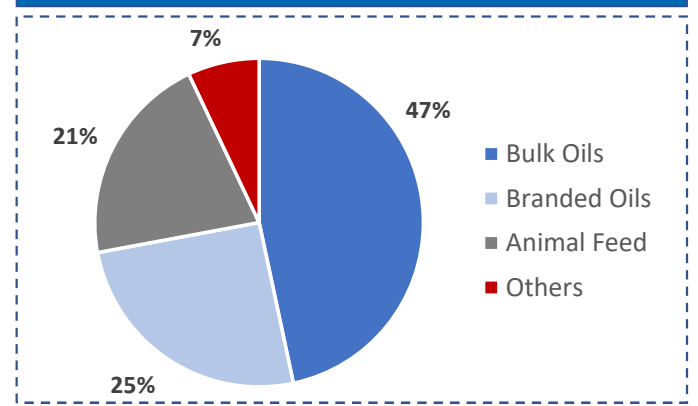
SALES FY 18



SALES FY 19

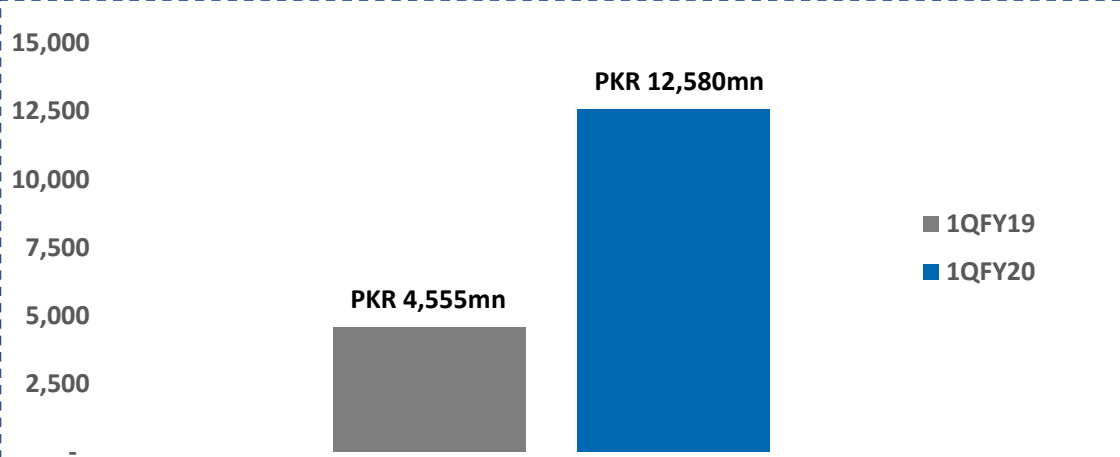


SALES FY 20

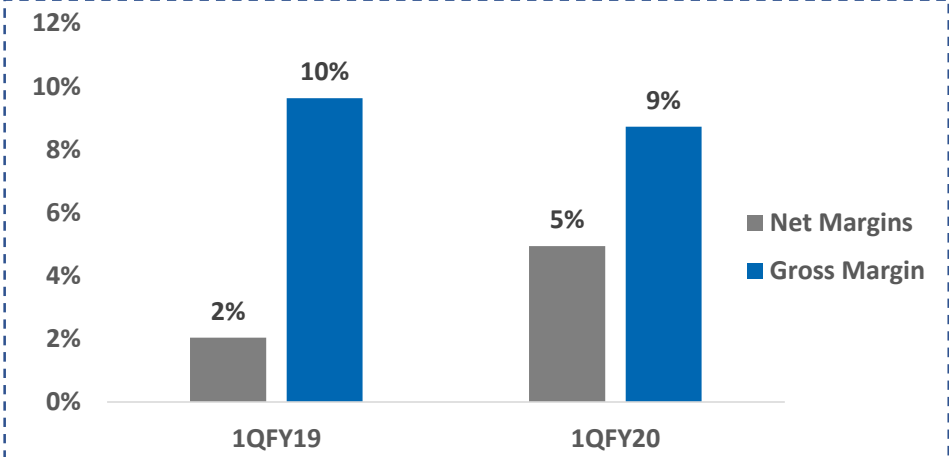


1QFY20 PERFORMANCE

SALES (PKR mn)



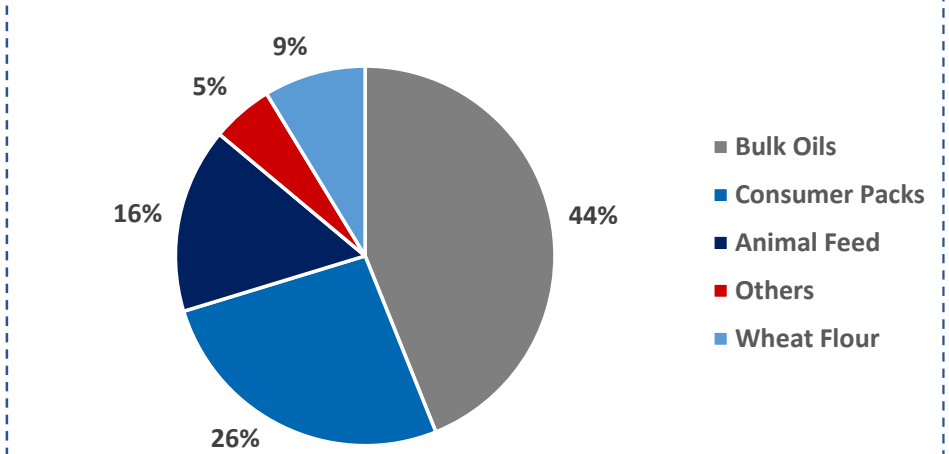
MARGINS



SALES – SEGMENT WISE

Segment	FY20		1QFY21	
	Sales	Percentage	Sales	Percentage
	(PKR MN)		(PKR MN)	
Bulk Oils	13,945	46%	6,173	49%
Consumer Packs	7,595	25%	2,170	17%
Animal Feed	6,238	20%	2,205	18%
Others	2,105	7%	1,622	13%
Wheat Flour	598	2%	411	3%
Consolidated	30,480	100%	12,580	100%

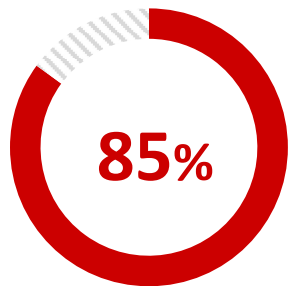
GROSS MARGINS CONTRIBUTION – SEGMENT WISE



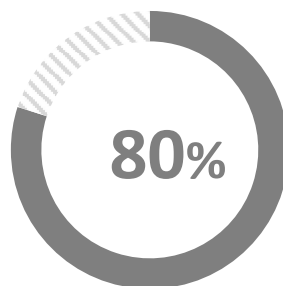
CAPACITY UTILIZATION FY20 Future Expectations

Annual Capacity (Metric Tons)		Utilization (MT)	Utilization (%)	Utilization (MT)	Utilization* (%)
		FY20		1QFY21	
Edible Oil Refinery - PQ	180,000	142,968	79%	32,509	72%
Edible Oil Refinery - SITE	54,000	33,585	62%	7,048	52%
Solvent Extraction Plant	162,000	9,795	6%	641	2%
Feed Mill	302,400	170,728	56%	51,709	68%
Wheat Plant	43,800	25,128	57%	5,715	52%

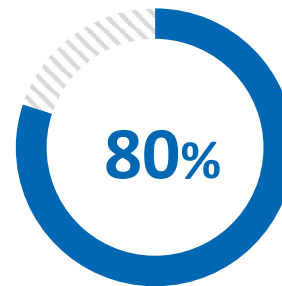
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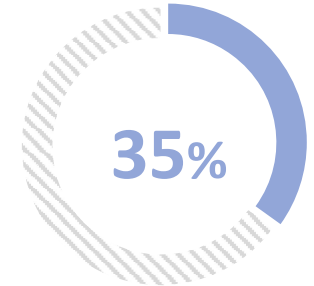
Oil Refinery SITE & PQ



Feed Mill



Wheat



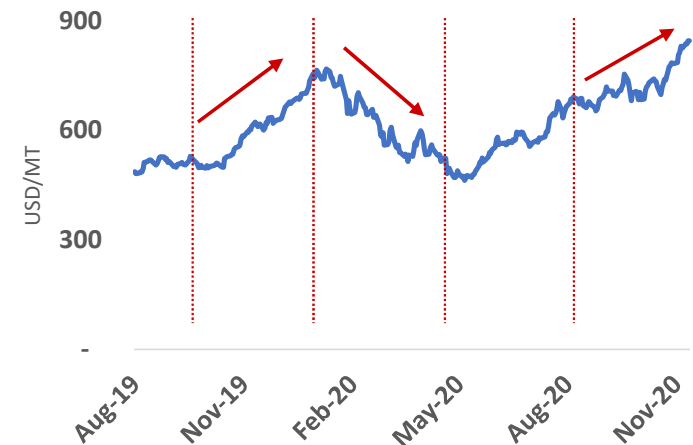
Solvent Extraction Plant

*Annualized Utilization levels

COVID-19 IMPACT

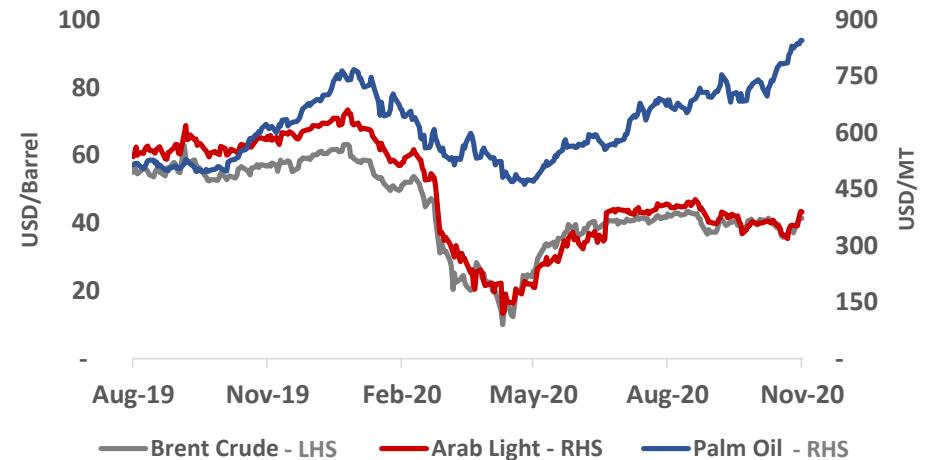
- During 3QFY20, COVID-19 emerged in Pakistan and marred almost every aspect of the economy including the edible oil business
- The Company also faced an adverse impact due to higher inventory levels and declining exchange rate
- The Company had higher inventory levels due to the following reasons:
 - Inventory withheld to meet the increased demand during Ramadan
 - Higher anticipated Crude Palm Oil prices due to expected dry spells in Indonesia & Malaysia (El Nino Effect)
- The International Crude Palm Oil prices that were peaking around Dec 2019, started sliding significantly post COVID-19 global spread
- The local industry was left with a large inventory at higher prices, resulting in shrinking of margins
- Currency depreciation further exacerbated the situation
- Consequently, the company had to book unrealized exchange losses during 3Q20 for the unsold inventories
- Despite the above, Sales efforts were supported by bulk orders from various organizations to distribute “Rashan” to those affected by COVID-19

Malaysian crude palm oil active contract prices



COVID-19 – Future Strategy to Curb the potential impact of Second Wave

- A strategic team was formulated in early March 2020 to ensure that it was fully prepared to operate under the unprecedented circumstances, keeping in mind health and safety of the employees
- International prices have now reverted to the normal and are expected to remain stagnant for the foreseeable future, hence reducing risks from price volatility
- Moreover, the Company is also actively managing its inventory levels to reduce exposure



Work from home

- Company implemented Work From Home facilitated by use of ERP (SAP B-1)
- Use of Microsoft Teams aided creation of a virtual office environment

Alternate business channels

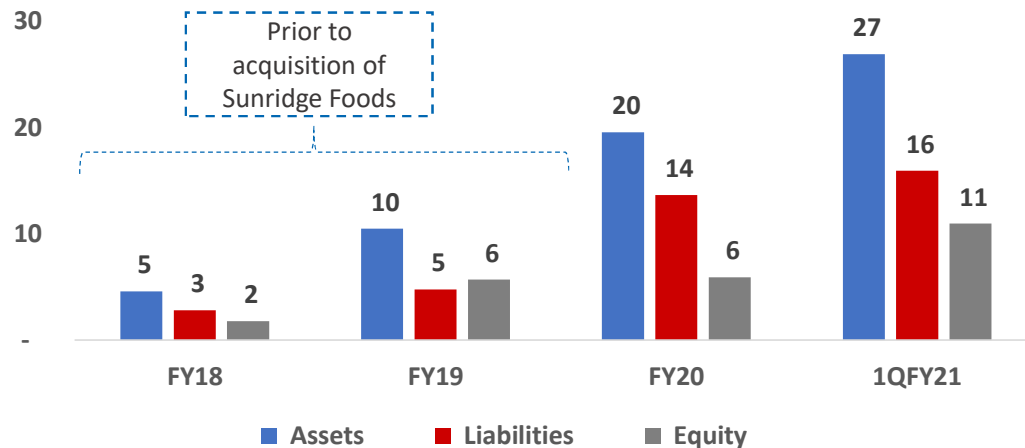
- The Company was quick to understand the negative impact of COVID-19 on Hotels / Restaurants / Café (HORECA) segment and focused on other channels including GT, IMT / LMT to deter negative demand shocks on its consumer pack division

SOP implementation

- All sites including Head Office, Production Plants and Warehouses are ensured to have strict SOPs

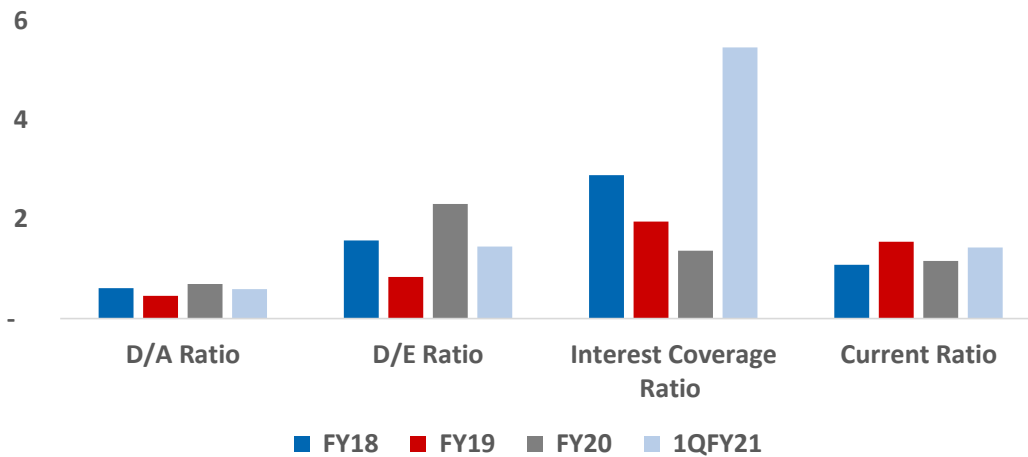
CAPITAL STRUCTURE AND DEBT

Capital Structure (PKR 'Bn')



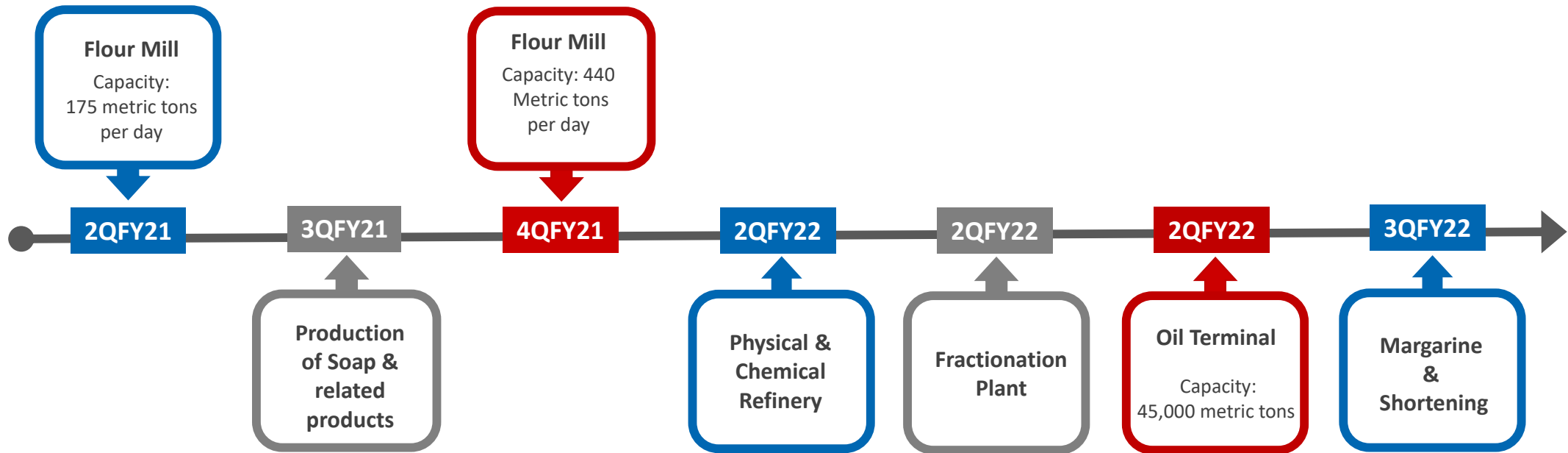
- After inception in FY18, various projects undertaken to expand capacity and widen customer base
- The total paid-up capital rose from PKR 1.69bn in FY18 to PKR 9.94 bn in FY20
- It is important to note that the company did not enter into long-term borrowing due to its strong equity base

Key Leverage Ratios



- Borrowing levels have depicted growth due to higher stock levels and increase in trade debts. Both gearing and leverage ratios were reported higher at 0.71x (FY19: 0.45x) and 2.24x (FY19: 0.84x) at end-FY20
- Amid rise in company's total borrowing, the company's strong topline growth coupled with controlled overheads resulted in company to maintain its interest coverage ratio of 2 – 3 times of the interest expenses during FY18-20

Sunridge Foods



Unity Foods Limited

BUSINESS OUTLOOK

Significant Growth

- The company has been able to achieve commendable organic as well as external growth by acquisition in manufacturing & processing of edible oils and oilseeds since the inception of new management in 2017, the company has taken little time to achieve a strong foothold in the edible oils and flour market of Pakistan

Operational Excellence

- Over the past 2 years the economies of scale that followed were achieved by:
 - Exceptional Working Capital management ✓
 - Geographic and Numeric Coverage (Distribution) ✓
 - Customer Management and retention ✓
- Process & Workflow management (Efficiency) ✓
- Achieve optimum utilization levels for all our production facilities ✓
- Strengthen existing Brand equity ✓
- Diversify product / segment mix ✓

Earnings Guidance FY21

- We expect topline to grow in the range of ~**50% - 60%**
- We expect gross margins to be in the region of ~**10% - 12%**
- We expect net margins to come to ~**5% - 7%**

RISKS

Competition Risk

The risk of new or existing competitors upgrading their facilities and taking away the Company's market share.

Exchange Rate Risk

Foreign exchange exposure might adversely affect the Company adversely due to devaluation of local currency leading to imports becoming more expensive.

Economic Slowdown

An economic slowdown may adversely affect Unity's growth plans as deterioration in macroeconomic variables can induce reduction in disposable incomes and consumers are forced to shift to cheaper options

Obsolete Technology

The technology being used by the company may become obsolete due to technological changes taking place worldwide due to which the company's product may go out of the market.

MITIGANTS

Mitigant

It will require a considerable amount of time and financial resources for any new or existing set up to upgrade their facilities to a similar scale.

Mitigant

Active currency and inventory management have enabled the company to curb this risk.

Mitigant

Our entire product portfolio carries inelastic demand as part of essential commodity basket leaving demand for (staples Wheat & Oil) intact.

Mitigant

Currently all UFL facilities are PLC-controlled hence the risk of obsolescence is being properly addressed. Furthermore, state-of-the-art facilities precludes the risk.



UNITY FOODS LIMITED

— food for life! —



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