Sector

FOOD & PERSONAL CARE PRODUCTS

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Symbol: **UPFL**
Current Price: **PKR 23,000.00**
Market Cap (PKR bn): **146.51**
Total Shares (mn): **6.37**
Free Float ('000): **307.48**
52 Week High: **PKR 25,750.00**
52 Week Low: **PKR 16,850.00**

Unilever Pakistan Foods Limited (UPFL)

In the fiscal year up to September 2023 (9MCY23), Unilever has demonstrated a robust financial performance, marked by significant growth across key metrics.

Total revenue reached PKR 26,449 million, indicating a commendable 34% year-on-year (YoY) increase from the same period in the previous year (9MCY22) when revenue stood at PKR 19,766 million. The growth trend continued in the third quarter of the calendar year 2023 (3QCY23), with revenue totaling PKR 7,711 million, a 13% YoY increase compared to PKR 6,807 million in 3QCY22.

The gross profit margin expanded to 43% in 9MCY23, up from 41% in the corresponding period last year. Gross profit for 9MCY23 surged to PKR 11,448 million, representing a notable 40% YoY increase. In 3QCY23, gross profit reached PKR 3,188 million, reflecting a substantial 26% YoY growth from the previous year.

Operational efficiency is evident in the management of operating expenses. Distribution costs increased by 50% to PKR 4,199 million, while administrative expenses grew by 39% to PKR 603 million.

Other charges also rose by 50% to PKR 525 million, highlighting strategic investments or increased operational activity.

Other financial indicators, such as other income, displayed exceptional performance, soaring to PKR 1,901 million in 9MCY23, marking a remarkable 245% YoY increase. However, finance costs increased by 18% to PKR 64 million during the same period, reflecting potential changes in Unilever's financing structure.

Unilever's profitability is underscored by a 56% YoY increase in profit from operations, reaching PKR 8,022 million in 9MCY23. Profit before taxation stood at PKR 7,958 million, marking a substantial 56% YoY growth. Taxation/reversal showed an effective tax rate of 6% for 9MCY23.

The financial health of Unilever is further emphasized by the bottom line, with profit after taxation reaching PKR 7,474 million in 9MCY23, signifying a robust 55% YoY growth. Earnings per share (EPS) also grew by 55%, reaching PKR 1,173 for the same period.

In the dynamic landscape of the Pakistani retail market, Unilever has implemented a comprehensive strategy to address challenges and capitalize on emerging opportunities. As such the company now generates 3% of revenue from e-commerce.

Operating across over 200,000 shops, the company faces hurdles such as an all-time high Consumer Price Index (CPI), doubled cost of capital since 2022, and a 45% devaluation of the Pakistani Rupee against the USD in the past 15 months.

Additionally, the country's high foreign exchange liquidity risk, coupled with an increasing reliance on domestic debt, poses notable challenges.

Undeterred by these obstacles, Unilever's strategic actions include a focus on strengthening core products, particularly the Knorr brand, and broadening its growth through portfolio diversification beyond mini meals. Market positioning efforts involve capturing the Rs 30 price point for noodles, offering deep discounts on value packs, and accelerating growth in the profitable savory (Knorr professional) category.

The company generates 60% of its revenues from Knorr with more than 90% market share. Additionally, localization of the company’s products is at 75%.

The company also emphasizes digital engagement, delivering high-quality content to chef platforms, and aims to be a positive force in the restaurant community.

As Unilever navigates the challenging economic environment, it anticipates increased pressure on the country's purchasing power and aims to diversify into the mayo category. Moreover, the company is preparing for changes in the tax environment, with low tax rates expected to end in 2024 due to the elimination of tax credits.

PKR "mn	9MCY23	9MCY22	YoY	3QCY23	3QCY22	YoY
Revenue	26,449	19,766	34%	7,711	6,807	13%
Cost of sales	15,000	11,587	29%	4,523	4,275	6%
Gross profit	11,448	8,180	40%	3,188	2,533	26%
Gross margins	*43%*	*41%*		*41%*	*37%*	
Distribution cost	4,199	2,799	50%	1,200	929	29%
Administrative expenses	603	433	39%	188	171	10%
Other charges	525	351	50%	158	108	46%
Other income	1,901	552	245%	721	250	189%
Profit from operations	**8,022**	**5,148**	56%	**2,363**	**1,575**	50%
Finance cost/(Income)	64	54	18%	(5)	26	NM
Profit before taxation	7,958	5,094	56%	2,368	1,549	53%
Taxation/Reversal	485	280	73%	84	78	8%
Effective tax rate	*6%*	*5%*		*4%*	*5%*	
Profit after taxation	7,474	4,814	55%	2,284	1,471	55%
EPS	**1,173**	**756**	**55%**	**359**	**231**	**55%**

Important Disclosures

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