

SYS has announced its 1QCY21 result where it posted profit after tax of Rs525mn (EPS: Rs3.83) as compared to profit after tax of Rs508mn (EPS: Rs3.71) in same period last year, up by 3.3% YoY.

The company has posted the revenue of Rs2.3bn against Rs1.6bn in SPLY, recording a growth of 41.8% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports.

Gross margin has been expanded to 36.1% as compared to 31.8% during SPLY on account of and higher retention income during the period.

SG&A expenses have grown by 12.4% YoY to Rs208mn as compared to Rs185mn during SPLY.

Finance cost has been increased by 62% YoY to Rs15mn as compared to Rs9mn in SPLY on account of higher working capital requirement.

Lastly, the effective taxation has been increased to 3.3% as compared to 1.7% during SPLY.

Going forward, the prospects of the company are bright. However, the fundamentals of the company do not justify the current share price in our view. SYS is currently trading at CY21E PE of 24.81x. We have a **SELL** stance on the script with a DCF based Dec-21 TP of Rs380 which provides a downside potential of 14%.

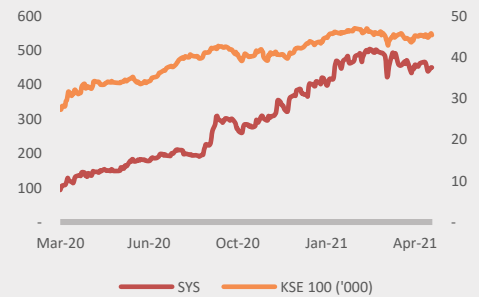
Rupees' millions	1QCY21	1QCY20	YoY	CY20	CY19	YoY
Net Sales	2,303	1,624	41.8% ▲	7,514	5,349	40.5% ▲
Cost of Sales	1,472	1,108	32.9% ▲	4,716	3,572	32.0% ▲
<b>Gross Profit</b>	<b>831</b>	<b>516</b>	<b>60.9% ▲</b>	<b>2,798</b>	<b>1,776</b>	<b>57.5% ▲</b>
SG&A Expenses	208	185	12.4% ▲	619	548	12.9% ▲
Other Expenses	-36	14	347.0% ▼	135	139	3.1% ▼
Other Income	-100	210	147.5% ▼	273	343	20.4% ▼
<b>Operating Profit</b>	<b>558</b>	<b>527</b>	<b>5.9% ▲</b>	<b>2,317</b>	<b>1,432</b>	<b>61.8% ▲</b>
Finance Cost	15	9	62.0% ▲	50	39	27.4% ▲
Profit Before Taxation	543	517	4.9% ▲	2,267	1,393	62.8% ▲
Taxation	18	9	97.5% ▲	73	29	157.2% ▲
<b>Profit After Taxation</b>	<b>525</b>	<b>508</b>	<b>3.3% ▲</b>	<b>2,194</b>	<b>1,364</b>	<b>60.8% ▲</b>
<b>Earnings Per Share</b>	<b>3.83</b>	<b>3.71</b>	<b>3.3% ▲</b>	<b>16.01</b>	<b>9.95</b>	<b>60.8% ▲</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>3.50</b>	<b>2.25</b>	
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>10%</b>	<b>0%</b>	
Gross Margin	36.1%	31.8%	4.3% ▲	37.2%	33.2%	4.0% ▲
SG&A Expenses to Sales	9.0%	11.4%	2.4% ▼	8.2%	10.2%	2.0% ▼
Other Expenses to Sales	-1.5%	0.9%	2.4% ▼	1.8%	2.6%	0.8% ▼
Other Income to Sales	-4.3%	12.9%	17.3% ▼	3.6%	6.4%	2.8% ▼
Effective Taxation	3.3%	1.7%	1.5% ▲	3.2%	2.0%	1.2% ▲
Net Margin	22.8%	31.3%	8.5% ▼	29.2%	25.5%	3.7% ▲

Source: ACPL Research, Company Financials

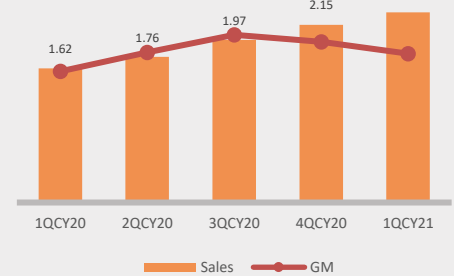
## Key Statistics

Symbol	SYS
TP - Dec 21	380.00
LDPC	442.00
Upside	-14%
Free Float (mn)	81
Market Cap. (Rs.mn)	60,583

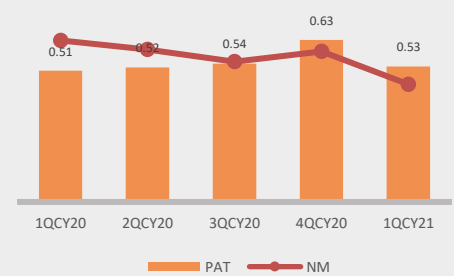
## SYS vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	CY15	CY16	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	2,263	2,680	2,911	3,761	5,349	7,514	9,246	12,032	14,024
Cost of sale	1,507	1,883	2,049	2,583	3,572	4,716	5,841	7,579	8,849
<b>Gross profit</b>	<b>757</b>	<b>797</b>	<b>862</b>	<b>1,179</b>	<b>1,776</b>	<b>2,798</b>	<b>3,405</b>	<b>4,453</b>	<b>5,176</b>
Distribution expenses	70	37	114	47	100	119	149	200	236
Administrative expenses	262	251	287	377	448	500	693	887	1,023
Research and development expenses	29	2	-	-	-	-	-	-	-
Other expenses	20	31	88	118	139	135	277	361	421
Other income	92	33	118	438	343	273	292	379	442
<b>Operating Profit</b>	<b>468</b>	<b>509</b>	<b>492</b>	<b>1,074</b>	<b>1,432</b>	<b>2,317</b>	<b>2,579</b>	<b>3,384</b>	<b>3,938</b>
Finance cost	2	3	11	19	39	50	59	49	40
Profit before taxation	466	506	481	1,055	1,393	2,267	2,519	3,336	3,898
Taxation	13	-	9	8	29	73	77	102	118
<b>Profit after taxation</b>	<b>453</b>	<b>515</b>	<b>473</b>	<b>1,009</b>	<b>1,364</b>	<b>2,194</b>	<b>2,442</b>	<b>3,234</b>	<b>3,780</b>
EPS	<b>3.30</b>	<b>3.76</b>	<b>3.45</b>	<b>7.36</b>	<b>9.95</b>	<b>16.01</b>	<b>17.82</b>	<b>23.59</b>	<b>27.57</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY15	CY16	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Net sales	17.7%	18.4%	8.6%	29.2%	42.2%	40.5%	23.1%	30.1%	16.6%
Cost of sale	21.2%	25.0%	8.8%	26.1%	38.3%	32.0%	23.9%	29.8%	16.8%
<b>Gross profit</b>	<b>11.3%</b>	<b>5.4%</b>	<b>8.1%</b>	<b>36.7%</b>	<b>50.7%</b>	<b>57.5%</b>	<b>21.7%</b>	<b>30.8%</b>	<b>16.2%</b>
Distribution expenses	16.9%	-46.4%	205.0%	-59.0%	114.0%	19.2%	25.1%	34.9%	17.8%
Administrative expenses	32.1%	-4.1%	14.1%	31.5%	18.8%	11.5%	38.6%	28.0%	15.4%
Research and development expenses	1102.0%	-93.9%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	-13.1%	55.3%	183.2%	34.9%	17.5%	-3.1%	105.9%	30.1%	16.6%
Other income	138.9%	-64.0%	257.3%	269.7%	-21.7%	-20.4%	7.1%	29.8%	16.8%
<b>Operating Profit</b>	<b>7.5%</b>	<b>8.9%</b>	<b>-3.3%</b>	<b>118.2%</b>	<b>33.3%</b>	<b>61.8%</b>	<b>11.3%</b>	<b>31.2%</b>	<b>16.4%</b>
Finance cost	-46.8%	51.5%	233.3%	75.9%	107.9%	27.4%	18.8%	-18.0%	-17.6%
Profit before taxation	8.0%	8.7%	-4.8%	119.2%	32.0%	62.8%	11.1%	32.4%	16.9%
Taxation	213.5%	-170.5%	-188.0%	466.3%	-37.4%	157.2%	5.4%	31.2%	16.4%
<b>Profit after taxation</b>	<b>6.0%</b>	<b>13.8%</b>	<b>-8.1%</b>	<b>113.3%</b>	<b>35.1%</b>	<b>60.8%</b>	<b>11.3%</b>	<b>32.4%</b>	<b>16.9%</b>
EPS	<b>6.0%</b>	<b>13.8%</b>	<b>-8.1%</b>	<b>113.3%</b>	<b>35.1%</b>	<b>60.8%</b>	<b>11.3%</b>	<b>32.4%</b>	<b>16.9%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
GP Margin	%	33.44	29.75	29.62	31.33	33.21	37.24	36.83	37.01	36.90
NP Margin	%	19.99	19.22	16.26	26.84	25.50	29.20	26.41	26.88	26.95
OP Margin	%	20.66	19.00	16.91	28.55	26.77	30.84	27.89	28.13	28.08
ROE	%	18.13	17.66	14.74	24.75	26.15	30.25	27.91	28.46	26.13
ROCE	%	18.08	17.60	14.69	24.64	25.39	28.85	25.99	26.87	24.94
ROA	%	15.85	16.23	12.36	20.19	20.31	22.31	20.35	22.13	21.35
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Current	x	6.80	10.04	4.59	4.21	3.54	3.49	3.94	4.96	6.21
Acid-test	x	5.27	7.41	3.22	3.08	2.88	3.06	3.39	4.23	5.36
Cash to current liab.	x	0.41	0.74	0.73	0.44	0.81	0.71	1.14	1.61	2.44
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Receivables Days		191	192	149	210	144	138	132	136	129
Payables Days		10	3	29	10	10	10	10	10	10
Operating Cycle		181	188	120	200	134	128	122	126	119
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS		3.30	3.76	3.45	7.36	9.95	16.01	17.82	23.59	27.57
DPS		1.25	1.86	1.75	2.00	2.25	3.50	5.00	5.50	6.00
Div. Yield	%	0.28	0.42	0.40	0.45	0.51	0.79	1.13	1.24	1.36
Dividend Cover		2.64	2.02	1.97	3.68	4.42	4.57	3.56	4.29	4.60
BVPS		18.21	21.28	23.43	29.76	38.06	52.92	63.82	82.91	105.54
Payout	%	37.86	49.50	50.67	27.16	22.61	21.87	28.06	23.31	21.76
Retention	%	62.14	50.50	49.33	72.84	77.39	78.13	71.94	76.69	78.24
No. of Shares	'mn	137.07	137.07	137.07	137.07	137.07	137.07	137.07	137.07	137.07
P/E		133.88	117.62	127.98	60.01	44.41	27.61	24.81	18.73	16.03
Sales per share		16.51	19.55	21.24	27.44	39.02	54.82	67.46	87.78	102.32
P/BV		24.28	20.77	18.87	14.85	11.61	8.35	6.93	5.33	4.19
Price to Sales		26.77	22.60	20.81	16.11	11.33	8.06	6.55	5.04	4.32
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Debt to Equity	%	0.51	0.58	6.85	11.81	13.32	18.26	18.33	11.42	7.28
Interest Cover		220.47	158.46	45.96	57.02	36.56	46.42	43.47	69.60	98.30

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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- I. Discounted Cash Flow Model
- 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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