

SYS has announced its 1QCY22 result where it posted a profit after tax of Rs1.068bn (Diluted EPS: Rs3.87) as compared to a profit after tax of Rs525mn (Diluted EPS: Rs1.90) in the same period last year, up by 103.4% YoY.

The company has posted a revenue of Rs4.07bn against Rs2.30bn in SPLY, recording a growth of 76.8% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been squeezed to 30.1% as compared to 36.1% during SPLY.

SG&A expenses have grown by 96.6% YoY to Rs409mn as compared to Rs208mn during SPLY. Finance cost has been increased by 94.4% YoY to Rs30mn as compared to Rs15mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been decreased to 2.3% as compared to 3.3% during SPLY.

SYS is currently trading at CY22E PE of 24.87x. Further, the scrip is also trading at CY22E PB of 7.36x which offers a discount of 52% relative to its 3-Year historical average of 15.22x. We maintain our BUY stance with a DCF-based Dec – 22 TP of Rs500 which provides an upside of 27%. Further, the scrip also provides a dividend yield of 2% which makes the total return of 29%.

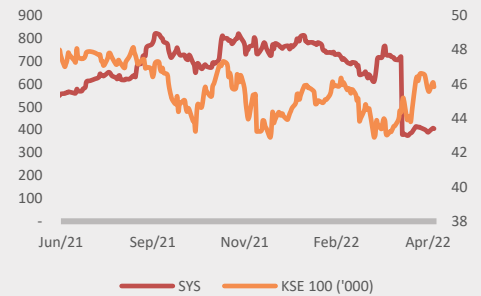
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	4,072	2,303	76.8% ▲	11,904	7,514	58.4% ▲
Cost of Sales	2,846	1,472	93.3% ▲	7,912	4,716	67.8% ▲
<b>Gross Profit</b>	<b>1,226</b>	<b>831</b>	<b>47.6% ▲</b>	<b>3,991</b>	<b>2,798</b>	<b>42.6% ▲</b>
SG&A Expenses	409	208	96.6% ▲	1,170	619	89.2% ▲
Other Expenses	29	-36	180.7% ▼	4	135	96.8% ▼
Other Income	335	-100	234.9% ▲	620	273	127.5% ▲
<b>Operating Profit</b>	<b>1,123</b>	<b>558</b>	<b>101.1% ▲</b>	<b>3,437</b>	<b>2,317</b>	<b>48.3% ▲</b>
Finance Cost	30	15	94.4% ▲	84	50	68.9% ▲
Profit Before Taxation	1,093	543	101.3% ▲	3,353	2,267	47.9% ▲
Taxation	25	18	40.3% ▲	32	73	56.6% ▼
<b>Profit After Taxation</b>	<b>1,068</b>	<b>525</b>	<b>103.4% ▲</b>	<b>3,321</b>	<b>2,194</b>	<b>51.4% ▲</b>
Earnings Per Share	3.87	1.90	103.4% ▲	12.02	7.94	51.4% ▲
Dividend	0.00	0.00	N/A	5.00	3.50	42.9% ▲
Bonus	0%	0%	N/A	100%	10%	900.0% ▲
Gross Margin	30.1%	36.1%	6.0% ▼	33.5%	37.2%	3.7% ▼
SG&A Expenses to Sales	10.1%	9.0%	1.0% ▲	9.8%	8.2%	1.6% ▲
Other Expenses to Sales	0.7%	-1.5%	2.3% ▲	0.0%	1.8%	1.8% ▼
Other Income to Sales	8.2%	-4.3%	12.6% ▲	5.2%	3.6%	1.6% ▲
Effective Taxation	2.3%	3.3%	1.0% ▼	1.0%	3.2%	2.3% ▼
Net Margin	26.2%	22.8%	3.4% ▲	27.9%	29.2%	1.3% ▼

Source: ACPL Research, Company Financials

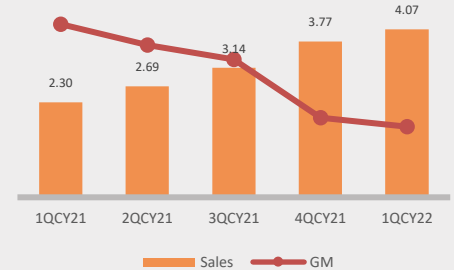
## Key Statistics

Symbol	SYS
TP - Dec 22	500.00
LDPCP	393.00
Upside	27%
Free Float (mn)	165
Market Cap. (Rs.mn)	106,872

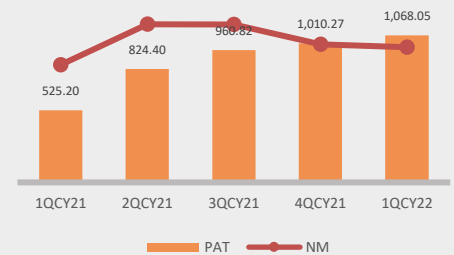
## SYS vs KSE 100



## 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	CY19A	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	5,349	7,514	11,904	16,404	20,695	26,122	32,989
Cost of sale	3,572	4,716	7,912	11,057	13,976	17,674	22,364
<b>Gross profit</b>	<b>1,776</b>	<b>2,798</b>	<b>3,991</b>	<b>5,346</b>	<b>6,720</b>	<b>8,449</b>	<b>10,626</b>
Distribution expenses	100	119	189	260	328	415	524
Administrative expenses	448	500	981	1,476	1,863	2,351	2,969
Research and development expenses	-	-	-	-	-	-	-
Other expenses	139	135	4	118	149	188	238
Other income	343	273	620	1,066	1,345	1,698	2,144
<b>Operating Profit</b>	<b>1,432</b>	<b>2,317</b>	<b>3,437</b>	<b>4,558</b>	<b>5,725</b>	<b>7,193</b>	<b>9,040</b>
Finance cost	39	50	84	106	90	77	66
Profit before taxation	1,393	2,267	3,353	4,452	5,635	7,116	8,973
Taxation	29	73	32	82	174	220	279
<b>Profit after taxation</b>	<b>1,364</b>	<b>2,194</b>	<b>3,321</b>	<b>4,369</b>	<b>5,462</b>	<b>6,896</b>	<b>8,695</b>
EPS	<b>4.94</b>	<b>7.94</b>	<b>12.02</b>	<b>15.82</b>	<b>19.78</b>	<b>24.97</b>	<b>31.48</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY19A	CY20	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	42.2%	40.5%	58.4%	37.8%	26.2%	26.2%	26.3%
Cost of sale	38.3%	32.0%	67.8%	39.7%	26.4%	26.5%	26.5%
<b>Gross profit</b>	<b>50.7%</b>	<b>57.5%</b>	<b>42.6%</b>	<b>34.0%</b>	<b>25.7%</b>	<b>25.7%</b>	<b>25.8%</b>
Distribution expenses	114.0%	19.2%	59.0%	37.8%	26.2%	26.2%	26.3%
Administrative expenses	18.8%	11.5%	96.3%	50.4%	26.2%	26.2%	26.3%
Research and development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	17.5%	-3.1%	-96.8%	2611.5%	26.2%	26.2%	26.3%
Other income	-21.7%	-20.4%	127.5%	71.9%	26.2%	26.2%	26.3%
<b>Operating Profit</b>	<b>33.3%</b>	<b>61.8%</b>	<b>48.3%</b>	<b>32.6%</b>	<b>25.6%</b>	<b>25.6%</b>	<b>25.7%</b>
Finance cost	107.9%	27.4%	68.9%	26.1%	-15.5%	-14.6%	-13.7%
Profit before taxation	32.0%	62.8%	47.9%	32.8%	26.6%	26.3%	26.1%
Taxation	-37.4%	157.2%	-56.6%	158.4%	110.7%	26.9%	26.6%
<b>Profit after taxation</b>	<b>35.1%</b>	<b>60.8%</b>	<b>51.4%</b>	<b>31.6%</b>	<b>25.0%</b>	<b>26.3%</b>	<b>26.1%</b>
EPS	<b>35.1%</b>	<b>60.8%</b>	<b>51.4%</b>	<b>31.6%</b>	<b>25.0%</b>	<b>26.3%</b>	<b>26.1%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	33.21	37.24	33.53	32.59	32.47	32.34	32.21
NP Margin	%	25.50	29.20	27.90	26.64	26.39	26.40	26.36
OP Margin	%	26.77	30.84	28.87	27.79	27.66	27.54	27.40
ROE	%	26.15	30.25	30.14	29.58	28.11	27.25	26.58
ROCE	%	25.39	28.85	31.69	30.72	28.94	27.87	27.06
ROA	%	20.31	22.31	24.80	25.18	24.55	24.17	23.80
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	3.54	3.49	3.91	4.87	5.95	6.94	7.77
Acid-test	x	2.88	3.06	3.24	4.01	4.94	5.80	6.54
Cash to current liab.	x	0.81	0.71	0.94	1.39	2.09	2.79	3.44
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Receivables Days		144	138	147	139	134	134	134
Payables Days		10	10	10	10	10	10	10
Operating Cycle		134	128	137	129	124	124	124
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		4.94	7.94	12.02	15.82	19.78	24.97	31.48
DPS		2.25	3.50	5.00	6.50	8.25	10.50	13.00
Div. Yield	%	0.57	0.89	1.27	1.65	2.10	2.67	3.30
Dividend Cover		2.20	2.27	2.40	2.43	2.40	2.38	2.42
BVPS		18.89	26.27	39.90	53.48	70.35	91.64	118.43
Payout	%	45.55	44.06	41.58	41.08	41.71	42.05	41.29
Retention	%	54.45	55.94	58.42	58.92	58.29	57.95	58.71
No. of Shares	'mn	276.16	276.16	276.16	276.16	276.16	276.16	276.16
P/E		79.66	49.53	32.72	24.87	19.90	15.76	12.50
Sales per share		19.37	27.21	43.10	59.40	74.94	94.59	119.46
P/BV		20.83	14.98	9.86	7.36	5.59	4.29	3.32
Price to Sales		20.32	14.46	9.13	6.62	5.25	4.16	3.29
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	%	13.32	18.26	14.29	8.63	5.32	3.33	2.11
Interest Cover		36.56	46.42	40.77	42.86	63.69	93.73	136.51

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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- 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
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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