

SYS has announced its CY21 result where it posted profit after tax of Rs3.32bn (EPS: Rs24.05) as compared to profit after tax of Rs2.19bn (EPS: Rs15.89) in same period last year, up by 51.4% YoY.

The company has posted the revenue of Rs11.90bn against Rs7.51bn in SPLY, recording a growth of 58.4% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been squeezed to 33.5% as compared to 37.2% during SPLY.

SG&A expenses have grown by 89.2% YoY to Rs1.17bn as compared to Rs619mn during SPLY. Finance cost has been increased by 68.9% YoY to Rs84mn as compared to Rs50mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been decreased to 1.0% as compared to 3.2% during SPLY.

The company has announced a dividend of Rs5/share and 100% bonus which appears to be above industry expectations. SYS is currently trading at CY22E PE of 23.55x. Further, the scrip is also trading at CY21E PB of 7.18x which offers the discount of 47% relative to its 3-Year historical average of 13.46x. We maintain our BUY stance with a DCF based Dec – 22 TP of Rs830 which provides an upside of 23%.

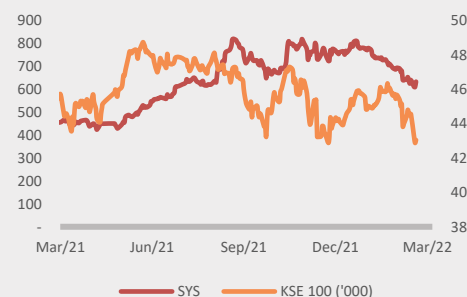
Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	3,774	2,154	75.2% ▲	11,904	7,514	58.4% ▲
Cost of Sales	2,618	1,315	99.1% ▲	7,912	4,716	67.8% ▲
Gross Profit	1,156	839	37.9% ▲	3,991	2,798	42.6% ▲
SG&A Expenses	399	79	405.7% ▲	1,170	619	89.2% ▲
Other Expenses	-27	65	140.8% ▼	4	135	96.8% ▼
Other Income	236	-8	2995.7% ▲	620	273	127.5% ▲
Operating Profit	1,019	687	48.4% ▲	3,437	2,317	48.3% ▲
Finance Cost	27	18	52.0% ▲	84	50	68.9% ▲
Profit Before Taxation	992	669	48.3% ▲	3,353	2,267	47.9% ▲
Taxation	-18	41	144.3% ▼	32	73	56.6% ▼
Profit After Taxation	1,010	629	60.7% ▲	3,321	2,194	51.4% ▲
Earnings Per Share	7.32	4.55	60.7% ▲	24.05	15.89	51.4% ▲
Dividend	5.00	3.50	42.9% ▲	5.00	3.50	42.9% ▲
Bonus	100%	10%	900.0% ▲	100%	10%	900.0% ▲
Closing Period: 04 April 2022 – 11 April 2022						
Gross Margin	30.6%	38.9%	8.3% ▼	33.5%	37.2%	3.7% ▼
SG&A Expenses to Sales	10.6%	3.7%	6.9% ▲	9.8%	8.2%	1.6% ▲
Other Expenses to Sales	-0.7%	3.0%	3.7% ▼	0.0%	1.8%	1.8% ▼
Other Income to Sales	6.3%	-0.4%	6.6% ▲	5.2%	3.6%	1.6% ▲
Effective Taxation	-1.8%	6.1%	7.9% ▼	1.0%	3.2%	2.3% ▼
Net Margin	26.8%	29.2%	2.4% ▼	27.9%	29.2%	1.3% ▼

Source: ACPL Research, Company Financials

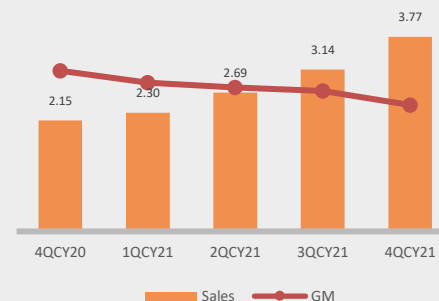
Key Statistics

Symbol	SYS
TP - Dec 22	830.00
LDCP	675.00
Upside	23%
Free Float (mn)	82
Market Cap. (Rs.mn)	93,194

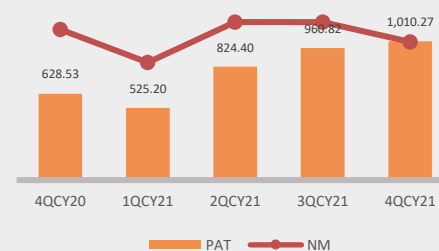
SYS vs KSE 100



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	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	5,349	7,514	11,904	14,915	20,443	28,059	38,565
Cost of sale	3,572	4,716	7,912	10,060	13,733	18,776	25,711
Gross profit	1,776	2,798	3,991	4,854	6,710	9,283	12,854
Distribution expenses	100	119	189	237	324	445	612
Administrative expenses	448	500	981	1,342	1,840	2,525	3,471
Research and development expenses	-	-	-	-	-	-	-
Other expenses	139	135	4	107	147	202	278
Other income	343	273	620	969	1,329	1,824	2,507
Operating Profit	1,432	2,317	3,437	4,137	5,727	7,934	11,000
Finance cost	39	50	84	106	90	77	66
Profit before taxation	1,393	2,267	3,353	4,031	5,637	7,857	10,934
Taxation	29	73	32	75	174	246	346
Profit after taxation	1,364	2,194	3,321	3,957	5,463	7,611	10,588
EPS	9.88	15.89	24.05	28.65	39.56	55.12	76.68

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	42.2%	40.5%	58.4%	25.3%	37.1%	37.3%	37.4%
Cost of sale	38.3%	32.0%	67.8%	27.1%	36.5%	36.7%	36.9%
Gross profit	50.7%	57.5%	42.6%	21.6%	38.2%	38.3%	38.5%
Distribution expenses	114.0%	19.2%	59.0%	25.3%	37.1%	37.3%	37.4%
Administrative expenses	18.8%	11.5%	96.3%	36.8%	37.1%	37.3%	37.4%
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%	2365.4%	37.1%	37.3%	37.4%
Other income	-21.7%	-20.4%	127.5%	56.3%	37.1%	37.3%	37.4%
Operating Profit	33.3%	61.8%	48.3%	20.4%	38.4%	38.5%	38.6%
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%	20.2%	39.8%	39.4%	39.2%
Taxation	-37.4%	157.2%	-56.6%	134.0%	133.6%	41.2%	40.6%
Profit after taxation	35.1%	60.8%	51.4%	19.1%	38.1%	39.3%	39.1%
EPS	35.1%	60.8%	51.4%	19.1%	38.1%	39.3%	39.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	33.21	37.24	33.53	32.55	32.82	33.08	33.33
NP Margin	%	25.50	29.20	27.90	26.53	26.72	27.13	27.45
OP Margin	%	26.77	30.84	28.87	27.74	28.01	28.28	28.52
ROE	%	26.15	30.25	34.46	30.49	30.87	31.33	31.64
ROCE	%	25.39	28.85	31.69	28.65	29.49	30.31	30.89
ROA	%	20.31	22.31	24.80	23.59	25.00	26.18	26.99
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	3.54	3.49	3.91	4.95	5.91	6.76	7.45
Acid-test	x	2.88	3.06	3.24	4.12	4.90	5.61	6.19
Cash to current liab.	x	0.81	0.71	0.94	1.52	2.04	2.58	3.06
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Receivables Days		144	138	147	133	139	139	139
Payables Days		10	10	10	10	10	10	10
Operating Cycle		134	128	137	123	129	129	129
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS		9.88	15.89	24.05	28.65	39.56	55.12	76.68
DPS		2.25	3.50	5.00	6.00	8.25	11.50	16.00
Div. Yield	%	0.33	0.52	0.74	0.89	1.22	1.70	2.37
Dividend Cover		4.39	4.54	4.81	4.78	4.80	4.79	4.79
BVPS		37.78	52.53	69.79	93.98	128.18	175.92	242.32
Payout	%	22.77	22.03	20.79	20.94	20.85	20.86	20.87
Retention	%	77.23	77.97	79.21	79.06	79.15	79.14	79.13
No. of Shares	'mn	138.08	138.08	138.08	138.08	138.08	138.08	138.08
P/E		68.32	42.48	28.06	23.55	17.06	12.24	8.80
Sales per share		38.74	54.42	86.21	108.02	148.05	203.21	279.30
P/BV		17.87	12.85	9.67	7.18	5.27	3.84	2.79
Price to Sales		17.42	12.40	7.83	6.25	4.56	3.32	2.42
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	%	13.32	18.26	16.34	9.82	5.84	3.47	2.06
Interest Cover		36.56	46.42	40.77	38.91	63.71	103.38	166.11

Source: ACPL Research, Company Financials

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

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Market Weight	Neutral
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