

SYS has announced its annual result where it posted profit after tax of Rs2.2bn (EPS: Rs17.66) as compared to profit after tax of Rs1.4bn (EPS: Rs11.04) in same period last year, up by 60.8% YoY.

The company has posted the revenue of Rs7.5bn against Rs5.3bn in SPLY, recording a growth of 40.5% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports owing to competitive USD/PKR parity.

Gross margin has been expanded to 37.2% as compared to 33.2% during SPLY on account of and higher retention income during the period.

SG&A expenses have grown by 12.9% YoY to Rs619mn as compared to Rs548mn during SPLY.

Finance cost has been increased by 27.4% YoY to Rs50mn as compared to Rs39mn in SPLY on account of higher working capital requirement.

Lastly, the effective taxation has been increased to 3.2% as compared to 2.0% 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 23.61x. We have a **SELL** stance on the script with a DCF based Dec-21 TP of Rs400 which provides a downside potential of 19%.

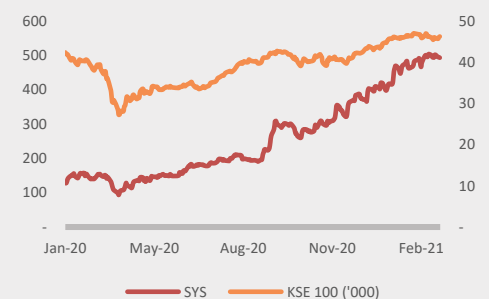
Rupees' millions	4QCY20	4QCY19	YoY	CY20	CY19	YoY
Net Sales	2,154	1,542	39.7% ▲	7,514	5,349	40.5% ▲
Cost of Sales	1,315	1,056	24.5% ▲	4,716	3,572	32.0% ▲
<b>Gross Profit</b>	<b>839</b>	<b>486</b>	<b>72.7% ▲</b>	<b>2,798</b>	<b>1,776</b>	<b>57.5% ▲</b>
SG&A Expenses	79	164	51.8% ▼	619	548	12.9% ▲
Other Expenses	65	59	10.3% ▲	135	139	3.1% ▼
Other Income	-8	35	122.0% ▼	273	343	20.4% ▼
<b>Operating Profit</b>	<b>687</b>	<b>298</b>	<b>130.8% ▲</b>	<b>2,317</b>	<b>1,432</b>	<b>61.8% ▲</b>
Finance Cost	18	14	25.5% ▲	50	39	27.4% ▲
Profit Before Taxation	669	283	136.1% ▲	2,267	1,393	62.8% ▲
Taxation	41	-5	849.2% ▼	73	29	157.2% ▲
<b>Profit After Taxation</b>	<b>629</b>	<b>289</b>	<b>117.6% ▲</b>	<b>2,194</b>	<b>1,364</b>	<b>60.8% ▲</b>
<b>Earnings Per Share</b>	<b>5.09</b>	<b>2.34</b>	<b>117.6% ▲</b>	<b>17.76</b>	<b>11.04</b>	<b>60.8% ▲</b>
<b>Dividend</b>	<b>3.50</b>	<b>2.25</b>		<b>3.50</b>	<b>2.25</b>	
<b>Bonus</b>	<b>10%</b>	<b>0%</b>		<b>10%</b>	<b>0%</b>	
Closing Period: 25 Mar 2021 - 31 Mar 2021						
Gross Margin	38.9%	31.5%	7.4% ▲	37.2%	33.2%	4.0% ▲
SG&A Expenses to Sales	3.7%	10.6%	7.0% ▼	8.2%	10.2%	2.0% ▼
Other Expenses to Sales	3.0%	3.8%	0.8% ▼	1.8%	2.6%	0.8% ▼
Other Income to Sales	-0.4%	2.2%	2.6% ▼	3.6%	6.4%	2.8% ▼
Effective Taxation	6.1%	-1.9%	8.0% ▲	3.2%	2.0%	1.2% ▲
<b>Net Margin</b>	<b>29.2%</b>	<b>18.7%</b>	<b>10.4% ▲</b>	<b>29.2%</b>	<b>25.5%</b>	<b>3.7% ▲</b>

Source: ACPL Research, Company Financials

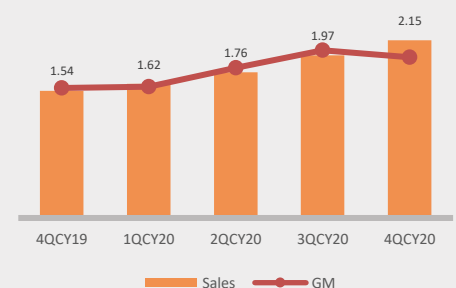
## Key Statistics

Symbol	SYS
TP - Dec 21	400.00
LDCP	493.00
Upside	-19%
Free Float (mn)	74
Market Cap. (Rs.mn)	60,896

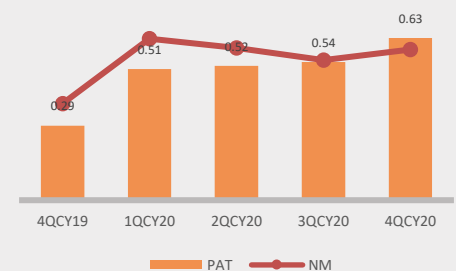
## SYS vs KSE 100



## 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	5,693	7,394	8,636
<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>3,554</b>	<b>4,639</b>	<b>5,389</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	285	370	432
<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>2,720</b>	<b>3,560</b>	<b>4,140</b>
Finance cost	2	3	11	19	39	50	59	49	40
Profit before taxation	466	506	481	1,055	1,393	2,267	2,660	3,512	4,100
Taxation	13	-	9	46	29	73	82	107	124
<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>2,579</b>	<b>3,405</b>	<b>3,976</b>
EPS	<b>3.66</b>	<b>4.17</b>	<b>3.83</b>	<b>8.17</b>	<b>11.04</b>	<b>17.76</b>	<b>20.88</b>	<b>27.57</b>	<b>32.19</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%	20.7%	29.9%	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>27.0%</b>	<b>30.5%</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%	4.4%	29.9%	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>17.4%</b>	<b>30.9%</b>	<b>16.3%</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%	17.3%	32.0%	16.8%
Taxation	213.5%	-170.5%	-188.0%	466.3%	-37.4%	157.2%	11.1%	30.9%	16.3%
<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>17.5%</b>	<b>32.0%</b>	<b>16.8%</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>17.5%</b>	<b>32.0%</b>	<b>16.8%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
GP Margin	%	33.44	29.75	29.62	31.33	33.21	37.24	38.43	38.55	38.42
NP Margin	%	19.99	19.22	16.26	26.84	25.50	29.20	27.89	28.30	28.35
OP Margin	%	20.66	19.00	16.91	28.55	26.77	30.84	29.41	29.59	29.52
ROE	%	18.13	17.66	14.74	24.75	29.11	33.23	29.47	29.51	26.80
ROCE	%	18.08	17.60	14.69	24.64	26.66	31.10	27.96	28.30	25.91
ROA	%	15.85	16.23	12.36	20.19	21.12	24.70	22.01	23.49	22.37
Liquidity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Current	x	6.80	10.04	4.59	4.21	3.83	4.09	4.09	5.23	6.64
Acid-test	x	5.27	7.41	3.22	3.08	3.16	3.44	3.54	4.51	5.79
Cash to current liab.	x	0.41	0.74	0.73	0.44	1.48	1.80	2.14	2.72	3.69
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Receivables Days		191	192	149	210	144	143	132	136	129
Payables Days		10	3	29	10	10	10	10	10	10
Operating Cycle		181	188	120	200	134	133	122	126	119
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS		3.66	4.17	3.83	8.17	11.04	17.76	20.88	27.57	32.19
DPS		1.25	1.86	1.75	2.00	2.25	3.50	5.00	5.50	6.00
Div. Yield	%	0.25	0.38	0.35	0.41	0.46	0.71	1.01	1.12	1.22
Dividend Cover		2.93	2.24	2.19	4.09	4.91	5.07	4.18	5.01	5.36
BVPS		20.20	23.61	26.00	33.02	37.94	53.45	70.83	93.40	120.09
Payout	%	34.12	44.60	45.66	24.47	20.37	19.71	23.95	19.95	18.64
Retention	%	65.88	55.40	54.34	75.53	79.63	80.29	76.05	80.05	81.36
No. of Shares	'mn	123.52	123.52	123.52	123.52	123.52	123.52	123.52	123.52	123.52
P/E		134.57	118.23	128.64	60.32	44.64	27.76	23.61	17.88	15.32
Sales per share		18.32	21.70	23.57	30.45	43.30	60.83	74.86	97.41	113.54
P/BV		24.40	20.88	18.96	14.93	12.99	9.22	6.96	5.28	4.11
Price to Sales		26.91	22.72	20.92	16.19	11.39	8.10	6.59	5.06	4.34
Gearing Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20E	CY21E	CY22E	CY23E
Debt to Equity	%	0.51	0.58	6.85	11.81	17.33	17.02	17.84	10.88	6.81
Interest Cover		220.47	158.46	45.96	57.02	36.56	46.42	45.85	73.23	103.35

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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BUY	Greater than 15%
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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