

SYS has announced its 1HCY21 result where it posted profit after tax of Rs1.35bn (EPS: Rs9.85) as compared to profit after tax of Rs1.03bn (EPS: Rs7.51) in same period last year, up by 31.1% YoY.

The company has posted a revenue of Rs4.99bn against Rs3.39bn in SPLY, recording a growth of 47.3% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been expanded to 35.4% as compared to 34.2% during SPLY on account of and higher retention income during the period.

SG&A expenses have grown by 43.5% YoY to Rs462mn as compared to Rs322mn during SPLY. Finance cost has been increased by 71.4% YoY to Rs36mn as compared to Rs21mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been increased to 2.3% 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 33.41x. We have a **SELL** stance on the script with a DCF based Jun – 22 TP of Rs570.

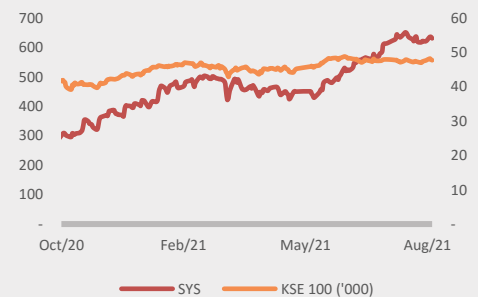
Rupees' millions	2QCY21	QCY20	YoY	1HCY21	1HCY20	YoY
Net Sales	2,690	1,764	52.4% ▲	4,993	3,389	47.3% ▲
Cost of Sales	1,752	1,123	56.1% ▲	3,224	2,230	44.6% ▲
Gross Profit	937	642	46.0% ▲	1,768	1,158	52.7% ▲
SG&A Expenses	254	137	85.4% ▲	462	322	43.5% ▲
Other Expenses	19	2	682.5% ▲	-16	17	197.5% ▼
Other Income	194	42	362.2% ▲	94	252	62.7% ▼
Operating Profit	858	544	57.6% ▲	1,416	1,071	32.2% ▲
Finance Cost	21	11	79.1% ▲	36	21	71.4% ▲
Profit Before Taxation	838	533	57.2% ▲	1,381	1,050	31.4% ▲
Taxation	13	12	9.9% ▲	31	21	47.3% ▲
Profit After Taxation	824	521	58.3% ▲	1,350	1,029	31.1% ▲
Earnings Per Share	6.01	3.80	58.3% ▲	9.85	7.51	31.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	34.9%	36.4%	1.5% ▼	35.4%	34.2%	1.2% ▲
SG&A Expenses to Sales	9.4%	7.8%	1.7% ▲	9.3%	9.5%	0.3% ▼
Other Expenses to Sales	0.7%	0.1%	0.6% ▲	-0.3%	0.5%	0.8% ▼
Other Income to Sales	7.2%	2.4%	4.8% ▲	1.9%	7.4%	5.6% ▼
Effective Taxation	1.6%	2.3%	0.7% ▼	2.3%	2.0%	0.2% ▲
Net Margin	30.7%	29.5%	1.1% ▲	27.0%	30.4%	3.3% ▼

Source: ACPL Research, Company Financials

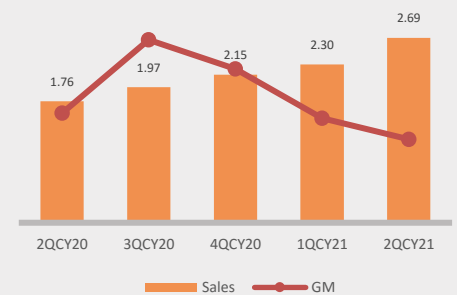
## Key Statistics

Symbol	SYS
TP - Dec 21	570.00
LDCP	630.00
Upside	-10%
Free Float (mn)	81
Market Cap. (Rs.mn)	86,352

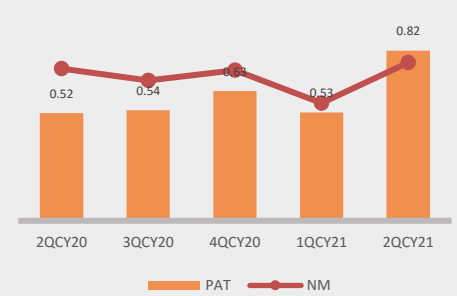
## SYS vs KSE 100



## 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	9,886	14,071	20,081
Cost of sale	1,507	1,883	2,049	2,583	3,572	4,716	6,285	9,026	12,996
<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>3,601</b>	<b>5,045</b>	<b>7,086</b>
Distribution expenses	70	37	114	47	100	119	158	227	326
Administrative expenses	262	251	287	377	448	500	736	1,024	1,428
Research and development expenses	29	2	-	-	-	-	-	-	-
Other expenses	20	31	88	118	139	135	297	422	602
Other income	92	33	118	438	343	273	314	451	650
<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>2,725</b>	<b>3,824</b>	<b>5,378</b>
Finance cost	2	3	11	19	39	50	59	49	40
Profit before taxation	466	506	481	1,055	1,393	2,267	2,666	3,775	5,338
Taxation	13	-	9	8	29	73	82	115	161
<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>2,584</b>	<b>3,660</b>	<b>5,177</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>18.85</b>	<b>26.70</b>	<b>37.77</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%	31.6%	42.3%	42.7%
Cost of sale	21.2%	25.0%	8.8%	26.1%	38.3%	32.0%	33.3%	43.6%	44.0%
<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>28.7%</b>	<b>40.1%</b>	<b>40.5%</b>
Distribution expenses	16.9%	-46.4%	205.0%	-59.0%	114.0%	19.2%	32.6%	43.7%	44.1%
Administrative expenses	32.1%	-4.1%	14.1%	31.5%	18.8%	11.5%	47.2%	39.2%	39.5%
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%	120.1%	42.3%	42.7%
Other income	138.9%	-64.0%	257.3%	269.7%	-21.7%	-20.4%	15.3%	43.6%	44.0%
<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>17.6%</b>	<b>40.3%</b>	<b>40.7%</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%	17.6%	41.6%	41.4%
Taxation	213.5%	-170.5%	-188.0%	466.3%	-37.4%	157.2%	11.4%	40.3%	40.7%
<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>17.8%</b>	<b>41.6%</b>	<b>41.4%</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>17.8%</b>	<b>41.6%</b>	<b>41.4%</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	36.42	35.85	35.29
NP Margin	%	19.99	19.22	16.26	26.84	25.50	29.20	26.14	26.01	25.78
OP Margin	%	20.66	19.00	16.91	28.55	26.77	30.84	27.57	27.17	26.78
ROE	%	18.13	17.66	14.74	24.75	26.15	30.25	29.07	30.67	31.51
ROCE	%	18.08	17.60	14.69	24.64	25.39	28.85	27.09	29.04	30.23
ROA	%	15.85	16.23	12.36	20.19	20.31	22.31	21.16	23.73	25.44
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	3.91	4.82	5.72
Acid-test	x	5.27	7.41	3.22	3.08	2.88	3.06	3.34	4.04	4.74
Cash to current liab.	x	0.41	0.74	0.73	0.44	0.81	0.71	1.07	1.40	1.82
Activity Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
Receivables Days		191	192	149	210	144	138	136	141	141
Payables Days		10	3	29	10	10	10	10	10	10
Operating Cycle		181	188	120	200	134	128	126	131	131
Investment Ratios		CY15A	CY16A	CY17A	CY18A	CY19A	CY20A	CY21E	CY22E	CY23E
EPS		3.30	3.76	3.45	7.36	9.95	16.01	18.85	26.70	37.77
DPS		1.25	1.86	1.75	2.00	2.25	3.50	5.00	5.50	6.00
Div. Yield	%	0.20	0.30	0.28	0.32	0.36	0.56	0.79	0.87	0.95
Dividend Cover		2.64	2.02	1.97	3.68	4.42	4.57	3.77	4.86	6.29
BVPS		18.21	21.28	23.43	29.76	38.06	52.92	64.86	87.06	119.88
Payout	%	37.86	49.50	50.67	27.16	22.61	21.87	26.52	20.60	15.89
Retention	%	62.14	50.50	49.33	72.84	77.39	78.13	73.48	79.40	84.11
No. of Shares	'mn	137.07	137.07	137.07	137.07	137.07	137.07	137.07	137.07	137.07
P/E		190.83	167.65	182.42	85.54	63.30	39.36	33.41	23.59	16.68
Sales per share		16.51	19.55	21.24	27.44	39.02	54.82	72.13	102.66	146.51
P/BV		34.60	29.61	26.89	21.17	16.55	11.90	9.71	7.24	5.26
Price to Sales		38.15	32.22	29.67	22.96	16.14	11.49	8.73	6.14	4.30
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	18.03	10.87	6.41
Interest Cover		220.47	158.46	45.96	57.02	36.56	46.42	45.94	78.64	134.26

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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SELL	Less than and equal to -5%

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