

SYS has announced its 9MCY21 result where it posted profit after tax of Rs2.3bn (EPS: Rs16.74) as compared to profit after tax of Rs1.06bn (EPS: Rs7.66) in same period last year, up by 118.6% YoY.

The company has posted the revenue of Rs8.13bn against Rs3.74bn in SPLY, recording a growth of 117.6% YoY. We note that this growth is attributed to the higher maintenance contracts and higher exports. The gross margin has been squeezed to 34.9% as compared to 38.6% during SPLY.

SG&A expenses have grown by 117.5% YoY to Rs771mn as compared to Rs354mn during SPLY. Finance cost has been increased by 152% YoY to Rs57mn as compared to Rs23mn in SPLY on account of higher working capital requirements. Lastly, the effective taxation has been decreased to 2.1% as compared to 2.2% during SPLY.

SYS is currently trading at CY21E PE of 30.03x. Further, the scrip is also trading at CY21E PB of 10.05x which offers the discount of 57% relative to its 5-Year historical average of 23.45x. We have upgraded our stance to **BUY** the script with a DCF based Jun – 22 TP of Rs850 which provides an upside of 17%.

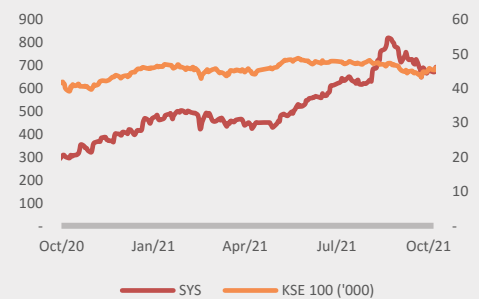
Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Net Sales	3,137	1,971	59.1% ▲	8,130	3,736	117.6% ▲
Cost of Sales	2,070	1,170	76.9% ▲	5,295	2,293	130.9% ▲
Gross Profit	1,067	801	33.2% ▲	2,835	1,443	96.5% ▲
SG&A Expenses	309	217	41.9% ▲	771	354	117.5% ▲
Other Expenses	47	53	10.3% ▼	31	55	44.1% ▼
Other Income	290	28	933.2% ▲	384	70	448.5% ▲
Operating Profit	1,001	559	79.1% ▲	2,418	1,103	119.1% ▲
Finance Cost	22	11	90.8% ▲	57	23	151.6% ▲
Profit Before Taxation	980	548	78.9% ▲	2,360	1,081	118.4% ▲
Taxation	19	12	61.1% ▲	50	24	109.9% ▲
Profit After Taxation	961	536	79.2% ▲	2,310	1,057	118.6% ▲
Earnings Per Share	6.96	3.88	79.2% ▲	16.74	7.66	118.6% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	34.0%	40.6%	6.6% ▼	34.9%	38.6%	3.8% ▼
SG&A Expenses to Sales	9.8%	11.0%	1.2% ▼	9.5%	9.5%	0.0% ▼
Other Expenses to Sales	1.5%	2.7%	1.2% ▼	0.4%	1.5%	1.1% ▼
Other Income to Sales	9.3%	1.4%	7.8% ▲	4.7%	1.9%	2.9% ▲
Effective Taxation	1.9%	2.1%	0.2% ▼	2.1%	2.2%	0.1% ▼
Net Margin	30.6%	27.2%	3.4% ▲	28.4%	28.3%	0.1% ▲

Source: ACPL Research, Company Financials

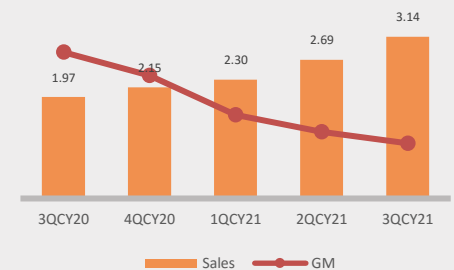
Key Statistics

Symbol	SYS
TP - Jun 22	850.00
LDPC	700.00
Upside	17%
Free Float (mn)	81
Market Cap. (Rs.mn)	94,835

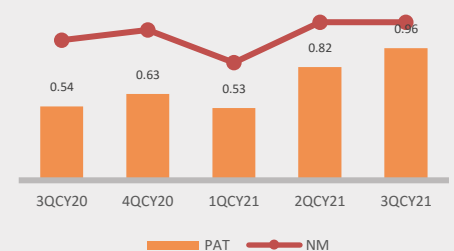
SYS vs KSE 100



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	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	5,349	7,514	11,734	16,312	22,689	31,811	38,173
Cost of sale	3,572	4,716	7,743	10,699	15,014	21,241	25,489
Gross profit	1,776	2,798	3,991	5,613	7,675	10,570	12,684
Distribution expenses	100	119	166	349	360	371	382
Administrative expenses	448	500	615	690	1,109	1,471	1,679
Research and development expenses	-	-	-	-	-	-	-
Other expenses	139	135	135	54	54	54	54
Other income	343	273	273	518	518	518	518
Operating Profit	1,432	2,317	3,348	5,038	6,670	9,192	11,087
Finance cost	39	50	75	61	50	41	34
Profit before taxation	1,393	2,267	3,273	4,977	6,620	9,151	11,053
Taxation	29	73	97	142	189	262	317
Profit after taxation	1,364	2,194	3,176	4,835	6,431	8,889	10,737
EPS	9.88	15.89	23.01	35.02	46.59	64.40	77.78

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	42.2%	40.5%	56.2%	39.0%	39.1%	40.2%	20.0%
Cost of sale	38.3%	32.0%	64.2%	38.2%	40.3%	41.5%	20.0%
Gross profit	50.7%	57.5%	42.6%	40.6%	36.7%	37.7%	20.0%
Distribution expenses	114.0%	19.2%	40.0%	110.0%	3.0%	3.0%	3.0%
Administrative expenses	18.8%	11.5%	23.0%	12.3%	60.7%	32.7%	14.1%
Research and development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other expenses	17.5%	-3.1%	0.0%	-60.0%	0.0%	0.0%	0.0%
Other income	-21.7%	-20.4%	0.0%	90.0%	0.0%	0.0%	0.0%
Operating Profit	33.3%	61.8%	44.5%	50.5%	32.4%	37.8%	20.6%
Finance cost	107.9%	27.4%	49.5%	-18.4%	-18.1%	-17.7%	-17.2%
Profit before taxation	32.0%	62.8%	44.4%	52.0%	33.0%	38.2%	20.8%
Taxation	-37.4%	157.2%	32.0%	46.6%	33.1%	38.5%	21.0%
Profit after taxation	35.1%	60.8%	44.8%	52.2%	33.0%	38.2%	20.8%
EPS	35.1%	60.8%	44.8%	52.2%	33.0%	38.2%	20.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	33.21	37.24	34.01	34.41	33.83	33.23	33.23
NP Margin	%	25.50	29.20	27.07	29.64	28.34	27.94	28.13
OP Margin	%	26.77	30.84	28.53	30.88	29.40	28.90	29.05
ROE	%	26.15	30.25	33.46	35.26	33.04	32.20	28.60
ROCE	%	25.39	28.85	31.35	33.64	31.93	31.40	28.06
ROA	%	20.31	22.31	23.56	27.14	26.82	27.00	24.75
Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	3.54	3.49	3.50	4.64	5.75	6.72	8.10
Acid-test	x	2.88	3.06	2.94	3.89	4.80	5.60	6.89
Cash to current liab.	x	0.81	0.71	0.95	1.51	2.13	2.72	3.88
Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Receivables Days		144	138	146	140	140	140	131
Payables Days		10	10	10	10	10	10	10
Operating Cycle		134	128	136	129	129	130	121
Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
EPS		9.88	15.89	23.01	35.02	46.59	64.40	77.78
DPS		2.25	3.50	5.00	5.50	6.00	6.50	7.00
Div. Yield	%	0.33	0.51	0.72	0.80	0.87	0.94	1.01
Dividend Cover		4.39	4.54	4.60	6.37	7.76	9.91	11.11
BVPS		37.79	52.55	68.76	99.32	140.99	200.02	271.98
Payout	%	22.77	22.02	21.73	15.70	12.88	10.09	9.00
Retention	%	77.23	77.98	78.27	84.30	87.12	89.91	91.00
No. of Shares	'mn	138.04	138.04	138.04	138.04	138.04	138.04	138.04
P/E		69.92	43.48	30.03	19.73	14.83	10.73	8.88
Sales per share		38.75	54.43	85.00	118.17	164.37	230.45	276.54
P/BV		18.29	13.15	10.05	6.96	4.90	3.45	2.54
Price to Sales		17.83	12.69	8.13	5.85	4.20	3.00	2.50
Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	%	13.32	18.26	21.49	12.01	6.85	3.91	2.34
Interest Cover		36.56	46.42	44.87	82.79	133.82	223.99	326.17

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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- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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SELL	Less than and equal to -5%

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Market Weight	Neutral
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