

System Ltd: Stable outlook

System Limited (SYS), a certified Microsoft Gold Partner, is one of the notable software companies in Pakistan in terms of volumetric sales & IT softwares.

SYS have seen significant penetration & resultant demand of skilled resources and services in US, technology spent i.e. IT software services have increased and the company envisages this trend to continue in a foreseeable future.

Triggers...

- ✚ SYS has also invested in starting operations in new markets and building new competency centers and increased demand thus keeps it on limelight of higher and better upside growth in future;
- ✚ The company will have more revenue in next quarter due to expansion in MEA region, UAE and Australia etc.

P&L Statement

	CY14	CY13	chg
Turnover	1,922,615,854	1,420,562,189	35.3%
Cost Of Sales	(1,242,708,948)	(859,467,123)	44.6%
Gross Profit	679,906,906	561,095,066	21.2%
Admin Exp	(198,631,669)	(139,001,669)	42.9%
Distribution cost	(60,686,039)	(49,916,555)	21.6%
R & D	(2,429,418)	(5,263,092)	-53.8%
Operating Cost	-	(8,511,228)	
Finance Cost	(3,985,590)	(3,402,989)	17.1%
Other income	16,689,230	70,805,575	-76.4%
Profit before tax	430,863,420	425,805,108	1.2%
Taxation	(4,143,840)	(10,663,819)	-61.1%
PAT	426,719,580	415,141,289	2.8%
Basic EPS	4.92	4.91	0.2%
Diluted EPS	4.92	4.91	0.2%
Dividend	1.00	not listed	

Source: Standard Capital Research

Financial review...attaining budgetary targets

- ✚ SYS achieved its budgetary target for the quarter and is expected to continue on the pattern of surpassing budgetary profit for the year 2015, as per their report;
- ✚ The profit before tax of the company grew by 50% in 1QCY15;

Price structure

Price Rs	46.76
Change	-1.37
52week Hi	59.85
52week low	41.00

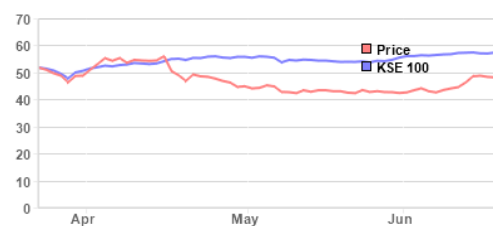
Key Ratios

	FY14	FY13
GP Margin	35.4%	39.5%
OP Margin	13.6%	14.3%
NP Margin	22.4%	30.0%

P&L Statement

Rs	1QCY15
Turnover	535,969,750
Cost Of Sales	(355,487,203)
Gross Profit	180,482,547
Admin Exp	(57,677,560)
Distribution cost	(19,803,495)
Operating Cost	-
R & D	(9,790,424)
Finance Cost	(669,962)
Other income	20,514,147
Profit before tax	113,055,253
Taxation	(3,278,341)
PAT	109,776,912
Dil EPS	1.10

Source: Standard Capital Research



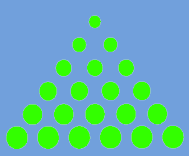
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- ✚ SYS posted EPS of Rs 1.1/sh as compared to Re 0.84/sh in the corresponding last quarter;

Business structures...

- ✚ SYS have invested in developing accelerators, frameworks and solution templates for apparel & retail segment. They have also developed retail business intelligence tool. SYS is thus using their technology platform to sell BPO services and this has been instrumental in generating new businesses. For SYS, BPO and ERP is forms key part of revenue.
- ✚ SYS have active projects in UAE, Oman, Bahrain, Qatar, South Africa, Namibia and Saudi Arabia. SYS were able to strengthen partnership with reputed and well established regional partners. On the domestic front, SYS have seen growth in IT spending from private sector.
- ✚ In private sector SYS made significant inroads in telecom and financial institutions. In public sector in Punjab, SYS is engaged with large entities such as *PITB* and *Ministry of Revenue for Land Records*.

Future outlook...

- ✚ In 2015, SYS is further solidifying its base in MEA region;
- ✚ SYS is about to launch a new product "**OneLoad**" as per their website. It is a video distribution service for brand advertisers and content creators who want to easily seed their videos to the top video and social networking sites;
- ✚ 2500+ employees globally & 100% employee ownership and the number of employees is to increase due to more demand of IT softwares;
- ✚ More than 200 clients could be served globally and their might be an increase of clients due to expansion;
- ✚ Company extended its IT services to customers all across countries viz. Australia and UAE;

We keep our **POSITIVE** stance given company's stable earning base (we expect quarterly growth; ERP & BPO remains main revenue earner). We have put this company under our active watch list given stable earnings outlook.