

30 April 2024

The General Manager  
Pakistan Stock Exchange  
Stock Exchange Building  
Stock Exchange Road  
Karachi

Subject: **FINANCIAL RESULTS FOR THE 1<sup>st</sup> QUARTER ENDED 31 MARCH 2024**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 29 April 2024 have approved the financial statements for the three months period ended 31 March 2024 and recommend the following:

**DIVIDEND**

Nil.

**BONUS SHARES**

Nil.

**FINANCIAL RESULTS**

Financial results of the Company along with the directors report are attached hereto as **Annexure – A, Annexure B & Annexure - C.**

**PERFORMANCE OVERVIEW**

**The Company (Standalone):**

During period under review, standalone revenue grew by 33% over same period last year from Rs. 6,872.86 million to Rs. 9,158.51 million. Gross profit and operating profit increased by 14% and 9% respectively, delivering a leveraged operating performance for the company. Moreover, as a consequence of rupee appreciation, net profit for the period has been impacted

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by an exchange loss of Rs 207.64 million compared to the Rs. 2,241.08 million exchange gain in March 2023 decreasing net profit by 66%, from 3,639.53 million to Rs. 1,235.21 million. Normalizing the impact of currency fluctuation, the net profit showed increase of 3% from same period last year. It is important to note that a Re 1 change in average USD/PKR rate results in a ~1% change in the gross margins. Since the rupee has appreciated against the dollar in Q1, the Company did not get the leverage on the wage inflation which has impacted the bottom line. However, the business continues to grow, and revenue has increased by 24% in USD terms.

Similarly Basic and diluted earnings per share increased by 3% after excluding the effect of currency devaluation.

### **The Group (Consolidated):**

During the three months period ended 31<sup>st</sup> March 2024, consolidated revenue grew by 42% from Rs. 10,698.74 million to Rs. 15,194.40 million. Gross profit and operating profit increased by 26% and 16% respectively. Net profit for the period decreased by 59% from Rs. 3,879.43 million to Rs. 1,571.22 million due to exchange loss against a considerably high exchange gain recorded in last year. Normalizing the impact of currency devaluation profit after tax showed increase of 16% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 5% after normalizing the impact of currency devaluation.

For and on behalf of Systems Limited

**Ali Ahmed Iftikhar**  
Company Secretary



**DIRECTOR'S REVIEW REPORT – 31<sup>ST</sup> MARCH 2024**

On behalf of the Board of Directors we are pleased to present the Standalone and Consolidated Financial Statements for the three months ended 31<sup>st</sup> March 2024.

**FINANCIAL RESULTS****Unconsolidated:**

During period under review, standalone revenue grew by 33% over same period last year from Rs. 6,872.86 million to Rs. 9,158.51 million. Gross profit and operating profit increased by 14% and 9% respectively, delivering a leveraged operating performance for the company. Moreover, as a consequence of rupee appreciation, net profit for the period has been impacted by an exchange loss of Rs 207.64 million compared to the Rs. 2,241.08 million exchange gain in March 2023 decreasing net profit by 66%, from 3,639.53 million to Rs. 1,235.21 million. Normalizing the impact of currency fluctuation, the net profit showed increase of 3% from same period last year. It is important to note that a Re 1 change in average USD/PKR rate results in a ~1% change in the gross margins. Since the rupee has appreciated against the dollar in Q1, the Company did not get the leverage on the wage inflation which has impacted the bottom line. However, the business continues to grow, and revenue has increased by 24% in USD terms.

Similarly Basic and diluted earnings per share increased by 3% after excluding the effect of currency devaluation.

<b>Key Financial Highlights – Unconsolidated</b>			
<b>Particulars</b>	<b>March-24 (unaudited)</b>	<b>March-23 (unaudited)</b>	<b>Change</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>%</b>
<b>Revenue</b>	<b>9,158,510,410</b>	6,872,859,904	33
<b>Gross Profit</b>	<b>2,198,128,065</b>	1,930,352,358	14
<b>Operating profit</b>	<b>1,549,968,808</b>	1,425,198,745	9
<b>Profit for the period</b>	<b>1,235,208,767</b>	3,639,526,603	-66
<b>Earnings per share (basic)</b>	<b>4.24</b>	12.53	-66
<b>Earnings per share (diluted)</b>	<b>4.21</b>	12.42	-66

<b>Other Income – Unconsolidated</b>		
<b>Particulars</b>	<b>March-24 (unaudited)</b>	<b>March-23 (unaudited)</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Other Income</b>	<b>92,652,852</b>	171,719,143
<b>Exchange Gain / (Loss)</b>	<b>(207,641,701)</b>	2,241,087,691
	<b>(114,988,849)</b>	2,412,806,834

**Consolidated:**

During the three months period ended 31<sup>st</sup> March 2024, consolidated revenue grew by 42% from Rs. 10,698.74 million to Rs. 15,194.40 million. Gross profit and operating profit increased by 26% and 16% respectively. Net profit for the period decreased by 59% from Rs. 3,879.43 million to Rs. 1,571.22 million due to exchange loss

against a considerably high exchange gain recorded in last year. Normalizing the impact of currency devaluation profit after tax showed increase of 16% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 5% after normalizing the impact of currency devaluation.

Consolidated			
Particulars	March-24 (unaudited)	March-23 (unaudited)	Change
	Rs.	Rs.	%
<b>Revenue</b>	<b>15,194,400,478</b>	10,698,739,254	42
<b>Gross Profit</b>	<b>3,503,913,183</b>	2,790,357,274	26
<b>Operating profit</b>	<b>1,984,833,661</b>	1,707,539,790	16
<b>Profit for the period</b>	<b>1,571,215,967</b>	3,879,427,062	-59
<b>Earnings per share (basic)</b>	<b>5.39</b>	13.36	-60
<b>Earnings per share (diluted)</b>	<b>5.36</b>	13.24	-59

Other Income – Consolidated		
Particulars	March-24 (unaudited)	March-23 (unaudited)
	Rs.	Rs.
<b>Other Income</b>	<b>112,658,495</b>	172,075,576
<b>Exchange Gain / (Loss)</b>	<b>(169,212,358)</b>	2,380,253,731
	<b>(56,553,863)</b>	2,552,329,307

## PERFORMANCE BY SEGMENT – BY VERTICAL AND BY GEOGRAPHY

All vertical segments are aggressively growing, and the Company expects the margins to rationalize towards the latter half of the year.

	BFSI		Telco		Technology		Retail & CPG		Others		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Three months ended		Three months ended		Three months ended		Three months ended		Three months ended		Three months ended	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue - net	4,392,571,504	3,243,808,803	3,346,535,472	2,244,099,003	1,980,610,795	1,503,714,594	1,673,238,181	1,187,741,877	3,801,444,526	2,519,374,978	15,194,400,478	10,698,739,254
Cost of sales	(3,880,464,900)	(2,811,689,348)	(2,436,231,849)	(1,548,451,531)	(1,324,878,403)	(1,008,100,709)	(1,218,197,874)	(668,129,241)	(2,830,714,270)	(1,872,011,151)	(11,690,487,296)	(7,908,381,980)
Gross profit	512,106,604	432,119,455	910,303,623	695,647,471	655,732,392	495,613,885	455,040,307	519,612,636	970,730,256	647,363,827	3,503,913,183	2,790,357,274
Distribution expenses	(121,140,757)	(105,147,162)	(90,855,568)	(72,741,846)	(34,611,645)	(48,742,491)	(47,643,013)	(38,500,323)	(138,394,578)	(81,664,840)	(432,645,561)	(346,796,663)
Administrative expenses	(235,170,625)	(238,008,995)	(232,627,969)	(164,656,976)	(88,620,179)	(110,332,520)	(121,985,890)	(87,148,555)	(429,347,570)	(184,854,886)	(1,107,752,233)	(785,001,931)
Profit / (loss) before taxation and unallocated income and expenses	155,795,222	88,963,298	586,820,087	458,248,649	532,500,569	336,538,874	285,411,404	393,963,758	402,988,107	380,844,101	1,963,515,389	1,658,558,681
Other operating expenses											21,318,272	48,981,110
Other income (excluding exchange gain)											112,658,495	172,075,576
Exchange (loss) / gain											(169,212,358)	2,380,253,731
Share of loss from associates											(20,369,952)	(110,440,765)
Finance cost											(148,293,356)	(157,004,402)
Profit before taxation											1,759,616,490	3,992,423,931
Taxation											(188,400,523)	(112,996,869)
Profit after taxation											1,571,215,967	3,879,427,061

The geographical segment analysis shows robust growth across all four segments. European and MEA segment is bouncing back showing an encouraging dollarized growth. The Company is rationalizing Pakistan segment as well

by improving the quality of revenue bringing efficiencies and optimizing costs to improve the profitability in this segment as well. With the strategic actions that the Company is taking, the profitability across all segments is expected to show a positive trend towards later half of the year. Export sales of the Company are now roughly around 87% of total sales in line with Company's strategy to grow exports.

	North America		Europe		Middle East & Africa		Asia Pacific		Pakistan		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March		Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue - net	3,275,730,366	2,722,968,712	736,106,586	346,371,068	8,660,147,366	5,022,205,516	473,612,922	243,821,228	2,048,803,239	2,363,372,730	15,194,400,478	10,698,739,254
Cost of sales	(2,260,391,867)	(1,743,166,535)	(488,640,912)	(258,282,404)	(6,577,115,052)	(3,614,751,455)	(322,995,319)	(157,801,956)	(2,041,344,146)	(2,134,379,630)	(11,690,487,295)	(7,908,381,980)
Gross profit	1,015,338,498	979,802,177	247,465,674	88,088,664	2,083,032,314	1,407,454,061	150,617,603	86,019,271	7,459,093	228,993,100	3,503,913,183	2,790,357,274
Distribution expenses	(7,230,916)	(4,835,042)	(1,624,897)	(615,034)	(315,514,133)	(236,699,790)	(54,530,318)	(26,007,477)	(53,745,298)	(78,639,319)	(432,645,561)	(346,796,663)
Administrative expenses	(266,814,365)	(255,741,258)	(59,957,258)	(45,130,810)	(652,262,682)	(346,501,058)	(33,637,092)	(29,651,645)	(95,080,836)	(107,977,157)	(1,107,752,233)	(785,001,931)
Profit / (loss) before taxation and unallocated income and expenses	741,293,218	719,225,879	185,883,519	42,342,820	1,115,255,499	824,253,213	62,450,193	30,360,145	(141,367,041)	42,376,624	1,963,515,389	1,658,558,681
Other operating expenses											21,318,272	48,981,110
Other income (excluding exchange gain)											112,658,495	172,075,576
Exchange (loss) / gain											(169,212,358)	2,380,253,731
Share of loss from associates											(20,369,952)	(110,440,765)
Finance cost											(148,293,356)	(157,004,402)
Profit before taxation											1,759,616,490	3,992,423,931
Taxation											(188,400,523)	(112,996,869)
Profit after taxation											1,571,215,967	3,879,427,061

## KEY FINANCIAL RATIOS

The decline in profitability ratios has been explained above. The sharp reduction in all net profitability-based ratios is due to the impact of unreasonably high exchange gain in Q1 2023. The high current and quick ratio is reflective of strong liquidity position of the Company, which can be directly linked with improved debtor management and is aligned with Company's investment strategy.

Ratio Description	Standalone		Consolidated	
	Three months ended 31 <sup>st</sup> March		Three months ended 31 <sup>st</sup> March	
	2024	2023	2024	2023
Gross Profit Margin (%)	24%	28%	23%	26%
Operating Margin (%)	17%	21%	13%	16%
EBITDA Margin (%)	17%	57%	16%	20%
Pre-tax Margin (%)	15%	54%	12%	37%
Net Profit Margin (%)	13%	53%	10%	36%
Assets turnover (%)	25%	22%	30%	24%
Return on Equity (%)	4%	13%	5%	12%
Current ratio	2.95	2.87	2.43	2.18
Quick Ratio	2.36	2.31	1.35	1.45
Debtor Turnover (Days)	185.	185	126	135
Debt:Equity (Ratio)	05:95	08:92	04:96	07:93
Interest Cover (Times)	17.22	13.85	13.38	10.88

## **FUTURE OUTLOOK**

- The company encountered significant inflationary pressures on costs throughout 2023, and these challenges persist into 2024, particularly in the form of wage inflation. Historically, the devaluation of the rupee, typically around 5-8% for Pakistan, has helped offset inflation. However, in 2024, the rupee appreciated against dollar, exacerbating pressure on margins. To address these challenges, the company is implementing measures to optimize costs and develop strategies for revenue growth across all geographical areas. The company anticipates that the results of these measures will begin to manifest in the latter half of the year.
- The Company has a solid backlog and has secured a substantial number of new contracts in all geographies. The Company is actively developing a robust pipeline for the future to support its ambitious growth objectives.
- Given the surge in AI technology and its widespread applications, the Company continues to invest in the technology and in upskilling and reskilling its workforce. Recognizing the immense market potential, the company is addressing the high demand for AI by ensuring adequate training of resources. Additionally, significant investments are being made in developing assets, products, and solutions in the banking AI sector. Besides AI, the Company remains committed to investing in cutting-edge technologies, aligning with the strategic investments of key principals such as Microsoft, Google, Amazon, and Salesforce.
- The Company is actively lobbying with the Government to allow investment in new markets and acquisition of similar businesses that will contribute to the expansion plans of the Company. With the new Government's focus on the IT sector, the Company is hopeful that this will open new doors for business.
- The company intends to persist in pursuing opportunities for inorganic growth, both within Pakistan and on a global scale. It is actively assessing businesses that align with its strategic objectives, organizational structure, and corporate culture.

## **ACKNOWLEDGEMENT**

The Board takes this opportunity to thank the Company's valued customers, bankers and other stakeholders for their corporation and support. The Board greatly appreciates the hard work and dedication of all the employees of the Company.

On behalf of the Board

Asif Peer  
Chief Executive Officer  
Date: 29 April 2024

**SYSTEMS LIMITED****CONDENSED UNCONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)****FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2024**

	Note	Three Months Ended	
		March 31,	March 31,
		2024	2023
		Rupees	
Revenue from contracts with customers - net		9,158,510,410	6,872,859,904
Cost of revenue		(6,960,382,345)	(4,942,507,546)
<b>Gross profit</b>		<b>2,198,128,065</b>	<b>1,930,352,358</b>
Administrative expenses		(544,619,372)	(462,880,102)
Distribution expenses		(102,516,370)	(63,171,233)
Impairment losses on financial assets		-	20,897,722
Other operating expenses		(1,023,515)	-
		<b>(648,159,257)</b>	<b>(505,153,613)</b>
<b>Operating profit</b>		<b>1,549,968,808</b>	<b>1,425,198,745</b>
Other income	13	(114,988,849)	2,412,806,834
Finance costs		(89,990,594)	(102,928,479)
		<b>1,344,989,365</b>	<b>3,735,077,100</b>
<b>Profit before taxation</b>		<b>1,344,989,365</b>	<b>3,735,077,100</b>
Taxation		(109,780,598)	(95,550,497)
		<b>1,235,208,767</b>	<b>3,639,526,603</b>
<b>Profit for the period</b>		<b>1,235,208,767</b>	<b>3,639,526,603</b>
<b>Earnings per share:</b>			
Basic earnings per share	14	4.24	12.53
Diluted earnings per share		4.21	12.42

The annexed notes from 1 to 21 form an integral part of these condensed unconsolidated interim financial statements.

(CHAIRMAN)

(CHIEF EXECUTIVE)

(CHIEF FINANCIAL OFFICER)

**SYSTEMS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS ACCOUNT**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2024 (UNAUDITED)**

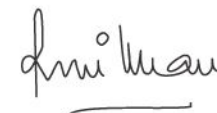
	<b>Three Months Ended</b>	
	<b>31 March 2024</b>	<b>31 March 2023</b>
<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
Revenue from contract with customers - net	<b>15,194,400,478</b>	10,698,739,254
Cost of sales	<b>11,690,487,295</b>	7,908,381,980
Gross profit	<b>3,503,913,183</b>	2,790,357,274
Distribution expenses	<b>432,645,561</b>	346,796,663
Administrative expenses	<b>1,107,752,233</b>	785,001,931
Other operating expenses	<b>(21,318,272)</b>	(48,981,110)
	<b>1,519,079,522</b>	1,082,817,484
Operating profit	<b>1,984,833,661</b>	1,707,539,790
Other income	15 <b>(56,553,863)</b>	2,552,329,307
Share of loss from associate	<b>20,369,952</b>	110,440,765
Finance cost	<b>148,293,356</b>	157,004,402
Profit before taxation	<b>1,759,616,490</b>	3,992,423,931
Taxation	<b>188,400,523</b>	112,996,869
Profit after taxation	<b>1,571,215,967</b>	3,879,427,062
Attributable to:		
Equity holders of the parent	<b>1,571,203,622</b>	3,879,278,370
Non-controlling interest	<b>12,345</b>	148,692
	<b>1,571,215,967</b>	3,879,427,062
Earnings per share:		
Basic earnings per share	16 <b>5.39</b>	13.36
Diluted earnings per share	<b>5.36</b>	13.24

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



(CHAIRMAN)

(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)