

29 August 2024

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

Subject: **FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024**

Dear Sir,

We have to inform you that the Board of Directors of the Company in their meeting dated: 28 August 2024 have approved the financial statements for the six months period ended 30 June 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 27% over same period last year from Rs. 14,210.45 million to Rs. 18,050.94 million. Gross profit increased by 5% whereas operating profit decreased by 4%, mainly due to higher inflationary costs. Moreover, as a consequence



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of rupee appreciation, net profit for the period has been impacted by an exchange loss of Rs 221.87 million compared to the Rs. 2,355.52 million exchange gain in June 2023 decreasing net profit by 49%, from 4,821.90 million to Rs. 2,456.56 million. Normalizing the impact of currency fluctuation, the net profit showed increase of 9% from same period last year. Since the rupee has appreciated against the dollar in HY, 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 8% and 9% respectively after excluding the effect of currency fluctuation.

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

During the Six months period ended 30th June 2024, consolidated revenue grew by 34% from Rs. 23,189.16 million to Rs. 31,023.36 million. Gross profit and operating profit increased by 12% and 15% respectively. Net profit for the period decreased by 39% from Rs. 5,293.86 million to Rs. 3,243.32 million due to exchange loss against a considerably high exchange gain recorded in last year. Normalizing the impact of currency fluctuation, profit after tax showed increase of 25% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 25% after normalizing the impact of currency fluctuation.

For and on behalf of Systems Limited,

**Ali Ahmed Iftikhar**  
Company Secretary



## DIRECTOR'S REVIEW REPORT – 30<sup>TH</sup> JUNE 2024

On behalf of the Board of Directors we are pleased to present the Standalone and Consolidated Financial Statements for the six months ended 30<sup>th</sup> JUNE 2024.

### FINANCIAL RESULTS

#### Unconsolidated:

During period under review, standalone revenue grew by 27% over same period last year from Rs. 14,210.45 million to Rs. 18,050.94 million. Gross profit increased by 5% whereas operating profit decreased by 4%, mainly due to higher inflationary costs. Moreover, as a consequence of rupee appreciation, net profit for the period has been impacted by an exchange loss of Rs 221.87 million compared to the Rs. 2,355.52 million exchange gain in June 2023 decreasing net profit by 49%, from 4,821.90 million to Rs. 2,456.56 million. Normalizing the impact of currency fluctuation, the net profit showed increase of 9% from same period last year. Since the rupee has appreciated against the dollar in HY, 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 8% and 9% respectively after excluding the effect of currency fluctuation.

Key Financial Highlights – Unconsolidated			
Particulars	June-24 (unaudited)	June-23 (unaudited)	Change
	Rs.	Rs.	%
Revenue	18,050,942,510	14,210,447,645	27
Gross Profit	4,219,071,020	4,011,486,229	5
Operating profit	2,598,995,936	2,707,023,072	-4
Profit for the period	2,456,560,818	4,821,907,671	-49
Earnings per share (basic)	8.42	16.59	-49
Earnings per share (diluted)	8.37	16.45	-49

Other Income – Unconsolidated		
Particulars	June-24 (unaudited)	June-23 (unaudited)
	Rs.	Rs.
Other Income	473,938,899	290,685,500
Exchange Gain / (Loss)	(221,869,415)	2,355,516,203
	252,069,484	2,646,201,703

#### Consolidated:

During the Six months period ended 30<sup>th</sup> June 2024, consolidated revenue grew by 34% from Rs. 23,189.16 million to Rs. 31,023.36 million. Gross profit and operating profit increased by 12% and 15% respectively. Net profit for the period decreased by 39% from Rs. 5,293.86 million to Rs. 3,243.32 million due to exchange loss against a

considerably high exchange gain recorded in last year. Normalizing the impact of currency fluctuation, profit after tax showed increase of 25% from same period last year. Wage inflation adjustment has significantly offset the revenue growth.

Basic and diluted earnings per share increased by 25% after normalizing the impact of currency fluctuation.

Consolidated			
Particulars	June-24 (unaudited)	June-23 (unaudited)	Change
	Rs.	Rs.	%
<b>Revenue</b>	<b>31,023,362,819</b>	23,189,163,398	34
<b>Gross Profit</b>	<b>6,982,986,740</b>	6,258,627,331	12
<b>Operating profit</b>	<b>3,859,263,668</b>	3,358,986,012	15
<b>Profit for the period</b>	<b>3,243,319,328</b>	5,293,861,360	-39
<b>Earnings per share (basic)</b>	<b>11.12</b>	18.21	-39
<b>Earnings per share (diluted)</b>	<b>11.06</b>	18.05	-39

Other Income – Consolidated		
Particulars	June-24 (unaudited)	June-23 (unaudited)
	Rs.	Rs.
<b>Other Income</b>	<b>318,089,709</b>	291,649,051
<b>Exchange Gain / (Loss)</b>	<b>(203,558,907)</b>	2,546,637,780
	<b>114,530,802</b>	2,838,286,831

## 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	
	Six months ended 30 June 2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue - net	9,156,443,744	7,115,123,374	6,889,853,338	4,744,066,695	4,000,522,311	3,358,534,341	3,825,337,242	2,576,692,829	7,151,206,183	5,394,746,159	31,023,362,819	23,189,163,398
Cost of sales	7,976,070,790	5,530,782,914	5,130,763,947	3,309,244,793	2,865,907,867	1,653,492,532	2,699,416,512	1,725,714,261	5,368,216,963	4,711,301,566	24,040,376,079	16,930,536,067
Gross profit	1,180,372,955	1,584,340,460	1,759,089,391	1,434,821,902	1,134,614,444	1,705,041,809	1,125,920,730	850,978,567	1,782,989,220	683,444,593	6,982,986,740	6,258,627,331
Distribution expenses	205,397,662	252,321,663	210,595,736	180,640,586	117,994,401	147,230,300	139,845,216	40,221,022	200,199,587	215,004,057	874,032,603	835,417,638
Administrative expenses	508,768,045	526,040,158	521,643,625	369,295,793	292,271,005	357,962,607	346,395,265	188,233,533	495,892,465	402,161,009	2,164,970,404	1,843,693,101
Profit / (loss) before taxation and unallocated income and expenses	466,207,248	805,978,638	1,026,850,030	884,885,523	724,349,038	1,199,848,902	639,680,249	622,524,012	1,086,897,168	66,279,527	3,943,983,734	3,579,516,602
Other operating expenses											(84,720,065)	(220,530,590)
Other income (excluding exchange gain)											318,089,709	291,649,051
Exchange (loss) / gain											(203,558,907)	2,546,637,780
Share of loss from associates											(38,369,952)	(223,495,692)
Finance cost											(287,095,140)	(408,141,675)
Profit before taxation and levy											3,648,329,379	5,565,636,476
Levy											(214,915,375)	(245,780,043)
Profit before taxation											3,433,414,004	5,319,856,433
Taxation											(190,094,676)	(25,994,073)
Profit after taxation											3,243,319,328	5,293,861,360

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 latter 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 & Others		Total	
	Un-audited		Un-audited		Un-audited		Un-audited		Un-audited		Un-audited	
	Six months ended June		Six months ended June		Six months ended June		Six months ended June		Six months ended June		Six months ended June	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rupees											
Revenue - net	6,719,264,191	5,667,064,964	1,465,245,012	723,568,076	17,854,793,328	12,152,112,786	1,087,584,019	553,402,917	3,896,476,269	4,093,014,654	31,023,362,819	23,189,163,398
Cost of sales	4,562,114,918	3,752,856,996	968,382,317	523,758,445	13,807,083,664	8,304,861,409	719,386,917	391,704,589	3,983,408,263	3,957,354,628	24,040,376,078	16,930,536,067
Gross profit	2,157,149,274	1,914,207,968	496,862,695	199,809,632	4,047,709,664	3,847,251,377	368,197,102	161,698,329	(86,931,994)	135,660,026	6,982,986,740	6,258,627,331
Distribution expenses	25,672,089	14,510,230	5,379,120	1,852,659	623,395,303	597,597,489	102,783,695	48,907,611	116,802,395	172,549,639	874,032,603	835,417,629
Administrative expenses	565,527,166	653,997,064	116,495,943	99,264,949	1,199,886,573	806,648,472	95,123,672	39,537,047	185,936,851	244,245,569	2,164,970,404	1,843,693,101
Profit / (loss) before taxation and unallocated income and expenses	591,199,255	668,507,294	123,675,063	101,117,608	1,823,281,876	1,404,245,961	197,907,567	88,444,658	302,739,246	416,795,208	3,039,003,007	2,679,110,728
	1,565,950,019	1,245,700,674	372,987,632	98,692,024	2,224,427,788	2,443,005,415	170,289,535	73,253,670	(389,671,240)	(281,135,181)	3,943,983,734	3,579,516,603
Other operating expenses											(84,720,065)	(220,530,590)
Other income (excluding exchange gain)											318,089,709	291,649,051
Exchange (loss) / gain											(203,558,907)	2,546,637,780
Share of loss from associates											(38,369,952)	(223,495,692)
Finance cost											(287,095,140)	(408,141,675)
Profit before taxation											3,648,329,379	5,565,635,476
Levy											(214,915,375)	(245,780,043)
Profit before taxation											3,433,414,004	5,319,855,433
Taxation											(190,094,676)	(25,994,073)
Profit after taxation											3,243,319,328	5,293,861,360

## 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 unusually 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	
	Six months ended 30 <sup>th</sup> June		Six months ended 30 <sup>th</sup> June	
	2024	2023	2024	2023
Gross Profit Margin (%)	23.4%	28.2%	22.5%	27.0%
Operating Margin (%)	14.4%	19.0%	12.4%	14.5%
EBITDA Margin (%)	17.3%	21.6%	15.2%	18.0%
Pre-tax Margin (%)	13.7%	33.8%	10.7%	22.9%
Net Profit Margin (%)	13.6%	33.9%	10.5%	22.8%
Assets turnover (%)	49.3%	47.2%	59.7%	56.2%
Return on Equity (%)	8.5%	20.2%	9.6%	18.8%
Current ratio	3.07	2.87	2.18	2.18
Quick Ratio	2.46	2.41	1.33	1.45
Debtor Turnover (Days)	178	149	130	100
Debt: Equity (Ratio)	04:96	08:92	08:92	07:93
Interest Cover (Times)	15.33	9.07	13.44	8.23

## FUTURE OUTLOOK

- Since billing is primarily based on man-days, seasonality significantly impacts revenue due to lost billing during public holidays. Q2 saw a notable reduction in billable days, with two major religious holidays occurring in the same quarter. However, Q3 is expected to be a full working quarter with 5% more billable days, providing the Company with consistent billing opportunities and improved revenue.
- The Company continues to invest in markets where significant opportunities are identified. This investment is driving aggressive growth in these regions. Although 90% of the Company's business is conducted in USD to hedge currency risk and the exchange rate has remained stable, but rising inflation is putting pressure on margins despite the robust growth. Optimization and rationalization of costs and efficiencies will help release this pressure in the second half.
- The Company continues to maintain a strong backlog for the upcoming quarters, coupled with a robust pipeline that is well-positioned to support future growth. This solid foundation is expected to drive consistent performance in the coming periods.
- The introduction of the new State Bank of Pakistan (SBP) investment policy, which addresses foreign exchange regulations, is expected to attract long-term investors. This policy not only strengthens the Company's financial stability but also opens up opportunities for inorganic growth through mergers and acquisitions, enhancing its competitive edge.
- In line with technological advancements, the Company is actively working on transitioning towards providing AI as a Service. This strategic shift is aimed at capitalizing on the growing demand for AI-driven solutions, positioning the Company at the forefront of innovation in its industry.
- In terms of regional performance, the European market has shown stable growth, while the US market, which had historically been flat, has recently begun contributing positively to the group's overall growth. This diversification in geographic revenue streams enhances the Company's resilience and growth prospects.
- The Middle East segment continues to be a key driver of growth for the Company. A strategic focus on the development and maturity of enterprise customers in this region is central to the Company's business model, with significant efforts directed towards scaling operations and deepening market penetration.
- While the Company has seen an increase in exports, it has strategically reduced its focus on the domestic market. However, contracts within Pakistan that were previously eroding profitability are nearing completion, which is expected to lead to improved segment profitability by the end of the year.
- The Company's recent success in signing numerous banking and financial services (BFS) customers is poised to significantly boost the return on investment (ROI) from its NDC. This strategic alignment underscores the Company's commitment to leveraging its infrastructure to deliver enhanced value to its clients.
- Employee retention has improved notably following the implementation of a new retention policy. This initiative has successfully reduced turnover, ensuring that the Company retains key talent, which is essential for sustaining its growth trajectory.

- Additionally, the launch of the Global Shared Services initiative has been a strategic success. Pakistan, with its advantages in labor arbitrage, talent availability, and language proficiency, is ideally positioned for this service offering. The Company has received positive feedback from existing customers, further validating the potential of this initiative.
- Finally, the Company's Egypt delivery center has more than doubled in size, establishing itself as a strong Business Continuity Planning (BCP) center. In just two years, it has not only secured profitable contracts in the local market but has also transitioned into a profit center, demonstrating the Company's ability to effectively expand and capitalize on new opportunities.

## **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: 28<sup>th</sup> August 2024

**SYSTEMS LIMITED**  
**CONDENSED UNCONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE SIX MONTHS AND THREE MONTHS PERIODS ENDED JUNE 30, 2024**

	Note	Six Months Ended		Three Months Ended	
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
Rupees					
Revenue from contracts with customers - net	11	18,050,942,510	14,210,447,645	8,892,432,100	7,337,587,741
Cost of revenue		(13,831,871,490)	(10,198,961,416)	(6,871,489,145)	(5,256,453,870)
<b>Gross profit</b>		<u>4,219,071,020</u>	<u>4,011,486,229</u>	<u>2,020,942,955</u>	<u>2,081,133,871</u>
Selling and distribution expenses		(242,906,759)	(156,652,596)	(140,390,389)	(93,481,363)
Administrative expenses		(1,140,038,514)	(1,024,576,181)	(594,395,627)	(561,696,079)
Impairment losses on financial assets		(237,129,811)	(123,234,380)	(237,129,811)	(144,132,102)
		(1,620,075,084)	(1,304,463,157)	(971,915,827)	(799,309,544)
<b>Operating profit</b>		<u>2,598,995,936</u>	<u>2,707,023,072</u>	<u>1,049,027,128</u>	<u>1,281,824,327</u>
Other income	12	252,069,484	2,646,201,703	367,058,333	233,394,869
Finance costs		(169,519,694)	(298,313,543)	(79,529,100)	(195,385,064)
<b>Profit before taxation and levy</b>		<u>2,681,545,726</u>	<u>5,054,911,232</u>	<u>1,336,556,361</u>	<u>1,319,834,132</u>
Levy	13	(214,915,375)	(245,780,043)	(105,134,777)	(150,229,546)
<b>Profit before taxation</b>		<u>2,466,630,351</u>	<u>4,809,131,189</u>	<u>1,231,421,584</u>	<u>1,169,604,586</u>
Taxation		(10,069,533)	12,776,482	(10,069,533)	12,776,482
<b>Profit for the year</b>		<u><u>2,456,560,818</u></u>	<u><u>4,821,907,671</u></u>	<u><u>1,221,352,051</u></u>	<u><u>1,182,381,068</u></u>
<b>Earnings per share</b>	14				
-Basic		<u>8.42</u>	<u>16.59</u>	<u>4.19</u>	<u>4.06</u>
-Diluted		<u>8.37</u>	<u>16.45</u>	<u>4.16</u>	<u>4.03</u>

The annexed notes 1 to 22 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 SIX MONTHS ENDED 30 JUNE 2024 (UNAUDITED)**

	Note	Six Months Ended		Three Months Ended	
		June 30, 2024 Rupees	June 30, 2023 Rupees (Restated)	June 30, 2024 Rupees	June 30, 2023 Rupees (Restated)
Revenue from contract with customers - net		<b>31,023,362,819</b>	23,189,163,398	<b>15,828,962,341</b>	12,490,424,144
Cost of sales		<b>24,040,376,078</b>	16,930,536,067	<b>12,349,888,783</b>	9,022,154,087
<b>Gross profit</b>		<b>6,982,986,740</b>	6,258,627,331	<b>3,479,073,557</b>	3,468,270,057
Distribution expenses		<b>874,032,603</b>	835,417,628	<b>441,387,042</b>	488,620,965
Administrative expenses		<b>2,164,970,404</b>	1,843,693,101	<b>1,057,218,171</b>	1,058,691,170
Impairment losses on financial assets	12	<b>84,720,065</b>	220,530,590	<b>106,038,337</b>	269,511,700
		<b>3,123,723,072</b>	2,899,641,319	<b>1,604,643,550</b>	1,816,823,834
<b>Operating profit</b>		<b>3,859,263,668</b>	3,358,986,012	<b>1,874,430,008</b>	1,651,446,222
Other income	13	<b>114,530,802</b>	2,838,286,831	<b>171,084,666</b>	285,957,523
Share of loss from associate		<b>38,369,952</b>	223,495,692	<b>18,000,000</b>	113,054,927
Finance cost		<b>287,095,140</b>	408,141,675	<b>138,801,785</b>	251,137,273
<b>Profit before taxation and levy</b>		<b>3,648,329,379</b>	5,565,635,476	<b>1,888,712,889</b>	1,573,211,545
Levy		<b>319,677,382</b>	245,780,043	<b>209,896,784</b>	150,229,546
<b>Profit before taxation</b>		<b>3,328,651,997</b>	<b>5,319,855,433</b>	<b>1,678,816,105</b>	1,422,981,999
Taxation		<b>85,332,669</b>	25,994,073	<b>6,712,744</b>	8,547,701
<b>Profit after taxation</b>		<b>3,243,319,328</b>	5,293,861,360	<b>1,672,103,361</b>	1,414,434,297
Attributable to:					
Equity holders of the parent		<b>3,243,306,433</b>	5,293,530,235	<b>1,672,102,811</b>	1,414,251,865
Non-controlling interest		<b>12,896</b>	331,125	<b>550</b>	182,433
		<b>3,243,319,328</b>	5,293,861,360	<b>1,672,103,361</b>	1,414,434,298
Earnings per share:	14				
Basic earnings per share		<b>11.12</b>	18.21	<b>5.73</b>	4.86
Diluted earnings per share		<b>11.06</b>	18.05	<b>5.70</b>	4.83

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

(CHAIRMAN)

(CHIEF EXECUTIVE OFFICER)

(CHIEF FINANCIAL OFFICER)