

SAZGAR ENGINEERING WORKS LIMITED

DIRECTORS REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2013:

Financial Results:

The half year financial results of the company are showing an improvement in sales and profitability. During the 2nd quarter, the net sales has increased by 27.42% from Rs. 414.74 M to Rs. 528.45 M, gross profit by 16.85% from Rs. 46.42 M to Rs. 54.24 M and pre-tax profit by 15.92% from Rs. 18.51 M to Rs. 21.46 M compared with corresponding period of last year.

Cumulatively for six months, the net sales has increased by 12.74 % from Rs. 855.18 M to Rs. 964.11 M, gross profit by 4.64% from Rs. 91.99 M to Rs. 96.26 M, and pre-tax profit by 9.59% from Rs. 35.14 M to Rs. 38.51 M compared with the corresponding period of last year.

Improvement in sales is due to the increase in sales volume of Auto Rickshaw particularly in Karachi region being the major market share carrying by the company. The recent actions of law enforcing agency in this area has started affecting positively on the business activities. However, the energy crisis and constant depreciation of Pak-Rupee has adversely affected the profitability of the company.

During the 2nd quarter and cumulatively six months, the Company produced 3,302 & 6,478 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 2,200 and 4,850 units showing an increase of 50.10% and 33.57% respectively.

The production of wheel rims was 19,523 & 26,055 in 2nd quarter and cumulatively six months whereas the production of wheel rims during the same corresponding periods was 19,978 and 36,623 respectively. The increase in prices of tractors due to application of sales tax thereon has jeopardized the sale of tractors during the period under review.

Motor Cycle Manufacturing:

The production of Motor cycle could not be commenced due to pendency of the approvals from The Pakistan Standards and Quality Control Authority (PSQCA) and Provincial Transport Authority (PTA).

Interim Cash Dividend:

The directors of your company are pleased to declare an interim cash dividend of Rs. 1.00 per ordinary share i.e. 10% for the period ended December 31, 2013 (December 31, 2012: Nil).

Future Outlook:

There are many challenges like security situation, energy crises, Pak rupees devaluation etc. which the company has to face in moving forward.

It is hoped that the Government will continue its efforts to improve the law and order situation throughout the country enabling the boosting of economic activities in the country. It is also hoped that the sale of auto rickshaw will continue to increase in the future period.

Your company is also looking for introduction of some new models of auto rickshaw in accordance with the requirement and demand of the customers in the following periods which will further increase the sale volumes and profitability of the company.

Your company expects that the Government will positively consider the matter of sales tax on tractors and defer the recent rise in sales tax rate from 10% to 17% for the recovery of tractor and its allied industry. On the other hand this industry has to face some difficult time to normalize the effect of rise in sales tax rate that has caused the increase in prices substantially.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust on the Company.

For and on behalf of the Board

Lahore
Dated: 21-02-2014


Mian Asad Hameed
(Chief Executive)