

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, 2016:

Financial Results:

ALL PRAISE BE TO ALLAH. The financial results for the 2nd quarter are reflecting a growing trend in sales and profitability of the company. The net sales has increased by 34.11% from Rs. 542.73 M to Rs. 727.83 M, gross profit by 42.37% from Rs. 48.87 M to Rs. 69.58 M and pre-tax profit by 126.64% from Rs. 15.77 M to Rs. 35.75 M compared with corresponding period of last year.

The half year net sales has increased by 39.21% from Rs. 1,091.53 M to Rs. 1,519.49 M, gross profit by 51.51% from Rs. 100.77 M to Rs. 152.67 M and pre-tax profit by 121.54% from Rs. 36.27 M to Rs. 80.36 M compared with the corresponding period of last year.

The earning per share of the company has increased from Rs. 1.37 to Rs. 3.25 as compared to corresponding period of last year showing a substantial increase in profit available for distribution to shareholders.

The major contribution of increase in sales and profitability of the company is due to the higher market demand of Auto Rickshaw, however, the sale volume of tractor wheel rims has also started to increase during the period under review.

During the 2nd quarter and half year, the Company produced 5,864 & 11,201 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 4,165 and 7,827 units respectively. This reflects an excess production over normal capacity which was achieved by working on over-time schedule to meet the market demand of Auto Rickshaws.

The production of wheel rims was 22,405 & 37,023 in 2nd quarter and half year whereas the production of wheel rims during the same corresponding periods was 11,959 and 27,918 respectively.

Interim Cash Dividend:

The directors of your company are pleased to declare an interim cash dividend of Rs. 1.25 per ordinary share i.e. 12.50% for the year ending June 30, 2017 (interim cash dividend June 30, 2016: 10%).

Future Outlook:

Your company is looking for continuity in the growing trend of sale of Auto Rickshaw in the future period while expecting improvement in business conditions throughout the country. The Company is also increasing sales network to remote areas to facilitate the prospective customers for buying the company's products at their door step. This will have positive effects on the sales volume of auto rickshaw in future periods.

The sale of tractors is coming into its norms and hopefully it will regain its momentum within coming periods which will positively effect on the demand of tractor wheel rims.

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



Mian Asad Hameed
(Chief Executive)

Lahore
Dated: 13-02-2017

