

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 1st quarter ended September 30, 2010:

Brief overview:

AL-HAMDOLILLAH. Your Company has performed significantly better than the corresponding period of last year and crossed a barrier of Billion Rupees sales revenue. It has been possible only by the Grace of Almighty Allah and continuous efforts of management of your Company who took such measures and decisions which were imperative for the improvement of financial position of the Company. Your Company is constantly focusing on the research and development to improve and innovate the products technically. Under the tough competition the quality of the product would be the key factor in the growth of sales volumes of the Company. During the period the Company also made exports to Kenya, Sri Lanka and Japan, the response so far is very encouraging for the Company.

Sales and Profitability:

During the 3rd quarter, the value of net sales has increased from Rs. 275.028 M to Rs. 480.175 M, gross profit from Rs. 38.67 M to Rs. 63.40 M and pre-tax profit from Rs. 16.45 M to Rs. 36.85 M compared with corresponding period of last year.

Cumulatively for nine months, the value of net sales has increased from Rs. 610.455 M to Rs. 1,290.568 M, gross profit from Rs. 74.96 M to Rs. 157.33 M and pre-tax profit from Rs. 16.19 M to Rs. 82.93 M showing a tremendous improvement in financial position of the Company compared with the corresponding period of last year.

Production:

During the 3rd quarter and cumulatively nine months, the Company produced 2,869 & 7,700 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 1,358 and 2,900 units respectively.

The production of wheel rims was 23,276 & 81,196 in 3rd quarter and cumulatively nine months whereas the production of wheel rims during the same corresponding periods was 20,544 & 58,915 respectively.

Export Business:

During the period under review, the Kenya office of the Company has become operational and product has been launched. Initially the Company is facing a tough competition from the Indian products but it will be overcome soon due to competitive prices and quality of our products. Moreover, the Company has also found out a strong party in Sri Lanka for the marketing and sale of Auto Rickshaws and first shipment of 21 units has also been dispatched to them. It is also a great honour for the Company to become a first Pakistani company for making export of Auto Rickshaw to Japan. The Company is looking for the increase in export business in the coming period. The sale of current period includes a sum of Rs. 7.41 M on account of exports.

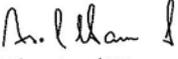
Future Outlook:

The Company is facing a tough competition in the market and is struggling for maintaining of its market share. It is hoped that the cash market will remain positive and your Company will continuously get its market share without comprising on quality of products. It is also worth mentioning that the input cost is increasing rapidly but your Company is unable to increase the prices of its products accordingly due to the prevailing circumstances that may affect the profitability of the Company.

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 reposed in your Company.

Lahore
Dated: 27-04-2010

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)