

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 3rd quarter ended March 31, 2009.

Brief overview:

Unfortunately no major improvement has been seen in economic conditions of the country during the period under review. More particularly political uncertainty, terrorism, inflationary cost, load-shedding and rate of mark up are at their peak. Under these circumstances it was imperative for your Company to take such measures and decisions that help to survive and pass successfully through the prevailing difficult time. The Company focused on the research and development and introduced new model of Auto Rickshaw during the period under review. By the Grace of Almighty Allah, the results of launching the new model of "Sazgar Mincab" are encouraging so far and your Company has come out of net loss position.

Sales and Profitability:

During the 3rd quarter, the value of net sales has dropped from Rs. 521.94 M to Rs. 275.03 M, gross profit from Rs. 134.31M to Rs. 38.67 M and pre-tax profit from Rs. 103.24 M to Rs. 16.45M compared with corresponding period of last year.

The decline in value of sales includes the downward revision of selling prices of wheel rims due to reduction in prices of steel products. The increase in finance cost represents the enhancement in usage of banking credit facilities and rise in mark up rate.

Cumulatively for nine months, the value of net sales has declined from Rs. 1.16 Billion to Rs.610.45 M, gross profit from Rs. 265.42 M to Rs. 74.96 M, gross profit ratio from 22.96% to 12.28% and pre-tax profit from Rs. 194.72 M to Rs. 16.19M. The earnings per share has also decreased from Rs. 12.15 to Rs. 0.78.

Production:

During the 3rd quarter and cumulatively nine months, the Company produced 1,358 & 2,900 units of CNG 4-stroke Auto Rickshaws whereas during the corresponding periods of last year, the production was 3,441 and 7,233 units respectively.

The production of wheel rims was 20,544 & 58,915 in 3rd quarter and cumulative nine months whereas the production of wheel rims during the same corresponding periods was 22,566 & 63,592 respectively.

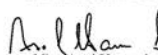
Future Outlook:

The size of cash market of CNG Auto Rickshaws is growing day by day particularly in major cities of the country. The Company foresee a substantial growth in this segment of business in the future. It is hoped that the Company will capture the major market share. Further, the production of Company's new product (3-wheels loader) "Sazgar Tempo" has started subsequent to the period under review that will also contribute to increase the profitability of the Company. Moreover, the ordered quantities of the wheel rims have also been increased by the tractor assemblers for the last quarter of the current financial year which would further improve the financial position of the Company.

For export, the Company is establishing a branch office in Kenya to find markets for Auto Rickshaw in Kenya as well as in its surrounding region.

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.

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)

Lahore
Dated: 29-04-2009