

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, 2011:

BRIEF OVERVIEW:

By the Grace of Almighty Allah your Company has performed very well during the period under review and has made a highest ever turnover of Rupees 1.93 Billion. Under the present business conditions it is a tremendous achievement with marvelous growth compared with the corresponding period of last year. The sale of Auto Rickshaw has significantly increased which has played a vital role in unveiling this mile stone. The other aspect on which your Company is constantly focusing is the research and development to improve and innovate the products technically. The Exports are also increasing gradually and Company's products are making their place in international markets.

SALES AND PROFITABILITY:

During the 3rd quarter, the value of net sales has increased from Rs. 480.175 M to Rs. 735.615 M, gross profit from Rs. 63.40 M to Rs. 86.85 M and pre-tax profit from Rs. 36.85 M to Rs. 52.82 M compared with corresponding period of last year.

Cumulatively for nine months, the value of net sales has increased from Rs. 1,290.57 M to Rs. 1,925.73 M, gross profit from Rs. 157.33 M to Rs. 215.74 M and pre-tax profit from Rs.82.93 M to Rs. 120.79 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 4,407 & 12,006 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 2,869 and 7,700 units which reflects an increase of 53.61% & 55.92% respectively.

The production of wheel rims was 27,759 & 70,151 in 3rd quarter and cumulatively nine months whereas the production of wheel rims during the same corresponding periods was 23,276 & 81,196 respectively. The production of wheel rims has increased during 3rd quarter whereas cumulatively in nine months there is a decline in production due to decreased orders placed by the tractor assemblers.

EXPORT BUSINESS:

During the period of nine months, the Company has made an Export of Rupees 10.43 M to Sri Lanka, Bangladesh, Egypt, Sudan and UAE. The Company's products are getting positive response from the international buyers and export volumes are increasing gradually.

APPLIANCES BUSINESS:

The Company is also looking for some higher volume of home appliance business during the current financial year due to introduction of some models of washer & dryer, air conditioner and micro wave oven. During nine months the Company has made a sale of Rupees 12.88 M.

FUTURE OUTLOOK:

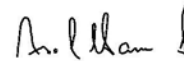
To remain ahead of the competition your Company is continually improving the quality of the products and making innovations for the comfort and safety of the customers. Subsequent to the

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period under review, your Company has introduced an improved version of Auto Rickshaw which is not only more comfortable but also more powerful and efficient in fuel consumption. The response from the customers is positive so far and it is hoped that the Company will get substantial business volume in the foreseeable future. Due to high inflation rate, the input costs have increased substantially which may affect the profitability of the Company as the prices of products cannot be increased in same proportion due to tough market competition.

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: 22-04-2011