

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, 2014:

Financial Results:

By the Grace of Almighty Allah, the financial results of the Company for the period under review are showing a substantial improvement in the financial position of the company compared with the corresponding period of last year. Government efforts to improve law & order situation in the country has started impacting positively on the business activities. The appreciation in value of Pak-Rupee and reduction in fuel prices will further help to minimize the input costs and to improve the profitability of the company in future.

During the 3rd quarter, the net sales has increased from Rs. 445.328 M to Rs. 634.168 M, gross profit from Rs. 47.754 M to Rs. 64.949 M and pre-tax profit from Rs. 23.263 M to Rs. 37.494 M compared with corresponding period of last year.

Cumulatively for nine months, the net sales has increased from Rs.1.301 **Billion** to Rs. 1.598 **Billion**, gross profit from Rs. 139.746 M to Rs. 161.206 M and pre-tax profit from Rs.58.399 M to Rs. 75.999 M showing a rising trend in sales and profitability of the Company compared with the corresponding period of last year.

The increase in sales volume of auto rickshaw has contributed substantially to increase the gross sales revenue of the company. On the other hand sales volume of tractor wheel rims has dropped that has adversely affected the sales revenue and profitability of the company during the period under review.

During the 3rd quarter and cumulatively nine months, the Company produced 4,096 & 10,574 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 2,383 and 7,233 units respectively.

The increase in sales tax rate from 10% to 16% effective from January 01, 2014 has adversely affected the demand of tractors during the period under review. The production of wheel rims was 7,046 & 33,101 in 3rd quarter and cumulatively nine months whereas the production of wheel rims during the same corresponding periods was 14,029 & 50,652 respectively.

Future Outlook:

Your Company is positive about its future prospects and looking for further improvement in law & order situation of the country. Your company is closely watching the market conditions of the country and formulating its marketing policies accordingly. Your company is also continuing research and development work for the constant improvement of existing products and introduction of new models of auto rickshaw to remain ahead of the competition.

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It is expected that the rising trend of the sale of auto rickshaw will continue in the next period.

Regarding tractor wheel rims, the company is looking for a regaining of demand of tractors in the future, being an essential need of farmer.

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.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

The directors' review has been signed by two Directors instead of Chairperson or Chief Executive as the Chairperson and Chief Executive are for the time being not in Pakistan.

For and on behalf of the Board

Lahore
Dated: 18-04-2014



Saeed Iqbal Khan
(Director)



Mian Muhammad Ali Hameed
(Director)