

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, 2009:

Brief overview:

By the Grace of Almighty Allah the periodic results of your Company are encouraging keeping in view the prevailing business conditions. Although there is tremendous growth in revenue of the Company but due to increase in input costs and constant depreciation of Pak Rupee the production cost has increased substantially that has minimized the profitability of the Company. Under the present circumstances it is imperative for the Company to maximize its sales volume through the introduction of innovative sales incentive schemes. The results indicate that the Company is successful so far. The Company is also looking for some export opportunities in Sri Lanka and African countries.

Financial Results:

During the 2nd quarter, the value of net sales has increased from Rs. 148.77 M to Rs. 433.73 M, gross profit from Rs. 10.72 M to Rs. 47.92 M and pre-tax loss from Rs. 5.75 M to profit of Rs. 20.14 M compared with corresponding period of last year.

Cumulatively for six months, the value of net sales has increased from Rs. 335.43 M to Rs. 810.39 M, gross profit from Rs. 36.29 M to Rs. 93.93 M, gross profit ratio from 10.82% to 11.59% and pre-tax loss from Rs.0.26 M to profit of Rs. 46.08 M showing a tremendous improvement in financial position of the Company compared with the corresponding period of last year.

During the 2nd quarter and cumulatively six months, the Company produced 2,485 & 4,831 units of CNG 4-stroke Auto Rickshaws whereas during the corresponding periods of last year, the production was 732 and 1,542 units respectively showing a substantial increase in production capacity utilization of the plant.

The production of wheel rims was 32,963 & 57,920 in 2nd quarter and cumulatively six months whereas the production of wheel rims during the same corresponding periods was 19,186 and 38,371 respectively. The increase in production is on account of increased orders placed by the tractors' assemblers.

Export Business:

The Company is extensively making efforts to avail the export opportunities in regional and African countries. In this regard the Company has made first shipment of Auto Rickshaw to its Kenya branch subsequent to the period under review. Moreover, a sample consignment of Auto Rickshaw has also been sent to Sri Lanka. The Company expects a gradual increase in export business in the future period.

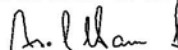
Future Outlook:

Your Company is looking for a bright future. It is hoped that the sale volume of Auto Rickshaws and Wheel Rims will rise in the periods to come. INSHA ALLAH the Company will maintain its market leadership by supplying the quality products to its customers. However, the Company is facing a tough competition in Auto Rickshaw market due to the presence of large number of small scale manufacturers of Auto Rickshaw.

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: 22-02-2010

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)