

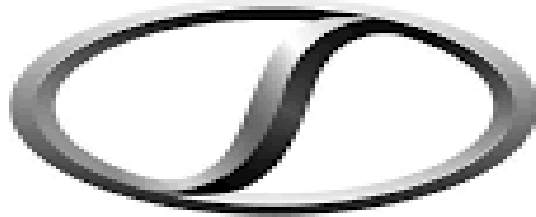


Assemblers | SAZEW | Review | FY24



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REP # 048



SAZGAR

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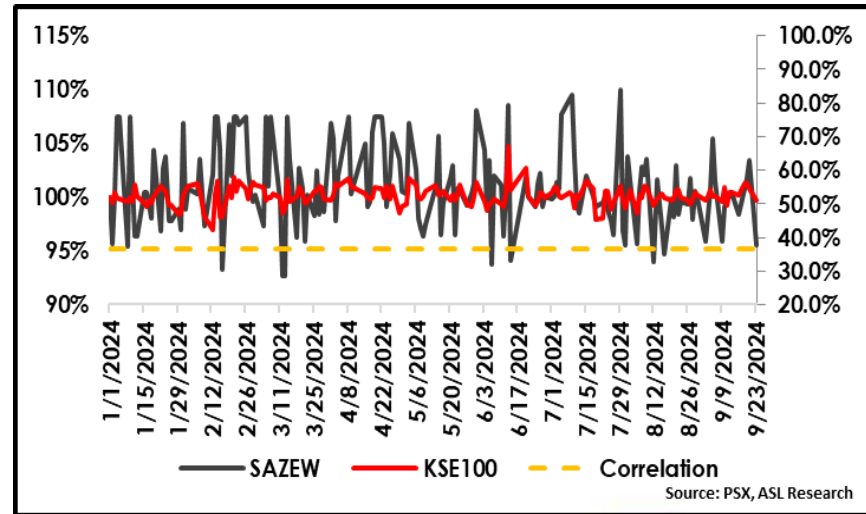
SAZEW: Earning surges by c.15%QoQ during 4QFY24

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- Sazgar Engineering Works Limited (SAZEW) has announced its financial result for the year FY24. We have noticed SAZEW has posted an EPS of Rs.57.69/sh. during 4QFY24, robustly rising by c.15%QoQ, mainly on the notable rise in revenue of the company which significantly surged during 4QFY24 by c.15%QoQ. The rise in revenue of SAZEW was mainly the resultant effect of higher sales volume of c.3.2%QoQ during 4QFY24 compared to 3QFY24. This notable rise in revenue has enhanced Gross Profit during 4QFY24 by c.16%QoQ, regardless of higher COGS that drastically increased by c.15%QoQ, mainly on the increased production activity, where the company was mainly noticed marking average occupancy of c.90% during FY24.
- During 4QFY24, SAZEW has recorded robust rise in profitability of c.6.4xYoY to Rs.3.49bn mainly on the 4.4xYoY rise in gross profit, in the wake of c.313%YoY rise in revenues to Rs.20.06bn during 4QFY24 from 4QFY23 revenue levels of Rs.5.6bn. This notable rise in revenue was mainly the effect of c.262%YoY rise in sales volume from 1,986 units recorded during 4QFY23. It is also to note that SAZEW other expenses have drastically increased by c.23%/c.840% QoQ/YoY during 4QFY24.
- SAZEW has posted a remarkable rise in EPS of Rs.6.99xYoY during FY24, recording at Rs.131.3/sh. Even other expenses has drastically increased by c.8.8xYoY during FY24 to Rs.1.0bn, the operating margins robustly surged by c.14.6pptsYoY mainly on higher Gross Profit of 5.14xYoY during FY24 compared to FY23 gross profit of Rs.2.55bn.

Rs.mn	4QFY24	QoQ	YoY	FY24	YoY
Sales	23,058	15.0%	313.1%	57,642	217.2%
Gross Profit	6,718	15.6%	433.9%	15,646	513.7%
Financial Charges	68	128.3%	96.2%	169	0.7%
Other Income	481	192.1%	36.60	832	26.38
EBT	5,777	15.7%	696.9%	13,116	785.3%
PAT	3,487	14.9%	639.9%	7,936	697.5%
EPS	57.69	14.9%	639.9%	131.29	697.6%
Margins %					
Gross	29.1%	0.2%	6.6%	27.1%	13.1%
Net	15.1%	0.0%	6.7%	13.8%	8.3%

Source: Financials, ASL Research



Source: PSX, ASL Research

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- Further, the rise in operating margins has also been the reason of higher Other Income which has notably surged during FY24 to Rs.832mn, robustly rising by c.26.4xYoY when compared to FY23. This has mainly recorded on the higher Cash & Equivalents of Rs.7.98bn recorded during 9MFY24, which was mainly invested in TDRs and Islamic Certificates as of 9MFY24 financial report.
- Regardless of rise in COGS by c.169%YoY, Gross Margins robustly surged by c.13.1pptsYoY during FY24 mainly on the enhanced revenue of c.217%YoY, on account of remarkable rise in sales volume of c.81%YoY to 20,377 units during FY24 when comparing the FY23 volume of 11,243 units. It is also to note here that Gross Margins have also notably improved during 4QFY24, in the wake of stability in Currency Parity of PKR against CNY and USD respectively reviving by c.4.4% and c.2.3% during 4QFY24 compared to 4QFY23.
- Going forward, we believe the profitability of SAZEW to rise on 3-Years CAGR of c.32% to Rs.301.7/sh. mainly on the likely rise in revenues of the company during 3-Years by c.40%. The rise in revenue will likely be noticed on the recovering demand for Automobile, in the wake of monetary easing scenario which will likely increase chances of higher sales volume. However, the entrance of many other EVs and HEVs in the years ahead, will likely be the hindrance for the company in achieving new revenue targets. We recommend TP of Rs.1,424/sh. for FY25, based on P/Ef of 5.98x compared to current P/E 7.48x.

TP- Rs.1,424/sh.	FY-23	FY-24	FY-25	FY-26
Gross Margins	14.0%	27.1%	14.2%	20.2%
Net Margins	5.5%	13.8%	7.2%	11.5%
BVPS	48.23	108.60	174.24	311.70
ROA	12.9%	32.1%	30.4%	55.5%
EPS	16.46	131.29	164.24	301.70
ROE	34.1%	120.9%	94.3%	96.8%
P/E (x)	3.09	7.48	5.98	3.25

Source: ASL Research

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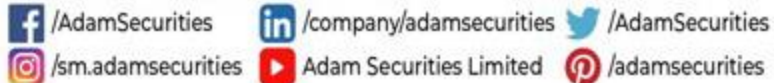
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