



**Quarterly Accounts**  
**(Un-Audited)**  
March 31, 2008

**Sazgar Engineering Works Limited**

## **SAZGAR ENGINEERING WORKS LIMITED**

### **Vision**

*Dynamic, quality conscious and ever progressive.*

### **Mission**

- *To be market leader in providing safe, economical, durable, comfortable and environment friendly means of transportation of international quality at competitive prices*
- *To achieve market leadership in automotive wheel-rims of all types and sizes*
- *Grow through innovation of new products and*
- *Give higher return to the stakeholders.*

### **Corporate Strategy**

*Achieve optimal performance in production and sale; continuously add value added products at competitive prices by maintaining “quality” as core element; focus on customers’ satisfaction regarding sale, spares and services; explore new markets and enhance customers’ base; ensure right usage of company’s resources; create employment opportunities; protect the interest of stakeholders; and be a part of the country’s development.*

**SAZGAR ENGINEERING WORKS LIMITED  
COMPANY INFORMATION**

**BOARD OF DIRECTORS**

**Executive Directors**

Mrs. Saira Hameed	Chairperson
Mr. Mian Asad Hameed	Chief Executive
Mr. Saeed Iqbal Khan	Director

**Non-Executive Directors**

Mr. Mian Zafar Hameed	Director
Mr. Ishtiaq Ahmed Roomi	Director
Mrs. Khadija Nilofer Ishtiaq	Director
Mr. Mian Muhammad Ali Hameed	Director
Mr. Amjad Wazir (Alternate Director of Mian Muhammad Ali Hameed)	

**BOARD AUDIT COMMITTEE**

Mr. Ishtiaq Ahmed Roomi	Chairman
Mr. Mian Zafar Hameed	Member
Mr. Mian Muhammad Ali Hameed	Member
Mr. Arshad Mahmood	Secretary

**COMPANY SECRETARY**

Arshad Mahmood

**AUDITORS**

Saeed Kamran Patel & Co.  
Chartered Accountants

**BANKERS**

Allied Bank Limited  
National Bank of Pakistan  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Bank Alfalah Limited  
PICIC Commercial Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
The Bank of Punjab

**REGISTERED OFFICE**

171- Ali Town, Thokar Niaz Baig,  
Raiwind Road, Lahore.

**FACTORY**

18-KM, Raiwind Road, Lahore.

## 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 3<sup>rd</sup> 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 Minicab" are encouraging so far and your Company has come out of net loss position.

### Sales and Profitability:

During the 3<sup>rd</sup> 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. 16.19 M. The earnings per share has also decreased from Rs. 12.15 to Rs. 0.78.

### Production:

During the 3<sup>rd</sup> 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 3<sup>rd</sup> 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 foresees 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

**SAZGAR ENGINEERING WORKS LIMITED**  
**CONDENSED BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2009**

<b>CAPITAL AND LIABILITIES</b>	Note	March 31, 2009 Rupees	June 30, 2008 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 50,000,000 ordinary shares of Rupees 10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up share capital	4	104,006,760	86,672,300
Unappropriated Profit		<u>201,516,638</u>	<u>210,747,876</u>
		<u>305,523,398</u>	<u>297,420,176</u>
<b>NON CURRENT LIABILITIES</b>			
Long term finances		4,800,000	6,600,000
Liabilities against assets subject to finance lease		4,612,248	10,098,212
Deferred liabilities		37,442,505	31,060,557
<b>CURRENT LIABILITIES</b>			
Trade and other payables		138,315,656	190,175,956
Interest and mark-up accrued on loans and other payables		2,821,924	1,297,835
Short term finances and advances		47,871,557	63,549,229
Current maturity of long term liabilities		9,947,023	12,067,919
Provision for taxation		9,755,300	68,573,796
		<u>208,711,460</u>	<u>335,664,735</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-	-
		<u>561,089,611</u>	<u>680,843,680</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Property, Plant and Equipment	6	224,231,774	209,943,302
Intangible Assets	7	1,259,734	1,724,401
<b>LONG TERM SECURITY DEPOSITS</b>		816,457	771,457
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		4,026,545	3,668,373
Stock in trade		200,264,010	193,317,850
Trade debts		83,132,610	202,015,093
Advances, deposits, prepayments and other receivables		46,129,014	57,452,299
Cash and bank balances		1,229,468	11,950,905
		<u>334,781,647</u>	<u>468,404,520</u>
		<u>561,089,611</u>	<u>680,843,680</u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

  
**MIAN ASAD HAMEED**  
**CHIEF EXECUTIVE**

  
**SAEED IQBAL KHAN**  
**DIRECTOR**

**SAZGAR ENGINEERING WORKS LIMITED**  
**CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2009**

	Note	Jan-Mar 2009 Rupees	Jan-Mar 2008 Rupees	Jul-Mar 2009 Rupees	Jul-Mar 2008 Rupees
SALES - Net	8	275,028,093	521,943,211	610,455,458	1,155,822,689
COST OF SALES	9	236,359,261	387,632,824	535,490,860	890,397,939
<b>GROSS PROFIT</b>		<u>38,668,832</u>	<u>134,310,387</u>	<u>74,964,598</u>	<u>265,424,750</u>
Distribution cost		7,858,711	10,043,941	18,379,803	23,546,297
Administrative expenses		8,512,244	10,239,956	25,799,872	24,279,655
Other operating expenses		1,189,073	7,600,109	1,376,828	14,414,992
		<u>17,560,028</u>	<u>27,884,006</u>	<u>45,556,503</u>	<u>62,240,944</u>
		<u>21,108,804</u>	<u>106,426,381</u>	<u>29,408,095</u>	<u>203,183,806</u>
Other Operating Income		-	258,209	156,032	258,209
		<u>21,108,804</u>	<u>106,684,590</u>	<u>29,564,127</u>	<u>203,442,015</u>
Finance Cost		4,661,865	3,442,599	13,374,810	8,722,103
<b>PROFIT BEFORE TAXATION</b>		<u>16,446,939</u>	<u>103,241,991</u>	<u>16,189,317</u>	<u>194,719,912</u>
TAXATION	10	3,971,720	36,448,528	8,086,095	68,302,369
<b>PROFIT AFTER TAXATION</b>		<u>12,475,219</u>	<u>66,793,463</u>	<u>8,103,222</u>	<u>126,417,543</u>
<b>EARNINGS PER SHARE</b>	11	<u>1.20</u>	<u>6.42</u>	<u>0.78</u>	<u>12.15</u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

  
**MIAN ASAD HAMEED**  
 CHIEF EXECUTIVE

  
**SAEED IQBAL KHAN**  
 DIRECTOR

**SAZGAR ENGINEERING WORKS LIMITED**  
**CONDENSED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

	Jul-Mar 2009 Rupees	Jul-Mar 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	16,189,317	194,719,912
Adjustment for non cash charges and other items:		
Depreciation	11,656,039	8,409,818
Amortization	464,667	493,408
Provision for gratuity	4,718,153	3,364,306
Other Income	(156,032)	(258,209)
Financial and other charges	14,606,638	23,047,095
	31,289,465	35,056,418
<b>Effect on cash flow due to working capital changes</b>	<b>47,478,782</b>	<b>229,776,330</b>
(Increase)/decrease in current assets		
Stores, spares and loose tools	(358,172)	70,409
Stock-in-trade	(6,946,160)	(42,584,454)
Trade debts	118,969,098	(225,661,143)
Advances, deposits, prepayments and other receivables	2,811,487	(33,830,186)
Increase/(decrease) in current liabilities		
Trade and other payables	(39,384,789)	74,907,465
	76,091,464	(227,097,909)
<b>Cash generated from operations</b>	<b>123,570,246</b>	<b>2,678,421</b>
Financial charges paid	(11,850,720)	(7,049,046)
Income tax paid/deducted at source	(57,430,965)	(9,683,769)
Employees retirement benefit - Gratuity	(2,782,740)	(400,750)
WPPF and WWF	(11,222,632)	(4,415,272)
<b>Net Cash inflow / (outflow) from operating activities</b>	<b>40,283,189</b>	<b>(18,870,416)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, Plant and Equipment	(26,467,613)	(13,027,470)
Intangible Assets	-	(510,652)
(Increase)/decrease in long term security deposits	(45,000)	-
Security deposit with leasing companies	-	(3,992,495)
Sale proceeds from sale of fixed assets	592,529	750,000
<b>Net cash outflow from investing activities</b>	<b>(25,920,084)</b>	<b>(16,780,617)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(1,800,000)	(1,800,000)
Proceeds of short term finances and advances	73,215,307	113,214,555
Repayment of short term finances and advances	(75,380,672)	(79,349,472)
Repayment of finance lease	(7,822,312)	(8,116,846)
Dividend paid	-	(7,879,300)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>(11,787,677)</b>	<b>16,068,937</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,575,429</b>	<b>(19,582,096)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT THE BEGINNING OF THE PERIOD</b>	<b>(15,061,078)</b>	<b>16,243,385</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT THE END OF THE PERIOD</b>	<b>(12,485,649)</b>	<b>(3,338,711)</b>

The annexed notes from 1 to 13 form an integral part of these financial statements.

  
**MIAN ASAD HAMEED**  
**CHIEF EXECUTIVE**

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**SAEED IQBAL KHAN**  
**DIRECTOR**

**SAZGAR ENGINEERING WORKS LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

	Share Capital Rupees	Accumulated Profit Rupees	Total Rupees
Balance as at June 30, 2007	78,793,000	91,151,276	169,944,276
Issuance of bonus shares	7,879,300	(7,879,300)	—
Final Cash Dividend paid for the year ended June 30, 2007 (@ Re. 1/- per share)	—	(7,879,300)	(7,879,300)
Profit for the period ended March 31, 2008	—	126,417,543	126,417,543
<b>Balance as at March 31, 2008</b>	<u>86,672,300</u>	<u>201,810,219</u>	<u>288,482,519</u>
Profit for the three months ended June 30, 2008	—	8,937,657	8,937,657
<b>Balance as at June 30, 2008</b>	<u>86,672,300</u>	<u>210,747,876</u>	<u>297,420,176</u>
Issuance of bonus shares	17,334,460	(17,334,460)	—
Profit for the period ended March 31, 2009	—	8,103,222	8,103,222
<b>Balance as at March 31, 2009</b>	<u><u>104,006,760</u></u>	<u><u>201,516,638</u></u>	<u><u>305,523,398</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

  
**MIAN ASAD HAMEED**  
**CHIEF EXECUTIVE**

  
**SAEED IQBAL KHAN**  
**DIRECTOR**



**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

**1- LEGAL STATUS AND OPERATIONS**

The Company was incorporated in Pakistan on September 21, 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company on November 21, 1994. The Company is listed on all the Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances.

**2- STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the annual preceding published accounts of the company for the year ended June 30, 2008.

**3- BASIS OF PREPARATION**

These financial statements are un-audited and have been prepared in accordance with the requirements of International Accounting Standard, IAS-34 "Interim Financial Reporting" and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**4- ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

March 31, 2009 Number	June 30, 2008 Number		March 31, 2009 Rupees	June 30, 2008 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
3,237,676	1,504,230	Ordinary shares of Rupees 10 each allotted as bonus shares	32,376,760	15,042,300
<u>10,400,676</u>	<u>8,667,230</u>		<u>104,006,760</u>	<u>86,672,300</u>

**5- CONTINGENCIES AND COMMITMENTS**

**Contingencies**

There is no significant change in the contingent liabilities of the company since the last annual balance sheet date.

**Commitments**

Confirmed letters of credit for:

Other than capital expenditure	23,037,719	11,877,821
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**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

	Note	Mar 31, 2009 Rupees	June 30, 2008 Rupees
<b>6- PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets-Tangible	6.1	221,572,746	185,395,421
Capital work in progress		2,659,028	19,547,881
Advance for purchase of land		-	5,000,000
		<u>224,231,774</u>	<u>209,943,302</u>
<b>6.1-OPERATING FIXED ASSETS-TANGIBLE</b>			
Opening book value		185,395,421	108,883,983
Add: Additions during the period:			
- Land		21,609,700	46,928,750
- Building		6,675,167	10,933,804
- Plant and machinery		19,156,832	17,625,838
- Electric fittings		563,051	2,212,687
- Furniture and fixture		188,900	421,310
- Office equipments		38,000	469,717
- Electric installations		124,820	480,868
- Vehicles		-	10,334,734
		48,356,470	89,407,708
		<u>233,751,891</u>	198,291,692
Less: depreciation charged during the period deletions during the period (WDV)		11,656,034 523,111	12,404,480 491,791
		12,179,145	12,896,271
Closing book value		<u>221,572,746</u>	<u>185,395,421</u>
<b>7- INTANGIBLE ASSETS</b>			
Opening book value		1,724,401	2,346,539
Less: amortization charged during the period		464,667	622,138
Closing book value		<u>1,259,734</u>	<u>1,724,401</u>

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

8- SALES - NET	Jan-Mar 2009 Rupees	Jan-Mar 2008 Rupees	Jul-Mar 2009 Rupees	Jul-Mar 2008 Rupees
Gross sales	326,183,332	655,141,830	733,556,413	1,437,383,264
Less: Sales tax	44,974,273	85,453,282	101,075,548	187,484,771
Sales returns	3,226,583	11,196,879	14,417,120	13,245,166
	48,200,856	96,650,161	115,492,668	200,729,937
	277,982,476	558,491,669	618,063,745	1,236,653,327
Less: Commission	2,954,383	36,548,458	7,608,287	80,830,638
<b>Net Sales</b>	<b>275,028,093</b>	<b>521,943,211</b>	<b>610,455,458</b>	<b>1,155,822,689</b>
<b>9- COST OF SALES</b>				
Raw materials and components consumed	178,789,561	350,060,393	447,604,189	758,308,854
salaries, wages and other benefits	16,165,400	20,280,362	54,499,049	55,347,473
Stores, spares and loose tools consumed	3,159,239	6,912,030	8,733,713	12,457,347
Power and fuel charges	6,741,367	7,453,862	17,382,853	18,524,797
Repair and maintenance	3,617,490	4,276,207	14,455,272	12,028,429
Other expenses	827,689	1,538,038	3,196,928	4,108,946
Depreciation & Amortisation	3,540,671	2,342,226	9,759,706	6,919,484
	212,841,418	392,863,118	555,631,711	867,695,330
Opening work-in-process	21,809,698	11,722,732	16,247,744	26,663,717
Closing work-in-process	(16,979,729)	(11,228,374)	(16,979,729)	(11,228,374)
Cost of goods manufactured	217,671,387	393,357,476	554,899,726	883,130,673
Opening finished goods	55,711,741	3,975,769	8,035,421	14,311,987
Cost of finished goods purchased during the period	-	-	9,579,580	2,655,700
Closing finished goods	(37,023,867)	(9,700,421)	(37,023,867)	(9,700,421)
	<b>236,359,261</b>	<b>387,632,824</b>	<b>535,490,860</b>	<b>890,397,939</b>
<b>10- TAXATION</b>				
<b>Current</b>				
For the period	944,225	35,160,590	944,225	66,052,235
Prior year	2,695,335	-	2,695,335	-
<b>Deferred</b>				
For the period	332,160	1,287,938	4,446,535	2,250,134
	<b>3,971,720</b>	<b>36,448,528</b>	<b>8,086,095</b>	<b>68,302,369</b>

10.1 This balance represents an amount paid as additional tax in respect of order passed by DCIT u/s 205 (1B) of the Income Tax Ordinance, 2001. The Company is in appeal against this order.

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE ACCOUNTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**

**11- EARNINGS PER SHARE**

<b>Basic earnings per share</b>		<b>Jan-Mar 2009</b>	<b>Jan-Mar 2008</b>	<b>Jul-Mar 2009</b>	<b>Jul-Mar 2008</b>
Net profit for the period attributable to ordinary share holders	<b>Rupees</b>	<b>12,475,219</b>	66,793,463	<b>8,103,222</b>	126,417,543
Number of ordinary shares outstanding at the end of the period - Note 10.1	<b>Numbers</b>	<b>10,400,676</b>	10,400,676	<b>10,400,676</b>	10,400,676
Earnings per share	<b>Rupees</b>	<b>1.20</b>	6.42	<b>0.78</b>	12.15

**11.1-** Number of ordinary shares outstanding at the close of corresponding periods presented have been increased to reflect the bonus shares issued during the nine month period ended March 31, 2009.

**Diluted earnings per share**

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

<b>Jan-Mar 2009</b>	<b>Jan-Mar 2008</b>	<b>Jul-Mar 2009</b>	<b>Jul-Mar 2008</b>
<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>

**12- SEGMENT RESULTS**

<b>Segment Revenue</b>		<b>Jan-Mar 2009</b>	<b>Jan-Mar 2008</b>	<b>Jul-Mar 2009</b>	<b>Jul-Mar 2008</b>
Home appliances		1,771,196	1,106,121	4,971,300	5,868,172
Auto parts		95,366,699	60,456,226	258,658,919	178,251,805
Auto rickshaw		177,890,198	460,380,864	346,825,239	971,702,712
<b>Total</b>		<u><u>275,028,093</u></u>	<u><u>521,943,211</u></u>	<u><u>610,455,458</u></u>	<u><u>1,155,822,689</u></u>
<b>Segment operating results</b>					
Home appliances		84,631	(60,567)	337,862	221,866
Auto parts		11,007,892	1,048,205	35,202,593	10,822,163
Auto rickshaw		11,205,354	113,053,854	(4,900,532)	206,479,769
<b>Total</b>		<u><u>22,297,877</u></u>	<u><u>114,041,492</u></u>	<u><u>30,639,924</u></u>	<u><u>217,523,798</u></u>

**SAZGAR ENGINEERING WORKS LIMITED  
NOTES TO THE ACCOUNTS (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2009**

**13- GENERAL**

13.1-The Board of Directors of the Company has authorized these financial statements for issue on April 29, 2009

13.2-The figures have been rounded off to the nearest Rupee.

  
MIAN ASAD HAMEED  
CHIEF EXECUTIVE

  
SAEED IQBAL KHAN  
DIRECTOR