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## SAZEW: 3QFY26 EPS expected to clock in at PKR 113, up by 11% YoY, DPS PKR 23

**Sazgar Engineering Works Limited**

PSX: SAZEW | Bloomberg: SAZEW PA | Reuters: SAEW.PSX

- SAZEW is expected to announce its 3QFY26 results, where we expect the company to report an EPS of PKR 113, up 11% YoY. This will take 9MFY26 EPS to PKR 254, up 19% YoY. The company is also expected to announce an interim cash dividend of PKR 23.00/share.
- SAZEW is expected to post net sales of PKR 50.3bn in 3QFY26, up 37% YoY driven by 48% YoY increase in 4-wheeler volumes on the back of strong demand for HAVAL H6 variants. 4-wheeler volumes jumped 47% QoQ in 3QFY26.
- 48% QoQ revenue growth will likely lead to a wider fixed cost absorption and drive-up gross margins by 166 bps QoQ to 25.8%, despite flattish primary margins.
- Our estimated 9MFY26 EPS comprises 87% of our full year forecast and we now see an upside to our base case FY26 EPS. We maintain our 'BUY' recommendation on the stock based on our Dec'26 target price (TP) of PKR 2,850/share, which provides a capital upside of 50% along with a dividend yield of 3.5%.

### Key Data

PSX Ticker	SAZEW
Target Price (PKR)	2,850
Current Price (PKR)	1,900
Upside/(Downside) (%)	50%
Dividend Yield (%)	3.5%
Total Return (%)	53.5%
12-month High (PKR)	2,487
12-month Low (PKR)	1,060
Outstanding Shares (mn)	60
Market Cap (PKR mn)	114,855

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	3QFY25	3QFY26E	YoY	9MFY25	9MFY26E	YoY
Sales	36,738	50,364	37%	81,434	118,211	45%
Cost of goods sold	24,768	37,351	51%	56,636	88,448	56%
<b>Gross profit</b>	<b>11,970</b>	<b>13,014</b>	<b>9%</b>	<b>24,799</b>	<b>29,763</b>	<b>20%</b>
Distribution and Marketing cost	1,065	1,435	35%	2,573	3,869	50%
Administrative expenses	189	262	39%	447	727	63%
<b>Operating expenses</b>	<b>1,253</b>	<b>1,698</b>	<b>35%</b>	<b>3,020</b>	<b>4,596</b>	<b>52%</b>
<b>Operating Profit</b>	<b>10,717</b>	<b>11,316</b>	<b>6%</b>	<b>21,779</b>	<b>25,166</b>	<b>16%</b>
Other Income	299	911	205%	1,035	2,134	106%
Other operating expense	759	823	8%	1,569	1,885	18%
<b>Operating profit before finance cost</b>	<b>10,256</b>	<b>11,405</b>	<b>11%</b>	<b>21,245</b>	<b>25,441</b>	<b>20%</b>
Finance cost	52	120	133%	201	320	59%
<b>Profit before taxation</b>	<b>10,205</b>	<b>11,284</b>	<b>11%</b>	<b>21,044</b>	<b>25,122</b>	<b>19%</b>
Taxation/Levies	3,975	4,399	11%	8,187	9,795	20%
<b>Profit after taxation</b>	<b>6,230</b>	<b>6,886</b>	<b>11%</b>	<b>12,856</b>	<b>15,326</b>	<b>19%</b>
EPS	103.07	113	11%	213	254	19%
DPS	12	23		32	53	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
EPS (PKR)	16.5	131.3	270.3	293.0	313.5	369.6
EPS Growth	744.4%	697.5%	105.9%	8.4%	7.0%	17.9%
DPS (PKR)	4.0	20.0	52.0	66.0	159.0	203.3
PER	115.4	14.5	7.0	6.4	6.0	5.1
Dividend Yield	0.2%	1.1%	2.7%	3.5%	8.2%	10.7%
P/B	39.4	11.4	4.8	2.9	2.4	2.0
ROE	40.9%	121.9%	96.6%	56.3%	43.1%	41.6%

Source: Company Accounts, Akseer Research

## Valuation Basis

We maintain our 'BUY' recommendation on SAZEW with a revised target price of PKR 2,850/share (Dec'26), upgraded from PKR 2,690/share (Jun'26) at the time of our initiating coverage in October 2025, implying a capital upside of 50% along with a dividend yield of 3.5%.

Our TP has been computed using the Discounted Cash Flow (DCF) framework, with a risk-free rate of 10.5%, beta of 1.3x, and a market risk premium of 6.0%, arriving at a cost of equity of 18.8%.

## Investment Thesis

We have our 'BUY' recommendation on the stock based on our Dec'26 TP of PKR 2,850/share, which results in an upside of 50% alongside a dividend yield of 3.5%. Our investment case on SAZEW is based on (1) its plug-in portfolio and its expansion plan for upcoming CKD models, (2) strengthening HAVAL's market position translating into higher sales and (3) its ability to endure margin pressures through higher production efficiency, scaling localization, and adjustments to regulatory duty structures.

## Risks

Key downside risks to our investment thesis include (1) rising competition from Chinese NEV players, (2) new entrants joining the SUV segment, (3) pricing competition in SUV market (4) tariff hikes or uncertain changes could negatively impact the profitability and (5) currently fluctuation to impact CKD imports.

## Company Description

Sazgar Engineering Works Limited (SAZEW) is a leading Pakistani automotive manufacturer and market leader in 3-wheelers, exporting to over 25 countries. The company entered the 4-wheeler segment in 2021, launched CKD assembly in 2022, expanded into HEV production with HAVAL variants and PHEV vehicles in 2025, backed by strategic partnerships with GWM and BAIC.

On the expansion front, SAZEW has completed its four-wheeler facility upgrade at PKR 6.5bn, with an additional PKR 22.0bn approved for a fully automatic paint shop, to be financed through internal cash generation and bank borrowings. Upon completion, total installed capacity of the four-wheeler plant will increase to 54,000 units per annum on a single-shift basis. Notably, the TANK-500 Hi4-T PHEV/HEV first CKD rollout has been successfully completed, marking the company's entry into the premium localized hybrid SUV segment. The Board has also approved PKR 4.0bn for land acquisition near the car plant and PKR 1.1bn for a commercial plot in Lahore for a company-owned showroom and aftersales facility.

## Financial Highlights - SAZEW

Income Statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Sales	18,174	57,642	108,694	151,328	176,201	202,879
Operating expenses	15,625	41,996	77,052	116,649	140,556	161,453
<b>Gross profit</b>	<b>2,549</b>	<b>15,646</b>	<b>31,642</b>	<b>34,678</b>	<b>35,645</b>	<b>41,427</b>
Distribution and Marketing cost	588	1,811	3,474	4,816	5,022	5,782
Administrative expenses	240	383	560	993	1,042	1,095
<b>Operating expenses</b>	<b>828</b>	<b>2,194</b>	<b>4,035</b>	<b>5,809</b>	<b>6,064</b>	<b>6,877</b>
<b>Operating Profit</b>	<b>1,721</b>	<b>13,452</b>	<b>27,607</b>	<b>28,870</b>	<b>29,581</b>	<b>34,550</b>
Other Income	31	832	1,355	2,986	4,062	5,013
Other operating expense	102	1,000	1,993	2,394	2,151	2,512
<b>Operating profit before finance cost</b>	<b>1,650</b>	<b>13,285</b>	<b>26,970</b>	<b>29,462</b>	<b>31,492</b>	<b>37,050</b>
Finance cost	168	169	230	440	440	440
<b>Profit before taxation</b>	<b>1,481</b>	<b>13,116</b>	<b>26,739</b>	<b>29,022</b>	<b>31,052</b>	<b>36,610</b>
Taxation/Levies	486	5,180	10,403	11,313	12,104	14,271
<b>Profit after taxation</b>	<b>995</b>	<b>7,936</b>	<b>16,336</b>	<b>17,709</b>	<b>18,948</b>	<b>22,339</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
PPE	2,861	4,560	7,940	12,733	15,070	17,221
Other LT assets	59	49	83	102	102	102
Non-current assets	2,920	4,609	8,023	12,836	15,173	17,323
Current assets	4,765	24,617	33,714	58,382	64,579	76,894
<b>Total assets</b>	<b>7,685</b>	<b>29,226</b>	<b>41,737</b>	<b>71,217</b>	<b>79,752</b>	<b>94,217</b>
Non-current liabilities	745	875	943	967	967	967
Current liabilities	4,026	18,247	17,086	31,017	30,077	34,490
<b>Total liabilities</b>	<b>4,770</b>	<b>19,122</b>	<b>18,029</b>	<b>31,984</b>	<b>31,044</b>	<b>35,457</b>
Equity	2,915	10,104	23,708	39,234	48,708	58,760
<b>Total equity &amp; liabilities</b>	<b>7,685</b>	<b>29,226</b>	<b>41,737</b>	<b>71,217</b>	<b>79,752</b>	<b>94,217</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Net income	995	7,936	16,336	17,709	18,948	22,339
Non-cash charges	200	771	92	5,619	(912)	1,152
<b>Operating cash flows</b>	<b>1,429</b>	<b>7,448</b>	<b>16,769</b>	<b>23,711</b>	<b>18,466</b>	<b>24,029</b>
FCFF	974	5,466	13,048	18,534	15,699	21,341
Net borrowings	333	175	196	78	-	-
FCFE	642	5,291	12,852	18,456	15,699	21,341
<b>Closing cash</b>	<b>526</b>	<b>7,278</b>	<b>16,255</b>	<b>30,693</b>	<b>38,687</b>	<b>47,741</b>

Source: Company Accounts, Akseer Research

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