Result Preview | Pakistan Research

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SAZEW: FY26 EPS expected to clock in at PKR 374, up by 38% YoY

Sazgar Engineering Works Limited PSX: SAZEW | Bloomberg: SAZEW PA | Reuters: SAEW.PSX

- SAZEW is expected to announce its FY26 results, where we expect the company to report an EPS of PKR 127.8 in 4QFY26, up 122% YoY. This will take FY26 EPS to PKR 373.9, up 38% YoY. Alongside the result, we expect a final cash dividend of PKR 25/share, taking the full-year FY26 payout to PKR 75/share (FY25: PKR 52/share).
- SAZEW is expected to post net sales of PKR 60.1bn in 4QFY26, compared to PKR 27.3bn in SPLY, up 121% YoY. This will take FY26 revenue to PKR 175.3bn, up 61% YoY. The growth is driven by increase in volumes.
- Four-wheeler volumes were reported at 6,549 units in 4QFY26, up 132% YoY and 21% QoQ, lifting FY26 volumes to 19,179 units, up 77% YoY. Within the mix, the H6 models emerged as the key volume driver, driven by 1.5T, while the first Tank 500 HEV/PHEV CKD dispatches mark SAZEW's entry into the premium localized hybrid segment.
- For the full year, gross margin is expected to compress significantly, estimated at 25.7% versus 29.1% in FY25, as COGS rose 69% YoY and outpaced 61% revenue growth as sales mix shifted towards low margin variants. In 4QFY26, gross margin will likely hold at 26% (4QFY25: 25.1%), while higher volume will likely lift gross profit 129% YoY to PKR 15.6bn in 4QFY26 and 43% to PKR 45.0bn for FY26.
- The balance sheet is likely to remain in a net-cash position (FY26E cash PKR 23.6bn), comfortably funding the PKR 22bn automatic paint-shop and the four-wheeler capacity expansion to 54,000 units per annum.
- We maintain our 'BUY' recommendation on the stock based on our June'27 target price (TP) of PKR 2,592/share, which provides an upside of 40% along with a dividend yield of 4%.

Key Data	
PSX Ticker	SAZEW
Target Price (PKR)	2,592
Current Price (PKR)	1,854
Upside/(Downside) (%)	40%
Dividend Yield (%)	4%
Total Return (%)	44%
12-month High (PKR)	2,487
12-month Low (PKR)	1,402
Outstanding Shares (mn)	60
Market Cap (PKR mn)	112,640

Source: PSX, Akseer Research

Financial Estimates (PKR mn)	4QFY25	4QFY26E	YoY	FY25	FY26E	YoY
Sales	27,260	60,113	121%	108,694	175,315	61%
Cost of goods sold	20,416	44,465	118%	77,052	130,223	69%
Gross profit	**6,843**	**15,648**	**129%**	**31,642**	**45,092**	**43%**
Distribution and Marketing cost	902	2,205	145%	3,474	6,376	84%
Administrative expenses	113	278	146%	560	1,022	82%
Operating expenses	1,015	2,483	145%	4,035	7,398	83%
Operating Profit	**5,829**	**13,165**	**126%**	**27,607**	**37,694**	**37%**
Other Income	320	620	94%	1,355	2,604	92%
Other operating expense	424	1,000	136%	1,993	2,802	41%
Operating profit before finance cost	**5,725**	**12,785**	**123%**	**26,970**	**37,496**	**39%**
Finance cost	29	102	253%	230	403	75%
Profit before taxation	**5,696**	**12,683**	**123%**	**26,739**	**37,093**	**39%**
Taxation/Levies	320	4,959	124%	10,403	14,490	39%
Profit after taxation	**424**	**7,724**	**122%**	**16,336**	**22,602**	**38%**
EPS	58	128	122%	270	374	38%
DPS	20	25		52	75	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
EPS (PKR)	16.5	131.3	270.3	373.9	292.1	377.5
EPS Growth	744.4%	697.5%	105.9%	38.4%	-21.9%	29.2%
DPS (PKR)	4.0	20.0	52.0	75.0	58	94
PER	113.6	14.2	6.9	5.0	6.4	5.0
Dividend Yield	0.2%	1.1%	2.8%	4.0%	3.2%	5.2%
P/B	38.8	11.2	4.8	2.7	2.0	1.5
ROE	40.9%	121.9%	96.6%	69.0%	36.1%	35.4%

Source: Company Accounts, Akseer Research

Valuation Basis

We maintain our 'BUY' recommendation on SAZEW with a revised target price of PKR 2,592/share (June'27), implying a capital upside of 40% along with a dividend yield of 4%.

Our TP has been computed using the Discounted Cash Flow (DCF) framework, with a risk-free rate of 11.5%, beta of 1.3x, and a market risk premium of 6.0%, arriving at a cost of equity of 19.3%.

Investment Thesis

Our investment case on SAZEW is based on (1) it's 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) the government's decision not to reduce GST on HEVs, which could weaken affordability, slow HEV adoption, and constrain demand growth, (2) intensifying competition from Chinese NEV manufacturers, (3) delays in the implementation of AIDEP 2026-31, (4) increased pricing pressure in the SUV segment and (5) tariff hikes or adverse policy changes affecting profitability.

Company Description

Sazgar Engineering Works Limited (SAZEW) is Pakistan's leading three-wheeler manufacturer and a fast-growing player in the four-wheeler segment through its partnership with GWM. The company locally assembles HAVAL HEV/PHEV models and has expanded its NEV portfolio with the TANK-500 Hi4-T HEV/PHEV, while the GWM CANNON PHEV is also planned for local assembly. Following the discontinuation of its home-appliances business in September 2025, SAZEW is now fully focused on automotive operations. The company is expanding its four-wheeler production capacity to 54,000 units annually and continues to strengthen its manufacturing footprint, dealership network, and export presence.

Financial Highlights - SAZEW

Income Statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Sales	18,174	57,642	108,694	175,315	185,551	213,555
Operating expenses	15,625	41,996	77,052	130,223	150,671	171,044
Gross profit	**2,549**	**15,646**	**31,642**	**45,092**	**34,881**	**42,512**
Distribution and Marketing cost	588	1,811	3,474	6,376	6,807	7,835
Administrative expenses	240	383	560	1,022	1,128	1,184
Operating expenses	**828**	**2,194**	**4,035**	**7,398**	**7,935**	**9,019**
Operating Profit	**1,721**	**13,452**	**27,607**	**37,694**	**26,945**	**33,493**
Other Income	31	832	1,355	2,604	3,537	5,678
Other operating expense	102	1,000	1,993	2,802	2,046	2,543
Operating profit before finance cost	**1,650**	**13,285**	**26,970**	**37,496**	**28,436**	**36,628**
Finance cost	168	169	230	403	408	408
Profit before taxation	**1,481**	**13,116**	**26,739**	**37,093**	**28,028**	**36,220**
Taxation/Levies	486	5,180	10,403	14,490	10,370	13,401
Profit after taxation	**995**	**7,936**	**16,336**	**22,602**	**17,658**	**22,819**

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
PPE	2,861	4,560	7,940	18,127	18,845	27,309
Other LT assets	59	49	83	107	107	107
Non-current assets	2,920	4,609	8,023	18,234	18,952	27,416
Current assets	4,765	24,617	33,714	63,397	81,419	83,568
Total assets	**7,685**	**29,226**	**41,737**	**81,630**	**100,371**	**110,984**
Non-current liabilities	745	875	943	1,382	1,382	1,382
Current liabilities	4,026	18,247	17,086	38,450	43,064	36,563
Total liabilities	**4,770**	**19,122**	**18,029**	**39,831**	**44,446**	**37,945**
Equity	2,915	10,104	23,708	41,799	55,925	73,039
Total equity & liabilities	**7,685**	**29,226**	**41,737**	**81,630**	**100,371**	**110,984**

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)	FY23A	FY24A	FY25A	FY26E	FY27F	FY28F
Net income	995	7,936	16,336	22,602	17,658	22,819
Non-cash charges	200	771	92	825	596	3,657
Operating cash flows	**1,429**	**7,448**	**16,769**	**22,643**	**18,515**	**27,561**
FCFF	974	5,466	13,048	11,597	16,999	18,012
Net borrowings	333	175	196	83	-	-
FCFE	642	5,291	12,852	11,514	16,999	18,021
Closing cash	**526**	**7,278**	**16,255**	**23,649**	**37,071**	**49,378**

Source: Company Accounts, Akseer Research

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Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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