Result Review | Pakistan Research

Laiba Arshad Ali
laiba.arshad@akseerresearch.com

REN # REP - 004 REN # REP - 400 R

27 August 2026

SAZEW: FY26 EPS clocked in at PKR 390.51, up 44% YoY; margins compress on mix shift

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

- SAZEW announced its FY26 results today, reporting an EPS of PKR 144.36 in 4QFY26, up 151% YoY, taking FY26 EPS to PKR 390.51, up 44% YoY. Alongside the result, the company announced a final cash dividend of PKR 20/share, taking the FY26 payout to PKR 70/share.
- Net sales rose 181% YoY to PKR 76.5bn in 4QFY26, taking FY26 revenue to PKR 191.7bn, up 76% YoY. Growth was entirely volume-led, with full-year ASP flat at around PKR 10.0mn/unit. Volumes reached 6,549 units in 4QFY26 (up 132% YoY) and 19,179 units in FY26 (up 77% YoY), with the H6 the key driver and the first Tank 500 HEV/PHEV CKD dispatches marking entry into the premium localized hybrid segment.
- Gross profit grew 47% YoY to PKR 46.5bn, though the gross margin eased to 24.2% (from 29.1% during SPLY) as cost of sales rose 88% YoY. Compression was sharper in the final quarter, with the 4QFY26 gross margin at 22.3% versus 25.6% during 9MFY26, pointing to shift in sales mix towards low margin variants. Overheads remained contained, leaving the operating margin at 20.5%.
- Other income rose 96% YoY to PKR 2.65bn, almost entirely bank deposit income of PKR 2.56bn and 6.9% of PBT, a cushion that will unwind as cash is deployed into capex. Finance cost nearly doubled to PKR 454mn on the first meaningful borrowing (PKR 5.19bn diminishing musharakah) and, being a partial year effect, indicates a likely increase in finance cost in FY27.
- Capex of PKR 15.6bn tripled PPE to PKR 23.0bn as the PKR 22bn automatic paint-shop and the capacity expansion to 54,000 units p.a. progressed. Operating cash flow fell 32% YoY to PKR 9.6bn as inventory rose 196% YoY to PKR 42.1bn (106 days vs 67 days), leaving net cash at PKR 8.7bn, down from PKR 16.6bn.
- We maintain our 'BUY' recommendation based on our June'27 target price (TP) of PKR 2,592/share, an upside of 37% along with a dividend yield of 4%. The stock trades at a FY26 P/E of 4.9x and 2.7x book, against an ROE of 71%.

Key Data

PSX Ticker	SAZEW
Target Price (PKR)	2,592
Current Price (PKR)	1,895
Upside/(Downside) (%)	37%
Dividend Yield (%)	4%
Total Return (%)	41%
12-month High (PKR)	2,487
12-month Low (PKR)	1,402
Outstanding Shares (mn)	60
Market Cap (PKR mn)	114,565

Source: PSX, Akseer Research

Financial (PKR mn)	4QFY25	4QFY26	YoY	FY25	FY26	YoY
Sales	27,260	76,513	181%	108,694	191,715	76%
Cost of goods sold	20,416	59,481	191%	77,052	145,240	88%
Gross profit	**6,843**	**17,031**	**149%**	**31,642**	**46,476**	**47%**
Distribution and Marketing cost	902	2,022	124%	3,474	6,193	78%
Administrative expenses	113	233	106%	560	977	74%
Operating expenses	1,015	2,255	122%	4,035	7,170	78%
Operating Profit	**5,829**	**14,777**	**154%**	**27,607**	**39,306**	**42%**
Other Income	320	667	109%	1,355	2,651	96%
Other operating expense	424	1,055	149%	1,993	2,857	43%
Operating profit before finance cost	**5,725**	**14,389**	**151%**	**26,970**	**39,100**	**45%**
Finance cost	29	153	428%	230	454	97%
Profit before taxation	**5,696**	**14,236**	**150%**	**26,739**	**38,646**	**45%**
Taxation/Levies	320	5,510	149%	10,403	15,041	45%
Profit after taxation	**424**	**8,726**	**151%**	**16,336**	**23,605**	**44%**
EPS	58	144	151%	270	391	44%
DPS	20	20		52	70	

Source: Company Accounts, Akseer Research

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

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.

Ratings Criteria

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.

Research Dissemination Policy

The JV endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Contact Details

Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com

Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk

www.jamapunji.pk