

AHL Brief Note: Automobile Assembler

Sazgar Engineering Works Limited

Analyst Briefing Takeaways

Analyst Briefing

The management of Sazgar Engineering Works Limited (SAZEW) held an analyst briefing session on 22nd May'24 to discuss the company's performance and future outlook.

Brief Takeaways

- To recall, the company posted a net profit of PKR 4.4bn (EPS: PKR 73.59) in 9MFY24 compared to PKR 524mn (EPS: PKR 8.6) in SPLY, up by 8x YoY. On a quarterly basis, earnings arrived at PKR 3.0bn (EPS: PKR 50.20) in 3QFY24, up by 7x YoY.
- The company currently has 50+ three-wheeler dealers and 16+ four-wheeler dealers. Management stated that they are expanding the local dealership network and also exploring new export markets.
- The company is dedicated to promoting electric (EV) and hybrid electric (HEV) vehicles in Pakistan. In line with this commitment, the Government of Punjab has awarded the company the first license for manufacturing electric rickshaws.
- The GWM Haval brand represents a significant portion of the company's overall sales, with the hybrid version of the Haval H6 contributing 60-90% of these sales. The favorable duty structure helps maintain robust gross margins for hybrid variant sales.
- Recently, production of Haval vehicles was ramped up to decrease lead times from 4-6 months to 2-3 months.
- The company's three-wheelers are predominantly localized, with approximately 80% of their components sourced locally. However, the batteries utilized in three-wheelers are imported.
- The company exports its three-wheelers to a diverse range of 25 countries, spanning across Africa, Asia, and the Middle East. Management reiterated that they have been exporting 3-wheelers to Japan since 2012.
- The company has introduced two more GWM models, "ORA" and "Tank 500 HEV," into the local market. These models are currently in the sampling/testing phase, with a decision on local assembly to be made after further evaluation.
- The company has no plans to enter the market for smaller vehicles priced between PKR 4-5 mn, primarily due to its high price sensitivity. Furthermore, Chinese companies currently do not offer vehicles of satisfactory quality within this price range.
- The company allocated a CAPEX investment of PKR 1.3bn specifically for the purchase of land, aimed at facilitating future expansion endeavors.
- Management acknowledges that EVs may remain a niche market and serve as a secondary vehicle for many families due to concerns about their limited range, particularly in Punjab.

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