

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 26th Oct'24 to discuss the company's performance and future outlook.

Brief Takeaways

- To recall, the company in FY24 posted a PAT of PKR 7,936mn (EPS: PKR 131.29) compared to PKR 995mn (EPS: PKR 16.46) in SPLY, up by 8x YoY. On quarterly basis, in 4QFY24 earnings clocked in at PKR 3,487mn (EPS: PKR 57.69), showcasing a significant jump of 7.4x YoY. Final cash dividend of PKR 12.0/share in 4QFY24 was announced, bringing the total annual payout for FY24 at PKR 20.0/share.
- The company currently has 50+ three-wheeler booking agents and 16+ four-wheeler dealers across the country. Management stated that they are expanding the local dealership network and also exploring new export markets.
- The company has a maximum production capacity of 80 units per day. Currently, the production rate stands at 43 units per day.
- Among the total sales of Haval vehicles, the Haval H6 represents a significant portion, constituting 67% of all Haval sales. In contrast, the Haval Jolion accounts for the remaining 33%.
- The company plans to expand its four-wheeler manufacturing facility by installing a 4-megawatt solar system, with a CAPEX of PKR 4.5bn. Management believes this investment will address several operational challenges related to storage and paint shops.
- In response to the question about competition from BYD, management indicated that the introduction of BYD will solidify Chinese dominance in Pakistan.
- The company believes that margins will be affected by higher duties once the auto policy expires in FY26, and is therefore planning to develop strategies to address this issue.
- The company exports its three-wheelers to a diverse array of 25 countries, including African nations such as Nigeria, Kenya, and Uganda, as well as Asian countries like Japan, the Philippines, Indonesia, and Cambodia.
- SAZEW currently has 16 active showrooms in the country and plans to grow its network to 25 showrooms by the end of 2025.
- The company is committed to introducing new models of new energy vehicles and is looking forward to NEV policy that is going to take place in Nov'24.
- The company believes that the primary obstacle for EV rickshaws is not infrastructure, but rather the price, which is currently set at PKR 1mn.
- Regarding the localization of the Tank 500, the company has stated that it is conducting a market study, with a decision on local assembly to be made following further evaluation.

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