

SAZGAR ENGINEERING WORKS LIMITED

Analyst:

M. Amin Hamdani
amin.hamdani@vis.com.pk

RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A	A1
RATING WATCH/OUTLOOK	Stable		Positive	
RATING ACTION	Upgrade		Upgrade	
RATING DATE	March 31, 2026		February 12, 2025	

Shareholding (5% or More)

Mr. Mian Asad Hameed - ~37.4%

Local Public - ~12.8%

Mrs. Mian Muhammad Ali Hameed - ~11.6%

Joint Stock Companies - ~8.9%

Foreign Companies - 7.8%

Other Information

Incorporated in 1991

Public Limited Company

Chief Executive: Mr. Mian Asad Hameed

External Auditor: Crowe Hussain Chaudhury & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology - Corporates Ratings

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The rating reflects Sazgar Engineering Works Limited's ('SAZEW' or 'the Company') strengthened business profile following its successful diversification into Pakistan's LCV and Jeep segment through the introduction of the Haval brand in partnership with Great Wall Motors. The Company's timely entry into growing SUV and hybrid vehicle market has significantly enhanced its operational scale, revenue base and profitability. Strong market acceptance of Haval vehicles, alongside an expanding dealership network, is expected to support continued volumetric growth. Profitability has improved materially due to the higher margin four-wheeler segment and fiscal incentives available under the Automotive Industry Development and Export Policy (AIDEP) 2021-26. While margins are expected to moderate following the expiry of these incentives in June 2026, they are likely to remain above historical levels due the shift toward higher value-added products.

The rating also takes comfort from SAZEW's dominant position in the domestic three-wheeler market, where the Company commands a major market share, providing diversification and stability for earnings. The Company's strategy to expand its hybrid and electric vehicle (HEV/EV) lineup and ongoing capacity enhancements further support its growth outlook. However, ratings remain cognizant of risks stemming from the cyclical nature of the auto sector, exposure to exchange rate volatility, increasing competition in the SUV segment and potential margin normalization after FY26. Sustained sales growth in the four-wheeler segment and effective product diversification will remain key determinants of SAZEW's credit profile.

Company Profile

Sazgar Engineering Works Limited ('SAZEW' or 'the Company') was incorporated in 1991 as a Private Limited Company and was subsequently converted into a Public Limited Company in 1994. The Company is listed on the Pakistan Stock Exchange.

SAZEW is principally engaged in the assembly and the sale of automobiles and automotive parts. In the four-wheeler segment, the Company assembles and markets vehicles under internationally recognized Chinese brands including GWM (Haval, Tank and Ora) and BAIC, comprising Internal Combustion Engine (ICE), Hybrid Electric Vehicle (HEV), Plug-in Hybrid Electric Vehicle (PHEV) and fully Electric Vehicle (EV) variants. The three-wheeler portfolio comprises both petrol and electric variants for passenger and cargo use, with units also exported to selected international markets.

In addition, the Company manufactures tractor wheel rims, supplying directly to tractor assemblers.. The Company's assembly plants for four-wheelers and three-wheelers are located in Lahore, which also houses its registered office.

Management and Governance

The composition of the Board is in compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Company's governance is overseen by nine members, comprising the Chairperson, Mrs. Saira Asad Hameed; CEO, Mr. Mian Asad Hameed along with two executive directors, two non-executive directors and three independent directors. The Board convenes at least quarterly, with five meetings held during FY25. Full attendance was recorded in four scheduled meetings and minutes were duly maintained.

Shareholding (5% or more)	FY25	
	No. of shares held (Million)	% Ownership
Mr. Mian Asad Hameed	22.61	37.4%
General Public - Local	7.74	12.8%
Mr. Mian Muhammad Ali Hameed	7.01	11.6%
Joint Stock Companies	5.38	8.9%
Foreign Companies	4.71	7.8%
Mrs. Saira Asad Hameed	3.87	6.4%
Others	9.13	15.1%
Total Shares	60.45	100.0%

The founding family maintains majority control with a combined stake of 60.75% at end-FY25 (end-FY24: 60.83%). Institutional and foreign investors increased their combined share to ~16.7% (end-FY24: 12.9%), reflecting rising external participation. The local general public's holding decreased moderately but continues to contribute to free float.

The Board has five committees comprising Audit, Human Resource and Remuneration, Nomination, Risk Management and Sustainability Committees which are represented appropriately by the Board members. The management is spearheaded by Mr. Mian Asad Hameed, a seasoned professional along with experienced professionals in the management team ensuring operational oversight and strategic execution.

The Company's four-wheeler manufacturing plant holds ISO 9001 (Quality Management Systems), ISO 4001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management Systems) certifications. The Company operates an integrated in-house ERP system covering sales, inventory, finance, HRMS/payroll and dealership management, enabling centralized data management and operational oversight. The IT framework is supported by anti-virus protection and hardware firewalls to safeguard system integrity.

Business Risk

INDUSTRY UPDATE

The Pakistani automotive landscape is undergoing a structural transformation characterized by intensified competition and a shift in consumer preferences. Historically dominated by three Japanese manufacturers, namely Pak Suzuki Motors, Indus Motor Company Limited and Honda Atlas Cars (Pakistan) Limited; the market has expanded into a more fragmented sector with the successful establishment of Korean brands,

Kia and Hyundai, alongside a growing cohort of tech-forward Chinese entrants. This competition is most pronounced in the crossover and SUV segments, where new players have challenged traditional dominance by introducing feature-rich, high-tech vehicles. Conversely, the sedan and hatchback segments continue to be a stronghold for Japanese manufacturers, who leverage deep-rooted localized supply chains and brand equity.

The competitive evolution coincides with a critical structural transition as the Automotive Industry Development and Export Policy (AIDEP 2021-26) expires in June 2026. This transition is expected to conclude the current phase of localized incentives, facilitating a shift toward a more liberalized framework under the forthcoming AIDEP 2026-31. The updated policy is expected to pivot from traditional Internal Combustion Engine (ICE) vehicles towards a diversified "New Energy Vehicle" (NEV) portfolio, encompassing pure Electric Vehicles (EVs), Plug-in Hybrids (PHEVs) with a minimum 50 km electric range and Hydrogen-based propulsion.

It is expected that sales tax for conventional ICE vehicles is expected to be maintained at the elevated rate of 25%, effectively serving as a deterrent for non-hybrid high-emission units. A significant classification is anticipated for Hybrid Electric Vehicles (HEVs) with an upward revision in sales tax from the current concessionary rates (8.5% - 12.75%) toward the standard 18%. In contrast, the taxation regime for NEVs is projected to remain subsidized, maintaining a 1% sales tax on locally assembled units and a 1% customs duty on EV specific components to accelerate adoption.

The import landscape has been fundamentally reshaped by SRO 61(I)/2026, issued in January 2026, which officially abolished the "Personal Baggage" scheme to mitigate speculative market activity. Vehicle imports are currently restricted to the "Gift" and "Transfer of Residence" schemes, both of which now carry a mandatory one-year non-transferability period. While commercial imports of used vehicles up to five years old have been introduced to diversify market supply, they remain subject to a 40% regulatory duty. This duty is scheduled for a graduated phase-down through 2030, contingent upon the industry's progress toward predefined localization benchmarks.

During FY25, the industry exhibited strong volumetric recovery, with total car sales reaching 148,023 units (FY24: 103,829 units), according to the Pakistan Automotive Manufacturers Association (PAMA). The recovery was supported by an improving macroeconomic environment and a decline in the central bank's policy rate, which facilitated growth in auto financing, with loans rising to PKR 349 billion at end-FY25 from PKR 295 billion at end-FY24.

Within this sectoral recovery, SAZEW has demonstrated considerable strategic agility. While the Company maintains no presence in the mass-market PAMA's passenger car segment, it has become a market leader with 30% market share in the Light Commercial Vehicle (LCV) and Jeep category, a notable increase from 24% in FY24. This trend continued in 7MFY26, with market share rising to 34% (7MFY25: 32%).

In the three-wheeler segment, SAZEW remained a market leader by holding 64% market share, an increase from 62% in FY24 and increasing further to 65% in 7MFY26 (7MFY25: 65%). (Source: PAMA)

The improvement in market share is largely attributable to the Company's first mover advantage through the local assembly of HEV and PHEV models.

Volumetric Market Share	FY20	FY21	FY22	FY23	FY24	FY25	7MFY25	7MFY26
LCVs & Jeeps								
Sazgar Engineering Works Limited	-	-	-	6%	24%	30%	32%	34%
Indus Motor Company Limited	32%	35%	40%	41%	20%	23%	21%	18%
Hyundai Nishat Motor (Private) Limited	2%	16%	15%	20%	32%	22%	21%	22%
Pak Suzuki Motor Company Limited	45%	32%	32%	13%	12%	15%	16%	12%
Honda Atlas Cars (Pakistan) Limited	15%	13%	9%	13%	8%	5%	5%	8%
Others	7%	3%	4%	7%	4%	5%	4%	6%
Three-Wheelers								
Sazgar Engineering Works Limited	30%	31%	38%	49%	62%	64%	65%	65%
Plum Qingqi Motors Limited	31%	37%	34%	34%	25%	27%	27%	29%
Road Prince	25%	20%	20%	9%	5%	6%	5%	3%
United Auto Industries (Pvt) Limited	15%	13%	8%	9%	9%	3%	3%	4%

Source: Pakistan Automotive Manufacturers Association

While recent volumetric recovery, as reported by PAMA, reflects improving demand fundamentals, however, the outlook remains sensitive to macroeconomic conditions. Any resurgence in inflationary pressures amid recent geopolitical developments could lead to an upward

adjustment in policy rates, potentially dampening auto financing growth and consumer demand. Within this environment, SAZEW has strengthened its competitive positioning in the LCV & Jeep and three-wheeler segments through sustained market share gains and early localization of HEV/PHEV models.

OPERATIONAL PERFORMANCE

Capacity Utilization	FY24	FY25
Three-Wheeler (8 hrs single shift basis)	20,000	20,000
Actual Production	15,678	24,700
Capacity Utilization	78.4%	123.5%
Four-Wheeler (8 hrs single shift basis)	24,000	24,000
Actual Production	5,414	11,039
Capacity Utilization	22.6%	46.0%
Automotive Parts - Wheel Rims	Capacity indeterminable	
Actual Production	65,711	41,717

Total automobile production increased by 69.44% to 35,739 units in FY25 (FY24: 21,092 units), primarily driven by higher volumes in the four-wheeler segment, particularly Haval. Consequently, capacity utilization levels improved across both the four and three-wheeler segments during the year. To support further growth, the Company approved a project for a fully automated complete paint shop, which is expected to increase four-wheelers production capacity to 54,000 units per annum on a single shift basis.

The Company's total power requirement stands at 4,980 KW, of which approximately 4,000 KW relates to the four-wheeler segment, with the remaining demand attributable to the three-wheeler and automotive parts operations. The power requirements of the four-wheeler plant are met through a combination of grid supply (WAPDA) and gas-based captive generation. A 5.7 MW solar power system has recently been installed and operational which has enhanced energy diversification and cost efficiency. Rental generators are also maintained as backup to ensure operational continuity.

SAZEW's Four-wheeler Distribution network comprises over 24 authorized dealerships nationwide and is planned to expand to around 30 by end-FY26 and 45 by end-FY27. The network expansion will support enhanced market penetration and sales growth.

PROFITABILITY

SAZEW's revenue grew at a CAGR of 120% over the last three years, mainly driven by the launch of four wheelers and subsequent volumetric growth. During FY25, revenue increased to PKR 108.7 billion (FY24: 57.6 billion), supported by higher sales of four-wheelers, particularly Haval branded vehicles, which rose to 10,889 units (FY24: 5,392), alongside three-wheeler sales of 25,786 units (FY24: 15,014), reflecting strong demand across segments.

The revenue mix remained concentrated in four-wheelers, contributing 90% of total revenue, followed by three-wheelers at 9% and automotive parts at 1% (FY24: 88%, 10% and 2%, respectively). The Company maintained export presence in three-wheelers to Japan, Liberia, the Philippines and Nigeria, though this remained a minor segment.

Strong volumetric growth supported further improvement in profitability during FY25, with gross margin increasing to 29.1% (FY24: 27.1%) on account of a favorable product mix. Operating expenses increased to PKR 6.0 billion (FY24: PKR 3.2 billion), primarily due to higher distribution and marketing expenses in line with volumetric growth however, operating margin remained strong at 23.6% (FY24: 21.6%). Net profit more than doubled to PKR 16.3 (FY24: PKR 8.0 billion), resulting in a net margin of 15.0% (FY24: 13.8%).

During 1HFY26, revenue increased to PKR 67.8 billion compared to PKR 44.7 billion during the same period last year (SPLY). The increase was primarily driven by higher four-wheeler sales, which rose to 7,210 units in 1HFY26 vis-a-vis 4,191 units in 1HFY25. However, gross margin moderated to 24.7% (1HFY25: 28.7%), primarily due to higher input costs which translated into operating and net margin of 18.9% (1HFY25: 22.9%) and 12.4% (1HFY25: 14.8%), respectively.

Going forward, the management anticipates strong growth stemming from sustained demand for existing models and recent launch of GWM Tank 500 which is expected to provide incremental support to revenues during FY26. Launch of the GWM Cannon Alpha are scheduled to commence from March 31, 2026; however, meaningful financial contribution is anticipated beyond FY26. Profitability is expected to moderate following the imposition of the NEV levy in FY26, which SAZEW has opted to absorb rather than pass on to customers. Furthermore, the expiry of concessionary duties may exert additional pressure on profitability however, ongoing localization initiatives may provide partial support.

Financial Risk

CAPITAL STRUCTURE

At end-FY25, the Company's equity base more than doubled to PKR 23.7 billion (end-FY24: PKR 10.1 billion), primarily driven by strong profitability. The positive trajectory persisted into 1HFY26, with equity increasing further to PKR 30.0 billion on the back of continued profitability.

During FY25, the Company revised its expansion plan for its four-wheeler manufacturing facilities, with total estimated capital expenditure of PKR 11.5 billion (without land cost), which has been completed in March 2026 at a cost of PKR 6.5 billion. The balance amount of PKR 5.0 billion regarding the paint shop has been made part of the cost of setting up/installation of brand new fully automatic complete paint shop facilities with an estimated expenditure of PKR 22.0 billion (without land cost) which shall be financed through a combination of bank borrowings and internal resources.

Strong internal cash generation enabled a reduction in outstanding borrowings. Long-term debt declined to PKR 152 million at end-FY25 (end-FY24: PKR 345 million) and reduced further by end-1HFY26 in line with scheduled maturities. Consequently, net gearing remained negative, while leverage improved to 0.76x at end-FY25 (end-FY24: 1.89x) and remained negligible on net debt basis.

DEBT COVERAGE & LIQUIDITY

SAZEW's liquidity profile strengthened at end-FY25, supported by higher internal cash generation. Cash balances increased to PKR 16.6 billion (end-FY24: PKR 7.8 billion), driven by improved profitability. The current ratio increased to 1.97x (end-FY24: 1.35x), while the net operating cycle notably shortened to 62 days (end-FY24: 114 days), reflecting enhanced liquidity and operational efficiency. At end-1HFY26, current ratio moderated to 1.58x while cash balances increased further to PKR 25.2 billion.

Debt coverage metrics improved notably by end-FY25. Funds from Operations (FFO) increased to PKR 16.4 billion (end-FY24: PKR 11.2 billion), despite higher tax outflows. On the back of stronger cashflows and lower debt levels, FFO to long-term debt increased significantly to 108.11x (end-FY24: 32.35x), while Debt Service Coverage Ratio (DSCR) strengthened to 49.74x (end-FY24: 31.18x). Debt coverage indicators remained robust in 1HFY26.

FINANCIAL SUMMARY					
(Amounts in PKR Million)					
BALANCE SHEET	FY22A	FY23A	FY24A	FY25A	1HFY26M
Property, Plant, & Equipment	2,640	2,861	4,560	7,940	9,815
Stock-in-Trade	1,742	2,711	14,318	14,228	27,678
Trade Debts	180	270	133	111	168
Cash & Bank Balances	173	1,029	7,762	16,596	25,226
Total Assets	5,656	7,685	29,226	41,737	67,060
Trade and Other Payables	1,925	3,628	16,032	15,719	32,346
Long Term Debt (Inc. Current Maturity)	704	530	345	152	74
Short Term Debt	163	-	-	-	3,316
Islamic Financing	574	182	-	661	-
Total Debt	1,440	712	345	813	3,390
Total Liabilities	3,702	4,770	19,122	18,029	37,027
Paid Up Capital	605	605	605	605	605
Total Equity	1,954	2,915	10,104	23,708	30,033
INCOME STATEMENT					
Net Sales	10,274	18,174	57,642	108,694	67,846
Gross Profit	893	2,549	15,646	31,642	16,749
Operating Profit	299	1,619	12,452	25,615	12,814
Profit Before Tax	263	1,481	13,116	26,739	13,837
Profit After Tax	118	995	7,936	16,336	8,441
RATIO ANALYSIS					
Gross Margin (%)	8.7%	14.0%	27.1%	29.1%	24.7%
Operating Margin (%)	2.9%	8.9%	21.6%	23.6%	18.9%
Net Margin (%)	1.1%	5.5%	13.8%	15.0%	12.4%
Net Working Capital	(83)	739	6,370	16,628	21,082
Trade debts/Sales *	1.8%	1.5%	0.2%	0.1%	0.1%
FFO	194	1,316	11,153	16,424	8,071
FFO to Total Debt (x) *	0.13	1.85	32.35	20.20	4.76
FFO to Long Term Debt (x) *	0.28	2.48	32.35	108.11	218.13
Debt Servicing Coverage Ratio (x) *	0.90	4.24	31.18	49.74	35.37
Current Ratio (x)	0.97	1.18	1.35	1.97	1.58
Stock + Trade Debts/STD	2.61	16.38	N/A	21.69	8.40
Gearing (x) (Total Debt/Total Equity)	0.74	0.24	0.03	0.03	0.11
Leverage (x) (Total Liability/Total Equity)	1.89	1.64	1.89	0.76	1.23
ROAA (%) *	2.3%	14.9%	43.0%	46.0%	31.0%
ROAE (%) *	6.2%	40.9%	121.9%	96.6%	62.8%
Net Operating Cycle *	48	55	114	62	94
*Annualized, if required A - Audited Accounts M - Management Accounts P - Projected Accounts					

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Sazgar Engineering Works Limited				
Sector	Automotive Assembler				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	31/03/2026	A+	A1	Stable	Upgrade
	02/12/2025	A	A1	Positive	Upgrade
	01/25/2024	A	A2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Muhammad Atif Rao		CFO		February 24, 2026
	Mr. Muhammad Usman		Senior Manager Finance & Accounts		