Ghani Glass Limited (GHGL)

Valuation Disconnect Presents Buying Opportunity

Tuesday, July 29, 2025

Initiating coverage with a BUY: We initiate coverage on Ghani Glass Limited (GHGL), with a **BUY** rating **and Jun26 target of PkR 65.9/sh**, offering a **potential upside of 55.8% along with the dividend yield of 7.1%**, taking total return to 62.9%. With the rising demand for glass products in Pakistan due to changing consumer preferences and rapid urbanization, GHGL may see a **three-year bottom-line CAGR of 8%**. The company has improved its product mix over the years, with float glass accounting for 64% of total revenue, thereby cushioning its gross margins. GHGL has consistently maintained stable gross margins of ~27% over the past decade, despite a volatile business environment in the country

Over the past 12 months, GHGL has **underperformed** the market by 15%, TGL by 34%, the glass sector by 12% and the cement sector by around 36%. We opine this underperformance as unwarranted, given the company's growth potential and stable margins. We believe current levels offer an **ideal entry point.**

GHGL will likely benefit from: of (i) improving local demand outlook, (ii) increased construction activity support by monetary easing, (iii) rising preference of glass in high-rise buildings, and (iv) strong industry pricing power given limited competition.

Local demand outlook has improved: With a recovery in local cement dispatches, float glass demand is expected to follow suit. We project 3% growth for FY26 and 5% growth for FY27, driven by anticipated economic growth, monetary easing, and a backlog of construction projects.

Monetary easing cycle to support construction activities: The prevalent monetary easing cycle will likely benefit GHGL through an increase in construction activity. Falling interest rates may also induce demand for large-scale public sector projects, as a lower debt servicing burden may create fiscal space to fund these projects.

Well placed to benefit from the construction sector theme: Pakistan's construction sector has been hit hard by rising input costs, compounded by limited fiscal space, slowing both public and private projects. This has negatively impacted allied industries, including the glass sector. We see prolonged fiscal discipline stabilizing the macroeconomic outlook and boosting PSDP spending over the medium term.

Economic revival holds the key: We forecast a **three-year earnings CAGR of 8%,** driven by revived construction activity. GHGL, with 64% of FY24 revenue from float glass, holds a strong pricing position alongside TGL, enabling margin stability. Gross margins have averaged 27% over FY15–24, which we expect to sustain for our investment horizon.

Changing consumer preferences serve as a good omen for GHGL: Reflective glass is increasingly popular in high-rise buildings in Pakistan due to its superior heat insulation. Most corporate buildings use curtain wall systems with double-glazed glass, offering UV resistance and improved energy efficiency.

GHGL	FY22A	FY23A	FY24A	FY25E	FY26F	FY26F
EPS	6.0	8.1	6.8	6.3	7.4	8.4
EPS growth	88%	34%	-17%	-7%	17%	15%
DPS	2.1	1.8	1.0	2.0	3.0	3.5
Div. yield	5%	5%	3%	5%	7%	8%
P/E (x)	7.0	5.2	6.3	6.7	5.7	5.0
ROE	29%	29%	20%	18%	19%	19%

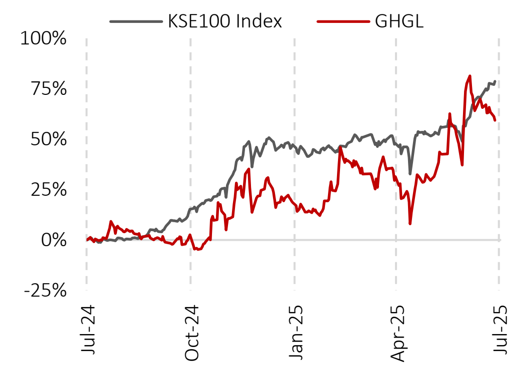
Source: Company Accounts, BMA Research

GHGL investment overview

KATS Code	GHGL
Bloomberg Code	GHGL PA
Market Price	PkR 42.26
Target Price	PkR 65.9X
Upside	55.8%
1-Yr High/ Low	PkR 47.00/23.75
Estimated free float	35%
Share outstanding (mn)	999.71

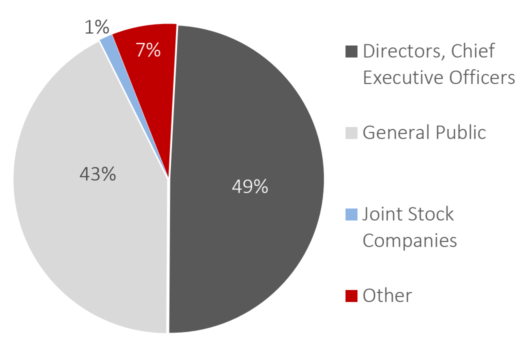
Source: PSX, BMA Research

KSE100 Index vs GHGL



Source: PSX, BMA Research

GHGL Shareholding



Fahad Hussain Khan
Senior Research Analyst
BMA Capital Management Ltd.
E-mail: fahad.hussain@bmacapital.com
Tel: 111-262-111 Ext. 2056

Revenue optimization to uphold healthy gross margins: In FY24, 64% of GHGL's revenue came from float glass, with 13% from Food & Beverages and 20% from Pharmaceuticals. With demand recovering, float glass is expected to contribute more. Supported by lower power needs and stronger pricing power, we expect the **company's margins to improve to 29% from FY25.**

Leveraging its dominance in the float glass segment: TGL and GHGL **control 98% of the domestic float glass** demand, giving them strong pricing power. This is reflected in stable 5-year average gross margins of 22% (TGL) and 25% (GHGL), with cost pressures largely passed on to consumers.

Procurement of raw material is not a concern: Raw material procurement is one aspect that clearly works in favor of GHGL as its major raw materials, including Soda Ash, Limestone, and Silica, are all procured locally, cushioning the company from exchange rate volatility, bank charges, risk of shortage and helps to support its primary margins.

Valuation: We have used Discounted Cash Flow (DCF) valuation methodology to calculate the fair value of the company. **We have assumed a risk-free rate of 12%**, and an **equity risk premium of 6%**. Using a **terminal growth rate of 4.0%,** our **Jun26 TP arrives at PkR 65.9/sh**, offering an **upside of 55.8%** along with the **dividend yield of 7.1%**, taking total return to 62.8%.

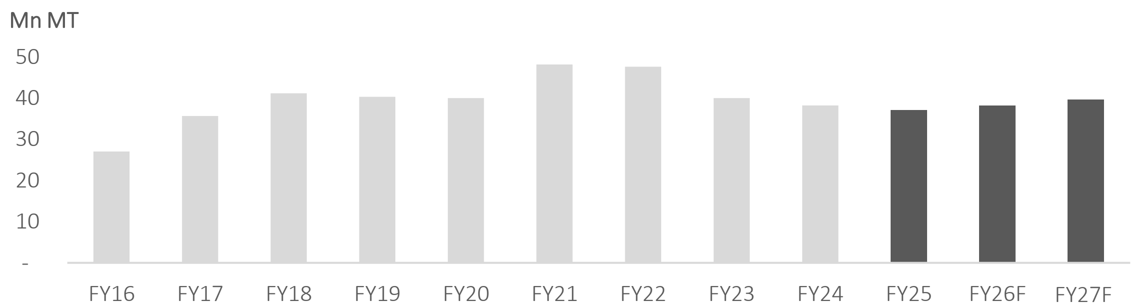
The stock is currently trading at FY26E PE of 5.7x and an FY27F PE of 5.0x, as compared to its 10-year average PE of 8.1x, representing a discount of 29% and 38%, respectively.

Key Risks: (i) Lower than estimated sales, (ii) decline in pricing power due to lower capacity utilization, and (iii) higher than expected increase in energy prices.

Local demand outlook has improved: Cement dispatches outperformed initial expectations, falling by 3% during FY25 compared to anticipated fall of 8-10%. Moreover, we have assumed 3% and 5% growth in local sales for FY26 and FY27 amid expectation of economic stability in the country.

Our industry channel checks suggest growth of 3-5% in local sales in FY26 due to economic stabilization, lower inflation and lower interest rate. We believe resumption in construction activities will support glass demand during FY26 and onwards.

Local cement dispatches

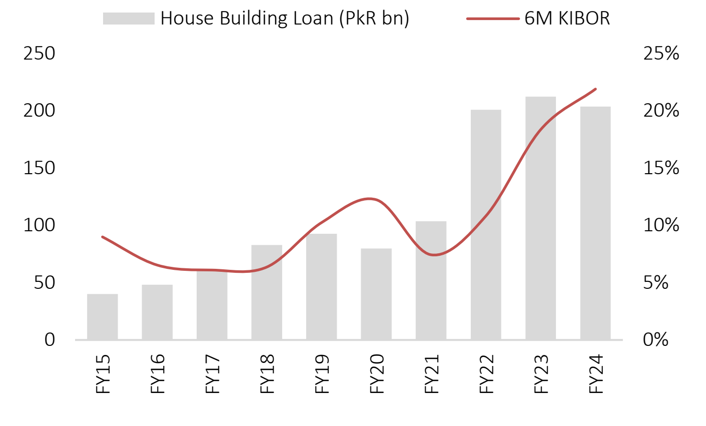


Source: APCMA, BMA Research`

Monetary easing cycle to support construction activities: Easing inflationary pressures have allowed the State Bank of Pakistan (SBP) to begin its monetary easing cycle. Notably, inflation peaked at 38% in May 2023 before declining to a low of 0.3% by April 2025. In response, the SBP has reduced the policy rate by 1,100 basis points to 11% over the past 1 year. Furthermore, this monetary easing is likely to serve as a precursor to the recovery of Pakistan's economic cycle, which could benefit various industries, including construction.

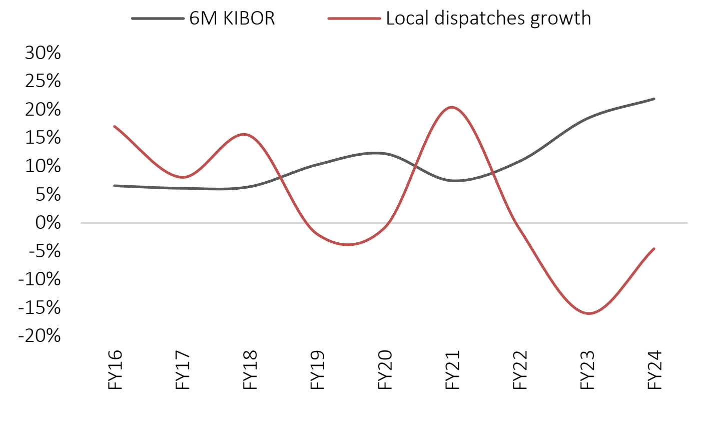
An analysis of borrowing trends for house construction in relation to the 6-month KIBOR indicates that borrowing increased during periods of low interest rates, supporting both house construction and purchases. However, in FY22 and FY23, borrowing surged significantly despite high interest rates. This unusual trend was driven by the government's decision to offer housing loans at rates between 3% and 9%, a policy aimed at stimulating the economy.

KIBOR vs house building loan



Source: SBP, BMA Research

KIBOR vs local dispatches growth



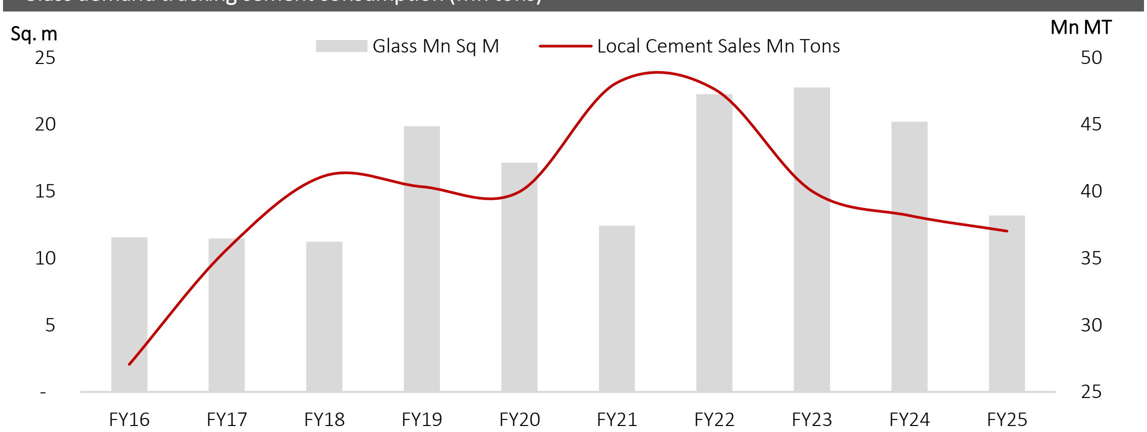
Source: SBP, APCMA, BMA Research

Well placed to benefit from the construction sector theme: Multi-decade high inflation and increased input prices have marred construction activities in Pakistan. This, alongside the country's poor fiscal space, has scaled back construction projects and the private sector is feeling the heat too. The trickle-down effect has impacted the construction and allied industries, and the glass sector is no exception.

Moreover, rehabilitation work on flood effected areas aided by multilateral funding will support demand for glass, going forward. We expect one million ton of additional cement consumption to generate **float glass demand of around 0.3 million sqm.**

Although, we expect improved fiscal position to benefit the construction and allied sectors, unlike cement and steel, which are consumed at the start of the construction cycle, float glass consumption materializes with a time lag. Cement and steel are primarily used by the construction industry to lay down the foundation and structure, whereas float glass is used in the outer structure (such as façades and windows) and interior (such as furniture and mirrors) once the building is near completion. Resultantly, volumes can be expected to regain lost ground from FY24 as the macroeconomic overhang subsides.

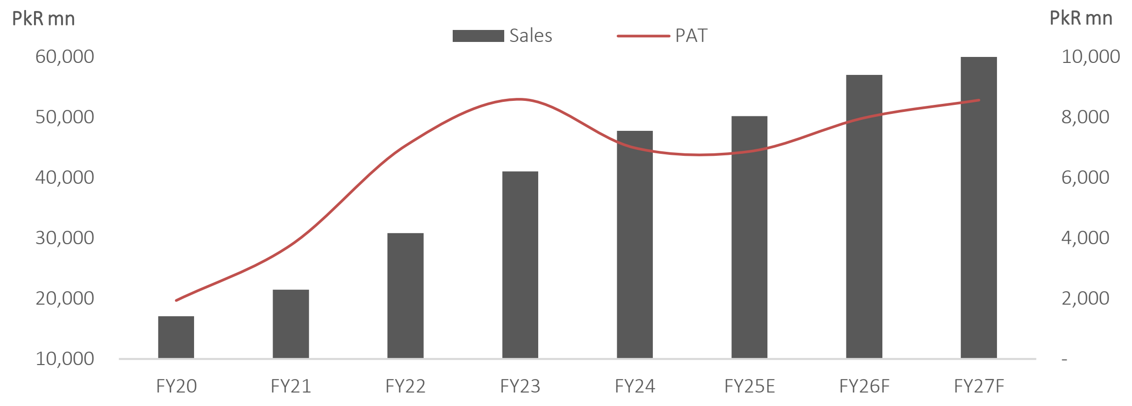
Glass demand tracking cement consumption (Mn tons)



Source: PBS, APCMA, BMA Research

Economic revival holds the key: We forecast a **three-year earnings CAGR of 8%** on the back of the recent revival of construction activities and lower energy prices as the economy heads for initial recovery following a torrid FY23 and FY24. The company's top-line is majorly dominated by the float glass segment (64% in FY24) in which GHGL alongside TGL hold a comfortable industry position as price setters which enables them to **swiftly pass on any cost pressures and sustain gross margins**. Over the past decade (FY15-24), GHGL's gross margins have averaged 27% and we expect this to sustain, going forward.

Changing consumer preferences aiding glass sales

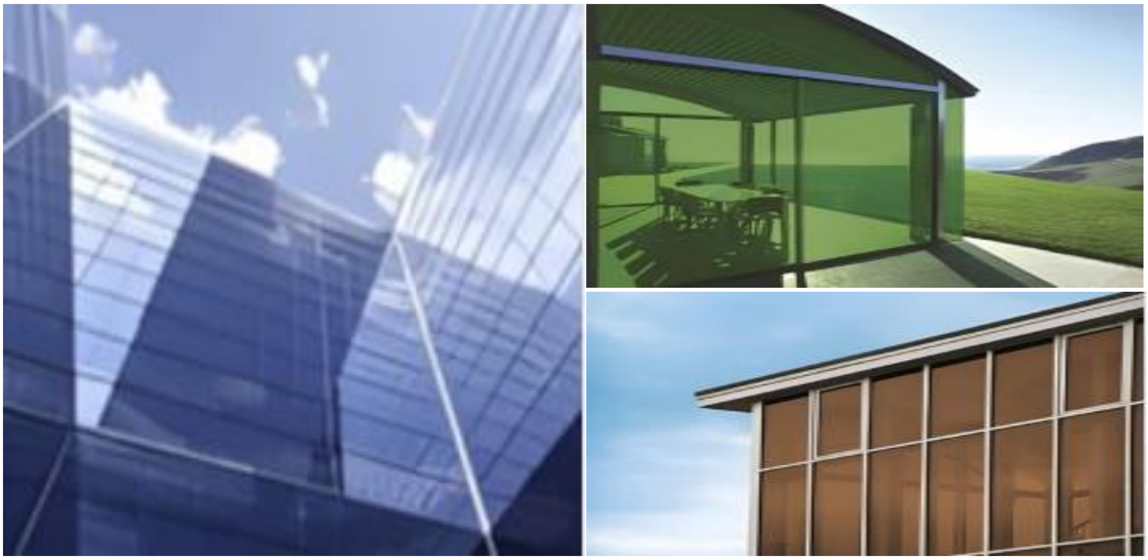


Source: Company Accounts, BMA Research

Changing consumer preferences serve as good omen for GHGL: Use of glass in high rise buildings is gaining popularity in Pakistan. To be more specific, reflective glass is being used in most high-rise buildings as it provides better heat insulation than regular glass. Most corporate buildings in Pakistan are using curtain wall formation, which serves as a non-structural outer covering of the wall and glass used in the process undergoes double glazing to make it UV resistant and heat insulated.

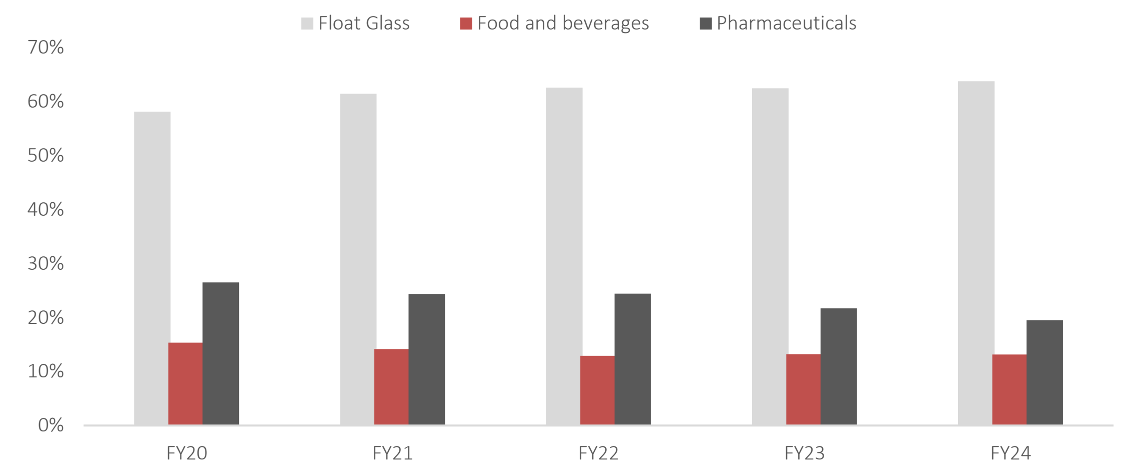
Additionally, glass usage in furniture has increased due to changing consumer preferences, with households increasingly opting for furniture made of both wood and glass rather than purely wood-based furniture.

Float Glass Products



Revenue optimization to uphold healthy gross margins: In FY24, GHGL generated 64% of its revenues from the Float glass segment, 13% from the Food and Beverages and 20% Pharmaceuticals segment. However, following the recent recovery in the demand, the revenue contribution is likely to be tilted further in favor of the float glass segment. It is important to note that float glass generates better gross margins due to lower power requirement & the company's improved ability to pass on any cost pressures by leveraging its dominant market position.

Improved product mix supporting margins

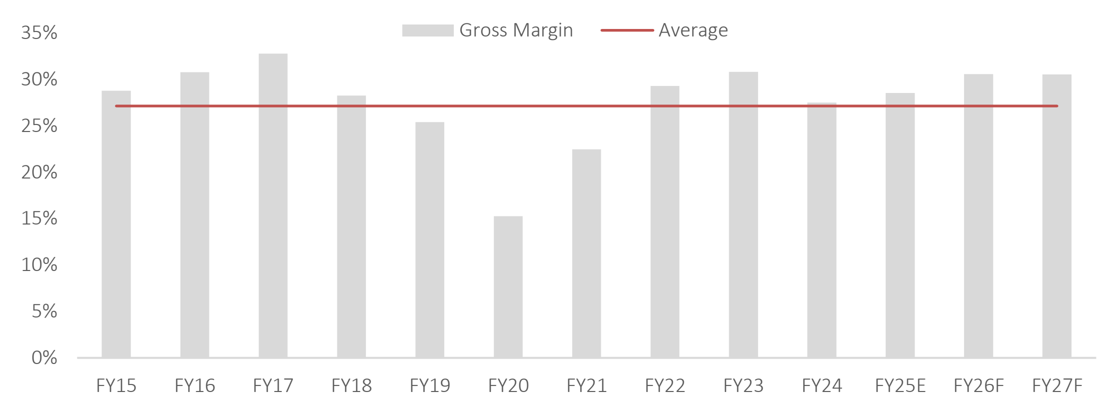


Source: Company Accounts, BMA Research`

In the Glassware market, GHGL faces greater competition. However, it has established strong brand equity through value-added investments, helping the company report decent margins in this segment despite higher cost of production. Going forward, we expect this ratio to sustain and greater contribution of float glass segment to cushion the bottom-line.

Leveraging its dominance in the float glass segment: TGL and GHGL together control more than ~98% of the domestic demand for float glass, giving them significant pricing power which is evident by sticky gross margins (TGL/GHGL: 5-Yr average margins are 22/25% respectively) these companies have enjoyed over the past. Any cost pressures have been passed on to consumers as a result.

Leveraging its dominant position



Source: Company Accounts, BMA Research

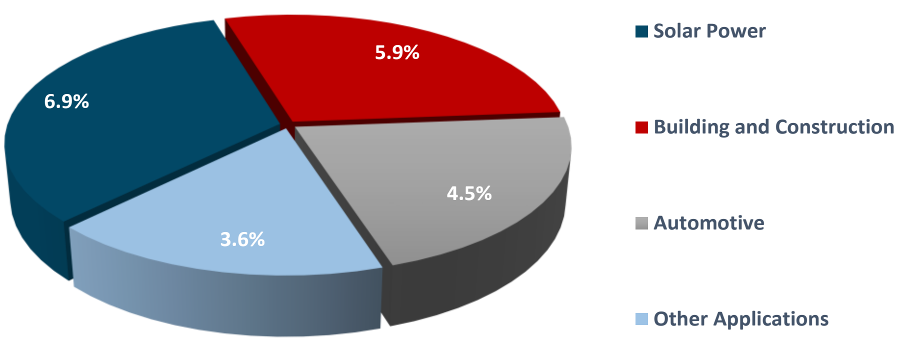
Enhanced product portfolio has limited competition from imports: In the tableware segment, GHGL has built its brand equity over the years through continuous improvement in its value-added products. Tableware segment can be divided into two categories based on quality. One product range offers average quality for daily household use and other offers higher quality for special occasions. Household products are the main market for GHGL; however, hospitality industry also deserves a notable mention. The company has seen robust demand from high end restaurants, caterers and event halls for its higher quality products.

Procurement of raw material is not a concern: Raw material procurement is one aspect that clearly works in favor of GHGL as its major raw materials including Soda Ash, Limestone, and Silica, are all procured locally, **cushioning the company from exchange rate volatility**, bank charges, risk of shortage and helps to better maintain its gross margins.

Silica sand, soda ash, and limestone account for 95% of the total raw material requirements for glass production. Recent months have seen the raw material prices easing, in line with broader trends in international commodity markets. Notably, **soda ash prices have declined by approximately 10% YoY** in the international market over the past 12 months. This downward trend is expected to lower local raw material costs, thereby supporting an improvement in gross margins, going forward.

Exports may increase after the recent currency adjustment: The global glass market currently stands at 130 million tons and is projected to **register a 5-year CAGR of 4.5%** with impetus expected to stem from the construction industry. In the near term, we expect demand to pick up slowly as the economic shockwaves ease off with rising construction activity and automotive industry proving to be catalysts. However, environmental implications and price trend of raw materials need to be closely monitored. Though untapped potential and growing awareness and usage of solar power in a bid to move to renewable energy could create a lucrative opportunity for the industry in the future.

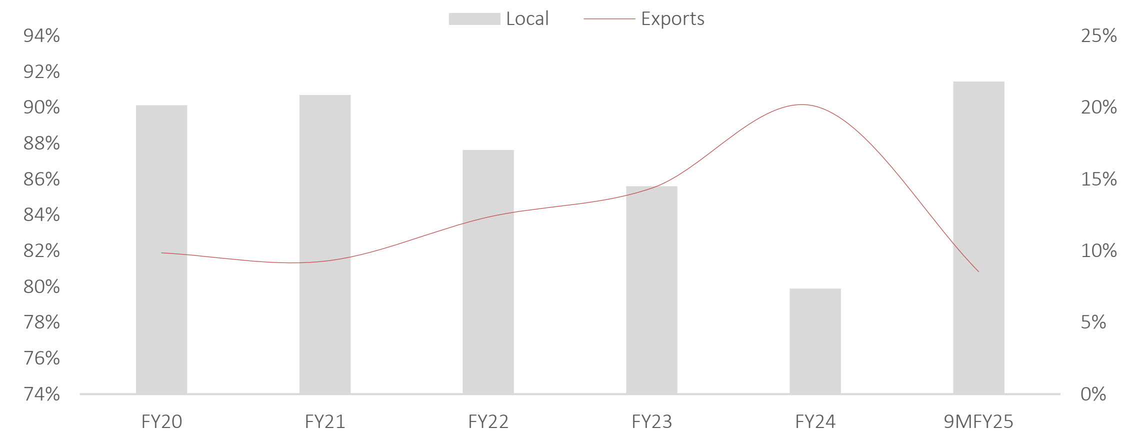
Expected 5-year growth trend amongst various glass using industries



Source: BMA Research

Last year, GHGL generated most of its export revenues from Philippines, Bangladesh and Sri Lanka. After the ban on the Indian market, the company has successfully onboarded alternate export destinations to mitigate the impact. In fact, exports contribution has improved to 20% of total revenue in FY24 from 7% 5 years ago. Onwards, we see this trend continuing following global economic recovery, a supportive Pak Rupee trend and cost advantages on the global landscape.

Exports share has improved over the years

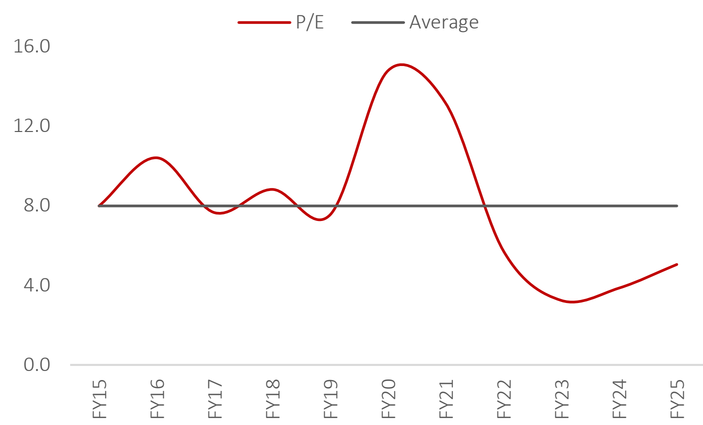


Source: Company Accounts, BMA Research

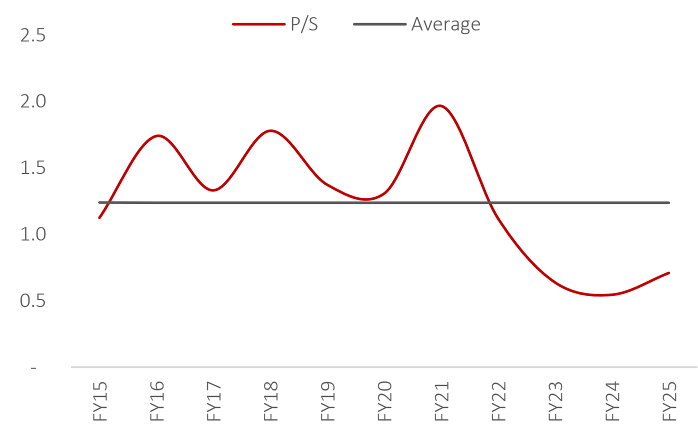
Valuation: GHGL offers a potential upside of **55.8% to our June 2026 TP of PkR 65.9/share**. The stock is currently trading at FY26E PE of 5.7x and an FY27F PE of 5.0x, as compared to its 5-year average PE of 8.1x, representing a discount of 29% and 38% respectively.

Key Risks: (i) Lower than estimated sales, (ii) lower selling prices, and (iii) increase in energy prices.

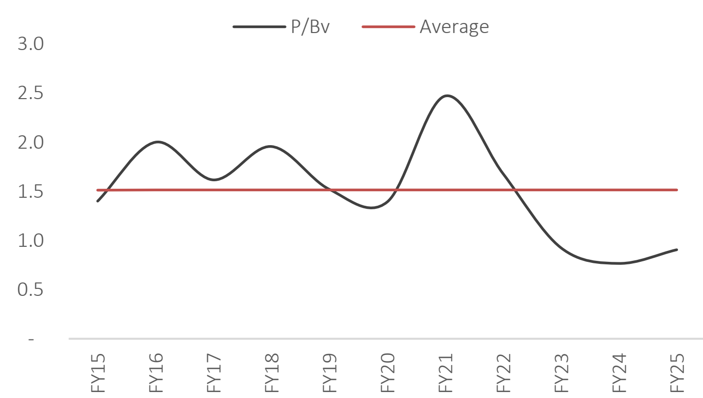
Trading at FY25E P/E of 5.5x vs 10-Year average P/E of 8.1x



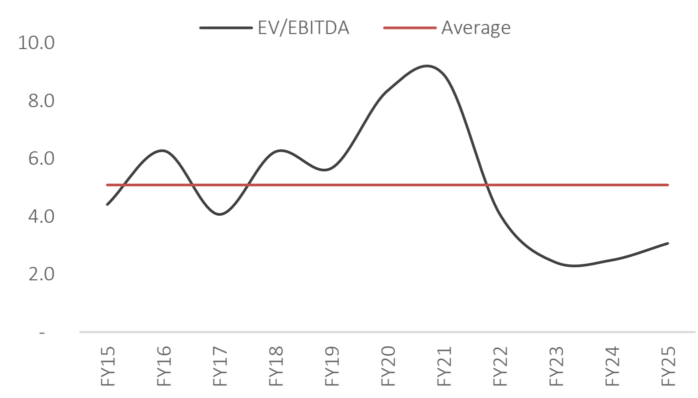
Trading at FY25E P/S of 0.7x vs 10-Year average P/S of 1.2x



Trading at FY25E P/S of 0.9x vs 10-Year average P/S of 1.5x



Trading at FY25E EV/EBITDA of 3.1x vs 10-Year average of 5.1x



Source: Company Accounts, PSX, BMA Research

Ghani Glass Limited (GHGL): Financial Projections

Income Statement	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Sales	30,827	41,038	47,790	48,883	55,579	60,730
Gross Profit	9,016	12,637	13,133	14,046	15,892	17,888
Administration expense	954	1,893	2,155	2,199	2,266	2,359
Selling & Distribution expenses	1,487	2,430	2,994	3,123	3,329	3,616
Finance cost	123	117	206	105	110	116
Profit after tax	6,045	8,097	6,750	6,295	7,357	8,447
EPS	**6.0**	**8.1**	**6.8**	**6.3**	**7.4**	**8.4**
DPS	**2.1**	**1.8**	**1.0**	**2.0**	**3.0**	**3.5**
Balance Sheet	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Non-Current Assets	18,078	19,894	21,066	20,202	19,311	18,394
Current Assets	2,813	23,247	28,497	31,708	36,900	42,922
Total Assets	**30,891**	**43,141**	**49,563**	**51,909**	**56,212**	**61,316**
Equity	20,558	28,281	33,952	38,248	42,605	47,553
Non-Current Liabilities	2,006	2,472	2,339	2,339	2,339	2,339
Current Liabilities	8,327	12,388	13,272	11,323	11,267	11,423
Total Equity & Liabilities	**30,891**	**43,141**	**49,563**	**51,909**	**56,212**	**61,316**
Ratio	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Gross Margin	29%	31%	27%	29%	29%	29%
Net Margin	20%	20%	14%	13%	13%	14%
ROE	29%	29%	20%	18%	19%	19%
P/E	6.6	4.9	5.9	6.4	5.4	5.0
P/S	1.3	1.0	0.8	0.8	0.7	0.7

Source: BMA Research, Company Accounts

Disclaimer

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by BMA Capital Management Limited from publicly available information and sources that BMA Capital Management Limited believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of BMA Capital Management Limited gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of BMA Capital Management Limited has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of BMA Capital Management Limited. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of BMA Capital Management and/or their respective principals, directors, officers and employees may own, have positions or effect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

BMA Capital Management Limited and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. BMA Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis.

Stock Rating

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BMA Capital Limited uses a three tier rating system: i) Buy, ii) Neutral and iii) Underperform (new rating system effective Jan 1'18) with our rating being based on total stock returns versus BMA's index target return for the year. A table presenting BMA's rating definitions is given below:

Old rating system

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)