

Gharibwal Cement Limited (GWLC)

Improving Efficiencies to Unlock Value

Wednesday, October 29, 2025

Initiating coverage with a BUY

We initiate coverage on Gharibwal Cement Limited (GWLC) with a **BUY** rating. Our **Jun26 target price** for the stock stands at **PKR 82.2/sh**, offering a **potential upside of 42.2%** along with the **dividend yield of 3.5%**, taking the **total return to 45.5%**.

Local demand outlook has improved

After three consecutive years of decline, local cement sales are expected to rebound by 5% YoY in FY26 and 6% YoY in FY27, led by improving economic conditions, easing inflation, and lower interest rates. 1QFY25 sales rose 15% YoY to 9.6mn tons because of stronger construction activity. Flood-related rehabilitation and Punjab's housing initiatives (Apni Chhat Apna Ghar, PAHP) will further boost demand, especially for Punjab-based players like GWLC. Exports are projected to grow 5% YoY in FY26 and FY27, with industry capacity utilization rising to 59.5% and 62.5%, respectively.

Monetary easing cycle to support construction activities

With inflation easing from 38% in May 2023 to 0.3% in April 2025, the State Bank of Pakistan has cut its policy rate by 1,100 bps to 11.0%, marking the start of a monetary easing cycle. This cycle is expected to aid economic recovery and boost sectors like construction. Historically, housing loan uptake rose during low interest periods, but borrowing also spiked in FY22–FY23 due to government-subsidized housing loans at 3–9%, despite high market rates.

Cooler retrofit BMR to bring fuel savings

GWLC completed its cooler retrofit project in 2QFY25, enhancing production capacity and reducing fuel costs through advanced cooling technology. The upgrade improves clinker cooling efficiency, energy consumption, product quality, and equipment life. With fuel efficiency expected to improve by 7%, **gross margins could rise by 2.1% in FY27**, while a **5–7% efficiency gain** may **boost margins by 150–210 bps** and EPS by PKR 0.5–0.8 over FY27–FY28.

Bearish coal prices trajectory to fuel the earnings growth

In FY25, GWLC's fuel mix improved to 38% local and 62% imported coal from 27/73% in FY24, with a forecasted 40/60% mix moving forward. Greater reliance on local coal, priced PKR 2,000–3,000 lower than imported Afghan coal, along with declining international and regional coal prices, is expected to reduce costs. GWLC's effective coal cost is projected to average PKR 35,000 per ton in FY26.

GWLC	FY23	FY24	FY25	FY26F	FY27F	FY28F
EPS (PKR)	3.1	4.4	5.5	6.5	8.0	9.1
DPS (PKR)	-	-	1.0	2.0	2.0	2.0
PE (x)	7.2	8.8	9.8	8.9	7.2	6.4
PB (x)	0.4	0.6	0.8	0.8	0.8	0.7
Yield (%)	0%	0%	2%	3%	3%	3%
ROE (%)	6%	7%	8%	9%	11%	11%

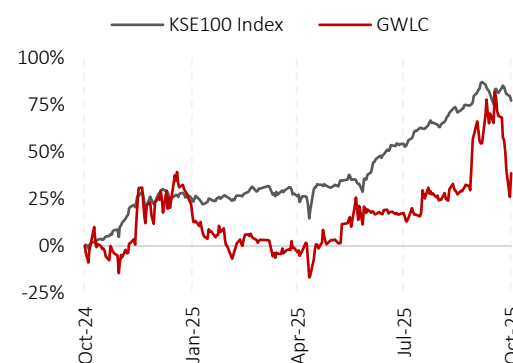
Source: Company Accounts, BMA Research

GWLC investment overview

KATS Code	GWLC
Bloomberg Code	GWLC PA
Market Price	PKR 57.82
Target Price	PKR 82.2
Upside	42.2%
1-Yr High/ Low	PKR 77.96/32.00
Free float	10%
Share outstanding (mn)	400.27

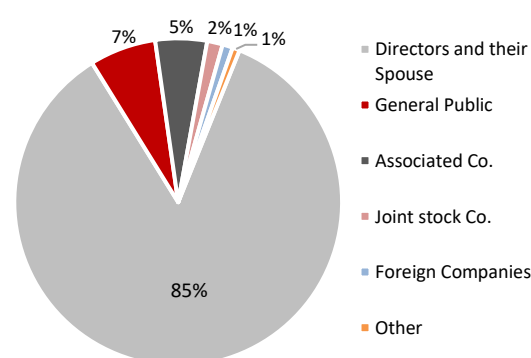
Source: PSX, BMA Research

KSE100 Index vs GWLC



Source: PSX, BMA Research

GWLC Shareholding



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Efficient fuel and power mix to enhance margins

GWLC's gross margins are projected to rise from 23.3% in FY25 to 25–26% over FY26–FY28, while EBITDA margins are expected to improve from 25.7% to 27–28%, driven by lower coal prices, better retention, and efficient fuel & power mix. The company benefits from a diverse power portfolio, including WHR and solar plants (20MW & 24.5MW), as well as FO, gas, and dual-fuel captive power plants totaling 38MW, supporting cost efficiency and margin expansion.

Steady Progress on the new line

GWLC's new 10,000tpd production line is in early civil work stages, progressing cautiously while monitoring cement demand. Project execution will accelerate once domestic demand recovers, allowing the company to balance capital expenditure and financial flexibility during the current subdued market.

Earnings to rebound strongly after 1QFY26 earnings decline

A planned kiln shutdown during the quarter, due to high clinker inventory, led to under-absorption of overheads and a decline in gross margin to 13% (from the FY23–FY25 average of 22%). Earnings are expected to rebound strongly in upcoming quarters.

Valuation – a potential return of 42.2%

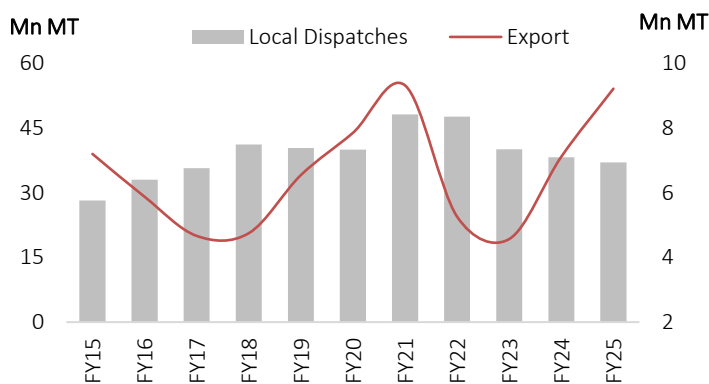
GWLC trades at an **FY27F PE of 7.2x** and an **FY28F PE of 6.4x**, as compared to its 5-year average PE (Ex. FY20 Covid Year) of 7.7x, representing a discount of 6% and 17% respectively, and its 10-year average PE (Ex. FY20 Covid year) of 8.0x, representing a discount of 10% and 21%, respectively.

Local demand outlook has improved

Local cement sales were down in past three years by 15.9%, 3.77% and 3.04% in FY23, FY24 and FY25, respectively. However, we expect this trajectory to reverse starting from this year because of improving macros, easing inflationary pressure and sizable reduction in interest rates. Moreover, we have assumed 5% and 6% growth in local sales for FY26 and FY27 amid expectation of economic stability in the country. Our industry channel checks suggest an anticipation of 5–7% growth in local sales in FY26.

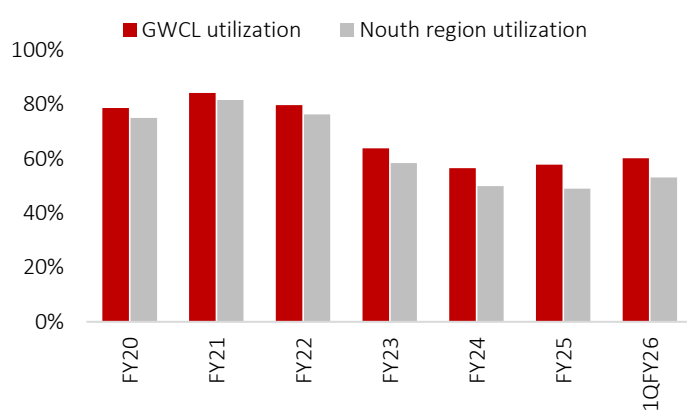
Local cement sales in 1QFY25 have clocked in at 9.6mn tons, compared to 8.3mn tons, up by 15% YoY. The reason behind the increase in sales is improved construction due to stable input prices, easing inflationary pressure along with reduction in interest rate.

Local cement dispatches vs exports



Source: APCMA, BMA Research

GWLC capacity utilization vs North region utilization



Source: Company Accounts, APCMA, BMA Research

Going forward, we expect local cement dispatches to continue growth momentum courtesy improved construction activities by builders because of stable construction input prices. Moreover, rehabilitation activities to restore damaged houses and infrastructure in recent heavy monsoon and flood may further support local cement off takes.

According to the National Disaster Management Authority (NDMA), the 2025 floods have caused extensive damage, affecting approximately 12,600 houses, 239 bridges, and 1,981 kilometers of roads across the country.

Punjab government has launched several housing initiatives to support reconstruction and improve housing access. The flagship program, Apni Chhat Apna Ghar, aims to provide interest-free home loans to low-income families for constructing or purchasing homes. The initiative targets the development of 100,000 houses and includes both loan-based and free plot components for eligible families.

Additionally, the World Bank-funded Punjab Affordable Housing Program (PAHP) seeks to strengthen housing sector institutions and expand affordable housing opportunities through private sector participation and infrastructure investment.

These housing initiatives are expected to boost cement demand in the region, benefiting Punjab-based cement manufacturers, including GWLC.

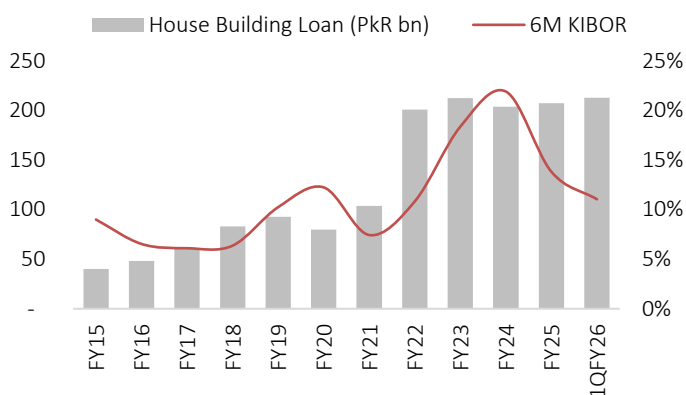
On the exports front, total cement exports are expected to increase by 5% YoY in FY26 and FY27, thanks to PKR devaluation has improved competitiveness in the market. With gradual improvement in industry sales, capacity utilization is projected to inching up to 59.5% and 62.5% in FY26 and FY27.

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 11.0% 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.

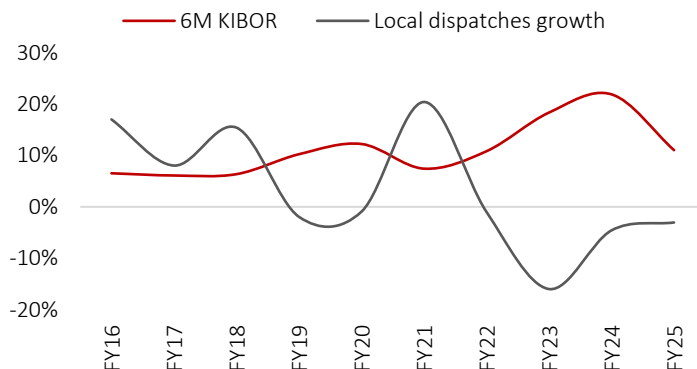
An analysis of borrowing trends for house construction in relation to the 6-month KIBOR indicates that borrowing increased during periods of low interest rates, supporting both house construction and purchases. However, in FY22 and FY23, borrowing surged significantly despite high interest rates. This 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, Company Accounts, BMA Research

Cooler retrofit BMR to bring fuel savings

GWLC successfully completed and tested its cooler retrofit project in 2QFY25. The replacement work began in September 2024 and was completed by December 2024. The full-year financial impact of this investment is expected to be reflected in FY26. This Balancing, Modernization, and Replacement (BMR) initiative has enhanced the company's production capacity and reduced fuel costs through the adoption of advanced cooling technology.

A cooler retrofit in a cement plant typically improves clinker cooling efficiency, lowers energy consumption, and enhances product quality and equipment life. The upgrade, often focused on the grate system, optimizes air distribution and heat recovery. Key benefits include notable energy savings, higher clinker output and reduced maintenance costs.

Historically, the company's fuel requirement has ranged between 140–150 kg per ton of clinker, which is higher than the industry average of 120–140 kg per ton. In our base case, we assume a 7% improvement in fuel efficiency, **translating into a 2.1% improvement in gross margins over FY27.**

A sensitivity analysis indicates that a 5–7% improvement in fuel efficiency could drive gross margin expansion in the range of 140–210 bps and enhance EPS by PKR 0.5–0.8 over FY26–FY28.

Bearish coal prices trajectory to fuel the earnings growth

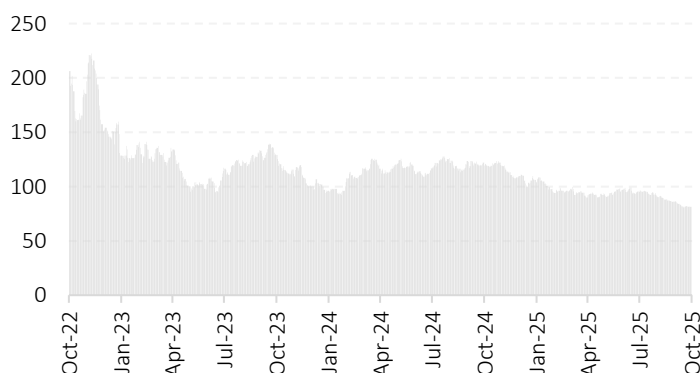
In FY25, GWLC's fuel mix comprised 38% local coal and 62% imported coal, marking an improvement from FY24, when the mix stood at 27% local and 73% imported coal. Going forward, we assume a more balanced 40/60% local-to-imported coal mix over the forecast horizon. This shift toward higher utilization of local coal is positive for the company, as local coal is priced approximately PKR 3,000–4,000 per ton lower than Afghan coal.

In addition to the improved fuel mix, declining coal prices are expected to further support margins. International coal prices (Richards Bay) have fallen to USD 82.8/ton in October 2025 from USD 111.7/ton in October 2024, representing a 26% YoY decline. During 1QFY26, coal prices averaged USD 90.7/ton, compared to USD 110.12/ton in 1QFY25 (-18% YoY). For the forecast period, we assume international coal prices to remain around USD 90/ton.

A similar downward trend has been observed in regional markets. Afghan coal prices have eased to PKR 40,000–41,000 per ton from PKR 45,000–46,000 per ton at the end of FY24, largely due to reduced import duties from Afghanistan. Local coal prices have also softened to PKR 35,000–36,000 per ton from PKR 40,000–41,000 per ton over the same period.

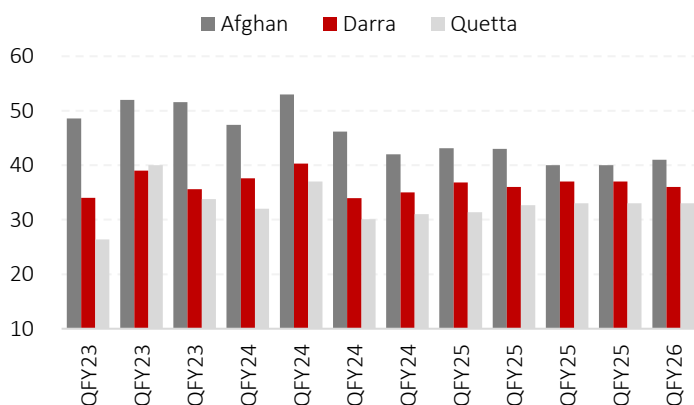
Considering these developments, we estimate GWLC's effective coal cost to average around PKR 36,000 per ton in FY26.

Richard Bay Coal (USD/Ton)



Source: Bloomberg, BMA Research

Local Coal Price (PKR/Ton)



Source: Company Accounts, BMA Research

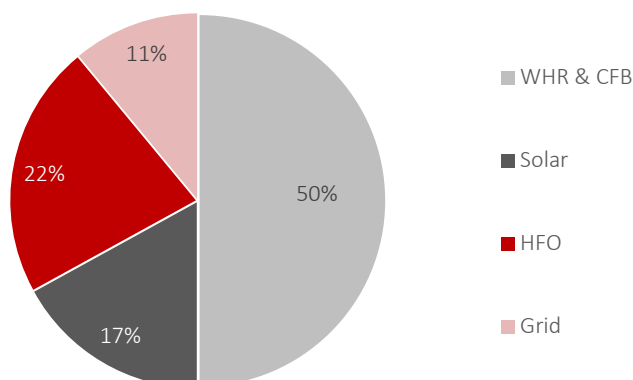
Efficient fuel and power mix to enhance margins

We expect GWLC gross margins to improve from 23.3% in FY25 to 25–26% over FY26–FY28. Similarly, EBITDA margins are expected to improve from 25.7% in FY25 to 27–28% over FY26–28. The improvement in margins is on account of decline in coal prices, improved retention process and efficient fuel and power mix.

Richards Bay coal prices have declined from FY25 average of USD 101.4/ton to USD 82/ton in October 2025, down 18%. Following the decline in international coal prices, local and Afghan coal prices have also declined. We expect international coal prices of USD 85/ton in FY26 and USD 90/ton in remaining years based on our discussions with industry players. In PKR terms we have assumed average coal price of PKR 31.5k/ton and PKR 33k/ton for FY26 and FY27, respectively.

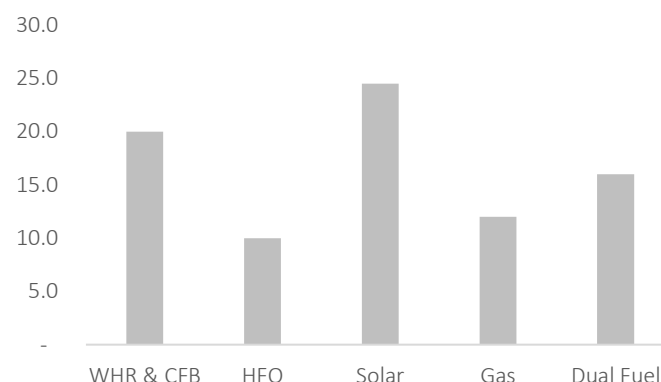
GWLC also benefits from a favorable power mix, including WHR (Waste Heat Recovery) and a solar plant with capacities of 20MW and 24.5MW. Other available power sources include an FO (Furnace Oil) based captive power plant with a generation capacity of 10MW, along with a gas based captive power plant with a nameplate capacity of 12MW and dual fuel power generator with capacity of 16MW.

Power Mix – FY25



Source: Company Accounts, BMA Research

Available Power Sources (MW)



Source: Company Accounts, BMA Research

Steady Progress on the new line

Civil work is under progress with measured approach on new production Line of 10,000 tpd. This project will be sped up when cement demand improves in the country. Although we have not incorporated this in our working.

Civil works for GWLC's new production line, with a planned capacity of 10,000 tons per day (tpd), are currently underway. The company is proceeding with a measured and phased approach, focusing on foundational and preparatory activities while closely monitoring market conditions.

Management has indicated that the pace of project execution will accelerate once domestic cement demand shows a sustainable recovery. This prudent strategy allows the company to balance capital expenditure with market realities, ensuring optimal allocation of resources and maintaining financial flexibility during a period of subdued demand in the construction sector.

Earnings to rebound strongly after 1QFY26 earnings decline

The kiln remained under planned shutdown during the quarter due to substantial clinker inventory available at the beginning of the fiscal year. Consequently, fixed and periodic manufacturing costs continued to be incurred, leading to a temporary under-absorption of overheads. As a result, the gross margin declined to 13%, compared to the average gross margin of 22% during FY23–FY25. We expect earnings to rebound strongly in the coming quarters.

Valuation – a potential return of xx%

GWLC trades at an FY27F PE of 7.2x and an FY28F PE of 6.4x, as compared to its 5-year average PE (Ex. FY20 Covid Year) of 7.7x, representing a discount of 6% and 17% respectively, and its 10-year average PE (Ex. FY20 Covid year) of 8.0x, representing a discount of 10% and 21%, respectively.

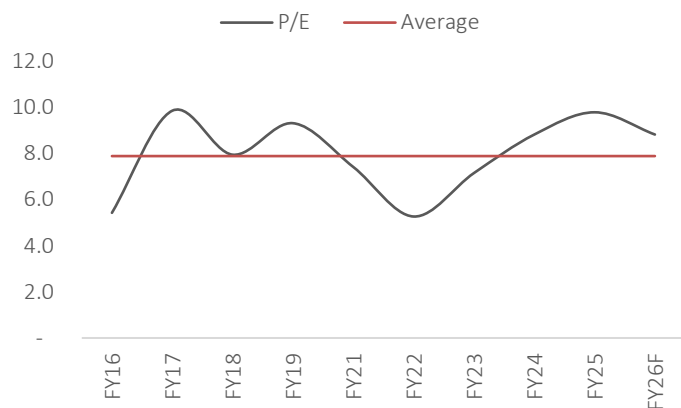
GWLC is currently trading at a price of PkR 57.8/share, offering a **potential upside of 42.2% to our June-2026 TP of PkR 82.2/share.**

Valuation – GWLC well placed in the industry

The stock is trading at an attractive Enterprise Value per ton (EV/ton) of USD 30.4/ton. This compares to recent cost of the last brownfield expansion of 2.1mn tons, which was approximately USD 45/ton. GWLC is trading at EV/EBITDA of 3.2x vs last 10 years average EV/EBITDA of 3.7x.

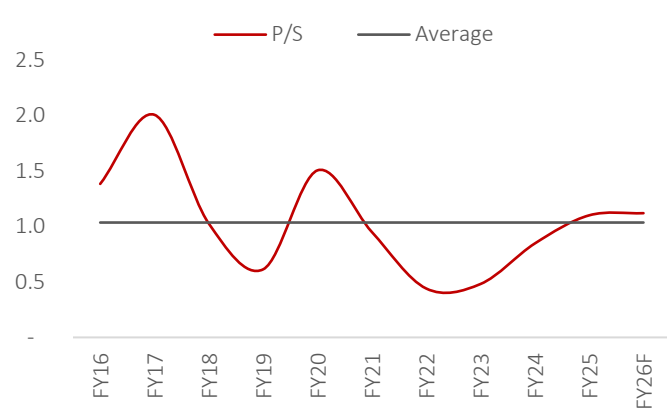
Key Risks: (i) Lower than estimated sales, (ii) decline in cement prices due to lower capacity utilization, and (iii) higher than expected increase in coal prices.

Trading at FY27F P/E of 7.2x vs 10-Year average P/E of 8.0x



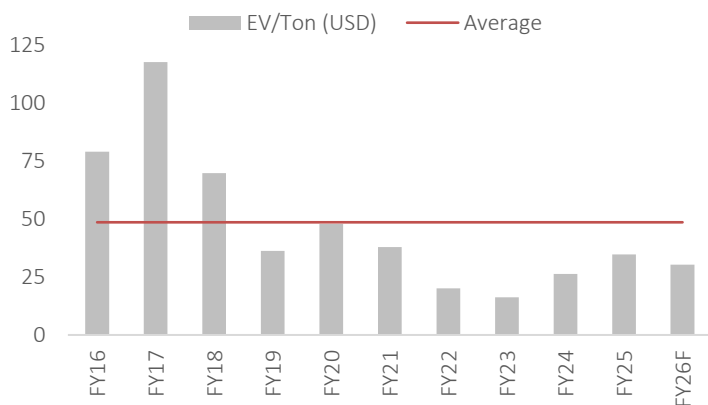
Source: Company Accounts, PSX, BMA Research

Trading at FY27F P/S of 1.0x vs 10-Year average P/S of 1.0x



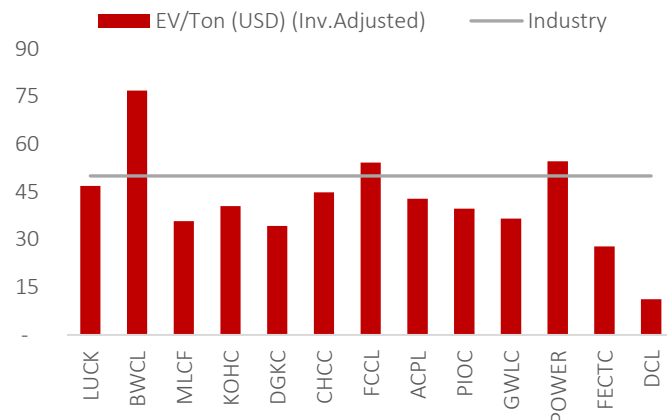
Source: Company Accounts, PSX, BMA Research

Trading at EV/Ton USD 30.4 vs 10-Year average EV/Ton of 48.6



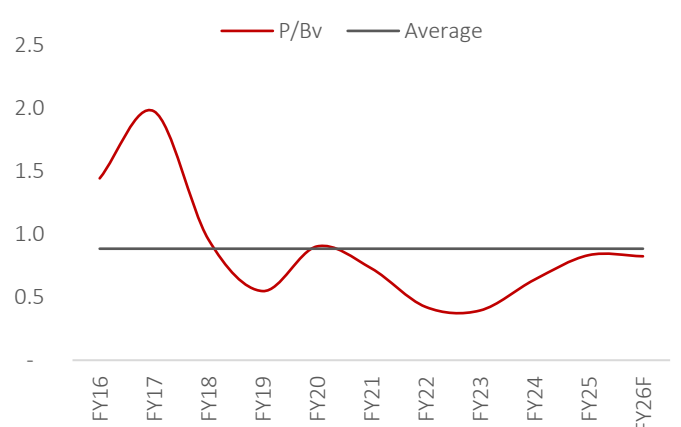
Source: Company Accounts, PSX, BMA Research

Trading at EV/Ton USD 30.4 vs 10-Year Ind. average of USD 50



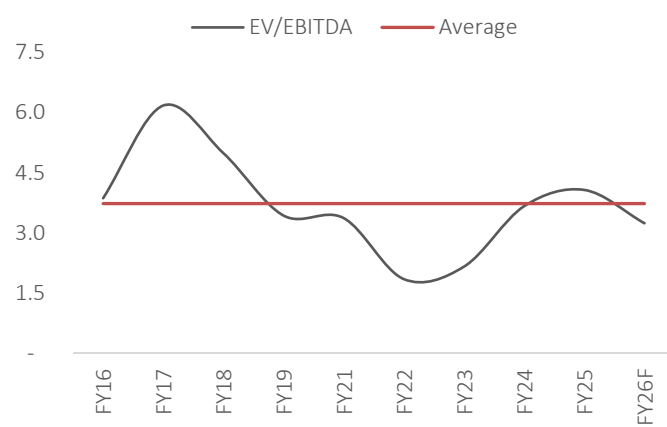
Source: Company Accounts, PSX, BMA Research

Trading at FY27F P/Bv of 0.8x vs 10-Year average P/Bv of 0.9x



Source: Company Accounts, PSX, BMA Research

Trading at FY27F EV/EBITDA of 2.5x vs 10-Year average of 3.7x



Source: Company Accounts, PSX, BMA Research

Gharibwal Cement Limited (GWLC) - Financial Projections

Income Statement	FY24A	FY25A	FY26E	FY27F	FY28F
Net Sales	18,165	19,620	20,393	23,310	25,396
Cost of Sales	14,390	15,058	15,215	17,184	18,678
Gross Profit	3,775	4,562	5,178	6,125	6,718
Administrative Expenses	88	89	84	98	103
Distribution cost	734	770	815	915	997
Other Income	368	381	343	506	724
Other Charges	210	266	246	316	344
Finance Cost	279	252	141	55	32
Profit before taxation	2,832	3,566	4,234	5,247	5,966
Taxation	1,088	1,385	1,647	2,046	2,327
Profit After Taxation	1,744	2,181	2,587	3,201	3,639
EPS	4.4	5.4	6.5	8.0	9.1
DPS	-	1.0	2.0	2.0	2.0
Balance Sheet	FY24A	FY25A	FY26E	FY27F	FY28F
Non-Current Asset	28,623	29,206	28,253	27,539	26,814
Current Asset	8,502	9,475	12,260	15,561	19,235
Total Assets	37,125	38,681	40,512	43,100	46,049
Equity	24,052	25,856	27,643	30,043	32,881
Non-Current Liabilities	9,337	9,122	8,916	8,710	8,434
Current Liabilities	3,738	3,703	3,954	4,347	4,734
Total Equity & Liabilities	37,125	38,681	40,512	43,100	46,049
Ratios	FY24A	FY25A	FY26E	FY27F	FY28F
Gross Margin	21%	23%	25%	26%	26%
EBITDA Margin	24%	26%	27%	28%	28%
Net Margin	10%	11%	13%	14%	14%
ROE	7%	8%	9%	11%	11%
ROA	5%	6%	6%	7%	8%
P/E	8.8	9.8	8.9	7.2	6.4
P/S	0.8	1.1	1.1	1.0	0.9
EV/EBITDA	3.7	4.1	3.3	2.5	1.8

Source: Company Accounts, PSX, BMA Research

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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.)