

Cement

Gharibwal Cement Limited

Cementing the path to higher margins

24-Sep-2025

REP - 300



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Nasheed Malik

D: +92 21 32462589

UAN: +92 21 111 245 111 Ext: 255

E: nasheed.malik@arifhabibltd.com

Cementing path to higher margins

We initiate coverage on Gharibwal Cement (GWLC) with a “BUY” rating and a Jun’26 target price of PKR 81.4/share, offering a total upside (capital gain and dividend yield) of 53% from current levels of PKR 54.0/share. We expect GWLC’s profitability to rise sharply, reaching PKR 7.5/share in FY26f and PKR 9.1/share in FY27f as the full impact of the Cooler Retrofit BMR and Solar Expansion is realized. We forecast a robust 5-year (FY26-30) forward earnings CAGR of 21%, underpinned by:

- **Cost efficiencies from cooler retrofit BMR, reducing coal consumption and improving fuel efficiency.**
- **Lower coal costs stemming from reduced prices of Imported, Afghan and Local coal and favourable coal mix which includes higher local coal.**
- **Increase of solar capacity to 24.5MW reducing reliance on grid and expensive thermal fuels Gas and Furnace Oil.**
- **We expect domestic cement demand to recover post floods with growth of 7%/9% expected for FY26/27 respectively.**

The stock is trading at an attractive FY26/FY27 P/E of 7.2x/5.9x compared to last 10-year average P/E of 10.7x.

Cooler retrofit BMR to improve fuel efficiency

Gharibwal Cement (GWLC) has undertaken cooler retrofit Balancing, Modernization and Rehabilitation (BMR) with completion taking place in 2QFY25. This BMR has improved fuel efficiency by lowering coal requirement during the clinker production process. This upgrade will have full impact in FY26 and lead to improved margins (+1.2% YoY).

Favorable fuel mix and lower coal costs

GWLC has increased the ratio of Local Coal in its fuel mix with share increasing to 30% currently compared to ~20% in FY22 and FY23. To recall, Local Coal is priced lower by PKR 2,000-3,000/ton compared to Afghan Coal. Company uses ~30% of imported coal in its fuel mix. We expect Richard Bay coal benchmark at USD 95/ton in FY26 from an average of USD 101/ton in FY25 (-6% YoY). Afghan and Local coal prices have also declined in the past year and therefore, we expect average Fuel cost at PKR 40.5k/ton in FY26 compared to ~42k/ton in FY25 and 44k/ton in FY24.

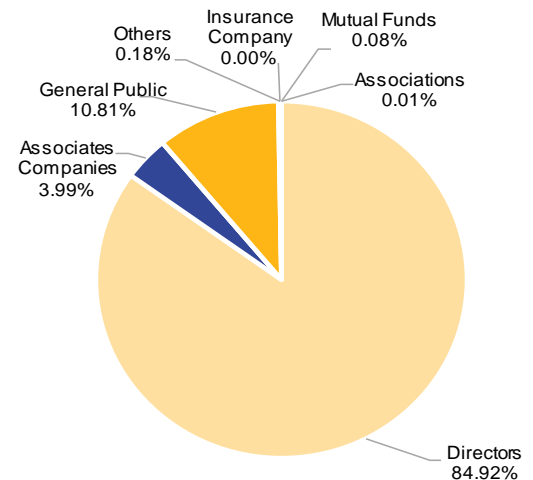
Solarization of power mix

GWLC reliance on solar in its power mix is expected to increase to 27% in FY26. Till the end of FY24 company did not have any solar plants with reliance on FO and Grid. At the end of FY24 company installed 12MW solar plant with further addition of 12.5MW in 4QFY25. The full impact of total 24.5MW solar capacity of the company will be realized in FY26. Reduced coal requirement due to cooler retrofit and a solarized power mix will lead to gross margins of the company improving to 26-27% range for FY26-FY30 from 23% in FY25.

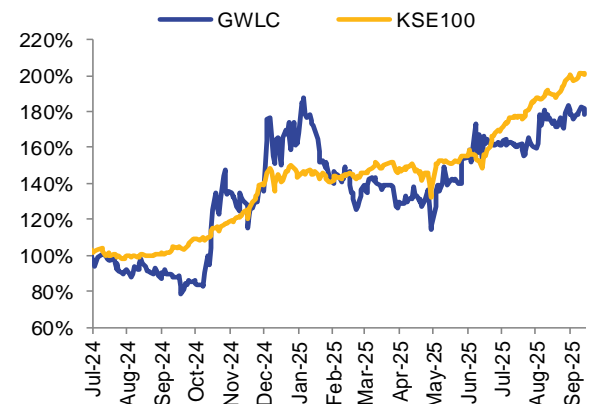
Revival of construction activity post floods

According to the National Disaster Management Authority (NDMA), 2025 floods have caused damage to 12.6k houses, 239 bridges and 1,981 km of roads. As we enter rehabilitation phase, government will be spending on infrastructure development, hence giving boost to local cement demand. With this we, expect local cement sector demand to improve by 7% YoY in FY26 and by 9% YoY in FY27, with a CAGR of 6.6% till FY30.

GWLC			
Recommendation			BUY
Target Price			81.4
Last Closing			54.0
Upside			50.8%
Shares (mn)			400.3
Free float (%)			10.0
Market Cap. (PKR bn)			21.6
Market Cap. (USD mn)			76.81
Price Performance			
	3M	6M	12M
Return (%)	8.1	28.5	103.6
Avg. Volume (000)	1.3	1.5	1.9
ADTV (mn) - PKR	68.4	72.7	89.2
ADTV (000) - USD	242.1	257.6	318.7
High Price - PKR	55.4	55.4	56.7
Low Price - PKR	47.1	34.7	23.8
Source: PSX, AHL Research			
Shareholding Pattern as of Jun'24			



Source: Company Financials, AHL Research



Source: Bloomberg AHL Research

Valuation

We have valued GWLC using DCF-based valuation, resulting in our Jun'26 target price set at PKR 81.4/share, which translates into a total return of 53% (capital gain and dividend yield) from the last closing of PKR 54/share. Our valuation parameters include a 5-yr adjusted beta of 1.25, a risk-free rate of 11.4%, and a risk premium of 6.0%, which gives a cost of equity of 18.3%. With a capital structure of 3% debt and 97% equity, the WACC arrives at 18.5%. Currently, the stock is trading at a FY26 and FY27 P/E of 7.1x and 5.9x, respectively, compared to last 10-year average of 10.7x. Hence, we recommend a 'BUY' stance on GWLC.

Exhibit: Value Parameters

Growth Rate	3.5%
Risk Free Rate	11.4%
Beta	1.25
Equity Risk Premium	6.0%
CAPM	18.3%

Source (s): AHL Research

Exhibit: Valuation DCF based

PKR mn	FY26e	FY27f	FY28f	FY29f	FY30f
EBIT after tax	3,082	3,698	4,329	4,986	5,654
Add: Depreciation	1,536	1,584	1,634	1,687	1,742
Capital Expenditure	(3,126)	(1,663)	(1,746)	(1,833)	(1,925)
▲ in Working Capital	1,174	(329)	(315)	(317)	(313)
Free Cash Flow to Firm	2,665	3,290	3,902	4,522	5,158
Discounted Factor	-	1.00	2.00	3.00	4.00
Discounted Cash Flows	2,665	2,776	2,779	2,718	2,616
PV of Future Cash Flows	13,554				
PV of Terminal Value	18,046				
Enterprise Value	31,599				
Net Cash Value	997				
Equity Value	32,596				
Outstanding shares (mn)	400				
Cement Value per share	81.4				

Source (s): Company Financials, AHL Research

Exhibit: Key Valuation Multiples

		FY24a	FY25a	FY26e	FY27f	FY28f	FY29f
EPS	PKR	4.4	5.5	7.5	9.1	10.7	12.4
DPS	PKR	0.0	1.0	1.5	1.8	2.1	2.5
BVPS	PKR	60.1	64.6	70.6	77.9	86.5	96.4
P/E	X	5.2	7.2	7.2	5.9	5.0	4.4
DY	%	0.0	0.0	2.8	3.4	4.0	4.6
P/B	X	0.4	0.6	0.8	0.7	0.7	0.6

Source (s): Company Financials, AHL Research

Fuel savings from cooler retrofit BMR

GWLC completed and tested the cooler retrofit project in 2QFY25. The cooler replacement project began in Sep'24, with completion achieved by Dec'24. Its full-year financial impact is expected to be visible in FY26. This BMR investment has enhanced the company's production capacity and driven down fuel costs through the adoption of cutting-edge technology.

A cooler retrofit in a cement plant improves clinker cooling efficiency, reduces energy consumption, and enhances product quality and equipment longevity by upgrading or modifying existing cooler systems, often focusing on the grate system for better air distribution and heat recovery. Common benefits include significant energy savings, increased clinker production, reduced operational costs from less maintenance, and a quicker return on investment.

Financial impact in the short term for the company translates mainly into fuel cost savings. This particular aspect of the cooler retrofit is extremely important for the company since the fuel requirement per ton of clinker produced ranged between 150-175KG in last few years. This requirement range is higher than broader cement industry requirement range of 120-150KG per ton of clinker. In our base case we have assumed a 3% improvement in fuel efficiency for the company which is expected to improve gross margins by 1.2% for FY26/27/28 and enhance EPS by PKR 0.6/0.7/0.7. We also present a sensitivity analysis on 1% and 5% improvement in fuel requirement per ton where impact on gross margins ranges between 60-200 bps and on EPS between PKR 0.2-0.7 for FY26/27/28 respectively.

Lower coal costs on top of fuel efficiency

Current fuel mix of GWLC stands at 30/30/40% Imported, Local and Afghan coal respectively. This is a positive change from fuel mix in FY22 and FY23 when the fuel mix stood at 58/18/24% Imported, Local and Afghan coal in FY22 and in FY23 fuel mix stood at 22/20/58% Imported, Local and Afghan Coal. Going forward, we have assumed the 30/30/40% fuel mix of Imported, Local and Afghan coal to continue. A higher mix of local coal will prove to be beneficial for the company since local coal is priced lower by 2-3k/ton compared to Afghan coal.

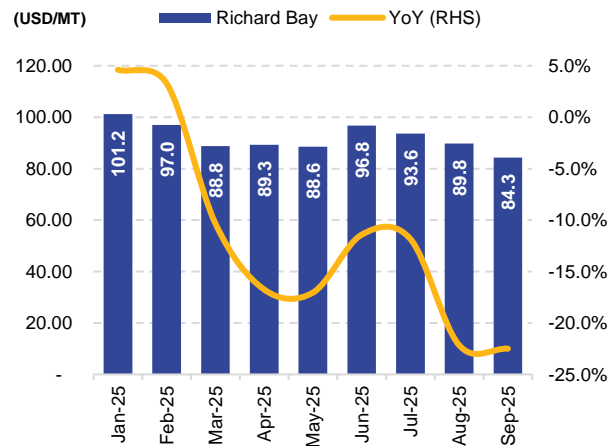
On top of an improved fuel mix, lower coal costs will also prove to be beneficial for the company. International coal prices, Richard Bay, have declined to USD 84/ton in Sep'25 from USD 109/ton Sep'24 (-23% YoY). In 1QFY26 coal prices have averaged at USD 89/ton compared to USD 110/ton in 1QFY25 (-19% YoY). Going forward, we have assumed international coal prices at USD 95/ton, in line with World Bank forecast. Afghan and local coal prices have followed a similar trajectory where Afghan coal prices have declined to PKR 40-41k/ton currently from PKR 45-46k/ton at the end of FY24 due to reduction in duties from Afghanistan. Similarly local coal prices have also declined to PKR 35-36k/ton from PKR 40-41k/ton at the end of FY24. We expect effective coal costs of the company at PKR 41k/ton in FY26. Lower compared to FY23/24/25 effective coal costs of PKR 48/44/42k/ton.

Exhibit: EPS Sensitivity of Cooler Retrofit

EPS PKR		FY26e	FY27f	FY28f
1% Fuel Efficiency	EPS	7.2	8.7	10.3
	GPM	25.6%	26.0%	26.3%
3% Fuel Efficiency	EPS	7.5	9.1	10.7
	GPM	26.3%	26.8%	27.1%
5% Fuel Efficiency	EPS	8.0	9.5	11.2
	GPM	27.2%	27.7%	28.0%

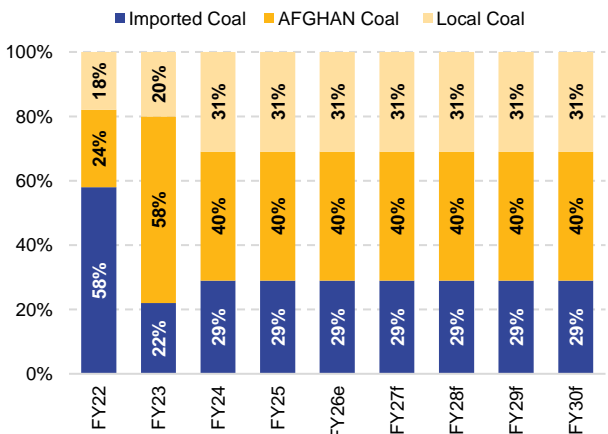
Source (s): Company Financials, AHL Research

Exhibit: Richard Bay price trend



Source (s): Bloomberg, AHL Research

Exhibit: Fuel Mix Trend



Source (s): Company Presentations, AHL Research

Solarization of power mix

Gharibwal Cement has total power generation capacity of 82.5MW. This includes 20MW Waste Heat Recovery (WHR) & Circulating Fluidized Bed (CFB), 10MW HFO based generators, 12MW Gas based generators, 16MW Dual fuel generators and now a total of 24.5MW Solar. At the end of FY24, on June 28 2024, company installed 12MW Solar power plant at its plant site Ismailwal, District Chakwal. Subsequently at the end of FY25, on June 16 2025, GWLC completed the installation and commissioning of an additional 12.5MW solar power system at its plant site. This new capacity was integrated with the company's previous 12MW solar infrastructure, thereby enhancing the total installed solar generation capacity to 24.5MW.

Addition of incremental 12.5MW solar capacity will bear full impact in FY26 since the capacity was installed at the end of 4QFY25. Addition of solar capacities in back to back years (FY24 and FY25) are expected to dramatically alter the power mix of the company going forward. Power mix of the company is expected at 54% WHR, 27% Solar and 19% Grid for FY26. In FY24, power mix stood at 54% WHR, 14% Furnace Oil and 32% Grid.

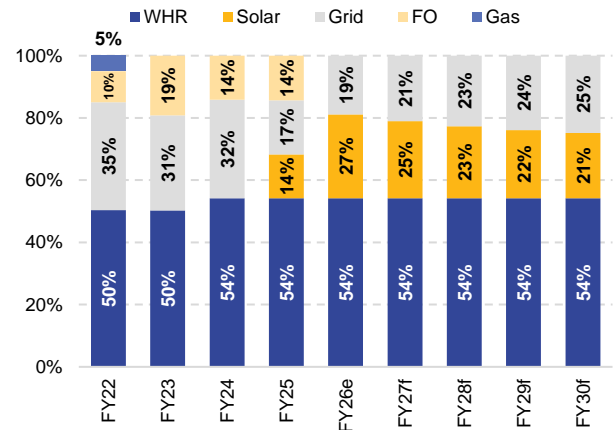
This means that for FY25-30 average generation from WHR is expected at 54% and from Solar at 24%. GWLC is expected to be dependent on only 22% of its power requirements from the grid. Another positive is that grid rates have also been reduced by 7-8/Unit to 34-35/Unit since 4QFY25 with full impact to be realized in FY26. Company already had 50-55% renewable power generation in the form of WHR before FY25 (FY22-24).

In Gharibwal Cement, WHR stands for Waste Heat Recovery, a system that generates electricity from the waste heat of the cement plant's clinker cooler and exhaust gases. CFB refers to Circulating Fluidized Bed, which is a type of boiler technology used for power generation, often in conjunction with WHR, to produce electricity and power the plant. Gharibwal Cement utilizes a 20MW WHR and CFB turbine to supply a significant portion of its power, which is a key component of in-house power generation strategy. The WHR system captures heat from exhaust gases and CFB boiler is used to create steam from this heat. The steam then drives a turbine, which generates electricity for the plant.

Higher generation from renewable sources especially the solar plant and lower grid rates will lead to 40% reduction in power costs of the company and have an impact of PKR 0.95/share on FY26 EPS of the company which translates into 16%.

The combined effect of cooler retrofit, higher generation from solar, and higher utilization of clinker capacity going forward are expected to increase the gross margins in the range of 26-27% for the period FY26-30 from 23% in FY25.

Exhibit: Power Mix Trend



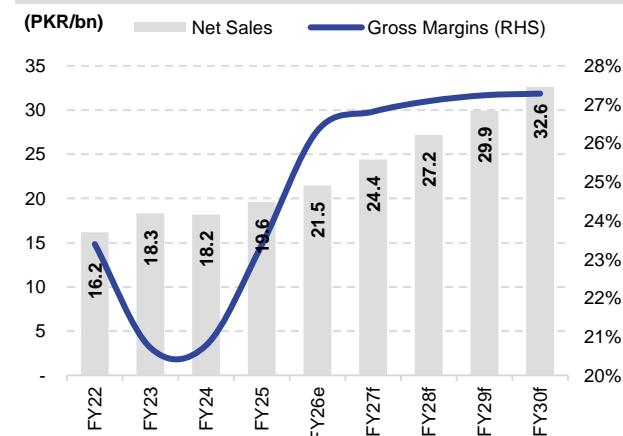
Source (s): Company Presentations, AHL Research

Exhibit: GWLC Power Sources

	(Capacity MW)
WHR & CFB turbine	20.0
Solar	24.5
HFO based generators	10.0
Gas based generators	12.0
Dual fuel-based generators	16.0
Total	82.5

Source (s): Company Financials, AHL Research

Exhibit: Net Sales and Gross Margin Trend



Source (s): Company Financials, AHL Research

Revival of construction post floods

We expect domestic dispatches to rebound by 7% in FY26 after four consecutive years of decline from FY22-25. Volumes are expected to grow at a CAGR of 6.6% for the next five years with dispatches increasing to 49.8mn tons by FY30. To recall, in 1QFY26 domestic dispatches are expected to be up by 12% YoY. North domestic dispatches are expected to increase to 41.5mn ton by FY30 from 30.2mn tons in FY25. Market share of GWLC is expected to remain stable at 4.0%, same as in FY25.

Clinker capacity utilization of the company is expected to increase to 76% by FY30 from 55% in FY25. We expect retention price of the company at PKR 822/857/894/bag in FY26/27/28 respectively. Pricing discipline of cement sector players is expected to remain intact in North.

According to the National Disaster Management Authority (NDMA), 2025 floods have caused damage to 12.6k houses, 239 bridges and 1,981 km of roads.

On the back of improving macros, aggregate demand is set to pick up; interest rates lowered from 22% to 11%, a stable USD/PKR exchange rate, and lower energy costs, all lay a foundation for a strong comeback by the construction sector. The Federal and provincial governments have also renewed focus on the sector through home financing schemes and loan guarantees. These factors will drive demand for cements.

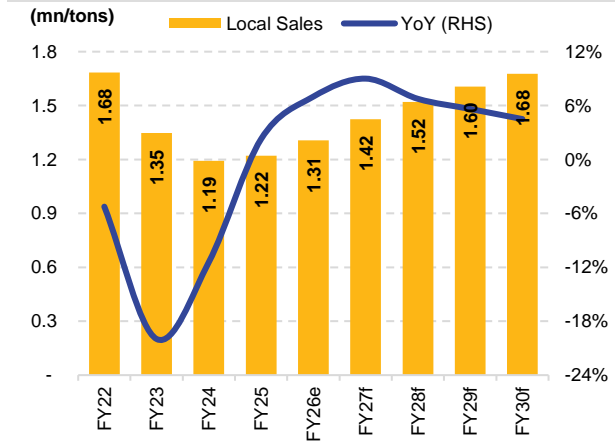
For the fiscal year 2025–26, the federal government of Pakistan allocated PKR 1trn for the Public Sector Development Programme (PSDP) as part of a larger national development outlay of PKR 4.2trn, which also includes provincial development plans. This budget focuses on infrastructure (especially transport and energy) and the social sector (education and health). We expect disbursement under PSDP to remain strong this year especially post floods.

The primary new housing scheme by the Punjab government is the Apni Chhat Apna Ghar Program, to provide interest-free home loans to low-income families for constructing or purchasing homes. The scheme aims to build 100k houses and includes both loan-based and free plot components for deserving families. Another initiative is the World Bank-funded Punjab Affordable Housing Program (PAHP), which works to enhance housing institutions and expand affordable housing options through private sector involvement and infrastructure investment. These schemes will benefit cement players based in Punjab which includes GWLC.

Further upside potential

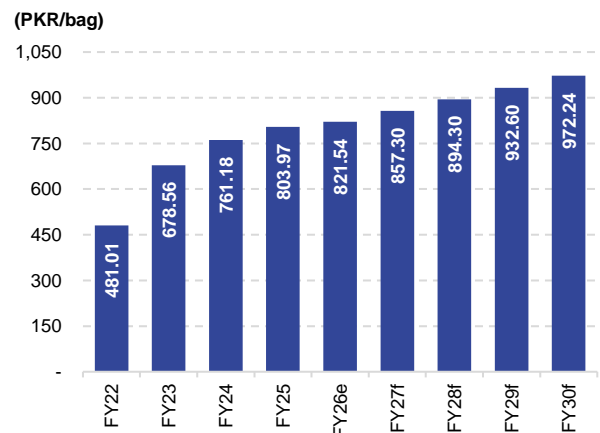
Civil work is under progress with measured approach on New production Line of 10,000 tpd. This project will be sped up when cement demand improves in the country. Although we have not incorporated this in our working.

Exhibit: Local Sles Trend



Source (s): Company Financials, AHL Research

Exhibit: Retention PricesTrend



Source (s): Company Financials, AHL Research

Key risks

- Any commodity shocks globally could pose a risk for the company since GWLC has imported coal in its fuel mix
- Any increase in duties on Afghan coal could damper the margins of the company
- Local cement demand not improving as expected will lead to lower utilisation levels and lower sales and margins for the company.
- Any disturbance to stability of macro variables such as PKR/USD exchange rate and interest rates can pose a risk to local demand.
- Any risk to revenue collection of government will lead to lower disbursement under PSDP and provincial development budgets and lower local demand

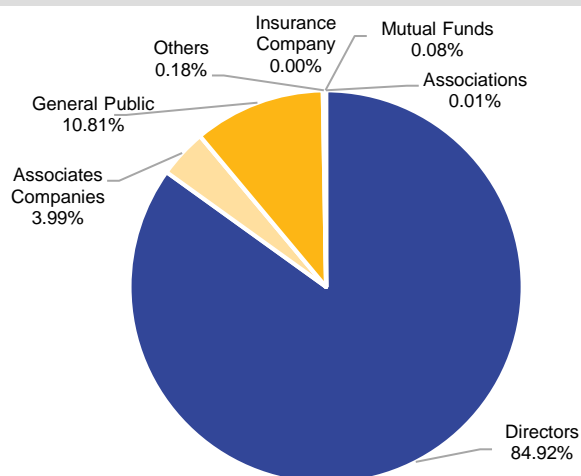
About the Company

Gharibwal Cement Limited is a Pakistani public limited company incorporated in 1960, producing "Paidar Cement" from its production facility in Ismailwal, Chakwal, and headquartered in Lahore. It has an annual cement capacity of 2.11mn tons, with significant investments in in-house power generation and a Waste Heat Recovery plant to improve cost efficiency. The company is a family-owned business, with the Peracha family holding a majority stake, and its shares are listed on the Pakistan Stock Exchange (PSX) under the symbol GWLC.

Shareholding Pattern

GWLC's shareholder presents a highly concentrated shareholder base, with a tightly held structure and strong insider control; The largest stake of 85% belongs to Directors, CEOs, their spouses, and minor children, alongside a 4% holding by associated companies. The general public follows with an ownership stake of 11% of the shares. Mutual Funds, and Associations have holdings amounting to 0.08%, and 0.01% respectively.

Exhibit: Shareholding pattern



Source (s): Company financials, AHL Research

Financial Highlights

Exhibit: Key financial highlights

PKR mn	FY24a	FY25a	FY26e	FY27f	FY28f			Unit	FY24a	FY25a	FY26e	FY27f	FY28f
Income Statement							Per Share						
Revenue	18,165	19,620	21,455	24,404	27,176		Earnings	PKR	4.4	5.5	7.5	9.1	10.7
Cost of Sales	14,390	15,035	15,807	17,860	19,814		DPS	PKR	-	1.0	1.5	1.8	2.1
Gross Profit	3,774	4,586	5,648	6,544	7,362		Book Value	PKR	60.1	64.6	70.6	77.9	86.5
Distribution Cost	88	89	94	97	100		Valuation						
Admin Expenses	734	770	778	805	833		P/E	x	5.2	7.2	7.2	5.9	5.0
Other Expenses	209	266	323	382	435		Dividend Yield	%	-	1.9	2.8	3.4	4.0
Other Income	269	266	565	760	1,056		P/B	x	0.4	0.6	0.8	0.7	0.6
Finance Cost	180	138	113	74	48		Payout Ratio	%	-	18.2	20.0	20.0	20.0
PBT	2,830	3,589	4,906	5,947	7,002		RoE	%	14.5	8.5	11.2	12.3	13.1
PAT	1,743	2,204	3,013	3,652	4,300		RoA	%	4.7	5.7	7.5	8.4	9.1
Balance Sheet							Turnover & Activity						
Paid-up Capital	4,003	4,003	4,003	4,003	4,003		Asset Turnover	x	0.5	0.5	0.5	0.6	0.6
Total Equity	24,052	25,856	28,266	31,187	34,627		Current Ratio	x	2.3	2.6	2.4	2.8	3.2
Current Liabilities	3,737	3,703	4,660	5,220	5,631		Margins						
Non-Current Liabilities	9,337	9,122	9,019	8,914	8,951		Gross Margin	%	20.8	23.4	26.3	26.8	27.1
Current Assets	8,502	9,474	11,135	14,417	18,178		EBITDA Margin	%	23.6	25.8	29.4	29.6	29.7
Non-Current Assets	28,624	29,206	30,811	30,904	31,032		Net Profit Margin	%	9.6	11.2	14.0	15.0	15.8
Total Assets	37,126	38,681	41,946	45,322	49,209								

Source (s): Company Financials, AHL Research

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'26 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than 0% from last closing of market price(s)

* Upside for Power Generation Companies is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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