Company Report

Friday, September 26, 2025

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Coverage Initiation Report

COMPANY UPDATE

Ghandhara Automobiles Limited
Automobile Assembler

Recommendation	**BUY**
Target Price: Jun-26	794.8
Last Closing: 24-Sep-25	598.3
Upside (%):	33%
Valuation Methodology:	DCF
Market Data	
Bloomberg Tkr.	GAL PA
Shares (mn)	57.00
Free Float Shares (mn)	22.80
Free Float Shares (%)	40%
Market Cap (PKRbn)	34.11
Market Cap (USDmn)	121.19
Exchange	KSE-100

Key Company Financials
Period End: Jun

PKRmn	FY24A	FY25E	FY26F	FY27F
Total Revenue	9,413	27,285	47,694	50,960
Net Income	365	3,743	5,563	6,234
EPS (PKR)	6.4	65.7	97.6	109.4
DPS (PKR)	-	5.5	7.5	10.0
Total Assets	16,605	24,195	34,054	39,076
Total Equity	10,790	14,221	19,358	25,024
Key Financial Ratios				
ROE (%)	3%	26%	29%	25%
P/E (x)	93x	9x	6x	6x
P/B (x)	3x	2x	2x	1x
DY (%)	-	1%	1%	2%

Source: Bloomberg, CapitalStake, PSX, Company Financials, IGI Research

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Automobile Assembler

Gear Shift to Growth: Unlocking Potential in Pickups and Commercial Vehicles

- We initiate coverage on GAL with a buy rating and target price of PKR 794.8/share offering 33% upside from last close. The Company is a prominent player in Pakistan's automotive industry, operating across multiple segments including passenger vehicles, commercial vehicles and pickup segment.
- We base our investment thesis on key triggers including a) Launch of JAC T9 Hunter in January 2025 to fuel revenue growth, b) Rising demand momentum in light and heavy commercial vehicles, c) strong contribution in earnings from its Associate Company, and d) robust growth in revenues and earnings.
- We estimate GAL earnings for next 5 years to post an impressive ~84% CAGR reaching PKR 7.6bn compared to the last reported earnings of PKR 365mn.
- Using DCF, we have a 'BUY' rating on GAL with a Jun-26 target price of PKR 794.8/share offering a ~33% upside from the last closing price of PKR 598.32/share (25-Sep-25).

Initiating Coverage on Ghandhara Automobiles Limited (GAL) with "BUY" Rating

We initiate coverage on GAL with a buy rating and target price of PKR 794.8/share offering 33% upside from last close. The Company is a prominent player in Pakistan's automotive industry, operating across multiple segments including passenger vehicles, commercial vehicles and pickup segment. The Company was formerly known as Ghandhara Nissan Limited but was rebranded as GAL in 2023 under the ownership of its holding company, Bibojee Services (Pvt.) Limited.

We base our investment thesis on key triggers including a) Launch of JAC T9 Hunter in January 2025 to fuel revenue growth, b) Rising demand momentum in light and heavy commercial vehicles, c) strong contribution in earnings from its Associate Company, and d) robust growth in revenues and earnings.

Recommendation: We have a 'BUY' rating on GAL with a Jun-26 target price of PKR 794.8/share offering a ~33% upside from the last closing price of PKR 598.32/share (25-Sep-25). The Company is currently trading at FY25/26 P/E of 9.0/6.0 and offers a dividend yield of 1%.

Key Catalyst: Key catalyst include a) Infrastructure and Industrial projects such as reqo diq and CPEC Phase-II and b) Shift in consumer preferences.

Key Risk: Key risk include a) Rising competition in the pickup segment b) uncertain government policies and c) instability in macroecomic indicators.

Investment Thesis

1. Launch of JAC T9 Hunter to fuel revenue growth

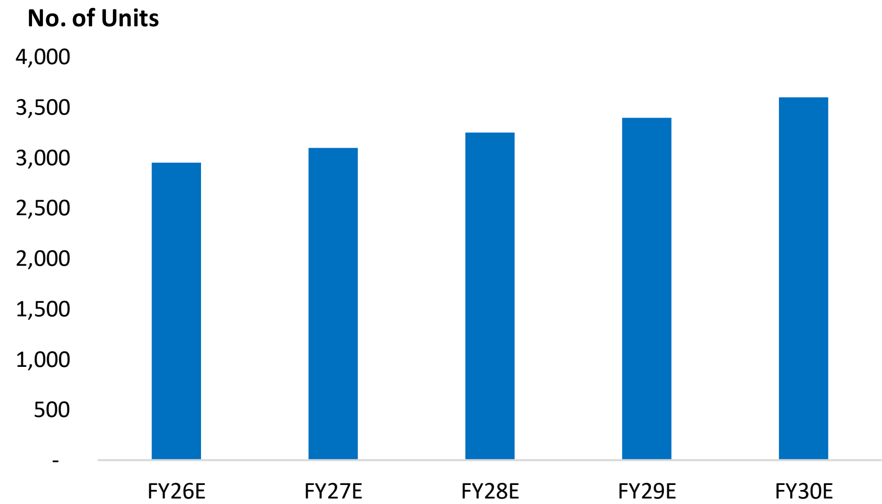
Ghandhara Automobiles (GAL) entered the pickup segment in January 2025 with the launch of its JAC T9 Hunter which has been positioned to compete directly with the existing segment leaders such as Toyota's Hilux and GHNI's Isuzu D-Max. The vehicle has a striking design with a more comprehensive set of features which are poised to offer robust performance. It's advanced safety technologies with high-end specifications being offered at a relatively accessible price point of PKR 10.5mn further enhances its market appeal.

Although, the premium pickup segment has witnessed a prolonged downturn in sales volumes especially in FY24 due to record high inflation and interest rates which heavily dented the consumers' purchasing power. Encouragingly, signs of recovery emerged in FY25, and sales volumes have strongly rebounded with the LCVs, vans and jeeps segment posted a y/y growth of 61% in volumes.

Moreover, the recent shift in consumers' preferences from sedans to larger vehicles driven by poor road conditions and the popularity of pickups in urban centers like Karachi, is expected to boost demand for the T9 Hunter. This has also been reflected in the strong positive response that the T9 Hunter has received since its launch prompting the Company to also temporarily suspend new bookings to maintain supply chain efficiency. For FY25, sales volumes for the T9 Hunter are projected to hover above 1,000 units whereas in FY26, we expect a significant rise in volumes reaching around 3,000 units. Going forward, this momentum may taper off as competition intensifies with the launch of new models by new players such as BYD's Shark.

During 9MFY25, the Company reported revenues of PKR 15.3bn, posting a robust growth of 2.5xy/y driven mainly by the improvement in demand for commercial vehicles and the launch of T9 Hunter. We expect this robust growth in GAL's revenue to continue, growing at a 5-year CAGR of 20% (FY25E-FY30E).

Exhibit: Expected JAC T9 Hunter Sales



Source: Company Accounts, IGI Research

2. Rising demand momentum in light and heavy commercial vehicles

In the light commercial vehicles segment, GAL's JAC-X200 has recently gained popularity establishing itself as a preferred choice for intercity transportation of goods with its volumes surging by ~75%y/y in FY25 and by 20%y/y in 2MFY26.

The JAC X-200 distinguishes itself from its contender, the Suzuki Ravi, through its significantly higher payload capacity, a stronger engine, and overall better suitability for challenging routes. Moreover, the X-200 also offers similar or slightly better fuel economy with more advanced features (like electric power steering) - making it a more premium offering compared to Hyundai Porter. Thus, the X-200 is positioned well to deliver higher value than its competitors for buyers who need balance between payload, power and operational costs.

With Pakistan's improving macroeconomic fundamentals leading to steady recovery in industrial activity, stable consumer spending and the rapid expansion of ecommerce and logistic networks, sales volumes for the JAC X-200 are expected to grow at a sustainable level solidifying its presence in the LCV segment.

In the medium and heavy duty segment, GAL has attractive product portfolio including various models of JAC trucks and Dongfeng prime movers. Supported by improving economic conditions and rising demand for mid-capacity logistic solutions, GAL's medium duty trucks is also gaining meaningful traction with sales volumes increasing by 21% in FY25. On the heavy duty side, the Company's Dongfeng lineup has demonstrated strong market resilience also driven by recovering industrial activity. Looking ahead, the roll out of infrastructure initiatives such as Reko Diq and CPEC Phase-II, we expect sustainable growth in sales contribution by GAL's heavy duty commercial vehicles.

Exhibit: Market share in LCVs segment from FY22-FY25

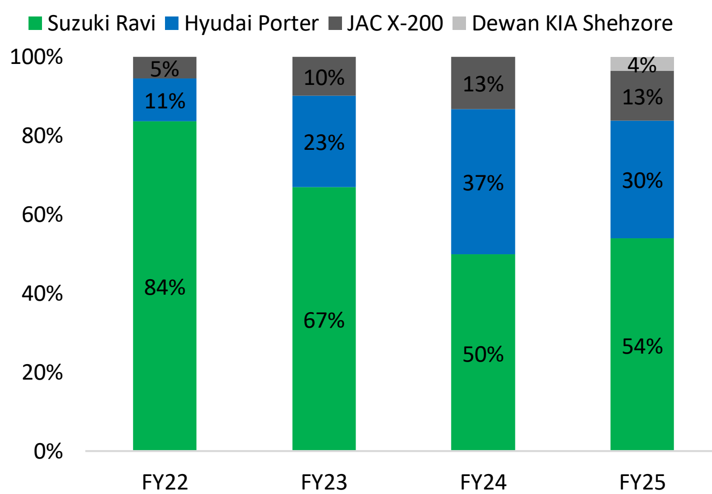
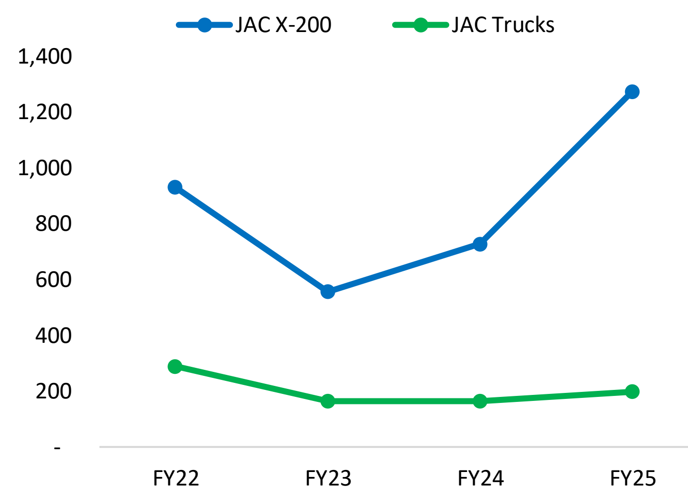


Exhibit: Trend in GAL Sales of LCVs and Trucks



Source: Company Accounts, Company Presentation, IGI Research

3. GHNI to remain a strong earnings contributor

Ghandhara Industries Limited (GHNI), the leading manufacturer of commercial vehicles in Pakistan, is an associate company of Ghandhara Automobiles Limited (GAL) in which it holds an equity stake of 17.91%. GHNI is the market leader in Pakistan's truck segment with a dominant market share of 65% in FY25 and an average market share of 54% over 5-year period. The Company has a diversified portfolio featuring the Isuzu-branded N-series (light-duty), F-series (medium-duty), and C-series (heavy-duty). During FY25, the Company witnessed strong growth in its truck sales volumes which surged by 2.3xy/y to 2,891 units sold. Even though, GHNI's Isuzu trucks are Japanese origin and are priced at a premium to its Chinese counterpart, Dongfeng, they remain more competitively priced in comparison to Hino trucks which has led to a gradual erosion of Hino's market share.

Beyond trucks, GHNI also holds a strong presence in the bus segment, with volumes by 2.4x in FY25 to 216 units sold with a market share of over 27% which increased from 20% last year.

Exhibit: Market Share of Trucks and Buses from FY22-FY25

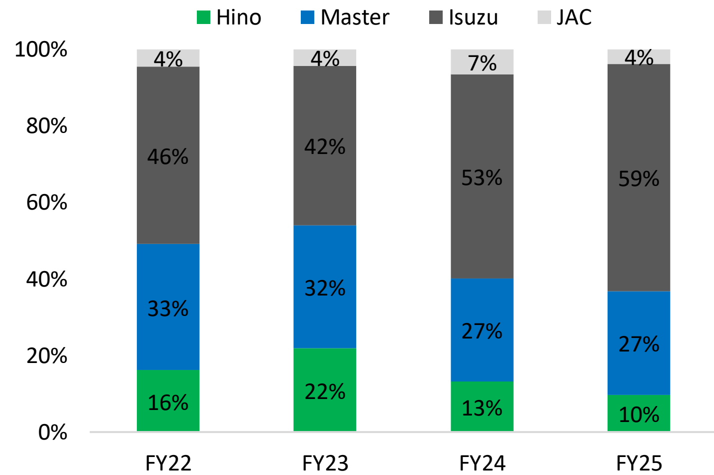
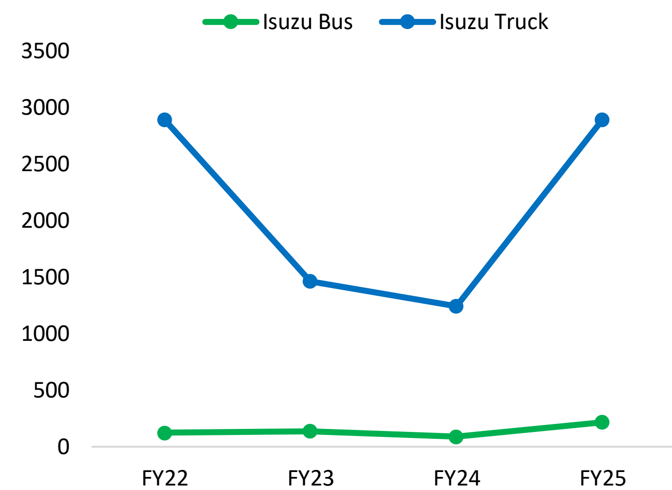


Exhibit: Potential Market Size



Source: Company Accounts, Company Presentation, IGI Research

4. Strong Growth in Profitability

For the 9MFY25, GAL's earnings has inflated to PKR 2,274mn (PKR: 39.9/share) compared to only PKR 74mn (PKR: 1.31/share) in the same period last year. We expect the Company's earnings to clock in at PKR 3,743mn (PKR: 65.6/share) in FY25e. Looking ahead, this strong momentum in earnings growth is expected to continue driven by the growth drivers mentioned earlier including the launch of the new JAC-T9 hunter, robust demand in the commercial vehicle segment and consistent contribution in earnings from it associate. For FY26e, we project earnings to clock in at PKR 5,563mn (PKR: 97.6/share).

Exhibit: Forecasted Growth in Revenue

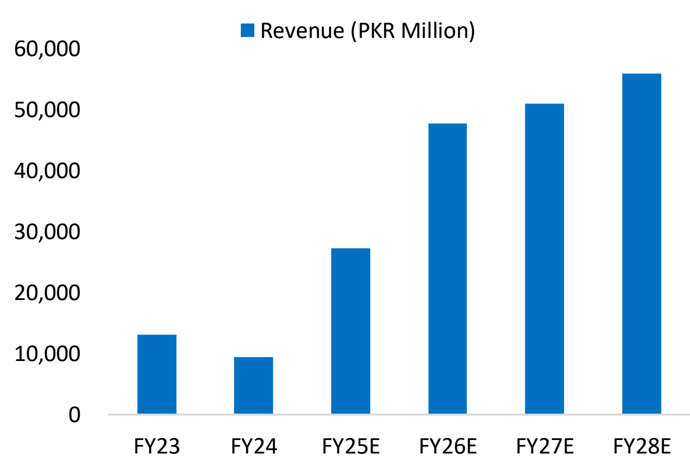
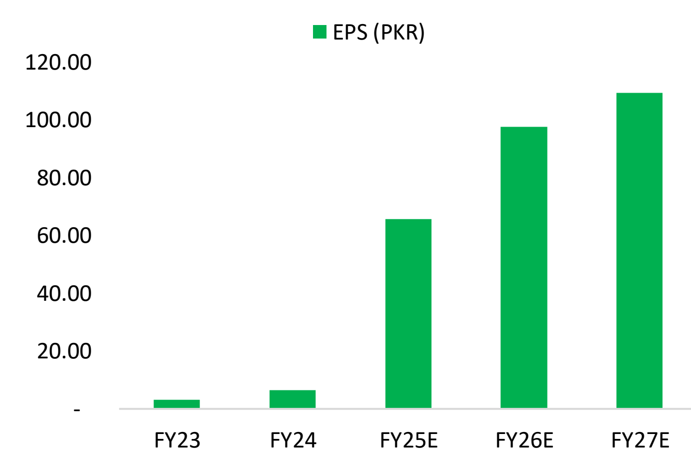


Exhibit: Forecasted Growth in EPS



Source: Company Accounts, IGI Research

Valuation

Using DCF, we have a 'BUY' rating on GAL with a Jun-26 target price of PKR 794.8/share offering a ~33% upside from the last closing price of PKR 598.32/share (25-Sep-25).

We have determined our target price using Discounted Cash Flow (DCF) valuations with a cost of equity of 18%, and a terminal growth rate assumed at 3%. Our calculation includes a risk-free rate of 11%, a beta of 1.1, and an equity risk premium of 6%.

Exhibit: Relative Price Performance

Source: PSX, IGI Research

Key Catalysts

1. **Industrial and Infrastructure Projects:** The rolling out of industrial and infrastructure projects such as Reko Diq mining project and CPEC Phase-II is expected to act as a major demand catalyst for GAL, particularly across its heavy duty and commercial vehicle segments. GAL, through its portfolio of Dongfeng and JAC trucks, is well-positioned to capitalize as the demand for prime movers, dumpers and cargo trucks rise with the ramping up of large scale infrastructure operations.

2. **Shift in Consumer Preferences**: Consumers have increasingly become more concerned about getting more premium features (safety, comfort, tech) and GAL's emphasis on specifications may allow it to capitalize on this opportunity.

Risk to Rating

1. **Rising Competition in the Pickup Segment:** Competition in Pakistan's premium pickup segment is intensifying rapidly. The recent launch of BYD's Shark 6 PHEV, Pakistan's first plug-in hybrid pickup, marks a shift toward tech-led, feature rich alternative to its traditional diesel counterparts such as the Hilux, Isuzu D-Max and JAC's offerings.
2. **Uncertain Government Policies:** Pakistan's government policies relating to the auto sector have remained inconsistent with frequent adjustments in duties, regulations and import regimes which has somewhat undermined long-term planning in the automobile sector. For example, certain proposals under the new National Tariff Policy 2025-30 such as lower tariffs, regulatory duties cut and liberalization of used car imports have raised alarms. Moreover, the Government's focus on promoting the manufacturing electric vehicles (EV), in line with IMF guidelines, is also a threat to traditional vehicles.
3. **Instability in Macroeconomic Indicators:** Resurgence in inflation, interest rate, exchange rate volatility and decline in disposable income can quickly erode consumer purchasing power and thus poses a significant threat to vehicles demand making the future outlook of the automobile sector highly susceptible to changes in macroeconomic variables. Pakistan's automobile sector witnessed severe contraction from FY23-FY24 due to record high inflation and interest rates.

Financial Summary

Ghandhara Automobiles Limited (GAL)

Current Price (PKR): 598.32 **Target Price (PKR): 794.8** **Upside: 33%**

Period end (Jun) - PKRmn	FY21A	FY22A	FY23A	FY24A	FY25E	FY26F	FY27F
Income Statement							
Net Sales	4,413	6,382	13,105	9,413	27,285	47,694	50,960
Gross Profit	574	561	1,132	1,134	5,183	8,912	10,059
Operating Profit	242	259	783	889	5,192	8,664	9,640
Finance Costs	34	194	355	441	221	180	182
Profit Before Tax	131	328	390	490	5,424	9,119	10,220
Taxation	4	48	216	125	1,682	3,557	3,986
Profit After Tax	127	281	174	365	3,743	5,563	6,234
Balance Sheet							
Current Assets	3,807	9,031	5,904	7,255	14,532	24,070	28,734
Non-Current Assets	5,252	6,795	6,719	9,350	9,663	9,984	10,342
Total Assets	9,060	15,826	12,623	16,605	24,195	34,054	39,076
Current Liabilities	1,150	6,714	3,355	4,595	8,941	13,848	13,324
Non-Current Liabilities	437	1,372	1,347	1,220	1,034	848	728
Total Liabilities	1,587	8,086	4,702	5,815	9,974	14,696	14,052
Total Equity	7,472	7,740	7,921	10,790	14,221	19,358	25,024
Total Liabilities & Equity	9,060	15,826	12,623	16,605	24,195	34,054	39,076
Per Share							
EPS	2.2	4.9	3.0	6.4	65.7	97.6	109.4
DPS	-	-	-	-	5.5	7.5	10.0
Key Financial Ratios							
Gross Margins	13%	9%	9%	12%	19%	19%	20%
Op. Profit Margin	5%	4%	6%	9%	19%	18%	19%
Net Margin	3%	4%	1%	4%	14%	12%	12%
P/E	269x	122x	197x	93x	9x	6x	5x
DY	0%	0%	0%	0%	1%	1%	2%
P/B	5x	4x	4x	3x	2x	2x	1x
ROE (%)	2%	4%	2%	3%	26%	29%	25%
ROA (%)	1%	2%	1%	2%	15%	16%	16%

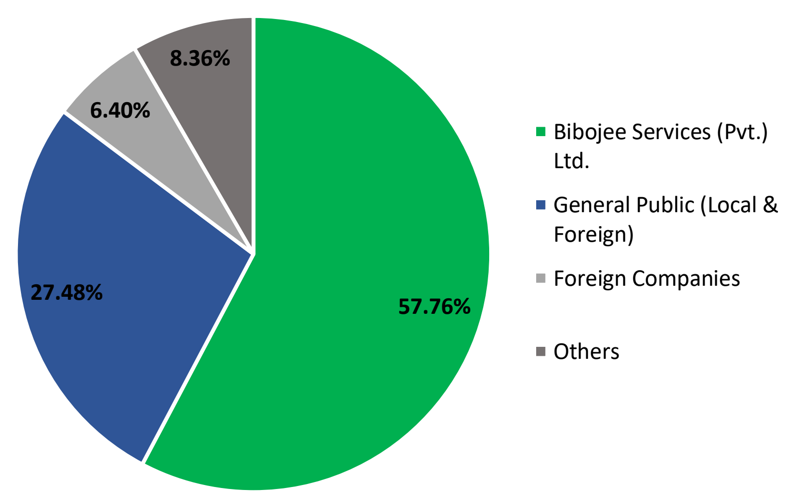
Source: PSX, Capital Stake, Company Accounts, Bloomberg, IGI Research

About the Company

Ghandhara Automobiles Limited (GAL), incorporated in 1981, is a prominent player in Pakistan's automotive industry, operating across multiple segments including passenger vehicles, commercial vehicles and pickup segment. The Company was formerly known as Ghandhara Nissan Limited but was rebranded as GAL in 2023 under the ownership of its holding company, Bibojee Services (Pvt.) Limited. The Company has a production capacity of 4,800 commercial vehicles including trucks, buses and pickups and 6,000 passenger vehicles on a single shift basis.

GAL is the authorized assembler, manufacturer and distributor of multiple global brands such as JAC Motors (China) and DongFeng Trucks (China). The Company's product range spans from compact pickups, mid-size pickups, to commercial trucks and prime movers under dongfeng. With a strong nationwide dealership network, a growing after-sales service infrastructure and partnerships with financial institutions, GAL is well positioned to serve both retail and fleet customers.

Exhibit: Shareholding Pattern As of Jun-24



Source: Company Accounts, IGI Research

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Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

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