

Pakistan Equity | Auto Assembler | Company Report

Ghandhara Automobiles Limited

JAC T9: Driving the Next Phase of Growth

27 July, 2026

HEAVY & MEDIUM TRUCKS

LIGHT TRUCKS

PICKUPS

HEAVY & MEDIUM TRUCKS



PICKUPS

Shiza Javed | Nasheed Malik



021-32432947



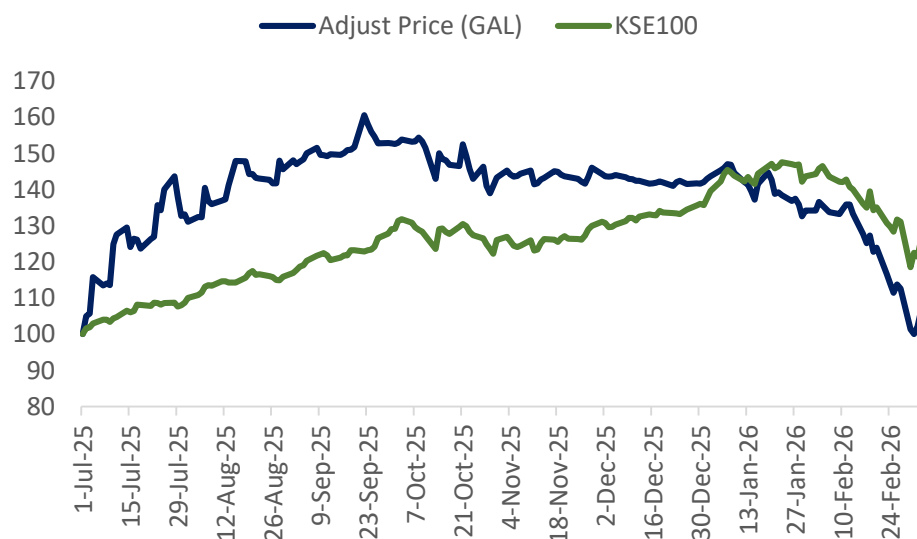
research@growthsecurities.com.pk



GAL TP PKR 891.18/share; Upside of 58.5%

Symbol	GAL
Recommendation	BUY
Current Price	562.42
Target Price	891.18
Potential Upside	58.5%
Market Cap mn	32,059.3
Shares mn	57.0
Free Float	40.0%

Source: Company Accounts, Growth Securities



Source: PSX, Growth Securities

- We initiate coverage on Ghandhara Automobiles Limited (GAL) with a BUY stance and a June-27 Target Price (TP) of PKR 891.18/share, implying an upside potential of 58.5% from the last closing price.
- GAL, a subsidiary of the Bibojee Group, has successfully repositioned itself as one of Pakistan's fastest-growing commercial vehicle assemblers through its partnership with JAC Motors, complemented by its presence in trucks, pickups, and imported commercial vehicles.
- The successful launch of the JAC T9 has significantly strengthened the Company's earnings profile, while its strategic investment in Ghandhara Industries Limited (GHNI) provides an additional stream of earnings.

Our investment thesis is underpinned by Pakistan's improving macroeconomic outlook, where GDP growth is expected to reach 4.5% over FY27F–FY30F, supporting a broad-based recovery in industrial activity, freight movement and infrastructure spending. Simultaneously, commercial vehicle demand is expected to grow by 4.5% YoY from FY28 and onwards, driven by higher economic activity, stricter axle load enforcement, and increased mining and infrastructure investments. We project GAL to deliver Revenue and EPS CAGRs of 13.9% and 13.7%, respectively, over FY26–FY31, supported by sustained demand for JAC vehicles, operating leverage and growing associate income. The stock is currently trading at FY26E P/E of 4.3x, offering an attractive entry point relative to its growth prospects.

- Our key investment highlights are as follows:
- **1) JAC T9 Gains Market Share in Pakistan's Premium Pickup Segment:** The JAC T9 has rapidly emerged as one of Pakistan's fastest-growing premium pickup models, supported by competitive pricing, premium features and strong customer acceptance. We expect sustained demand to drive GAL's pickup volumes to 2,693 units by FY28, translating into a market share of 22.8% and serving as the primary catalyst for revenue and earnings growth.
- **2) Operating Leverage and Localization has Supported Margin Expansion:** Higher production volumes, improving localization levels and better absorption of fixed manufacturing costs has supported gross margins expansion over the FY26. We have tightened our forecast of margins from 22-23% in FY26E to 20-21% in FY31F to encounter the risk of competition.

GAL TP PKR 891.18/share; Upside of 58.5%

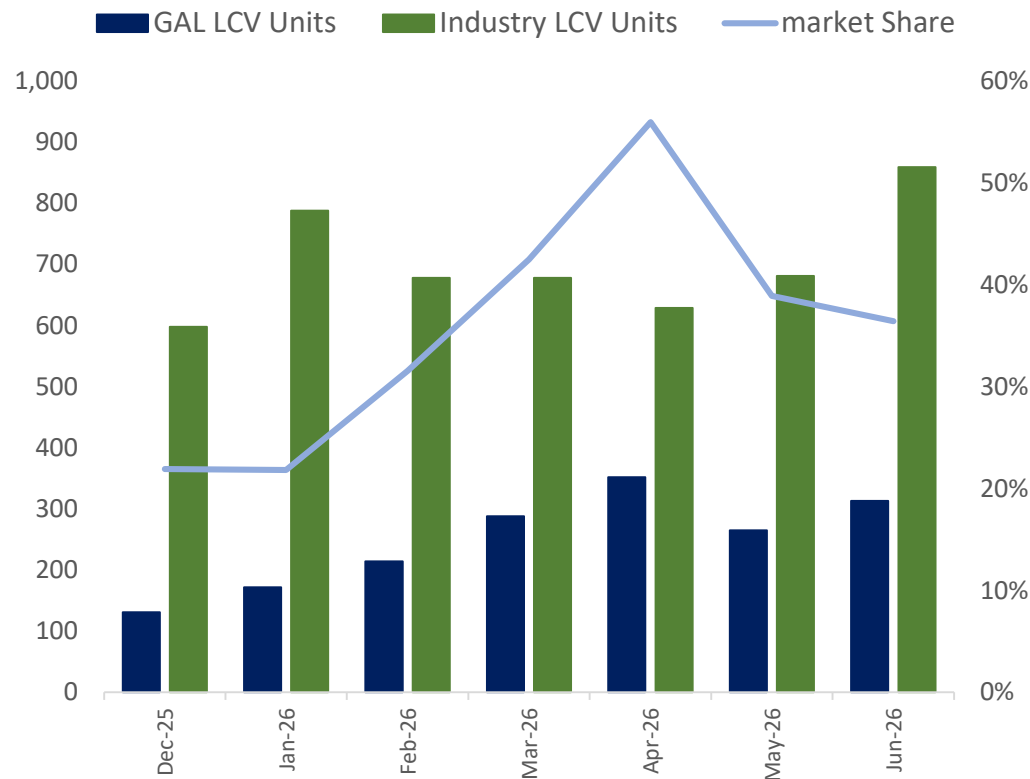
Key Ratios

	FY24A	FY25A	FY26E	FY27F	FY28F
EPS	6.4	71.9	129.5	145.0	166.2
EPS YoY	110%	1022%	80%	12%	15%
P/E	12.4x	4.7x	4.3x	3.9x	3.4x
P/B	0.4x	1.3x	1.5x	1.1x	0.9x
DY	0.0%	0.1%	0.0%	0.1%	0.1%
GM	12.0%	18.4%	21.8%	20.5%	20.7%
EBITDA	10.2%	16.6%	20.5%	18.6%	18.8%
NPM	3.9%	11.9%	14.9%	13.8%	14.1%
ROE	3.9%	31.9%	40.7%	33.0%	28.9%
ROA	2.5%	16.2%	18.4%	16.2%	15.6%

Source: Company Accounts, Growth Securities

- 3) Mining Expansion and CPEC Phase-II to Drive Commercial Vehicle Demand:** Pakistan's expanding mining sector, led by projects such as Reko Diq, alongside CPEC Phase-II and ongoing infrastructure development, is expected to generate sustained demand for commercial vehicles. Rising freight movement, construction activity and industrial logistics provide a multi-year growth opportunity for GAL's truck and pickup portfolio.
- 4) Axle Load Enforcement Revives Commercial Vehicle Replacement Demand:** The nationwide implementation of axle load regulations is expected to accelerate fleet replacement as transporters transition towards compliant, higher-capacity vehicles. This structural shift should support long-term demand for medium and heavy commercial vehicles, with industry volumes projected to increase by 8.0% YoY over FY27F–FY29F.
- 5) Associate Income from GHNI Enhances Earnings Visibility:** GAL's strategic stake in Ghandhara Industries Limited (GHNI) provides an additional source of earnings through share of associate profits. We estimate associate profit to contribute 12.1% of total earnings over FY26E–FY31F, enhancing earnings resilience while offering indirect exposure to the heavy truck and bus segment.
- 6) Valuation:** We have valued GAL using the Discounted Cash Flows to Equity (FCFE) approach where we have used a risk-free rate of 12.61% (10-Year PIB), risk premium 6%, and beta of 1.39. GAL is trading at FY26E/27F PE of 4.3/3.9x compared to last 10-YR average PE of 11.7x (excluding outlier years). The company is trading at a premium to Auto companies, which are trading at an average of 10.4x. From FY26 and onwards, payout ratio is assumed at 30%.
- 7) Risk:** Our investment thesis is exposed to weaker-than-expected economic recovery, delays in large-scale infrastructure and mining projects, softer commercial vehicle demand, adverse currency movements, higher-than-anticipated inflation, and increased competitive intensity within the commercial vehicle market.

JAC T9 Gains Market Share in Pakistan's Premium Pickup Segment



Source: PAMA, Growth Securities

- The successful launch of the JAC T9 has transformed GAL into one of Pakistan's fastest-growing automotive assemblers, enabling the Company to establish a meaningful presence in the premium pickup segment.
- Equipped with a 2.0L turbocharged diesel engine, ZF 8-speed automatic transmission, advanced driver assistance systems (ADAS), and a comprehensive suite of premium features, the T9 offers a compelling value proposition against established competitors while remaining competitively priced.
- Since its introduction, the JAC T9 has witnessed robust customer acceptance, reflected in steadily rising bookings and market share gains. During FY26, T9 sales reached 2,443 units, capturing approximately 22.81% of Pakistan's premium pickup market, compared to 12.56% during last year.
- On a monthly basis, the model has consistently ranked among the country's best-selling premium pickups, underscoring its growing acceptance among both individual buyers and corporate fleet operators.
- We believe the premium pickup segment remains structurally underpenetrated in Pakistan, with demand supported by rising infrastructure activity, agriculture, construction, mining, and corporate fleet expansion. The entry of feature-rich Chinese brands at competitive price points is broadening the addressable market rather than merely shifting market share among incumbents.
- JAC T9 has gain market in the pick-up truck segment due to their competitive prices. JAC T9 hunter was launched on 08 Jan'25 at a price of PKR 10.5mn, and JAC T9 Frison was launched on 09 Oct'2025 with a launch price of PKR 8.775mn.
- Given JAC's strong product positioning, expanding brand recognition, and GAL's nationwide dealership network, we expect the Company to sustain its momentum and increase T9 sales to 2,693 units by FY28F, translating into a market share of approximately 22.81%.

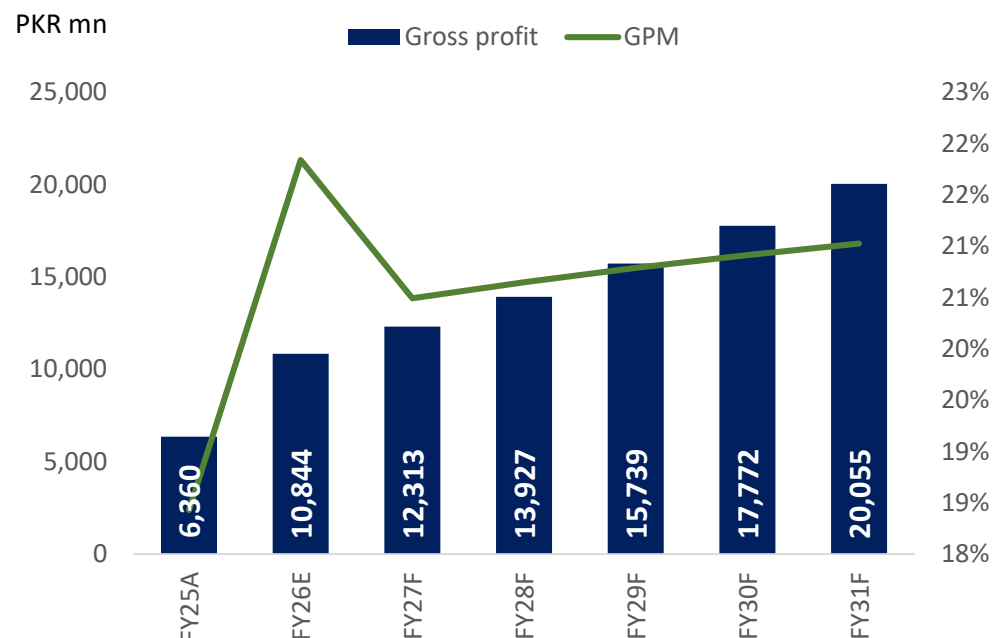
JAC T9 Gains Market Share in Pakistan's Premium Pickup Segment

Exhibit: Pickup vehicles comparison

Variant	JAC T9 Hunter	Toyota Revo GR-S	Isuzu D-Maz
			
Price	PKR 10,500,000	PKR 15,839,000	PKR 13,390,000
Dimensions			
Overall Length (mm)	5330	5325	5265
Overall Width (mm)	1965	1855	1870
Overall Height (mm)	1920	1815	1785
Seating capacity	5 persons	5 persons	5 persons
Engine/ Motor			
Displacement	1999 cc	2755 cc	2999 cc
Fuel Type	Diesel	Diesel	Diesel
Horsepower	168 HP @ 3600 RPM	201 HP @ 3400 RPM	187 HP @ 3600 RPM
Drive Train	4x4	4x4	4x4
Max Speed	150 KM/H	200 KM/H	180 KM/H
No. of Cylinders	4	4	4
Transmission			
Transmission	Automatic	Automatic	Manual
Gearbox	8 - speed	6 - speed	5 - speed
Wheels & Tyres			
Wheel Type	Alloy Wheels	Alloy Wheels	Alloy Wheels
Fuel Economy			
Mileage	10 - 12 KM/L	8 - 11 KM/L	9 - 11 KM/L
Fuel Tank Capacity	76 L	80 L	76 L
Safety			
No. of Airbags	7	3	7

Source: Pak wheels, Growth Securities

Operating Leverage and Localization has Supported Margin Expansion



Source: Company Accounts, Growth Securities

- GAL's profitability has improved materially over FY26, supported by higher production volumes, improved operating leverage, and increasing localization across its product portfolio.
- Strong demand for the JAC T9 and the Company's broader commercial vehicle lineup has enabled better absorption of fixed manufacturing costs, while higher domestic sourcing has helped mitigate the impact of imported input costs and exchange rate volatility.
- Consequently, gross margins expanded to approximately 22–23% during FY26, reflecting the benefits of scale and manufacturing efficiencies.
- Looking ahead, we expect margins to gradually normalize as competition within the premium pickup and commercial vehicle segments intensifies.
- Accordingly, we forecast gross margins to moderate to 20–21% by FY31F, while remaining well above historical levels, supported by continued operating leverage, improving production efficiencies, and a growing installed vehicle base.
- In addition, GAL's expanding nationwide 3S (Sales, Service & Spare Parts) and 2S (Service & Spare Parts) dealership network is expected to strengthen customer reach and enhance after-sales service capabilities.
- A larger service footprint should improve customer retention, support recurring spare parts and service revenues, and reinforce long-term profitability.
- We believe these factors will enable GAL to maintain a healthy margin profile while sustaining earnings growth over our forecast horizon.

Mining Expansion and CPEC Phase-II to Drive Commercial Vehicle Demand

REKO-DIQ Plan

Phase	Activity	Timeline
Construction Phase	Early Works	Q3 2024 – Q2 2025
	Phase 1 Construction	2025 – 2028
	Phase 2 Construction	2028 – 2030
Operational Phase	Phase 1 Commissioning	2028
	Phase 2 Commissioning	2030
Closure Phase	Rehabilitation & Post-Closure Management	After Mine Operations Cease

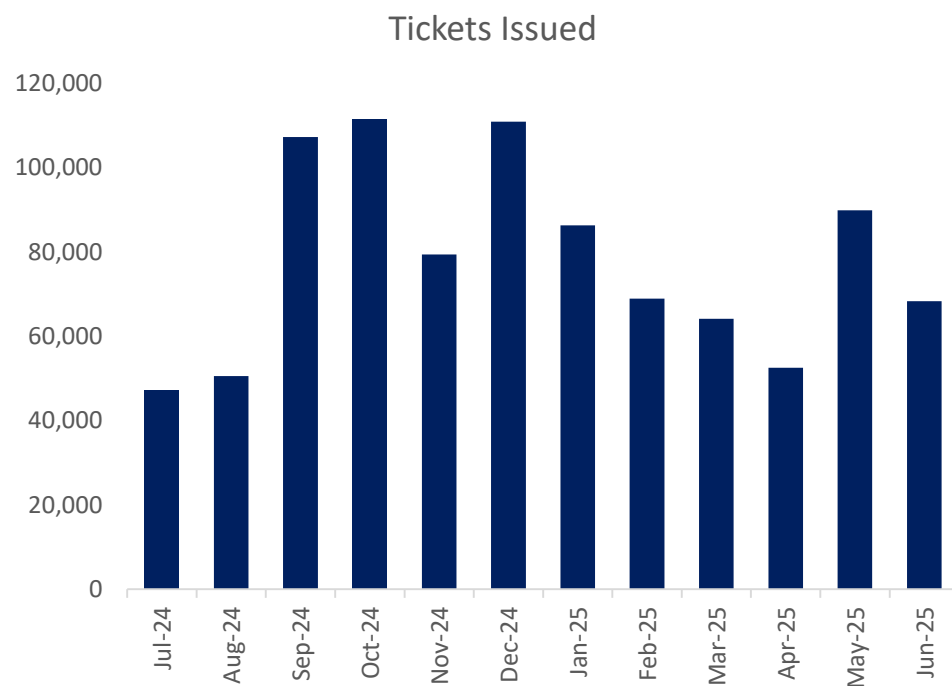
Source: PCMA, Growth Securities



Source: News Sources, Growth Securities

- Beyond the cyclical recovery in commercial vehicle demand, we believe Pakistan is entering a phase of renewed infrastructure and industrial investment that could provide sustained long-term support to the transportation sector. Large-scale initiatives under CPEC Phase-II, increasing emphasis on industrial connectivity, and major mining developments are expected to significantly expand freight movement, construction activity, and logistics requirements over the coming decade.
- A key pillar of this investment cycle is the Reko Diq project, one of the world's largest undeveloped copper-gold deposits, with Phase-I production expected to commence around FY29, followed by further expansion in FY34. The project is expected to attract cumulative investments of approximately US\$8.8–9.0bn, creating substantial demand for transportation throughout both the construction and operational phases. The movement of heavy equipment, construction materials, mining supplies, fuel, and personnel is expected to generate incremental demand across a broad range of commercial vehicles, including trucks and pickup vehicles.
- Meanwhile, CPEC Phase-II is expected to shift its focus from core infrastructure towards industrial cooperation, Special Economic Zones (SEZs), manufacturing expansion, agriculture, and regional trade integration. As industrial output rises and freight corridors witness higher utilization, transportation demand is expected to increase in tandem, supporting long-term fleet expansion and vehicle replacement.
- Unlike temporary demand drivers, mining and infrastructure projects typically create recurring transportation requirements throughout their lifecycle, supporting demand for commercial vehicles well beyond the initial construction phase. Given GAL's expanding presence in Pakistan's commercial vehicle and premium pickup segments through the JAC portfolio, we believe the Company is well positioned to benefit from this multi-year investment cycle, which should support volume growth and strengthen earnings visibility over our forecast horizon.

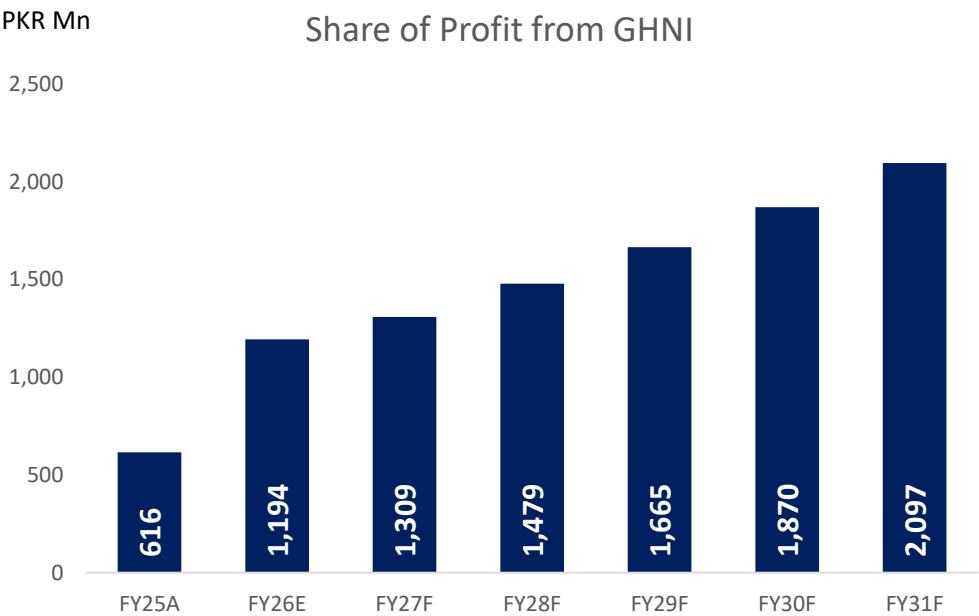
Axle Load Enforcement Revives Commercial Vehicle Replacement Demand



Source: NHA, Growth Securities

- The strict enforcement of axle load regulations marks a structural turning point for Pakistan's commercial vehicle industry. Although axle load limits have long existed under the National Highway Authority (NHA) framework, weak implementation previously allowed widespread overloading, enabling transporters to maximize cargo volumes with relatively smaller fleets.
- With authorities now strengthening enforcement through weigh stations, digital monitoring systems, and stricter penalties, transport operators are increasingly required to comply with prescribed axle load limits. Consequently, the same volume of freight now requires a larger number of compliant vehicles, creating incremental demand for fleet expansion and replacement without any corresponding increase in underlying freight activity. For instance, cargo previously transported by 10 overloaded trucks may now require nearly 14–15 compliant vehicles, highlighting the regulation's potential to structurally increase industry demand.
- Beyond supporting new vehicle purchases, stricter enforcement is expected to accelerate the retirement of aging and non-compliant fleets, further reinforcing replacement demand. Additionally, proposals to restrict commercial vehicles older than 20 years from operating on motorways could further expedite fleet modernization, benefiting organized manufacturers.
- Unlike cyclical demand drivers that primarily depend on GDP growth and industrial activity, axle load enforcement represents a regulation-led catalyst capable of sustaining commercial vehicle demand over the medium to long term. We believe this structural shift will support volume growth across GAL's commercial vehicle portfolio, particularly as improving freight activity and infrastructure development coincide with a more disciplined regulatory environment.

Associate Income from GHNI Enhances Earnings Visibility



Source: Company Accounts, Growth Securities

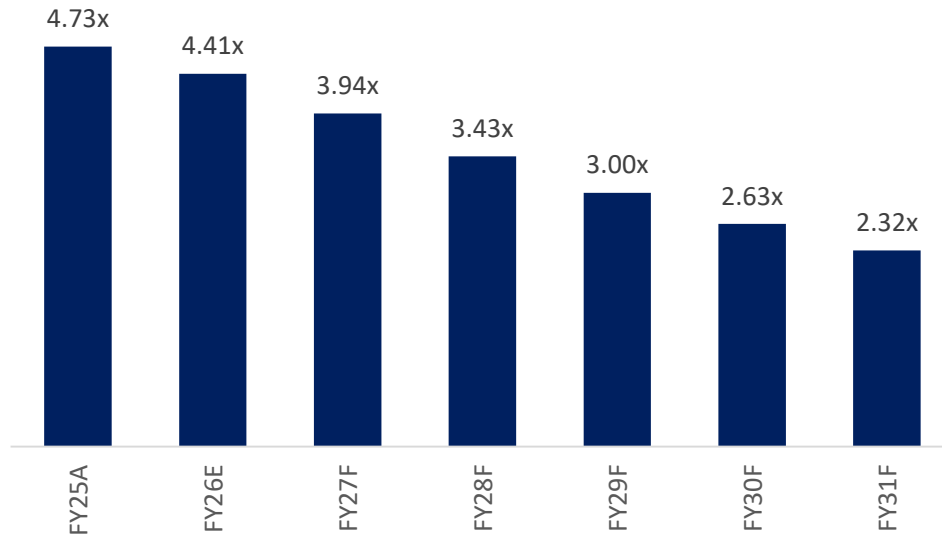
- In addition to its core automotive operations, GAL benefits from its strategic investment in Ghandhara Industries Limited (GHNI), providing the Company with an additional and diversified source of earnings.
- Through its shareholding in GHNI, GAL recognizes a share of associate profits, offering indirect exposure to Pakistan's heavy truck and bus market without requiring incremental capital investment.
- GHNI remains one of Pakistan's leading commercial vehicle manufacturers and is well positioned to benefit from the ongoing recovery in truck demand, stricter axle load enforcement, and increasing infrastructure and mining activity.
- Consequently, improvements in GHNI's financial performance are expected to translate into higher associate income for GAL, complementing the earnings generated from its own vehicle assembly business.
- We expect income from associates to remain a meaningful contributor to profitability over our forecast horizon, providing greater earnings resilience and diversification.
- Our base case assumes associate income of PKR 1,183mn for FY26E, to PKR 2,097mn, in FY31F, representing a CAGR of 11.9% respectively.
- This additional income stream not only enhances cash generation but also partially offsets fluctuations in GAL's core operating performance, strengthening the overall quality and visibility of earnings.

Valuation Assumption

Risk Free Rate	12.61%
Risk Premium	6.0%
Beta	1.39
Discount Rate	19.7%
Growth Rate	5%

Source: Growth Securities

PE Ratio



Source: Company Accounts, Growth Securities

- GAL Offers a potential upside of 58.5% to our June'27 target price of PKR 891.18/share. The Stock is currently trading at a PE ratio of 4.3x for FY26E and 3.9x for FY27F as compared to 10y PE average of 11.7x excluding outlier years.
- At these PE ratios, the stock offers a discount of 63.1% and 67.0% for FY26E and FY27F respectively.
- Our valuation assumptions are based on
 - Risk-free rate is assumed at 10y PIB rate of 12.6%
 - Discount rate is calculated through CAPM.
 - BETA is calculated as 1.39 via adjusted beta method, and,
 - Growth rate is assumed as 5% based on 5-y average growth rate of Auto-sector.

Risks

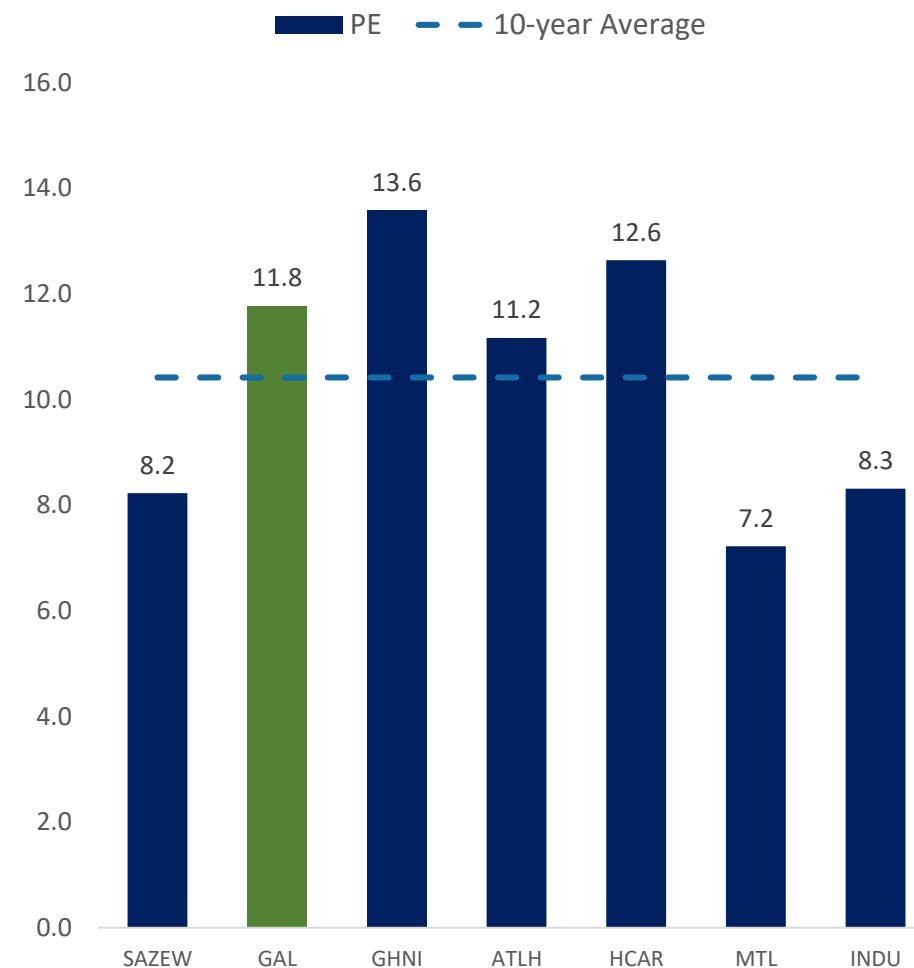
- Slower-than-Expected Commercial Vehicle Demand Recovery
- Weakness in JAC T9 Sales and Intensifying Competition
- Delays in Mining and CPEC Phase-II Execution
- Reversal or Weak Enforcement of Axle Load Regulations
- Pakistani Rupee Depreciation and Imported Input Cost Inflation
- Supply Chain Disruptions and CKD Import Delays
- Higher-Than-Expected Interest Rates Dampening Vehicle Financing

Cash flow based and historical valuations

Cash Flow Based Valuation (FCFE)

PKRmn	FY27	FY28	FY29	FY30	FY31
Net Income	8,263	9,476	10,848	12,363	14,040
Add: Depreciation	114	120	126	132	140
▲ in Working Capital	(4,035)	(3,920)	(4,592)	(4,785)	(5,001)
Capital Expenditure	(418)	(476)	(523)	(605)	(590)
Add: Net Borrowing	10	11	11	12	12
FCFE	3,935	5,211	5,868	7,117	8,601
Discount Factor	0.0	1.0	2.0	3.0	4.0
Discounted FCFE	3,935	4,308	4,012	4,022	4,019
PV of Future Cash Flows	20,296				
PV of Terminal Value	26,458				
Equity Value	46,754				
Outstanding shares (mn)	57.00				
Value/Share (PKR)	820.20				
Forward EPS	166.25				
Exit Multiple	7.00				
Target Price	1,163.72				
Equity Value/Share	962.15				
Blended Equity Value/Share	891.18				

Source: Company Accounts, Growth Securities



Source: PSX, Company Accounts, Growth Securities

Financial Summary



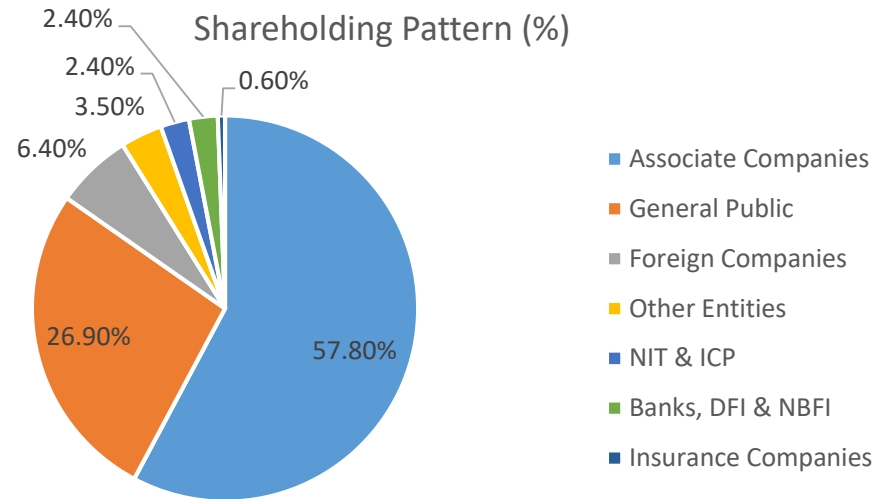
Income Statement					
PKRmn	FY24A	FY25A	FY26E	FY27F	FY28F
Net sales	9,414	34,513	49,651	60,082	67,441
Cost of sales	-8,279	-28,151	-38,808	-47,769	-53,514
Gross profit	1,133	6,360	10,844	12,313	13,927
Selling/distribution expenses	-164	-448	-403	-513	-549
Administrative expenses	-339	-523	-551	-735	-808
Operating profit	632	5,390	9,889	11,065	12,570
Financial charges	-820	-976	-1,399	-1,988	-2,345
Other income	280	811	804	770	1,024
Other charges	-23	-640	-336	-489	-555
Share of associates' profit/(loss)	42	616	1,194	1,309	1,479
Profit before tax	491	6,000	11,501	12,348	14,174
Taxation	-125	-1,904	-4,121	-4,084	-4,697
Profit after tax	365	4,096	7,380	8,263	9,476
EPS - Adjusted	6.40	71.86	129.46	144.97	166.25
DPS-Adjusted	0.00	10.00	15.47	17.32	19.86

Source: Company Accounts, Growth Securities

Balance Sheet					
PKRmn	FY24A	FY25A	FY26E	FY27F	FY28F
Non-Current Assets	9,350	9,976	10,618	11,163	11,784
Current Assets	7,255	24,007	35,462	44,743	54,105
Total Assets	16,605	33,983	46,080	55,906	65,889
Equity	10,790	14,877	21,374	28,651	36,995
Non-Current Liabilities	1,220	1,320	1,320	1,320	1,320
Current Liabilities	4,595	17,786	23,385	23,385	23,385
Total Equity & Liabilities	16,605	33,983	46,080	55,906	65,889

Source: Company Accounts, Growth Securities

Appendix A: Company Intro



Source: PSX, Growth Securities



- Ghandhara Automobiles Limited (GAL), incorporated in 1981 and part of the Bibojee Group, is one of Pakistan's leading automobile assemblers engaged in the assembly, manufacture, and sale of commercial vehicles and pickup trucks. The Company operates a manufacturing facility at Port Qasim, Karachi, and has established strategic partnerships with global automotive manufacturers, most notably JAC Motors of China. GAL's growth outlook is closely linked to Pakistan's economic activity, infrastructure development, industrial expansion, and the increasing demand for commercial transportation.
- The Company has significantly strengthened its market position through the successful introduction of the JAC T9 Hunter, which has rapidly gained traction in Pakistan's premium pickup segment. In addition to the T9, GAL offers a diversified portfolio comprising JAC light-duty trucks, commercial vehicles, and imported models catering to logistics operators, construction contractors, industrial enterprises, mining companies, government institutions, and corporate fleet customers. Supported by an expanding nationwide network of 3S (Sales, Service & Spare Parts) and 2S (Service & Spare Parts) dealerships, GAL continues to enhance its brand presence, customer reach, and after-sales capabilities across the country.
- Beyond its core operations, GAL benefits from its strategic investment in Ghandhara Industries Limited (GHNI), providing an additional source of earnings through associate income while offering indirect exposure to Pakistan's heavy commercial vehicle market. Backed by the Bibojee Group, a growing presence in the premium pickup segment, and favorable structural trends such as axle load enforcement, infrastructure spending, mining activity, and CPEC Phase-II, GAL is well positioned to capitalize on the evolving commercial vehicle landscape and deliver sustainable long-term earnings growth.

Analyst Certification and Disclosures



The research analyst(s), on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors, (2) research analyst or persons associated with research analyst or their financially dependent close relative has no financial interest in the securities of the subject company (3) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report, (4) Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months, (5) the subject company currently is, and during the 12 month period preceding the date of publication or distribution of the research report was not a client of the research analyst, and (6) research analyst or persons associated with research analyst have not received any compensation for corporate advisory services in the past 12 months from subject company and will not receive any compensation from the subject company in next three months.

Rating System and Valuation Methods

‘Buy’ – Total stock return > 15%

‘Hold’ – Total stock return > 0% and < 15%

‘Sell’ – Total stock return < 0%

Growth Securities (Pvt.) Limited uses different valuation methods such as 1) Discounted Cash Flow, 2) Relative Valuation (PE, PB, PS etc.), 3) Asset Based Valuation etc.

Disclaimer

This report has been prepared by Growth Securities and is provided for information purposes only. This should not be considered as research report under the research analyst regulations. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Growth Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Growth Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Growth Research Department and do not necessarily reflect those of Growth or its directors. Growth as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. All rights reserved by Growth Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Growth Securities. Action could be taken for unauthorized reproduction, distribution or publication.