

## Pakistan Auto Sector

# ROSHAN APNI CAR SCHEME

Potential to boost Auto sales by 6%

The launch of Roshan Apni Car scheme designed to facilitate overseas nationals, has the potential to uplift auto financing by 11% and unit sales (PC+LCV+SUV) by 6% by the end of CY21. The scheme was introduced after the Roshan Digital account amassed excess of \$1Bn deposits in Apr'21. With subsidized financing cost starting from 7% and priority vehicle delivery times, Automobile sales should improve significantly.

**Further incentives for Overseas Pakistani:** The new scheme has been introduced to lure overseas Pakistanis to invest more capital in the country and offers a new avenue to direct the deposits which have reached the \$1Bn mark in Apr'21. With this scheme the investors can avail vehicle financing as low as 7% in both Islamic and conventional mode for their use in Pakistan.

**A significant sum:** Assuming that the total deposits of Roshan Digital account scheme reach \$2Bn by Dec'21 and around 10%(base case) is used to avail Roshan Apni Car scheme, \$200Mn (PKR 30.8Bn) worth of vehicles sales will be registered in Pakistan in the next three quarters of CY21. Considering, the consumer auto loan stood at PKR 285Bn in Mar'21 (↑30/4 YoY/MoM), Roshan Apni Car scheme alone can increase Auto financing by 11% to 315Bn, by Dec'21.

### EPS impact sensitivity in next three quarters of CY21

% Deposit utilized in Apni Car Scheme	Vehicle sales	PSMC	INDU	HCAR
20%	22,000	2.38	6.68	2.74
15%	16,500	1.79	5.01	2.06
10%	11,000	1.19	3.34	1.37
5%	5,500	0.60	1.67	0.69

Source: BMA Research

**Additional sales of 11K units:** The total sales (PC, LCV & SUV) of 54,764 units registered in 3MCY21, project total year sales to land between the 190-200K mark. Considering average ex-factory vehicle price of PKR 2.8Mn, this new facility in its base case can generate additional sales of around 11,000 units alone before Dec'21, increasing the total sales by 6%.

### EPS impact sensitivity in next three quarters of CY21 sensitivity

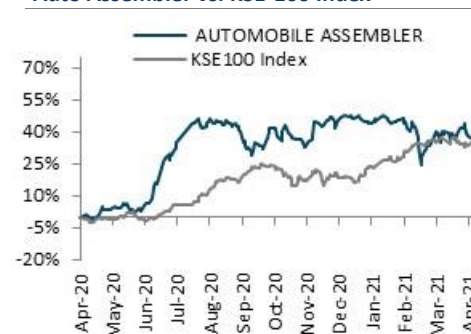
Shares of listed player in Apni Car financing	PSMC	INDU	HCAR
80%	1.59	4.45	1.83
70%	1.39	3.90	1.60
60%	1.19	3.34	1.37
50%	0.99	2.78	1.14

Source: BMA Research

Further, we expect big three players to equally constitute around 60% (base case) of this additional financing as KIA and other players will continue to induce competition in the auto sector, the EPS impact on PSMC, INDU and HCAR will be as following:

**Outlook:** The auto sector is estimated to witness sales (PC, LCV & SUV) above 190K in CY21, up 58% YoY. We believe the new scheme launched by the government should further uplift the auto sales figure by 6% (11,000 units) and have a cumulative positive EPS impact on PSMC, INDU and HCAR of PKR 1.2/3.3/1.4, respectively in the next three quarters of CY21.

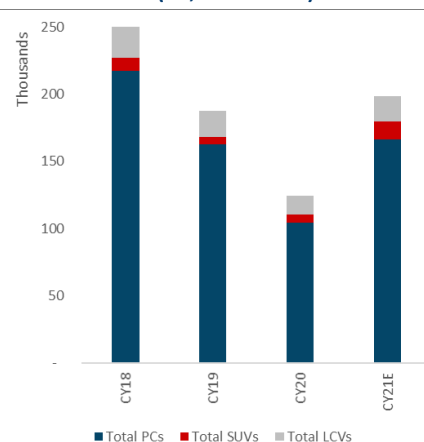
### Auto Assembler vs. KSE-100 Index



%	3M	6M	12M
Absolute	-8	-3	34
Relative to KSE	-3	-16	5

Source: PSX

### Auto unit sales (PC, LCV & SUV)



Source: BMA Research

### Taha Madani

Research Analyst

Tel: 111-262-111

E-mail: taha.madani@bmacapital.com

**BMA Capital Management Ltd.**

## 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:

Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

### Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

## 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.)