SECTOR UPDATE REPORT

MNC Sekuritas Research Division | February 17, 2021

AUTOMOTIVE SECTOR UPDATE

Tax Incentive Fueling Up Car Sales

The Government Approved at Last!

- The Government finally approved a new tax incentive for car sales in the form of PPnBM discount.
- It uses a government-borne scheme (DTP), with a discount amount of 100% in the first three months (Mar-May 2021). For the following three months (Jun-Aug 2021), the discount given is 50%, and the last three months (Sep-Nov 2021) is 25%.
- The incentive only applies for vehicles under 1,500cc with the sedan and 4x2 categories that consist of 70% Domestic Component Level (TKDN).
- This is considered as one of the strategies for national economic recovery (PEN). The government estimates that there will be an increase in production approximately 81,752 units (10% of the car sales target in FY21E) and this addition will contribute IDR1.4 trillion to state revenue.
- Meanwhile low cost green cars (LCGC) have received PPnBM reduction facilities according to Regulation of the Minister of Finance (PMK) number 73 of 2019, so it will be excluded from this incentive. PPnBM for LCGC cars of 3% will be effective from 15 October 2021.

How much the Discount Actually is?

- The fully paid car price consist of several taxes: 1) PPnBM (10%-125%), based on the car category; 2) VAT or PPn (10%); 3) BBN-KB (for Jakarta area is 12.5%); 4) PKB (for Jakarta area is 2%); see exhibit 02.
- PPnBM for 4x2 car categories under 1500cc is 10%. While for sedan under 1500cc, PPnBM is higher at 30%, so the expected discount is quite substantial.
- As seen on Exhibit 01, the tax incentive for individual buyers would be quite significant. Although seems small, the average discount on fully paid car price is 7.71% (with 100% PPnBM discount), 3.85% (50% PPnBM discount) and 1.93% (25% PPnBM discount), we exclude sedan in the previous calculation due to a higher PPnBM and lower market share.

Looking Ahead

- Gaikindo estimates car sales could grow by 40% or around 60-70 thousand units per month in the first phase of implementing the PPnBM relaxation.
- We see that there is a possibility for high growth as the car market share with tax incentive reached 40.26% from the total market share in FY20 (exhibit 04), we exclude LGCC as it has a separate regulation on PPnBM.
- As the 4x2 <1500cc type has the largest market, we believe that the specific car sales will increase along with the normalization of business and economic activity as well as the increasing people's purchasing power.
- MNCS estimates that the car sales will grow by ~30% without the incentive, as car sales in FY20 dropped by 50%. So we assume the increase on car sales would be higher with the implemented incentive.

Maintaining NEUTRAL Outlook with Top Pick ASII (BUY; TP: IDR7,480)

We still maintain our **NEUTRAL** outlook for automotive sector while we weigh in the impact of tax incentive on overall car sales. Our top pick remains on **ASII (BUY TP: IDR7,480)** which we believe ASII will get a future advantage, as seen in exhibit 01, ASII owns most of the car types that will get tax incentive. We hope that ASII can increase both it's car sales and market share on the PPnBM discount implementation period. ASII is currently traded at –1STD (5-year Average) with PE at 12.06x.

Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY20E	FY21F	FY20E	FY21F		
ASII IJ	237.84	8.71	8.84	1.13	1.05	BUY	7,480

Sources: Bloomberg, MNCS as of 16 February 2021

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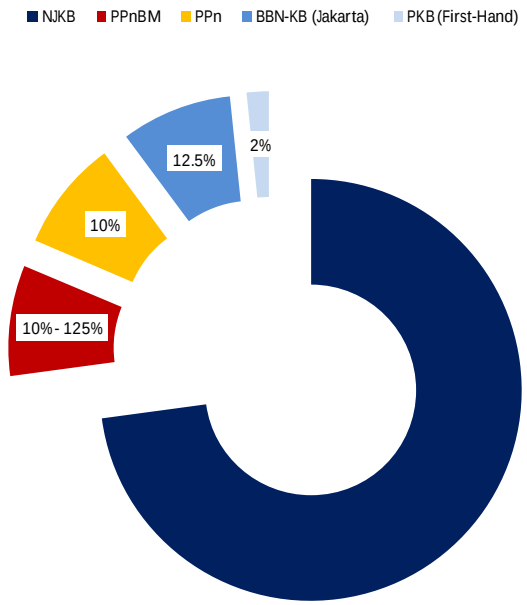
Exhibit 01. PPnBM Incentive Price Breakdown

Brand	Name	Type	NJKB	Coefficient Weight	Tax Base (DPP)	PPnBM (10%)	VAT (10%)	Jakarta Area Only BBN-KB (12.5%)	Jakarta Area Only PKB (2%)	Full Price (NJKB + Taxes)	Without PPnBM	With 50% PPnBM Discount	With 25% PPnBM Discount
		MPV	IDR mn		IDR mn	IDR mn	IDR mn	IDR mn	IDR mn	IDR mn	IDR mn	IDR mn	IDR mn
Toyota	Avanza	AVANZA 1.3 E AT	158.00	1.050	165.90	16.59	16.59	20.74	3.32	215.24	198.65	206.94	211.09
Daihatsu	Xenia	XEN13RAT F653RVGQDFJ	156.00	1.050	163.80	16.38	16.38	20.48	3.28	212.51	196.13	204.32	208.42
Honda	Mobilio	H MOBDD4 1.5EMCVTCKD	175.00	1.050	183.75	18.38	18.38	22.97	3.68	238.39	220.02	229.21	233.80
Mitsubishi	Xpander	XPANDER1.5LEXCL4X2AT	183.00	1.050	192.15	19.22	19.22	24.02	3.84	249.29	230.08	239.68	244.49
Suzuki	Ertiga	ARK415F GL 4X2 AT	173.00	1.050	181.65	18.17	18.17	22.71	3.63	235.67	217.50	226.59	231.13
Wuling	Confero	CONFEROS15LACLUX4X2M	147.00	1.050	154.35	15.44	15.44	19.29	3.09	200.25	184.82	192.53	196.39
Nissan	Livina	LIVINA EL 1.5 4X2 AT	181.00	1.050	190.05	19.01	19.01	23.76	3.80	246.57	227.56	237.06	241.82
		SUV											
Toyota	Rush	RUSH 1.5 G AT	197.00	1.050	206.85	20.69	20.69	25.86	4.14	268.36	247.68	258.02	263.19
Daihatsu	Terios	TERI15RATF800RGGQMFJ	195.00	1.050	204.75	20.48	20.48	25.59	4.10	265.64	245.16	255.40	260.52
Mitsubishi	Xpander Cross	XPANDERCROSS15L4X2AT	205.00	1.050	215.25	21.53	21.53	26.91	4.31	279.26	257.74	268.50	273.88
Honda	BR-V	HONDA BR-V1.5ECVTCKD	203.00	1.050	213.15	21.32	21.32	26.64	4.26	276.54	255.22	265.88	271.21
Suzuki	XL7	XL7415F GL (4X2) AT	178.00	1.050	186.90	18.69	18.69	23.36	3.74	242.48	223.79	233.14	237.81
		Hatchback											
Toyota	Yaris	YARIS 1.5 E CVT	195.00	1.050	204.75	20.48	20.48	25.59	4.10	265.64	245.16	255.40	260.52
Honda	Jazz	JAZGK515RSPLUSCVTCKD	210.00	1.050	220.50	22.05	22.05	27.56	4.41	286.07	264.02	275.05	280.56
		Sedan (PPnBm 30%)											
Toyota	Vios	VIOS 1.5 E MT	231.00	1.025	236.78	71.03	23.68	29.60	4.74	360.04	289.01	324.53	342.28

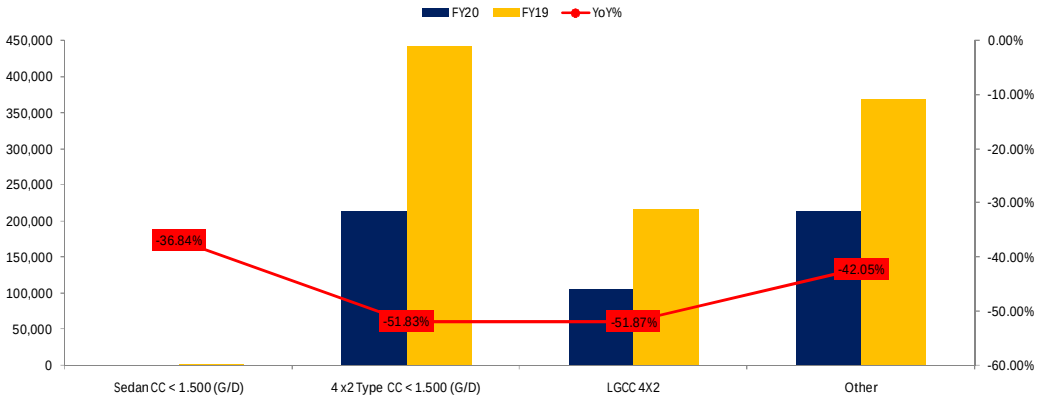
Source: Government, MNCS

Exhibit 02. Price Breakdown with Tax Component



Sources : Gaikindo, MNCS

Exhibit 03. Segmented Car Sales and YoY Growth



Sources : Gaikindo, MNCS

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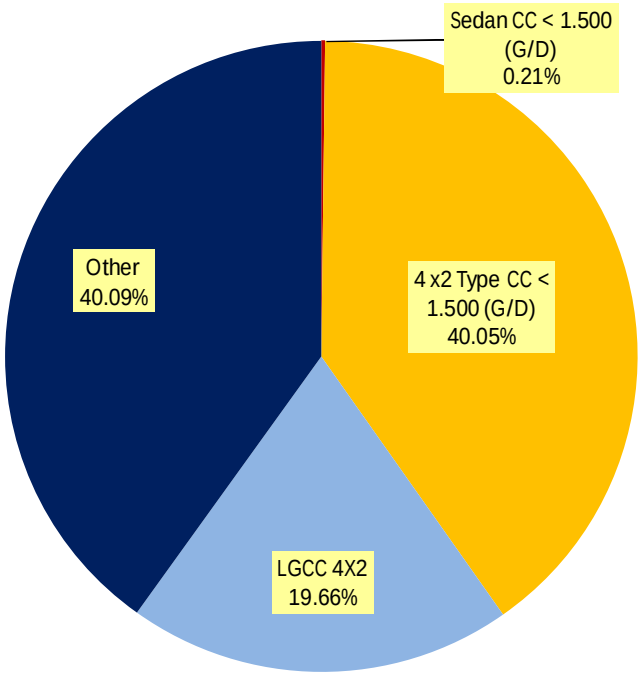
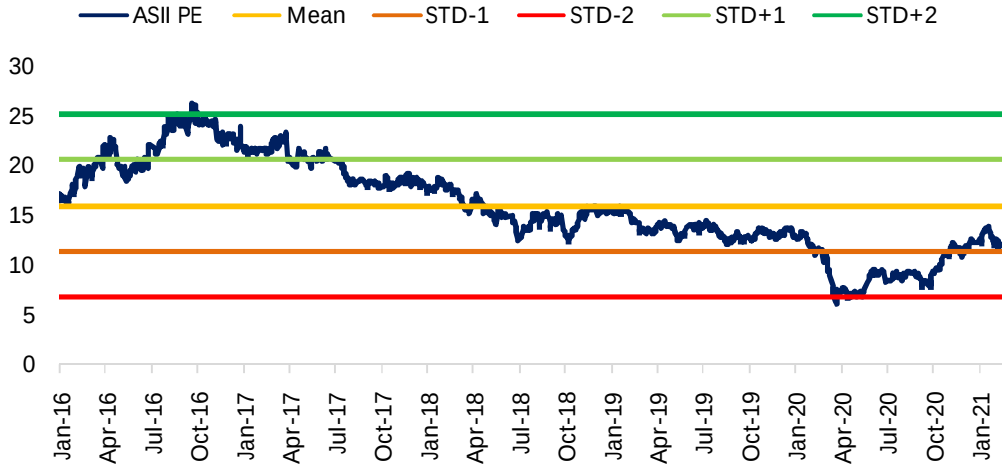
Exhibit 04. FY20 Car Market Share, about 40% of the total market share will get PPnBM Incentive



Sources : Government, MNCS

Exhibit 05. ASII is currently traded at –1STD (5-year Average) with PE at 12.06x



Sources : Bloomberg, MNCS

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