



AUTOMOTIVE SECTOR UPDATE

EVs Stole the Big Game Spotlight at GIIAS 2022

Indonesian auto sales rise in July-2022

As of 7M22, four wheels (4W) sales had risen by +20.78% YoY to 545k units. Toyota, the market leader, still leads the market with 21.1% YoY growth, followed by Daihatsu and Honda, which grew by 38.3%/11.7% YoY, respectively. We consider the gradual economic recovery potentially supporting the car sales by 5% to 931k units. Meanwhile, Gaikindo also sees that car sales potentially reach 950k units in FY22E. Furthermore, the higher interest rates environment becomes the main risk to the market behavior of 4W vehicle sales. We expect BI to raise the benchmark policy rate by 25-75bps in FY22E to stabilize the IDR and manage inflation.

Expect on Better Macroeconomic Conditions in FY22E

MNCS is looking forward for Indonesian economy recovery with 5% GDP growth in FY22E. In our view, the rising commodity prices and public purchasing power potentially support car sales. While at the same time, the elevated LMPV "war" will likely sustain car demand.

On the Ground Research: GIIAS 2022

- This year, GIIAS' theme, "Future is Bright", is quite appropriate with the exhibition that displaying electric vehicle (EV) campaign for the Indonesian people. Gaikindo stated that there were ~330k visitors this year, or ~30% growth from the event in 2021.
- Hyundai is still dominating the EV sales with a market share of 91%, where the company had sold 512 units in 7M22, compared to DFSK (5 units), Nissan (31 units), Toyota (10 units) and Lexus (4 units).
- Astra (ASII IJ) at GIIAS had also entered the EV segment competition by preparing the Astra Otopower EV station infrastructure to complete the EV business line in the future.
- "China Car" had also entered the market with Wuling preparing to sell "Airev", while: 1) Chery; 2) DFSK and 3) MG are planning to enter the market on FY23F.
- The entry of new player, namely Alva One who sells 2W EV, also has the potential to be the market leader due to the comprehensive technology offered compared to competitors.

Recommendation : Overweight with Top Picks ASII (BUY, TP : IDR7,425) and AUTO (BUY, TP : IDR1,700)

We believe the automotive sector to grow positively in FY22E on the back of : 1) varied landscape in auto sector as EV becomes alternative; 2) gradual economic recovery momentum and 3) Stimulus extension. We overweight automotive sector with ASII and AUTO as our top pick. Downside risks: Rupiah volatility, rising inflation and interest rates as well as semiconductor chip shortage.



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Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY22E	FY23F	FY22E	FY23F		
ASII IJ	280,349	10.26	9.98	1.48	1.37	BUY	7,425
AUTO IJ	5,952	7.09	6.36	0.52	0.50	BUY	1,700

Sources: Bloomberg, MNCS

Here We Up, EV Car Already Compete in Indonesia

MNCS made a visit to GIIAS (Gaikindo Indonesia International Auto Show) 2022 on August 19, 2022, which is an annual automotive show that lasted from November 11, 2022, to August 22, 2022, in Indonesia Convention Exhibition (ICE), Serpong, Tangerang. This biggest automobile exhibition is organized by GAIKINDO (Gabungan Industri Kendaraan Bermotor Indonesia).

This year, GIIAS' theme, "Future is Bright", is quite appropriate with the exhibition that displaying electric vehicle (EV) campaign for the Indonesian people. Gaikindo stated that there were ~330k visitors this year, or ~30% growth from the event in 2021. Visitors were enthusiastic with this event with most automotive brands, such as Toyota, Honda and Wuling, are competing to display their EV products which either have been mass produced or are still concepts. Beginning from EV stations, EV motorcycles to EV commercial trucks are exhibited at GIIAS 2022, thus showing that EV is indeed a future technology that is ready to replace conventional technology.

Exhibit 01. GIIAS Series in FY22



Sources : Indonesia Auto Show, MNCS

Exhibit 02. The GIIAS Electric Vehicle (EV) Test Track



Source : MNCS

Hyundai is still the leading EV seller, however.....

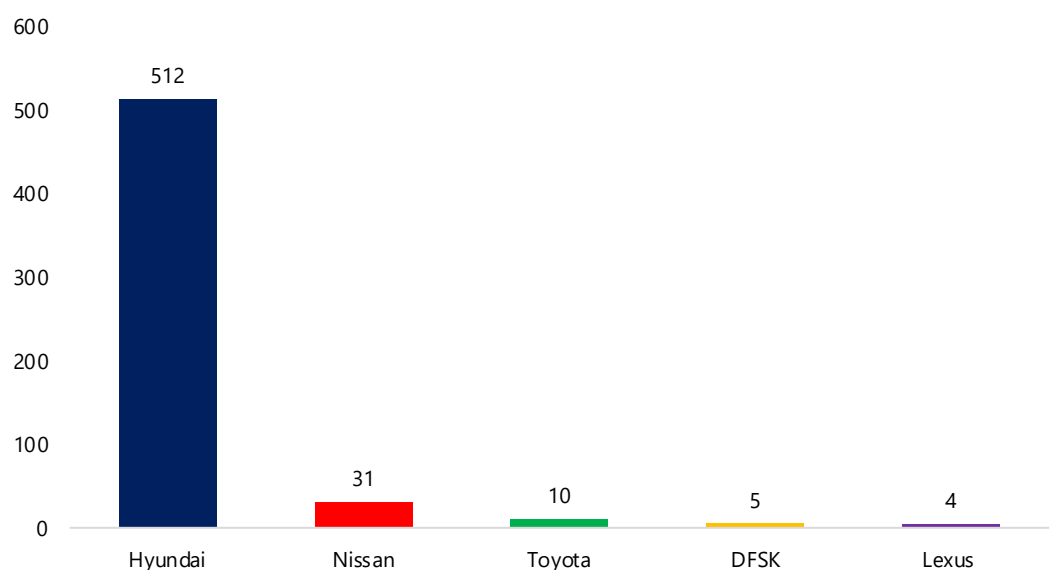
In fact, Hyundai is still dominating the EV sales with a market share of 91%, where the company had sold 512 units in 7M22, compared to DFSK (5 units), Nissan (31 units), Toyota (10 units) and Lexus (4 units). This dominance is due to Hyundai had already marketed its EV products to the Indonesian market through Kona and Ioniq in FY21. In addition, Hyundai is also one of the official vehicles for the G20 event, which shows Hyundai's dominance in Indonesia for the EV segment. Additionally, Hyundai is the pioneer of the EV prices formation in Indonesia, where the demand price of EVs for the Indonesian people is in the IDR650-IDR800mn/unit range. Above all, IONIQ 5 has been proven to be the best electric vehicle by being crowned the 2022 World Car of the Year for the first time ever since the World Car Awards began in 2004.

Exhibit 03. Ioniq 5 Booth in GIIAS



Source : MNCS

Exhibit 04. The Trend of EV Cars Sales in 7M22



Sources : Gaikindo, MNCS

.... The Giant Moves to Fight

Astra (ASII IJ) at GIIAS had also entered the EV segment competition. We see that there are several concepts that have been prepared through their ATPM to market its EVs in all segments. We saw that there was a potential development of Ayla/Agya to EV for the low-income segment. However, there has been no official statement regarding this car if it is going to be mass produced or just a concept. Meanwhile, in the mid-segment, Toyota had launched the BZ4X for both global and Indonesian market, with the global price sold for ~IDR650-750mn/unit. Moreover, Lexus, Mini and BMW will be high-segment EV products where they attracted many visitors when we visited the booths.

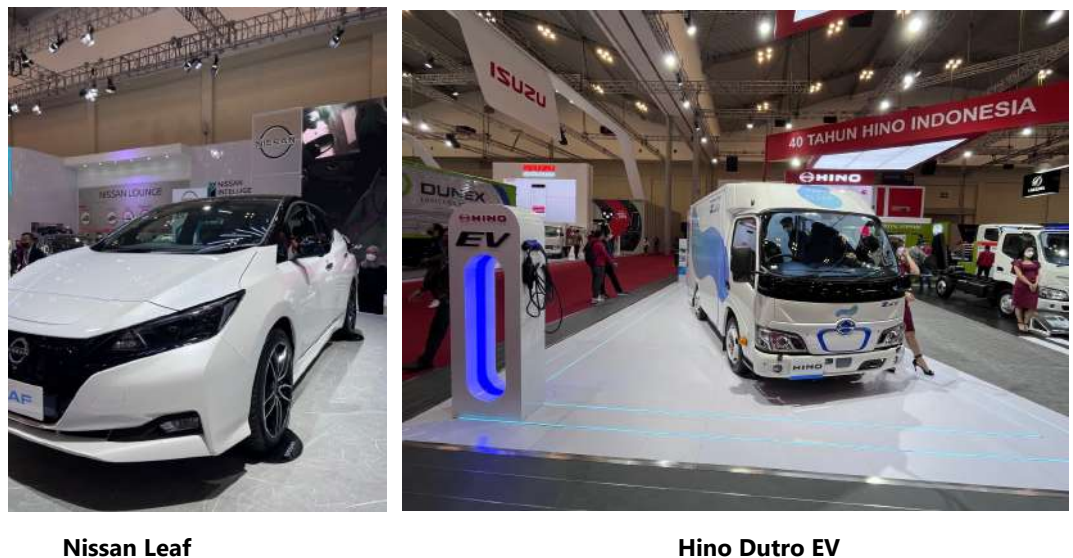
During the event, Indomobil (IMAS IJ, not-rated) competed through Nissan Leaf and was priced at IDR730mn/unit, selling 31 units in 7M22, even though we see that Nissan has not yet been the top choice for manufacturers in Indonesia. In addition, Hino also showcased Hino Dutro Z EV, however the start selling date is still unknown. As an illustration, Hino has an 18% market share in truck sales in Indonesia.

Exhibit 05. Astra's "weapon" in EV sales in Indonesia



Source : MNCS

Exhibit 06. Nissan also Races in this Competition



Source : MNCS

Astra Ecosystem for EV

We also view that Astra is cautious in the EV business in Indonesia, since the company had not only prepared in terms of product sales, but had also prepared the infrastructure for the Astra Otopower (AUTO IJ) EV station. The station will be present in several locations as a mean to support the government in preparing the infrastructure the G20 Presidency activities, as well as the development of the electric vehicle ecosystem in Indonesia. Astra Otopower can be operated using a mobile web browser, where the user's transaction history will be recorded. In the future, Astra Otopower operating system will be integrated with www.astraotoshop.com. With the strong bargaining power among the Indonesian people, we view that Astra will still be the winner in the future despite the interference from "Korean cars".

Exhibit 07. Astra Otopower in GIIAS



Source : MNCS

"China Car" is also ready to compete

We also visited several popular "Chinese car" booths, and we saw that the competition seems to be more narrowed in the mini EV. Wuling is ready to sell "Airev" as the first EV product to be sold in Indonesia with a range of IDR238-IDR311mn/unit (OTR Jakarta), and ready to be distributed in Oct-Nov'22. In addition, several brands are also ready to sell mini EVs such as: 1) Chery; 2) DFSK and 3) MG. However, the three manufacturers are only planning to market their products on the FY23F at prices similar to Airev.

Exhibit 08. Mini EV Competition will be Crowded from China Manufacturers



DFSK plans to sell mini EV on FY23F

MG is still monitoring the development of EVs in Indonesia, potentially for sale in FY23F

Chery is also willing to sell mini EVs in FY23F, and has a target of 50%-60% mini EVs in Indonesia

Wuling Airev has opened a PO and is ready to be distributed on Oct-22. Airev will be sold in the range 238-311mn/unit

Source : MNCS

Hyundai's Determination on Indonesian Market, The Next LMPV Market

In FY21, LMPV competition was quite intense as Toyota-Daihatsu, Mitsubishi and Honda upgraded their LMPV products (baca disini). The launch of this new LMPV is sufficient to support car sales in Indonesia, especially Astra which recorded a market share of 54.5% in 7M22 (vs 51.7% in 7M21) despite the removal of PPNBM subsidy by the government. LMPV had a market share of 44.40% in 7M22, thus showing that the purchasing power of the Indonesian people is currently still at the level of IDR250-IDR330mn/unit. Hyundai has sold Stargazer model to compete with others, which we assess has the potential to intensify competition. This can also be seen from Hyundai's total sales which grew 796% YoY in 7M22 which was supported by "Creta" sales. Some of our other assessments are: 1) more affordable price of Stargazer with the most expensive price being IDR307mn/unit compared to other manufacturers at the level of IDR320-340mn/unit; 2) increasing Hyundai's market share from 0.3% in 7M21 to 2.4% in 7M22; 3) Hyundai's investment of USD1.55bn to develop its first manufacturing center in ASEAN.

Exhibit 09. Hyundai Stargazer in Booth Hyundai



Source : MNCS

2W Getting More New Players

We also see that there is an interesting competition in the 2W segment as there is a new player who specializes in EV, namely Alva One (INDY IJ, not-rated). During our visit, we saw the shape and the specs of the product, and we conclude that Alva One has the potential to attract public interest. Looking at the design of the Alva One, we see that the shape of this 2W EV is similar to conventional 2W, such as the Honda PCX (ASII IJ) and N-Max (Yamaha). Specifically, Alva One has a 4,000 watts capacity with a large torque of 46.5 Nm and a top speed of 90 km/h. For charging, the Alva One has battery with a power of 2.7 kWh requiring four hours of charging time connected to the application. Alva One will be sold at a price of IDR35mn/unit which will be distributed on 9M22-10M22. As of now, INDY had received investment fund from Alpha JWC and Horizon through its new subsidiary called Ilectra Motor Group (IMG) in which the company owns 78.6% of the stakes. From this collaboration, INDY through Electra Mobilitas Indonesia (EMI) mass produced this 2W EV.

Exhibit 10. Alva One was first introduced to Public at GIAS



Source : MNCS

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OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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