



## AUTOMOTIVE SECTOR UPDATE

### Sustainable Mobility Solutions Gain Traction at GIIAS 2023

#### The Surge in Indonesia’s Car Sales

As of 7M23, Gaikindo recorded ~586k units of sales in four wheels (4W) or increased by 8.5% YoY. The growth in Indonesia’s car sales was supported by several major players, including Toyota, Daihatsu, and Honda, which collectively held Indonesia’s car market share of up to 66.6%. Toyota, Daihatsu, and Honda recorded sales of 190k/115k/85k units car respectively in 7M23, exceeding their 7M22 performance. This strong sales was supported by the strengthened purchasing power and the improving condition in chip shortage. Furthermore, we also anticipate that the potential downward trend in interest rates will boost vehicle sales.

#### On the Ground Research: GIIAS 2023

- This year, Gaikindo again held the GIIAS with “Future Now” as their main theme, where various brands competed to introduce their hybrid or electric vehicles as the increasing popularity of green alternative vehicles. Gaikindo announced that there were ~462k visitors this year, or an increase of ~20% compared to the event in 2022.
- Wuling Air EV with its affordable price made a breakthrough with ~10k units sold and dominating the Indonesian electric vehicle market share (~60% of the market share). Meanwhile, the Hyundai Ioniq 5, which previously had the largest market share, fell to second place with a market share of around 35%.
- Despite the increasing popularity of EVs, we observed that the market share of EVs in Indonesia is relatively small and has not grown at a rapid rate. In contrast, hybrid cars, which are another alternative to environmentally friendly cars, are growing exponentially. The market share of hybrid cars has increased from ~0.9% in 2022 to ~6% in 7M23.
- Great Wall Motors (GWM), China’s largest SUV and pick-up truck producer, plans to enter the Indonesian market with their best-selling products Haval, Ora, and Tank. GWM cars will be distributed by PT Inchcape Indomobil Energi Baru, a joint venture from Inchcape Plc and PT Indomobil Sukses Internasional Tbk (IMAS IJ).
- The E-Motorcycle or 2W segment is evolving with electric propulsion innovations. Brands like Honda, Alva One, and Vespa have introduced electric motorcycles, but their pricing may pose challenges. Alva One offers better features and affordability, potentially posing a challenge to Honda’s market share. The presence of EV motorcycles is gradually increasing with government incentives and support.

#### Recommendation: Overweight with Top Picks ASII (BUY, TP: IDR7,600) and AUTO (BUY, TP: IDR3,500)

We remain **Overweight** in the automotive sector given: a) EV sales incentives, b) increased use of domestic components, and c) huge investment in EV development in Indonesia. Our top picks in the sector are **ASII IJ (BUY; TP: IDR7,600) and AUTO IJ (BUY; TP: IDR3,500)** as currently, the stock is trading slightly below -1STD (5-yrs avg) with PE ratio at 9.3x/8.6x level. Downside risks: USD/IDR rate, rising inflation, and interest rates.

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
ASII IJ	260.1	8.2	8.2	1.1	1.0	BUY	7,600
AUTO IJ	14.6	9.4	8.4	1.0	0.9	BUY	3,500

#### Research Team Support

Natasha Audrey Wijaya  
Charissa Christy Wirija  
[research@mncsekuritas.id](mailto:research@mncsekuritas.id)

#### Research Analyst

M. Rudy Setiawan  
[muhamad.setiawan@mncgroup.com](mailto:muhamad.setiawan@mncgroup.com)

MNCS visited to GIIAS (Gaikindo Indonesia International Auto Show) 2023 on August 18, 2022, which is an annual automotive show that lasted from August 10, 2022, to August 20, 2022, in Indonesia Convention Exhibition (ICE), Serpong, Tangerang. This biggest automobile exhibition was organized by GAIKINDO.

This year, GIIAS has the theme “Future Now”, closely echoing last year’s “Future is Bright”. Both themes represent the future of the Indonesian automotive industry as it begins to shift towards electric vehicles (EVs). The number of visitors reached 462k people this year, or ~20% growth from the event in 2022. The GIIAS 2023 exhibition was joined by more than 30 renowned brands that came from various countries including China, Japan, Korea, and Europe. From EV charging stations and EV motorcycles to commercial EV trucks, GIIAS 2023 displays the prominence of electric vehicles, highlighting their potential to supplant conventional technologies.

**Exhibit 01. Series GIIAS 2023**



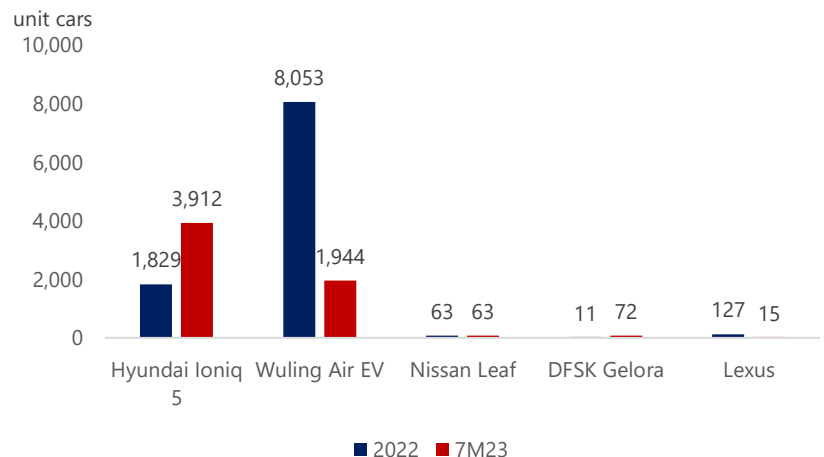
Source: Indonesia Auto Show

The majority of automobile manufacturers, including Toyota, Hyundai, Honda, and Wuling, competed to exhibit their electric vehicle (EV) vehicles, which are either mass-produced or are still prototypes.

**Indonesia’s EV Industry: Growing at a Rapid Pace**

The trend of featuring EVs at GIIAS has persisted this year, as multiple car brands compete to introduce their eco-friendly vehicles, including both EVs and hybrids. Several established and newcomer automotive brands are striving to emulate Wuling’s and Hyundai’s success in dominating Indonesia’s EV market share. Wuling Air EV achieved success by selling over ~8,000 units in 2022, becoming Wuling second best-selling product after Confero. Moreover, Hyundai Ioniq 5 sales also reported a significant increase of 108% in the 7M23, with more than 3,800 units being sold (Hyundai Ioniq 5 booked 1,829 unit sales in 2022). Hyundai strategized to continue its legacy in the Indonesia EV market by introducing the Ioniq 6, a long-range electric sedan with a battery capacity of up to 77.4 kWh.

**Exhibit 02. Ioniq 6 booth & Sales graph of EV cars in Indonesia (in units)**



Sources: MNCS, GAIKINDO

**Exhibit 03. NETA V Booth**



Source: MNCS

**The Rise of New EVs at GIIAS 2023**

At the GIIAS 2023 event, brands such as NETA and DFSK made notable debuts. The prestigious Volvo unveiled its XC40 Recharge and C40 Recharge, showcasing their latest EV models and emphasizing their commitment to sustainable mobility. Similarly, CITROEN and DFSK are ready to sell their electric lineup, CITROEN E-C3 and DFSK Seres E1. The DFSK Seres E1, previously known as MINI EV, competes with the Wuling Air EV, which has become the market leader in the electric vehicle sector in Indonesia.

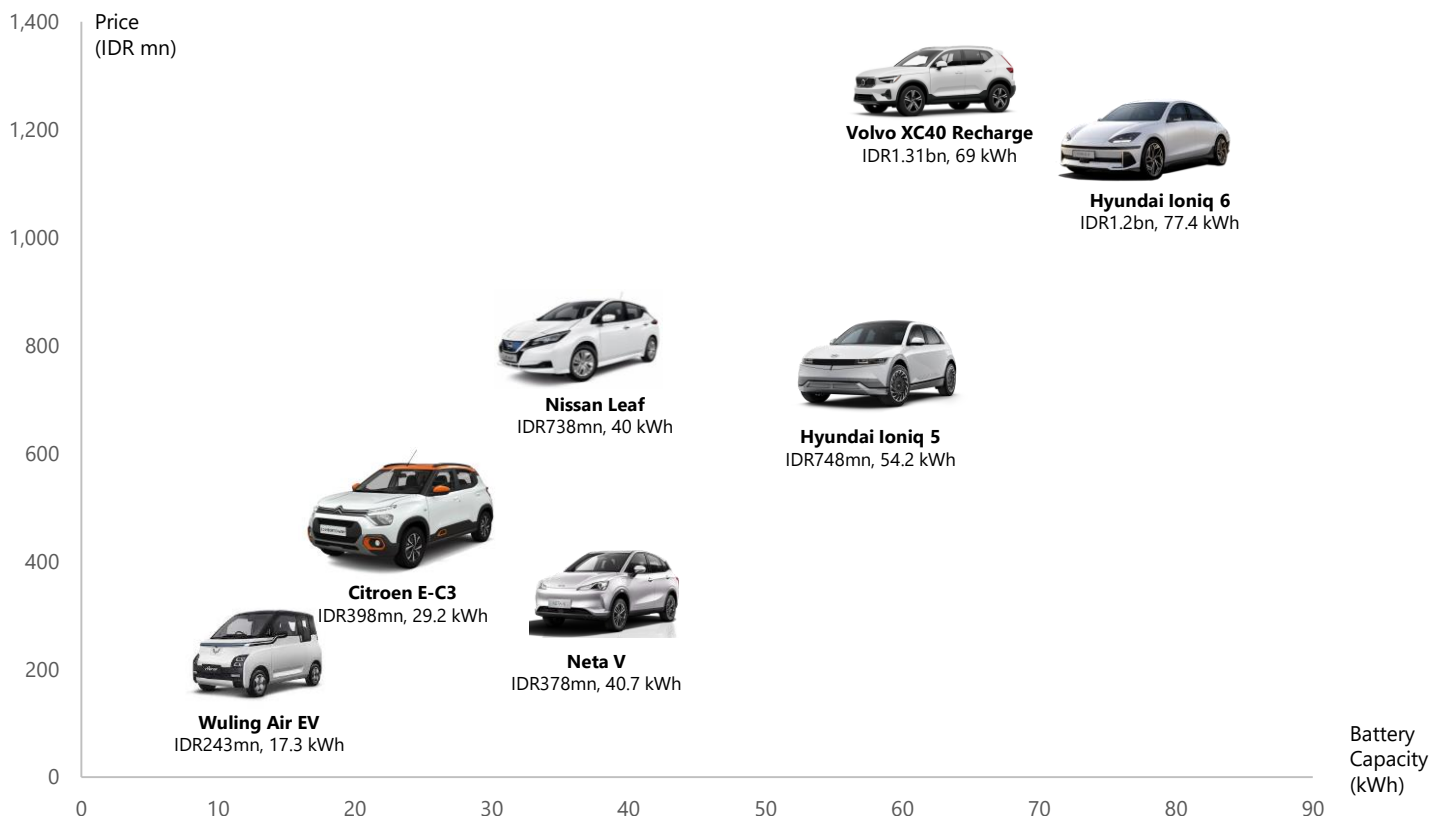
The government is promoting the use of electric vehicles (EVs) as a solution to air pollution caused by vehicle carbon emissions. The government is providing subsidies for the purchase of new electric cars starting from April 1, 2023. The subsidy is a VAT (Value Added Tax) incentive that is valid until December 2023. Therefore, the Indonesian public is becoming interested in electric vehicles. Considering that Indonesia’s population is large, the potential for car ownership in the country remains vast in the future. This is why “Chinese cars” such as GWM and NETA start to enter the Indonesian market.

**Exhibit 04: We visited the new EVs booths from several brands**



Source: MNCS

**Exhibit 05: EVs in Indonesia Price and Battery Capacity Comparison**



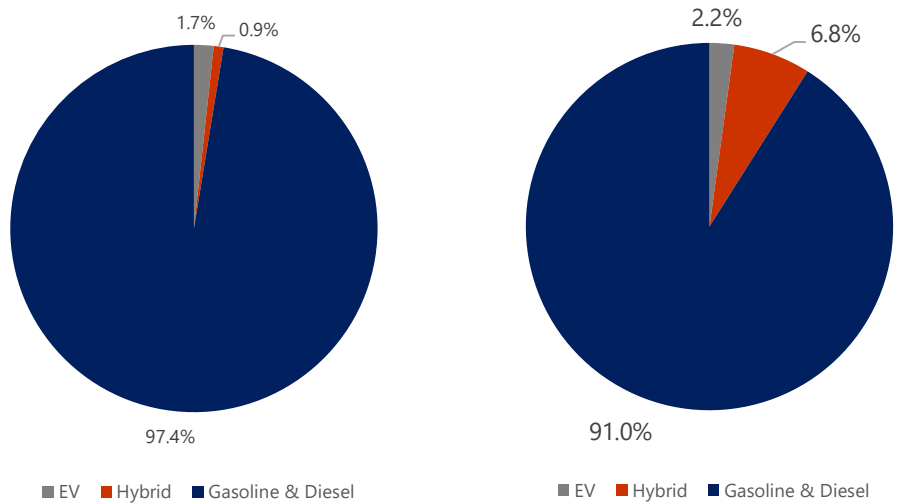
Sources: MNCS, Company Website

**The Strengthen Traction in Indonesia Hybrid Car**

While EVs offer many benefits, there are some challenges EV car manufacturers face to penetrate the Indonesian market. These challenges include high prices and long charging periods. The condition of the infrastructure in Indonesia is not yet fully adequate for EVs, as the availability of charging ports is still limited. Therefore, there are other alternatives for a more sustainable practice toward greener solutions for commercial vehicles, which as hybrid cars. Hybrid cars are considered a more viable alternative for the Indonesian market than electric vehicles (EVs) since hybrid cars are more affordable than EVs and still offer better fuel efficiency than traditional gasoline cars.

The data from Gaikindo shows that there is an increase of 334% in Hybrid car sales in Indonesia with a total of 22,199 units of hybrid cars sold in 7M23 (vs 5,112 units in 2022). Meanwhile, EV car sales only increased by 45% with a total of 10,327 units sold in 7M23 (vs 7,096 units in 2022). The market share growth of hybrid cars is faster than EVs.

**Exhibit 06: Indonesia’s Car Market Share by Type (2022 vs 7M23)**

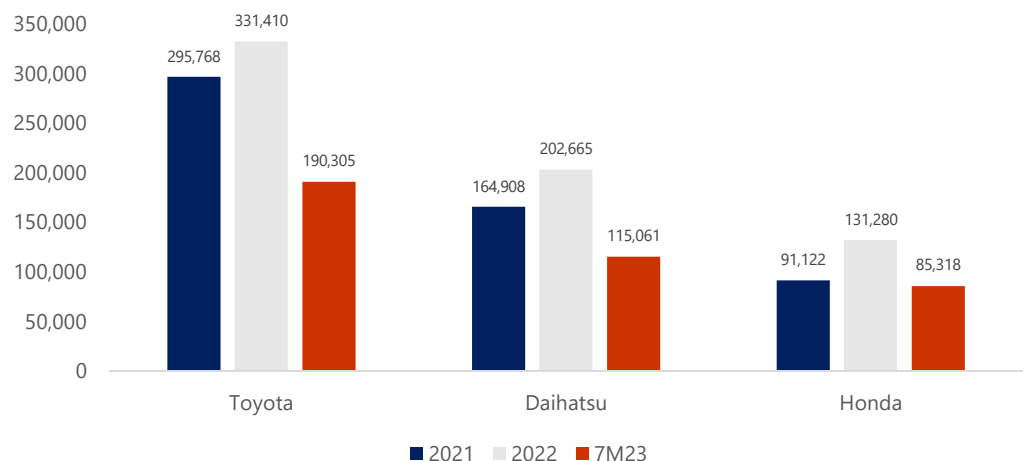


Sources: Gaikindo, MNCS

**Behind The Slow Transition of Indonesia’s Major Car Players to EVs**

We observed some of the major car players, such as Toyota (ASII IJ), Daihatsu (ASII IJ), and Honda, have been slow to transition to EVs, despite the growing demand for EVs in Indonesia. These companies continue to focus on marketing gasoline-powered vehicles and have been hesitant to introduce new EV models. This is because Toyota, Daihatsu, and Honda car sales remain strong and dominating (~63% market share) in 2022 with a remarkable growth at 12% YoY, 23% YoY, and 44% YoY respectively.

**Exhibit 07: Indonesia’s Car Sales (in units)**



Sources: Gaikindo, MNCS

**Exhibit 08. Booth Honda CR-V**



Source: MNCS

For now, these three major companies shifted to selling hybrid cars as they are still a good option for Indonesian consumers in terms of price and preference. Some of the hybrid cars launched by major brands in Indonesia:

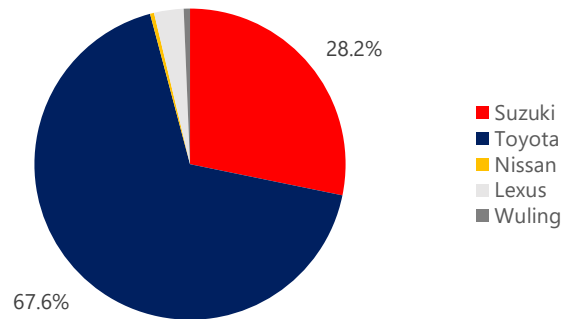
- **Toyota:** Innova Zenix Hybrid (~IDR470-625mn/unit), Yaris Cross Hybrid (~IDR450mn/unit), Alphard Hybrid (~IDR1.3-1.6bn/unit)
- **Daihatsu:** Rocky e-Smart Hybrid
- **Honda:** CR-V Hybrid (~IDR740-800mn/unit)

There is also a breakthrough from **Suzuki** by introducing an affordable hybrid SUV car, the Suzuki XL7 Hybrid and Suzuki Ertiga Hybrid with estimated prices ranging from IDR270-300mn/unit. With competitive pricing and good fuel efficiency, we see that the existence of Suzuki Hybrid cars can become a new contender for the Indonesian hybrid car market. As of July 2023, Suzuki holds the second largest market share in the hybrid car market with sales of 6,262 units, which represents a 27% share of the total hybrid car market in Indonesia.

**Exhibit 09. Booth Suzuki & Indonesia’s Hybrid Car Sales Market Share (7M23)**



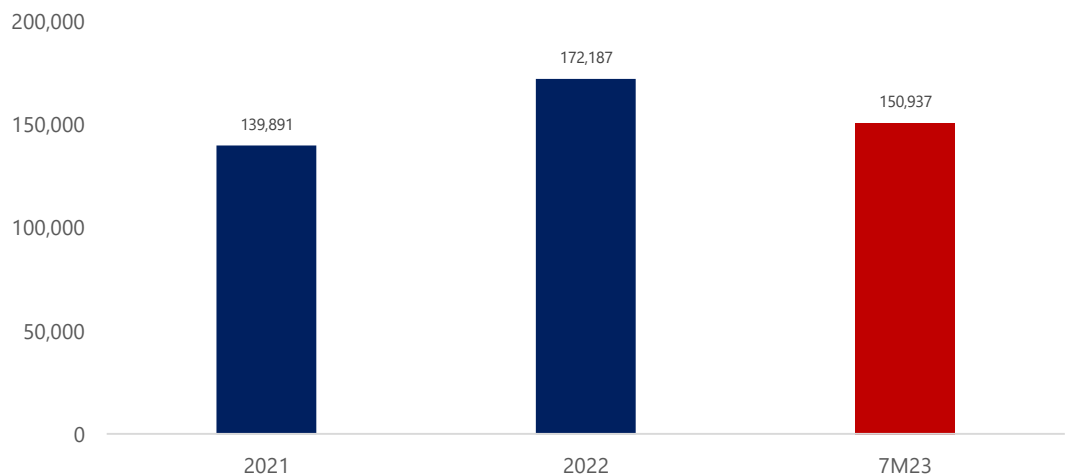
Sources: GAIKINDO, MNCS



**New Potential Key Player in Indonesia’s Car Market: Great Wall Motors**

Great Wall Motors, China's largest SUV and pick-up truck producer, aims to enter the Indonesian market in March 2024 by introducing their products; **Tank, Haval, and Ora** in GIIAS 2023. Currently, GWM has expanded to various emerging markets in Southeast Asia such as Malaysia, Laos, Cambodia, the Philippines, and Thailand. Through the extensive expansion, GWM recorded 150,937 overseas sales in 7M23 with Haval as their best-selling product and it is predicted to exceed last year's sales achievement of 172,187 units.

**Exhibit 10. GWM Export Car Sales (in units)**

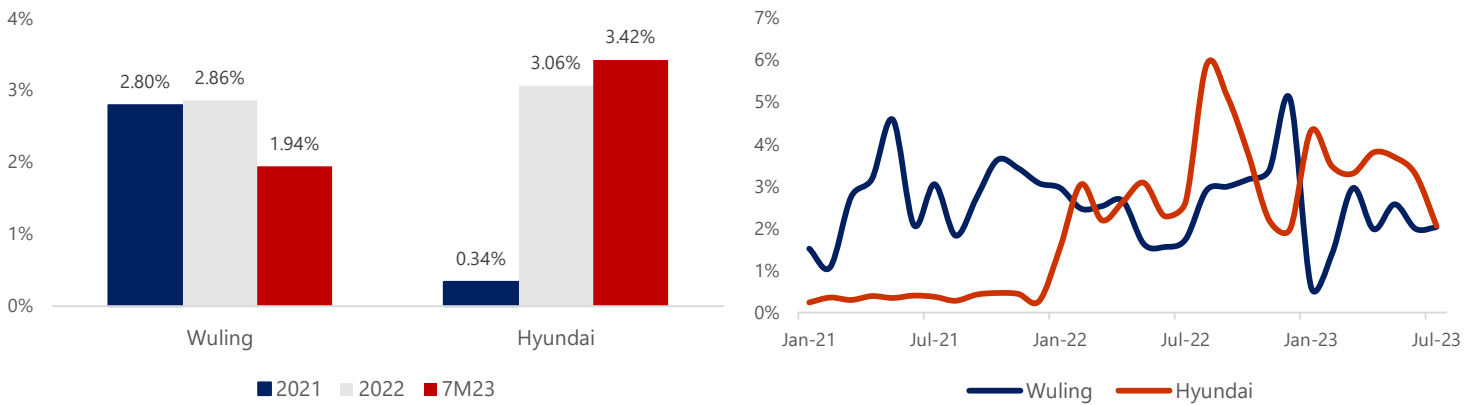


Sources: GWM Report, MNCS

## GWM's Global Success: Potential Assembly Plant in Indonesia

In 2022, GWM also achieved a breakthrough in Thailand, with over ~11,000 vehicles sold, a 214% YoY increase, and represents about ~7% of the GWM's overall export sales. Following the company's success, GWM announced their plans to invest ~USD30mn in an EV battery factory and compact EV plant in Thailand. It is feasible that in the future, GWM will build an assembly plant in Indonesia to reduce costs and take advantage of government incentives. We anticipate that GWM will follow a similar path from other fellow automakers, such as Hyundai with a USD1.55bn investment in an electric vehicle factory, and Wuling with a USD700mn investment in a car manufacturing plant. Both Hyundai and Wuling have successfully increased their market share from below 1% in 2020 to ~2-3% individually in the past year.

Exhibit 11. Wuling & Hyundai Market Share



Sources: GAIKINDO, MNCS

## GWM's Entry Strategy for the Indonesian Automotive Market

In Indonesia, GWM cars will be distributed by PT Inchcape Indomobil Energi Baru, a joint venture from Inchcape Plc and **PT Indomobil Sukses Internasional Tbk (IMAS IJ)**. Several products GWM plans to market in Indonesia, including:

- **Haval H6 HEV:** a 5-seater medium-sized hybrid SUV with 240 hp and 1500 cc. Estimated OTR prices at ~IDR500mn/unit.
- **Haval Jolion:** a 5-seater medium-sized hybrid or gasoline-powered SUV with 139 hp and 1500 cc. Estimated OTR price for the hybrid type at ~IDR400mn/unit and for the gasoline-powered type at ~IDR300mn/unit.
- **Tank 500:** a 7-seater large-sized hybrid SUV with 346 hp and 200 cc. Estimated OTR prices at ~IDR1.2 -1.4bn/unit.
- **ORA 03:** a 5-seater small electric car with 143 hp and 63.2kWh battery capacity. Estimated OTR prices at ~IDR600-700mn/unit. The ORA 03 is now marketed in Thailand with a more affordable price of approximately IDR440mn/unit.

Exhibit 12. GWM's booth at GIIAS 2023



Source: MNCS

Given the specifications and estimated price, we expect three GWM products (Haval H6 HEV, Tank 500, and ORA 03) will target the upper-middle-class market. Meanwhile, Haval Jolion comes at a more affordable price and was expected to be able to compete with several big brands, Honda HR-V and Mitsubishi XForce. In comparison, the Haval Jolion HEV with hybrid technology is estimated to be priced at ~IDR400mn, while the Honda HR-V and Mitsubishi XForce are priced in the same range, but still use gasoline as fuel. However, the estimated price and specifications of the GWM cars that will be distributed in the Indonesian market may be subject to change from what has been displayed.

### Green Riding: Future Innovations in E-Motorcycles

We can also see that the 2W segment is increasingly embracing the innovation of electric propulsion. Honda Introduces its new electric vehicle, the Honda EM1 e: (ASII IJ). This electric motorcycle is the first product from Astra Honda Motor (AHM) to be sold on a large scale with a range of IDR40-45mn/unit (OTR Jakarta). This electric motorcycle's battery weighs 10.3 kg and has a capacity of 50.26V 26.1 Ah, or approximately 1.3 kWh with a charging period of 2,7 hours. With that battery, the Honda EM1 e: can travel as far as 41.1 kilometers with a top speed of 45 km/h. Vespa has also officially launched its electric Vespa, Elettrica. The Vespa Elettrica is priced at IDR198mn (OTR Jakarta) with a battery capacity of 48V - 86 Ah, or approximately 4.2 kWh. However, we believe that these two brands will have difficulty entering the Indonesian motorcycle market, as their prices are significantly higher than those of conventional motorbikes.

**Exhibit 13: Booth Honda EM1 e: & Vespa Elettrica**



Source: MNCS

### Alva One vs The New Player of EV motorcycle, Honda EM1 e:

On the other hand, Alva One (INDY IJ), the new EV motorcycle that was launched last year has garnered significant interest. Alva One has more battery capacity (60 V - 45 Ah or approximately 1,1 kWh) compared to Honda EM1 e: with a charging period of ~4 hours. With more battery capacity, Alva One can travel in the range of 70 km with a top speed of 90km/h. Alva One has a very interesting feature of having its own ALVA mobile app. This mobile app allows you to check the motorcycle charging status, enable you to unlock the bike remotely, view riding stats insights, and much more. This electric motorcycle was priced at IDR36.5 mn/unit (OTR Jakarta) which is more affordable compared to Honda EM1 e: (IDR40-45mn/unit).

A portable USB charging port is included on both the Alva One and the Honda EM1 e:. However, Vespa, Elettrica, and Honda EM1 e: do not provide mobile app features like Alva One. With a lower price, higher battery capacity, higher top speed, and more features, we expect consumers to have more enthusiasm for Alva One compared to Honda EM1 e:. To compete with Alva One, we believe Honda EM1 e: has to improve its features and specifications. This means Honda should be prepared if its market share is threatened as the competition becomes increasingly tight. It is estimated that EV motorcycles currently do not dominate over gasoline-powered motorcycles. People have not yet shifted to EV motorcycles for now, but the presence of EV motorcycles is gradually increasing. This is also due to government support in the form of incentives.

### MNC Research Industry Ratings Guidance

- **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

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16  
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340  
Telp : (021) 2980 3111  
Fax : (021) 3983 6899  
Call Center : 1500 899

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