

OVERWEIGHT

Return (%)	-1D	-1W	-1M
JCI	+0.3	+2.3	+3.8
LQ45	+0.1	+1.9	+0.7
ASII IJ	+1.8	+2.7	+3.6
AUTO IJ	+3.8	+7.9	+6.6

EPS Growth (%)	FY23E	FY24F
ASII IJ	+16.8	+0.4
AUTO IJ	+13.2	+10.9

Automotive Sector
A Closer Look at the Dynamics of EV competition
4W: Buckling up as Toyota is confident to take on the EV competition

Toyota has put into plan the unveiling of their 10 EV models which they have targeted to reach 1.5mn in sales annually by FY26F. They also plan to establish a business unit which will solely focus on the EV market segment. So far, Toyota (including Lexus) only has 3 EV models in their portfolio, achieving merely <25k units of sales in FY22 globally. ASII is also actively endorsing the introduction of such EV products, considering Toyota holds >50% of Indonesia's automotive market share. We assess that this plan entails a more cutthroat competition amidst the entrance of Chinese and Korean players into the Indonesian market. Nevertheless, due to a unique feature of the Indonesian market, car factories need to consider the merit in after-sales service as a strategy to win over the domestic customers. Currently the domestic EV market is predominated by Hyundai and Wuling products, each holding up to ~51% and ~34% in 10M23, and if ASII has any chance of getting the upper hand it would be through "disrupting" the hegemony of those two EV giants.

EV Incentives are to continue into FY24F

The government plans to extend the EV incentive program, especially pertaining to the 2W segment. Incentive amounting to IDR7mn/unit for new units and the conversion from conventional to electric will carry on at least until the end of FY24F. Accommodating policies such as fiscal incentives, import duty lifting and tax incentives will also be implemented to accelerate the development of the domestic EV ecosystem. After effectuating a 1% state income tax policy for EV purchases within the country, the government now contemplates on mandating a tax-free policy for imported completely built-up (CBU) EVs. Concurrently, the government is also pushing for factories to built domestically, similar to Thailand's strategy, which allowed them to successfully grow their production rate to 10% from 2%.

Risk: Semiconductor supply hampered by China

Lately, China has banned the exports of gallium and germanium, potentially impacting the industries that require semiconductors as part of their production line. This is because gallium and germanium are one of the common components of semiconductors used in EVs, and ~60% and ~90% of germanium and gallium, respectively, are sourced from China. A country willing to purchase gallium and germanium from China requires that country to pass China's national security screening, hence the already restrictive distributional policy. We view a potential upside to those metal prices due to the likelihood of the supply chain experiencing hindrances, be it production and/or logistical slowdowns.

Recommendation: Overweight with Top Picks ASII (BUY, TP: IDR6,700) and AUTO (BUY, TP : IDR3,500)

We remain Overweight on the automotive sector given: a) potential to achieve the target of 1mn units of car sales and 6.2-6.5mn units of motorcycle sales in FY24F, b) EV sales incentives, c) increased use of domestic components, and d) huge investment in EV development in Indonesia. Our top picks in the sector are **ASII IJ (BUY; TP: IDR6,700)** and **AUTO IJ (BUY; TP:IDR3,500)** as currently, the stock is trading slightly below -1STD (5-yrs avg) with PE ratio at 7.5x/6.9x level. Downside risks: USD/IDR rate, rising inflation and interest rates, and semiconductor chip shortage.



Research Analyst
 Muhamad Rudy Setiawan
 Muhamad.setiawan@mncgroup.com

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
ASII IJ	234.8	8.2	8.2	1.1	1.0	BUY	6,700
AUTO IJ	19.4	9.4	8.4	1.0	0.9	BUY	3,500

Sources : Bloomberg, MNCS

Exhibit 01. EV and hybrid sales are relatively stable compared to conventional cars in FY23E

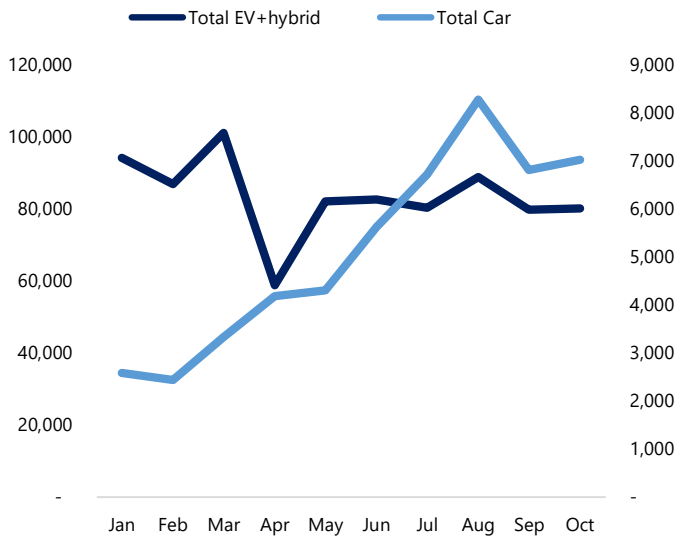
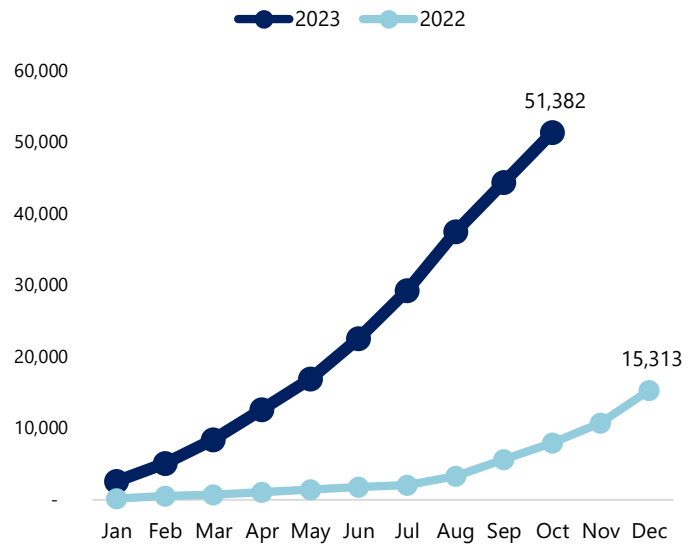


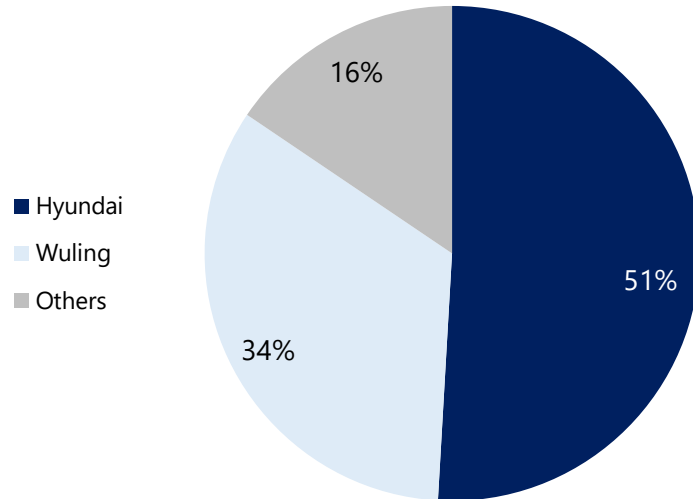
Exhibit 02. EV car sales in 10M23 have exceeded FY22 achievements



Sources : Gaikindo, MNCS

Exhibit 03. Hyundai and Wuling dominate the EV car segment in Indonesia (as of 10M23)

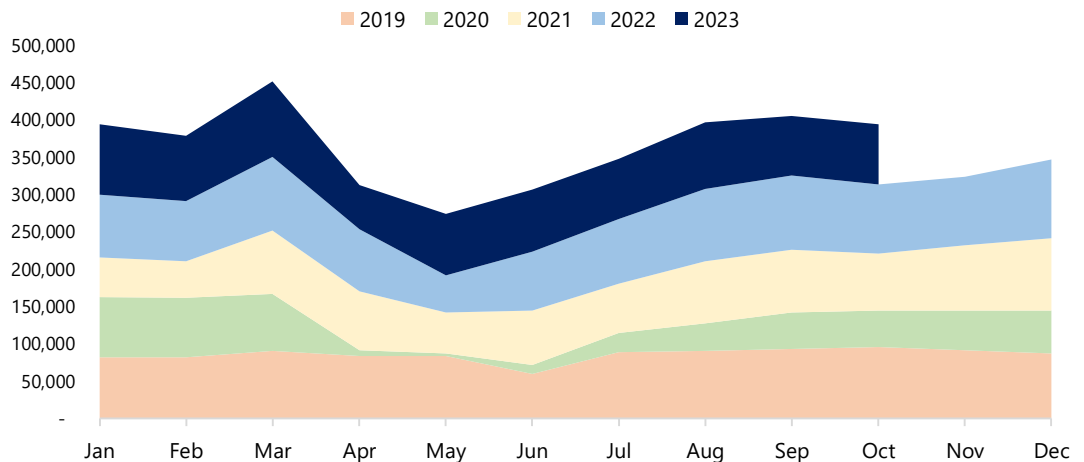
ASII plans on introducing Toyota's EV cars into the Indonesian market. ASII intends to make the EV market more competitive



Sources : Gaikindo, MNCS

Exhibit 04. The trend car sales in FY19-10M23 (unit per month)

Sales are poised to experience a boost approaching year's end based on historical trends, bolstered by various promotions



Sources : Gaikindo, MNCS

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

Disclaimer

This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.