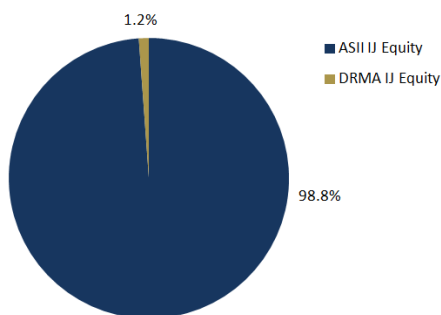


### Overweight

#### Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ASII	BUY	5,925	7,500	26.6%
DRMA	BUY	790	920	16.5%

#### Sector Market Cap Weighting



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## 2M23 Auto Sales

### Satisfactory 2M23

As many as 575,502 2W units were sold in Indonesia in Feb-23 (+56.3% YoY), mostly automatic scooters (90.4%). Satisfactory February sales boosted cumulative 2W sales to 1.2 million units (+46.7% YoY), exceeding both pre-pandemic levels (+8.2%) and SSI's forecast (21.7% of SSI's FY23F projection). Meanwhile, 4W sales was recorded at 86,954 units (+7.4% YoY), which brought cumulative 4W sales to 181,077 units (+9.6% YoY), beating pre-pandemic levels (+10.4%) and meeting SSI's forecast (18.1% of SSI's FY23F projection). Regarding market share, ASII managed to retain its seat as the market leader in both 4W (market share: 53.6%, mainly thanks to Toyota and Daihatsu brands) and 2W (> 70%, with Honda as its mainstay brand). Going forward, we project that Indonesian 4W and 2W sales will reach 1 million units and 5.5 million units, respectively, at the end of the year. It should be noted that 4W sales in FY22 had beaten pre-pandemic levels by +1.7%, though 2W sales in FY22 was -19.5% lower than pre-pandemic sales.

### IIMS 2023: A Massive Success

The IIMS (Indonesia International Motor Show) event in Feb-23 was a massive success, with more than 468 thousand people (+23.9% YoY) attending the event. As many as 15,622 4W units were sold during the event, with a total transaction value of IDR 5.3 trillion, significantly than last year (9,634 units, IDR 3.3 trillion). Toyota emphasized its position as market leader by securing the most vehicle order letters (SPK) at IIMS 2023 (1,947 units), mostly for Avanza (including Veloz) (515 units), Innova Zenix (403 units), and Raize (265 units). However, it should be noted that there were other MPVs with more order letters than Avanza, including Stargazer (747 units, 48% of Hyundai orders) and Xpander (~1,000 units, 62% of Mitsubishi orders). As for SUVs, we noticed that the competition has tightened following the launch of several new models, including Cherry Omoda5 (492 orders, 72% of Cherry orders), beating HRV (399 units) and Wuling Alvez (163 units), while the best-selling SUV during the event was Hyundai Creta (522 units).

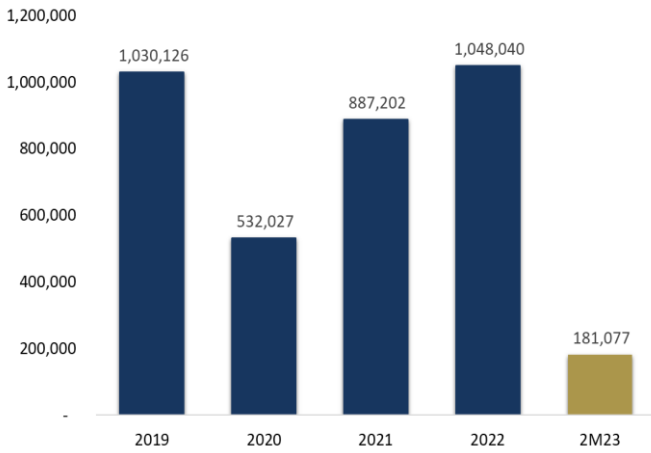
### More Info on EV Incentives

Starting 20 March 2023, the government will provide subsidies for EVs with a TKDN (Domestic Component Level) of at least 40%. The subsidy provided for the purchase of 2W EV is IDR 7 million, while details regarding 4W incentives will be provided later. The Minister of Industry revealed that three 2W EV brands, namely Volta (NFCX), Selis (SLIS), and Gesits, are currently eligible for the subsidy. Meanwhile, there are only two 4W EV models eligible for the subsidy at the moment: Hyundai Ioniq 5 and Wuling Air EV. The plan is to provide subsidy for the purchase of 200,000 2W EV units, 50,000 converted 2W units, 35,900 4W EV units, and 138 electric bus units. The subsidy will be provided using National Identity Number (NIK) as a basis (one purchase for each NIK) and will be disbursed to manufacturers.

### Top Pick: DRMA (Record-Breaking Performance)

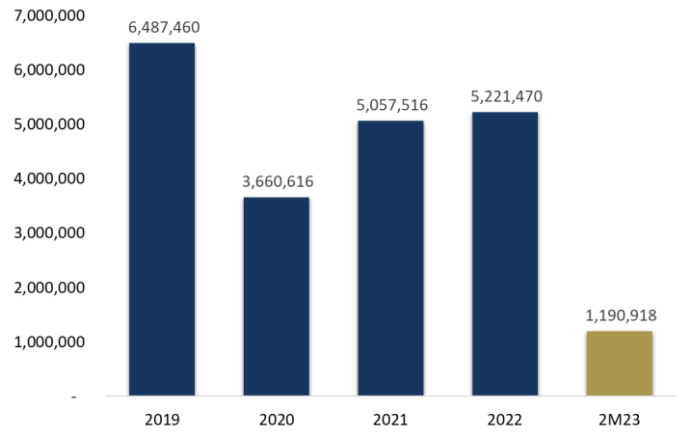
We keep DRMA as our top pick with a TP of IDR 920, implying an FY23F PE of 10.3x. DRMA posted an excellent performance in FY22, registering the largest full-year revenue (IDR 3.9 trillion, +34.1% YoY) and net profit (IDR 394 billion, +89.1% YoY excluding one-off gain from the sale of its assets in Balaraja in 2021) in its history. This year (FY23F), DRMA will open a new 4W factory that will produce suspension members, while also entering the EV industry with its component localization and charging station projects. Not only that, DRMA has also acquired a 72.75% stake in PT Trimitra Chitrahasta, which may provide an additional boost for DRMA's financial performance.

**Figure 1. 4W Sales 2M23**



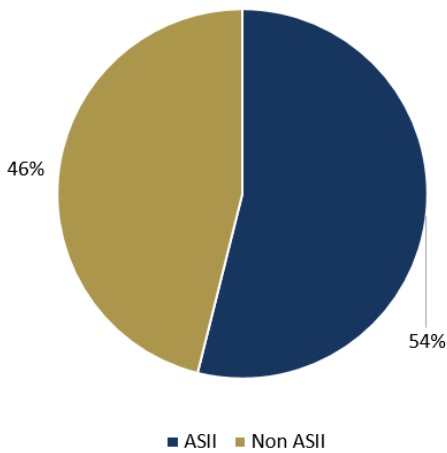
Source: Company, SSI research

**Figure 2. 2W Sales 2M23**



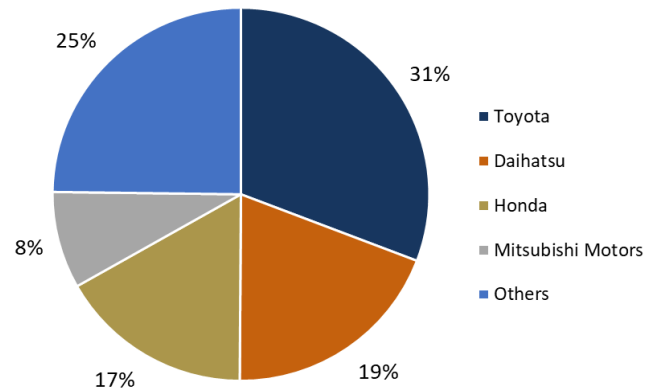
Source: Company, SSI research

**Figure 3. Market Share ASII**



Source: SSI, Gaikindo

**Figure 4. Market Share (Brand)**



Source: SSI, Gaikindo

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