# Dharma Polimetal

Bloomberg: DRMA.IJ | Reuters: DRMA.JK

Automotive Sector

SAMUEL SEKURITAS INDONESIA

27 July 2023

JCI Index: 6,948

## BUY (Maintain)

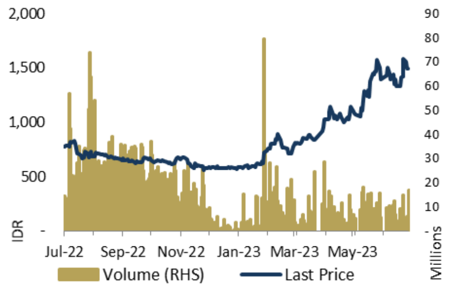
| | |
|---|---|
| **Target Price (IDR)** | **1,900 (from 1,600)** |
| **Potential Upside (%)** | **15.4** |

| Price Comparison | |
|---|---|
| **Cons. Target Price (IDR)** | 1,650 |
| **SSI vs. Cons. (%)** | 115.2 |

| Stock Information | |
|---|---|
| **Last Price (IDR)** | 1,580 |
| **Shares Issued (Mn)** | 4,706 |
| **Market Cap. (IDR Bn)** | 7,435 |
| **52-Weeks High/Low (IDR)** | 1,595/560 |
| **3M Avg. Daily Value (IDR Bn)** | 11.2 |
| **Free Float (%)** | 13.9 |
| **Shareholder Structure:** | |
| PT Dharma Inti Anugerah (%) | 47.6 |
| PT Triputra Investindo Arya (%) | 13.5 |
| Public | 15 |
| Others | 23.9 |

| Stock Performance | | | | |
|---|---|---|---|---|
| **(%)** | **YTD** | **1M** | **3M** | **12M** |
| Absolute | 170.1 | 10.5 | 54.1 | 102.6 |
| JCI Return | 1.4 | 4.3 | 0.0 | 0.7 |
| Relative | 168.7 | 6.2 | 54.1 | 101.8 |

**Stock Price & Volumes, 12M**




## Company Background

Established in 1989, PT Dharma Polimetal is a leading manufacturer of automotive components (for motorcycles and cars), The company also produces three-wheeled vehicles (PowerAce) and foldable bicycles (Polimetal).


Pebe Peresia

*+62 21 2854 8339*

*Pebe.peresia@samuel.co.id*


## Building on a Great Start

**1H23: Net profit growth of +140.8% YoY.** DRMA posted another solid quarter in 2Q23, with revenue growth of +92.6% YoY. Even though there's a slight QoQ drop (-10.0%), we believe it was nothing to worry about (the long Eid holiday in May disrupted automotive production). Regarding its cumulative 1H23 revenue, DRMA posted IDR 2.7 trillion (+72.3% YoY), beating our estimate (53.7% projected SSI), supported by revenue growth from all its business segments. The company's main business segment (2W, 54.1% of DRMA's total sales) reported sales growth of +67.9% YoY, in line with the growth in domestic 2W sales (+42.5% to 3.2 million units), which beat our estimate as well (SSI's FY23F projection: 5.8 million units, prev: 5.5 million units), with AHM (market share: 73%) as DRMA's largest customer (87.4% of DRMA's 2W segment sales). Aside from 2W, DRMA's 4W (30.4% of DRMA's sales) and other segments also reported significant sales growth (+78.1% YoY and +77.6% YoY, respectively). Not only that, DRMA's two main segments (2W and 4W) also posted massive jumps in GPM (+602bps YoY and +303bps YoY), pushing its consolidated 1H23 GPM to 17.7% (1H22: 13.6%).

**Brilliant acquisition.** The massive jump in DRMA's profit margins helped boost its net profit to IDR 346 billion (+140.8% YoY), beating expectations by a considerable margin (63.2% of SSI's FY23F forecast, 66.1% of consensus). It should be noted, however, that there was a one-off gain from the negative goodwill from the acquisition of Trimitra Chitrahasta ("TCH", IDR 56 billion), which was completed in January 2023. Even without the one-off gain, DRMA will still book significant bottom-line growth (+101.9 % YoY). From February to the end of 1H23, TCH performed brilliantly, posting revenue of IDR 327 billion (FY23F target: 700 billion) and net profit of IDR 15.3 billion (FY23F target: 28 billion). These numbers represent potential contributions to DRMA's FY23F revenue and net profit growth of +17.9% YoY and +7.1% YoY, respectively.

**Forecast changes.** Following DRMA's better-than-expected performance, we decided to revise our projections for the company, raising its FY23F revenue and net profit forecasts by +8.1% and +21.4%, respectively. We're optimistic that DRMA will continue its positive performance throughout the rest of the year, with full-year revenue of IDR 5.5 trillion (+41.2% YoY) and net profit of IDR 665 billion (+68.6% YoY) (one-off gain excluded: IDR 609 billion, +54.4% YoY).

**BUY, TP IDR 1,900.** Aside from the inorganic growth potential from the acquisition of TCH, there are other positive catalysts that might help boost DRMA's future performance, including its new 4W component factory (which will commence operations this year, supplying components for national 4W market leader) and its EV-related projects (component localization and charging stations). We reiterate our BUY rating on DRMA rating with a new TP of IDR 1,900 (12.3x FY24F PE).

**Forecasts and Valuations (at IDR 1,580/share)**

| Y/E Dec | 20A | 21A | 22A | 23F | 24F |
|---|---|---|---|---|---|
| Revenue (IDRBn) | 1,875 | 2,913 | 3,905 | 5,513 | 6,123 |
| EBITDA (IDR Bn) | 168 | 389 | 603 | 966 | 1,090 |
| EV/EBITDA (x) | 47.1 | 19.6 | 12.9 | 8.0 | 6.8 |
| Net Profit (IDR Bn) | 19 | 301 | 394 | 665 | 730 |
| EPS (IDR) | 4 | 64 | 84 | 141 | 155 |
| EPS Growth (%) | -88.9 | 1492.8 | 30.9 | 68.6 | 9.9 |
| P/E Ratio (x) | 393.3 | 24.7 | 18.9 | 11.2 | 10.2 |
| BVPS (IDR) | 108 | 228 | 296 | 417 | 539 |
| P/BV Ratio (x) | 14.6 | 6.9 | 5.3 | 3.8 | 2.9 |
| ROE (%) | 3.7 | 28.0 | 28.3 | 33.9 | 28.8 |
| ROA (%) | 1.2 | 11.9 | 14.7 | 18.3 | 17.3 |

**Table 1. DRMA 1H23 Results**

| (IDR Bn) | 2Q22 | 1Q23 | 2Q23 | QoQ | YoY | 1H22 | 1H23 | YoY | % SSI | % Cons |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 674 | 1,442 | 1,298 | -10.0% | 92.6% | 1,590 | 2,740 | 72.3% | 53.7% | 49.7 % |
| Gross Profit | 77 | 258 | 228 | -11.8% | 194.9% | 216 | 486 | 124.4% | | |
| Operating Profit | 44 | 271 | 180 | -14.2% | 312.4% | 201 | 451 | 124.4% | | |
| Net Profit | 28 | 216 | 130 | -39.9% | 368.5% | 144 | 346 | 140.8% | 63.2% | 66.1% |
| | | | | | | | | | | |
| GPM | 11.4% | 17.9% | 17.5% | -36 bps | 608 bps | 13.6% | 17.7% | 411 bps | | |
| OPM | 6.5% | 18.8% | 13.9% | -487 bps | 741 bps | 12.7% | 16.5% | 380 bps | | |
| NPM | 4.1% | 15.0% | 10.0% | -498 bps | 589 bps | 9.0% | 12.6% | 359 bps | | |

*Source: Company, SSI Research*

**Table 2. DRMA 1H23 Results by Segment**

| (IDR Bn) | 2Q22 | 1Q23 | 2Q23 | QoQ | YoY | 1H22 | 1H23 | YoY |
|---|---|---|---|---|---|---|---|---|
| Revenue (IDR Bn) | | | | | | | | |
| 2W | 361 | 788 | 694 | -11.9% | 92.1% | 883 | 1,482 | 67.9% |
| 4W | 215 | 438 | 394 | -10.1% | 83.6% | 467 | 832 | 78.1% |
| Other | 98 | 216 | 210 | -2.6% | 113.7% | 240 | 427 | 77.6% |
| Gross Profit (IDR Bn) | | | | | | | | |
| 2W | 40 | 162 | 144 | -11.1% | 263.0% | 129 | 305 | 137.1% |
| 4W | 24 | 81 | 60 | 26.2% | 152.9% | 65 | 140 | 117.1% |
| Other | 14 | 16 | 24 | 55.2% | 73.1% | 23 | 40 | 73.8% |
| GPM | | | | | | | | |
| 2W | 11.0% | 20.5% | 20.7% | 19 bps | 975 bps | 14.6% | 20.6% | 602 bps |
| 4W | 11.0% | 18.4% | 15.1% | -329 bps | 415 bps | 13.9% | 16.9% | 303 bps |
| Other | 14.2% | 7.2% | 11.5% | 429 bps | -270 bps | 9.5% | 9.3% | -20 bps |

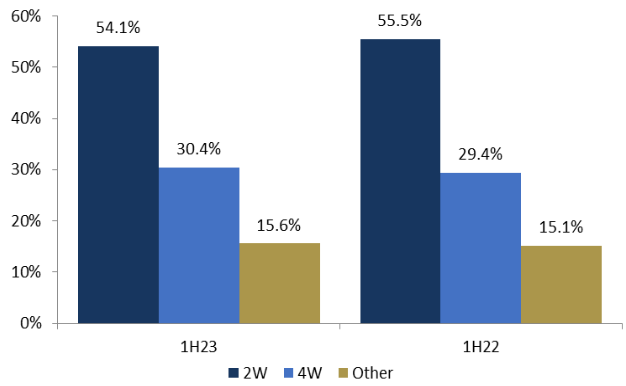
*Source: Company, SSI Research*

**Table 3. Forecast Changes**

| | OLD | | NEW | | % Change | |
|---|---|---|---|---|---|---|
| | 23F | 24F | 23F | 24F | 23F | 24F |
| Revenue | 5,101 | 5,663 | 5,513 | 6,123 | 8.1% | 8.1% |
| Gross Profit | 843 | 937 | 955 | 1,054 | 13.3% | 12.5% |
| Operating Profit | 726 | 823 | 872 | 968 | 20.2% | 17.6% |
| Net Profit | 547 | 613 | 665 | 730 | 21.4% | 19.1% |

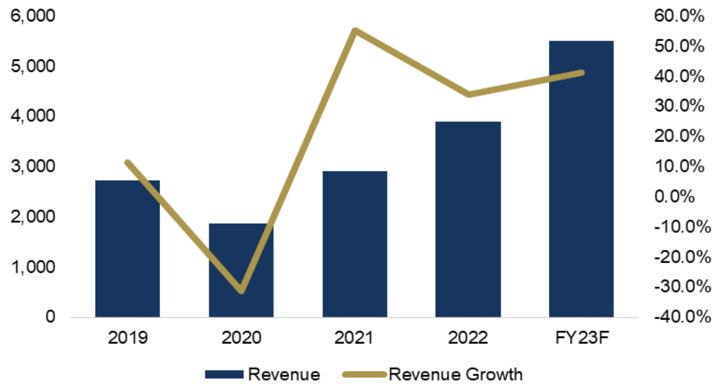
Source: Company, SSI Research

**Figure 1. Revenue Mix 1H23 (Business Segments)**



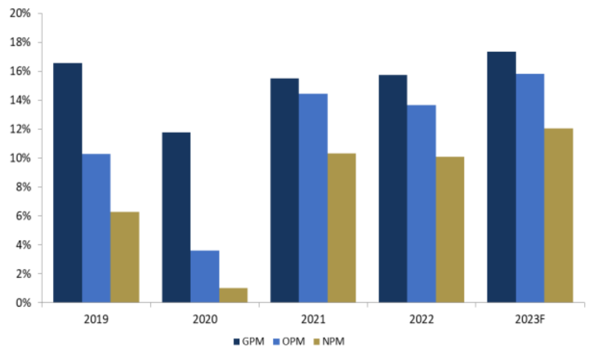

*Source: Company, SSI Research*

**Figure 2. Revenue Growth**



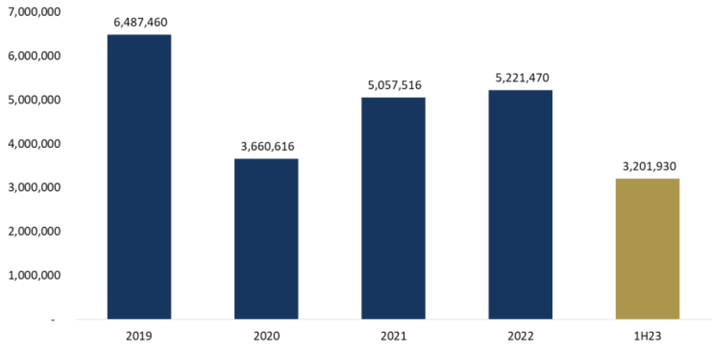

*Source: Company, SSI Research*

**Figure 3. Profitability Margin**




*Source: SSI Research, Company*

**Figure 4. Domestic 2W Sales**




*Source: AISI*

| Research Team | | | |
|---|---|---|---|
| Prasetya Gunadi | Head of Equity Research, Strategy, Banking, Digital Banks | prasetya.gunadi@samuel.co.id | +6221 2854 8320 |
| Lionel Priyadi | Macro Equity Strategist | lionel.priyadi@samuel.co.id | +6221 2854 8854 |
| Muhamad Alfatih, CSA, CTA, CFTe | Senior Technical Analyst | m.alfatih@samuel.co.id | +6221 2854 8129 |
| William Mamudi, CFTe, CMT, CCT | Senior Technical Analyst | william.mamudi@samuel.co.id | +6221 2854 8382 |
| Yosua Zisokhi | Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals | yosua.zisokhi@samuel.co.id | +6221 2854 8387 |
| M. Farras Farhan | Media, Poultry, Oil & Gas, Technology | farras.farhan@samuel.co.id | +6221 2854 8346 |
| Pebe Peresia | Automotive, Consumer Staples, Retail | pebe.peresia@samuel.co.id | +6221 2854 8339 |
| Juan Oktavianus Harahap | Coal, Metal Mining | juan.oktavianus@samuel.co.id | +6221 2854 8846 |
| Jonathan Guyadi | Banking, Healthcare, Telco | jonathan.guyadi@samuel.co.id | +6221 2854 8321 |
| Adolf Richardo | Editor | adolf.richardo@samuel.co.id | +6221 2864 8397 |
| Ashalia Fitri Yuliana | Research Associate | ashalia.fitri@samuel.co.id | +6221 2854 8389 |
| Daniel Aditya Widjaja | Research Associate | daniel.aditya@samuel.co.id | +6221 2854 8322 |
| Laurencia Hiemas | Research Associate | laurencia.hiemas@samuel.co.id | +6221 2854 8392 |
| Brandon Boedhiman | Research Associate | brandon.boedhiman@samuel.co.id | +6221 2854 8392 |

| Equity Institutional Team | | | |
|---|---|---|---|
| Benny Bambang Soebagjo | Head of Institutional Equity Sales | benny.soebagjo@samuel.co.id | +6221 2854 8312 |
| Ronny Ardianto | Institutional Equity Sales | ronny.ardianto@samuel.co.id | +6221 2854 8399 |
| Anthony Yunus | Institutional Equity Sales | anthony.yunus@samuel.co.id | +6221 2854 8314 |
| Widya Meidrianto | Institutional Equity Sales | widya.meidrianto@samuel.co.id | +6221 2854 8317 |
| Fachruly Fiater | Institutional Sales Trader | fachruly.fiater@samuel.co.id | +6221 2854 8325 |
| Lucia Irawati | Institutional Sales Trader | lucia.irawati@samuel.co.id | +6221 2854 8173 |
| Alexander Tayus | Institutional Equity Dealer | alexander.tayus@samuel.co.id | +6221 2854 8319 |
| Leonardo Christian | Institutional Equity Dealer | leonardo.christian@samuel.co.id | +6221 2854 8147 |

| Equity Retail Team | | | |
|---|---|---|---|
| Joseph Soegandhi | Head of Equity | joseph.soegandhi@samuel.co.id | +6221 2854 8872 |
| Damargumilang | Head of Equity Retail | damargumilang@samuel.co.id | +6221 2854 8309 |
| Clarice Wijana | Head of Equity Sales Support | clarice.wijana@samuel.co.id | +6221 2854 8395 |
| Gitta Wahyu Retnani | Equity Sales & Trainer | gitta.wahyu@samuel.co.id | +6221 2854 8365 |
| Vincentius Darren | Equity Sales | darren@samuel.co.id | +6221 2854 8348 |
| Michael Alexander | Equity Sales | michael.alexander@samuel.co.id | +6221 2854 8369 |
| Sylviawati | Equity Sales | sylviawati@samuel.co.id | +6221 2854 8112 |
| Wandha Ahmad | Equity Sales | wandha.ahmad@samuel.co.id | +6221 2854 8316 |
| Handa Sandiawan | Equity Sales | handa.sandiawan@samuel.co.id | +6221 2854 8302 |
| Denzel Obaja | Equity Sales | denzel.obaja@samuel.co.id | +6221 2854 8342 |
| Wahyudi Budiyono | Dealer | wahyudi.budiyono@samuel.co.id | +6221 2854 8152 |

| Fixed Income Sales Team | | | |
|---|---|---|---|
| R. Virine Tresna Sundari | Head of Fixed Income | virine.sundari@samuel.co.id | +6221 2854 8170 |
| Rudianto Nugroho | Fixed Income Sales | rudianto.nugroho@samuel.co.id | +6221 2854 8306 |
| Sany Rizal Keliobas | Fixed Income Sales | sany.rizal@samuel.co.id | +6221 2854 8337 |
| Safitri | Fixed Income Sales | safitri@samuel.co.id | +6221 2854 8376 |
| Khairanni | Fixed Income Sales | khairanni@samuel.co.id | +6221 28548104 |
| Saldy Achmad Yanuar | Fixed Income Sales | saldy.achmad@samuel.co.id | +6221 28548384 |
| Nadya Attahira | Fixed Income Sales | nadya.attahira@samuel.co.id | +6221 2854 8305 |