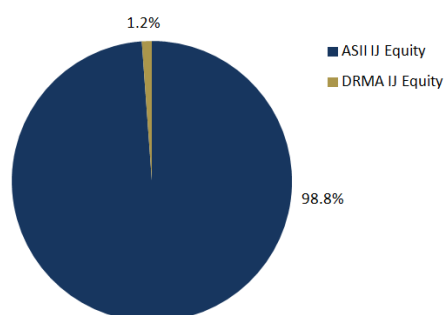


## Overweight

### Stock Recommendation

| Ticker | Rating | Price (IDR) | TP (IDR) | Upside |
|--------|--------|-------------|----------|--------|
| ASII   | BUY    | 6,725       | 7,600    | 13.0%  |
| DRMA   | BUY    | 1,695       | 1,900    | 12.1%  |

### Sector Market Cap Weighting



## 7M23 Auto Sales

**7M23: Better sales numbers than last year.** Domestic 2W sales went up +45.6% YoY to 475,428 units in July, bringing its cumulative 7M23 figure to 3.7 million units (+42.9% YoY), beating our estimate (63.4% of SSI's FY23F projection, 7M/FY average in pre-pandemic years [2017-2019]: 56.4%). Given the significant growth, we revised our FY23F 2W sales projection to 6 million units (previous: 5.8 million units), same as AISI's new target. Not only in 2W, but 4W sales also recorded positive growth, reaching 586,401 units by the end of 7M23 (+4.5% YoY), in line with our estimate (58.6% of SSI's FY23F projection of 1 million units). Regarding market share, ASII retained its seat as the market leader, both in 4W (60.4%, with Toyota and Daihatsu as the leading brands) and 2W (79%; Honda).

**GIIAS 2023: More players on 4W xEV field.** We visited GIIAS 2023, and we noticed that more and more players started entering Indonesia's 4W xEV (BEV and HEV) field. Not only the well-known, established players introducing their latest xEV models (Toyota with the New Yaris Cross Hybrid and Honda with the All-New CR-V Hybrid), but we also saw new 4W EV brands in the event, including Neta (Hozon Auto Manufacturing), which launched its Neta V model at the event (price: IDR 379 million), GWM (Great Wall Motors) with the Ora 03 (IDR 630 million), and Maxus with the MIFA 9 (IDR 1.4 billion). Another player that should not be ignored is DFSK, which has launched its latest EV model (Seres E1), with its base model (Type B) priced at IDR 189 million, the same as Wuling Air EV Lite. We believe that the decision of those Chinese brands to enter the Indonesian market is at least partly driven by the government's plan to provide incentives for imported CBU 4W EVs (lower VAT and import excise duty), which should help reduce prices and boost demand for 4W EVs in Indonesia.

**2W EV at GIIAS and changes in subsidy regulation.** We also saw several 2W EV brands showing their products in GIIAS 2023, including Alva, Polytron, Pacific, Segway, and Ion Mobility, who offered their products with a price range of IDR 20.5 million to IDR 43 million. In addition, Indonesia's 2W market leader, AHM (Honda) has also launched its own 2W EV, EM1e (price: IDR 40-45 million). Going forward, we believe that domestic 2W EV sales will increase considerably, supported by changes in subsidy regulations, which now only requires national ID card/KTP (prev: only for recipients of social assistance, including KUR, wage subsidy assistance, and electricity subsidy). The change was made considering the lukewarm public reception for the subsidy program, with only 1,857 potential recipients as of Jul-23 (government's target: 200,000 units).

**xEV sales account for 5.1% of domestic 4W sales.** By the end of 7M23, as many as 6.931 BEV units had been sold in Indonesia, much more than the previous year (7M22: 626 units), with Wuling Air EV as the best-selling EV model (27.3% of 4W EV sales), finally surpassing Hyundai Ioniq5 (25.7%), following the noticeable drop in sales in July (July 2023: 276 units, Jun-23: 870 units), partly due to the launch of the Hyundai Ioniq6 in July 2023. However, these figures are still relatively insignificant as they only account for 1.2% of domestic 4W sales, and we project its full-year contribution to remain <3%. Not only BEVs, but HEV sales also experienced significant growth, reaching 23,042 units by the end of 7M23 (3.9% of domestic 4W sales, 7M22: 1,417 units), with the Toyota Innova Zenix again as the best-selling model (46.7% of 4W Hybrid sales), followed by the Toyota New Yaris Cross (launched in May-23; 28.3%), replacing the Suzuki XL7 (15.2%, Jun-23 : 32.8%). What's even more interesting is the fact that the sales of the two Toyota hybrid models exceeded that of the ICE-powered models (69% of Toyota Innova Zenix sold in July 2023 were hybrids, New Yaris Cross: 88%). Supported by warm public reception to 4W HEV, we project HEV to account for ~5% of domestic 4W sales in FY23F.

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### Top pick: DRMA

We keep DRMA as our top pick with a TP of IDR 1,900, mainly due to 1) consolidation of PT Trimitra Chitrahasta's results, (FY23F revenue target: IDR 700 billion, ~18% of DRMA's FY22 revenue), 2) its new 4W component factory (producing suspension members for Toyota New Yaris Cross) and 3) its plan to enter the EV industry with its component localization and charging station projects. In addition, we believe that GIIAS could help boost ASII's auto sales, with the launch of the latest Toyota 4W hybrid models and Honda 2W EVs.

**Figure 1. Maxus Mifa 9 BEV**



Sumber: SSI research

**Figure 2. Citroen E-C3 BEV**



Sumber: SSI research

**Figure 3. GWM Ora 03 BEV**



Sumber: SSI research

**Figure 4. Neta V BEV**



Sumber: SSI research

**Figure 5. Toyota Innova Zenix HEV**



Sumber: SSI research

**Figure 6. Toyota New Yaris Cross HEV**



Sumber: SSI research



Figure 7. 2W EV ALVA



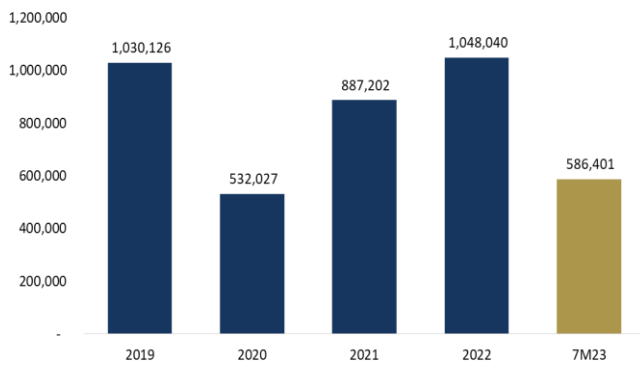
Sumber: SSI research

Figure 8. 2W EV SEGWAY



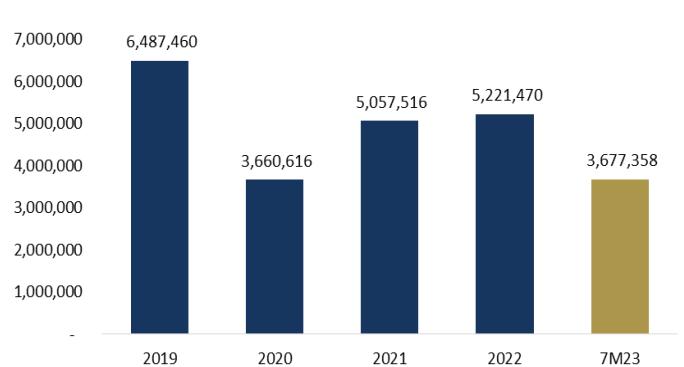
Sumber: SSI research

Figure 9. 4W National Sales 7M23



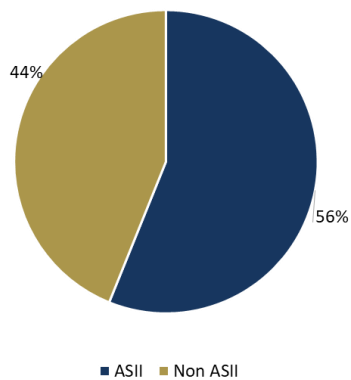
Sumber: Company, SSI research

Figure 10. 2W National Sales 7M23



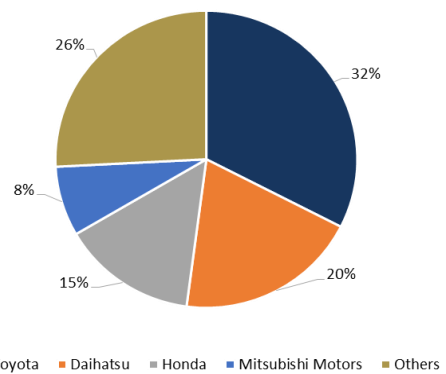
Sumber: Company, SSI research

Figure 11. Market Share ASII



Sumber: SSI, Gaikindo

Figure 12. Market Share (Brand)



Sumber: SSI, Gaikindo

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