Dharma Polimetal

Bloomberg: DRMA.IJ | Reuters: DRMA.JK

Automotive Sector

26 October 2023

SAMUEL SEKURITAS INDONESIA
Your Lifelong Investment Partner

JCI Index: 6,834

BUY (Unchanged)

Target Price (IDR)	**1,900 (from 1,900)**
Potential Upside (%)	**33.8**

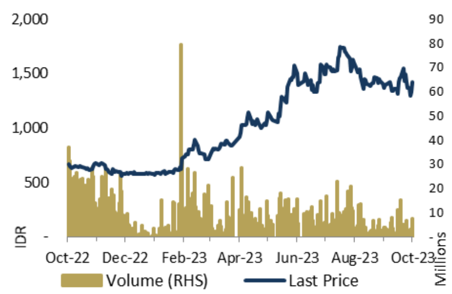
Price Comparison	
Cons. Target Price (IDR)	1,830
SSI vs. Cons. (%)	103.8

Stock Information	
Last Price (IDR)	1,420
Shares Issued (Mn)	4,706
Market Cap. (IDR Bn)	6,494
52-Weeks High/Low (IDR)	1,815/560
3M Avg. Daily Value (IDR Bn)	10.1
Free Float (%)	14.0
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	135.9	(1.1)	(12.7)	106.0
JCI Return	(1.9)	(2.9)	(3.3)	(4.6)
Relative	137.8	1.8	(9.4)	110.5

Stock Price & Volumes, 12M



Company Background

Founded 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).

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Better and Stronger

9M23: Net profit growth of +107.8% YoY

DRMA booked significant revenue growth in 3Q23 (+16.0% QoQ, +40.9% YoY), mainly thanks to (1) the company's performance has normalized after the rather disappointing 2Q23 (DRMA's performance declined somewhat in 2Q23 due to disruptions in auto production during Eid holiday). (2) GIIAS Auto Show, which was held on Aug 10-20, 2023. The solid performance helped push DRMA's cumulative 9M23 revenue to IDR 4.2 trillion (+59.7% YoY), in line with our estimate (77.0% of SSI's FY23F projection). All DRMA business segments reported positive sales growth, with its main segment (2W) posting +53.9% YoY, in line with national 9M23 2W sales, which grew +30.7% YoY to 4.7 million units (78.7% of SSI's FY23F projection) with AHM as the market leader (market share:79%) and DRMA's largest customer (86.2% of DRMA's 2W sales). The 2W segment's GPM spiked +539bps YoY to 21.4%, boosting DRMA's profit margin growth and bringing its consolidated net profit to IDR 519 billion (+107.8%), in line with our estimate (78.1% of SSI's FY23F projection, 89.8% of consensus). It should be noted, however, that this figure includes the one-off gain from negative goodwill from the acquisition of Trimitra Chitrahasta ("TCH", IDR 56 billion) carried out in Jan-23; even without the one-off gain, DRMA would still book massive net profit growth (+85.4% YoY).

TCH's post-acquisition performance

We believe that TCH's strong performance is a testament of DRMA's excellent business expansion planning. In 9M23, TCH posted revenue of IDR 512 billion, in line with our estimate (73.1% of FY23F projection), reflecting 12.1% of DRMA's total 9M23 revenue. TCH's revenue mainly came from 4W component sales, which helped boost the overall performance of DRMA's 4W segment (apart from the Yaris Cross suspension member project, which was only started earlier this year). It's worth noting that the 4W segment recorded the highest sales growth among DRMA's business segments in 9M23 (+78.3% YoY), which lifted its contribution to DRMA's total revenue to 33.3% (9M22: 29.8%). Also, we noticed that DRMA managed to increase TCH's profit margin, successfully achieving the margin target set at the beginning of the year of 6% (3Q23: 6.2%, 2Q23: 4.9%, 1Q23: 4.4%).

BUY, TP IDR 1,900. In light of the positive catalysts outlined above, we project DRMA's FY23F revenue and net profit to reach IDR 5.5 trillion (+41.2% YoY) IDR 665 billion (+68.6% YoY), respectively. Excluding the one-off gain from TCH acquisition, DRMA's net profit is estimated to reach IDR 609 billion (+54.4% YoY). Looking ahead, DRMA will also enter the EV scheme in the near future, with its battery pack and charging station projects. We maintain our BUY rating on DRMA with a TP of IDR 1,900, reflecting 12.2x FY24F PE.

Forecasts and Valuations (at IDR 1,420/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)	42.7	17.7	11.6	7.3	6.2
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)	353.5	22.2	17.0	10.1	9.2
P/BV Ratio (x)	13.1	6.2	4.8	3.4	2.6
ROE (%)	3.7	28.0	28.3	33.9	28.8

Table 1. DRMA 9M23 Results

(IDR Bn)	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	YoY	% SSI	% Cons
Revenue	1,069	1,298	1,505	16.0%	40.9%	2,659	4,246	59.7%	77.0%	76.1%
Gross Profit	188	228	285	25.4%	52.0%	404	771	90.8%		
Operating Profit	146	180	232	28.7%	59.5%	347	683	97.0%		
Net Profit	106	130	174	33.7%	63.2%	250	519	107.8%	78.1%	89.8%
GPM	17.6%	17.5%	18.9%	142 bps	138 bps	15.2%	18.2%	296 bps		
OPM	13.6%	13.9%	15.4%	153 bps	180 bps	13.0%	16.1%	305 bps		
NPM	9.9%	10.0%	11.5%	153 bps	158 bps	9.4%	12.2%	283 bps		

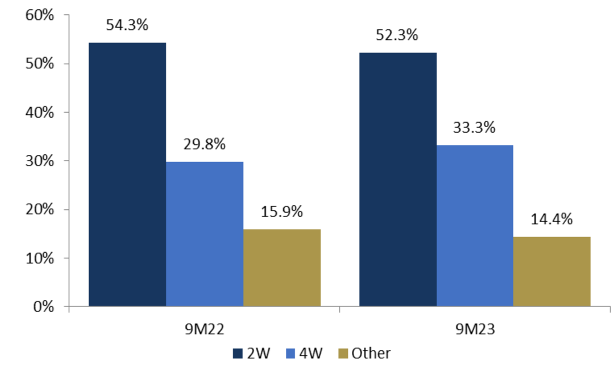
Source: Company, SSI Research

Table 2. DRMA 9M23 Results by Segment

(IDR Bn)	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	YoY
Revenue (IDR Bn)								
2W	561	694	740	6.6%	31.9%	1,444	2,221	53.9%
4W	326	394	582	47.8%	78.6%	793	1,414	78.3%
Other	182	210	184	-12.7%	1.0%	422	610	44.6%
Gross Profit (IDR Bn)								
2W	102	144	170	18.5%	66.1%	231	475	105.6%
4W	59	60	98	64.7%	67.2%	123	239	93.4%
Other	26	24	17	-30.8%	-36.7%	49	57	14.6%
GPM								
2W	18.3%	20.7%	23.0%	231 bps	474 bps	16.0%	21.4%	539 bps
4W	18.0%	15.1%	16.9%	173 bps	-114 bps	15.6%	16.9%	132 bps
Other	14.5%	11.5%	9.1%	-238 bps	-543 bps	11.7%	9.3%	-243 bps

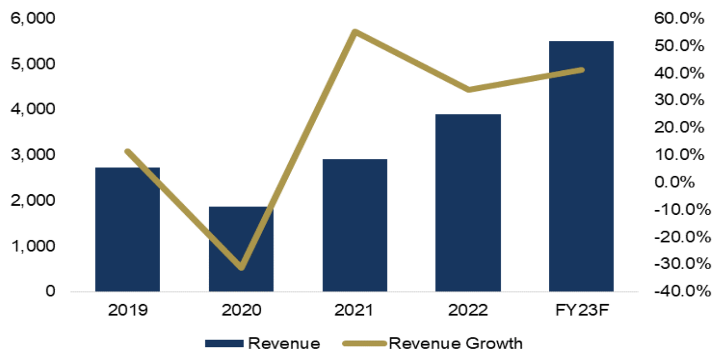
Source: Company, SSI Research

Figure 1. Revenue Mix 9M23 (Business Segments)



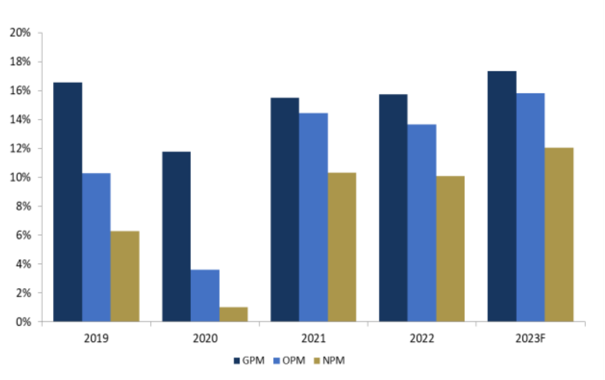
Source: Company, SSI Research

Figure 2. Revenue Growth



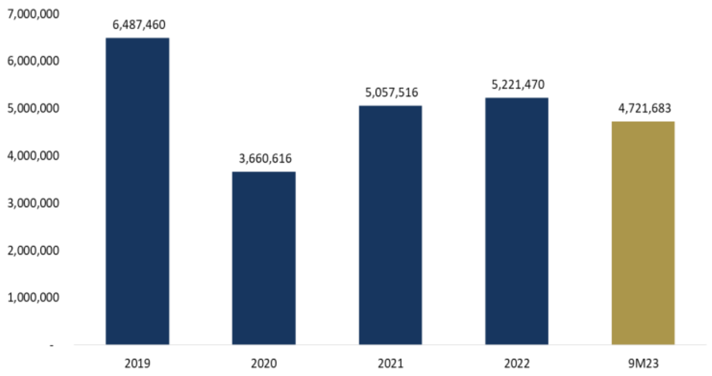
Source: Company, SSI Research

Figure 3. Profitability Margin



Source: SSI Research, Company

Figure 4. Domestic 2W Sales



Source: AISI

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