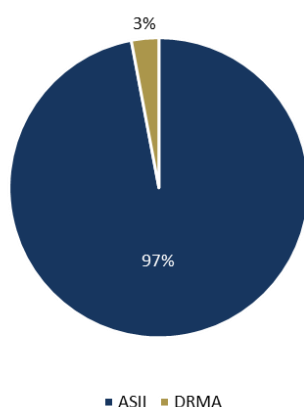


Overweight

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ASII	BUY	5,625	7,600	35.1%
DRMA	BUY	1,480	1,900	28.4%

Sector Market Cap Weighting



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11M23 Auto Sales

Another positive month in November

Domestic 2W sales rose +10.8% MoM in Nov-23, which brought the cumulative 11M23 figure to 5.81 million units (+22.6% YoY), beating our estimate (96.8% of SSI's FY23F projection). 4W sales also saw positive growth in Nov-23 (+5.0% MoM), with a cumulative 11M23 figure of 920,480 units (-2.4% YoY), in line with our estimate (92.1% of SSI's FY23F projection). ASII retained its seat as market leader once again in both 4W (55.7%, with Toyota [33.1% of 11M23 domestic 4W sales] and Daihatsu [19.0%] as the leading brands) and 2W (>70%, with Honda). We maintain our domestic FY23F 4W and 2W sales targets at 1 million and 6 million units, respectively. However, we might see some decline in sales in the future, mainly due to rising interest rates (~80% of auto sales in Indonesia are done with auto loans).

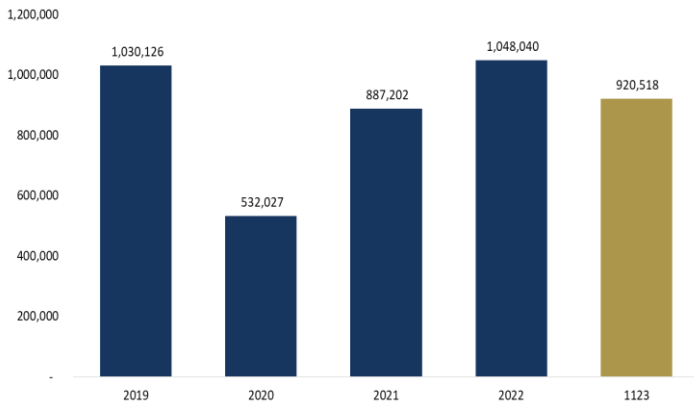
xEV contributes 6.6% of domestic 4W sales

Domestic BEV sales in 2023 were much better than last year, coming in at 13,856 units in 11M23 (11M22: 7,923 units), with the Hyundai Ioniq5 as the best-selling model (47.4% of 4W EV sales), followed by the Wuling Air EV (34.5%). However, BEV sales were still considered insignificant since they only contributed 1.5% of domestic 4W sales (SSI's FY23F projection: <3%). Aside from BEV, HEV (hybrid) sales also experienced significant growth compared to last year, reaching 46,846 units in 11M23 (5.1% of domestic 4W sales, 11M22: 2,811 units), with the Toyota Innova Zenix as the market leader (52.3% of 4W Hybrid sales) followed by the Toyota New Yaris Cross (11.3%). Given the public's warm reception toward 4W HEV, we project 4W HEV sales to contribute ~5% of domestic 4W sales in FY23F.

Top Pick: DRMA

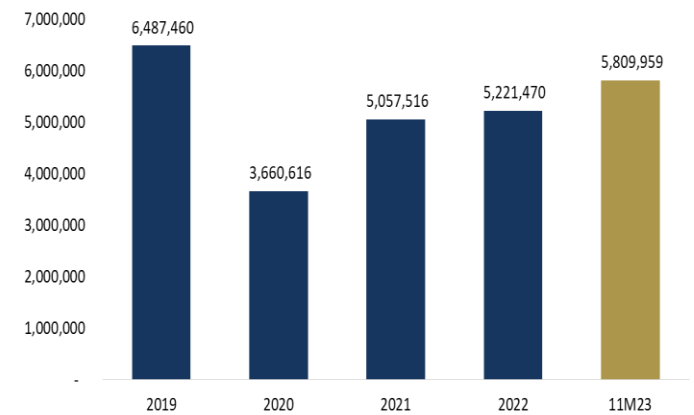
We keep DRMA as our top pick with a TP of IDR 1,900 supported by several positive catalysts, including (1) consolidation of PT Trimitra Chitrahasta's (TCH) numbers into DRMA's books (TCH's FY23F revenue target: IDR 700 billion, ~18% of DRMA's FY22 revenue), (2) its new 4W factory, which will produce suspension members for the Toyota New Yaris Cross, and (3) EV-related initiatives, including component localization (one of which is battery pack) and charging stations. To note, DRMA booked solid numbers in 9M23, with revenue and net profit growth of +59.7% YoY (to IDR 4.2 trillion) and +107.8% YoY (to IDR 519 billion), though the net profit figure includes the one-off gain from negative goodwill from the acquisition of 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).

Figure 1. 11M23 4W Sales



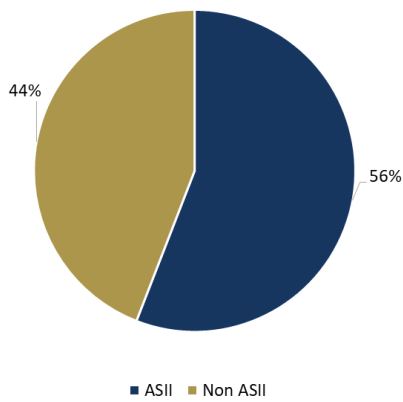
Source: Company, SSI research

Figure 2. 11M23 2W Sales



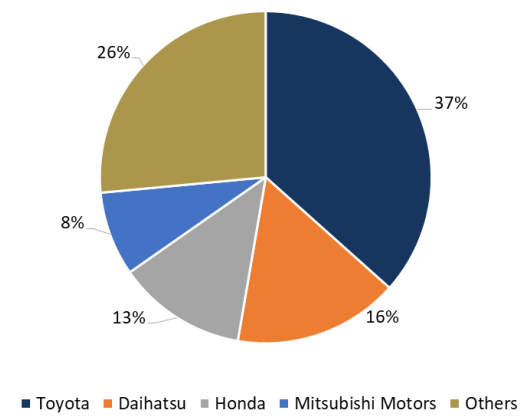
Source: Company, SSI research

Figure 3. ASII's Market Share



Source: SSI, Gaikindo

Figure 4. Market Share (Brand)



Source: SSI, Gaikindo

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