

Auto (22 July 2024): Potential Third Parties Liability Insurance Implementation Impact

SSI Calculation: TPL Costs to Installment Payment

Country	Car Price	Installment (5 years)	Insurance expense (monthly)	Increase in Payment (%)
Singapore	202,100	2,018	41.67	2%
European	16,000	222	25.00	11%
US	16,000	274	50	18%
India	354,000	6460	174.5	3%
Malaysia	22,000	396	25	6%
Average				8%

- ❑ OJK (Indonesia's Financial Services Authority) has mandated that all Indonesian vehicles carry third-party liability (TPL) insurance starting in January 2025. TPL protects third parties from financial losses in the event of an accident caused by the insured vehicle. A similar policy has already been partially implemented in some Asian countries, as well as in the US and UK.
- ❑ With the new mandatory insurance policy, we expect monthly installments paid by Indonesian auto buyers to increase by ~mid to high single digit, which might hurt domestic 4W and 2W. However, based on our sensitivity analysis of the impact of luxury tax (PPnBM) relaxation in 2021, we believe the elasticity of price to volume will not be substantial (to note, 4W retail sales rose by +49.2% YoY in FY21, although partly due to low base effect from the pandemic-stricken FY20).
- ❑ We maintain our HOLD rating for ASII with a TP of IDR 4,500/share, as we see its market share dominance will minimize the possible adverse impact of the mandatory insurance policy on sales volume. Additionally, we expect next year's BI rate cut to help support auto sales in 2025F.

Peer Comparables

Company Ticker	Market Cap. (IDR Tn)	2024F				
		P/B (x)	P/E (x)	Div. Yield (%)	EPS Gwt (%)	ROE (%)
Toyota Motor	5,116	1.2	9.3	2.8	-6.9	12.9
BMW	1,018	0.6	5.5	6.4	-6.7	11.8
General Motors	916	0.8	5.2	1.1	29.8	16.5
Honda Motor	903	0.6	7.2	4.2	2.7	8.6
Hyundai Motor	632	0.7	4.8	4.8	17.0	13.4
ASII IJ	184	0.9	6.1	9.0	-11.6	14.5
Mitsubishi Motors	72	0.6	5.0	3.3	-9.8	13.3
DRMA IJ	5	2.2	7.9	3.3	-2.2	27.1
Sector	8,846	1.0	7.8	3.4	(0.5)	12.8

2021 4W Retail Sales Trend

