



AUTOMOTIVE SECTOR UPDATE

All roads Lead to Rome

Government Extends PPnBM, with the New Scheme

Government has officially extended incentive of luxury goods value mining tax (PPnBM) for automotive products in FY22, but with different scheme. In FY21, PPnBM was given for 100 percent from March until the end of the year for 1500cc car, while in FY22, PPnBM was more given to cars with LCGC specification and the amount was deducted in each quarters. The PPnBM of LCGC car was charged 3% (before relaxation) by the government, while car worth IDR200-250mn would get relaxation of 50% on 1Q22. For this scenario, you can see in exhibit 1. In FY21, the car sales reached 887,202 units, increased 66.76% YoY (vs 532,028 units in FY20). We see that the car sales potentially increase for 5% to 931,562 units and Gaikindo will also see that car sales potentially reach 950,000 units in FY22E.

The Rise of Interest Rates Potentially Supresses 4W Sales?

We see that the rise of interest rates become risk to the market behavior of 4W vehicle sales, we are still estimating that BI will increase the interest rates on 25bps level in FY22E. We believe that the growing GDP 5.10% in FY22E will impact on the sales compared to the increasing interest rates, supported by the commodity boom happening on FY21-1Q22E. We try to simulate credit of vehicle worth IDR200mn/unit (see exhibit 2), with tenor of 1-5 years and 25% down payment. With the simulated rise of interest rates of 25bps, the monthly instalment will only rise for 0.24%-0.92%.

Getting closer to the Era of EV

- Indonesia as one of the automotive largest market with bike sales of around 5-6mn/year and car sales of around 1mn/year is getting closer to the electric vehicle (EV) trend. Currently, EV sales have not beaten conventional vehicle sales due to the costly price of the battery components that contributes 35%-40% of the EV construction. According to Bloomberg, the price of lithium-ion battery fell significantly for 89% from USD1,191/KWh level in FY10 to USD131/KWh in FY21.
- The government also gave emission tax exemption on EV through PP No.74 Year 2021, meaning that EV will be exempted from tax worth 15%. Furthermore, there are 2 other benefits of EV: 1) 0% incentive of transfer of names of the motor vehicles duty for the first car; 2) even odd law in Jakarta is not required for EV, hence freed from fines.
- For instance, the tax of LMPV Honda BR-V with 1,500cc from 2017 worth IDR150-250mn was taxed IDR3.67mn/year, while EV Hyundai IONIQ and KONA were only IDR973k-IDR1.1mn/year relatively 70% lower than Honda BR-V.
- Astra (ASII IJ) with the biggest market share in Indonesia (55%) also attempted to have more important role in distribution of EV in Indonesia. Currently, Astra is developing EV Smart Mobility supported by 13 partnerships in the 3 line-ups of Toyota EV development program with 30 units in total consisting of 20 Toyota COMS (BEV) units, 5 Toyota C+pod (BEV) units, and 5 Toyota Prius PHEV units.

Recommendation : Overweight with Top Picks ASII (BUY, TP : IDR6,400)

We projected the automotive sector to grow positively in FY22E on the back of : 1) gradual economic recovery momentum and 2) Stimulus extension. We overweight automotive sector with ASII as our top pick (BUY, TP: IDR6,400) and expecting company's market share around 51-55% in FY22E with new Toyota Avanza Veloz and Toyota Rush as key growth drivers. Downside risks: Rupiah volatility, rising inflation and interest rates as well as semiconductor chip shortage.



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Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY22E	FY23F	FY22E	FY23F		
ASII IJ	222,660	11.45	11.07	1.21	1.12	BUY	6,400

Sources: Bloomberg, MNCS

Exhibit 01. Relaxation Change in FY21-FY22E

2021		2022		Period
Model (cc)	Relaxation	Model (cc)	Relaxation	
<1,500	100%	<IDR200mn	100% Free	1Q22
1,501-2,500 (4x2)	50%	IDR200-250mn	50% Free	
1,501-2,500 (4x2)	25%	<IDR200mn	1% paid (2% government subsidized)	2Q22
		IDR200-250mn	Full paid	
		<IDR200mn	2% paid (1% government subsidized)	3Q22
		IDR200-250mn	Full paid	
		<IDR200mn	Full paid	4Q22
		IDR200-250mn	Full paid	

Sources : Okezone, MNCS

Exhibit 02. Vehicle Loan Calculation Simulation

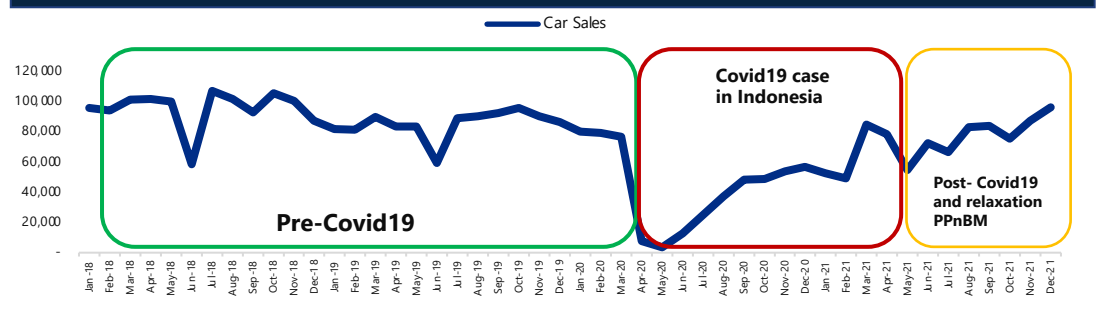
Vehicle Price (IDR)	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
DP (25%)	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Tenors (Month)	12	24	36	48	60
1) Interest Rate	3.98%	4.28%	4.48%	4.88%	7.25%
Loan Plafond (IDR)	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Total Loan (IDR)	155,970,000	162,840,000	170,160,000	179,280,000	204,375,000
Yield (IDR)	5,970,000	12,840,000	20,160,000	29,280,000	54,375,000
Payment/Month (IDR)	12,997,500	6,785,000	4,726,667	3,735,000	3,406,250
2) Interest Rate hike 25bps	4.23%	4.53%	4.73%	5.13%	7.50%
Total Loan (IDR)	156,345,000	163,590,000	171,285,000	180,780,000	206,250,000
Installment Change/year (IDR)	375,000	375,000	375,000	375,000	375,000
Installment Change (IDR)	375,000	750,000	1,125,000	1,500,000	1,875,000
Growth	0.24%	0.46%	0.66%	0.84%	0.92%

Source : MNCS

Exhibit 03. Vehicle Tax on Hyundai KONA EV vs Honda BR-V

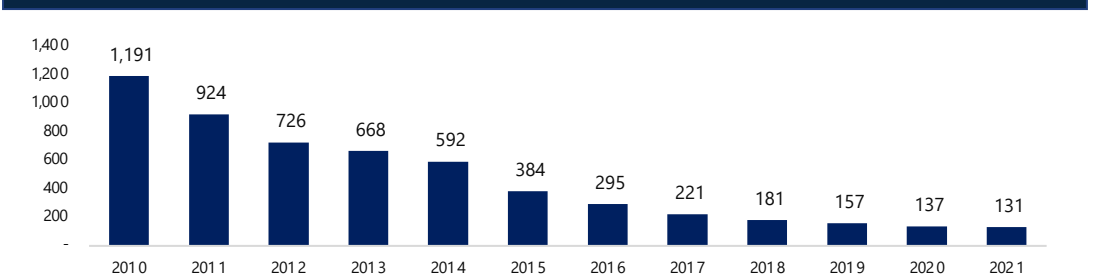
Sources : detik.com, MNCS

Exhibit 04. The Trend of Car Sales in FY18-FY21



Sources : Gaikindo, MNCS

Exhibit 05. The Trend of Lithium Battery Prices in FY10-FY21 (in USD/KWh)



Sources : Bloomberg

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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