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### KEY HIGHLIGHTS

#### Sector

#### Automobile

Cost reduction incentives for EV are lacking compared with Asia. Downgrade to MARKET WEIGHT.

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#### TRADERS' CORNER

Trimegah Bangun Persada (NCKL IJ): Technical BUY

Charoen Pokphand Indonesia (CPIN IJ): Technical BUY

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### REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,249.2	(22.1)	(0.3)
MSCI Asia-Ex Japan	615.5	(4.3)	(0.7)
KLCI	1,460.7	(4.0)	(0.3)
FSSTI	3,124.7	(8.4)	(0.3)
SET	1,415.8	0.4	0.0
Hang Seng	17,454.2	(378.6)	(2.2)
Nikkei	33,585.2	160.8	0.5
Shanghai Comp	3,054.4	3.4	0.1
Dow Jones	34,947.3	1.8	0.0

Source: Bloomberg

### INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,977.7	19.7	0.3
LQ-45	917.4	(3.0)	(0.3)
Value (US\$m)	546.0	(32.8)	(5.7)

### FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(10.1)	214.6	224.7	40.2

### TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	5,225	(0.5)	593.4
Amman Mineral	7,575	4.8	558.5
Bank Central Asia	9,075	0.0	526.1
GoTo Gojek Tokopedia	84	(2.3)	445.8
Bank Mandiri	5,900	(0.4)	276.8

### TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Semen Indonesia	6,625	5.6	28.6
Amman Mineral	7,575	4.8	558.5
Pantai Indah Kapuk Dua	4,690	4.5	65.7
Bank Syariah Indonesia	1,605	3.9	30.9

### TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bukalapak.com	204	(3.8)	17.6
Medco Energi	1,120	(3.4)	77.0
HM Sampoerna	945	(3.1)	37.4
Bank Mega	5,225	(2.8)	0.0
Bank OCBC NISP	1,140	(2.6)	36.5

\*ADT: Average daily turnover

### COMMODITY TREND

	17 Nov 23 Closing	Chg (%)	
		1-day	1-mth
Forex (Rp/US\$)	15,493	(0.4)	(2.4)
Crude Oil NYMEX (US\$/bbl)	75.89	4.1	(14.5)
Coal Fut Newc (US\$/tonne)	123.25	0.1	n.a.
Nickel 3M LME	16,904	(0.7)	(9.1)
Tin 3M LME	24,852	(1.4)	(0.5)
Gold SPOT (US\$/oz)	1,981	0.8	(0.0)
CPO Fut Msia (MYR/tonne)	3,809	(1.6)	2.5

Source: Bloomberg, UOB Kay Hian

### SECTOR UPDATE

## Automobile – Indonesia

Cost Reduction Incentives For EV Are Lacking Compared With Asia

According to IESR, Indonesia's cost reduction incentive for EV is only about 10%, below the 15-25% given in Asia. The cost of long-term ownership of an EV is lower (32% for E-2W and 14% for E-4W) than their ICEV counterparts. Availability of charging stations and high upfront costs are the main reasons for low EV adoption. EV adoption in Greater Jakarta is projected to reach 2.9m units by 2050. Downgrade the sector to MARKET WEIGHT and downgrade ASII to HOLD with a target price of Rp6,200.

### WHAT'S NEW

- Indonesia's incentives for EVs are still lacking compared with Asia.** Indonesia's EV policy still lacks cost reduction incentives of about 10%, compared with 15-25% cost incentives given in other Asian countries. The cost of a mid-class E-4W in Indonesia is US\$44,000 after the 10% incentive. This compares with US\$29,000 in Thailand after the 15% incentive. Indonesia GDP per capita and high cost of borrowing also play a role in EV-car adoption. Lack of products from major Japanese producers is also a contributing factor as consumers are reluctant to purchase Chinese EVs.
- A 191% surge in e-motorcycle sales, reaching 35,000 units.** Electric motorcycle (e-motorcycle) sales had risen 191% from around 12,000 units in 2021 to 35,000 in 2022. Yet, Indonesia would need a continuous annual growth rate of 60-70% each year until 2030 to get to 1.9m electric motorcycle sales. With Rp7m incentive, Greater Jakarta is expected to adopt 67,000 units of e-motorcycle(E-2W) in 2023, followed by 301,000 units in 2024 and 2,869,000 units in 2050. In Bali, it is projected that 16,000 E2Ws will be adopted in 2023, and 677,000 units in 2030.
- Long-term ownership of EVs is cheaper than internal combustion engine vehicles (ICEV).** Under the current incentives, the long-term ownership costs of e-cars is cheaper by 14% for 200,000km milage and e-motorcycles is cheaper 32% for 40,000km milage compared to the ICEV. According to Institute for Essential Service Reform (ISER), cost of electricity per km in an EV could be 1.5x to 7x cheaper than the cost of gasoline per km.
- Adoption is hindered by concerns over availability of charging stations and high upfront cost.** EV adoption is below target in Indonesia because of concerns over the availability of charging stations and high upfront cost. Most EVs have lower driving/riding range than ICEVs. The 50-60km range per charging cycle (which is inadequate for daily usage) is particularly relevant in E-2W ride hailing drivers. The majority of E-2W costs Rp35m-45m compared with Rp15m-Rp25m for ICE motorcycles. To be affordable and attractive to consumers, an E-4W should be priced at 1.2x-1.4x that of the ICEV. Cheaper EV products priced below Rp400m are now being offered by Neta and Citroen. However, the resale value of these brands is still doubtful to consumers.

### ACTION

- Downgrade to MARKET WEIGHT.** We downgrade the automobile sector to MARKET WEIGHT as prolonged high level of interest rate could work against 4W and 2W unit sales volume.
- Astra International (ASII IJ/HOLD/Target: Rp6,200).** We downgrade ASII to HOLD with a target price of Rp6,200, derived using the fair values of UNTR and AALI at their respective target prices of Rp20,000 and Rp8,975. The automobile division is valued using DCF, and the financial services division is at 1.0x 2023F P/B. Our target price is equivalent to 7.6x 2024F core PE.
- United Tractors (UNTR IJ/SELL/Target: Rp20,000).** We downgrade to SELL with a target price of Rp20,000, pegged to five-year -1.5SD to 6.5x 2023F PE. We use a lower multiple -1.5SD PE because we are concerned about coal prices affecting 2024 NPAT growth. Pre-pandemic (in 2019), coal prices averaged US\$79/tonne and we think that there could be more downside risks. Our new target price of Rp20,000 (from Rp28,000) offers a 12.6% downside. Downgrade to SELL.

### PEER COMPARISON

Company	Ticker	Rec	Price 17-Nov-23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	ROE 2024F (%)	Net Gearing (%)
Astra International	ASII	HOLD	5,700	6,200	8.8%	14,998	15.8	6.8	7.6	1.1	1.0	17.5	5.0
United Tractors	UNTR	SELL	22,875	20,000	-12.6%	5,546	7.7	4.4	6.3	1.0	0.9	22.3	(39.4)

Source: Bloomberg, UOB Kay Hian

## MARKET WEIGHT

(Downgraded)

### ASII PE BAND CHART (BEST 12-M FORWARD)



Source: Bloomberg, UOB Kay Hian

### UNTR PE BAND CHART (BEST 12-M FORWARD)

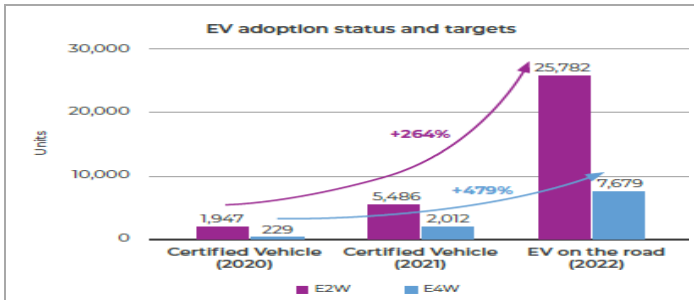


Source: Bloomberg, UOB Kay Hian

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## INDONESIA EV ADOPTION STATUS AND TARGETS



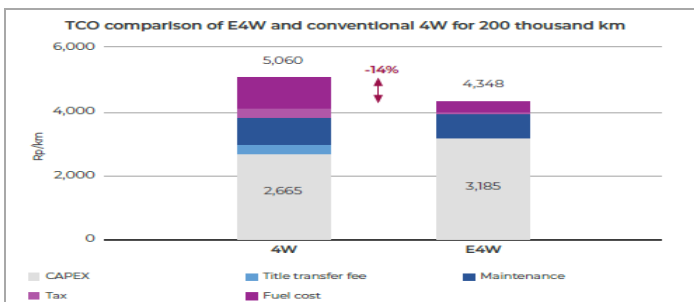
Source: IESR Analysis, UOB Kay Hian

## E-2W GROWTH PROJECTION IN GREATER JAKARTA AND BALI



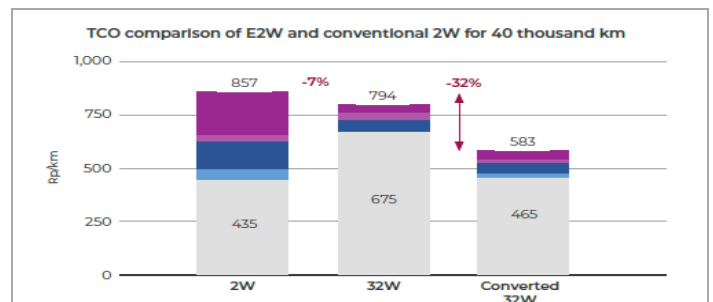
Source: ADB, UOB Kay Hian

## TOTAL OPERATING COST FOR E-4W COMPARED WITH ICE 4W



Source: IESR Analysis, UOB Kay Hian

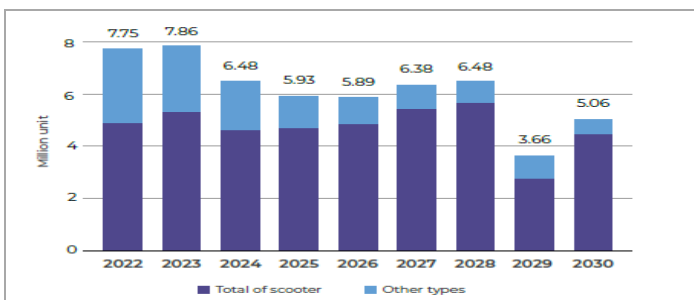
## TOTAL OPERATING COST FOR E-2W COMPARED WITH ICE 2W



Source: IESR Analysis, UOB Kay Hian

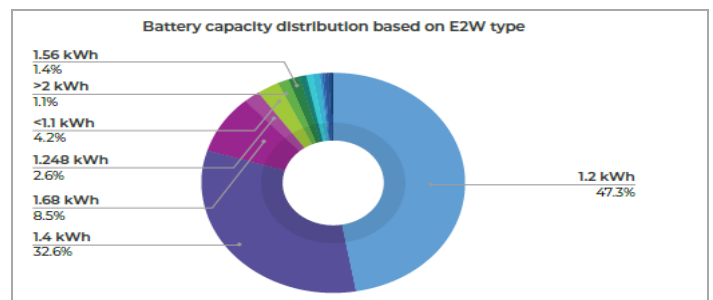
• **E-2W conversion programme needs more incentives.** E-2W conversion programmes only reached 126 units in 2022, far below the targeted 1,000 units. However, if the programme is successful between 2022 and 2030, an average of 6m motorcycles per year will be ready to be converted to E-2W. Conversion cost in India is only one-third of the price of a new E-2W. The cost of conversion programme is Rp15m-23m, about 20% lower than buying a new 2W. Consumers are willing to pay only Rp5m-8m per unit. The warranty period of 6-12 months, lack of knowledge about the conversion programme and lack of experience trying a converted 2W lead to low consumer confidence in the programme.

## INDONESIA EV CONVERSION POTENTIAL



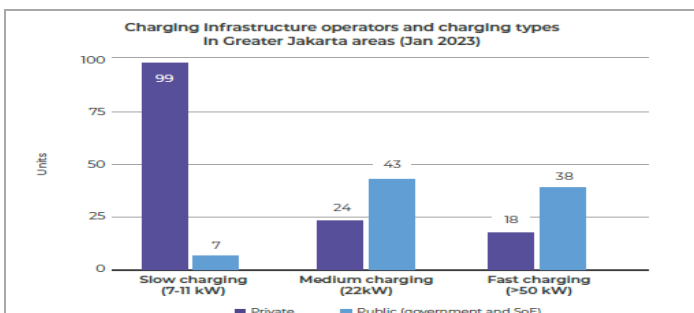
Source: IESR Analysis, UOB Kay Hian

## BATTERY CAPACITY DISTRIBUTION BY E2W TYPE



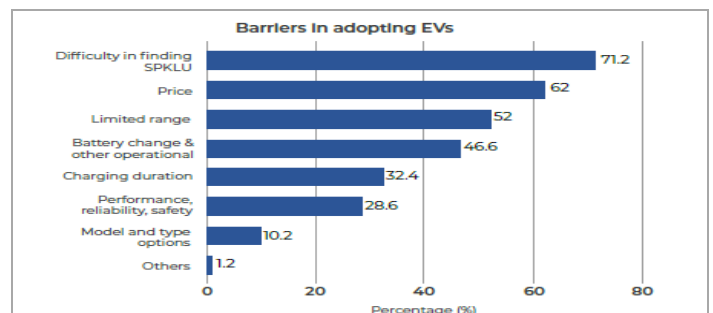
Source: ADB, UOB Kay Hian

## CHARGING INFRASTRUCTURE IN GREATER JAKARTA AREA



Source: IESR Analysis, UOB Kay Hian

## BARRIERS IN ADOPTING ELECTRIC VEHICLE



Source: IESR Analysis, UOB Kay Hian

### TRADERS' CORNER



Source: Amibroker

### Trimegah Bangun Persada (NCKL IJ)

Technical BUY with 7% potential return

Resistance: Rp1,105, Rp1,205

Support: Rp1,000, Rp930

Stop-loss: Rp1,025

Share price closed with strong gains and formed a bullish candlestick. Positive price action with higher trading volume signals for more bullishness ahead. That said, we see potential for more upside pressure to take place and challenge the resistances at Rp1,105 and Rp1,205. Technical indicator RSI is sloping upwards and above its centre line, while the MACD is on bullish crossover. Buy at Rp1,075 and take profit at Rp1,150.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp1,300.



Source: Amibroker

### Charoen Pokphand Indonesia (CPIN IJ)

Technical BUY with 6% potential return

Resistance: Rp5,800, Rp6,000

Support: Rp5,275, Rp5,025

Stop-loss: Rp5,250

Share price closed higher and formed a bullish candlestick. Price rebounded with higher trading volume which signals for more bullishness ahead. That said, we expect for more rallies and challenge the resistances at Rp5,800 and Rp6,000. Technical indicator RSI is sloping upwards and back above its centre line, while the MACD is relatively flattish. Buy at Rp5,475 and take profit at Rp5,800.

Approximate timeframe: 2-4 weeks.

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