

Monday, 17 December 2018

NEUTRAL
Maintain

Automotive

Solid car sales in 11M18

ASII relative to JCI Index



Source : Bloomberg

Gaikindo reported domestic car sales of 100,739 units in November 2018 (-5.0% mom, but +4.7% yoy). Thanks to the launch of new models and solid commodity prices, domestic car sales jumped 7.2% yoy to 1.06mn units in 11M18. With car sales seasonally weak in December, we expect 2018 car sales to reach 1.15mn units (+6.4% yoy), or slightly higher than our estimate of 1.12mn units. Given interest rate hikes and consolidation in coal prices, however, we expect a slowdown in domestic car sales growth in 2019 (+3% yoy). **Maintain Neutral.**

Solid car sales in 11M18. While domestic car sales declined by 5.0% mom to 100,739 units in November 2018, cumulatively, they posted growth of 7.2% yoy to 1.06mn units in 11M18 mainly due to: a) the launch of new models in the Low-MPV and Low-SUV segments and b) sturdy commodity prices which boosted sales of commercial cars (+18.7% yoy). Mitsubishi posted the strongest sales volume growth (+67.4% yoy) thanks to the launch of Expander. Suzuki and Daihatsu reported higher sales growth of 7.9% yoy and 7.6% yoy respectively, while the sales volume for both Toyota and Honda declined by 6.3% yoy and 13.1% yoy respectively.

Astra maintained market share above 50% in 11M18. Astra International (ASII IJ/BUY/TP: IDR9,500) maintained its market share at 52.1% in Nov 2018. As the company managed to maintain its market share above 50% in 2H18 supported by the higher sales volume of Rush – Terios, its market share reached 50.5% in 11M18. Going into 2019, we expect ASII to maintain its market share above 50% given that the company is largely expected to give a facelift to its popular models, Avanza and Xenia, at the beginning of 2019.

Moderate domestic car sales growth. Economic growth is highly correlated to domestic car sales volume growth. With the expectation of economic growth of around 5.1% yoy in 2019, we expect domestic car sales volume growth of only 3% yoy to 1.16mn units in 2019. We believe that higher interest rates may rein in domestic sales volume growth.

Higher interest rates may restrict domestic car sales volume growth. Bank Indonesia (BI) has increased its 7-day Reverse Repo rate (7DRRR) by 175bps to 6.00%. We think this was mainly done to address the CAD and to take into consideration the likelihood of global interest rate hikes in the near term. BI has reiterated its ahead-of-the-curve and proactive stance. We believe that higher interest rates will negatively impact domestic car sales. When interest rates previously went up by 200bps in a year and reached a peak at the end of 2014, domestic car sales volume posted negative growth of 16.1% yoy in 2015.

Maintain Neutral as we expect a slowdown in domestic car sales volume growth to only 3% yoy in 2019 given: a) moderate economic growth of 5.1% yoy in 2019 (2018F: 5.2 – 5.3% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Our top pick in the sector is Astra International (ASII/BUY/TP: IDR9,500).



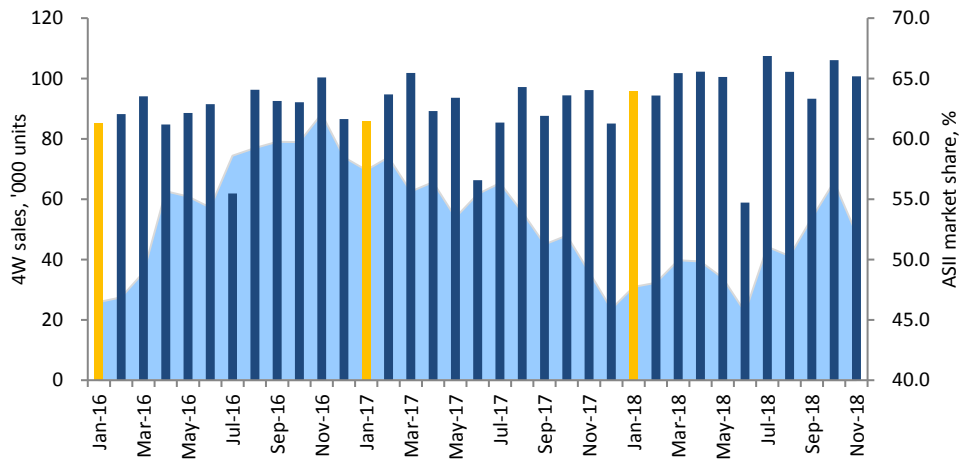
Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

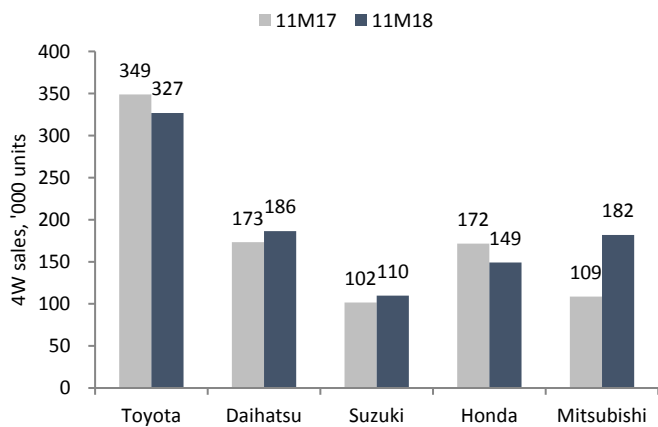
Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2018F	2019F	2018F	2019F	2019F
Astra	ASII IJ	BUY	9,500	342,086.0	15.6	14.2	2.5	2.3	16.9

Exhibit 1. ASII's market share improved to above 50% in 11M18



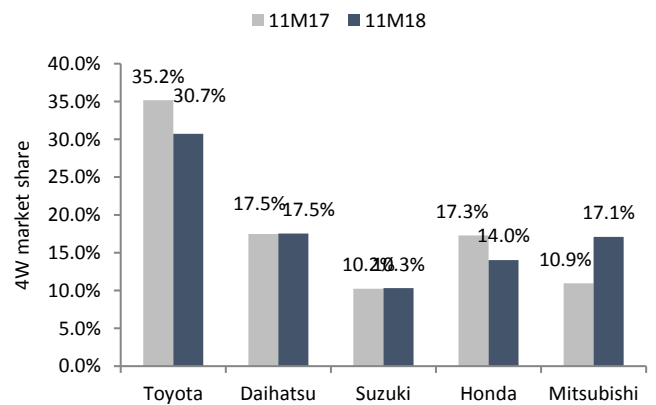
Source: Gaikindo

Exhibit 2. The strongest car sales growth came from Mitsubishi



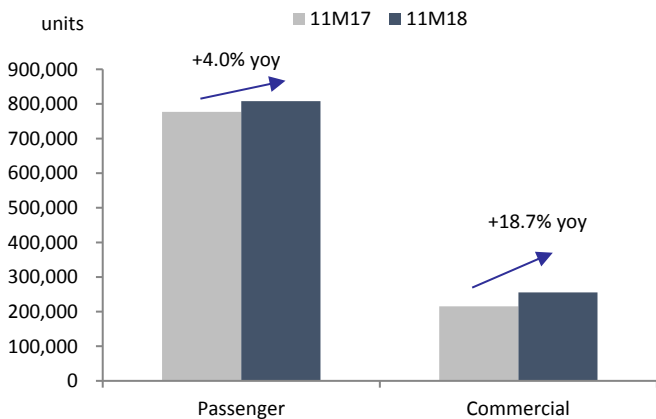
Source: Gaikindo

Exhibit 3. Toyota still has the largest market share in 4W



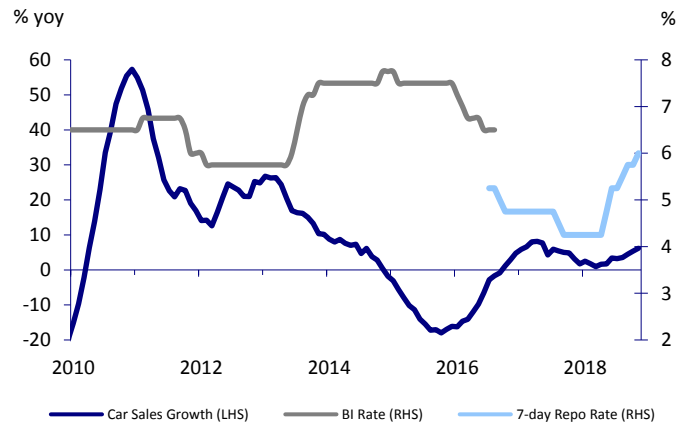
Source: Gaikindo

Exhibit 4. Commercial car segment improved car sales volume



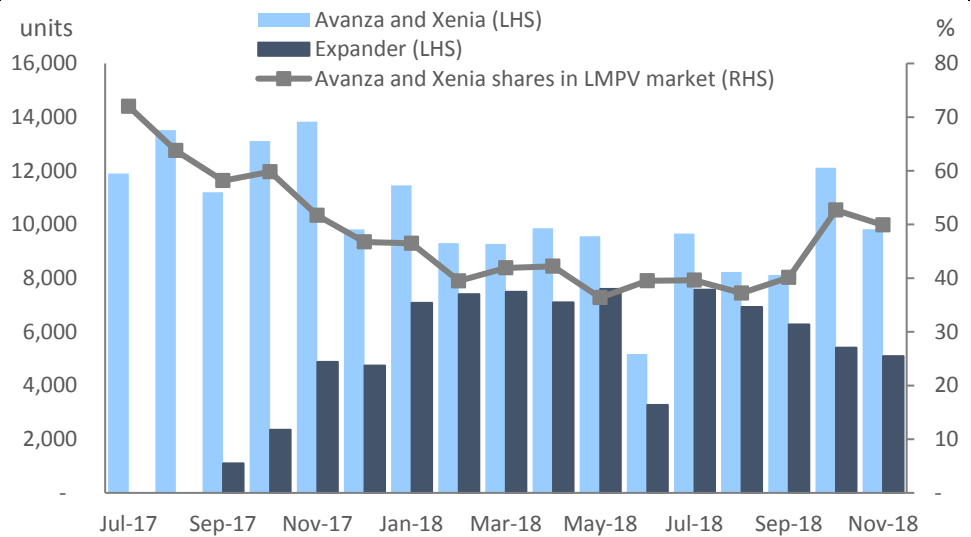
Source: Gaikindo

Exhibit 5. Higher interest rate to impact domestic car sales volume



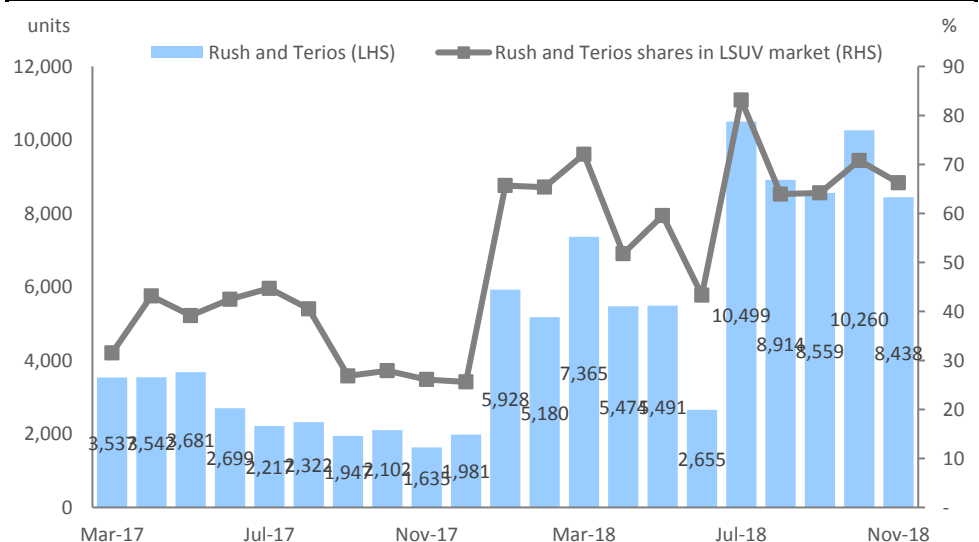
Source: Gaikindo, Bloomberg

Exhibit 6. The expectation of facelift of Avanza – Xenia to lower sales volume in December 2018



Source: Gaikindo

Exhibit 7. Solid Average monthly Rush and Terios sales volume at 9,300 units in 2H18



Source: Gaikindo

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