

08 April 2026

## Automotive

### Extensive Manoeuvring

**NEUTRAL**



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We remain NEUTRAL on the sector. We project a TIV of 790K units in CY26 (-4% YoY) which matches the forecast by Malaysian Automotive Association (MAA), driven by discounts/rebates trend, coming likely at the expense of margin (automakers have started to focus on more profitable space such as Industrials for SIME), new OMV regulation (delayed to July 2026, and potentially beyond), a flood of localized Chinese vehicles, and attractive new launches leaning towards value-for-money offerings. The rising fuel prices exacerbated by the on-going middle-east tensions are expected to have minimal impact to the vehicles sales volume as the Malaysian market is still protected by the subsidized RON 95 and replacement cycles leaning towards EV, hybrids as well as motorcycles. In general, the industry's earnings visibility is still good, backed by a booking backlog of 205k units. Our sector top picks are BAUTO (OP; TP: RM1.10) driven by CBU niche JDM market, and HLIND (OP; TP: RM18.90) riding on higher-margin premium motorcycle segment. Both are less susceptible to price hike under OMV and both offer attractive dividend yield of 6%.

**Extensive Manoeuvring.** We project a TIV of 790K units in CY26 (-4% YoY) which matches the forecast by Malaysian Automotive Association (MAA). The rising fuel prices exacerbated by the ongoing middle-east tensions and reduced traffic in the Straits of Hormuz currently has minimal impact to the vehicles sales volume as Malaysian market still protected by the subsidized RON 95 at RM1.99 per litre under BUDI95 (as-of-writing, the unsubsidized RON95 at RM3.87 per litre) despite recently reduced quota to 200 litres per month (from earlier 300 litres per month) which the government indicates that 90% of Malaysian used less than 200 litres per month. We also foresee that the new replacement cycles leaning towards electrification (EV), hybrids (including plug-in EV) as well as switching to motorcycles (HLIND to be the biggest beneficiaries with motorcycles market share over 50% of TIV) impinged on the potential removal of subsidies.

Our thesis for CY26 TIV encompasses:

- (i) new trend of discounts/rebates as a strategy to gain a headstart in capturing market share, coming likely at the expense of margin i.e. as a part of launching price gimmicks to gain huge initial booking volume. On that end, we believe that automakers have started to work around the discounting competition by focusing on other more profitable space i.e. SIME riding on better-margin industrials (at 7% vs 1% for is auto segment), BAUTO focusing on CBU market which are unaffected by the OMV policy, and HLIND focusing toward higher-margin premium motorcycles segment which commands solid demand,
- (ii) new open-market-value (OMV) excise duty regulation which will be implemented gradually from July 2026. The policy to limit the vehicles price hike is still being developed, which we expect to be further delayed to beyond election period,
- (iii) a rising market share of Chinese automakers' vehicles via vehicles production localisation programme (as CKD tax incentives for EVs continues until 2027), after CBU tax incentives ended. This counts Jaecoo & Chery brands from the Chery Shah Alam assembly plant, Xpeng, GWM, BAIC & SAIC brands' from EPMB (Not Rated) Melaka assembly plant, and BYD brand from the Tanjung Malim, Perak, at KLK TechPark,
- (iv) sustained demand in the affordable segment with national marques remaining as the market leader at estimated market share of 65% for CY26 TIV versus non-nationals marques' target focus of mostly in the RM100k-and-above vehicles segment,
- (v) the new hire purchase loan policies (abolition of the Rule of 78 and flat rate loans) are designed to create a fairer lending environment for consumers, which may boost confidence in hire purchase loans over the long term, (vi) a stable labour market (our economic research team forecast unemployment rate of 3%, the same in CY25), and (vii) attractive new launches (leaning towards value-for-money offerings) i.e. Proton e.Mas 7 Phev, Perodua Myvi (new DNGA), Mazda CX-5 (new generation), Xpeng MO 3 sedan and BYD Shark PHEV 4x4.

In general, the industry's earnings visibility is still good, backed by a booking backlog of 205k units as at end-February 2026 (higher than average booking of 140k units in 2025 largely due to the addition of all-new Proton Saga reaching 100k units backlogs, limited by production capacity). More than half of the backlog is made up of new models, alluding to the appeal of new models to car buyers.

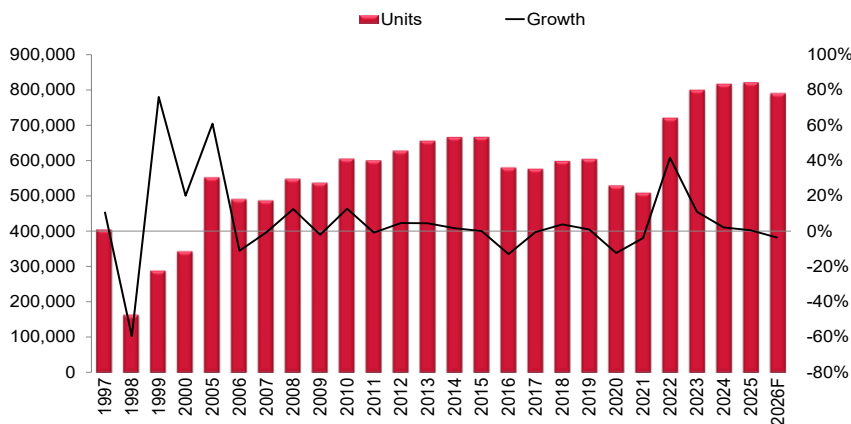
**Gradual transition to battery electric vehicles (BEVs).** We expect gradual transition to BEVs which currently benefit from tax exemption up until 2027 for locally-assembled CKDs. Looking further, we also have a balanced view of EV adoption eventually picking up and demand for gasoline vehicles will eventually peak, but not within the next five years due to infrastructure challenges. The new petrol subsidy mechanism, in our view, could make the transition even slower than earlier expected as the middle- and lower- income groups now have less incentive to switch from ICE to EV for the time being. Recall that new registration for BEVs leapt from 274 units in CY21 to over 3,400 units in CY22, 13,301 units in CY23, 21,789 units in CY24 and 44,800 units in CY25, or 5.5% of TIV. Malaysia aims for electric vehicles (EVs) to represent 20% of new vehicle sales by 2030, with a longer-term vision for 80% by 2050 (including hybrids vehicles). Government is currently focused on building out the EV ecosystem, including establishing 10,000 public charging points and providing tax incentives to stimulate adoption and local production. Despite the current build-to-date lagging behind with just tad above 50% of the target which stood at 5,360 units as of Dec-2025, no updated timeline target has been provided.

Our sector top picks are:-

**BAUTO (OP; TP: RM1.10)** for: (i) its strong near-term earnings visibility backed by a total order backlog of 3,500 units - Mazda (vs. average of 1,500 unit, a year ago), (ii) its premium mid-market Mazda brand offers superior margins, and (iii) its attractive dividend yield of about 7%. We expects BAUTO to benefit from the recent weakening of JPY against MYR, more so, as it expands its new Mazda launches towards CBU (CBU/CKD mix of 50%/50% expected in FY26 vs 40%/60% in FY25) such as its CX-60, CX-80 and Mazda 3. These have garnered strong demand from the market especially for its all-new Mazda 3 (RM118,900 for the 1.5L High Plus model) which offers an attractive price point compared to previous launches. Note that CBU models are unaffected by the new OMV excised duty regulation.

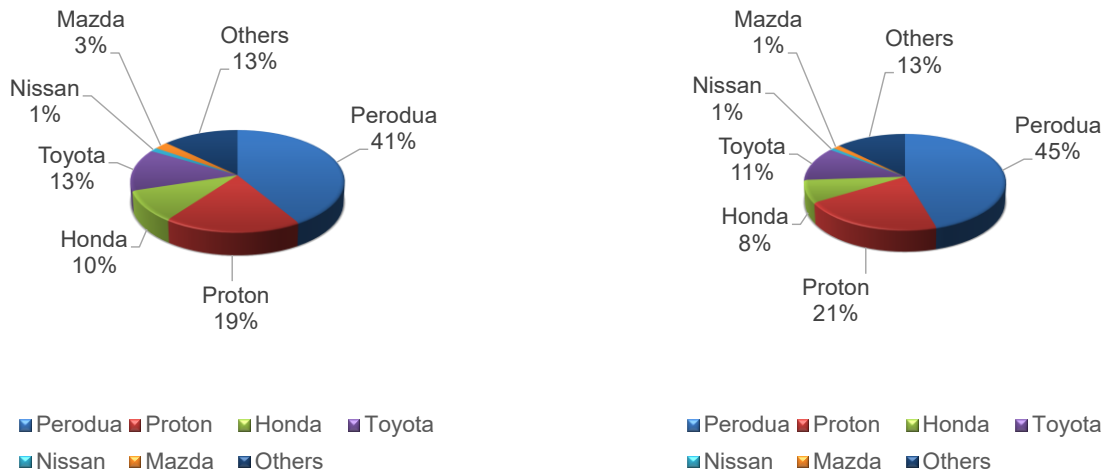
**HLIND (OP; TP: RM18.90):** (i) as it is a strong proxy to the booming gig economy given the critical role of motorized two-wheelers in executing online delivery transactions, (ii) for its association with the strong Yamaha motorcycle brand in Malaysia and the brand's market leader position in the local motorcycle segment, and (iii) for its solid war chest with a net cash of RM2b that could be deployed for earnings-accretive acquisitions. Its dividend yield is also attractive at 6%. We anticipate robust demand for the motorcycles market which achieved a record year of 700k units (+11%) in 2025, with Yamaha holding the lion's share of more than 50%.

**Exhibit 1: TIV Volume 1997–2026F**



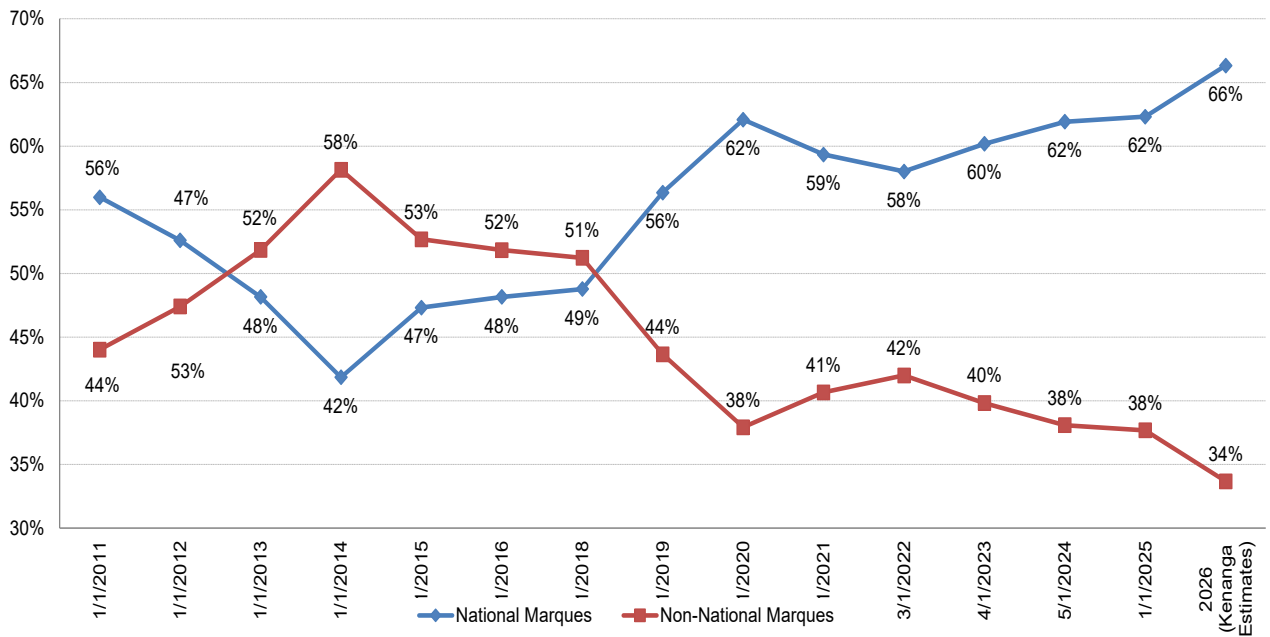
Source: MAA, Kenanga Research

**Exhibit 2: Market Share by Brands CY23A vs. CY26F**



Source: MAA, Kenanga Research

**Exhibit 3: Nationals vs. Non-Nationals Market Share**



Source: Kenanga Research, MAA

08 April 2026

Exhibit 4: Various New Models



Perodua QV-E



Proton eMas 7



Proton eMas 5



Proton eMas 7 PHEV



Xpeng G6



Xpeng X9



TQ-Wuling Bingo



BYD Seal 06



BYD Shark 6 PHEV



Tentative-Xpeng M03 (budget model)



Perodua Traz



Toyota Yaris Cross hybrid

Source: Paultan.org, Kenanga Research

08 April 2026

## Peer Table Comparison

Name	Rating	Last Price (RM) as at 19.03.26	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	OP	0.900	1.10	22.2%	1,044.9	Y	04/2026	6.6	10.5	-50.6%	58.1%	13.6	8.6	1.4	10.4%	5.3	5.9%
DRB-HICOM BHD	UP	1.06	0.620	-41.5%	2,049.0	Y	12/2025	5.1	5.4	55.4%	6.3%	20.7	19.5	0.2	0.9%	3.0	2.8%
HIL INDUSTRIES BHD	OP	0.720	0.850	18.1%	239.0	Y	12/2025	11.2	11.4	2.8%	2.3%	6.4	6.3	0.4	7.2%	2.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	17.10	18.90	10.5%	5,607.1	Y	06/2026	157.4	160.6	2.7%	2.0%	10.9	10.6	2.2	21.4%	110.0	6.4%
MBM RESOURCES BHD	MP	4.96	4.90	-1.2%	1,938.9	Y	12/2025	81.6	82.2	-5.9%	0.7%	6.1	6.0	0.7	11.5%	45.0	9.1%
SIME DARBY BHD	OP	2.41	2.75	14.1%	16,390.4	Y	06/2026	19.8	21.5	15.6%	8.1%	12.1	11.2	0.8	7.0%	14.0	5.8%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.500	0.290	-42.0%	336.0	Y	12/2025	(27.2)	(25.6)	-189.1%	-194.2%	N.A.	N.A.	0.1	-7.2%	1.0	2.0%
<b>SECTOR AGGREGATE</b>					<b>27,605.2</b>					<b>7.6%</b>	<b>8.3%</b>	<b>12.5</b>	<b>11.5</b>	<b>0.7</b>	<b>5.6%</b>		<b>5.0%</b>

Source: Kenanga Research

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08 April 2026

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

***\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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