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Indonesia's Automotive Industry: Navigating 2014

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Indonesia's Automotive Industry

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FOREWORD

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For the first time in its history, Indonesia's automotive output surpassed 1 million units in 2012, and grew further to hit 1.2 million units in 2013.[1] This publication compiles the perspectives of industry experts and KPMG's own partners from various Asia Pacific countries to examine what made this possible and what the future holds.

Indonesia is an incredibly exciting growth market: GDP is rising to a level which, on a per capita basis, could herald the emergence of a more significant middle class. This is a middle class with the disposable income to make the transition from two wheels to four on a much greater scale than previously seen. The opportunity has been seized upon by manufacturers from other countries in the region, such as China, and not just the big players from Japan who currently possess most market share.

The importance of emerging markets to the future of the automotive industry cannot be ignored; something that was highlighted in KPMG's Global Automotive Executive Survey in 2013. As the world's fourth-most populous country, Indonesia is already a major investment and manufacturing destination.

Yet, despite its size, Indonesia's prospects are inextricably linked to the global economy. A widening trade deficit and other economic developments have contributed to a weakening of the Indonesian rupiah and lower economic growth in 2013 of 5.7%. In the near to medium term, Indonesia is entering an economic era whereby GDP growth for 2014-2016 is forecast to be lower than the last three years of 6.3-6.8%.

International institutions have taken this opportunity to urge the government to implement structural economic reforms which could include further relaxation of foreign investment rules. With presidential elections scheduled for July 2014, the short-term outlook has become somewhat uncertain.

With the prospect of sales and output slowing and possibly even contracting, the next 12 months could have an important impact on the longer-term development of the automotive industry. Nevertheless, Indonesia's demographics, economic fundamentals, and key position within Asia give us reason to believe that the medium- and longer-term outlook remains bright.

For all these reasons, it is a market that international automotive players must continue to monitor closely.

1 Jakarta Globe: "Indonesia Auto Sales Rise 9.20% in 2013," 16 January 2014, citing data from the the Association of Indonesian Automotive Industries.

Executive summary

4-WHEELER PRODUCTION & SALES IN INDONESIA[a]…

- POSITIVE growth expected to continue until 2016
- 11.1% CAGR of sales from 2005 - 2012
- 11.4% CAGR increase in production from 2005 - 2012
- 1.2 million vehicles sold in 2013
- 70% of vehicle sales are passenger cars
- MOST cars are imported or use imported parts

(a) Kim Eng, "Automotive Sector", October 2012
IndoPremier, "Automotive", November 2012
Bahana Securities, "Astra International" April 2012
J.P.Morgan, Auto & Auto Parts Sector, Thomson Research, March 2013
The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by Category 2005-2012", Gaikindo.
The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by Category Jan-Aug 2013", Gaikindo.
The Association of Indonesian Automotive Industry– "Domestic Auto Market & Exim by Category Jan-Dec 2012", Gaikindo
EIU, Indonesia Automotive report. September 2010.

KEY DRIVERS[b]…

- RISING middle class of 100 million
- HIGHER consumer confidence
- LOW interest rates
- GDP expected to rise within a range of 5.4 to 6.4 percent between 2014 and 2017

(b) World Bank, "Indonesia Economic Quarterly – Policies in focus", December 2012
EIU, "Indonesia: Automotive Report", September 2012
Statistics Indonesia through Economic Intelligence Unit data

… & CHALLENGES AHEAD

- UNDERDEVELOPED infrastructure
- TIGHTENING of government regulations
- WEAKENING of the rupiah in 2012 - 2013
- HIGH global oil prices from 2013 - 2016
- UNCERTAIN outcome of elections in 2014

DEMOGRAPHICS[c]

- ROAD INFRASTRUCTURE EXPENDITURE exceeds USD 7 billion per year, accounting for 40 percent of total government spending on infrastructure
- MONTHLY AVERAGE INCOME in Jakarta was approximately IDR 2.3 million (USD 190) in 2013

(c) Statistics Indonesia, "Trends of selected socio-economic indicators of Indonesia", August 2013. In October 2013, the House of Representatives proposed to establish eight new provinces, three of them on Papua, subject to final government approval.

GOVERNMENT REGULATIONS[d]

- 30% DOWN PAYMENT required when borrowing from a bank to buy a car
- 25% DOWN PAYMENT to buy a motorcycle
- INCENTIVES to promote Low Cost Green Cars (LCGC)
- 40% LOCAL PARTS required for LCGCs in the first year
- 80% LOCAL PARTS required for LCGCs in five years
- REDUCTION of import and luxury tax for LCGC vehicles

(d) "Indonesia car buyers defy predictions after new law implemented", Emerging Money, accessed July 2012.
BNP Paribas, ' Astra International', May 2012.
EIU, "Indonesia: Automotive Report", September 2012.
Credit Suisse, "Astra International", October 2012.
Jakarta Post, "VP envisages RI's green, fuel-efficient auto industry", September 22, 2012.

FOREIGN INVESTMENT

- ENCOURAGEMENT for foreign automotive players to invest in the auto components industry
- PLANS for greater investment from major foreign companies to tap into growth potential

4-WHEELER PENETRATION[e]

- CURRENTLY, 2-wheeler penetration is 25 percent, higher than 4-wheeler penetration of 3.5 percent
- LCGCs are expected to change consumer preference to 4-wheelers

(e) Credit Sussie, "Indomobil Sukses International", 08 October 2012.
IndoPremier, "A new trend uprising", 20 November 2012.

KEY AUTOMOTIVE PLAYERS[f]

- JAPANESE OEMs lead a highly consolidated and competitive market
- 54% OF MARKET held by Astra International (comprising Toyota, Daihatsu and Isuzu)
- 10 OTHER PLAYERS hold the remaining market share
- LARGEST player is Toyota with 36 percent market percent share

(f) Frost & Sullivan, "Indonesia Automotive Outlook: 2013", January 2013.

Chapter One

Indonesia overview

The Republic of Indonesia is the world's fourth most populous country spanning an economically and ethnically diverse archipelago of over 17,000 islands. More than half the country lives on the island of Java with an estimated 10 million people residing in and around the capital, Jakarta.[2]

With more than 50 percent of the population under the age of 29, Indonesia boasts a large pool of labor, and an ambitious generation of new consumers. Strong Foreign Direct Investment (FDI) inflows in recent years have been fuelled by this consumer market as well as by the country's resources sector. The economy is also benefiting from a more stable financial sector. The domestic banking industry has consolidated and is in many respects better governed than prior to the Asian financial crisis in the late 1990s.

2 "About Indonesia", FloresTourism, accessed 2013.

Under the incumbent president Susilo Bambang Yudhoyono, Indonesia has enjoyed relative political stability and has frequently been referred to as an "emerging global powerhouse"[3] with reported FDI now exceeding pre-1997 levels. While the Yudhoyono administration has also been lauded as reform-minded and progressive, the pace of reform in his second term (2009-2014) has been slower than some hoped. With the currency weakening markedly during 2013 and a transfer of power imminent in the 2014 elections, a degree of political uncertainty may be creeping back into business sentiment.

In this context, the development of the automotive sector has certainly benefited from a reformist agenda over the past decade, although still shaped to a degree by the legacy of government policies dating back to the 1970s. At that time, the government introduced strict controls over the domestic automotive industry, including the banning of imported CBU (completely built up) vehicles. Foreign companies were also prevented from investing directly in assembly and distribution activities within the industry. Since then, Indonesia has become a more welcoming place for foreign automotive manufacturers thanks to the removal of foreign ownership restrictions and other deregulation measures during the 1990s.

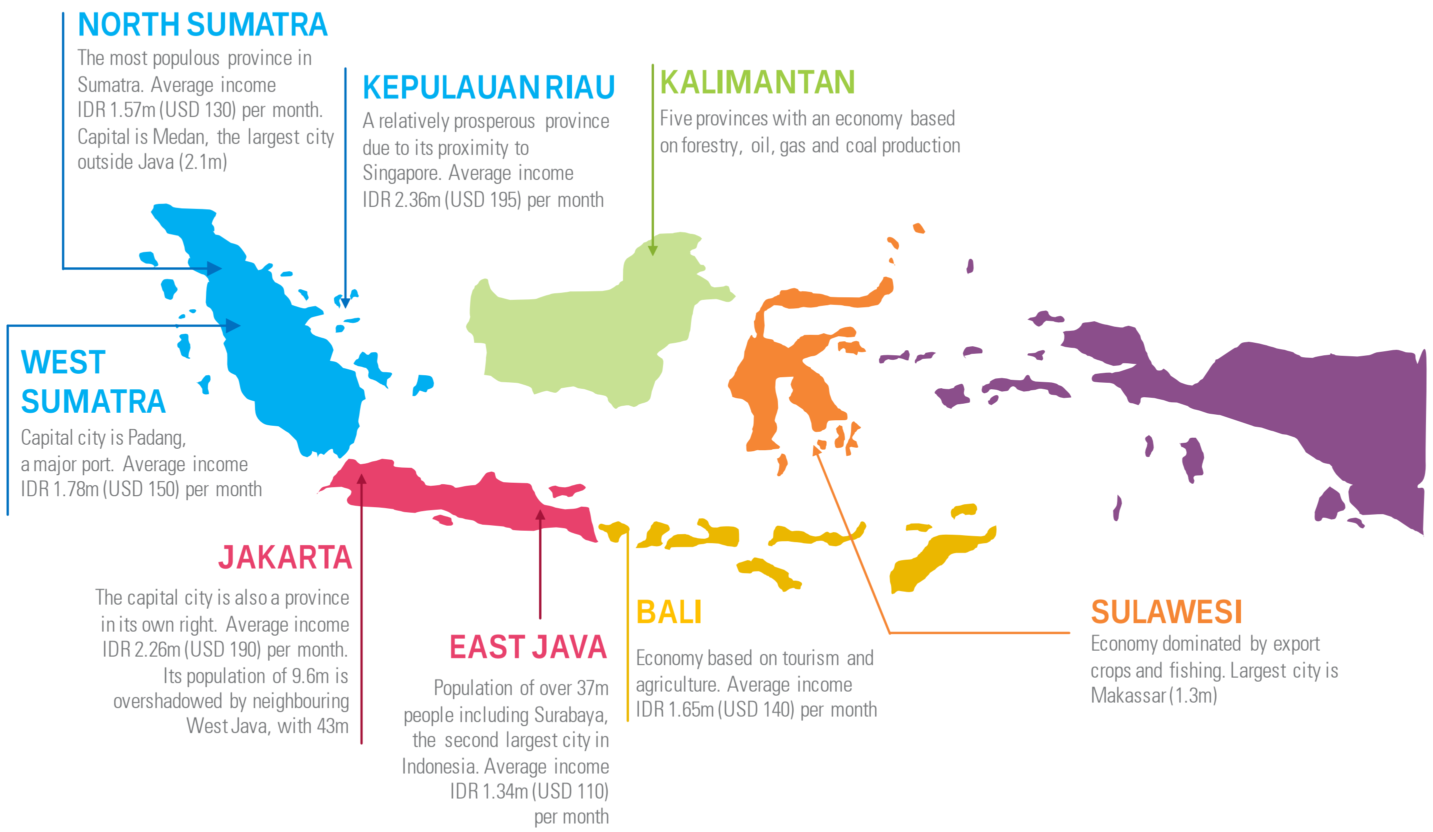
One important development was the lifting of restrictions on imported parts. In the 1990s, the government attempted to accelerate development of the domestic industry by supporting the trademark holding sole agent *(Agen Tunggal Pemegang Merek, ATPM)* model in order to boost the production of vehicles containing a high content of locally manufactured parts. However, this ultimately failed, and so in 1999 deregulatory legislation allowed for greater freedom to import automotive vehicles in CBU form, and many non-ATPM companies began to import vehicles. The result of this was that the ATPM companies were left with a distribution role, while foreign companies took over the task of production in Indonesia. For example, in 2003 Toyota Motor Corporation took control of assembly from Toyota Astra Motor (an Indonesian company), leaving the latter as the distributor for all Toyota vehicles in the country. Similarly, Suzuki Motor Corp took over the manufacturing activities of PT Indomobil Motor by increasing its share ownership from 49 to 90 percent.[4]

Although Indonesia's prominence as an automotive player is low in comparison to some of its neighbours, the potential market for automotive producers and importers in the country is expected to expand. Growth is expected to be driven by an expanding middle class and a broadening economic base. However, rising interest rates and a weaker rupiah may act as a damper on sales in the more immediate term.[5]

3 Standard Chartered, "Indonesia: Asia's emerging powerhouse", September 2009.
4 Indonesian Commercial Newsletter, "Market intelligence report on automotive industry in Indonesia", April 2011.
5 Oxford Business Group, "Indonesian market attracts attention of car makers", September 2013.

Real GDP and percentage change in real GDP (2010-2017F)[6]

	2010	2011	2012	2013F	2014F	2015F	2016F	2017F
Real GDP (IDR billion)	2,314,182.6	2,464,506.4	2,618,049.7	2,751,569.7	2,899,286.2	3,084,096.9	3,274,679.7	3,484,279.2
GDP (percentage real change p.a.)	6.2%	6.5%	6.2%	5.1%	5.4%	6.4%	6.2%	6.4%



Population by region, 2010[7]

SUMATRA	JAVA	KALIMANTAN	BALI & NUSA TENGGARA	SULAWESI	MALUKU & PAPUA
(10 provinces)	(6 provinces)	(5 provinces)	(3 provinces)	(6 provinces)	(4 provinces)
50.6 million	136.6 million	13.8 million	13.1 million	17.3 million	6.2 million

TOTAL POPULATION OF INDONESIA: 237.6 million

6 Statistics Indonesia through Economic Intelligence Unit data.

7 Statistics Indonesia, "Trends of selected socio-economic indicators of Indonesia", August 2013. In October 2013, the House of Representatives proposed to establish eight new provinces, three of them on Papua, subject to final government approval.

Current economic situation

Indonesia's economy has witnessed several years of steady growth, driven by domestic consumption and an improved investment climate (which has enabled increased foreign investment in natural resources sectors).

As of mid 2013, the largest sectors contributing to GDP were manufacturing (24 percent), agriculture (15 percent), trade, hotels and restaurants (14 percent), and mining (10 percent).[8]

In 2012, the country recorded GDP growth of 6.2 percent. The past year has been less kind, with weakening demand for key exports (coal and palm oil in particular) exacerbated by concerns about a tightening of US monetary policy. Actual economic growth for 2013 was 5.7 percent.[9]

In the second half of 2013, pressures on economic growth were compounded by the lifting of fuel and electricity tariff subsidies in line with government policy, resulting in higher food and utility prices. These concerns have been further stoked by increases in interest rates and the weakening rupiah. Over this period, the currency depreciated by more than 20 percent against the US dollar and passed the IDR 12,000 per US dollar mark in early December.

Deal origination and completion in Indonesia can be a relatively slow process for a combination of reasons. Nevertheless, to date FDI has held up well. The first half of 2013 saw reported FDI increase to USD 8.3 billion, driven by higher equity capital and investment disbursements. The third quarter saw net direct investment hitting USD 5.1 billion (from USD 3.8 billion in 2Q13), reflecting strong inbound direct investment inflows of USD 5.4 billion together with a weakening in outward direct investment abroad to USD 0.3 billion.[10]

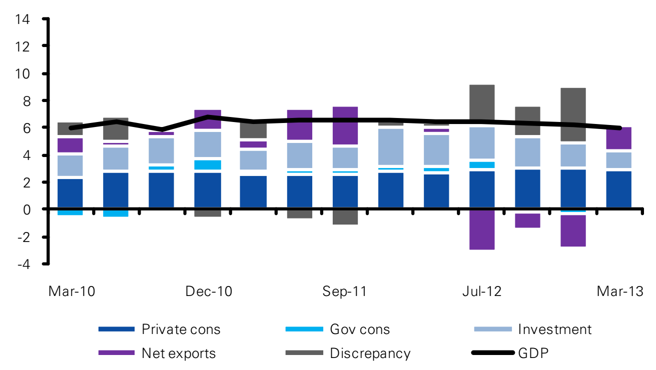
Despite the changing economic conditions during the second half of 2013, the continued pace of deal activity is evidence that Indonesia remains an alluring investment prospect for foreign companies.

8 Bank Indonesia Statistics, "GDP Current prices by sector ", 2Q13

9 Jakarta Globe: "Indonesian Central Bank Sees Annual GDP Growth at 5.7% in 2013," 8 November 2013.

10 World Bank: "Indonesia Economic Quarterly – Slower growth; high risks," December 2013.

Real GDP growth year-over-year (percentage)

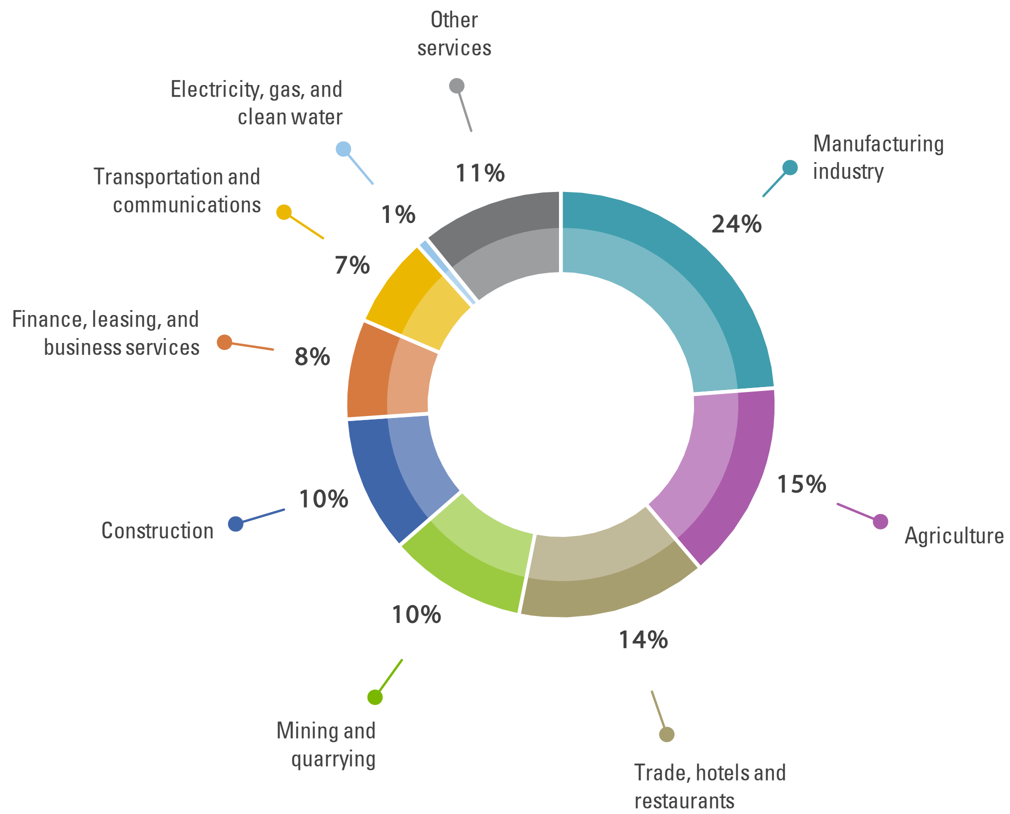


Note: The graph is taken 'as is' from the source

Source: World Bank, "Indonesia Economic Quarterly – Adjusting to pressures", July 2013

GDP breakdown (2Q13)

100% = IDR 2,210,062.0 billion



Source: Bank Indonesia Statistics, "GDP Current prices by sector", 2Q13

Industry regulation and policy

The regulatory framework for the automotive industry in Indonesia involves various government departments, including industry, finance, trade, energy and mineral resources, home affairs and transportation and the State Minister for the Environment. However, the Ministry of Industry is the most important player.

Foreign direct investment limitations and ownership

Foreign investments must be conducted through the formation of a limited liability company *(Penanaman Modal Asing, PMA)*. In these circumstances, the foreign investor must partner with an Indonesian person or entity as a shareholder. Limited liability companies are referred to as *Perseroan Terbatas* (PT).

PMA licences are granted by the Indonesian Investment Coordinating Board *(Badan Koordinasi Penanaman Modal, BKPM)*. The government issues a list indicating which business areas are open to foreign investment and which are closed. The remaining industries are open to foreign investment upon the fulfilment of specific conditions. While 100 percent foreign ownership is allowed in the manufacturing of automobiles and parts, foreign companies are prohibited from owning equity in retail vehicle distribution.[11]

The minimum total investment for a PMA company (excluding investments in land and buildings) is IDR 10 billion. The minimum issued and paid-up share capital of a PMA Company is IDR 2.5 billion and the minimum equity of a shareholder is IDR 10 million.[12] For companies in the automotive industry, capital must be at least IDR 100 trillion. Although at the outset majority foreign ownership is permitted, the law encourages foreign shareholders to divest a minority share to one or more Indonesian shareholders within a specified timeframe.

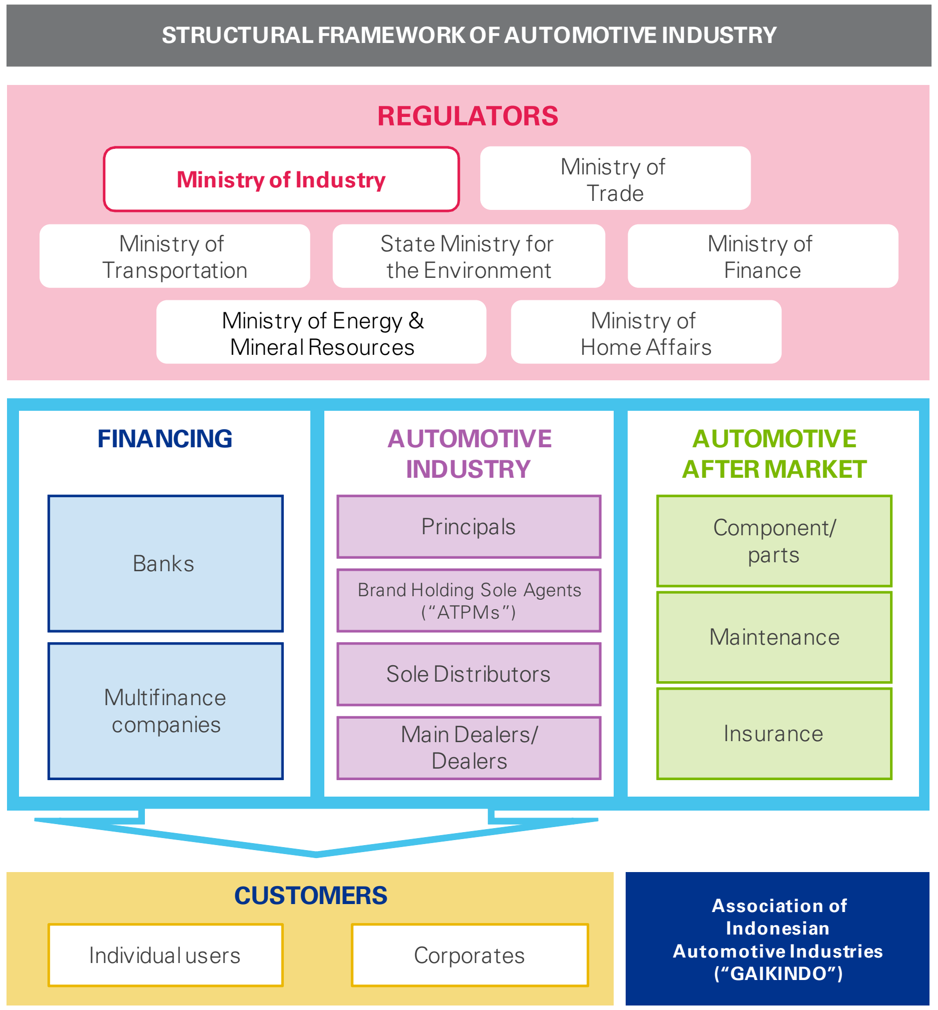
In terms of flexibility, the operating permit for a PMA is unlimited as long as it remains active, and foreign investors are free to manage the company fully, including having the power to appoint directors and, if necessary, foreign technicians when suitably skilled Indonesians are not available.

When it comes to finance, BKPM and the Indonesian Central Bank monitor the source and disbursement of funds approved for foreign-owned companies.

Navigating the Foreign Investment Law in Indonesia can be a complex exercise involving legal uncertainties, so robust legal advice is critical.

Regulations governing vehicle manufacturing and ownership

Over recent years, the Ministry of Finance has been working with key financial institutions in order to bring about change within the automotive industry. Beginning in the first half of 2012, the Ministry of Finance, together with Bank Indonesia, introduced new regulations for vehicle ownership. From this point onwards, consumers are required to make a downpayment of 30 percent when taking a vehicle ownership loan from a bank, or a payment of 20 to 25 percent when borrowing from a financing company.[13]



Sources: (1) The Association of Indonesian Automotive Industries – various laws, regulations and decisions.
(2) Indonesian Commercial Newsletter, "Market intelligence report on automotive industry in Indonesia", March 2010.

11 The Investment Law 2007 and its implementing regulations, Government Regulation No. 36 f 2010 ("Negative Investment List").

12 Stamford Law Chronicle, Indonesia Releases New Investment Laws on Public Companies, June 2013.

13 "Motor Vehicle Financing: This is the Rule of Shariah Principled Advances", December 2012.

Ministry of Trade legislation has a direct impact on vehicle manufacturers. In May 2012, it annulled a law allowing vehicle manufacturers to import finished goods due to concerns that this would have an adverse effect on parts manufacturers in Indonesia. In addition, the ACFTA (ASEAN-China Free Trade Area) came into effect in early 2010, which allowed more Chinese products to enter the local market. The initial signs are that the automotive industry in Indonesia has not suffered as a result of ACFTA, with import duty for CBU automotive vehicles being cut from 50 to 40 percent. The domestic automotive industry continues to thrive thanks to healthy demand and supportive regulations from the government.[14]

The government intends to secure Indonesia's position as a production base for international manufacturers by 2025. It expects Indonesia to become a key manufacturer of SUVs and MPVs within the region, and to be involved in the design of 80 percent of all engines for four-wheeled vehicles.[15] Added to this, the government would like to develop Indonesia as a major producer and supplier of premium vehicle components.

Amid concerns about the rising cost of fossil fuels, and the fiscal pressure created by significant fuel subsidies (which date back to the time when Indonesia was a net exporter of oil), the government is also encouraging the production of Low Cost Green Cars (LCGCs). It is planning to introduce significant tax cuts for LCGCs which could reduce their costs[16] to below IDR 100 million (USD 10,000) per unit, a figure within reach of the growing middle class. The government also wishes to cut carbon emissions in five main sectors, including transportation, by 26 percent by 2020.[17]

Tariff and non-tariff barriers

Indonesia has been a low-tariff country by developing country standards and has successfully implemented tariff liberalization programs over the past decade.[18]

The widening trade deficit has led to new measures, including increasing the import tax for consumer goods, from the present level of 2.5 percent, to 7.5 percent. To boost exports, the government plans to modify the tax payment scheme for exporters (KITE) and make it easier for export-oriented industries to absorb raw materials and capital goods.[19]

In 2012, the Finance Ministry also pledged to expand import duty exemptions on machinery, goods and materials for the development of the domestic automotive manufacturing industry and provide various incentives in the form of an income tax exemption for motor vehicle components.

INSIGHT

DAVID EAST

Partner, Head of Transactions & Restructuring

KPMG Indonesia

"Despite Indonesia continuing to be a foreign investment destination of choice in Asia, domestic consumption still accounts for around two-thirds of economic growth. About one-third of the record total 2013 investment levels reported by BKPM, the state investment agency, comprised domestic investment; this increased 39 percent, well above expectations. A reported FDI increase of 22 percent was just below forecast; and it is relevant that most investment in the automotive manufacturing sector has been greenfield or existing capacity increases. More M&A opportunities exist in the automotive parts sector as smaller operators seek capital funding to expand along with the industry as a whole.

For the automotive industry, it is important that the "emerging middle class" continues to prosper.[20]

There are incentives for foreign investors, such as the exemption from the 10 percent luxury tax for LCGC vehicles.[16] However, while Indonesia is an attractive climate in which to invest there are challenges for foreign investors, such as ensuring compliance with FCPA and other transnational regulations while managing operations with a local Indonesian partner. Due diligence on JV and supply chain partners is critical."

14 Indonesian Commercial Newsletter, "Indonesian Economic Outlook 2012", December 2011.
15 Third Indonesia International Automotive Conference, "Development Strategies of Indonesian Automotive Industry", Dr. Budi Darmadi, Deputy Minister of Industry.
16 Jakarta Post, "VP envisages RI's green, fuel-efficient auto industry", September 22, 2012.
17 http://www.thejakartapost.com/news/2011/10/31/plan-laid-out-indonesia-upbeat-about-its-2020-emission-target.html
18 "Indonesia: An Emerging Market - Part 5", International Business Training, February 2013.
19 New Tax to hike prices of gadgets, cars", Jakarta Post, December 2013.
20 "Indonesian Growth Likely to Stay Strong Next Year", Jakarta Globe, December 2012.

INSIGHT

KLAUS PAUR

Global Head of Automotive

Ipsos

"The recent economic progress in Indonesia has moved the country into the centre of consideration for international car makers. The blend of rising incomes amid a positive consumption climate and huge pent-up demand for passenger vehicles due to low penetration of car ownership have built the conditions for formidable market growth opportunities.

Auto makers can benefit from consumer motivations to make their ability to access a certain level of individual mobility an expression of rising prosperity. In this context, the purchase of a passenger car is not only a mere transition from two to four wheels; it rather represents the acquisition of personal well-being: an automobile makes transportation safer, more convenient and more comfortable, and it allows its owner to climb the social ladder and acquire higher regard among peers. In other words, in an emerging economy like Indonesia, a car is a generally recognized and widely aspired to as a symbol of success.

Indonesia's appeal goes further than just providing market growth. As the most populous nation within ASEAN, the country offers significant volume perspectives to an auto industry which faces a structural decline of vehicle sales throughout the whole of Europe, and one that has already begun to become overly dependent on China."

Ipsos is a global market research company and think tank with offices in 86 countries and headquartered in Paris.

Chapter Two

Automotive market overview

Current situation

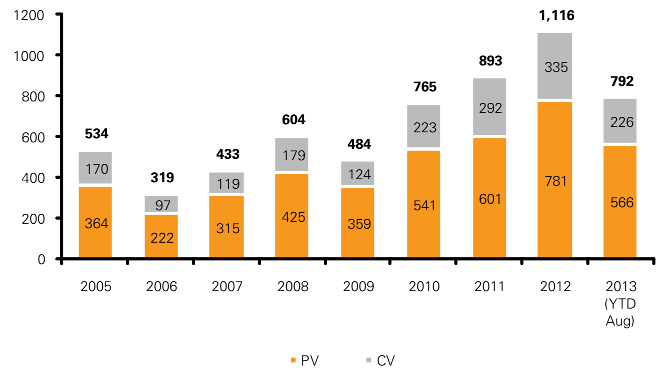
The general picture in Indonesia is one of an automotive sector that has experienced positive growth, a trend that was clearly demonstrated in the period between 2005 and 2012.[21] Over the same time span, domestic vehicle sales increased by a compound annual growth rate (CAGR) of 11.1 percent, and this was mainly driven by the sales of commercial vehicles and passenger cars. Vehicle production also increased by a CAGR of 11.4 percent between 2005 and 2012.[22]

Indonesia has a relatively low vehicle ownership rate, but its high population means the overall market volume is significant. Low interest rates have helped to boost consumption and economic growth over the past few years. As a result, vehicle sales hit a record 1,116,230 units in 2012, a year-on-year increase in sales of 24.9 percent.[23] This is despite government legislation requiring a 30 percent down payment for passenger cars and commercial vehicles. An estimated 70 percent of vehicles in Indonesia are bought on credit.[24]

Vehicle sales reached 1,020,389 units during first 10 months of 2013 and are on track to hit 1.2 million units for the full year, representing growth of 7.5 percent.[25] Growth is expected to be driven by growing domestic consumption and aggressive promotional campaigns on the supply side. Supply of LCGCs is also ramping up.

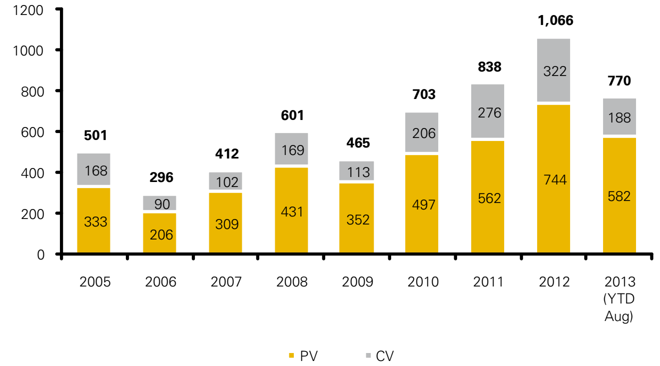
21 Indoautomotive, "Indonesia's Automotive Market Keeps Rising", September 2012.
22 The Association of Indonesian Automotive Industries – "Domestic Auto Production by Category", 2005-12.
23 EIU, "Indonesia: Automotive Report", September 2012.
24 "Indonesia car buyers defy predictions after new law implemented", Emerging Money, accessed July 2012.
25 The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by Category" and "Domestic Auto Production by Category".

Vehicle sales in Indonesia, 2005-2013 (YTD August) (in thousand units)[1][2]



CAGR (%)	2005-2012
Passenger cars[a]	*11.5%*
Commercial vehicles[b]	*10.2%*
Total	***11.1%***

Vehicle production in Indonesia, 2005-2013 (YTD August) in thousand units[3][4]

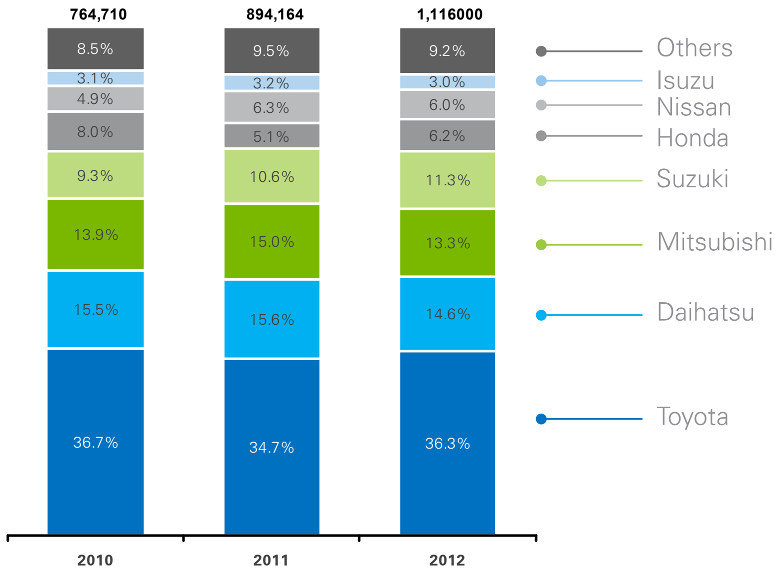


CAGR (%)	2005-2012
Passenger cars[a]	*12.2%*
Commercial vehicles[b]	*9.7%*
Total	***11.4%***

Note: (a) PCs include sedans, MPVs and SUVs.
(b) CVs represent bus, pick-up/trucks and double cabin.

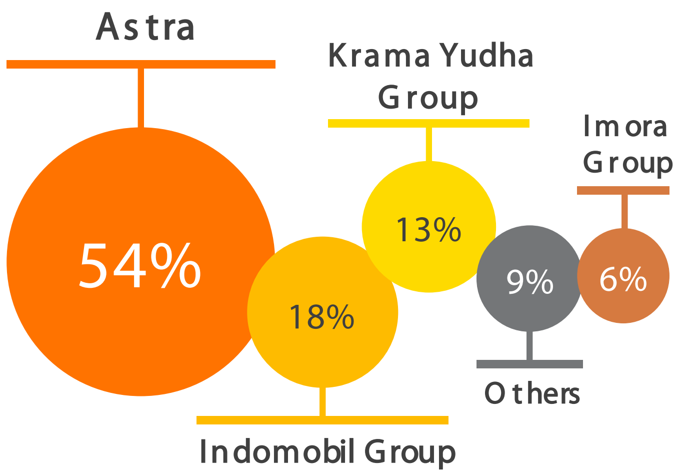
Source: (1) The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by Category 2005-2012", Gaikindo.
(2) The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by Category Jan-Aug 2013", Gaikindo.
(3) The Association of Indonesian Automotive Industries – "Domestic Auto Production by Category 2005-2012".
(4) The Association of Indonesian Automotive Industries – "Domestic Auto Production by Category Jan-Aug 2013".

Vehicle market share by OEMs (FY10-FY12)



Note: Other OEMs also includes Peugeot and UD Trucks.
Source: Frost & Sullivan, "Indonesia Automotive Outlook: 2013", January 2013.

Indonesia's automotive market share by group companies – FY12



Note: Others include OEMs such as Hyundai, Ford, GM, etc.
Source: Frost & Sullivan, "Indonesia Automotive Outlook: 2013", January 2013.

Existing key players

Currently in Indonesia, the major automotive companies are ATPMs for foreign principals. The market in Indonesia is dominated by Group companies,[26] the largest of which is Astra International (Toyota, Daihatsu and Isuzu, as well as Peugeot, BMW and Lexus) with a 54 percent market share. However, stiff competition is provided by Indomobil (Nissan and Suzuki) and Krama Yudha (Mitsubishi).

Japanese brands are the undisputed leaders when it comes to individual market share within Indonesia. Toyota sits atop the leader board with a share of 36.6 percent in 2012, an increase from 34.7 percent in 2011 largely due to the launch of the new Avanza.[27]

European and American brands are seeking to chip away at the Japanese dominance. General Motors is banking on multi-purpose vehicles, sports utility vehicles and compact cars to close the gap with its Japanese rivals in Indonesia. In April 2013, it started producing the Chevrolet Spin, a van with three rows of seats and prices starting at IDR 144 million (USD 12,000) at a factory near Jakarta. With a network of 40 dealers in Indonesia, GM can provide basic car maintenance and repair services directly to customers. With only 1 percent market share at present, GM has stated that it is open to working with a partner in future. In the first ten months of 2013, the company sold 12,000 cars in Indonesia.[28]

Volkswagen is also reported to be planning to build a factory in West Java. Both have the potential to be strong players given their experience in other emerging markets, including China.[29]

Not surprisingly, several Chinese automotive manufacturers have also begun to tap the Indonesian market using the ATPM model, including Chery, Foton and Geely, a leading car manufacturer that entered the Indonesian market in 2012. More recently, Great Wall has begun to offer commercial vehicles through Indomobil Group.[30]

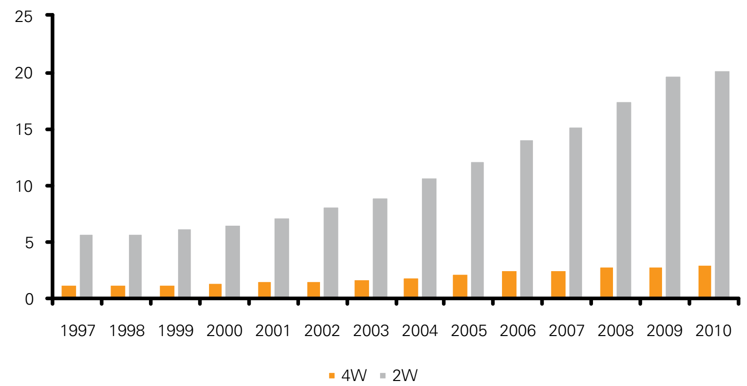
26 Group companies imply a set of companies controlled by a common apex company.
27 Frost & Sullivan, "Indonesia Automotive Outlook: 2013", January 2013.
28 Automotive News Europe: "Volkswagen will build car plant in Indonesia, minister says," 22 August 2013; Reuters: "General Motors sees China-like take-off in Indonesian car market," 10 December 2013.
29 "Volkswagen to Build Car Plant in Indonesia: Minister", August 2013, thejakartaglobe.com.
30 Macquarie Research, "Astra International", February 2012.

Two-wheeler versus four-wheeler vehicles

Indonesia shows a stark contrast between two-wheeler penetration and four-wheeler penetration. The former represented approximately 25 percent as of June 2012, whereas according to figures taken in April 2012, four-wheeler penetration was very low at around 3.5 percent. The greatest concentration of passenger cars is in the Jakarta region, although these are still disproportionately outnumbered by motorcycles; as well as in the other key regions of Java, Bali, Sumatra, and Kalimantan.

Comparing this figure globally, four-wheelers are more common per 1,000 people than in other ASEAN nations like Vietnam and the Philippines. However, Indonesia still trails behind Malaysia, as well as other emerging markets such as Russia and Brazil.[31,32]

Penetration rate of four-wheelers versus two-wheelers



Note: The graph is taken 'as is' from the source.
Source: Credit Suisse, "Indomobil Sukses International", 8 October 2012.

31 Credit Suisse, "Indomobil Sukses Internasional", 8 October 2012.
32 IIFL Institutional Equities report, "The Winning Dozen", 1Q13.

INSIGHT

MEGUMU KOMIKADO

Partner, Head of Automotive

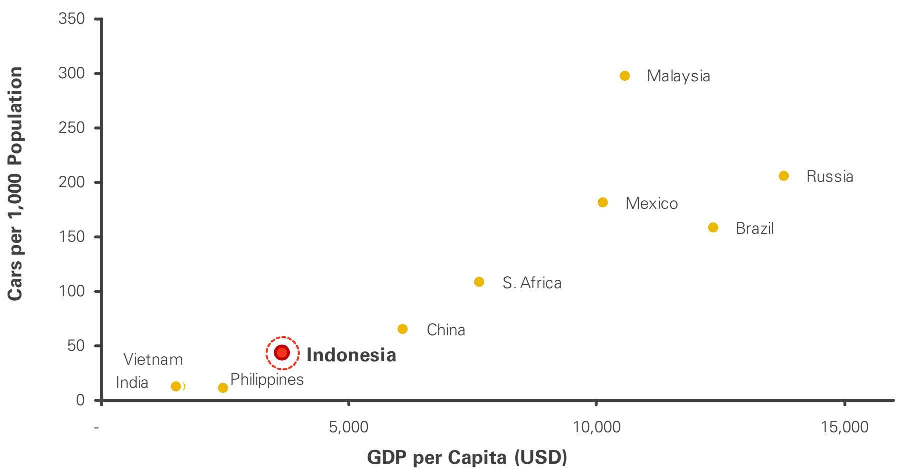
KPMG Japan

"Japan has a long history in Indonesia, and formally entered the automotive market in the 1970s. The scenario in Indonesia today is that Japanese vehicles dominate the market. Toyota, for example, has achieved effective control over distribution even though it cannot own these networks under law.

One of the reasons for this is that Japanese manufacturers are sensitive to localisation. The Toyota Kijang is not a typical Toyota car, but its 1,500 cc engine is ideally suited to the Indonesian market. Its high road clearance also makes it well-suited to navigating flooded roads, a seasonal feature of driving in Jakarta and many other Indonesian cities. Both the perception and the reality of Japanese cars in Indonesia is that they are extremely well made, reliable, have a long lifespan and have high value-retention, all factors attractive to Indonesian consumers. This is also why Japanese cars dominate the used car market.

In terms of manufacturing, Indonesia is viewed as an ideal country by Japanese automotive players, largely in part to low labor costs. This has produced aggressive competition among the top Japanese manufacturers. Now, players from China, India and the US are also seeking to get a foothold in the market, and this will only increase competitiveness within the country."

Four-wheeler penetration (passenger cars per 1,000 population) versus GDP per capita (USD)[a]



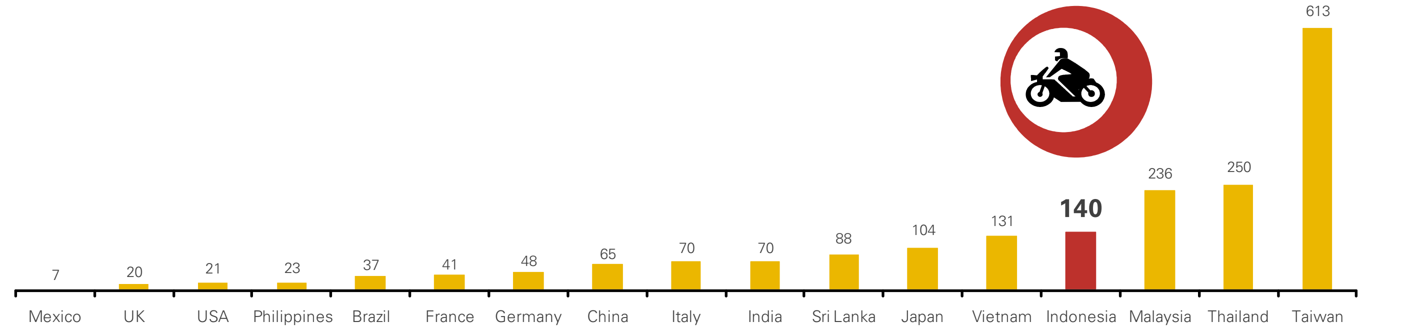
USD 3,660
GDP PER CAPITA IN INDONESIA

43 PER 1,000
PASSENGER CAR PENETRATION IN INDONESIA

Note: (a) The dotted line represents average car penetration and GDP per capita; data for four-wheeler penetration (passenger cars plus commercial vehicle) was unavailable from one common source. Hence, comparison has been done only for passenger cars. Countries have been chosen based on comparatively low GDP per capita figures set as the key criteria.
(b) Penetration data per 1,000 population is as of 1Q13; GDP per capita at current prices in USD is for FY12.

Source: World Economic Outlook Data, October 2012.

Two-wheeler penetration, per 1,000 population (2013)



Source: IIFL Institutional Equities report, "The Winning Dozen," 1Q13.

INSIGHT

AMMAR MASTER

Manager, LMC Automotive

"We are fairly bullish on Indonesia. Its automotive market is projected to become Southeast Asia's largest as early as 2015, overtaking Thailand where light vehicle sales touched 1.4 million units in 2012. Our forecast indicates sales to climb from a little over a million units in 2012 to 1.3 million units in 2015. This compares to a projection of 1.28 million light vehicles to be sold in Thailand in that year.

The automotive industry in Indonesia has benefited from recent political stability, strong economic growth, rising income levels and a reduced terrorism threat. And while these drivers will continue to push sales ahead, the risks to LMCA's forecast come from rising inflation, a prolonged European crisis and volatile commodity prices. Protectionist measures introduced by the government could also be a spoiler.

Nonetheless, Indonesia appears to be coming of age. Between 2015 and 2020, we anticipate the automotive industry to expand at a CAGR of 7.3 percent. Hence, we also expect more investments to go into Indonesia as vehicle makers expand capacity to meet growing domestic demand.

It is also our belief Indonesia will play a critical role as the second largest production base for vehicle makers in Southeast Asia. We think manufacturers are likely to concentrate on building MPV and SUV models in Indonesia, while Thailand will remain as a base for passenger car and pickup truck production.

Therefore, expect some re-alignment in manufacturers' production strategies in Southeast Asia in the short term. New model program, especially of MPVs and SUVs, to meet regional demand are likely to go into Indonesia."

LMC Automotive, part of the LMC group (headquartered in United Kingdom) provides global sales and production forecasts for light vehicles and heavy trucks, as well as forecasts of engine and transmission supply and demand. It publishes special studies on subjects of topical interest in these areas as well as studies addressing other aspects of the automotive industry.

Motorcycles

Overall sales of motorcycles fell by 13 percent in 2012.[33] This can be attributed to several factors, not least of which was a new 25 percent down payment required for financing a two-wheeler vehicle purchased on credit.[34]

While rising automotive demand might be expected to create a substitution effect, the immediate future still looks positive for the motorcycle sector with forecast growth of 5 percent in 2013, and total sales of 2-wheelers anticipated to reach 7 million units.[35] While owners of sports motorcycles are expected to graduate to LCGCs, there is also a fast growing scooter segment. To cater for this market, two of the biggest players – Honda and Yamaha – are increasing production by 10 percent[36] to cope with increased demand. Honda in particular has enjoyed increased growth with the launch of the Honda Beat, a move that increased the Japanese company's market share to 58 percent at the end of 2012.[37]

Motorcycle sales for 1Q13 were positive, with 1.96 million units sold during the period, registering growth of 1.5 percent y-o-y. Scooter and sports motorcycles sales have been growing faster than cub sales,[38] reflecting consumer preference towards more convenient and higher-priced products. Honda's motorcycles continued to gain market share during early 2013 with the launch of sports models like the CB150R and Versa 150R.[39]

4-wheeler vehicles:

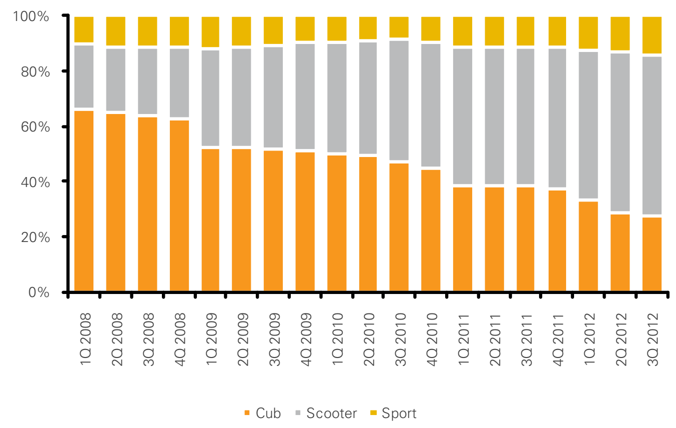
Commercial and passenger vehicles by segment

The 4-wheel automotive sector in Indonesia is dominated by the sales of passenger cars – 63 percent – and commercial vehicles – 33 percent. In the commercial vehicle (CV) segment, pickups, double cabin and trucks make up 98.7 percent of the market, with a growth of only 0.3 percent in the pickup and truck share of the market between 2011 and 2012. However, the picture is more complex when the passenger vehicle market is examined.[40]

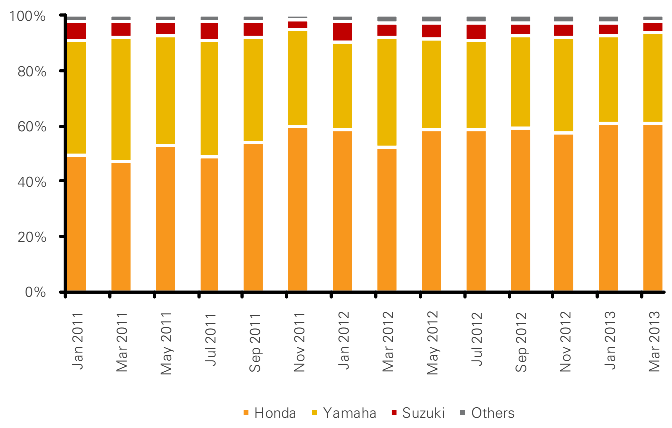
Competition has become fierce with the introduction of MPVs and SUVs, which have now overtaken the sedan in popularity. The figures speak for themselves, with the market share for sedans in 2012 being 4.4 percent, or 34,221 units, compared to an overwhelming 95.6 percent, or 746,564 units, for MPVs and SUVs.[41] This appears to be the result of the issue of practicality, as well as a rapidly emerging huge middle class. Seven-seat SUVs are the best sellers in Indonesia because they offer greater fuel efficiency, a lower tax rate and especially a larger seat capacity: in short, they are perceived as being better value for money.[42]

Major automotive players have been keen to take advantage of this situation and invest in the MPVs and SUVs market. Toyota's Avanza and Daihatsu's Xenia are especially big sellers, along with the Nissan Evalia and the Suzuki Ertiga in the MPVs segment.[43] To support this, the growth in popularity over the past decade of the lower-end MPV sector should be considered. In 2000, it stood at 17 percent but had risen to 51 percent by 2011.[44] There are also a number of luxury MPVs and SUVs available in Indonesia, such as the Toyota Alphard, the Nissan Elgrand and the VW Caravelle, but so far these have gained only a small percentage market share.[45] The lower end of the MPV and SUV sector is booming, driven by the emerging middle class and growing consumer confidence.[46]

Motorcycle sales – proportion of sales for cub, scooter and sport types[(a)(b)]



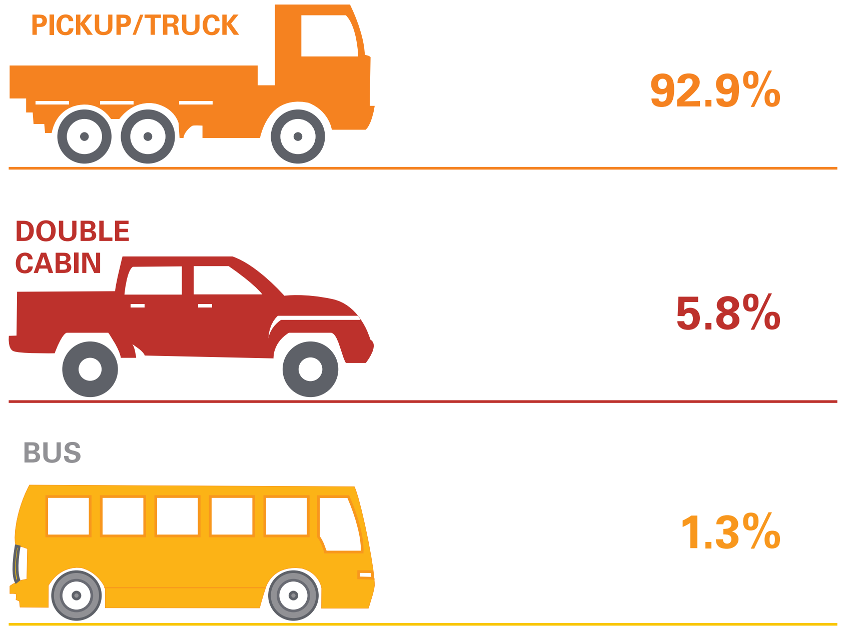
Motorcycle market share by brand[(b)]



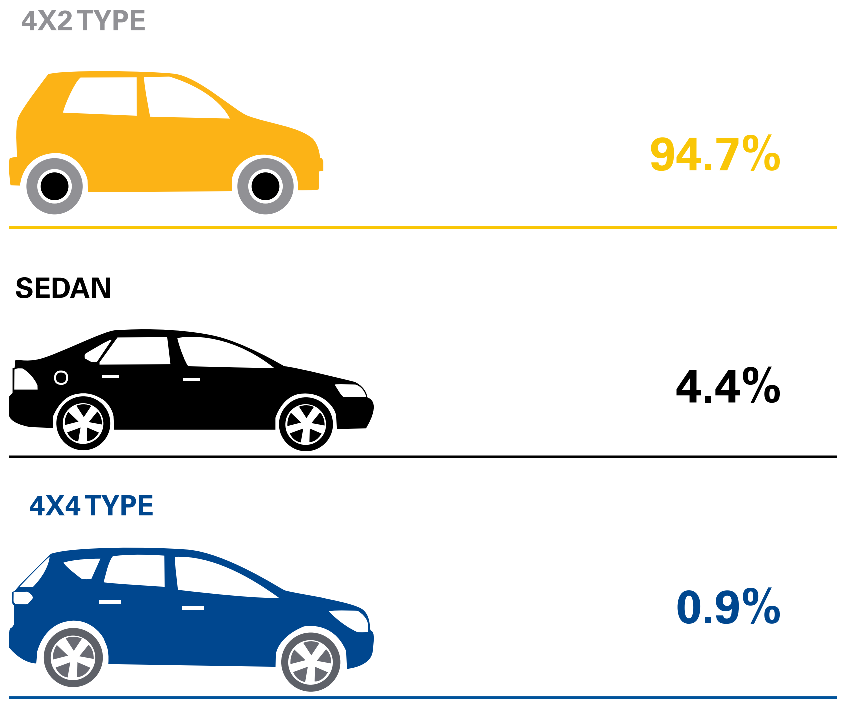
Note: (a) A Cub, also known as 'step-thru', 'moped', and 'scooterette' is a two-wheeler with an average price of IDR 14.05 million in Indonesia. A few examples of Cub in Indonesia include Revo Fit, Absolute Revo CW, Absolute Revo SW, Blade S, Supra X, etc.
(b) The graphs are taken 'as is' from source.

Source: CIMB, "Nov sales: cars hit 1m mark", 10 December 2012, "Robust quarter", 15 April 2013.

Commercial vehicles sales breakdown (FY12)



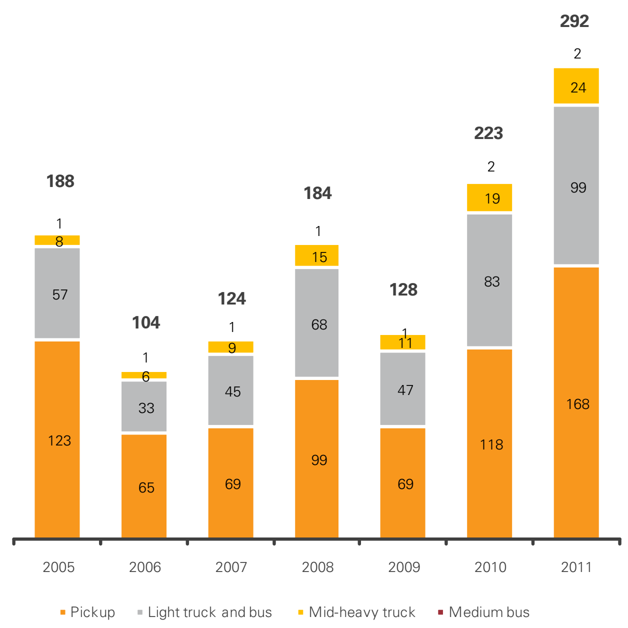
Passenger vehicle sales breakdown (FY12)



Source: (1) The Association of Indonesian Automotive Industries – "Domestic Auto Market & Exim by category January 2011 – December 2012".
(2) The Association of Indonesian Automotive Industries – "Domestic Auto market & Exim by Category Jan-Dec 2012", Gaikindo.

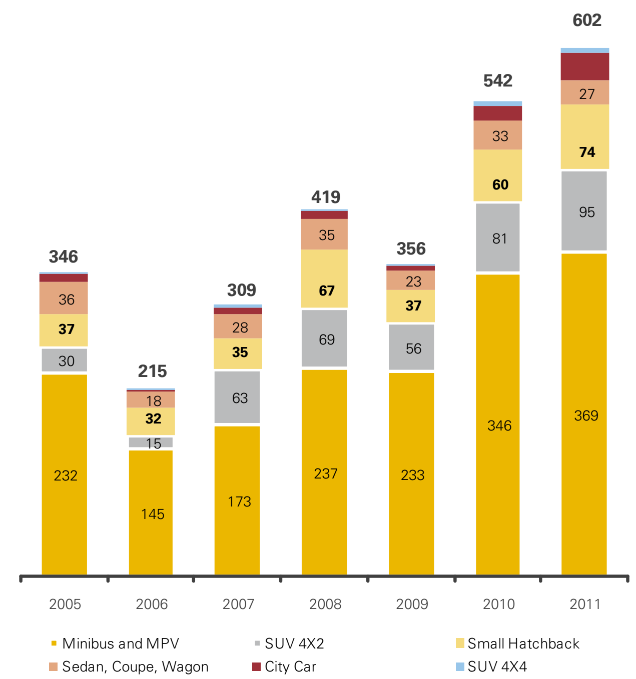
33 CIMB Sekuritas, "Astra International", 12 September 2012.
34 BNP Paribas, ' Astra International', May 2012.
35 Indonesian Motorcycle Industry Association (AISI).
36 CIMB, "Assessing the upside and downside", September 2012.
37 CIMB, "Nov sales: cars hit the 1m mark", 10 December 2012.
38 A Cub, also known as a 'step-thru', 'moped', and 'scooterette' is a two-wheeler with an average price of IDR 14.05 million in Indonesia. A few examples of Cub in Indonesia include Revo Fit, Absolute Revo CW, Absolute Revo SW, Blade S, Supra X, etc.
39 CIMB, "Robust quarter", 15 April 2013.
40 Association of Indonesian Automotive Industry – "Domestic Auto Market & Exim by category January 2011 – December 2012.
41 Indonesian Motorcycle Industry Association (AISI).
42 Indonesian Commercial Newsletter, "Market intelligence report on automotive industry in Indonesia", April 2011.
43 Credit Suisse, "PT Indomobil Sukses Internasional", October 2012.
44 Credit Suisse, "PT Indomobil Sukses Internasional", October 2012.
45 Indonesian Commercial Newsletter, "Market intelligence report on automotive industry in Indonesia", April 2011.
46 World Bank, "Indonesia Economic Quarterly – Policies in focus", December 2012.

Sales volume per segment for commercial vehicles (FY05-FY11) (in thousands)



CAGR (%)	2005-2011
Pickup	5.3%
Light Truck & Bus	9.6%
Mid-heavy truck	20.1%
Medium bus	12.2%
Total	**7.6%**

Sales volume per segment for passenger cars (FY05-FY11) (in thousands)



CAGR (%)	2005-2011
Minibus and MPV	8.0%
SUV 4X2	21.2%
Small Hatchback	12.2%
Sedan, Coupe, Wagon	NM[(a)]
City Car	23.5%
SUV 4X4	16.5%
Total	**9.7%**

Note: (a) CAGC for this segment was (4.7%).

Source: Morgan Stanley, "Autos: Indonesia Trip: Reassessing the BRICS Opportunity", September 2012.

Value chain analysis

One of the legacies of the protectionist policies of the 1970s and 1980s is that Indonesia's automotive industry largely operates through vehicle assemblers. In 2012, over 1.1 million vehicles were manufactured in the country. The three main companies in this were Astra International, Indomobil and Krama Yudha, together controlling 83 percent of the total annual production capacity at 49 percent, 21 percent and 13 percent respectively.[47]

The landscape of automotive parts in Indonesia has largely been dominated by imports. While things may be changing slowly, in the past it has been estimated that up to 70 percent of auto parts and components are imported.[48]

Auto sales in Indonesia are expected to be flat in 2014 because of slower economic growth, higher interest rates and a sharp fall in the rupiah. The Association of Indonesian Automobile Industries expects sales will be around 1.1 million vehicles in 2014, slightly below the 1.2 million estimated for 2013. In terms of real figures, between January and July 2012, Indonesia experienced an increase in imports of 45.3 percent of vehicles and components worth USD 4.9 billion. The main types of parts being imported are engines and transmission systems, often from other ASEAN countries, especially Japan and Thailand. One reason cited for the previous lack of domestic parts production is the scarcity of raw materials available in Indonesia. As of late 2013, production was continuing to rise, sustaining demand for locally manufactured automotive parts and components.

Due to new government regulations to enforce domestic production of automotive parts for the LCGC segment (40 percent in the first year and 80 percent thereafter)[49]; the likely outcome is that there will be a marked increase in low cost automotive parts in Indonesia. Furthermore, several key existing players are likely to stimulate growth in this segment: as of November 2012 JFE Steel Corp. and Sumitomo Electric Industries Ltd planned to spend USD 11.6 million to install a manufacturing equipment plant to enhance the production of valve springs used in automotive engines, and PT Denso Indonesia was expected to spend USD 200 million on a new automotive components factory.[50]

Indonesia expected to receive up to USD 1.2 billion in foreign investment in the country's automotive component industry in 2013. Of this value, about 40-50 percent of the investments were expected to come from car manufacturers such as Toyota, Honda and Suzuki, which planned to build car component manufacturing facilities in the country. Most of the plants were to be located in and around Jakarta.[51]

In September 2012, Astra Autoparts signed a deal with Japan's MetalArt Corporation to build and operate a new engine components plant. The joint venture will invest USD 45.3 million in a factory in Karawang, east of Jakarta. The plant is scheduled to begin operations in July 2014, with an output target of 60,000 auto parts by the end of the year. Suzuki Indomobil, a joint venture between Suzuki and Indonesia's Indomobil Group, plans to open their LCGC facility between April and May 2014. The facility, located to the east of Jakarta, is also expected to produce automotive components for Suzuki's cars and motorcycles. Japan's Toyota also plans to build a new engine plant located in Karawang by the first half of 2015. The facility will have annual capacity to produce 216,000 standard passenger vehicle engines.

In response to the recent expansion of car production in Indonesia, the government is actively seeking to attract investment from other countries that have experienced production slowdowns. Tata Motors Indonesia has launched an initiative to establish 300 auto-parts outlets in Indonesia by 2015. Such actions should stimulate the distribution of automotive components throughout the country. The demand for cheap and generic parts is also growing, mainly due to the higher cost of genuine OEM parts. Indonesia imports non-original aftermarket parts from markets such as China, Taiwan, Thailand and Vietnam, where prices of components can be as low as one-fifth of those offered by genuine OEMs.[52]

47 Mandiri Sekuritas, "Pt Indospring TBK", April 2012; Company Websites.
48 EIU, Indonesia Automotive report. September 2010.
49 Credit Suisse, "Astra International", October 2012.
50 Press Releases; Factiva.
51 According to Industry Ministry's director-general for high-technology priority industries, May 2013.
52 Frost & Sullivan, "Indonesia Automotive and Component Market:Export Potential for Malaysian Companies", October 2009.

Production capacity of vehicle assembling companies

		Annual production capacity (units)		
Name of company	**Brands**	**April 2011**	**April 2012**	**April 2013**
Astra group				
PT Astra Daihatsu Motor	Daihatsu	143,000	330,000	330,000
PT Toyota Motor Manufacturing Indonesia (formerly Toyota Astra Motor)	Toyota	170,000	110,000	110,000
PT Gaya Motor	BMW, Isuzu, Peugeot, Daihatsu, Nissan Diesel	60,000	98,000	98,000
PT Isuzu Astra Motor Indonesia (formerly PT Pantja Motor)	Isuzu	51,000	19,000	30,000[5]
PT Astra Nissan Diesel Indonesia	Nissan Diesel (truck and bus)	6,500	6,500[4]	6,500[4]
Total Astra group		**430,500**	**563,500**	**574,500**
Indomobil group				
PT Suzuki Indomobil Motor (formerly Indomobil Suzuki International)	Suzuki	120,000	120,000	120,000
PT Nissan Motor Indonesia	Audi, VW, SsangYong, Volvo, Nissan	52,000	100,000	100,000
PT National Assemblers	Suzuki, Mazda, Kia	21,000	21,000	21,000
Total Indomobil group		**193,000**	**241,000**	**241,000**
Krama Yudha group				
PT Krama Yudha Ratu Motors	Mitsubishi	120,000	150,000	150,000
PT Trijaya Union	Mitsubishi Buses	1,440	1,440[4]	1,440[4]
Total Krama Yudha group		**121,440**	**151,440**	**151,440**
Others				
		April 2011	**April 2012**	**April 2013**
PT Honda Prospect Motor	Honda	50,000	60,000	60,000
PT General Motors Indonesia	Chevrolet	30,400	20,000	20,000
PT Hino Motor Manufacturing Indonesia	Hino	35,000	35,000[2]	50,000[5]
PT Mesin Isuzu Indonesia	Isuzu	43,000	50,000[3]	50,000[3]
PT Korindo Heavy Industry	Hyundai Truck	4,500	4,500[3]	4,500[4]
PT Hyundai Indonesia Motor	Hyundai	10,000	10,000[3]	10,000[3]
PT Mercedes Benz Indonesia	Mercedes Benz	8,000	8,000[4]	8,000[4]
Total others		**180,900**	**187,500**	**202,500**
Total production capacity		**925,840**	**1,143,440**	**1,169,440**

Note: (1) Bahana Securities, "Astra International", April 2012 and 2013.
(2) Mandiri Sekuritas, "Pt Indospring TBK", April 2012.
(3) Latest numbers on company websites.
(4) No update on capacity numbers available.
(5) Credit Suisse, "Auto Sector, Implications of Indonesia", March 2013.

Automotive Component Suppliers/Manufacturers

- Raw material providers supply steel, plastic, rubber, aluminium, non-steel, glass, textile, paint, paper, foam to second-/third-tier suppliers
- Semi-finished material providers offer wiring, cables, screws, bolts to second-/third-tier component suppliers
- Second-tier component suppliers produce parts and components required to assemble entire vehicles to first-tier suppliers
- These suppliers also work independently to produce parts for the aftermarket, which are sold through OEM and non-OEM second-tier wholesalers, marketed as branded and unbranded
- Third-tier players are involved in supply of generic engineering components and services such as mechanical tools, metal castings, rubber and plastics, molding, dyeing etc. of components

Key players[a][1]

Second-tier component suppliers:

- PT Gajah Tunggal Tbk (Indonesia)
- PT Multistrada Arah Sarana Tbk (Indonesia)
- PT Indo Kordsa (Indonesia)
- Astra Otoparts Tbk PT (Indonesia)
- PT Goodyear Indonesia Tbk (Indonesia)
- PT Selamat Sempurna Tbk (Indonesia)
- PT Indospring Tbk (Indonesia)
- Nipress PT (Indonesia)
- Prima Alloy Steel Universal PT (Indonesia)
- PT Multi Prima Sejahtera Tbk (Indonesia)

Automotive Manufacturers

- First-tier component suppliers/ OEMs are involved in manufacturing of branded or genuine auto parts and automobiles
  - Branded auto parts include, batteries; engine systems; brake systems; cooling systems; body and frame components; etc
- They also sell components/automobiles directly to consumers through certified first-tier wholesalers and aftermarket services through their subsidiaries
- They also offer aftermarket services
- They are usually joint ventures or foreign investment companies
- Local firms partner with automotive manufacturers/OEMs and provide sales, financing, and other services

Key players[b][2]

First-tier component suppliers/OEMs:

- PT Toyota Motor Manufacturing Indonesia (Indonesia)
- PT Astra Daihatsu Motor (Indonesia)
- PT Krama Yudha Ratu Motor (Indonesia)
- PT Suzuki Indomobile Motor (Indonesia)
- PT Nissan Motor Indonesia (Indonesia)
- PT Honda Prospect Motor (Indonesia)
- PT Isuzu Astra Motor Indonesia (Indonesia)

Automotive Retailers and Dealers

- Automotive retailers/dealers are responsible for distribution and selling vehicles to end consumers
- They also provide auto finance services to consumers
- Automotive financing is offered by both banks and local firms (partnered with OEMs); banks provide attractive financing options but have stringent rules
- OEMs/manufacturers provide financing services through their dedicated subsidiaries, also known as captive finance companies[7]
- Non-captive finance companies and local banks also offer financing for car and motorcycle purchases[7]

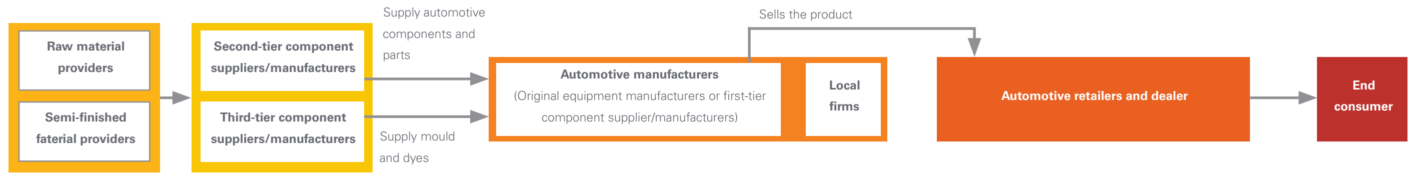
Key players[c][3]

Auto companies providing retail and financing services:

- Astra International Tbk PT (Astra Sedaya Finance, Toyota Astra Finance Services) (Indonesia)
- PT Indomobil Sukses Internasional Tbk (Indomobil Finance Indonesia, Suzuki Finance) (Indonesia)
- PT Mazda Motor Indonesia (Indonesia)
- PT Imora Motor (Indonesia)
- PT Krama Yudha Tiga Berlian Motors (Indonesia)

Third-party companies providing retail and financing services:

- Tunas Ridean PT (Indonesia)
- Oto Multifinance[6] (Indonesia)
- Banks such as Bank CIMB Niaga, Bank Central Asia, and Bank ANZ[6] (Indonesia)



Note: (a) Top players selected on basis of decreasing order of revenue for FY 2011. Players operating in the auto parts and equipment, and auto tyres industry, primarily for 4-wheelers in Indonesia.
(b) Automobile manufacturers, primarily for 4-wheelers in Indonesia, as understood from analyst reports.
(c) Automobile retailers for 4-wheelers in Indonesia, as understood from analyst reports.
(d) Key players list does not include pure play 2-wheeler players in the market.

Source: (1) Capital IQ, Analyst Report.
(2) Mandiri Sekuritas, "Let's look beyond Ramadan", September 2012, BMI, "Indonesia Autos Report", Q3 2011, Capital IQ.
(3) Capital IQ, Analyst Reports, EIU.
(4) HSBC, "Indomobil", July 2012.
(5) Frost and Sullivan, "Indonesia Automotive and Component Market", October 2009.
(6) HSBC, "Indonesian auto market", July 2012.
(7) J.P.Morgan, "Automobile and Motorcycle Sector", July 2012.

Future opportunities

Low Cost Green Cars (LCGC)

A recurrent theme at the International Indonesian Automotive Shows in both 2012 and 2013 was the promotion of low-emission and energy-efficient vehicles. It is hoped that the demand for LCGCs will continue to rise over the next five years as the shift from 2-wheel vehicles to 4-wheelers gains momentum, especially in the low and middle income sectors of the consumer demographic.[53]

Car manufacturers are actively taking steps to improve their presence in Indonesia, highlighted by Toyota, which spent USD 105.5 million to build 30 showrooms during 2012 and 2013. When these push factors are considered alongside the reality that Indonesia has poor public transport infrastructure, the reasons for the slow but sustained penetration of passenger cars quickly becomes apparent, and this is a trend that KPMG expects to continue.[54] Astra Group is anticipated to be the major player in relation to LCGCs given its current dominant market position, and sales of these vehicles are anticipated to reach figures of 1.75 million units in 2016, and peak at 1.89 million units in 2017.[55]

INSIGHT

MICHAEL JIANG

Partner,

KPMG China

"As a recent entrant, China is currently not a big player in the Indonesian automotive market, with Chinese OEMs currently holding only 1 percent of the market share. Manufacturers already based in the country include Geely and Chery, who each have small production plants. Beiqi Foton intends to build a factory in Cikande in Banten province, which will go into production in 2015 with the capacity to produce 100,000 units per year of the Foton Auman and other medium heavy trucks.

This scenario has allowed for the potential expansion of exports of low cost cars to Indonesia by Chinese players, mitigating the impact of a crowded and increasingly saturating home market where non-Chinese OEMs are still dominant."

53 IndoPremier, "A new trend uprising", 20 November 2012.
54 "Poor infrastructure could hamper Indonesia's further growth", Global Times, accessed November 2012.
55 J.P.Morgan, Auto & Auto Parts Sector, Thomson Research, March 2013.

Mobility and rental services

Mobility services are not yet a well-developed option for drivers in Indonesia. Upper-middle-income and upper-income families usually own cars and often have drivers, while middle-income and lower-income families are still struggling to get on the ownership ladder. For domestic journeys, Indonesians prefer to purchase bus, coach or train tickets and for most people renting a car is not an affordable or practical option.[56]

The rental car industry is at a nascent stage but potentially very profitable. Several private operators have large fleets and typically provide rental services with a driver included. In October 2012, the government allocated USD 10 billion as a fuel subsidy for privately owned cars, a move which could kick start the emergence of mobility services. However, this subsidy only covered the island of Java, and other outlying areas were not covered by the incentive.[57]

Eco-mobility

Automotive manufacturers in Indonesia could help to change this situation by launching low cost and environmentally friendly vehicles. In September 2012, PT Tata Motors Indonesia announced that it was planning to introduce the concept of Eco-Mobility through the launch of CNG engine vehicles.[58] These vehicles provide comfort, safety and expel low emissions, yet are also affordable. Similarly Nissan Motors has pledged that it will introduce vehicles under the brand name Datsun, and these will be aimed at customers from varying low income levels.[59]

Planned investment

There is huge scope for further foreign investment. In 2012, investors from China, Taiwan and Japan planned to invest USD 1.5 billion in the automotive component industry.[60] This is expected to raise the number of component factories in Indonesia from 1,400 to 1,500 by 2013, and Astra Daihatsu Motor is set to invest USD 104 million to establish 30 new dealerships between 2013 and 2016. The big Japanese players also have their sights set on increased investment; Honda and Toyota are expected to take advantage of the anticipated LCGC market, and Daihatsu has already committed to spending in this sector. Furthermore, Geely, the low cost Chinese car manufacturer plans to set up a factory in Indonesia by 2015.[61]

Consumer trends

Between 2012 and 2016, average annual car registrations are expected to grow by 12 percent, but this depends upon a continued increase in disposable income among the emerging middle class. A comparison of various industry growth projections (illustrated on page 27) shows some relative consensus on the growth path for the next three to four years.

It appears that car buyers in Indonesia increasingly favour SUVs and MPVs over sedans, with the sales of the latter falling by 4.5 percent in 2012.[62] This trend was identified in 2011 when sales of SUVs, mini-vans, MPVs and compact city cars rose by 12.8 percent year-on-year. There are a few popular brand SUVs in the Indonesian market, including the Mitsubishi Pajero and the Ford Ranger and a few other premium branded models, as well as affordable MPVs such as the Toyota Avanza, the Daihatsu Xenia and the Toyota Innova.[63] The fact that SUVs and MPVs can physically accommodate more passengers than sedans is a major reason for consumers' preference for the segment.

As well as the SUV and MPV market, there is a growing demand for reliable and safe cars, priced towards the lower end of the scale. Toyota and Daihatsu, the two most popular passenger car brands in the country, have launched the Agya and revamped Ayla respectively, each priced between IDR 75 million and IDR 100 million.[64]

A new trend within Indonesia's automotive industry is the increased use of aggressive sales, promotional discounts and marketing campaigns by retailers and dealers. For instance, Astra International incurred significant marketing and promotional expenses during FY13 with the launch of LCG cars.[65] Accompanying improvements in sales and marketing techniques, there is an increase in financial services offerings from retailers. In particular, PT Astra International TBK (Astra) now offers automotive financing to customers through its Astra Credit Company and Toyota Astra Financial Services Unit. As a result of this revitalized atmosphere, there were car wholesales of one million units between January and November 2012.

Several automotive manufacturers are increasing spending to extend their dealership networks to meet rising consumer demand. A prime example of this is Astra Daihatsu Motor, which is investing over USD 100 million to increase the number of its dealerships to 226 by 2014.[66] To cope with the increased demand for passenger cars and the dip in demand for 2-wheeler financing, large domestic manufacturers such as Indomobil intend to offer financial products aimed at the 4-wheeler segment. With demand for financing for passenger cars rising faster than for 2-wheelers, key manufacturers such as Indomobil are also switching their marketing focus.[67]

56 Euromonitor International, Car Rental in Indonesia, September 2013.
57 Press Articles.
58 "India,Indonesia : PT Tata Motors Indonesia showcases smart solutions for Indonesian mobility needs at 20th Indonesia International Motor Show 2012", MENREP, September 2012.
59 "Nissan brings back Datsun in some countries", MediaPost.com, March 2012.
60 "Investment Target in Automotive Component Industry", LKBN Antara, 17 October 2012.
61 Macquarie Research, "Astra International", February 2012.
62 EIU, "Indonesia: Automotive Report", September 2012.
63 Frost & Sullivan, "TIV may breach 1 million mark in 2012 if global economy recovers", January 2012.
64 CIMB, "Low-cost cars unveiled", 24 September 2012.
65 Astra International, DBS Vickers Securities, Thomson Research, November 2012.
66 Astra Daihatsu to invest USD104 million in new dealerships by 2014", IHS Global Insight Daily Analysis, October 2012.
67 Credit Suisse, "PT Indomobil Sukses Internasional I", October 2012.

INSIGHT

"Without question, the first step to achieving success in Indonesia is for companies to have the right spec for the market. In automotive manufacturing, a company's ability to localise is a key driver of profitability and we have seen this with Toyota, Suzuki and Honda, all of whom have managed to do this very well.

But even if a company gets the spec right, this is only a first step.

Brand awareness is increasingly crucial. This is a big country so the more dollars a multinational can spend, the greater its rewards should be.

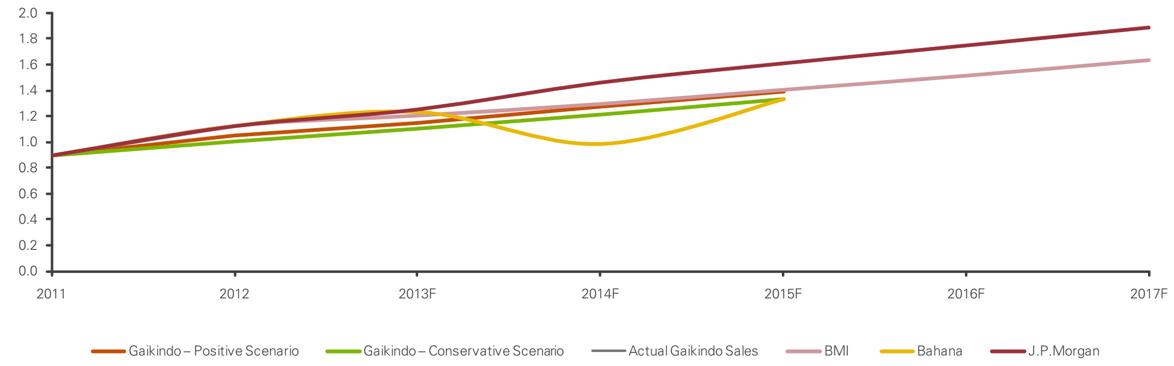
A strong dealer network and effective after sales service is not only key to sales, but also helps in taking care of logistical challenges and feeding back into a positive brand experience."

IWAN ATMAWIDJAJA

Partner, Head of Management & Risk Consulting

KPMG Indonesia

Indonesia 4-wheeler industry sales growth trend (million units)



Sources:
(1) Kim Eng, "Automotive Sector", October 2012.
(2) The Association of Indonesian Automotive Industry – "Domestic Auto Market & Exim by Category Jan-Dec 2012", Gaikindo.
(3) IndoPremier, "Automotive", November 2012.
(4) Bahana Securities, "Astra International" April 2012.
(5) J.P.Morgan, Auto & Auto Parts Sector, Thomson Research, March 2013.

Chapter Three

Deal activity

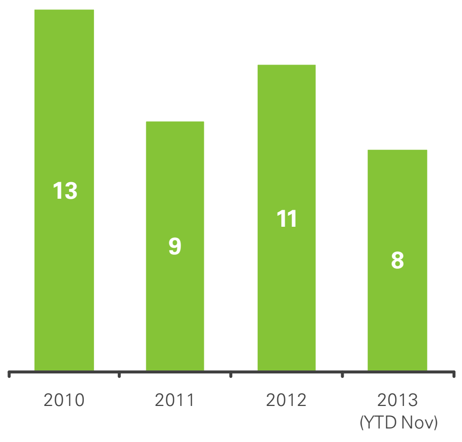
Both deal value and volume witnessed an increase during 2011-13; however, there has been a significant decline in deal value which reached USD 128.1 million as at November 2013.

During the period 2010 to November 2013, companies headquartered in Indonesia were the dominant acquirers in the Indonesian automotive industry, registering 14 deals over the entire period. This was followed by Japanese acquirers (13 deals) and Singapore acquirers (6 deals). In 2013 (YTD Nov), Japanese entities acquired 7 of the 8 Indonesian targets.

Over the analyzed period, 24 deals were completed, whereas 12 deals were still pending.

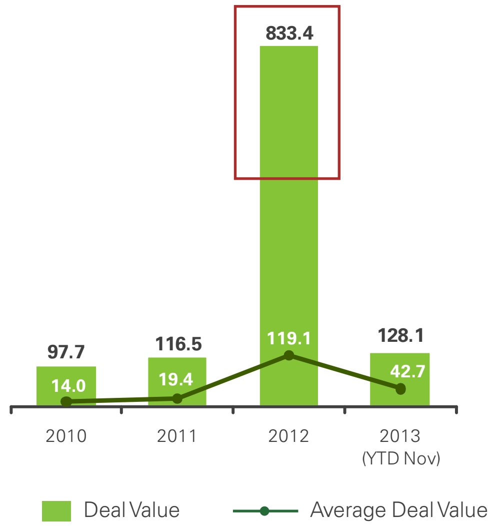
Most of the transactions were undertaken to either enhance services and product offerings, strengthen operations in Indonesia, increase market potential, or compete globally with large automotive players.[68,69]

Indonesia automotive industry –
Deal volume (FY10-YTD November 2013)



Source: Mergers and Acquisitions, SDC Platinum, a Thomson Reuters product, September 2013

Indonesia automotive industry –
Deal Value and Average Deal Volume
(USD million, FY10-YTD Sep 2013)



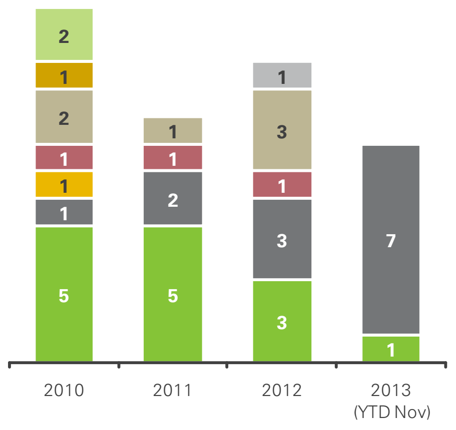
Source: Mergers and Acquisitions, SDC Platinum, a Thomson Reuters product, September 2013

68 Thomson SDC

69 Macquarie Research, "Astra International", February 2012

Note:
(a) There were four deals in 2013, two deals in 2012, two deals in 2011, and three deals in 2010 where deal values were not available. Average deal size has been calculated for deals where deal value was available.
(b) For one deal in 2012, the acquirer nation was unknown, hence the total deals are given as 7 as compared to 8 shown in the first graph.
(c) Deals where target belongs to automotive & components or automotive retailing industry headquartered in Indonesia.

Deals – by country, FY10-YTD Sep 2013



Source: Mergers and Acquisitions, SDC Platinum, a Thomson Reuters product, September 2013

Deal size (USD mn)	2010	2011	2012	2013 (YTD Sep)
Maximum	34.4	78.1	809.3	90.4
Minimum	0.15	0.13	0.02	15.70

Deal status	2010	2011	2012	2013 YTD Sep)
Completed	6	6	8	4
Pending	4	2	2	4

INSIGHT

MUNCHUPA SINGSUKSAWAT

Partner,

KPMG Thailand

"Indonesia is becoming a more interesting destination for Thai investors. They realise that Indonesia's economic prospects, including domestic purchasing power, should continue to increase thanks to its large, young population, and rising consumer demand. The country has many other advantages, including relatively cheap labor and low fuel costs. Several leading Thai investors have already established themselves in Indonesia.

Moreover, many Japanese carmakers, which are key players in the Indonesian automotive market, have announced plans to invest more in new manufacturing capacity to meet expanding domestic demand. In this regard, many Thai automotive parts manufacturers have also sought to expand their investments to Indonesia, both to support Japanese players, and with a view to Indonesia becoming a potential supply base for Thailand."

Chapter Four

Success factors for the future

Risk and challenges

There are risks and challenges in investing and doing business in any emerging high-growth market, and Indonesia continues to be a difficult country in which to do business relative to Western or the more developed Asian markets. While many of the issues that prevailed in the decade following the 1997 Asian Economic Crisis have become more manageable, regulatory risks around foreign investment laws, underpinned by legal uncertainty from conflicting or unclear laws, regulations and decrees, as well as the need for ongoing government reforms to the judicial system, provide important context to any investment opportunities.[70]

Corruption ratings

Bribery and corruption remains a concern for businesses operating in Indonesia. It has also become a politicized issue. According to one non-government organization, in 2011, Indonesia lost as much as IDR 2.13 trillion to corruption. The main reasons for corruption were embezzlement, fictitious projects and travel costs, and misappropriations.[71]

A government agency called the *Komisi Pemberantasan Korupsi* (Corruption Eradication Commission, abbreviated KPK) was established in 2003 with a mandate to tackle corruption in the country. The KPK's focus areas involved investigating and prosecuting cases of corruption as well as monitoring governance in the country more widely. It has surprised some observers by pursuing cases against relatively high-ranking officials.

According to the Corruption Perceptions Index published in 2012, Indonesia had a score of 3.2/10 and a rank of 118 among 176 countries.[72] By comparison, in 2010, Indonesia had a score of 2.8 of 10 and a rank of 110 among 178 countries. Thus, while Indonesia's score improved over these two years, the country's ranking deteriorated. A modest improvement in the overall environment must be balanced against the increasingly onerous expectations posed by extra territorial legislation (for example, the Foreign Corrupt Practices Act in the US and the Anti-Bribery Act in the UK), meaning that the issue has to be treated with even more care than in the past.

70 KPMG, "Investing in Indonesia", 2013, p.23.

71 According to a study conducted in January 2012, by Indonesia Corruption Watch, an NGO whose mission is to oversee and report to the public about the actions of corruption that occurred in Indonesia.

72 The Corruption Perceptions Index ranks countries/territories based on how corrupt a country's public sector is perceived to be. The scores range from 0 (highly corrupt) to 100 (very clean). The data is sourced from Transparency International.

INSIGHT

DIRK KOEHNLEIN

Head of Automotive

KPMG Indonesia

"Indonesia is gunning to become the automotive hub in ASEAN. With significant growth rates over the past five years and a growing middle class whose purchasing power is still accelerating, the potential of this country is by no means exhausted.

Japanese car manufacturers, followed by their suppliers, recognized early the importance of the Indonesian market and continue to invest significantly, while shifting key production facilities. An example of this is Toyota's decision to produce its Vios model at a base in West Java. This has been hailed as evidence of a wider trend, of the steady relocation of manufacturing from Thailand to Indonesia.

Upcoming investments from Chinese, Indian, US and German car manufacturers are also proof of the importance of the Indonesian market. Certainly challenges remain, ranging from underinvested infrastructure to insufficient fuel quality, emission and vehicle safety standards. Of most immediate concern is the current economic slowdown since mid-2013. While automotive players need to assess how a slower GDP growth scenario (say 4-5 percent instead of 6-7 percent over the next two years) might feed through into their sales and profitability, there is little evidence yet that this is affecting long term plans."

Greater regional integration

The Association of Southeast Asian Nations, or ASEAN, was established in August 1967 by five founding members, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand. It subsequently expanded its membership to an additional five countries. More recently, the ASEAN Free Trade Area (AFTA) has set out to eliminate tariff or non-tariff barriers on cross-border transactions between ASEAN countries by 2015. The creation of AFTA could open up bigger market opportunities for Indonesian products, reduce production costs for Indonesian producers requiring raw materials from other ASEAN countries, and introduce a wide range of products into the domestic market in terms of quality and price.

The ASEAN region is expected to offer significant opportunities to global automotive players in the near to medium term. The region is estimated to be the fifth largest automotive market by 2019, likely growing at a CAGR of 5.8 percent during 2012-19 to reach 4.71 million vehicles by 2019. Indonesia, along with Thailand, is regarded as key to meeting that target.[73]

Japanese and other automobile manufacturers are targeting Indonesia by setting up factories, driven by rising demand for cars and favourable tax policies for fuel-efficient models. Investments are being focussed towards small models such as light motor vehicles. For example, Suzuki plans to build a new assembly plant in the country along with plans to launch an engine factory in 2014. Toyota Motor Corp., also has plans to begin operating a new engine factory in the country during 2016, as well as to begin exporting to nearby nations.

Economic risks

External economic issues on the global stage could have a slowing effect on GDP growth in Indonesia. These include the slower growth rates in China's economy, dampening prospects for key resource sectors, as well as subdued demand in Europe and the US impacting Indonesia's trade balance and exchange rate.

There are still some economic challenges for the automotive industry. The majority of cars in Indonesia are currently imported or use imported parts and as such, they are sensitive to fluctuations in exchange rates. This has been highlighted by the weakening of the rupiah against the US dollar in 2013, making imported vehicles and parts more expensive.

73 According to Frost & Sullivan report, "Strategic Analysis of ASEAN Automotive Outlook", August 2013.

Fuel price subsidies

While Indonesia's days as a net exporter of oil and gas are a distant memory, the country continues to subsidize domestic fuel prices. Downstream oil and gas companies such as Pertamina receive compensation from the government in accordance with an annually adjusted subsidy formula. If the market price for crude oil exceeded the USD100 price per barrel assumed in the formula for 2013, for example, or if the margins in the formula did not sufficiently cover distribution costs, Pertamina would absorb the difference, potentially resulting in losses for its downstream business.

Proposed reductions to these subsidies face public and political resistance despite claims that the funds freed up from subsidy cuts could then be allocated to poverty alleviation program and more beneficial infrastructure development.

In June 2013, Indonesia's lawmakers approved a 44 percent hike in the price of premium petrol to IDR 6,500/ litre and a 22 percent hike in the price of solar diesel to IDR 5,500/litre. The government has reduced fuel subsidies substantially since the last fuel price hike in 2008. The resultant fuel price hike is inflationary with the cost of producing and transporting goods rising significantly over the months.

Although Indonesia's government stresses the need to relieve pressure on the state budget through fuel subsidies, the government raised the overall fuel subsidy budget in 2013 to IDR 209.9 trillion, from IDR193.8 trillion set earlier in 2013. The subsidized fuel quota was also raised to 48 million kilolitres (301.9 million barrels) from 46.01 million kilolitres set earlier.[74]

Closing words

The purpose of this report is to examine the landscape of the automotive industry in Indonesia as it exists today, while exploring how a bigger ecosystem of manufacturers and distributors could emerge. With supportive government measures, KPMG expects OEMs and parts suppliers to continue to grow and evolve. Japanese manufacturers will continue to dominate, albeit facing new competitors from the West and from China. While recent years have seen substantial expansion for the automotive industry in Indonesia, the weakening of the exchange rate and impending elections mean the outlook for 2014 is rather less certain. Nevertheless, this report outlines many of the reasons to believe the long-term outlook for Indonesia remains promising.

74 Fuel subsidies covers fuel, LPG and vegetable fuels.

Appendix

Key deal activity since 2010

Deal Activity in the Indonesian Automotive Industry (FY10 – YTD November 2013)

Date	Target Name	Target Short Business Description	Acquirer Name	Acquirer Industry	Rationale	Stake Acquired/ To be Acquired	Status	Deal Value (USD million)
July 2013	**NT Piston Ring Indonesia PT**	Manufacturer and wholesaler of steel piston rings for vehicles and land marine equipment	**Nippon Piston Ring Co Ltd**	Automobiles & Components	Nippon Piston Ring Co Ltd of Japan agreed to acquire the remaining 50% interest which it did not already own in NT Piston Ring Indonesia PT	50.0%	Pending	-
July 2013	**PT NT Piston Ring Indonesia**	Manufacturer and wholesaler of pistons	**TPR Co Ltd**	Automobiles & Components	The deal would enable TPR Co Ltd to operate independently in Indonesia	-	Pending	**15.7**
April 2013	**Auto-Body Mnfg Indonesia PT**	Manufacturer and wholesaler of automobile parts	**G-Tekt Corp**	Automobiles & Components	G-Tekt Corp planned to acquire the remaining 50%, which it did not already own, in Auto-Body Manufacturing Indonesia PT	50.0%	Completed	-
May 2013	**Astra Otoparts Tbk PT (AOP)**	Manufacturer and trader of automotive components	**Toyota Tsusho Corp**	Metals & Mining	The transaction would help Toyota strengthen its partnership with AOP and enhance its business in Indonesia	4.9%	Completed	**90.4**
March 2013	**PT Trimitra Chitrahasta**	Manufacturer and wholesaler of motor vehicle parts	**Kuroda Electric Co Ltd**	Electronics	Kuroda Electric Co Ltd of Japan planned to acquire a 51% interest in PT Trimitra Chitrahasta	51.0%	Pending	-
March 2013	**Pakoakuina PT**	Manufactures aluminium alloy wheel rims	**Astra Otoparts Tbk PT**	Automobiles & Components	Astra Otoparts Tbk PT, a wholly owned unit of Astra International, planned to acquire a 51% stake in Pakoakuina PT	51.0%	Completed	-
February 2013	**Asian Isuzu Casting Center PT**	Manufacturer and wholesaler of motor vehicle parts and accessories specialising in motor casting manufacturing and wholesaling	**I Metal Technology Co Ltd**	Automobiles & Components	I Metal Technology Co Ltd, planned to raise its interest to 51% from 22.5%, by further acquiring a 28% stake or 0.408 mil shares, in Asian Isuzu Casting Center PT	28.0%	Completed	**22.0**
December 2012	**Indomobil Sukses Internasional**	Manufacturer and wholesaler of motor vehicles and parts, automotive repair and maintenance service, car rental services, and automotive financing service	**Gallant Venture Ltd**	Real Estate	The transaction would help Gallant Venture Ltd to enhance its service and product offerings and to strengthen its operations	52.4%	Completed	**809.3**
December 2012	**Indomobil Sukses Internasional**	Manufacturer and wholesaler of motor vehicles and parts, automotive repair and maintenance service, car rental services, and automotive financing service	**Gallant Venture Ltd**	Real Estate	The transaction would help Gallant Venture Ltd to enhance its service and product offerings and to strengthen its operations	29.6%	Completed	**0.45**
August 2012	**PT Ming Horng & Asktechnica I**	Manufacturer of automotive parts	**Investor Group**	Other Financials	To acquire the remaining 51% interest which it did not already own in PT Ming Horng & Asktechnica Industrial	51%	Completed	-
June 2012	**Delloyd PT**	Manufacturer and wholesaler of automotive parts and accessories	**Murakami Corp**	Automobiles & Components	The deal would enable Murakami Corp expand its market in Indonesia through existing and new customers and also enhance Delloyd's market operations	51.0%	Pending	**1.9**
May 2012	**Rahardja Ekalancar PT**	Owner and operator of an automotive dealer store offering automotive sales, spare parts, and services	**Tunas Mobilindo Pratama PT**	Automotive Retailing	Tunas Mobilindo Pratama, agreed to acquire the entire share capital of Rahardja Ekalancar	100.0%	Completed	**3.2**
April 2012	**Unipres Indonesia PT**	Manufacturer and seller of automotive parts	**Marubeni Corp of Japan and Indomobil Sukses Internasional Tbk PT**	Financials	The deal would enable increase in the acquirer's shareholder's value	30.0%	Completed	**n/a**
March 2012	**APM Armada Suspension PT**	Manufacturer and wholesaler of coil spring products	**APM Automotive International**	Automobiles & Components	APM Automotive International acquired the remaining 20% of the total issued and paid-up share capital of PT APM Armada Suspension. The acquisition would help the acquirer have full access to APM Armada Suspension	20.0%	Completed	**1.8**

Source: Thomson SDC, Factiva and KPMG analysis.

Date	Target Name	Target Short Business Description	Acquirer Name	Acquirer Industry	Rationale	Stake Acquired/ To be Acquired	Status	Deal Value (USD million)
March 2012	**Perkasa Melati PT**	Manufacture of ships	**United Tractors Pandu Eng PT (UTPE)**	Building/Construction & Engineering	The deal supported UTPE's business of coal transportation through another subsidiary PT Patria Maritime Industry	100.0%	Completed	**16.8**
October 2011	**Multistrada Arah Sarana Tbk PT**	Manufacturer of tyres	**Northstar Equity Partners**	Financial Investments	The deal would help the acquirer tap the tyre market potential and enable the company to compete globally	20.0%	Completed	**78.1**
September 2011	**Ingress Malindo Ventures PT**	Manufacturer and wholesaler of automotive mouldings and sash	**Katayama Kogyo Co Ltd and Yonei & Co Ltd**	Financials	The deal would enable Ingress Corp to secure other potential projects and strengthen the company's Japanese customers. The proceeds were to be used for capital expenditures on Ingress Corp's current and potential projects	35.0%	Completed	**0.9**
September 2011	**IMG Sejahtera Langgeng PT**	Manaufacturer and wholesaler of motor vehicles and parts	**Indomobil Sukses Internasional**	Automobiles & Components	The deal would enable Indomobil to increase its business profit and strengthen its equity structure	24.5%	Completed	**33.5**
July 2011	**Kaltim OTR Tyres PT**	Manufacturer of tyres	**Sejahtera Usaha Sukses PT**	Automobiles & Components	The deal would help the seller divest its non-core unit and focus on its core business in coal industry	90.0%	Pending	**n/a**
June 2011	**Fuji Technica Indonesia PT**	Manufacturer of automotive parts	**Astra International Tbk PT**	Automobiles & Components	Astra International raised its interest to 59.6% from 49% by acquiring a 10.6% stake in Fuji Technica Indonesia PT	10.6%	Completed	**0.7**
June 2011	**Fuji Technica Indonesia PT**	Manufacturer of automotive parts	**Fuji Technica inc**	Automobiles & Components	The purpose of the transaction was for Fuji Technica Inc to enlarge overseas market	7.2%	Completed	-
January 2011	**Ingress Malindo Ventures PT**	Manufacturer and wholesaler of automotive mouldings and sash	**Ingress Precision Sdn Bhd**	Automobiles & Components	The deal would help the acquirer strengthen its presence and tap into the potential growth of the automotive industry in Indonesia	10.0%	Completed	**0.1**
December 2010	**Indonadi PT**	Distributor of buses	**Nadicorp Holdings Sdn Bhd**	Financials	Nadicorp Holdings Sdn Bhd agreed to acquire a 70% interest or 700 ordinary shares of Indonadi PT	n/a	Pending	**26.7**
November 2010	**Indomobil Sukses Internasional**	Manufacturer and wholesaler of motor vehicles and parts, automotive repair and mintainance service, car rental services, and automotive financing services	**Creditors - Tritunggal Intipermata PT**	Financials	Indomobil Sukses completed its debt restructuring with creditor, Tritunggal Intipermata, who received Indomobil's ordinary shares valued at US$34.37 mil	3.9%	Completed	**34.4**
October 2010	**Multistrada Arah Sarana Tbk PT**	Manufacturer of tyres	**Central Sole Agency PT**	Automotive Retailing	The acquisition would enable the acquirer to have long-term investment in Multistrada Arah Sarana Tbk PT	9.8%	Completed	**20.2**
February 2010	**Allbond Makmur Usaha Tbk PT**	Manufacturer of motorcycles	**Renuka Energy Resources Hldg**	Financials	Renuka Energy Resources Holdings acquired an 80% interest in Allbond Makmur Usaha Tbk PT	80.0%	Completed	**n/a**
February 2010	**Allbond Makmur Usaha Tbk PT**	Manufacturer of motorcycles	**Sanex International PT**	Automobiles & Components	Sanex International raised its stake to 78.69% from 59.56%, by acquiring a further 19.13% stake in Allbond Makmur Usaha Tbk PT	19.1%	Completed	**0.6**
February 2010	**Tunas Ridean Tbk PT**	Wholesaler and retailer of new and used vehicles in Indonesia. It is also engaged in car rental and car financing services	**Jardine Cycle & Carriage Ltd**	Automobiles & Components	The purpose of the transaction was for Tunas Andalan Pratama PT to strengthen its cash flow from the shares disposal	5.6%	Completed	**12.4**

Source: Thomson SDC, Factiva and KPMG analysis.

About KPMG

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KPMG operates in 155 countries with 155,000 people working in member firms around the world. Our lengthy track record includes over six decades operating in Asia Pacific.

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Now is a time of dramatic change for the automotive industry, characterized by the emergence of new players and entirely new value chains. KPMG's global network of automotive professionals is engaged and committed to helping address these challenges.

To discuss the issues raised in this report, please contact one of the KPMG partners: "Contact us"

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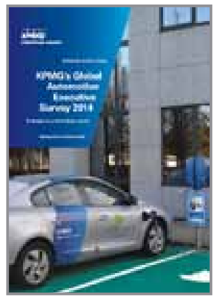
Investing in Indonesia publication is intended as a general guide to investing and doing business in Indonesia for new foreign investors looking to enter the Indonesian market, but also tries to capture practical insights and other intelligence from KPMG's experience "at the transaction and M&A coalface" based on our experience in providing transaction, M&A and tax advisory services to both foreign and local investors.



KPMG's Global Automotive Executive Survey is KPMG International's annual assessment of the current state and future prospects of the worldwide automotive industry. In this year's survey, 200 senior executives from the world's leading automotive companies were interviewed, including automakers, suppliers, dealers, financial services providers, rental companies and mobility solution providers.

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