

BUSWORLD engages with Indian automotive suppliers to facilitate win-win collaborations in the Indonesian bus industry

During the webinar, Indian participants articulated their chosen pathways to address the lucrative market.

BUSWORLD recently organised the second of three webinars to build up momentum towards the third edition of BUSWORLD Southeast Asia to be organised from May 15-17, 2024. The theme of the webinar was **'How can Indian automotive suppliers participate in win-win partnerships in the Indonesian bus industry?'**

Accordingly, the webinar comprised leading Indian automotive suppliers and a representative from the Indonesian body builders' association:

- 1) SATISH SHARMA, President, APMEA, APOLLO TYRES
- 2) SRIVATS RAM, Managing Director, WHEELS INDIA
- 3) VINNIE MEHTA, Director General, AUTOMOTIVE COMPONENTS MANUFACTURERS ASSOCIATION of India (ACMA)
- 4) R. MANANATHAN, Chairman, MANATEC ELECTRONICS
- 5) SUDHIR MEHTA, Chairman and Managing Director, PINNACLE INDUSTRIES and EKA MOBILITY
- 6) PURYANTO, General Manager, PT. MOBIL ANAK BANGSA, and Member, Askarindo (Indonesian Body Builders' Association)

In their opening remarks, organisers, Vincent Dewaele, General Manager Busworld International and Baki Lee, Director, GEM Indonesia emphasised that this was the right time for Indian suppliers to enter the Indonesian bus industry. They cited aspects like the Indonesian bus market being in full transition to higher quality buses; electrification of fleets; heavy investments in infrastructure; the capital being relocated from Jakarta to new planned city Nusantara and a shortage of quality buses. Indeed, the waiting time for bus chassis is currently as much as 8-10 months.

Keynote address

Puryanto delivered important insights into Indonesian import regulations that may be of interest to Indian suppliers. Here are the highlights:

- As per the ASEAN-India Free Trade Agreement, buses up to 24 tonne GVW with at least 40 percent local regional (from the ASEAN region) content will attract only 5 percent import duty if they are Completely Built Units (CBU) imports and 0 percent if they are Completely Knocked Down (CKD) kits.
- The difference between import tariffs for CBU and CKD imports may be just 5 percent, but logistics costs outweigh the cost of assembly. Besides, income tax on CBUs is 7.5 percent while that on CKDs is 2.5 percent.
- VAT is 11 percent. But if the local content is more than 40 percent, VAT becomes 1 percent.
- It is in this context that Indian exporters are advised to tie up with Indonesian bodybuilders to boost local content.
- Road taxes are levied at 12-17 percent. It is 0 percent for Electric Vehicles.
- An exporter, seeking to localise buses or automotive components in Indonesia to a minimum of 40 percent can bring in 100 percent Foreign Direct Investment (FDI), subject to permits.
- But, only 33 FDI is permitted if the exporter does not intend to localise significantly.
- Indonesian companies desirous of importing CKDs need to register their brand first, followed by securing a VIN code to set up a manufacturing/assembly line. Then they can apply for an

SNI import permit. Typically import permits are subject to quotas based upon balance of payments between Indonesia and the exporter's country.

- Then, the importer needs to seek type approval for the bus and components as per international standards. There is no need to seek type approvals in Indonesia should the exporter have internationally recognised certification.
- In the case of electric vehicles, separate type certification is needed for batteries and motors.
- Body builders need to seek both manufacturing and design permits to complete the certification process. Certifications can be for the bare chassis or for the complete bus body.
- Then a series of registrations are needed with regional and local authorities, including for pricing, aftersales and bank guarantees, before sales can begin.
- Generally, the homologation and approval process can take 4-5 months
- Bus bodies are to be changed every 6-7 years in Indonesia. As many as 25-30 percent of body builders rebuild bus bodies. Based upon regulations, buses are permitted to run for up to 10 years. This implies a strong aftermarket.
- About 20 Original Equipment Manufacturers are present in Indonesia. Then there are 250 tier I suppliers, 550 tier II suppliers and 1,100 authorised sales service and spare parts companies
- About 90 percent of companies are affiliated with Japanese companies. So, it is best for Indian companies to get integrated into their supply chains so that they can supply not just in Indonesia but also in the larger Asia-Pacific region.
- Indian OEMs and tier I suppliers can consider aggregating their manufacturing and supply chains in a cluster so that they can realise economies of scope and scale.

Perspectives from Indian panellists

Satish Sharma: Indian tyre MNC, Apollo Tyres has been present in Indonesia for more than a decade. Indonesia is an attractive market which leads to good demand for radial tyres. But the market is controlled by local manufacturers. Import restrictions and policies are stringent and cumbersome, so the company has not been able to penetrate the market as much as it has in other ASEAN countries.

But Apollo Tyres is not giving up. It has a full portfolio of tyres relevant to the growing aspirations of the Indonesian market. India is a matured market for tyres, so world-class products are being manufactured at a large scale. At the same time, prices are competitive. So Indian tyres are a ready fit with other emerging economies, especially where terrain and usage patterns are the same. In summary, given the economic potential of both countries, **Apollo Tyres looks forward to a profitable collaboration with Indonesian partners, while continuing to work with the government to free up import quotas.**

Srivats Ram Wheels India has adapted its air suspensions in India for both OEM and the aftermarket. Before OEM fitments became mandatory, the company worked closely with fleet operators to retrofit 1,00,000 buses with air suspensions. It is working on developing electronically controlled air-suspensions. The company believes that merely selling air suspensions is not enough - they have to be serviced and people trained. So, **Wheels India is looking to tie-up with Indonesian body builders, who can assemble kits and oversee a dealer and service network. With enough volumes, the company looks at localising some non-critical parts in Indonesia.**

Vinnie Mehta: ACMA represents 850 Indian automotive suppliers. The Indian automotive industry is the third largest globally and has a turnover of USD 120 billion. It contributes 40 percent to India's manufacturing GDP and 6.5 percent to overall GDP. It accounts of 17 percent of total exports and 14 percent of GST collection. The auto component industry grew a whopping 33 percent Year on Year to

record a turnover of USD 70 billion. All major component groups are made in India. India is a key exporter, with 30 percent of turnover coming from exports. India has a vibrant aftermarket in India that is USD 10 bn in turnover.

India-Indonesia trade is still small due to the reasons mentioned earlier. India's automotive exports stood at USD 410 million, while imports were to the tune of 201 million in 2023.

ACMA, which has already made three delegation level visits to Indonesia in the recent past is keen to introduce Indian suppliers to Indonesian bus manufacturers and body builders. Through its facilitation, Indian companies such as Pricol and the Minda Group have established a good presence in Indonesia.

R. Mananathan. Manatec, the service equipment provider has established itself in 70 countries across the globe including, the US, EU and the ASEAN region. It believes that tyre quality means little if wheel alignment and balancing are not properly undertaken. Hence most Indian tyre companies have begun sponsoring these activities for end customers. Discrepancies in tyre pressure accounts for 10 percent of tyre wear and a corresponding spike in particulate matter emissions. Manatec addresses this issue with its tyre pressure monitoring systems, wherein fleet managers can remotely assess vehicles and pass on corrective feedback to drivers.

Alongside collaborating with private players, Manatec seeks to work with the Indonesian government to establish tyre care facilities. With 4,00,000 buses running in Indonesia in addition to trucks and other vehicles, efficient wheel alignment and balancing, will result in national savings to the tune of USD 100 million per year.

Sudhir Mehta Eka Mobility, which has a collaboration with Dutch commercial vehicle manufacturer VDL, has developed an efficient micro-factory. This month 25 electric buses will be rolled out from the 5,000 sq. metre facility, while in the next as many as 50 will be manufactured. **The company believes that this modular concept with easily adaptable fixtures, work stations and pre-assembled components can be migrated to any market including Indonesia. So, there are huge localisation possibilities, which will bring down import duties.** The heart of any EV is the software and electronics, with batteries being 40 percent by value. Indian automotive companies can participate in global supply chains across the entire EV value system.

India had 1,000 electric buses on the roads at the start of year. Over the next six months, 20,000-25,000 buses will be tendered out, which means we are looking at a huge opportunity. So, by the end of this year, India will be larger than the European market in terms of numbers. And by 2030, India will be the second largest EV market in the world. India has 1.5 million buses, the replacement of at least a part of these buses into electric buses will generate a demand of a few hundred thousand buses, giving Indian manufacturers the scale to export to other countries.

India is also among the most value conscious markets in the world. Public sector bus companies are getting buses, infrastructure, power and people for Rs 45-70 per km, which is 3-4 times lower cost than that in Europe. So, this augurs well for collaboration between Indian bus exporters and Indonesian customers. Moreover, with the entire production knowhow, components and software being licensed, there are no hidden costs for Indonesian customers.

Closing Remarks

Jan Deman: Asia is the fastest growing bus market. We are not only focussing on larger buses but also smaller ones. Just 14 percent electricity is clean in Indonesia, this is targeted to go up to 50 percent by 2050.

Body builders represent the best route for Indian suppliers to enter the Indonesian bus industry. **Indonesian bodybuilders have requested BUSWORLD for support to bring in high quality international suppliers.** There is a need for flexible, clear and economically feasible import regulations as well as fine-tuned administrative processes and technical requirements. **These issues will be addressed in a conference during Busworld Southeast Asia, in which Indian and Indonesian suppliers, Indonesian bodybuilders and transport ministry officials from both countries will be present.**