

# ASIAN AUTOMOTIVE NEWSLETTER

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A bimonthly newsletter of developments in the auto and auto components markets

## CONTENTS

INTRODUCTION .....	1
CHINA .....	1
INDIA .....	3
INDONESIA .....	3
JAPAN .....	3
KOREA .....	4
MALAYSIA .....	4
SINGAPORE .....	5
TAIWAN .....	5
THAILAND .....	5

## INTRODUCTION

We hope you find the *Asian Automotive Newsletter* informative.

BDA is a corporate finance advisory firm that assists multinational clients in identifying and executing acquisitions, JVs and divestments in Asia. We have focused on the automotive sector since our founding in 1996 and are well placed to assist companies from our Asian offices in Tokyo, Shanghai, Hong Kong and Singapore. Contact details for these offices as well as those of our New York and London offices are on the back page of this newsletter.

If you think BDA's advisory services may be of use to your firm, please contact me via email at [cmaynard@bdallc.com](mailto:cmaynard@bdallc.com), or call me in Tokyo at (81) 3-3433-5803.

Charles Maynard  
Managing Director

## CHINA

**Denso Corporation** will set up a new company called **Denso (China) Investment Co** to serve as its Chinese headquarters, overseeing the operations of six local Denso businesses. It will be established by March 2004. It will be located in Beijing and capitalized at US\$30m. Denso's six Chinese manufacturing companies employ 1,673 people. The biggest venture is **Tianjin ASMO Automotive Small Motor Co**. Other units are **Yantai Shougang Denso** (air conditioners), **Tianjin Denso Engine Electrical Products** (alternators and starters), **Chongqing Denso** (magnetos, ignition coils), **Tianjin Denso Electronics** (electronic control components), and **Tianjin Denso Air Conditioner**. March 25, 2003

**Cummins** and **Dongfeng Motor** will integrate a factory run by Dongfeng subsidiary, **Dongfeng Automobile Co**, into their joint venture. The expanded joint venture will manufacture Cummins' B series engines, previously made by the subsidiary, as well as C and L Series mechanical and full-electronic diesel engines. Annual capacity will exceed 130,000 units, all exceeding Euro 3 and 4 emission standards. The operation, located in Xiangfan in central Hubei province, will retain its original name, **Dongfeng Cummins Engine Co**. February 25, 2003

**General Motors** is negotiating to buy **Daewoo Motor's** engine joint venture in China. The factory was established in 1999 by Daewoo Motor in partnership with the Shandong provincial government. It has an annual output capacity of 240,000 engines and manual transmissions, and a paid-in capital base of US\$228m. GM, along with

Chinese partner, **Shanghai Auto**, and Japanese affiliate, **Suzuki**, took over the key assets of bankrupt Daewoo Motor last October to form **GM Daewoo Auto & Technology Co.** Daewoo Motor continues to run a number of assets excluded from the takeover until they can be sold off, including the engine factory in China. March 26, 2003

US supplier **Metaldyne** has opened an office in Shanghai, China, "as a prelude to establishing a manufacturing presence in the country". The Shanghai base will support the development of the company's sales, technical and manufacturing capabilities in the country and seek new low-cost Chinese suppliers to support Metaldyne's global material requirements. Metaldyne specializes in engine and chassis components such as transmission cases, axles, suspension and wheel parts and vibration control products. March 19, 2003

**Panasonic Automotive Systems (PAS)**, a subsidiary of the Japanese electronics giant **Matsushita Electric Industrial**, has established a new product development company in China. **Panasonic Automotive Systems Development Tianjin (PASDT)**, will be a development and design hub for car audios and car navigation systems. Located in the Tianjin Economic and Technological Development Area, it is the second operations base for Panasonic Automotive in China after a manufacturing facility in Dalian. The new unit will further localize product development and serve as Panasonic Automotive's fourth global R&D base, together with Japan, the US and Europe. It will begin operations in May with an investment of US\$8m over the next few years. March 4, 2003

**Sanyo Electric** plans to begin sales of car navigation systems in China within a few months. Together with Chinese firm **Haier Group**, Sanyo has developed a sat-nav product specifically for the China. The CD-ROM-based product will be manufactured in Japan and sold in China under the Haier brand for about RMB15,000 (US\$1,805). March 3, 2003

**Sundaram Fasteners** of India is setting up a

US\$5m wholly-owned subsidiary in China, targeting local customers and the export business in Taiwan and South Korea. The factory will make a variety of automotive fasteners and be operational in 1H 2004. **Sundaram Fasteners (Zhejiang)** is to be located in the Haiyan Economic Development Zone, 60 miles from Shanghai. In India, Sundaram's customer base includes **Cummins**, **GM** and **DaimlerChrysler**. March 6, 2003

**Tenneco Automotive's** exhaust manufacturing joint venture in Dalian, China, has expanded its operations with a new JIT (just-in-time) plant in Changchun. The new facility is already operational, making exhaust components for the **Volkswagen Bora**. Supplies for the **VW Jetta** and **Golf** platforms start later this year. Once these two models are added to the contract, **Tenneco Changchun** will supply a total of 140,000 exhaust systems per year for 12 different engines. March 12, 2003

**Textron** has expanded its presence in China with the opening a third factory to manufacturer industrial fasteners in Wuxi. The 3,900 square-meter facility, operated by the company's Textron Fastening Systems will serve the electronics and automotive sectors, producing up to 80 million blinded and threaded fasteners per month. Textron began manufacturing in China in 1996 when its **Kautex** unit established a joint venture in Changchun to produce plastic fuel systems for the automotive industry. Kautex also has an assembly facility in Shanghai. March 26, 2003

**Volkswagen AG** will start building its **Audi A4** in China in April at **FAW-VW** in Changchun. Plans call for annual output of 30,000 units. Audi sales in China jumped 87% last year to nearly 37,000 units, of which nearly 35,000 were locally built A6 sedans and the rest were imports. February 13, 2003

**Volkswagen Audi Group** will invest US\$943.6m to expand production capacity and bring new models to market this year. New products going into local production this year include the *Gol* (derived from the entry-level Brazilian *Golf*-based car), *Golf*, **Audi A4**, notchback *Polo* and *Touran*

SUV. The two-door *Go* has just been launched by **Shanghai VW**. March 23, 2003

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## INDIA

**DaimlerChrysler** plans to start competing in India's commercial vehicle market in the near future. The company has already carried out a feasibility study and is now working on the fine details of the strategy. It is not yet known whether the cars will be sourced from Europe or from one of DaimlerChrysler's joint venture or in-house factories in Asia. DaimlerChrysler has management control in **Fuso**, a new joint venture with **Mitsubishi Motors** formed by the spin-off and restructuring of MMC's truck and bus business. DCX also has a truck joint venture with **Hyundai** while **Mercedes-Benz** has commercial vehicle factories in Vietnam and Indonesia. February 14, 2003

**Uniproducts (India)** has acquired all of the outstanding shares of **HP Pelzer India** (HPI), the local subsidiary of Germany's **Pelzer Group**. All governmental and regulatory permissions including FIPB and RBI clearances have been obtained. Pelzer's capability in foam-based, noise-vibration-harshness (NVH) products supplement Uniproducts' current product range, include NVH components, heat shields, headlining fabrics, non woven carpets and epoxy resin molds. It sells to **Maruti, GM, Ford, Honda, Telco, Fiat, Hyundai** and **Mahindra**. Following the acquisition, it expects to increase the turnover in its factory near Rewari by 25%. February 9, 2003

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## Indonesia

**Toyota** will invest US\$180m under a memorandum of understanding signed on February 20, 2003 with local parts manufacturer **Astra International**. Toyota will acquire an additional 46% stake in the manufacturing entity, giving Toyota a 95% stake,

and Astra a 5% stake. Astra will maintain its majority 51% stake in the distribution entity and maintain the lead role in domestic sales. Astra International will also receive an additional investment of US\$200m from other suppliers who manufacture with the company. Astra International will use the US\$180m to pay off part of its US\$800m debt. February 21, 2003

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## JAPAN

**BMW** has formed an alliance with independent importer-distributor **Yanase & Co** in Japan. In April, Yanase will establish a wholly-owned subsidiary called **Yanase Bayern Motors Co** to handle sales and aftersales for BMW. The new unit will purchase three BMW sales outlets, a used car outlet and a repair facility from BMW Tokyo. In addition, it will open several new outlets in Tokyo. BMW Japan currently has 187 sales outlets across the country. February 10, 2003

German multinational **Hella** has formed a strategic alliance with **Taiko Device Techno & Co** of Tokyo, Japan, to market automotive plug-in and printed-circuit-board (PCB) relays. Under the agreement, both companies will sell Taiko automotive PCB relays with their own trademarks through their respective sales channels in the NAFTA region and in Europe. February 4, 2003

**Ichikoh Industries** of Japan will build a new plant for manufacturing car mirrors in China. Ichikoh will establish a 50-50 joint venture with an undisclosed Taiwanese company, with the new factory coming online in September 2004 with an expected annual capacity of 600,000 door mirrors. Output will be supplied to **Nissan Motor Co** and other Japanese transplants. February 11, 2003

**Kobe Steel** and **Lucchini Group** have signed an agreement to begin technical exchanges on specialty steel wire rod and bar used in automotive applications. The technical exchanges are expected to become the building blocks of a full-

blown technology alliance. Kobe Steel has transferred the technology to manufacture a high-strength steel wire rod, called UHS 1900, for use in automobile suspension springs. The two firms expect to share product menus and some patents, and to undertake joint R&D and cross-production. Kobe Steel supplies a wide variety of steel wire rod and bar products to the automotive industry. Lucchini, with its group companies **Ascometal** of France and **Huta Lucchini Warszawa** of Poland, is a leading European producer of automotive steel wire rod and bar. February 9, 2003

**Kolbenschmidt** has taken over the pistons business of **Mazda's** Hiroshima-based unit, **Microtechno Corporation**. The two companies have had engineering links for some time. The deal will build on Kolbenschmidt's piston manufacturing venture in Shanghai, set up six years ago. Microtechno has been manufacturing pistons since 1972 along with additional precision parts for the automotive and other industries. The piston business presently generates sales of US\$19m and employs 120 people. February 7, 2003

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## KOREA

**Denso** will establish a new US\$40m factory in South Korea to make components used in car navigation systems and electronic control parts. It is currently waiting for government approval to begin construction, hoping to bring the facility on line in 2005. The projected investment in South Korea is W50bn (US\$39.9m). March 23, 2003

**General Motors** will invest W400bn-W500bn (US\$332m-US\$415m) in its Korean venture, **GM-Daewoo Automotive and Technology Co** starting this year. This capital infusion will be

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focused on the Pupyong, Kunsan and Changwon plants and will also benefit GM Daewoo's engineering facilities. February 11, 2003

**Honda Motor** will become the second Japanese automaker, after **Toyota**, to enter the Korean car market. It has changed the name of its existing local subsidiary, **Honda Motorcycle Korea**, to **Honda Korea**, and will open up in the car business before the end of March. Honda will begin to sell its *Accord* sedan and a limited range of SUVs. March 20, 2003

**Mitsubishi Motors, Hyundai Motor** and parts maker **Hyundai Mobis** have signed an agreement to jointly work on the development, manufacturing, and sale of passenger cars and components. MMC and Hyundai are both affiliated with **DaimlerChrysler**. The wide-ranging agreement sets a framework for the alliance and does not identify any specific projects. Under the new arrangement, next week Mitsubishi will sell its final 1.71% stake of Hyundai to Hyundai Mobis, formerly known as **Hyundai Precision Engineering**. March 19, 2003

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## MALAYSIA

Tire multinational **Continental** and Malaysian group **Sime Darby** have signed an agreement giving the German company a 3% stake in Sime Darby's local tire activities for US\$31m. The new company will be known as **SDC Tire**. Continental will have access to Sime Darby's extensive tyre dealer network in Malaysia, the largest in the country. It has the option of buying a further 21% in SDC Tire by 2005 to give it management control. The tire factories, in Malaysia's northern Alor Setar province and near to Kuala Lumpur, have a combined annual production of around four million passenger car tires, one million light truck tires and close to 300,000 truck tires. Continental aims to achieve a 20% share of the ASEAN tire market, which has annual sales of more than 29 million car tires. This is currently twice the market volume of China. February 27, 2003

**Honda Motor** has opened an assembly plant in Malacca, its third in Southeast Asia after Thailand and the Philippines. It plans to open another manufacturing base in Indonesia by March 2004. Covering 32 hectares at HICOM Pegoh Industrial Park near Malacca, the complex consists of a main assembly plant and paintshop, a constant velocity joint (CVJ) factory, a CBU pre-delivery operation center and short 2km test track to test finished vehicles. Honda Motor holds 51% of the US\$44.7m facility while local partners **DRB-HICOM** and **Oriental Holdings** respectively hold 35% and 15%. February 10, 2003

and RMB178,800 (US\$21,600). **DaimlerChrysler** has a 15% stake in China Motor. March 24, 2003

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## Singapore

**Yamaha Motor** will establish **Yamaha Motor Distribution Singapore** (YMDS) in Singapore on April 1, 2003 to reinforce its spare parts supply capabilities in Asian and Middle Eastern markets and shorten the lead-time in supplying genuine parts made in Japan from the current 45 days to 10 days. YMDS will be responsible for stocking and delivering parts on behalf of Yamaha Motor headquarters; developing, procuring and selling new products, including accessories; and supplying complement parts, as well as the parts used for CBU exports. By 2005, the company aims to reduce its parts inventory in Asia and the Middle East by 30% and cut distribution costs by 25%. YMDS will be capitalized at S\$3m (US\$1.7m). **Yamaha Motor Asia**, set up in 1998, will take a 75% stake and Yamaha Motor will take the remaining 25%. March 3, 2003

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## THAILAND

Japanese tire giant **Bridgestone** will establish a US\$40m carbon black plant in Thailand. The 150,000 square meter facility will be located in Rayong Province under the management of **Bridgestone Carbon Black (Thailand) Co.** The plant will be completed in the second half of 2004. The total investment will be ¥4.7bn (US\$40.1m). March 5, 2003

**Denso International Asia** has set up a wholly owned automotive parts sales subsidiary in Thailand capitalized at ¥280m (US\$2.4m). **Denso International (Thailand)** will serve as the sales arm for **Denso Thailand**, Denso's automotive parts manufacturing operation in the Kingdom. The new sales company will coordinate with other Denso production units in Thailand to market locally manufactured Denso products on an OE and aftermarket basis. March 3, 2003

**Denso Corporation** will set up a joint venture with **Kyosan Denki**. Kyosan Denki will produce fuel filters and solenoids for diesel engines, as well as fuel pump modules, fuel filters, suction filters and pressure regulators for petrol engines. The facility is due to come on stream next year. The joint venture, located in Chonburi, will be 70% owned by Kyosan Denki and 30% by Denso. The partners envisage a capital investment of Bht253m (US\$5.9m). March 19, 2003

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## TAIWAN

The **Soueast (Fujian) Motor Corp**, a joint venture between **Taiwan-based China Motor Corp** and **Fujian Motor Industry Group Co** launched its first passenger car March 21, 2003. The 1.6-liter *Lioncel* will be priced between RMB123,800 (US\$15,000)

**Nissan Motor Co** is to set up a wholly-owned Southeast Asian parts sourcing company in Thailand, having won approval for its plan from the Thai Board of Investment. According to Nissan, "The company will promote effective and efficient procurement of component parts in ASEAN countries, optimize investments relating to vendor tooling and provide overall support for vehicle assembly in the region." The company will decide

which models should be built at which plants, and determine sourcing strategies for the region. Nissan has a relatively small presence in Southeast Asia. For example, in Thailand it claimed a market share last year of 10.81% against **Toyota's** 31.77% and **Isuzu's** 22.66%. In the Philippines it captured 8.9% of total sales last year compared with Toyota's 28.92% and **Mitsubishi's** 19.02%. February 27, 2003

Thailand's **Small Industry Finance Corporation** (SIFC) and a handful of Japanese investment firms plan to set up a Bht42bn (US\$10m) fund to invest in the kingdom's autoparts industry. The fund will be managed by **Vnet Capital**, which has holdings in numerous IT companies. Officials at the Thai

finance ministry say details are still being worked out and hinted that investors from other countries may be invited to participate. One interested party identified as a potential partner is United Kingdom's **Commonwealth Development Corporation**. February 13, 2003

**Tokico**, a Japanese brake parts manufacturer, will lift capacity in Thailand by 30% to meet growing demand from **Nissan** and **Mitsubishi**. It expects to finish construction work within the next few weeks. Tokico also makes shock absorbers and reports growing orders in this area, particularly from Toyota. Tokico is building a brake parts factory in China with an expected completion in October 2004. February 23, 2003

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## ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions and divestments. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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