

# ASIAN AUTOMOTIVE NEWSLETTER

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

This quarter it was the turn of CITIC Dicastal and Motherson Sumi to make major western acquisitions, of KSM Castings and Peguform respectively. Greenfield investments also continued at a rapid pace, with planned investments announced by Chery in Argentina, Brazil and Venezuela; Changfeng in South Africa; and Bajaj in Indonesia.

Business Development Asia LLC (“BDA”) is an investment banking firm which specializes in Asian M&A. We have offices in all of the major Asian

automotive markets, as well as London and New York. If you are interested in discussing any of the articles in this newsletter, or how we can help you in this sector, please contact us.

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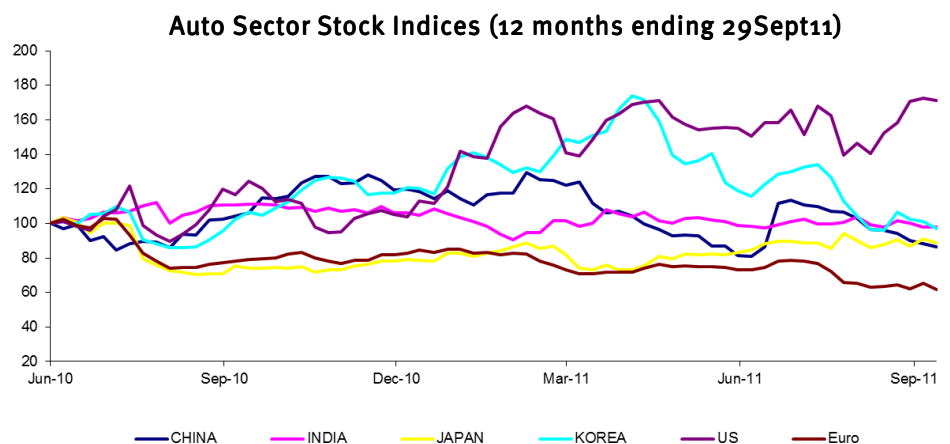
## China

**Anhui Zhongding Sealing Parts**, a Chinese auto component manufacturer, has agreed to acquire 100% of **Cooper Products Inc.**, a US based auto component manufacturer, for US\$10m. The acquisition will provide Anhui Zhongding with the technology to manufacture high end auto rubber seal components in China and USA.

*July 22, 2011*

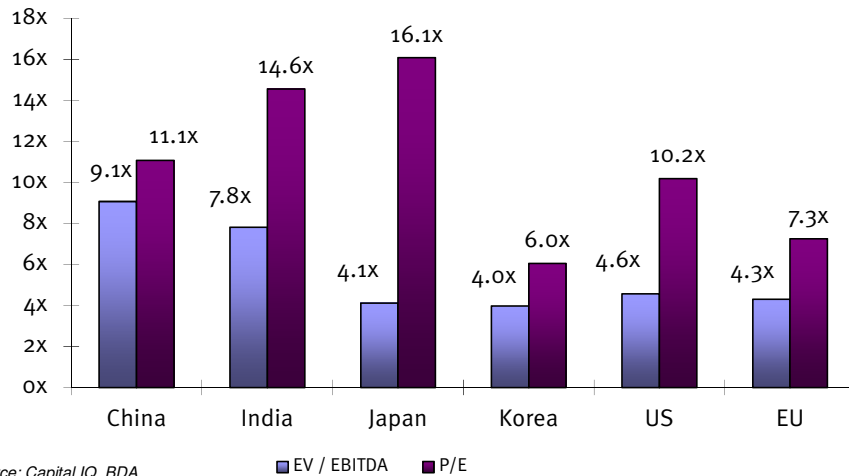
**Baidu Inc.**, the Chinese search engine provider, has signed an agreement with **BMW** to jointly develop onboard search engine systems for vehicles in China. The Baidu equipped vehicles will enable car owners to access all information regarding maps, emails, news and music. *August 10, 2011*

**Beijing Benz Daimler Chrysler Automotive** (BBDC), the JV between **Daimler AG** and **Beiqi Auto**, the Chinese auto manufacturer, has signed



Source: Capital IQ, BDA

## Auto LTM Trading Multiples (29Sep11)



Source: Capital IQ, BDA

an agreement with **Mercedes-Benz China** to jointly manufacturer the *GLK* SUV and set up a jointly owned sales company in China. BBDC and Mercedes-Benz China are Daimler AG's two sales avenues in China and the agreement will help Daimler improve its competitive position in the country. *August 11, 2011*

**Beiqi Foton**, the Chinese auto manufacturer, plans to invest US\$184m to establish a new plant in Guangdong, China. The plant, with a capacity of 20,000 vehicles, will primarily manufacturer new energy vehicles and auto components for the Chinese market. *May 25, 2011*

**Changan Suzuki**, the JV between Chinese auto manufacturer **Changan Motors** and Japanese auto manufacturer **Suzuki Motors**, plans to invest US\$775m to establish a new plant in Chongqing, China. The plant will begin operations in 2013 with a capacity of 150,000 vehicles and 150,000 engines. *July 22, 2011*

**Changfeng Motors**, a Chinese auto manufacturer, plans to invest US\$142m to establish a new plant in South Africa. The plant will begin operations in 2013 and will manufacture the *Amandla* and *Ses Buyile* taxis for the African market. *June 22, 2011*

**China Auto Parts & Accessories Capital (CAPACH)**, a government owned Chinese holding company, agreed to acquire 100% of **Century Auto**, a US based auto component manufacturer, for an undisclosed amount. *July 10, 2011*

**Chery Auto**, the Chinese auto manufacturer, plans to invest US\$170m to establish a new plant in Argentina. The plant, with a capacity of 70,000 vehicles, will help Chery cater to the growing demand for vehicles in Argentina and Brazil. *July 26, 2011*

**Chery Auto**, plans to invest US\$400m to establish a new plant in Brazil. The plant will begin operations in September 2013 with a capacity of 150,000 vehicles and will manufacture

Chery's *A1* and *A13* compact vehicles for the Brazilian auto markets. *July 21, 2011*

**Chery Auto**, plans to invest US\$20m to establish a new plant in Venezuela. The plant will begin operations in 2012 with a capacity of 20,000 vehicles and will enable Chery to establish its presence in the Venezuelan auto market. *June 02, 2011*

**Continental AG**, the German tire manufacturer, plans to invest US\$262m to establish a new plant in Hefei. The plant, with a capacity of 4m units, will primarily cater to the high-performance premium and medium passenger vehicle segments in China and Asia. *May 25, 2011*

**Citic Dicastal**, a Chinese auto wheel manufacturer, has agreed to acquire 100% of **KSM Castings**, a German auto component manufacturer, for US\$420m. The acquisition will enable Citic to expand its manufacturing capabilities in the chassis, power train and auto body parts segments. *July 07, 2011*

**Dongfeng Nissan**, the JV between Chinese auto manufacturer **Dongfeng Motors** and Japanese auto manufacturer **Nissan Motors**, plans to invest US\$560m to establish its second engine manufacturing plant in Zhengzhou, China. The plant with a capacity of 520,000 vehicles will manufacture the *HR*, *MR* and *VQ* series of engines. The move is part of the Company's strategy to increase localized production in China. *August 05, 2011*

**GAC Group**, a Chinese auto manufacturer, and **Fiat** have agreed to jointly establish a new plant for manufacturing *DSG* transmission gearbox systems in China. The plant will begin operations in 2013 and will

supply gearbox systems primarily for Fiat vehicles in China. As per the agreement Fiat will invest US\$337m in the plant. *June 22, 2011*

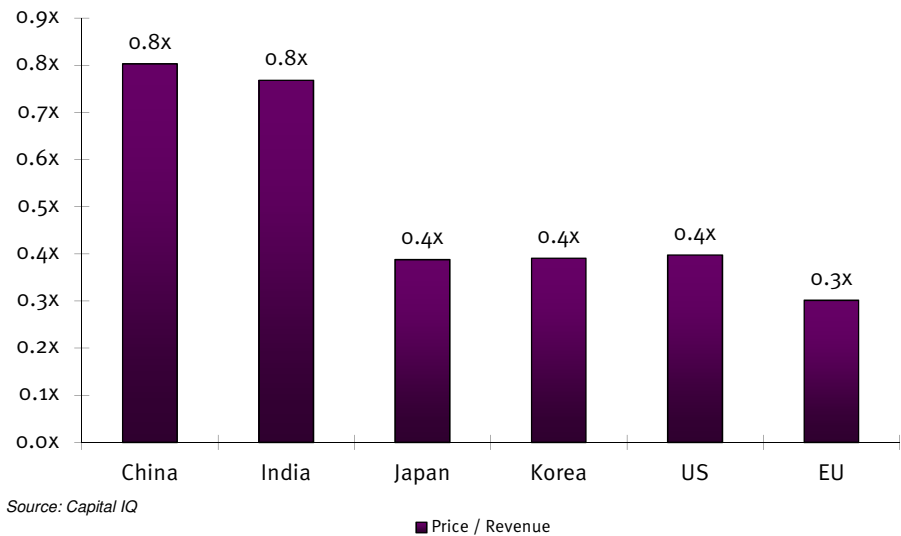
**Henan Zhongyuan Engine Fittings**, a Chinese auto component manufacturer, plans to raise US\$85m from a group of 10 undisclosed investors through a private placement. The funds raised will be used to expand Zhongyuan's operations in China. *August 17, 2011*

**JAC Motors**, a Chinese auto manufacturer, plans to invest US\$4.6m to establish a new R&D center for developing DCT automatic transmission gearboxes in China. JAC had earlier agreed to jointly develop the transmission gearboxes with **Navistar International**, a US auto manufacturer, but has not yet obtained the technology from Navistar and decided to independently begin research in China. *July 22, 2011*

**SAIC Motors**, the Chinese auto manufacturer, plans to invest US\$3.4bn to develop its own brand of vehicles in China. The Company initially plans to introduce plug-in electric hybrid vehicles by December 2012 and also establish a new R&D facility to boost its research capabilities in China. *August 26, 2011*

**Shanghai GM**, the JV between **GM** and Chinese auto manufacturer **Shanghai Auto**, plans to invest US\$1bn to expand capacity at its plant in Shenyang, China. The expansion will increase Shanghai GM's total capacity to 300,000 vehicles and 450,000 engines, and will help ease the current capacity constraints faced by the Company. *July 07, 2011*

Auto LTM Price/Rev Ratios (29Sep11)



## Hong Kong



**Adwin Investments**, the Hong Kong based subsidiary of Chinese auto manufacturer **Brilliance Auto**, has agreed to acquire 50% of **Mianyang Xinchen Engine**, a Chinese auto engine manufacturer, for US\$56m. *July 11, 2011*

**BYD Auto**, the Chinese auto manufacturer, and the **Hong Kong Auto Parts Industry Association**, have agreed to set up a new R&D center in Hong Kong. The center will be responsible for developing electric vehicle technology for the Asian auto market and will also develop zero-emission vehicles for Hong Kong's public transit systems. *August 18, 2011*

**Morgan Stanley Private Equity Asia** has agreed to invest US\$100m for an undisclosed minority stake in **China XD Plastics**, a Chinese auto component manufacturer. China XD Plastics will use the funds to expand and upgrade its

production capabilities in China. *July 22, 2011*

## India



**Atul Auto**, an Indian auto manufacturer, plans to invest US\$44m to establish a new plant in Gujarat, India. The plant will begin operations in 2012 with a capacity of 24,000 vehicles and will primarily manufacture light commercial vehicles for the domestic market. *July 13, 2011*

**Bajaj Auto**, an Indian two wheeler manufacturer, plans to invest US\$220m to establish its fourth plant in Gujarat, India. The plant, with a capacity of 500,000 vehicles, will manufacture two wheelers, three wheelers, and develop a low cost passenger vehicle in collaboration with **Nissan-Renault**. The move will help ease the current capacity constraints faced by the Company. *July 20, 2011*

**Bosch**, the German auto component manufacturer, plans to invest US\$550m to expand its rail systems and auto components capacity across its existing facilities in Coimbatore, Jaipur, Bangalore and Nashik. The Company also plans to establish two new facilities, one each in Gujarat and Chennai, to manufacture electrical devices for the Indian auto market.

*June 03, 2011*

**Continental AG**, the German tire manufacturer, plans to invest US\$74m to establish a new unit at its Modipuram plant in India to manufacture radial tires for passenger and commercial vehicles by 2013. *August 25, 2011*

**Eicher Motors**, an Indian auto manufacturer, plans to invest US\$78m to establish a new plant for manufacturing two wheelers in Chennai India. The plant will begin operations in 2013 with a capacity of 150,000 vehicles and will manufacture the *Royal Enfield* motorcycles for the global auto markets. The plant will ease the current capacity constraints faced by the Company.

*July 12, 2011*

**Ford** plans to invest US\$900m to establish a new plant in Sanand, Gujarat. The plant will begin operations in 2014 with a capacity of 240,000 vehicles and 270,000 engines.

*July 29, 2011*

**JBM Auto**, an Indian auto component manufacturer, plans to invest US\$44m to expand its capacities at its existing plants in Chennai, Pune and Sanand in India. The move is aimed to meet the growing demand for auto components from its key customers: **Nissan Motors**, **Mahindra & Mahindra** and **Tata Motors**. *August 23, 2011*

**Maruti Suzuki**, an Indian auto

manufacturer, plans to invest US\$670m to establish two new facilities in India. The facilities will have a capacity of 250,000 vehicles each and will focus on manufacturing new models in the small car segment for the global auto market.

*July 27, 2011*

**Maruti Suzuki** plans to invest US\$1.3bn to establish a new plant in Gujarat. The plant with a capacity of 2,000,000 vehicles will primarily cater to the export markets. The Company currently exports a majority of its vehicles from the port of Gujarat and the plant will enable them to lower its transportation and logistics cost. *June 01, 2011*

**Motherson Sumi**, an Indian auto component manufacturer, has agreed to acquire 80% of **Peguform** and 50% of **Die Wethje**, two German auto component manufacturers, for US\$205m. The acquisitions will enable Motherson Sumi to expand its capabilities in the auto interiors and exterior component segments in Europe. *July 13, 2011*

**Peugeot Citroen**, the French auto manufacturer, plans to invest US\$900m to establish a new plant in Sanand, Gujarat. The plant will begin operations in 2014 with a capacity of 300,000 vehicles and will manufacture the *508* Luxury Sedan and *207* Hatchback. The plant will help Peugeot re-establish its presence in the Indian auto market.

*September 01, 2011*

**Toyota Motors**, plans to invest US\$370m in its existing plant in Karnataka to double its capacity from the current 160,000 vehicles to 320,000 vehicles by 2013. The move is aimed to meet the growing demand for Toyota vehicles in the Indian auto market.

*July 27, 2011*

## Indonesia



**Bajaj Auto**, plans to invest US\$150m to establish a new assembly plant in Indonesia. The plant will begin operations in 2013 with a capacity of 100,000 vehicles. The plant will help increase localization of assembly operations and reduce the cost of import tariff. The plant will be Bajaj Auto's first major plant outside of India.

*August 23, 2011*

**Geely Auto**, the Chinese auto manufacturer, plans to invest US\$2bn to establish a new plant in Indonesia. The plant will begin operations in 2014 with a capacity of 30,000 vehicles and will enable the Company to cater to the growing demand for vehicles in the APAC region. *August 04, 2011*

**General Motors** plans to invest US\$150m to revive the operations of its plant in Indonesia. The plant will begin operations in 2013 with a capacity of 40,000 vehicles and will cater to the demand for vehicles in the Southeast Asian region. *August 11, 2011*

## Japan



**Asahi Tec Corp**, the Japanese auto component manufacturer, has agreed to acquire an additional 19% of **Guangzhou Wheelhorse Asahi Aluminium**, a Chinese auto wheel manufacturer, for US\$47m. The acquisition is part of Guangzhou Wheelhorse's strategy to raise funds to expand its operations in China. Post-acquisition, Asahi will hold 49% of Guangzhou Wheelhorse. *July 15, 2011*

**EKK Group**, a Japanese auto component manufacturer, has agreed to acquire 100% of **Actuator Components**, a German auto component manufacturer, for an undisclosed amount. The acquisition will enable EKK Group to establish its presence in the European auto actuators segment. *July 01, 2011*

**JVC Kenwood**, a Japanese auto electronics manufacturer, has agreed to acquire 51% of **Shinwa International**, a Hong Kong based auto electronics manufacturer, for an undisclosed amount. The acquisition will enable JVC to expand its presence in the audio and video systems segment of the Chinese auto industry. *June 10, 2011*

**Nissan Motors**, has agreed to acquire 25% of **AvtoVaz**, a Russian auto manufacturer, for US\$1bn. **Renault**, the French auto manufacturer, already owns 25% of AvtoVaz. The company has stated that post-acquisition the Renault- Nissan-AvtoVAZ alliance will be the third largest auto group globally. *June 16, 2011*

**Toyota Motors**, the Japanese auto manufacturer, has agreed to acquire the remaining 44% stake of **Toyota Auto Body** and 49% of **Kanto Auto Works**, two Japanese auto component manufacturers, for a total of US\$1.4bn. The move is part of the Company's strategy to revamp its manufacturing operation in Japan, improve efficiency and strengthen its competitive position in the global auto markets. *July 13, 2011*

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## Korea



**Mando Corporation**, a Korean auto component manufacturer, plans to invest US\$145m to establish a new

plant in the Walbrzych Special Economic Zone in Poland. The plant will manufacture braking systems, steering columns and suspension components for European auto manufacturers.

*July 27, 2011*

The **Korean Government** plans to invest US\$65m in a consortium led by **Hyundai Motors**, to develop electric vehicles in Korea. The project will begin operations in 2014 and has the goal of making Korea one of the top three electric vehicles market globally.

*August 10, 2011*

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## Malaysia



**Chery Auto**, the Chinese auto manufacturer, plans to establish a new assembly plant in Malaysia with a capacity of 5,000 vehicles. The plant will enable Chery to meet the growing demand for its *QQ3* models in Malaysia and help ease the current capacity constraints. *May 30, 2011*

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## Taiwan



**Bosch**, the German auto component manufacturer, has agreed to acquire 100% of the equity of **Unipoint Electric**, a Taiwanese auto component manufacturer, for an undisclosed amount. The acquisition will strengthen Bosch's global aftermarket presence in automotive starters, alternators and wiper blades. *August 11, 2011*

**Asian Auto Transactions with Multiples (12 months ending 29 Sept 2011)**

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
16-Aug-11	Jiangsu Songlin Automobile Parts	China	Tianrun Crankshaft	China	\$31.3	51%	-	0.8x	-
29-Jul-11	AutoV Corporation Bhd	Malaysia	Temasek Formation Sdn Bhd	Malaysia	\$48.5	100%	11.6x	1.3x	-
13-Jul-11	Kanto Auto Works	Japan	Toyota Motor	Japan	\$376.0	50%	5.0x	0.2x	-
7-Jul-11	KSM Castings Gmbh	Germany	Citic Dicastal	China	\$420.0	100%	0.7x	-	-
12-Apr-11	Sammok Kang Up	Korea	Youngheung Iron & Steel	Korea	\$25.0	100%	-	0.6x	-
16-Dec-10	Hero Honda Motors	India	Hero Investments	India	\$843.0	26%	5.8x	0.9x	18.0x
19-Aug-10	Siam Pan Group PCL	Thailand	Investor Group	Thailand	\$10.8	69%	0.4x	0.1x	3.9x
29-Jul-10	MITSUBA-WALBRO INC	Japan	TI Automotive Holdings Ltd	UK	\$8.6	50%	-	0.4x	25.0x
19-Jun-10	Hubei Axle Co	China	Investor Group	China	\$7.5	28.5%	-	0.4x	399.4x
6-Apr-10	Automotive Stamping Tech	Korea	JetTech Ltd	Korea	\$8.0	51%	-	0.7x	12.3x
1-Apr-10	Interhides PCL	Thailand	Ongart Thumrongsakunvong	Thailand	\$7.1	20%	3.7x	0.9x	4.7x
8-Feb-10	Cuzco LBE Co	Korea	A-motion Co	Korea	\$34.3	24%	12.4x	1.0x	20.3x
1-Feb-10	Hwa Fong Rubber(Thailand)PCL	Thailand	Mega Intl Coml Bank Co	Taiwan	\$13.4	32%	4.3x	0.7x	12.1x
1-Feb-10	MAT Co	Korea	Sejin Electron Inc	Korea	\$13.7	33%	-	0.2x	-
9-Dec-09	Suzuki Motor Corp	Japan	Volkswagen AG	Germany	\$2,527.4	20%	6.2x	0.4x	39.0x
14-Oct-09	Hyundai Corp	Korea	Hyundai Heavy Inds Co	Korea	\$201.9	50%	12.1x	0.2x	44.9x
12-Oct-09	Dual Industrial Co	Korea	IHC Co	Korea	\$6.4	36%	-	0.5x	-
				<b>Median</b>	<b>\$25.0</b>	<b>49.6%</b>	<b>5.4x</b>	<b>0.5x</b>	<b>19.2x</b>

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through acquisitions, divestments, JVs, and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices listed.

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