

ASIAN AUTOMOTIVE NEWSLETTER

DECEMBER 2011, ISSUE 69

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

We are seeing continued interest by Chinese companies in acquiring automotive components businesses in western markets, with Germany being the market of choice. We expect this trend to continue to grow. We also expect there to be plenty of bumps in the road as Chinese companies internationalise and become more comfortable and practiced at using M&A as means for achieving corporate goals. To this end, Business Development Asia LLC (“BDA”) is expanding its presence in China further,

adding an office in Beijing in January 2012, to its existing presence in Shanghai and Hong Kong.

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China

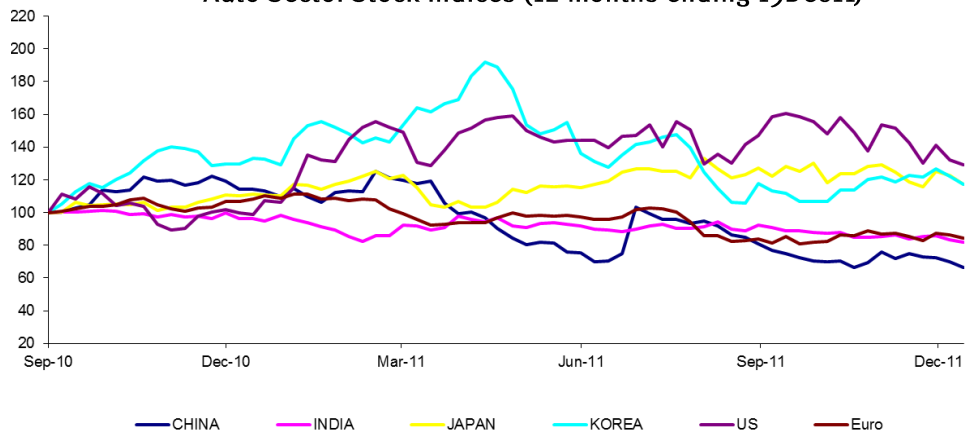
A group of private investors have agreed to acquire 45% of **Qingdao Yellow Sea Rubber**, a Chinese tire manufacturer, for US\$134m. *October 19, 2011*

BMW, the German auto manufacturer, plans to set up a new engine manufacturing facility in Shenyang, China. The facility will commence operations in 2012. It will primarily manufacture *Twin-Power Turbo I4* engines for BMW’s *X1 SUV* models manufactured in China. The financial details have not been disclosed.

November 30, 2011

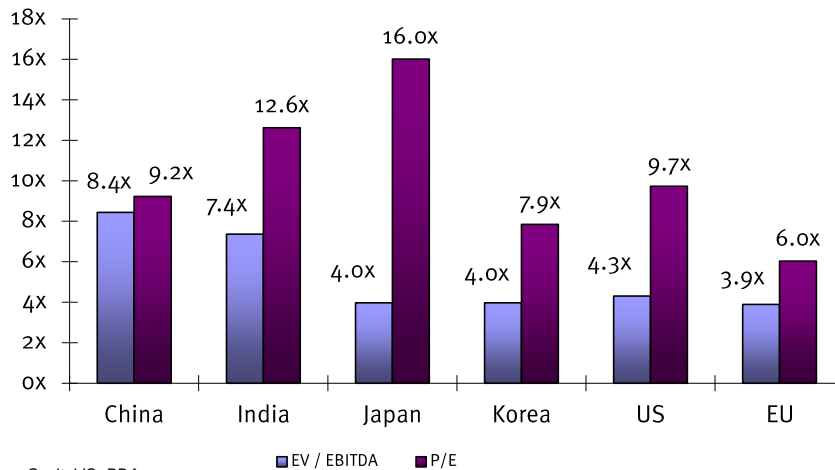
Changan Auto, the Chinese auto manufacturer, has agreed to acquire 54% of **Harbin Dongan Auto Engine**, a Chinese auto engine and gearbox manufacturer, from Chinese aircraft manufacturer **AVIC** for an undisclosed amount. The move is part of the

Auto Sector Stock Indices (12 months ending 19Dec11)



Source: Capital IQ, BDA

Auto LTM Trading Multiples (19Dec11)



Source: Capital IQ, BDA

restructuring process undertaken by AVIC to divest its non-core business assets. *November 10, 2011*

Changan Ford Mazda, the JV between Chinese auto manufacturer **Changan Auto**, Japanese auto manufacturer **Mazda Motors** and **Ford Motors**, plans to invest US\$350m to set up a new transmission systems facility in Chongqing province, China. The facility with a capacity of 40,000 units will commence operations in 2013. *September 28, 2011*

Changan Suzuki, the JV between Chinese auto manufacturer **Changan Auto** and Japanese auto manufacturer **Suzuki Motors**, plans to invest US\$784m to set up a new facility in Chongqing province, China. The facility with a capacity of 250,000 vehicles and 300,000 engine motors will commence operations in 2015. *September 21, 2011*

Great Wall Motors, a Chinese auto manufacturer, plans to invest US\$232m in its two subsidiaries in China. Great

Wall will invest US\$65m in its engine manufacturing subsidiary and US\$167m in its auto parts manufacturing subsidiary. *November 5, 2011*

JAC Motors, a Chinese auto manufacturer, has agreed to set up a 20:80 JV with Brazilian auto distributor **SNS** for a total investment of US\$600m. The facility with a capacity of 100,000 passenger vehicles will primarily cater to the demand in Brazilian auto market. *November 21, 2011*

Jincheng Corporation, a Chinese auto and aviation components manufacturer, has agreed to acquire the remaining 48% of its JV **Nanjing Jincheng Machinery**, a Chinese auto component manufacturer, from **Lion AMB Resources Berhad**, a Malaysian diversified business group, for US\$18m. *October 17, 2011*

Johnson Controls, the US based auto component manufacturer, plans to invest US\$100m to establish a new battery manufacturing facility in China.

The facility will commence operations in 2013 and will primarily manufacture start/stop batteries for auto OEMs in Asia. *September 19, 2011*

Magna International, a Canadian auto component manufacturer, plans to establish a new powertrain facility in Tianjin, China. The facility will commence production in 2012. It will manufacture rear axle drives and power take-off units for locally assembled **Volkswagen** models in China. The financial details have not been disclosed. *October 27, 2011*

SAIC Motors, a Chinese auto manufacturer, plans to invest US\$944m over the next five years to develop electric vehicles in China. SAIC currently only manufactures two types of electric vehicles, *Roewe 750 Hybrid* and pure electric *Roewe E50*, for the Chinese auto market. The move is part of the SAIC Motors' strategy to increase its focus on new energy vehicles. *November 3, 2011*

Hong Kong

New Focus Auto Tech Holdings, a Hong Kong based auto electronic component manufacturer, has agreed to acquire 51% of Chinese auto component distributor **Hubei Autoboom Auto Accessories Supermarket** for US\$14m. The acquisition will broaden New Focus Auto Tech's distribution network and customer reach in China. *September 23, 2011*

India

Atul Auto, an Indian three wheeler manufacturer, plans to invest US\$40m

to establish a new four wheeler manufacturing facility in Gujarat. The facility will commence operations in 2013 with an initial capacity of 10,000 LCVs. The move will enable Atul to establish its presence in the Indian four wheeler auto segment. *October 10, 2011*

Ashok Leyland, an Indian commercial vehicle manufacturer, plans to invest US\$460m to establish a new LCV manufacturing facility in India. The facility will commence operations in 2014. The move will enable Ashok Leyland to establish its presence in the LCV market in India.

September 16, 2011

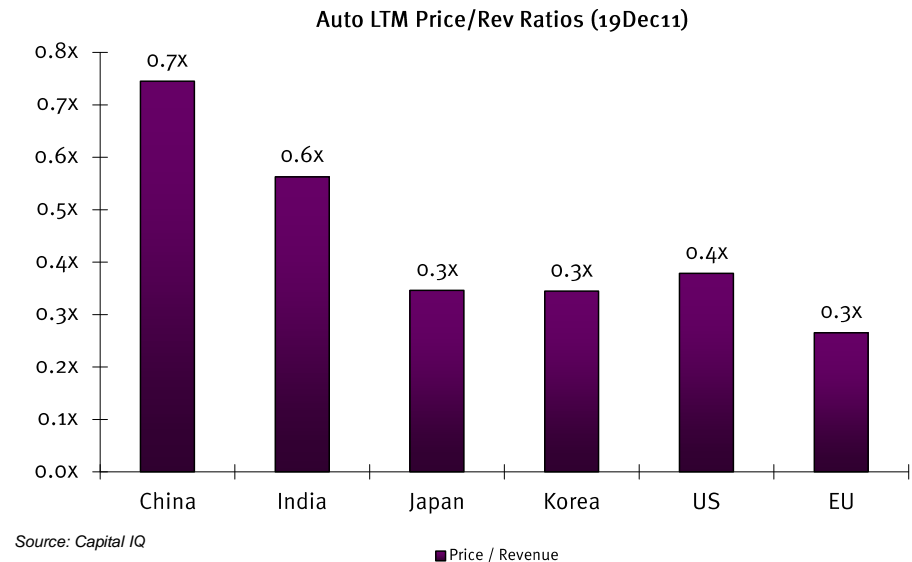
Bosch Group plans to invest US\$50m to expand its aftermarket services division in India. Bosch Group plans to increase its car services centers from 500 outlets to 800 outlets and the number of training centers from 11 to 15 by 2014. *November 28, 2011*

Force Motors, an Indian commercial vehicle manufacturer, plans to invest US\$200m to develop new passenger vehicles for the Indian auto market. The move is part of Force Motor's strategy to increase its focus on the passenger car segment in India. *November 22, 2011*

Hero MotoCorp, an Indian two wheeler manufacturer, plans to invest US\$100m to expand capacity at its existing facilities in Haridwar, Gurgaon and Dharuhera in India. The expansion will increase capacity by 1.5 million units of motorcycles and scooters by 2012.

October 20, 2011

International Tractors (ITL), an Indian tractor manufacturer, plans to raise US\$90m by divesting 10% to a private equity investor. The funds will be used



to expand production capacity and pursue inorganic growth opportunities. ITL manufactures tractors under the **Sonalika** brand in India. *October 17, 2011*

KSPG Group, a German auto component manufacturer and member of **Rheinmetall Group**, has agreed to acquire 100% of the bearings division of **Kirloskar Oil Engines**, an Indian auto component manufacturer, for an undisclosed amount.

October 04, 2011

Magneti Marelli, an Italian auto component manufacturer, has agreed to establish a 50:50 JV with Indian auto component manufacturer **Talbros Auto**. The JV will commence operations in 2012. It will manufacture various components including control arms, knuckles, front axles and rear axles for automobile applications in India.

November 17, 2011

Mahindra & Mahindra (M&M), an Indian auto manufacturer, plans to acquire an additional 27% in **Swaraj**

Automotives (SAL), an Indian peer, for an undisclosed amount.

November 14, 2011

Mahindra & Mahindra (M&M) plans to establish a 51:49 JV with **Yamaha Motors**, a Japanese two wheeler manufacturer, for manufacturing two wheelers in India. Yamaha will provide the technology for manufacturing two wheelers, while M&M will provide access to its strong distribution network in India. *November 16, 2011*

Man Truck and Bus AG, a German commercial vehicle manufacturer, has agreed to acquire the remaining 50% of **Man Force Trucks**, a JV with **Force Motors** in India, for US\$190m. The JV was established in 2006 for manufacturing heavy trucks for the domestic and exports market. The move is part of the Man Force Trucks' strategy to increase its presence in the BRIC countries. *November 21, 2011*

Maruti Suzuki, an Indian auto manufacturer, plans to invest US\$1.3bn

to establish a new facility in Gujarat. The facility with a capacity of one million units will primarily cater to the export markets. The facility's proximity to the Gujarat port will help Maruti Suzuki reduce its logistics cost for vehicle exports. *October 30, 2011*

New Holland Fiat India, an Indian subsidiary of **CNH Global**, the US based agricultural and construction equipment manufacturer, plans to invest US\$45m to expand its tractor manufacturing capacity at its existing facility in Noida, India. New Holland Fiat India plans to increase capacity from 36,000 tractor units to 60,000 units by 2013. The expansion will enable New Holland Fiat India to strengthen its presence in the Indian tractor market.

November 5, 2011

Nissan Motors, the Japanese auto manufacturer, plans to establish a new diesel engine manufacturing facility in Chennai. The facility will commence operations in 2012. It will enable Nissan Motors to increase its localization of auto components for its vehicles in India. *November 18, 2011*

Tata Motors, the Indian auto manufacturer, plans to invest US\$20m to establish a new commercial vehicle manufacturing facility in Kenya. The facility, with a capacity of 5,000 units of pick-ups and light commercial trucks, will enable Tata to cater to the growing demand for commercial vehicles in the East African markets. *November 13, 2011*

Toyota Motors plans to invest US\$156m to establish a new engine manufacturing facility in Karnataka, India. The move is part of Toyota's strategy to increase localization of auto components for its vehicles in India. *November 21, 2011*

The **Disinvestment Department of India** plans to divest 100% of **Tyre Corporation of India** (TCIL), an Indian tire manufacturer wholly owned by the Government. The move is part of the Government's program to privatize restructured business units in India.

November 21, 2011

Volvo, the Swedish commercial vehicle manufacturer, plans to invest US\$80m to expand its bus manufacturing capacity in India. Volvo plans to increase capacity from 1,000 units to 5,000 units by 2015. The move is part of Volvo's strategy to strengthen its presence in the Indian luxury bus market. *October 14, 2011*

Volvo Eicher Commercial Vehicles, the 50:50 JV between **Volvo** and **Eicher Motors**, an Indian commercial vehicle manufacturer, plans to invest US\$200m to establish a new engine manufacturing facility for commercial vehicles in India. The facility will commence operations in 2013 with an initial capacity of 50,000 engines. It will primarily cater to the export markets.

November 16, 2011

Wabco Auto, a Belgian auto component manufacturer, plans to invest US\$12m to expand capacity at its facility in Chennai and establish a new facility in Lucknow. The expansion will help ease the current capacity constraints. The Lucknow facility will primarily cater to demand from **Tata Motors** and **Ashok Leyland**. *September 22, 2011*

Yamaha Motors plans to invest US\$10m to expand capacity at its facility in Uttar Pradesh, India by 400,000 units. The move will ease the current capacity constraints and will cater to the growing demand for two

wheelers in India. *November 19, 2011*

Japan

NHK Springs, a Japanese auto suspension component manufacturer, has agreed to acquire 100% of **BCL Springs**, an Indian auto suspension component manufacturing division of the **Wadia Group**, a diversified Indian business group, for US\$40m. The divestment of BCL Springs is part of the Wadia Group's strategy to restructure its portfolio. *September 7, 2011*

Nissan Motors, a Japanese auto manufacturer, plans to invest US\$1.5bn to establish a new facility in Brazil. The facility will commence operations in 2014 with capacity of 200,000 vehicles. It will primarily cater to the domestic markets. *October 10, 2011*

Toyota Motors, the Japanese auto manufacturer, has agreed to set up a JV with **BMW** to jointly develop lithium-ion batteries for electric vehicles in Japan. The move will help Toyota increase its share in the global electric vehicles market. The financial details have not been disclosed. *November 30, 2011*

Korea

Hyundai Wia, a Korean auto components manufacturer, has agreed to acquire 30% of Chinese auto engine manufacturer **Hyundai Wia Automotive Engine Shandong** for US\$28m. The move is part of Hyundai Wia's strategy to consolidate its shareholding in its group companies. *October 28, 2011*

Inhwa Precision, a Korean ship engine

manufacturer, has agreed to acquire 100% of Korean auto component manufacturer **Daeyeun Precision** for US\$12m. The acquisition will enable Inhwa to diversify its product offerings and customer base in Korea.

November 15, 2011

Kia Motors, a Korean auto manufacturer, plans to set up a new facility in Jiangsu, China. The facility, with a capacity of 300,000 vehicles, will commence operations in 2014. This will be Kia's third facility in China and will primarily cater to the increasing domestic demand. *November 2, 2011*

Malaysia

Proton, a Malaysian auto manufacturer, has agreed to set up a 50:50 JV with **Hawatai Auto**, the Chinese auto manufacturer, to jointly research and develop new models and auto components for the Chinese auto market. The JV will commence operations in 2013 and will initially manufacture the *Proton Exora* and *Persona R* models. *October 27, 2011*

Thailand

APM Automotive, a Malaysian auto component manufacturer, plans to establish a 40:60 JV with German auto component manufacturer **International Automotive Components (IAC)** in Thailand. The JV **IAC APM Automotive Systems** will manufacture auto interior components for auto OEMs in Thailand. The financial details have not been disclosed. *November 5, 2011*

Asian Auto Transactions with Multiples (12 months ending 20Dec2011)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
7-Sep-11	BCL Springs	India	NHK Springs	Japan	\$40	100%	9.1x	1.6x	-
27-Oct-11	MBM Resources	Malaysia	Hirota Holdings Berhad	Malaysia	\$154	100%	1.5x	5.5x	-
19-Oct-11	Qingdao Yellow Sea Rubber	China	Group of private investors	-	\$134	45%	1.6x	-	-
16-Aug-11	Jiangsu Songlin Automobile Parts	China	Tianrun Crankshaft	China	\$31	51%	-	0.8x	-
29-Jul-11	AutoV Corporation Bhd	Malaysia	Temasek Formation Sdn Bhd	Malaysia	\$49	100%	11.6x	1.3x	-
13-Jul-11	Kanto Auto Works	Japan	Toyota Motor	Japan	\$376	50%	5.0x	0.2x	-
7-Jul-11	KSM Castings GmbH	Germany	Citic Dicastal	China	\$420	100%	0.7x	-	-
12-Apr-11	Sammok Kang Up	Korea	Youngeung Iron & Steel	Korea	\$25	100%	-	0.6x	-
16-Dec-10	Hero Honda Motors	India	Hero Investments	India	\$843	26%	5.8x	0.9x	18.0x
			Median		\$133.8	100.0%	5.0x	0.9x	18.0x

Source: Capital IQ

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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