

ASIAN AUTOMOTIVE NEWSLETTER

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

Chinese companies are buying up assets across the Auto sector worldwide. Geely paid US\$2.7bn for Volvo in 2010, Joyson agreed to buy Preh for US\$721m in April, Beijing Auto announced plans to acquire Inalfa Roof Systems for US\$370m in April, and Zhejiang Youngman and Pangda recently agreed to acquire Saab for US\$250m. Expect China to continue hunting for foreign assets.

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 me directly.

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China

Autoliv, the Swedish auto component manufacturer, plans to invest US\$10m in a new seat belt plant in Nanjing, China. The new plant will replace Autoliv’s existing plant in the region and will be 1.5 times larger than the existing plant. The move is part of the company’s strategy to enhance capacity and market presence in China.

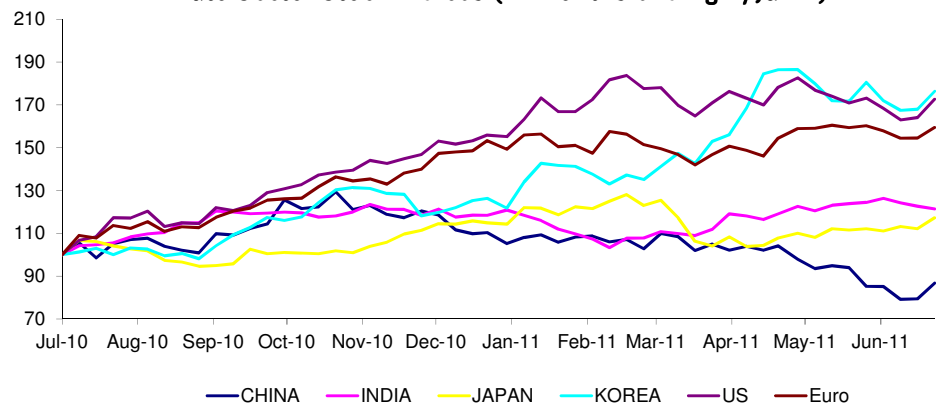
April 4, 2011

Beijing Auto Works (BAW), the Chinese auto manufacturer, plans to invest US\$100m to establish a JV with an undisclosed local manufacturer in Russia’s Ulyanovsk region. Initially, the JV will focus on assembly of BAW’s B40 utility vehicles and later expand to include other commercial vehicles.

April 14, 2011

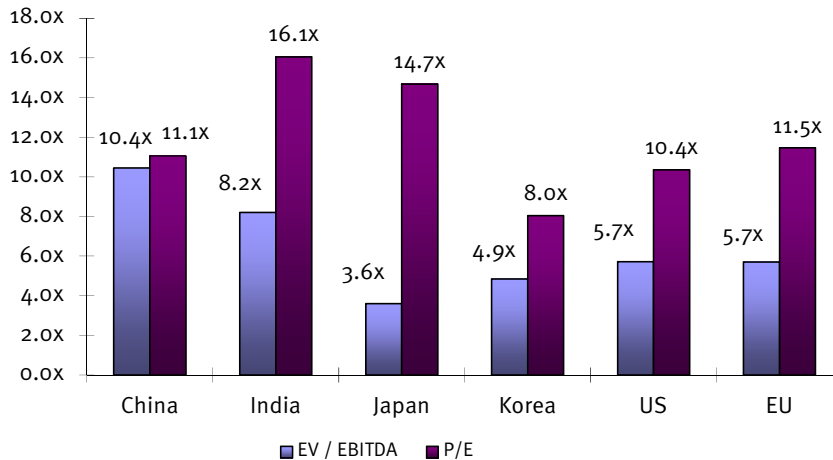
Beijing Hainachuan Auto (BHAP), a subsidiary of Chinese auto manufacturer **Beijing Auto Group**

Auto Sector Stock Indices (12 months ending 27Jun11)



Source: Capital IQ, BDA

Auto LTM Trading Multiples (17Jun11)



Source: Capital IQ, BDA

(BAIC), has agreed to acquire 100% of the Dutch auto component manufacturer **Inalfa Roof Systems**, for US\$370m. The acquisition is part of BHAP's international strategy to expand to the global auto components market and will also help BHAP to further diversify its product portfolio, strengthen its R&D and marketing capabilities. *April 30, 2011*

Beiqi Foton Motors, the Chinese commercial vehicle manufacturer, plans to invest US\$400m to build a new plant in Maharashtra, India. The plant will commence operations in 2013 with a capacity of 100,000 units, and it will manufacture light, medium and heavy trucks for the domestic market.

May 04, 2011

Beiqi Foton Motors plans to set up a plant in Kenya, East Africa. The plant will commence operations in May 2012 with over 500 employees and capacity of 10,000 vehicles. *April 9, 2011*

Changan Auto has agreed to acquire a

majority stake in Chinese motorcycle manufacturer, **Jinan Qingqi Motorcycle Co**, for US\$46m. The acquisition is part of Jinan's ongoing restructuring program and will provide Changan a significant market share in the domestic motorcycle market. *March 17, 2011*

Changan Ford Mazda Auto, a JV between **Ford**, **Mazda** and Chinese auto manufacturer **Changan Auto**, has signed a MoU with the Chongqing government authorities to set up a transmission parts plant for US\$350m. The plant will commence operations by end of 2013 with a capacity of 400,000 six-speed automatic gearboxes. The move is part of Ford's strategy to leverage advanced global technologies to build 15 new vehicles in China by 2015. *May 23, 2011*

Chery Auto, the Chinese auto manufacturer and **Subaru Auto**, the auto manufacturing division of Japanese transportation conglomerate **Fuji Heavy Industries**, plan to jointly invest US\$365m to set up a plant in

Dalian, China. The plant will be Subaru's second overseas plant after the USA and it will have a capacity of 150,000 vehicles. The JV will help Chery to improve its brand image and will help Subaru to establish a presence in the growing Chinese auto market.

March 3, 2011

Dongfeng Peugeot Citroen Auto (DPCA), the JV between **PSA Peugeot Citroen** and the Chinese auto manufacturer **Dongfeng Motors**, has agreed to set up its third plant in Wuhan, China. The plant will commence operations in 2013 and it will enable DPCA to increase its domestic capacity to 300,000 units and expand its product segments in the next five years.

May 21, 2011

Dongfeng Yueda Kia Auto, the JV between **Dongfeng Motors** and Korean auto manufacturer **Kia Motors**, plans to set up its third plant in Nanjing's Jiangning Economic Development Zone. The plant will commence operations in 2012 with a capacity of 300,000 vehicles. The expansion will help the company to ease its capacity constraints as domestic sales increase significantly. *March 05, 2011*

FAW Group, the Chinese auto manufacturer, plans to invest US\$1.5bn to establish a R&D center for new energy vehicles in China. The R&D center will be responsible for developing pure and hybrid electric vehicles as well as vehicles based on hydrogen and biomass fuel technology. The R&D center will help FAW to develop its own brand of new energy vehicles for the domestic markets. *April 25, 2011*

Fujian Daimler Auto, the JV between **Daimler AG**, **Fujian Motors** and **China Motor Corp**, has agreed to invest US\$500m to establish a new R&D center

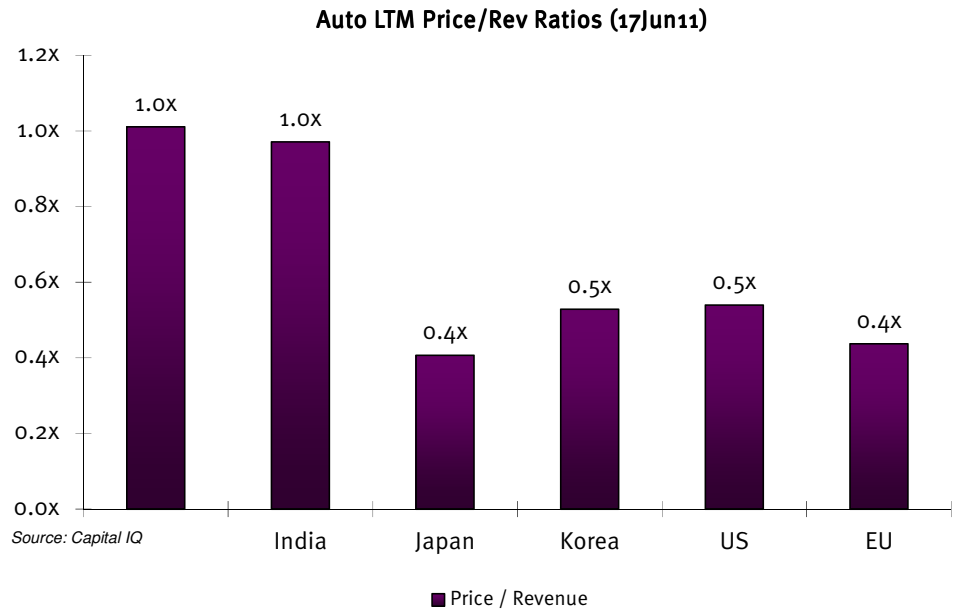
in Fujian's capital of Fuzhou by the end of 2011. The R&D center will help Daimler increase its localization rate and also provide certain testing facilities for its vehicles. *May 1, 2011*

Great Wall Motors, the Chinese auto manufacturer, has signed a MoU with UK based engineering company **Ricardo Plc** to jointly develop high-end gasoline and diesel engines and 6-speed double clutch automatic transmissions (DCT) for *Haval* SUV series. The agreement will enable Great Wall Motors to bridge the technology gap with its foreign competitors. *May 25, 2011*

Great Wall Motors has agreed to invest an additional US\$640m for the construction of the third phase of its new plant in Tianjin. It will commence operations in 2015 with a capacity of 300,000 vehicles and will be responsible for manufacturing three luxury SUV and five luxury sedan models. *March 11, 2011*

Haima Auto, the Chinese auto manufacturer, plans to invest US\$462m to set up a plant in Zhengzhou, China. This will be Haima's third plant in China and will increase its capacity to over 200,000 vehicles. The new plant will enable Haima to expand its product offering and manufacture subcompacts and minivans for the domestic market. *May 17, 2011*

Haima Stock, the parent company of **Haima Auto**, has agreed to buy **Haima Investment Group's** 38% in **Haima Auto** for an undisclosed amount, thereby increasing its stake to 100%. Due to the ongoing construction of Haima Auto's Zhengzhou plant, the company has been facing severe strain on its finances and the funds from the stake sale would help ease the financial



burden. *April 13, 2011*

JAC Motors, the Chinese auto manufacturer, plans to establish a second plant in Anhui province for US\$340m. The new plant will commence operations at the end of 2011 with a capacity of 24,000 vehicles and will be responsible for manufacturing six different models. *May 4, 2011*

Jijianghuai Auto, the Chinese auto manufacturer, plans to raise US\$426m by issuing an additional 150m shares in the open market. The funds would be used to expand the capacity of passenger cars and high end gasoline engines. *March 22, 2011*

Joyson Investment Holding, the Chinese auto component manufacturer, has agreed to buy 75% of German auto component manufacturer **PREH** for US\$721m. The acquisition will provide Joyson access to advance technological capabilities for electronic controls and multi-shot processing and will help

PREH to significantly improve its market position in China. *April 12, 2011*

Lifan Industrial Group, the Chinese auto manufacturer, and **Effa Group** the Brazilian importer of Chinese vehicles have agreed to jointly set up a R&D center in Brazil for US\$70m. The R&D center will be completed by 2014 and will be responsible for developing compact cars and alternative energy motors primarily for the US market. *March 24, 2011*

Michelin has agreed to set up a JV with Chinese tire manufacturer **Double Coin Holdings**, a unit of **Shanghai Huayi Group**, for manufacturing passenger and light truck tires in China. As per the agreement Michelin will acquire 40% stake in Double Coin's plant under construction in Shanghai with a capacity of 15m tires. *April 20, 2011*

Shanghai Volkswagen, the JV between **Volkswagen Group** and Chinese auto manufacturer **Shanghai Automotive Industry Corporation** (SAIC), plans to

set up its sixth plant in Ningbo, Zhejiang. The expansion will help the company to ease its current capacity constraints and increase market share in South China from the current 12% to 20% over the next few years. *May 12, 2011*

TRW Auto Holdings, the US auto component manufacturer, plans to set up a new technical center in Anting, China which will be responsible for R&D, engineering, design & application, testing and validation activities for all of TRW's product lines. The center will commence operations in 2013 and will be TRW's largest technical facility globally with a capacity for more than 1,000 engineers. *April 29, 2011*

Zhejiang Youngman Lotus Automobile, a Chinese carmaker, agreed to buy 30% of **Saab Auto**, a subsidiary of Swedish carmaker **Spyker Cars**, for US\$197m. Working with Youngman on the deal, Chinese car distributor **Pangda Automobile** agreed to buy 24% of Saab for US\$154m. The deal announcements come after Beijing-based carmaker **Hawtai Motor** saw its bid for Saab collapse after failing to get government approval. The new deals need approval from numerous authorities, most notably the Chinese government, which has been pushing since 2009 to consolidate the market so that 10 companies have 90% market share. Youngman is not a top 10 carmaker, so there is doubt about the deal succeeding. *June 16, 2011*

Hong Kong



Huachen Auto Group, the Hong Kong based parent company of Chinese auto manufacturer **Brilliance Auto**, has agreed to acquire 100% of Chinese pickup trucks and SUV manufacturer

Mianyang Huarui Auto for US\$14m. Mianyang will become a subsidiary of Brilliance Auto and will enable them to establish a manufacturing base in South China. *March 29, 2011*

India



Atul Auto, the Indian three wheeler manufacturer, plans to acquire the 95% stake held by the Government of India (GoI) in the Indian two wheeler manufacturer **Scooters India** (SIL). GoI is planning to divest its holding in SIL as part of the company's revival strategy. In March 2009, SIL was declared in poor condition and referred to the Board for Reconstruction of Public Sector Enterprises for revival of its operations. *May 20, 2011*

BMW plans to add two new manufacturing units to its existing plant in Chennai, India. The move is part of the company's strategy to expand capacity and regain its market share in the Indian market from competitors such as **Audi**, **Mercedes Benz** and **Rolls Royce**. *May 13, 2011*

Bosch Electrical Drives India, the JV between **Bosch Group** and Indian auto component manufacturer **Igarashi Motors India**, plans to set up a plant in Chennai to produce wiper systems, engine cooling fan modules, HVAC blowers and window lift drives products for an estimated cost of US\$9m. The plant will commence operations by the end of 2012 and will enable the company to increase localized manufacturing levels. *May 26, 2011*

Continental AG, the German tire manufacturer, has agreed to acquire 100% of Indian tire manufacturer **Modi**

Tires, a subsidiary of **Modi Rubber** for an undisclosed amount. The acquisition will enable Continental to increase its local production of truck and bus tires and provide more competition to other local tire manufacturers such as Apollo, Ceat, JK Tires and MRF who currently dominate the market. *April 18, 2011*

Dana Holdings, the US based auto component manufacturer, has agreed to acquire 100% of **Axle India's** commercial vehicles axle business for US\$13m. The acquisition is part of Dana's strategy to expand its Indian operations and increase its presence in the Indian commercial vehicle segment. *April 26, 2011*

Ford Motors plans to invest US\$72m in its existing Chennai plant to expand engine manufacturing capacity from the current 250,000 units to 330,000 units by June 2012. The expansion will strengthen existing capacity and support the launch of eight new global Ford vehicles in India. *May 18, 2011*

Mazda Motors plans to establish a JV with an undisclosed Indian auto manufacturer in India. The JV will be responsible for manufacturing small hatchback and sedan segment cars, particularly the *Mazda 2*. The JV will help Mazda to establish its presence in the growing Indian auto market. *May 16, 2011*

Ruia Group, the Indian business conglomerate, has acquired 100% of French automotive sealing company, **Sealynx Auto** for an undisclosed amount. The acquisition will help Ruia's strengthen its European operations and boost the group's global presence in the auto sealing segment. *May 18, 2011*

Ruia Group plans to acquire 66% of Noida based light manufacturer **Halonix**

from Actis private equity for US\$60m. Actis is currently looking to divest only the auto lighting business of Halonix while the general lighting business would be divested at a later stage.

May 17, 2011

Ruia Group has also acquired 100% of two auto components manufacturing firms; Turkey's **Standard Profil** and Germany's **Meteor Gummiwerke** for an undisclosed amount. The acquisitions will provide the group a significant market share in the European rubber sealing systems segment. *May 11, 2011*

Tata AutoComps, the India auto component manufacturer, has signed a MoU with Japanese heat exchanger manufacturer **TRAD**, to jointly set up a R&D facility in Pune, India. The R&D center will be responsible for developing new capabilities for aluminum based radiators, inter coolers, heater cores and exhaust gas recharge systems for the Indian auto sector. *May 26, 2011*

Indonesia

Daihatsu, a subsidiary of **Toyota Motors**, plans to set up a plant in Jakarta for an estimated cost of US\$240m. The plant will commence operations in 2013 with a capacity of 100,000 vehicles and will initially assemble low cost compact cars for the domestic market. The expansion will also help Daihatsu to expand its presence in other ASEAN markets. *May 26, 2011*

Tata Motors, the Indian auto manufacturer, plans to set up a plant in Jakarta, Indonesia for manufacturing the **Tata Nano**. The plant will have a

capacity of 50,000 vehicles and would enable the company to tap the auto markets like Indonesia, Philippines, Malaysia and Thailand. *March 3, 2011*

Toyota Motors plans to increase its capacity at the Karawang plant from the current 100,000 units to 140,000 units by early 2013. The expansion will enable the company to expand the range of models manufactured for the Indonesian market and strengthen its domestic presence. *May 25, 2011*

Volkswagen plans to set up its first assembly plant in Indonesia for US\$140m. The plant with a capacity of 50,000 vehicles will initially assemble only the **Touran** compact MPVs and later expand to include other models as well. The plant will help VW to establish a presence in the growing Indonesian auto market. *May 10, 2011*

Japan

Toyo Tires, the Japanese tire manufacturer, has agreed to acquire 75% of the Chinese tire manufacturer **Shandong Silverstone Luhe Rubber & Tire Company** from **Lion Rubber Industries** Malaysia for US\$22m. Toyo currently caters only to passenger car tires segment from its plant in Jiangsu province and the acquisition will enable the company to cater to the demand for truck and bus tires as well. *April 12, 2011*

Korea

Hyundai Motors has agreed to set up a 50:50 JV, **Sichuan Hyundai**, with Chinese auto manufacturer **Sichuan Nanjun Auto Group** (Nanjun Auto) by

the end of 2011 in Ziyang City for manufacturing high end commercial vehicles in China. As per the agreement, Sichuan Hyundai will initially use Nanjun Auto's existing facilities but will invest in establishing a new plant with a capacity of 150,000 trucks and 100,000 buses. *May 3, 2011*

Malaysia

Proton, the Malaysian auto manufacturer, plans to invest US\$260m towards restructuring its UK subsidiary **Lotus Cars**. Proton aims to revive the loss making Lotus as a premium sports car maker by 2015 and leverage on the brand's strengths to build better cars, improve the Proton brand and tap new markets overseas. *May 25, 2011*

Philippines

Chery Auto, the Chinese auto manufacturer, plans to build a plant in the Philippines over the next three years to cater to the increasing demand for left hand drive vehicles in the ASEAN markets. The plant will manufacture Philippine specific passenger cars and small vehicles and will also introduce cheap electric vehicles to the domestic and ASEAN market. *April 25, 2011*

Taiwan

Foxconn Technology, the Taiwanese electronics manufacturer, has agreed to sign a partnership agreement with the Chinese auto manufacturer, **JAC Motors**, to jointly focus on new energy vehicle development and auto

electronics R&D in China. The partnership will last until April 2013 and will primarily be responsible for development of electric battery technology, traditional fuel powered vehicle production, magnesium aluminum alloy weight optimization and R&D in interior LED screens. JAC is expected to benefit from the Foxconn's advanced technical knowledge for developing electric vehicles in China.

April 24, 2011

Tong Yang Industrial, the Taiwanese auto components manufacturer, has agreed to set up a 49:51 JV in the Hunan province with Chinese auto manufacturer **Guangzhou Auto Group**, for US\$18m. The JV will commence operations in mid-2012 with a capacity of 400,000 units. The JV will provide Tong Yang access to the supply chains of other JVs between Guangzhou Auto and foreign partners such as Honda and Toyota. *April 2, 2011*

Asian Auto Transactions with Multiples (12 months ending 17 Jun 2011)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
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	20%	6.2x	0.4x	39x
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	35.6%	-	0.5x	-
				Median	\$13.4	32.6%	5.8x	0.5x	19.2x

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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