

ASIAN AUTOMOTIVE NEWSLETTER

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

Distress in the auto industry and the global economy has affected Western and Asian markets alike, as evidenced by a decline in stock prices and sales growth. Nevertheless the fundamentals of the Asian auto sector remain robust and show a promising future. BDA is committed to keeping its readership up to date with the latest news in the Auto sector through its newsletters.

transactions involving Asia, including acquisitions, divestments, JVs and restructurings. We have offices in all of the major Asian automotive markets, as well as in Bahrain, London and New York. If you are interested to discuss any of the articles in this newsletter, please contact me directly.

Business Development Asia LLC (“BDA”) is an investment banking firm which specialises in executing cross-border

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China

American Axle & Manufacturing Holdings Inc., a US-based drivetrain systems manufacturer, is forming a 50:50 JV with **Hefei Automobile Axle Co.**, a subsidiary of **Anhui Jianghuai Automobile Group**. The JV will be called **Hefei AAM Automotive Driveline & Chassis System Ltd.** The plant will manufacture rear and front axles, power transfer units and other drive train components. *December 11, 2008*

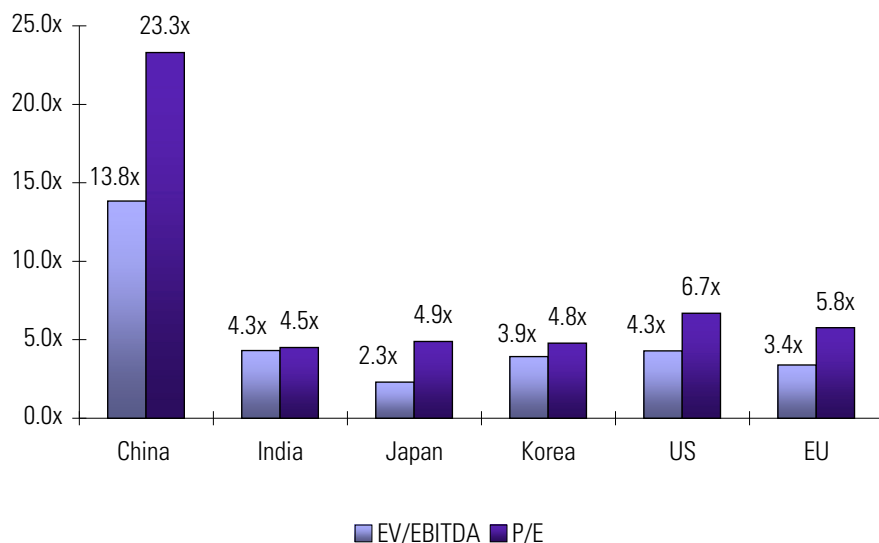
Beiqi Foton, a Beijing-based auto company, and German **Daimler AG** will form a truck JV. The US\$930m 50:50 JV will produce diesel engines and trucks, with a projected heavy-truck capacity of 100,000 units. *February 7, 2009*

Auto Stock Indices in Selected Countries (12 months ending in Mar 2009)



Source: Bloomberg (includes auto OEM and components manufacturers)

Historic Auto Trading Multiples for Selected Countries (Mar 2009)



Source: Bloomberg (includes auto components manufacturers)

Beijing Automotive Industry Holding Co (“Beijing Auto”) is in talks to acquire **Fujian Motor Industry Group** (“Fujian Motor”), a Chinese auto group. Beijing Auto, the Chinese partner of **Hyundai Motor** and **Daimler**, approached Fujian Motor last year over the potential acquisition. *February 21, 2009*

BorgWarner Inc will form a JV with **China Automobile Development United Investment Co**, a company owned by 12 Chinese carmakers: **FAW**, **SAIC**, **Dongfeng**, **Chery**, **Changan**, **Brilliance**, **Guangzhou**, **Changfeng**, **JAC**, **Geely**, **Polarsun** and **Great Wall Motor**. BorgWarner will hold 66% of the JV, which will be based in Dalian and be called **BorgWarner United Transmission Systems Co**. Financial details of the JV were not disclosed. *January 14, 2009*

Changan Automobile Group Co (“Changan

Auto”), the fourth largest carmaker in China, has signed a cooperation framework with Mexico’s **AutoPark** to set up an automobile factory in Mexico. Under the agreement, the two companies will jointly produce and sell Changan Auto’s products in Mexico, including **Changan Benni**, **Zhixiang** and **Alsvin** brands. *February 18, 2009*

Chery Automobile, the Chinese carmaker, is in discussions with several European auto companies, including **Ford Motor’s Volvo** in regards to strategic opportunities and acquisition targets. *February 13, 2009*

China International Marine Containers Co (“CIMC”), a Chinese container manufacturer, plans to establish a new truck-making JV with two domestic investment holding companies in Wuhu, Anhui Province. The JV, with a registered

capital of US\$176m, will manufacture medium- and large-sized trucks and truck parts. Investment in the first phase of construction will amount to US\$290m. CIMC will hold 45% of the JV, while the other two companies will hold 45% and 10%. The names of the two other parties were not disclosed. *January 28, 2009*

Fiat, the Italian carmaker, is reportedly in discussions with **Guangzhou Automobile Industry Group** (“GAIC”) to form a 50:50 JV in China. The JV would manufacture Fiat’s **Palio**, **Grande Punto** and **Linea** models. Fiat has been seeking a manufacturing partnership in China since its JV with Nanjing was terminated in 2007 following the government-inspired takeover of the latter company by Shanghai Automotive Industry Corporation (SAIC). *March 17, 2009*

General Motors (“GM”) is in talks with China’s **FAW Group** over the formation of a new light commercial vehicle JV. Both companies declined to give more details on the proposed JV. Once the JV is established, GM will be FAW’s first foreign partner in the commercial vehicles segment as FAW has partnerships with **Volkswagen AG** and **Toyota Motor** in passenger car production. GM’s **SAIC-GM-Wuling** commercial vehicle JV in China posted an increase in revenues of 19.7% year-on-year in January 2009. *February 10, 2009*

General Motors is forming a 49:51 JV with **Harbin Light Truck Factory Co**. The JV will produce pickup trucks, sport utility vehicles and light trucks under the **GM** brand. *February 7, 2009*

Guangzhou Automobile Industry Group

has announced plans to form a JV with **Guangxi Yuchai Machinery Group** to build hybrid buses in China. Guangxi Yuchai Machinery Group, a Chinese diesel engine manufacturer, started production of hybrid buses in 2008.

March 3, 2009

Johnson Controls Inc.

a US-based automotive interiors manufacturer, has established a JV with a subsidiary of **Guangzhou Automobile Group** (“Guangzhou Auto”) to produce auto interior parts in Guangzhou. The JV will supply Guangzhou Auto and other automakers in South China. Total investment in the first phase project of the JV will be US\$21m. *December 24, 2008*

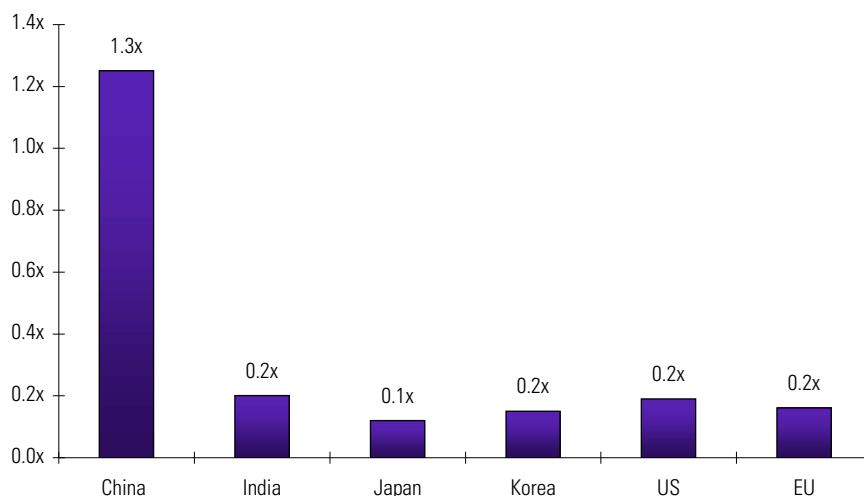
Magneti Marelli

a company belonging to the **Fiat Group**, and **Shanghai Automobile Gear Works**, a subsidiary of the **Shanghai Automotive Group**, will establish a 50:50 JV to produce hydraulic components for Magneti Marelli’s *Freechoice* automated manual transmission line. The JV will be located in Shanghai. Financial details of the JV were not disclosed. *January 27, 2009*

Michelin Group

and Chinese battery material supplier **CITIC Guoan Mengguli** have formed a JV to develop electric power trains and electric powertrain systems for electric vehicles and plug-in hybrids. The new plant will have a capacity of 18,000 batteries per year. Financial details of the JV were not disclosed. *December 1, 2008*

Historic Auto P/R Ratios for Selected Countries (Mar 2009)



Source: Bloomberg (includes auto components manufacturers)

Volkswagen (“VW”), the German carmaker, has acquired the Chengdu-based subsidiary of its JV partner **First Automotive Works** (“FAW”), the Chinese carmaker, for US\$75m. FAW’s Chengdu subsidiary was built in July 2007 and has a capacity of 150,000 units per annum.

March 17, 2009

India 

Ashok Leyland Ltd, an Indian commercial vehicle maker, and **Nissan**, the Japanese auto giant, have decided to delay their US\$480m light commercial vehicle JV in Chennai. Originally the JV was to have started production in April 2010, with 80% output slated for the Indian market. Production will be delayed until at least September 2011.

February 5, 2009

Bajaj Auto Ltd, an Indian motorcycle manufacturer, has increased its stake in Austrian sports bike maker **KTM**, from 26.2% to 31.7%, for US\$22m. The Pune-based company initially acquired 15% of the Austrian firm for US\$60m, which was further increased to 21% in Q1 2008.

February 27, 2009

BorgWarner Morse TEC has completed the acquisition of its JV with **Murugappa Group’s Tube Investments of India** (“TII”) located in Chennai.

In 2001, BorgWarner Morse TEC partnered with TII to manufacture silent chains for the Indian automotive and two-wheeler market. BorgWarner Morse TEC acquired the remaining 26% for US\$4m, valuing the JV at US\$15m.

December 10, 2008

Bridgestone Corp, a Japanese tire maker, plans to establish a 51:49 JV with

Sundaram Industries Ltd, an Indian auto and industrial rubber company, to manufacture anti-vibration rubber (“AVR”) for automobiles. The AVR is used in the engine and chassis of a vehicle to suppress noise and vibration, contributing a quieter ride. The US\$15m JV is expected to employ 700 people.

January 31, 2009

Ingress Engineering Sdn Bhd, a Malaysian auto components maker, has established a 40:60 JV with India’s **Mayur Industries Ltd**, an Indian auto interiors and exteriors maker, to manufacture auto components for the Indian market. Ingress Engineering is a wholly-owned subsidiary of **Ingress Corporation Bhd**, a Malaysian holding company engaged in auto components manufacturing and power engineering and railway electrification. *March 11, 2009*

JBM Auto, an Indian auto components maker, has formed a 51:49 JV with Thailand-based auto components maker **Ogihara**. The JV will manufacture parts for **Toyota Kirloskar Motor** from a plant in Bangalore and is expected to start operations in 2010. Financial details of the JV were not disclosed. *November 11, 2008*

The auto components arm of **Mahindra & Mahindra**, an Indian utility vehicle maker, is in advanced talks with two Australian aerospace companies to make small aircraft. Mahindra & Mahindra declined to name the two Australian firms. **Mahindra Systech** is looking to acquire one aircraft component

firm and is seeking a JV with the other to build eight and 14 seater planes. *February 10, 2009*

Motherson Sumi, an Indian auto component maker, acquired the rear view mirror business of **VisioCorp**, a UK-based auto exterior company, for US\$32m. The business generated revenues of US\$893m in 2008 and has 17 manufacturing locations across Australia, Asia, Europe, and the US.

January 3, 2009

Takata Corp, a Japanese manufacturer of safety systems for automobiles, has entered into a JV agreement with **Anand Automotive Systems**, an Indian auto components maker, to manufacture airbags, seatbelts and steering wheels in India. Takata Corp will hold a majority stake in the new JV company, named **Takata India Pvt Ltd**. Financial details of the JV were not disclosed. *January 5, 2009*

Tata Ryerson, a JV between India’s **Tata Steel** and US-based metals distributor and processor **Ryerson**, said it has set up a steel service centre in Uttarakhand at an investment of US\$10m to cater to the needs of auto firms. *February 13, 2009*

Tooltech, an Indian engineering services outsourcing firm, has acquired German car engineering company **Misslbeck Engineering** for an undisclosed consideration. Misslbeck has been a partner to **Audi** and **BMW** for interior systems and plastic parts for 30 years.

January 12, 2009

Japan

Volkswagen (“VW”) and **Toshiba** will form a JV to develop electric drive units and other elements. The two groups have signed an LOI and are also planning the development of battery systems for the next generation of electric vehicles. Financial details were not disclosed.

February 13, 2009

Korea

Hella KGaA Hueck & Co, a German auto electronics company, and Korean automotive supplier **Mando Corp** have formed a 50:50 JV to develop a new generation of car-safety systems. The new JV, **Mando Hella Electronics**, will be headquartered in Seoul and will have an investment of US\$65m. *November 12, 2008*

POSCO, a Korean steel maker, is in talks with **Toyota Motor** to supply them with steel. POSCO, one of the largest global steel makers by output, has steel supply contracts with all major Japanese carmakers for their Japanese output except Toyota. *January 12, 2009*

Taiwan

General Motors (“GM”) will sell its stake in its Taiwanese JV to its Taiwanese partner **Yulon Motor Co** (“Yulon”) for a symbolic TWD1 (US\$0.03). Yulon holds 51% of **Yulon General Motors Co** and will buy the remaining 49% stake for an

undisclosed consideration. The venture was established by GM and Yulon in 2005 with an initial investment of US\$57m.

Vietnam

Nissan Motor (“Nissan”) has established a 26:74 JV in Vietnam with Danish auto distributor **Kjaer Group** to import Nissan vehicles. The JV, called **Nissan Vietnam LLC**, is capitalized at US\$10m. *December 8, 2008*

Selected Asian Auto Transactions with Multiples (12 months ending Mar 2009)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
4-Jan-09	Jinan Worldwide Auto-Accessory Ltd	CN	Jinzhou Halla Electrical Equipment Co	CN	\$7.0	35% ACQ	7.0x	0.9x	11.6x
2-Mar-09	Rane Brake Lining Ltd	IN	Nisshinbo Industries Inc; Rane Holdings Ltd	N/A	\$1.5	20% ACQ	2.2x	4.5x	9.7x
12-Dec-08	Brilliance China Automotive	HK	Huachan Automotive Holdings	CN	\$73.0	39% ACQ	3.4x	0.2x	15.4x
5-Nov-08	Daesung Electric Co., Ltd	SK	LS Mtron Co., Ltd.	SK	\$55.0	50.5% ACQ	-	0.3x	15.0x
3-Nov-08	Hyundai Autonet Company Ltd.	SK	Hyundai Mobis Ltd	SK	\$521.3	Merger	11.4x	0.5x	-
29-Sep-08	BYD Company Ltd	CH	MidAmerican Holdings	US	\$232.0	10% ACQ	6.8x	1.1x	13.8x
15-Aug-08	Nippon Sharyo Ltd	JN	Central Japan Railway Co	JN	\$414.4	48.3% ACQ	82.3x	0.8x	-
5-Aug-08	Kumho Tire Co Inc	SK	Beacon	Cayman	\$106.9	10.7% ACQ	-	0.5x	-
1-Aug-08	Amtek India Ltd	IN	Amtek Auto Limited	IN	\$241.0	100% ACQ	5.7x	1.5x	4.3x
30-Jul-08	Punjab Tractors Limited	IN	Mahindra & Mahindra Ltd	IN	\$87.6	-	10.6x	1.1x	15.5x
28-Jul-08	Central Motor Co Ltd	JP	Toyota Motor Corp	JN	\$77.0	52.3% ACQ	-	0.2x	-
16-Jul-08	BOSCH Chassis Systems India	IN	Robert BOSCH GMBH	GE	\$55.0	20% ACQ	15.0x	2.0x	23.4x
2-Jul-08	Dongwoo Co Ltd	SK	Mann + Hummel GmbH	GE	\$66.0	86.9% ACQ	6.0x	0.5x	7.9x
27-Jun-08	Fuji Heavy Industrial Ltd	JN	Toyota Motor Corp	JN	\$292.7	100% ACQ	3.1x	0.3x	22.1x
22-Jun-08	SAIC (auto parts business)	CH	Shanghai Bashi Industrial	CH	\$1,099.0	100% ACQ	N.A.	1.8x	8.6x
23-Apr-08	BOSCH Corp	JN	Robert BOSCH GMBH	GE	\$1,005.0	38.5% ACQ	7.3x	0.8x	15.3x

Source: Mergermarket

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions, divestments 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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