

ASIAN AUTOMOTIVE NEWSLETTER

JUNE 2009, ISSUE 59

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

As the global auto industry struggles, emerging Asia has remained the single significant growth region. China particularly is beginning to develop into a powerful new force in the international auto market. Chinese auto suppliers have traditionally been firmly focused on their home market, but this is finally changing with a number turning up as bidders, sometimes successful ones, for Western assets. Don't expect this turn into a tidal wave, but do expect steady and significant growth as Chinese companies start to join Indian companies on the global acquisition trail.

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

Charles Maynard
Senior Managing Director,
cmaynard@bdallc.com

CONTENTS

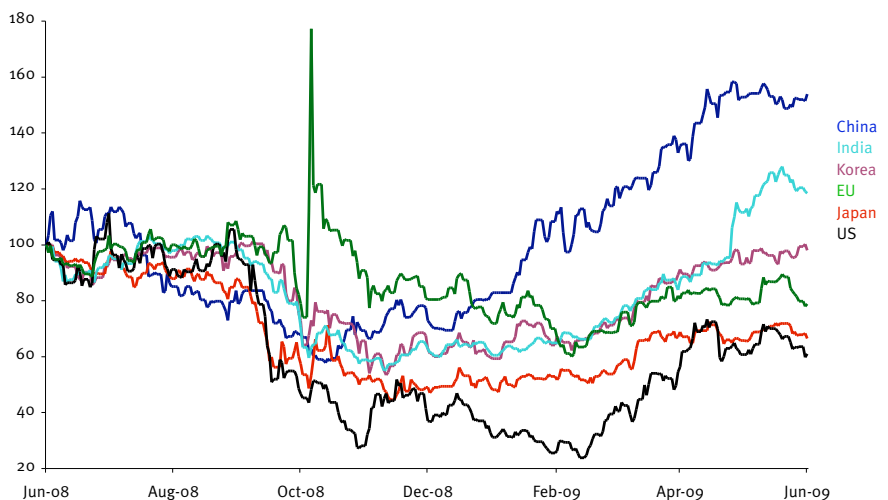
CHINA.....	1
INDIA.....	4
INDONESIA.....	5
JAPAN.....	5
KOREA.....	5

China

Advanced Battery Technologies ("ABAT"), a US-based manufacturer of rechargeable polymer lithium-ion batteries will acquire **Wuxi Angell Autocycle**, a Chinese manufacturer of motorcycles and electric bicycles, for US\$22m. *April 28, 2009*

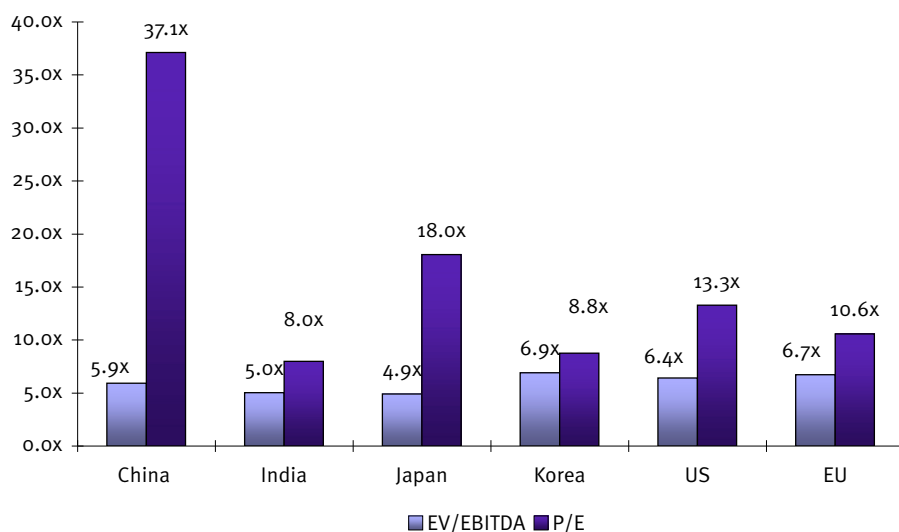
Antonov, a UK-based developer of transmission products for automotive and non-automotive applications, and **Sichuan Jiangnan Industrial Group**, a Chinese industrial group, will form a JV in China to produce Antonov's proprietary *TX6* transmission. Antonov and Sichuan Jiangnan will each invest US\$21m into the JV. The companies have also agreed to actively explore the involvement of additional partners who would provide core capabilities of market access,

Auto Stock Indices in Selected Countries (12 months by 23Jun09)



Source: Bloomberg (auto OEMs and components manufacturers)

Auto Trading Multiples for Selected Countries (23Jun09)



Source: Bloomberg (auto OEMs and components manufacturers)

mass production, and transmission technology. [April 2, 2009](#)

BMW and its Chinese partner **Brilliance Auto** are constructing their second manufacturing plant in China. The BMW-Brilliance JV aims to increase annual capacity by 75,000 to 80,000 units by the second half of 2010. The estimated cost of the project is US\$250m. [April 21, 2009](#)

BorgWarner United Transmission Systems (“BWUTS”), **BorgWarner Inc’s** 67:33 JV with **China Automobile Development United Investment** (“CDUI”), started the construction of a plant in Dalian. The JV, with an investment of US\$200m, will produce dual clutch transmission modules for gearboxes. The JV is expected to complete construction of the second phase in 2016 and the third phase in 2020. Operations will start in 2011 and the plant will have a capacity of 100,000

DCT modules, which will grow to 3.5m over the next decade. [May 25, 2009](#)

Chery Auto, a Chinese automobile manufacturer, will establish a US\$500m manufacturing plant in Brazil in a JV with **JLJ Group**, Chery’s importer and distributor in Brazil. Chery Auto is studying potential locations in Brazil for the plant, which will have an initial capacity of 150,000 vehicles. [May 22, 2009](#)

Dongfeng Honda Automobile, the Chinese JV of **Honda** with local automaker **Dongfeng**, has started operations at its new plant in China. The new plant will have a capacity of 200,000 vehicles and engines. [May 25, 2009](#)

Fiat, an Italian automobile manufacturer, will establish a JV in China with Chinese automobile manufacturer **Guangzhou**

Automobile. The US\$628m JV will be located in Guangzhou and will start operations in 2011. The JV will have a capacity of 140,000 vehicles and 220,000 engines. [May 22, 2009](#)

Ford Motor plans to build an assembly plant in Chongqing. The plant, Ford’s third in China, will be located in northern Chongqing, next to the company’s existing plant in the city. The plant will have a capacity of over 300,000 vehicles and will primarily produce high-end cars, SUVs and crossover models. In addition, the auto maker will set up an auto engine factory nearby. [May 20, 2009](#)

Geely Automobile, a Chinese private carmaker, is expected to bid for the **Volvo** brand from US car maker **Ford Motor**. In December 2008, Volvo sales in the US declined 31% from a year earlier and Ford Motor is reportedly seeking US\$2bn for this business, about one third lower than its acquisition price ten years ago. In April 2009, Geely acquired most of the assets of Australian transmission manufacturer **DSI** for US\$33m, in its first overseas acquisition. [May 11, 2009](#)

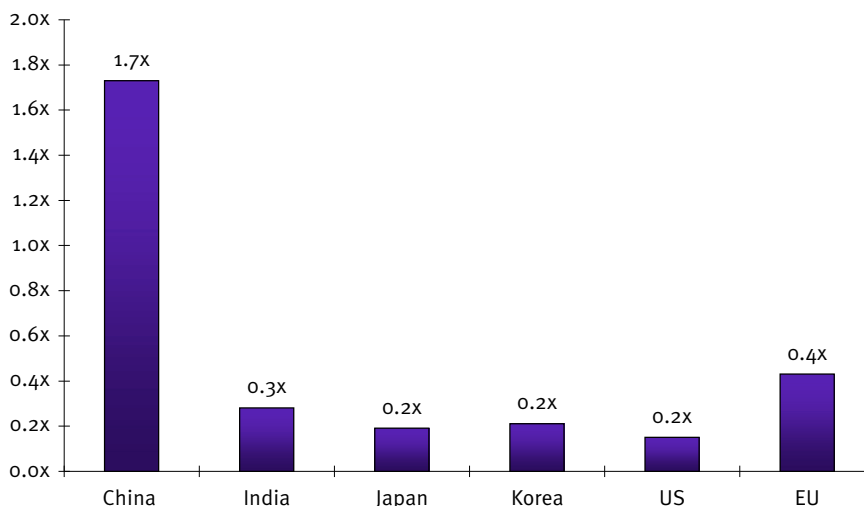
Guangzhou Automobile, a Chinese automobile maker, has agreed to acquire up to 30% of **Hunan Changfeng Motor** (“Changfeng”), a Chinese sport utility vehicle maker. The transaction would make Guangzhou Auto, a **Toyota** and **Honda** auto assembly JV partner, the largest shareholder in Changfeng. Changfeng is currently 51% owned by its state-run parent **Changfeng Group**. **Mitsubishi Motors**, after an equity deal with Guangzhou Automobile, would

remain a significant shareholder in Changfeng with a 14.6%. *May 22, 2009*

Jingxi Heavy Industry failed in its attempt to acquire **Delphi Corp**, a global leading automobile parts manufacturer. Delphi has been acquired by **Platinum Equity**, a US private equity firm. On March 30, Jingxi Heavy Industry signed an agreement with Delphi to acquire Delphi's brake and suspension business for US\$100m. Jingxi had prepared US\$6bn for Delphi's total assets, including engine and powertrain system, automotive safety, and auto entertainment, say sources. Jingxi Heavy Industry promised to offer US\$1bn more in order to get more core assets as soon as possible. It is not the first time for Chinese carmakers to fail in overseas acquisition. In March 2009, **Chongqing Chang'an Automobile Co**, **Geely Automobile Holdings Ltd** and **Chery Automobile Co** were reported to purchase **Volvo**. However, no progress has been made till now. At the end of May 2009, an investor backed by Geely announced a retreat from the acquisition of **Saab**, a subsidiary of **GM**. *June 3, 2009*

Shougang Corp, a Chinese steel products manufacturer, and **Tempo Group**, a Chinese auto supplier, will acquire the brakes and suspension businesses of **Delphi Corp**, a US-based supplier of mobile electronics and transportation systems, for US\$100m. Tempo will acquire 24% and Shougang Corp will acquire 51%. The Beijing government will own the remaining 25%. The Delphi businesses will be owned by a new Chinese company called **Beijing West**

Auto P/R Ratios for Selected Countries (23Jun09)



Source: Bloomberg (auto OEMs and components manufacturers)

Industries, based in Beijing. *April 1, 2009*

Steer, an India polymer processing machinery designer and manufacturer, has acquired **Zheng Feng**, a Chinese single screw pipeline manufacturer. Zheng Feng will be Steer's first production facility outside of India. The new unit in China, an engineered plastics manufacturing base for leading international brands in the mobile phone to automobile sectors, is also expected to aid Steer to achieve a 70% increase in revenues, from US\$12m in 2008. *May 22, 2009*

Tenneco, a US-based auto components supplier, has formed a 51:49 JV with **Beijing Hainachuan Automotive Parts** ("BHAP") to manufacture vehicle emission control exhaust systems for the Chinese market. The JV will initially supply emission control systems to

Beijing Hyundai from 2010, and will supply other regional OEMs in future. This is Tenneco's sixth Chinese JV, with emission control JVs in Shanghai and Chongqing, and two in Dalian Province, as well as a ride control JV in Beijing with **Beijing Automotive Industry Company** ("BAIC"), the parent company of BHAP. Tenneco also operates a wholly-owned elastomer manufacturing plant in Suzhou city. *June 8, 2009*

Zotye Auto, a Chinese maker of SUVs, is raising US\$106m by selling a 20% to 30% stake to a private equity fund-led consortium. Zotye Auto is aiming for an IPO on the Shanghai Stock Exchange. Zotye planned to sell shares to a group of investors led by **SND Ventures Group**, a Chinese private equity firm backed by the Suzhou government. Zotye and its domestic peers such as **Geely Automobile** and **Great Wall Motor** are benefiting

from government stimulus measures and China's fast-growing middle class. Based in Zhejiang province, Zotye plans to make and sell 500,000 vehicles by 2012, aiming to double that capacity by 2017. *May 5, 2009*

India

Ashok Minda Group, an Indian auto component maker, plans to set up a new plant in Uzbekistan with an initial investment of US\$25m to service the Russian and CIS markets. Ashok Minda Group currently supplies the Russia and CIS markets with instrument clusters for cars (where speedometer and tachometer devices are fitted) and vehicle security systems from its Indian operations. The group generates revenues of US\$14m from these markets every year. Over the last six years, the group had made three acquisitions, including two companies in Germany, **Schenk Plastics** and **KTSN**, and the automotive wiring unit of French component major **Valeo** in India in 2003. *April 17, 2009*

The proposed **Bajaj-Renault** partnership for an ultra low cost (ULC) car is facing difficulties due to the car's design, technical specification, branding and positioning. Bajaj Auto, an Indian automaker, and French automaker Renault had signed an MOU for the ULC car project in 2008, to take on **Tata Motors' Nano**. The actual JV agreement has not been signed yet. *May 22, 2009*

Caterpillar, US-based construction equipment maker and Indian automobile

and farm equipment major **Mahindra & Mahindra** ("M&M") are in advanced stages of talks for a 51:49 JV, which will make engines for the US firm's tractor range. The discussions could also cover Caterpillar's remanufacturing business (**Cat Reman**) that refurbishes and restores used machinery and technologies to their original condition. Caterpillar bought **Hindustan Motors'** earth moving division almost a decade ago to form **Caterpillar India**. *May 16, 2009*

Daimler will take full control of a proposed Indian JV with the **Hero Group**. Economic downturn and uncertain market conditions have forced the Hero Group to walk out from the US\$1bn JV with the German commercial vehicle maker. Daimler will acquire the Hero Group's 40% stake in the JV for US\$22m. *April 16, 2009*

Hema Engineering Industries Ltd have formed a US\$25m 50:50 JV with the **Verlicchi Group** of Italy to manufacture two wheeler frames, exhaust systems and fuel tanks in India. The plant will be located in Hosur. *April 17, 2009*

Hero Motors, an Indian moped and scooter manufacturer and subsidiary of the **Hero Group**, plans to invest US\$20m together with **BRP Powertrain**, an affiliate of **Bombardier Recreational Products Inc** of Austria, to manufacture automotive transmissions in India. The companies have signed a five-year MOU to manufacture transmissions at Hero Motors' Gaziabad facility with a capacity of 100,000 units. The plant will manufacture transmissions worth

US\$250m over the next five years. Hero Motors had already invested US\$9m with BRP Powertrain to set up transmissions plants over the last two years. *April 28, 2009*

JK Tyre and Industries, an India tire manufacturer, will invest US\$100m in the next 18 months to increase capacity, despite a slump in demand. The expansion will allow the company to take its domestic tire production to over 9m tires per year. The company is expanding despite the slowing domestic market and growing imports of truck radial tires from China. JK Tyre and Industries had cut production by 5% in 2008 to adjust to the market demand. JK Tyre and Industries will invest US\$63m in its truck radial plant at Mysore to raise its production to 1.2m tires, and is also investing another US\$24m into its off-road tires plant at Mysore by March 2010. The third investment of US\$10m will be made in the Gwalior plant within the next one year to increase car radial capacity by 10% to 5m tires. *April 13, 2009*

Samvardhan Motherson Finance has increased its stake in **Motherson Sumi Systems** ("MSSL"), a JV with **Sojitz Corp** and **Sumitomo Wiring Systems**, from 34.2% to 43.8%. The 9.6% stake was acquired from Sojitz Corp, a Japanese trading company, for US\$41m. **MSSL** is an Indian auto ancillary company with revenues of US\$400m. Sumitomo Wiring Systems holds 27.3% in the JV. *March 27, 2009*

SKF India, the Indian arm of Swedish automotive component maker **SKF**,

is investing US\$30m in a new ball bearings plant at Haridwar. SKF India, which is 51% owned by SKF, had put the investment on hold for the past two years due to slowing demand. The US\$320m publicly listed firm is the largest domestic manufacturer of automotive bearings and seals for the aerospace, automotive & industrial sectors. The facility will supply **Hero Honda** and eventually cater to other companies such as **Bajaj Auto, Tata Motors, Ashok Leyland** and **Mahindra & Mahindra**. The plant will initially supply ball bearings to Tata Motors for its Pantnagar plant and at a later date to Bajaj Auto for its Rudrapur facility. SKF currently supplies ball bearings to Hero Honda from its Bangalore unit. *April 27, 2009*

Sumitomo Metals, has formed a 50:50 JV with **Amtek Auto**, an Indian auto component maker. The US\$20m JV will produce forged crankshafts for passenger cars. While Amtek will invest 50% in the JV, Sumitomo Metals will invest 40% and its parent Sumitomo Corp another 10%. The JV facility is expected to commence commercial production in late July 2009, with an initial capacity of 800,000 crankshafts. *May 19, 2009*

The **TVS group** has exited from the air brakes business in favor of its US partner, **Wabco**. This follows TVS and Wabco exiting from their two JVs, **Sundaram Clayton** ("SCL") and **Wabco-TVS**. Wabco-TVS, which manufactures air brakes for commercial vehicles, was created by the two-way split of SCL's businesses. Wabco acquired 35.8% of the TVS group's

stake in Wabco-TVS, increasing its stake to 75% in the JV. TVS will be shortly selling the remaining 5% it holds in Wabco-TVS to retail investors, which will result in a public stake of 25%. In turn, TVS acquired Wabco's entire 39.2% stake in SCL, increasing its stake to 80%, with the public holding the balance 20%. *June 10, 2009*

Indonesia

Volkswagen will build a new car plant in West Java with an investment of US\$140m in 2012. The factory will have a capacity of 55,000 units. Volkswagen is seeking to make Indonesia its production base for ASEAN and Australian markets. *May 13, 2009*

Japan

Denso, a Japanese automobile parts manufacturer, and **Robert Bosch GmbH**, a German automobile parts manufacturer, have agreed to terminate their JV in Poland. The JV, **Advanced Diesel Particulate Filters** ("ADIF"), which develops diesel particulate filters ("DPF"), will be dissolved by the end of 2009. The Denso and Bosch associates assigned to the JV will return to their parent companies. The plant in Wroclaw, Poland, will be assigned to the manufacturing network of Robert Bosch GmbH. Denso will independently continue its development and production of DPFs after the closure of ADIF as it believes that the cordierite DPF market

holds potential in the long term. *May 21, 2009*

Honda, a Japanese automobile manufacturer, has formed a 49:51 JV with Japanese battery-maker **GS Yuasa** to form **Blue Energy Company**, which will develop and manufacture lithium-ion batteries for hybrid vehicles. The two companies will initially invest US\$30m in to the JV, which will eventually rise to US\$50m. The JV will manufacture batteries based on GS Yuasa's 6Ah-class prismatic Li-ion EH6 cell and will also explore ways of optimizing the performance of next-generation hybrid vehicles. *March 25, 2009*

Korea

Daewoo, a Korean bus maker, will form a JV with Iranian automaker **Ardebil Sabalan Khodro-Maywan**. The new JV, **Sabalan-Maywan Daewoo**, will invest US\$30m in the construction of a factory near Ardebil in Iran by March 2010. The plant will have an initial capacity of 2,000 Daewoo buses. The plant will also supply 800 city and inter-city buses to the Iranian Interior Ministry within 18 months after the plant becomes operational, for use in the country's transportation network. The construction of the factory will take place in three phases, with the engines and gearboxes to be manufactured in Korea, while over 60% of the production of buses and remaining parts will take place in Iran. *May 4, 2009*

LG Chem, a Korean petrochemicals,

plastic and car parts maker, has formed a 51:49 JV with Japanese building and construction materials manufacturer **Tostem Corp** to set up an aluminum window profile business. LG Chem expects the JV to have revenues of US\$135m by 2012. *March 11, 2009*

To submit stories to future editions of this newsletter, please contact Mr. Marc Liu in New York on 212-265-5300 or email mliu@bdallc.com

Selected Asian Auto Transactions with Multiples (12 months ending 23Jun09)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
23-May-09	Hunan Changfeng Motors	CN	Guangzhou Automobile Industry Association	CN	\$154.0	29% ACQ	12.8x	0.9x	25.3x
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
10-Mar-08	Brilliance China Automotive	HK	Multiple Acquirers	-	\$99.9	100% ACQ	20.9x	0.5x	3.6x
4-Feb-08	Eon Capital BHD	MA	Primus Pacific Partners Ltd	HK	\$412.0	20.2% ACQ	-	-	20.0x

Source: Bloomberg (auto OEMs and components manufacturers)

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.

Charles Maynard,
Senior Managing Director
cmaynard@bdallc.com

Vineet Tyagi, Analyst
vtyagi@bdallc.com

www.bdallc.com
newsletter@bdallc.com

NEW YORK

Charles Maynard, cmaynard@bdallc.com
Euan Rellie, erellie@bdallc.com
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St, New York, NY 10019
T (212) 265-5300
F (212) 265-4300

BAHRAIN

Tamer Makary, tmakary@bdallc.com
Business Development Asia
Building #2572, Road #2833, 4th Floor
Office #42, Block #428
PO Box 30295
Seef District
Manama, Bahrain
T (973) 17581336
F (973) 17581483

HONG KONG

Paul DiGiacomo, pdigiacomo@bdallc.com
Business Development Asia (HK)
#1206 Lippo Centre, Tower 1
89 Queensway, Hong Kong
T (852) 2537-9565
F (852) 2537-4406

SEOUL

Heejun Yang, hyang@bdallc.com
Business Development Asia
#1201, Gwanghwamun Officia
163 Sinmunno 1-Ga, Jongno-Gu
Seoul 110-999, Korea
T (82) 2-3276-3150

LONDON

Andrew Huntley, ahuntley@bdallc.com
Business Development Asia Ltd
33 Cavendish Square
London W1G 0PW, United Kingdom
T (44) 2071824518
F (44) 2071824100

MUMBAI

Rohit Singh, rsingh@bdallc.com
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai 400050, India
T (91) 22-2643-0290
F (91) 22-2643-0291

SHANGHAI

Jeffrey Wang, jwang@bdallc.com
Business Development Asia Co Ltd
The Center, #1602, 989 Changle Road
Shanghai 200031, China
T (86) 21-5407-5580
F (86) 21-5407-5680

TOKYO

Jeff Acton, jacton@bdallc.com
Business Development Asia K.K.
4F, T3 Gates
3-8-25 Toranomon, Minato-ku
Tokyo 105-0001, Japan
T (81) 3-3433-5803
F (81) 3-3433-5269