

ASIAN AUTOMOTIVE NEWSLETTER

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

The Asian auto sector continues to grow rapidly, as evidenced by both inbound and outbound M&A in the region. Given the flurry of activity by financial investors as well as Western and Asian OEMs and suppliers, BDA remains committed to keeping our readership up to date on the latest news in the Auto sector through our newsletter.

Business Development Asia (“BDA”) is an investment banking firm specializing in executing cross-border transactions

involving Asia, including acquisitions, divestments, JVs and restructurings. We have offices and professional staff in all of the major Asian automotive markets, as well as in Bahrain, the US and the UK. If you are interested to discuss any of the articles in this newsletter, please contact me direct.

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China

Brilliance Jinbei Automobile Co and **SAIC** have agreed to jointly develop and produce manual and automatic transmissions for passenger vehicles, including double-clutch transmissions. The project will have designed capacity of 400,000 manual transmissions and 100,000 automatic transmissions. The transmissions will be built in an existing joint facility in Shenyang that produces manual transmissions for Brilliance’s commercial vans. The two companies will increase their investment in the facility to Rmb1.5bn (US\$210m). *February 13, 2008*

CIE Automotive of Spain will establish a manufacturing base in China to supply the domestic market and export to Japan, Korea and North

America. CIE will build three new wholly owned facilities, a decision made after weathering low profit margins and quality control problems with its previous JV partner, **Sandun Auto Parts**. *March 17, 2008*

Denso Corp, the Japanese auto component supplier, has established a bus air conditioning systems JV in China called **Yangzhou Jiexin Denso Air Conditioner**. The 50:50 JV with **Yangzhou Jiexin Auto Air Conditioner** will begin in April 2008, using the facilities of the Chinese partner. Initial investment in the JV will be US\$2.5m. *February 27, 2008*

Isuzu Motors plans to exit the Chinese bus market by withdrawing from its bus JV with **Guangzhou**

Automobile Group Co. Isuzu is in the final stages of negotiations to sell its 49% stake in **Guangzhou Isuzu Bus Co** to Guangzhou Automobile. Sales of the high-grade buses Isuzu produces at the JV have slumped because of increased competition from low-cost buses made by local manufacturers and Korean rivals. *February 9, 2008*

Kasai Kogyo Co, a Japanese auto interior parts supplier, is planning to establish a 25/75 JV with **Sanwa Kogyo**, an auto component supplier, to manufacture urethane-based car ceiling panels in China which will then be sold to **Nissan, Honda** and other Japanese automakers. Sanwa will hold the majority stake in the JV. Financial terms of the deal were not

disclosed. *February 5, 2008*

Neapco Drivelines LLC, a unit of China's **Wanxiang Group**, has purchased the US driveshaft manufacturing operations of Ford's holding company, **Automotive Components Holdings LLC**. The purchase moves Neapco into Tier 1 supplier status. The facility is expected to generate revenues of US\$300m to US\$400m once fully operational. Neapco plans to move the driveshaft business along with 300 employees to a new plant in a Detroit suburb. *February 15, 2008*

Japan's **NEC Electronics** and the **FAW Group** of China will jointly develop automotive electronics in China. NEC's China subsidiary and **Qiming Information Technology**, a unit of FAW, have agreed to set up a laboratory in Changchun, NE China, to develop the products. Qiming will develop devices containing NEC Electronics' microcontrollers. **Ryosan**, a Japanese electronics-component distributor, will also be involved in the tie-up. *December 14, 2008*

NSK Ltd, the Japanese industrial bearings maker, will partner with **Zhejiang Wanda Group**, the Chinese auto parts supplier, to produce electric power steering for Chinese automakers in 2009. The new company will initially have capacity of 300,000 units which it will expand after 2010. The new venture has already won a supply contract from

Chery Automobile. It also expects to receive orders from other automakers including **SAIC-GM-Wuling**, **Changan Group** and **Great Wall Motor**. *January 30, 2008*

SAIC Motor, the Chinese vehicle manufacturer, will acquire a 50.3% stake in **Shanghai Diesel Engine Co**, the diesel engine maker, from **Shanghai Electric Group**, the Chinese mechanical and electrical equipment manufacturer, for US\$126m. *January 2, 2008*

SAIC has acquired **Nanjing Automobile** from **Yuejin Motor** for US\$286m. The acquisition will enable SAIC Motor to assume control over the *MG Rover* facility acquired by Nanjing in 2005. SAIC will use the Longbridge (UK) facility to increase sales in Europe. **Shanghai Automotive**, SAIC's parent, and **Yuejin** will also set up a JV called **Dong Hua Co** to take over the remaining component parts, services and other assets of Yuejin. Yuejin will own 25% of Dong Hua. *December 27, 2007*

Shanghai Yaohua Pilkington Kangqiao Autoglass Co has increased capacity to 1.2 million sets of auto glass. The increased capacity is expected to push sales up by 20% to RMB400m (US\$55m) in 2008. JV automakers in China, such as **Shanghai GM** and **Shanghai Automotive Volkswagen**, account for most of the increase in demand. Shanghai Yaohua Pilkington

Kangqiao Autoglass Co is owned 50% by **Shanghai Yaohua Pilkington Glass Co**, 25% by **Shanghai Building Materials Co**, and 25% by **Hong Kong Hai Jian Industry Co**. *February 6, 2008*

India

Bosch and **Igarashi Motors India** have established a JV for DC motors and systems for wiper, HVAC, engine cooling and window lift applications. The new company will start operations in H2 2008. The JV, in which Bosch will hold a 51% stake, will be headquartered in Chennai. *February 15, 2008*

Daimler will buy a 26% stake in India's **Sutlej Motors**. Daimler already has a venture with Sutlej for buses. Under the agreement, Daimler will produce the chassis and Sutlej Motors will attach the body for buses, which were to be launched in India in Q1 2008. *January 7, 2008*

Delphi-TVS Diesel Systems will invest US\$125m in its manufacturing facility as well as in its technical center in Chennai. Most of the investment will go into manufacturing common rail systems which is forecasted to experience significant growth because of plans by major OEMs to manufacture diesel variants even for small cars. Delphi-TVS Diesel Systems is a JV between US-based **Delphi Corp** and India's **TVS Group**. *January 11, 2008*

FIAT India Automobiles (FIAPL), a 50:50 JV between **Fiat** and **Tata Motors**, will expand capacity and back integrate at its Ranjangaon facility in Pune with an additional investment of US\$585m. This takes the total investment by FIAPL in the Ranjangaon plant to US\$1bn. By 2012, the capacity of the facility will reach 200,000 cars, 300,000 diesel engines, and 300,000 spare parts and accessories. In addition to premium cars, the facility will also manufacture Fiat diesel and gasoline engines, and Tata passenger and next generation cars. *March 25, 2008*

India's **Tata Motors Ltd** will buy luxury brands *Jaguar* and *Land Rover* from **Ford Motor** for US\$2.3bn in cash. Tata will continue to buy Ford engines for the acquired product lines. The transfer of ownership to Tata Motors is expected to close by the end of Q2, subject to regulatory approvals. As part of the agreement, Ford is expected to contribute up to US\$600m to the Jaguar and Land Rover pension plans. *March 26, 2008*

Ford will invest an additional US\$500m over the next two years to expand its Indian manufacturing operations for small car and components. The company plans to increase the installed capacity to 250,000 units by 2010 from 100,000 units for compact cars, new versions of engines and critical components for the domestic and global markets. *March 19, 2008*

Hyundai Motor will manufacture

high-end buses in India with the Indian unit of UK-based **Caparo Group**, targeting the fast-growing commercial vehicle market. Hyundai will provide parts and production technology for *Aero* buses while **Caparo India** will manufacture and sell the vehicles. Caparo India will build a facility in Chennai to start production in early 2009. The companies expect Caparo's facility to produce 5,100 units by 2013. *March 24, 2008*

Lumax Industries Ltd, an Indian automotive light maker, will invest US\$50m to modernize its existing plants and set up three greenfield facilities. The company, which is a JV between **Lumax Industries** of India and **Stanley Electric Co** of Japan, will invest in setting up three new facilities - one each in Singur, Pantnagar and Haridwar. The expansion will increase Lumax's overall capacity to 8.5 million light sets from 6 million. *February 12, 2008*

Magnetto Automotive of Italy has established a 50:50 JV with **JBM Auto** for the production of skin panels, body, welded parts and subsystems for 4-wheeler OEMs such as **Tata**, **Fiat** and **VW**. The JV, **JBM Magnetto Automotive**, will be established in Pune. Magnetto is a major supplier of upper and lower body structures, inner and outer panels, doors and lid systems. *March 19, 2008*

Mahindra & Mahindra will acquire **GR Grafica Ricerca Design**, an Italian auto design company. Financial

terms of the deal were not revealed. The company will acquire the business through a subsidiary to be newly incorporated and proposed to be named, **Mahindra Graphic Research and Design**. *January 8, 2008*

Nissan Motor and its French partner **Renault** will spend US\$1.1bn over the next seven years to build a production facility in India. The facility will begin operations in early 2010 and will have capacity of 400,000 vehicles by 2015. Both companies will equally share the cost of the investment to build the new facility in Oragadam, near Chennai. *February 22, 2008*

Auto component supplier **Sona Oke Gawa** has acquired the precision forging business of Germany's **ThyssenKrupp Group** for an undisclosed amount. ThyssenKrupp's precision forging business contributes US\$456m to the German firms' overall sales. It operates four facilities globally, three in Germany and one in the US. Sona Oke Gawa is a JV between India's **Sona Group** and **Mitsubishi Corp** of Japan. *January 21, 2008*

Mitsui & Co will take a 30% stake in **Yamaha Motor**'s wholly-owned Indian motorcycle subsidiary by the end of April 2008. The major motorcycle manufacturer has plans to spend ¥20bn (US\$190m) in India over the next three years, and this latest move will help both companies to co-develop distribution and sales networks in India. *March 6, 2008*

Austrian ZKW Zizala Lichtsysteme will acquire a 26% stake in automotive lighting manufacturer **Neolite Industries** for an undisclosed amount, with an option to increase its stake up to 40%. All existing automotive lights operations of Neolite would be injected into the proposed JV and the existing company would be renamed **Neolite ZKW Lightings Pvt Ltd**. The first new facility is expected to come on-line by 2009 with capacity to produce 2.5 million lamps. *December 30, 2007*

Indonesia

Mitsubishi Fuso Truck and Bus Corporation (MFTBC), the Japanese bus and truck manufacturer, has acquired a 32.3% stake in **Mitsubishi Krama Yudha Motors and Manufacturing (MKM)**, the Indonesian auto components manufacturer, from **Mitsubishi Motors** for an undisclosed consideration. MFTBC has also acquired an 18% stake in **Krama Yudha Tiga Berlian Motors (KTB)**, the Indonesian distributor of MFTBC's commercial trucks and cars. *December 23, 2007*

Japan

Hi-Lex Corp, a Japanese specialized-cable manufacturer, will increase production in emerging economies, building facilities to manufacture automotive window and door regulators in China, Brazil, India and

Korea. In addition, it will double the capacity at an existing facility in Hungary. In Brazil, Hi-Lex will bring on stream a JV with an Italian firm to supply auto parts to European carmakers. Two new facilities will be built in China to meet the demands of Japanese and local automakers.

February 23, 2008

Takata Corp, a Japanese company, is constructing a facility for seat belt parts in northeastern Mexico. The company is investing US\$20m in the project, which is located in Monterrey. Scheduled to begin operations in Q3 2008, the facility will make metal buckles with a capacity of up to 2 million sets a month. Buckles produced there will be assembled into finished products at four seat belt factories the firm operates in Mexico. It is also considering exporting buckles to Brazil. *January 31, 2008*

Korea

Denso, the Japanese auto parts supplier, will dissolve its capital alliance with Korean auto air conditioning system maker, **Doowon Climate Control**, due to the uncompetitive strength of the Korean won. Denso has agreed to sell its 33.4% stake in the JV to Doowon Climate Control for ¥2bn (US\$18.6m).

February 21, 2008

Korea's **Halla Engineering & Construction** will buy a 72.4% stake in **Mando** for US\$694m, regaining

control of the Korean automobile parts maker. Halla has signed a preliminary agreement with **Sunsage**, which was set up by private equity firm **CCMP Capital Asia and Affinity Equity** and is Mando's largest shareholder. *January 21, 2008*

Kia Motors will build transmissions at its vehicle assembly plant being built in Georgia. The factory also will supply transmissions to **Hyundai Motor** in Alabama. In return, Hyundai will supply engines from its Alabama vehicle assembly complex to Kia's plant when the Kia plant opens in late 2009. Hyundai has one engine plant building V-6s and is building a second to make four-cylinder engines. *March 3, 2008*

Malaysia

Japanese automaker **Suzuki Motor** and Japanese trading firm **Itochu Corp** have agreed to form a JV with Malaysian conglomerate **DRB-Hicom** to promote and sell Suzuki Motor vehicles in Malaysia. DRB-Hicom will hold 40% of the enlarged Suzuki Malaysia, with Suzuki Motor owning 40% and Itochu with the remaining 20%. *February 12, 2008*

Thailand

American Axle and Manufacturing (AAM) will construct a manufacturing facility in Rayong. The 8,361 m² facility will manufacture the company's drive train products, with

preliminary production planned for next year. *February 19, 2008*

Minth Group, the Chinese maker of plastic auto parts for passenger cars, is setting up a Bht178m (US\$5.7m) JV in Thailand to access the ASEAN market. Minth is taking a 60% stake in the JV with Thailand's **Aapico Hitech plc**, and the two firms are building a 7,000 m² facility for metal and plastic trim and body and roof components in Rayong province.

The JV will be called **Minth Aapico (Thailand) Co Ltd**. *February 27, 2008*

VW and India's **Tata Motors** will build assembly facilities in Thailand. The two automakers are the latest carmakers to answer the country's call for fuel-efficient "eco" car factories. VW applied for approval to invest US\$807m in a facility that would build 100,000 units, 65% of which would be exported. Tata already has a venture in Thailand

with truckmaker **Thonburi** to assemble pickup trucks and other vehicles. Tata Motors' venture with Thonburi is to build up to 35,000 one-ton pick-up trucks a year over the next three to five years. *January 4, 2008*

To submit stories to future editions of this newsletter, please contact Ms. Sora Ahn in New York on 212-265-5300 or email sahn@bdallc.com.

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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