

ASIAN AUTOMOTIVE NEWSLETTER

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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 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.

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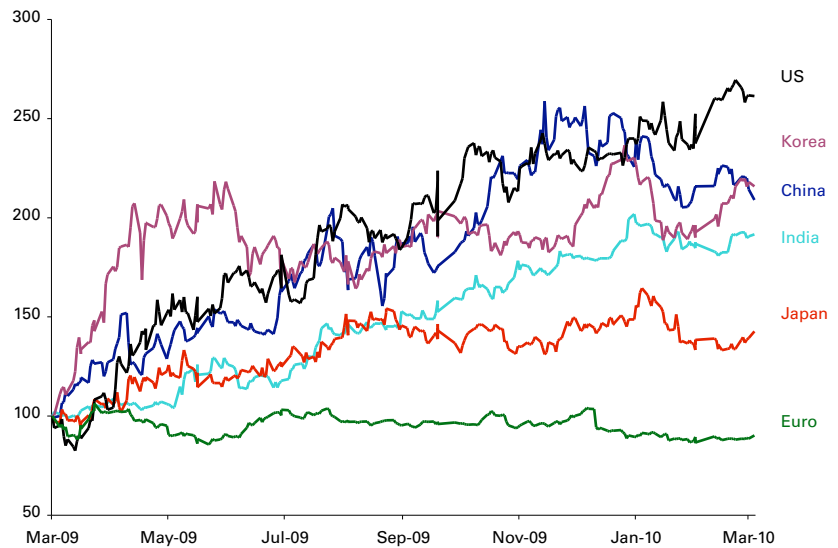
China

Audi, a luxury brand of German automaker **Volkswagen**, plans to lift production capacity in China to 250,000 cars per year by 2011 to meet the surging demand in the Chinese market through its JV, **FAW Volkswagen**, with **FAW**, a Chinese automaker. *February 1, 2010*

Beijing Benz-DaimlerChrysler Automotive, the Chinese car manufacturing JV between German automaker **Daimler AG** and Chinese **Beijing Automotive Industry Holding Corp ("BAIC")**, plans to triple its capacity to 100,000 units of *Mercedes-Benz* branded vehicles. *December 14, 2009*

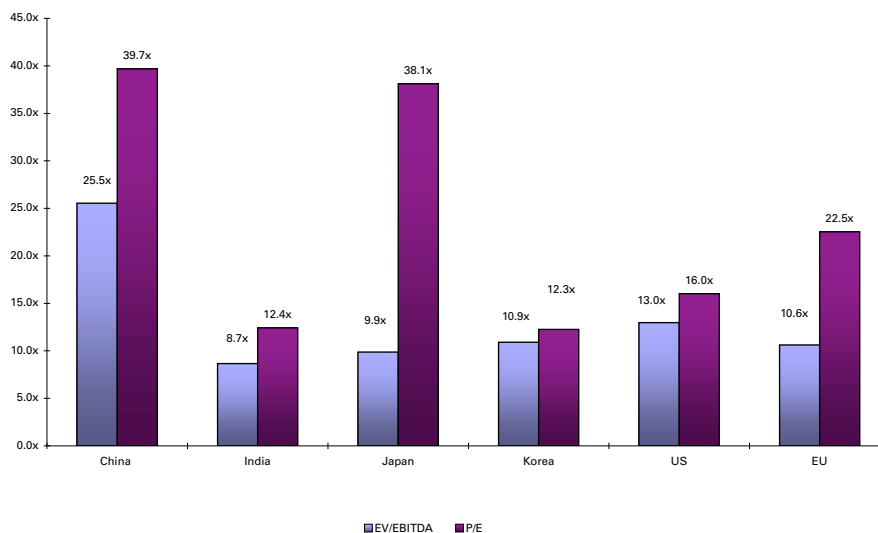
Brilliance Auto, a Chinese automaker,

Auto Stock Indices for Selected Countries (12 months by 15Mar10)



Source: ThomsonOne

Auto Trading Multiples for Selected Countries (15Mar10)



Source: ThomsonOne

plans to invest US\$1.8bn in 2010 and 2011 to increase capacity and develop new product lines for **BMW Brilliance Automotive**, the Chinese JV between **BMW** and **Brilliance China**. *February 2, 2010*

BYD Co, a Chinese car and battery maker that is 10% owned by Warren Buffett's **Berkshire Hathaway**, plans to invest US\$3.3bn over the next five years to build China's largest solar cell production base in Shaanxi province, China. *January 23, 2010*

Chang'an Motor Corp, China's fourth largest automaker, is in talks with French auto manufacturer **PSA Peugeot-Citroen**, to form the French company's second JV in China. *February 9, 2010*

Chery Automobile, a Chinese automaker, plans to invest US\$2.9bn in Ordos, in the Inner Mongolia autonomous region, to

expand its production capacity. *February 17, 2010*

Dongfeng Honda, a JV between Chinese automaker **Dongfeng Motor Group** and Japanese automaker **Honda**, plans to build a second plant for US\$168m to increase *Honda CRV* production in China. *January 20, 2010*

Ford, the US automaker, **Mazda**, the Japanese automaker and **Chongqing Changan Automotive**, a Chinese auto manufacturer, have agreed to split up their 35:15:50 JV in China, **Changan Ford Mazda**, by 2012. Mazda and Ford have agreed to spin off the JV's manufacturing site in Nanjing as a 50-50 JV between Mazda and Chongqing; while Ford and Chongqing will run the JV's other factory in China. *January 18, 2010*

Geely, a Chinese automaker, plans to acquire Swedish automaker **Volvo** from

Ford for US\$2bn. *February 2, 2010*

Geely plans to invest US\$300m over the next three years to expand its manufacturing capacity at its Lanzhou plant in Gansu province. *January 18, 2010*

Great Wall Motor, a Chinese automaker, plans to establish an assembly plant in Moscow, Russia in 2010 with an investment of US\$25m. The investment is part of **Great Wall Motor's** strategy to re-establish its presence in Russia and occupy 10% share of the sedan market in the country. *December 10, 2009*

LG Chemical, Korea's largest chemical manufacturer, has entered into an agreement with China based **Chongqing Changan Automobile**, to supply hybrid car batteries. *February 6, 2010*

Mahindra Yueda Tractor, the Chinese 51:49 tractor manufacturing JV between India's largest tractor and farm equipment manufacturer, **Mahindra & Mahindra** and Chinese SOE automaker **Yueda Group**, plans to invest US\$40m to set up a new R&D center, engine plant and to modernize its tractor unit at Yancheng, China. *December 22, 2009*

SAIC Motor, a Chinese automaker and **Geely**, a Chinese automaker, plan to form car part JVs with US based companies, **A123 Systems** and **Johnson Controls** respectively. **Shanghai Advanced Traction Battery Systems**, the 51:49 JV between **SAIC** and **A123**, will develop battery systems for hybrid-electric and electric vehicles made by **SAIC**. The **Geely - Johnson Controls** JV will

manufacture vehicle seats in China.
December 18, 2009

Volkswagen and Chinese automotive partner **FAW Group**, plan to build a plant in Guangzhou to manufacture Volkswagen's *Seat* range of cars. The investment is part of Volkswagen's plans to invest US\$5.7bn in China to expand its capacity and to increase its R&D activities in the country. *January 20, 2010*

WABCO, a US-based auto parts supplier, will supply parts to Chinese automaker, **Chery Automobile**. **WABCO** will supply vacuum pumps for the brakes on diesel and gasoline cars from its Qingdao-based facility to **Chery**. *November 30, 2009*

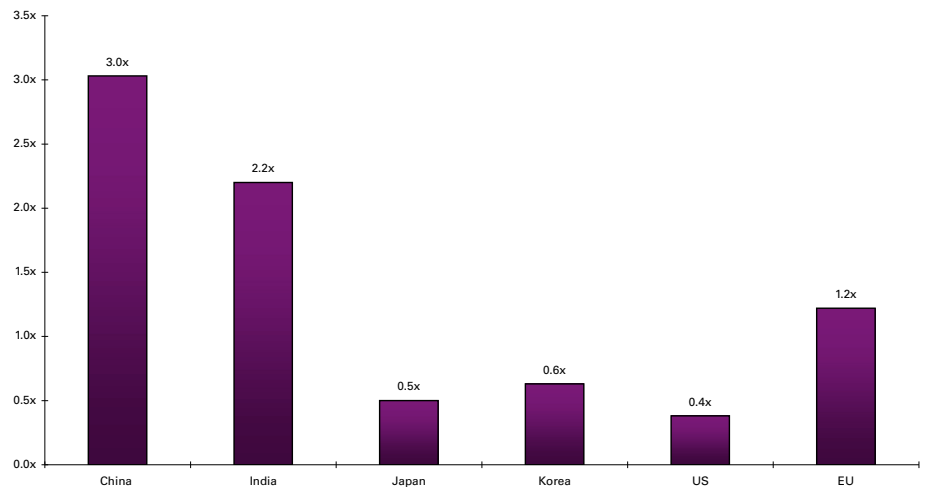
Xiamen King Long United Automotive Industry, a major Chinese bus maker, plans to establish its first European vehicle assembly in Hungary. The assembly plant, likely to be implemented by June 2010, would produce 730 buses per year and will cater primarily to the European market. *December 21, 2009*

Zhejiang Jonway Automobile, a Chinese automaker and **Zap**, a US-based electric car maker, have agreed to jointly produce electric SUVs, cars and other electric vehicles in China for the Chinese, North American and European markets. *January 22, 2010*

India

Ashok Leyland, an Indian commercial vehicle manufacturer, has established a US\$250m plant in Uttarakhand to manufacture heavy-duty multi-axle

Auto Price/Revenue Ratios for Selected Countries (15Mar10)



Source: ThomsonOne

vehicles. *December 14, 2009*

Bajaj Auto, an Indian motorcycle manufacturer, plans to acquire an additional stake in Austrian motorcycle manufacturer, **KTM**. **Bajaj Auto** already holds a 30% of **KTM**. *February 7, 2010*

Bosch, a German auto components manufacturer, plans to invest US\$450m in its Indian operations between 2010 and 2012, of which 25% will be spent on R&D. *January 4, 2010*

Carnation Auto, an Indian car service provider, has partnered with **Fiat Group's Magneti Marelli**, an automotive components and systems provider, to service premium cars in India. *December 18, 2009*

Faurecia, a French auto components manufacturer, has acquired the

remaining 50% in **TACO Faurecia Design Center**, **Faurecia's** JV with Indian auto components manufacturer **Tata Auto Components**. *January 20, 2010*

General Motors India, a subsidiary of the US carmaker, **General Motors**, plans to double the capacity of its Talegaon, Maharashtra plant from 200 units a day to 400 units per day. *February 12, 2010*

Honda Siel Cars India, a subsidiary of Japanese carmaker **Honda**, plans to establish a US\$215m plant in India to increase capacity by 60,000 units. *February 12, 2010*

Mahindra & Mahindra, an Indian automaker, plans to enter the high-end motorcycle segment in India and is in discussions with motorcycle companies, UK-based **Triumph** and Italian **Moto Guzzi**, to manufacture sports motorcycles.

M&M is also working with Taiwanese motorcycle manufacturer, **SYM**, to manufacture entry-level motorcycles.

January 31, 2010

Mitsubishi Motors, a Japanese auto company, has sold its remaining 3% stake in **Eicher Motors**, an Indian manufacturer of commercial vehicles, to **Eicher Motors's** Indian owners for US\$12m. **Eicher's** Indian owners' stake will rise to 56%. *December 4, 2009*

Ruia Group, an Indian auto component manufacturer, has acquired 60% of **Henniges Automotive Grefarth**, a German manufacturer of automotive sealing systems. *December 15, 2009*

Suzuki Motorcycles India, a motorcycle manufacturer and a subsidiary of compact automobile manufacturer, **Suzuki Motors**, plans to increase the capacity of its Gurgaon facility from 170,000 units to 300,000 units. *December 21, 2009*

Toyota Kirloskar, a 90:10 JV between Japanese automaker **Toyota** and Indian manufacturing conglomerate **Kirloskar Group**, plans to build a US\$700m engine plant at its second manufacturing facility in Bangalore. The proposed engine and transmission plant at the second facility will help **Toyota Kirloskar** increase localization and bring down production costs. *November 24, 2009*

Japan

Autoliv, a global provider of automotive

safety solutions, plans to acquire the remaining 40% of its US\$35m Japanese JV **Autoliv Nichiyu**, a manufacturer of airbag inflators for the domestic Japanese market. Autoliv Nichiyu would be renamed as **Autoliv Aichi**. *January 20, 2010*

Continental, an international automotive supplier, increased its stake in **Continental Automotive**, its Japanese JV with **Nisshinbo Holdings**, the Japanese conglomerate, from 51% to 60%, for an undisclosed consideration. *December 17, 2009*

Nippon Steel, a Japanese steelmaker, plans to form a 49:51 JV with Indian steelmaker, **Tata Steel**, to produce cold-rolled steel sheet for automobiles. The investment in the JV is estimated at US\$335m – US\$390m. *January 29, 2010*

Volkswagen, a German automaker, plans to acquire 20% of Japanese auto manufacturer **Suzuki Motors** for US\$2.5bn in a share swapping deal between the two companies. **Suzuki** will also acquire an equity stake amounting to US\$1.3bn in **Volkswagen**, and the balance will be used by Suzuki for debt repayment. *December 9, 2009*

Korea

Hyundai Mobis, a Korean auto parts maker and **LG Chemical**, Korea's largest chemical manufacturer, have formed **HL Green Power**, a 51:49 JV to produce lithium-ion car batteries, with a total investment of US\$25m. *February 10, 2010*

Hyundai Motor Company, the Korean automotive manufacturer, plans to establish a 50:50 commercial vehicle JV with Chinese truck manufacturer **Baotou Bei Ben Heavy-Duty Truck** with a total investment of US\$400m. *December 20, 2009*

Seojin Clutch Corp, a Korean manufacturer of clutches, flywheels and auto transmission components, acquired 35.1% of **Ecoplastic Corp**, a Korean manufacturer of automobile components, for US\$14m from **Plakor Co**, a Korean mold manufacturer. *January 1, 2010*

Malaysia

Borneo Technical, a wholly-owned unit of **Hup Soon Global**, a Malaysian marketer and distributor of automotive consumables, agriculture equipment, industrial supplies and material handling, has acquired the fixed assets of **Tai Kwong Yokohama**, a Malaysian manufacturer of automobile batteries. The acquisition follows **Hup Soon Global's** acquisition of 30% of **Tai Kwong** in November 2007. *November 18, 2009*

BYD Auto, a Chinese carmaker, has signed a MoU with Malaysia's **Berjaya Corp** to establish an auto assembly plant in Malaysia. *February 8, 2010*

Taiwan

Geely Automobile, a Chinese automotive company, has partnered with Taiwanese

Yulon Motor to produce and sell electric cars in Taiwan and other East Asian markets. *December 11, 2009*

Tong Yang Industry, a plastic automotive components manufacturer, plans to acquire the remaining 61% that it does not already own, in **Taiwan Kai Yih Industrial**, a Taiwanese automotive sheet metal parts manufacturer, in a stock swap valued at US\$116m. *December 18, 2009*

Selected Asian Auto Transactions with Multiples (12 months ending 15Mar10)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
9-Feb-10	Goodyear India	India	Goodyear Tire & Rubber	US	\$31.9	-	10.0x	0.6x	17.6x
4-Feb-10	Tunas Ridean Tbk PT	Indonesia	Jardine Cycle & Carriage	Singapore	\$12.4	5.6%	9.8x	0.5x	7.6x
1-Feb-10	Hwa Fong Rubber PCL	Thailand	Mega Intl Coml Bank Co	Taiwan	\$13.4	31.9%	4.5x	0.7x	13.5x
27-Jan-10	EON	Malaysia	HICOM Holdings Bhd	Malaysia	\$23.7	-	12.1x	0.1x	20.5x
22-Jan-10	CARCHS Holdings	Japan	Lespoir TJYSK	Japan	\$15.6	19.9%	23.1x	0.2x	-
18-Jan-10	U-Shin	Japan	U-Shin	Japan	\$10.7	-	4.2x	0.4x	-
14-Jan-10	Sparkle Roll Group	HK	Investor Group	Ireland-Rep	\$10.6	-	-	1.8x	-
16-Dec-09	Hyundai Lifeboats	Korea	HLB Inc	Korea	\$13.9	-	-	3.1x	61.8x
3-Dec-09	Daewon Kang Up	Korea	Hyundai Home Shopping Network	Korea	\$8.1	7.7%	10.2x	0.5x	18.9x
30-Nov-09	Anhui Hualing Auto	China	Anhui Xingma Automobile	China	\$266.0	-	-	0.7x	23.1x
28-Aug-09	Hyundai Motor	Korea	Hyundai Mobis	Korea	\$1,073.5	6.1%	9.5x	0.8x	25.4x
31-Jul-09	Kanto Seat Work	Japan	Toyota Boshoku Corp	Japan	\$8.8	39.6%	-	0.1x	-
30-Jul-09	Shoei	Japan	Shoei	Japan	\$7.2	5.2%	-	0.9x	10.8x
16-Jun-09	Pacifica Group	Australia	Robert Bosch GmbH	Germany	\$6.0	23.4%	-	0.4x	-
29-May-09	Naikai Zosen Corp	Japan	Naikai Zosen Corp	Japan	\$20.0	24.6%	1.2x	0.1x	6.0x
23-May-09	Hunan Changfeng Motor	China	GAIG	China	\$154.6	-	-	1.1x	27.0x
28-Apr-09	Pioneer Corp	Japan	Honda Motor	Japan	\$25.9	-	-	0.3x	-
24-Apr-09	Denway Motors	HK	Denway Motors	HK	\$304.6	-	-	23.0x	10.0x
22-Apr-09	Geely Automobile Holdings	HK	Geely Automobile Holdings	HK	\$82.1	-	17.1x	1.2x	6.4x
16-Apr-09	Brilliance China Auto	HK	Brilliance China Automotive	HK	\$29.4	-	-	0.4x	25.0x
27-Mar-09	Pusan Cast Iron	Korea	Seyum IM Corp	Korea	\$8.2	32.9%	7.1x	0.7x	6.2x
26-Feb-09	U-Shin	Japan	U-Shin	Japan	\$7.7	-	1.9x	0.2x	5.6x
13-Feb-09	Chongqing Changan Auto	China	Chongqing Changan Auto	China	\$227.3	-	75.1x	0.8x	351.3x
10-Feb-09	Shimano Inc	Japan	Shimano Inc	Japan	\$98.6	-	5.2x	1.1x	11.3x

Source: ThomsonOne

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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