

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 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

ArcelorMittal will establish a JV with China’s **Hunan Valin Group** in Hunan province to produce flat carbon steel for the automobile industry. The new venture is expected to start operations in Q4 2010 with capacity of 1.2m tpa of flat carbon steel. Chinese steel capacity is expected to reach 7.5m tpa by the end of 2008 but demand still exceeds supply. *August 18, 2008*

Changan Ford Automobile, a JV between **Ford Motor** and **Changan Motor**, will establish its third production plant in Chongqing. The plant will produce more than 300,000 vehicles per year and is scheduled to come onstream in 2010. The plant will build the existing SUV and

Hybrid series. *August 1, 2008*

Changsha Zoomlion Heavy Industry Science & Technology Development, a Chinese heavy industrial equipment manufacturer, has acquired 83% of **Hu Nan Qi Che Che Qiao Chang**, a Chinese auto component manufacturer, from the **Hunan State-owned Asset Supervision and Administration Commission** for US\$22m. *June 23, 2008*

Daimler will form its second commercial JV in China with **Beiqi Foton Motor**. The new 50:50 JV will produce trucks under Foton’s *Auman* brand and heavy-duty engines using **Mercedes-Benz** technology. *August 7, 2008*

Fiat is studying the possibility of entering into a third collaboration with Chinese

vehicle manufacturer, **Guangzhou Automobile Industry Group**. Fiat is in discussions with the company over a possible technical collaboration in which Fiat would assist Guangzhou in manufacturing a new range of passenger cars. *September 1, 2008*

Guangzhou Automobile Industry Corp plans to acquire a controlling stake in **Hunan Changfeng Motors** by the end of 2008. **Mitsubishi** owns 15% of Changfeng, which manufactures Mitsubishi *Pajero* SUVs as well as its own *Liebao* brand SUVs in South China. After completing the acquisition, Guangzhou Automobile will establish a new JV with Mitsubishi. *August 12, 2008*

Guangzhou Automobile Industry Corp is considering buying **Ford Motor’s**

Volvo car business, using funds from its forthcoming IPO. Guangzhou Automotive has two existing foreign JV partners, **Honda** and **Toyota**. **Chery Auto** is also interested in acquiring Volvo. *August 4, 2008*

Chinese pickup truck maker **Hebei Zhongxing** is in talks with **General Motors** and Chinese auto maker **FAW Group** to explore cooperation, including possible equity ties. Zhongxing is a second-tier player in China's auto industry but a major maker of pickups and SUVs. Zhongxing expects to sell 45,000 vehicles this year, including 15,000 overseas. *July 24, 2008*

Mahindra & Mahindra, a listed Indian automotive company, has agreed to acquire 51% of Chinese tractor manufacturer **Jiangsu Yueda Yancheng Tractor Manufacturing Co** from **Jiangsu Yueda Group Co** for US\$26m. *18 August, 2008*

Mazda Motor will establish a production JV with **FAW Group**. Mazda already has a sales JV with FAW Group, **FAW Mazda Motor Sales**. Mazda's partnership with FAW not only comprises the sales JV, but also the licensing of production of the *Mazda6* model to the Chinese firm. *September 17, 2008*

Japan's **Nissan Motors** and China's **Dongfeng Motors** will form a US\$220m JV to construct an engine factory in central China to supply Dongfeng's expanding commercial vehicle operations. Dongfeng will own 51% and a 50:50 Dongfeng-Nissan venture will take the

remaining 49%. *July 14, 2008*

Piaggio will form a JV with China's **Zongshen Industrial Group** for the assembly of three- and four-wheeler mini-trucks. The agreement builds on an existing JV between the two to develop and build vehicles based on the *Piaggio Ape* mini-truck. *August 1, 2008*

Pol-Mot Holding has formed a JV with China's **Zhongxing** to assemble the Zhongxing *Grand Tiger* pick-up at its CKD plant in Poland. The *Grand Tiger* is a new model designed as a rival to the Nissan *Navara/Frontier*. *August 1, 2008*

Shanghai Automotive Industry Corporation (SAIC) has formed a JV with **Ssangyong Motor**, the Korean automobile manufacturer specialized in SUVs and recreational vehicles, to manufacture Ssangyong's *Kyron* SUV and SAIC's *Roewe* models in China. Ssangyong, 51% owned by SAIC, is cooperating with the parent company to boost its presence in China. *August 8, 2008*

Chinese auto manufacturer **Sichuan Jinyu Automobile City** has acquired 64.5% of Chinese auto wholesaler **Xibu Automobile City** from **Jinyu Holdings Group**, the Chinese holding company engaged in the real estate, automotive and communication businesses, for US\$82m. *June 13, 2008*

Toyota Motor announced that its JV with **Guangzhou Automobile Group** will invest US\$380m in a second production line at its plant in Guangdong, China.

The new line is set to come online in Q2 2009 producing the *Camry* model with an initial capacity of 120,000 vehicles, rising to 200,000 upon completion. *June 19, 2008*

Chinese engine maker **Weichai Power** will form a JV with **Westport Innovation** to manufacture alternative fuel engines. The partners will invest US\$22m and start operations in October, with capacity of 20,000 high power LNG truck engines. *July 17, 2008*

Yapp Automobile Parts has formed a 55:45 JV with **Chery Armoured Science & Technology**, a subsidiary of Chinese private automaker, **Chery**. The JV will focus on the development and manufacture of automobile plastic fuel tanks and is expected to start production by August 2009. *August 5, 2008*

India

Amtek Auto, an Indian auto components maker, has formed a JV with Michigan's **FormTech Industries** to make automotive forgings. Amtek will take 51% in the venture, which will serve Europe and India. The new facility is expected to be operational in 12 to 18 months. *August 13, 2008*

Amtek Transportation Division, a subsidiary of Indian **Amtek Auto**, has formed a 50:50 JV with Missouri-based **American Railcar Industries**. The JV will research, develop and manufacture railcars for sale in India, the Middle East

and SE Asia. *June 23, 2008*

The **Ashok Minda Group**, an Indian supplier of security systems, driver information systems and interiors to automotives, has acquired 100% of German interior component supplier **Schenk Plastic Solutions**. Schenk is a supplier of plastic parts and components with two plants in Germany and one in the Czech Republic. *June 26, 2008*

Bosch will start manufacturing anti-lock braking systems in India next year. The company will also introduce navigation systems and ultra quiet alternators as part of its Indian growth strategy. Bosch had announced a total investment of US\$547m in India from 2006 to 2010 in order to continue expanding. *July 16, 2008*

US-based **Delphi**, a global supplier of mobile electronics and transportation systems, is investing US\$72m in a plant to produce electronics and safety management systems in Chennai, India. This expansion will enable Delphi to vertically integrate hardware and software production. *July 4, 2008*

US auto parts maker **Federal-Mogul** is building its seventh plant in India in Chennai. The plant will come online in September 2009 and produce brake and friction components for light vehicles, commercial vehicles and railways. *August 8, 2008*

Federal Mogul has acquired 51% of **Perfect Circle**, a manufacturer of engine pistons and part of the Indian **Anand**

Group, for US\$4m. Federal Mogul acquired the engine bearings unit from the Anand Group's **Gabriel**. The combined sales of the engine bearings division and Perfect Circle are estimated at US\$75m. *August 13, 2008*

JBM Auto, an Indian auto component manufacturer, will invest US\$100m to construct three greenfield plants over the next two years as part of newly-formed JVs with Italian component maker **Magneto**, **Ashok Leyland** and **Renault-Nissan**. The plants will be located in Chakan, Pantnagar and Chennai respectively. *August 13, 2008*

Japan-based **JTEKT Corp**, previously known as **Toyoda Machine Works**, has formed a JV with India's **Micromatic Grinding Technologies** to produce machine tools for engines and transmissions. JTEKT, with a 25% stake in the **Toyota Motor Corporation**, will provide most of the technology to the new company, **Toyoda Micromatic Machinery India**. JTEKT will take a 75.5% stake in the JV and Micromatic will own the remaining 24.5%. *August 20, 2008*

Koki Technik Transmissions, the German auto components conglomerate, and the **Best Group**, an Indian auto components manufacturer, have agreed to form an US\$18m 50:50 JV to manufacture transmission shifting parts. *July 9, 2008*

Mahindra & Mahindra has agreed to acquire the remaining 35% of **Punjab Tractors Ltd (PTL)**, a listed Indian tractor maker, for an equity consideration of US\$15m. PTL's will continue to

manufacture under its well-known **Swaraj** brand. *July 30, 2008*

German commercial vehicle maker **MAN Nutzfahrzeuge** is in discussions to acquire a majority stake in **MAN Force Trucks**, the Company's 30:70 JV with Indian car maker **Force Motors** (formerly **Bajaj Tempo**). The MAN Force Trucks JV, located in Pithampur, was formed in November 2005, upgrading a two-year old technical collaboration. *September 17, 2008*

Minda Industries (MIL), the auto components manufacturer and flagship company of the **NK Minda Group**, is bidding for Italian full-service switch products supplier **Vimercati**. Vimercati is valued at US\$50m-US\$55m. MIL is interested in European acquisitions. *August 18, 2008*

Renold, the UK precision engineering company, has acquired 75% of the Industrial Chain Business of **LG Balakrishnan & Bros Ltd (LGB)**, an Indian manufacturer of automotive and industrial chains, for US\$13m including earn-outs. LGB will provide an established manufacturing base and sales distribution network to Renold in India. *June 25, 2008*

The India-based **Ruia Group**, which has a controlling interest in tire maker **Dunlop India**, has acquired British auto component manufacturer **Schlegel Automotive Europe**. Ruia plans to establish a Schlegel manufacturing plant in India for mixing, extrusion and finishing work. The existing UK plant

will also receive US\$7m in investment for expansion. *July 10, 2008*

Tokai Rika, a Japan-based auto equipment maker, and the **NK Minda Group** have agreed to form a 70:30 JV, **Tokai Rika Minda India Pvt Ltd**, to produce auto components. Both companies expect to invest US\$22m into the new JV to establish a new greenfield facility in Bangalore. *June 26, 2008*

Volvo Group has established a 50:50 JV, **VE Commercial Vehicles**, with Indian automotive company **Eicher Motors**. The JV will contain all of Eicher Motor's truck and bus operations as well as Volvo Group's Indian truck sales, and truck and bus service operations. The Volvo Group paid US\$286m for its stake in the JV. *August 22, 2008*

Japan

Eaton and **Nissan Valve**, the Japanese engine valve manufacturer, will establish a 49:51 JV to supply engine valves and valve actuation products. The new company, **Nissan Global Tech**, will be based in Tokyo. The venture will target Japanese and Korean automobile and engine manufacturers. Eaton has worked with Nissan for 30 years, and the two currently operate the **US Engine Valve Company** JV in South Carolina. *August 5, 2008*

Toyota Motors has agreed to acquire the remaining 52.3% of **Central Motors**, the Japanese auto components

manufacturer, for US\$77m, completing a 100% takeover of the company. *July 28, 2008*

Korea

Beacon, a Cayman Islands-based investment firm, has acquired 11% of **Kumho Tire**, a listed Korean tire manufacturer, from **Cooper Tire & Rubber Company**, a listed US-based manufacturer of replacement tires, for US\$107m. *August 5, 2008*

Bosch and **Samsung SDI** established a 50:50 JV to make lithium-ion batteries. The JV company will be called **SB LiMotive**, and will be headquartered in Korea. SB LiMotive will produce lithium-ion battery systems for electric vehicles. To achieve this, the JV partners will jointly invest US\$300m - US\$400m over the next five years. *September 1, 2008*

Halla Stackpole, a Korean producer of auto components, has acquired the sintering business unit of Korean **Saeron Automotive** for US\$11m. Halla Stackpole is a JV between **Stackpole**, a Canadian auto parts manufacturer, and **Halla Engineering & Construction**, a Korean civil engineering and housing construction services company. *June 18, 2008*

Mann + Hummel, a German automotive components producer, has acquired the remaining 87% of **Dongwoo Co**, a Korean automotive components

producer. Mann + Hummel originally bought a 13% stake in Dongwoo in 1993. Dongwoo will be renamed **Mann + Hummel Dongwoo**. *July 2, 2008*

Malaysia

Oriental Holdings of Malaysia and its majority shareholder **Boon Sie** will form a JV with **Honda Motors** to produce motorcycles in Malaysia. Honda Motors will acquire 50% of **Kah Assembler**, Oriental's wholly-owned subsidiary, for US\$4.5m. Honda Motor holds a 4% stake in Oriental and is a substantial shareholder of other subsidiaries of Oriental. *August 1, 2008*

Thailand

China International Marine Containers (CIMC) has taken 82% of a JV with **Sumitomo Corp** to make chassis for trailers used in the transport of ocean-bound containers. The plant will be based in Rayong. Sumitomo has an existing JV with CIMC and **Fuji Heavy Industries** in Qingdao producing environmental service vehicles and equipment. *July 17, 2008*

Fuji Technica, a leading Japanese die maker, has entered the Thai market by forming a 40:60 JV with **Aapico Hitech**, Thailand's leading supplier of dies and jigs. Aapico Hitech will use the JV to sell automotive components to the Thai OEM market. *May 28, 2008*

Vietnam

China-based **Lifan Group** will construct a car assembly plant in Vietnam, in spite of potentially decreasing demand in Vietnam's automobile sector due to increased car taxes and fees. Lifan plans to invest US\$50m in a factory that would produce 50,000 cars annually for the Vietnamese and export markets.

July 2, 2008

To submit stories to the Asian Automotive Newsletter, please contact Charles Maynard in New York at (1) 212 265 5300 or email cmaynard@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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