

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 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.

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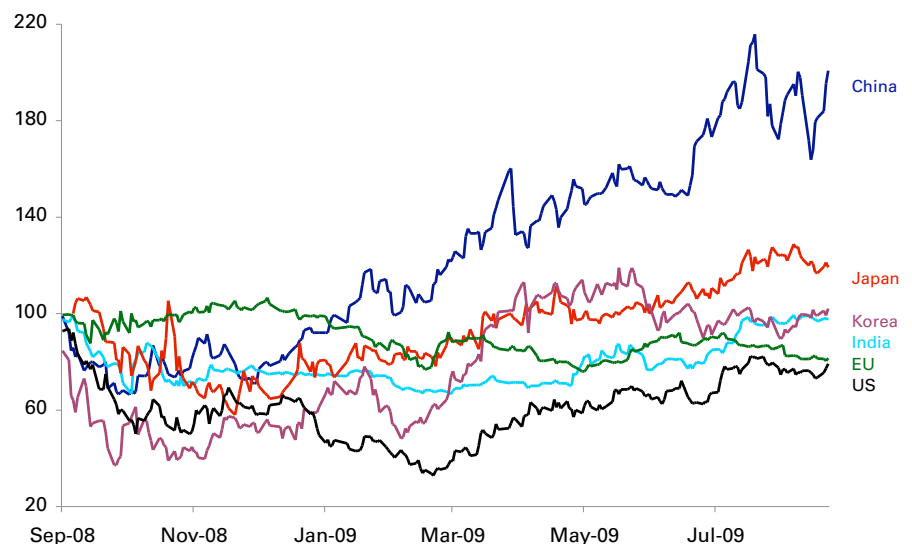
China

BYD, the Chinese battery and electric automaker, has announced the commissioning of a US\$732m electric vehicle battery production base in Huizhou, Guangdong province. The plant will focus on producing iron phosphate lithium cell batteries for electric vehicles.

August 20, 2009

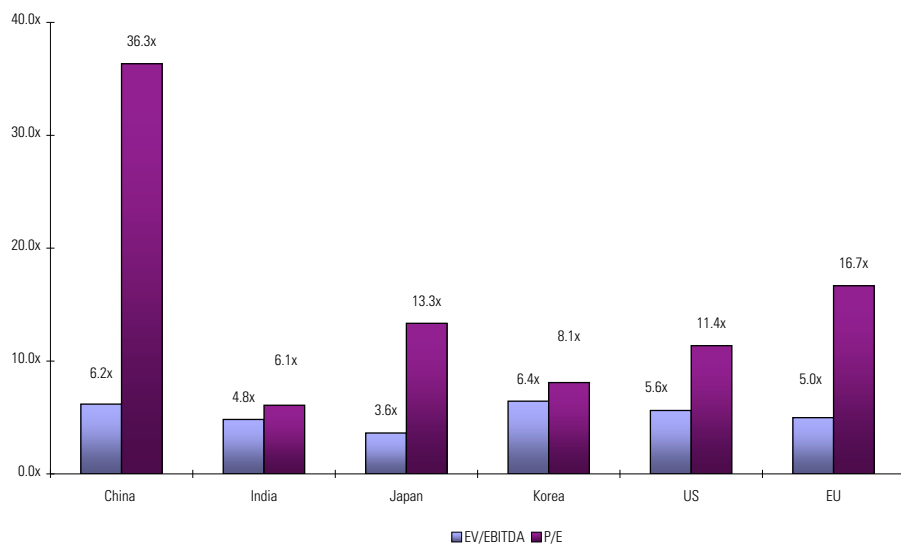
BYD has agreed to acquire **Midea Coach Manufacturing**, a Chinese manufacturer of buses, from **Midea Group**, one of the largest home appliances manufacturers in China, for US\$9m. BYD will use Midea Coach Manufacturing to install an electric bus and passenger vehicle production base in Changsha, Hunan Province. *July 24, 2009*

Auto Stock Indices in Selected Countries (12 months by 17Sep09)



Source: ThomsonOne

Auto Trading Multiples for Selected Countries (17Sep09)



Source: ThomsonOne

Dongfeng Nissan, the China-based JV between **Dongfeng Motor Group**, one of the largest auto manufacturers in China, and **Nissan Motor**, has signed an agreement with the Guangzhou municipal government to build a new assembly plant in Huadu, Guangzhou with an investment of US\$730m. The passenger vehicle plant, which is scheduled to begin operations in 2012, will have a capacity of 240,000 units, boosting the annual capacity of Dongfeng Nissan's Huadu production base to 600,000 units. Dongfeng Nissan's total capacity will reach 700,000 units. *August 5, 2009*

Fiat Group, the Italian automaker, has formed a US\$556m JV with Chinese state-owned automaker **Guangzhou Automobile Group Co** to produce cars, starting in the second half of 2011. The JV will initially produce 140,000 cars

and 220,000 engines per year, which will later be expanded to 250,000 cars and 300,000 engines per year. *July 7, 2009*

Geely Automobile Holdings, a Chinese automaker, has acquired Australian automatic transmission supplier **Drivetrain Systems International** for US\$58m. The acquisition will strengthen Geely's presence in automatic transmission systems and reinforce its position in the domestic Chinese market. 80% of all vehicles sold in China have automatic transmission. *June 17, 2009*

General Motors China and Chinese state-owned **FAW Group** have formed a US\$293m 50:50 JV to manufacture light duty trucks and vans. The JV will use two existing factories affiliated with the FAW Group and will have an initial capacity of 100,000 vehicles, which will be expanded to 200,000 vehicles by the

end of 2010. *August 30, 2009*

Great Wall Motor, a Chinese automaker, announced plans to invest US\$1.2b to expand its production facility in Tianjin. The investment would boost Great Wall Motor's capacity at its Tianjin plant to 500,000 units, allowing Great Wall Motor to meet the growing domestic demand for small cars. *August 7, 2009*

Hyundai Motor, Korea's largest automaker, plans to set up a third production plant in China to meet growing demand for its vehicles. The new factory, scheduled to begin operations in 2012, will have an initial capacity of 200,000 vehicles and would later expand its capacity to 300,000.

August 4, 2009

PSA Peugeot Citroën, the French automaker, is likely to set up another vehicle JV in China, this time with **Hafei Automobile Group**, a Chinese producer of cars and microvans. Cars would be constructed at Hafei's plant in Shenzhen.

August 23, 2009

Sinotruk (HK) Ltd, China's largest heavy truck manufacturer by sales volume, has agreed to sell a 25% stake in the company to German truck maker **MAN SE** for US\$796m. The purchase is the second-largest foreign investment in the Chinese automotive industry and a step towards boosting Sinotruk's presence in Europe and other developed markets. Both companies aim to benefit as they will offer trucks ranging from high end MAN trucks to low end Chinese vehicles.

July 24, 2009

Hong Kong

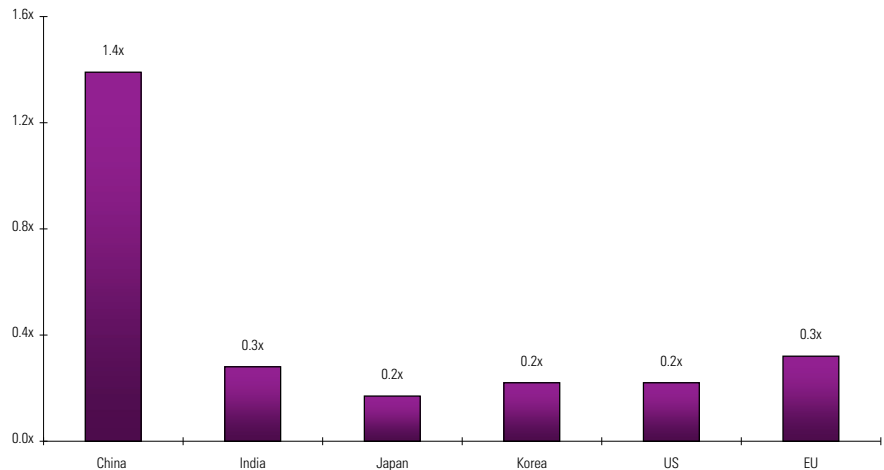
GP Industries, an electronics and batteries manufacturer, will acquire 50% of **Shanghai Jinting Automobile Harness Ltd**, a Chinese automotive wiring harness manufacturer, for US\$12m, from **Furukawa GP Auto Parts (HK)**, a JV between **Furukawa Electric Co**, a Japanese manufacturer of various electrical, electronics and metal products, and GP Industries. GP Industries is a 69.3% owned subsidiary of **Gold Peak Industries**, a Hong Kong-based holding company. The acquisition will enable GP Industries to develop its wiring harness business catering to the growing Chinese auto industry. *July 2, 2009*

India

Ashok Leyland, an Indian commercial vehicle manufacturer, has entered into an agreement with **Wabco-TVS**, formerly an air-brakes JV between **TVS Group** of India and **Wabco** of the US and now wholly-owned by Wabco, for the development of transmission automation technology and the long-term supply of automated manual transmission systems. Wabco will supply Ashok Leyland with its new OptiDrive modular AMT system. *August 11, 2009*

Bright Autoplast, an Indian manufacturer of plastic interior auto components and a part of the Sintex Group, an Indian provider of plastics and niche textile-related products, has established a new facility near Chennai with an investment

Auto P/R Ratios for Selected Countries (17Sep09)



Source: ThomsonOne

of US\$6m, to manufacture “under the hood” components. The new plant will cater to customers such as **Ford**, **Hyundai**, **Nissan** and **Visteon**. Bright now has five plants in India. *June 26, 2009*

Leo Fasteners, an Indian forged automotive components supplier and part of the Indian infrastructure major **Grace Infrastructure Group**, announced plans to boost its capacity by 25% to 1.5 billion parts per year. Leo recorded revenues of US\$15m in 2008. *August 11, 2009*

LG Balakrishnan & Bros (“LGB”), an Indian manufacturer of automotive chains, tensioners, sprockets and belts, has agreed to acquire **MM Gears**, an Indian manufacturer of gears, gearboxes, automotive and industrial chains, for an undisclosed amount. *July 3, 2009*

Machino Polymers Ltd (“MPL”), an Indian auto component manufacturer, is investing US\$9m to set up two plants, one near Pune and the other in Chennai, to manufacture polypropylene compounds. The new plants would expand MPL’s total capacity to 60,000 tpa from 40,000 tpa. The company has also announced a tie-up with **Borealis** and **Borouge**, a UAE-based JV between Borealis and **Abu Dhabi National Oil Company**, to manufacture value added plastics. *July 1, 2009*

Magna Seating, part of Canadian auto components manufacturer **Magna International**, has formed a 50:50 JV called **MSKH Seating Systems** with **Krishna Group**, one of India’s leading manufacturers of automotive seating systems, to manufacture complete seating systems. The JV will establish a new plant in Pune and intends to

supply OEMs such as **General Motors, Mahindra & Mahindra, Tata Motors** and **Volkswagen**. In the JV, Magna will offer its technology and engineering support, while Krishna Group will provide low cost manufacturing. The JV will also explore opening facilities in Chennai and Gurgaon. *August 5, 2009*

Mann + Hummel Bosch, the German auto filters JV between **Mann + Hummel** and **Bosch**, is establishing its second plant in India in Himachal Pradesh with an investment of US\$22m. Mann + Hummel Bosch, which already has a facility at Bangalore, will produce 10 million units for the aftermarket. Mann + Hummel has also opened an engineering and R&D center at Bangalore with an investment of US\$2m. *June 3, 2009*

Maruti Suzuki, an Indian passenger car manufacturer, is investing US\$400m to increase its capacity by one million units at its main plant at Manesar, Haryana. The capacity expansion project, aimed at cutting down the waiting period for the rollout of its popular models, is expected to be completed by March 2010. *July 28, 2009*

Indonesia

Volkswagen will invest US\$140m over the next two years to establish a plant in Indonesia, where economic growth has led to a boost in auto demand. The new facility, which will receive tax incentives from the Indonesian Government, will manufacture 50,000 *Touran* multi-utility vehicles per year. *July 2, 2009*

Japan

Bosch Group is in talks to sell portions of its Michigan-based North American brake component business, to **Akebono Brake Corp**, a Japanese supplier of braking systems and components. Akebono has submitted a proposal to acquire Bosch's foundation brake business, which includes corner modules, drums and other components. Bosch's anti-lock brake and electronic brake systems assets are excluded from the transaction.

August 28, 2009

JTEKT Corp, a Japanese manufacturer of steering systems, driveline components, bearings and machine tools, has signed an agreement to acquire the needle roller bearings business of the **Timken Co**, a US-based provider of friction management and power transmission products and services, for US\$300m. The acquisition is expected to be completed by December 2009. *July 29, 2009*

Nissan, within the **Renault-Nissan Alliance**, has announced plans to build two plants for the production of lithium-ion batteries in Europe, with an aggregate annual capacity of 120,000 units. The investment is in line with Renault-Nissan's strategy to position itself as a leader in offering low emission vehicles in Europe. Renault-Nissan plans to offer electric vehicles in the United States and Japan beginning in 2010, and in all other markets by 2012. *July 20, 2009*

Korea

Hyundai Mobis, a Korean auto parts maker, has begun supplying car parts to German automotive majors **Daimler** and **Volkswagen**. The move is aimed at increasing Hyundai Mobis' presence with foreign car manufacturers. Hyundai Mobis will provide Daimler with car audio systems worth US\$35m and intelligent battery sensors worth US\$95m. *July 30, 2009*

Hyundai Motor and its affiliate **Kia Motors** have announced plans to invest US\$3.3bn over the next four years to develop fuel efficient vehicles and reduce carbon emissions at their plants. Under the plan, Hyundai and Kia will spend US\$1.8bn to develop hybrid and hydrogen fuel cell vehicles, US\$1.1bn in developing fuel-saving engines and US\$400m in reducing greenhouse gas emissions from their plants by 6%. Hyundai and Kia plan to boost output of their hybrid models (*Avante* and *Forte*) to 30,000 units. *July 22, 2009*

SB LiMotive, a Korean JV between **Samsung SDI**, a Korean rechargeable batteries manufacturer, and **Bosch**, a German car parts manufacturer, announced that it has been chosen as the sole supplier of batteries for **BMW's** electric cars. SB LiMotive will initially supply BMW with prototype lithium ion batteries for three years from 2010. Subsequently, a Korean battery manufacturer will supply lithium ion batteries for BMW's electric cars for eight years from 2013 to 2020. *August 4, 2009*

Taiwan 

Taiwan Kymco, a Taiwanese automaker, has signed a JV contract with **Kawasaki**, a Japanese manufacturer of military watercraft, cruisers, aircraft and large scale power generators. Kymco and Kawasaki will invest US\$10m to form **Changzhou Kawasaki and Kwang Yang Engine Co (“CK&K”)** in the Changzhou National Hi-Tech District to produce high performance general gasoline engines, used in blowers, power lawnmowers, tree-dozers, pruners, small generators, water pumps, road cutting machines etc. CK&K is expected to commence production in January 2010, will have a plant area of

6,240m² and will manufacture 890,000 sets with an aggregate value of US\$62m. CK&K’s output will primarily be exported to the North American markets under the KAWASAKI and KYMCO brand names.

August 4, 2009

Thailand 

Ford, in collaboration with Japanese automaker **Mazda**, which is 13% owned by Ford, is establishing a new car plant at Rayong, Thailand with an investment of US\$500m. The new facility, which will commence operations in 2010 and have a capacity of 100,000 units, will produce small cars (*Ford Fiesta* and *Mazda2*). The investment is in line with Ford’s

strategy to compete against Japanese and Korean manufactures in the small car segment in Asia. *July 14, 2009*

Vietnam 

Piaggio, an Italian scooter manufacturer, inaugurated its US\$30m facility at the Binh Xuyen Industrial Park in Vietnam to produce 125cc and 150cc Vespa LX scooters. The facility, with an area of over 135,000m² and employing 250 workers, will have a capacity of 100,000 units and is expected to be fully operational by December 2009. *July 2, 2009*

Selected Asian Auto Transactions with Multiples (12 months ending 17Sep09)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
28-Aug-09	Hyundai Motor Co Ltd	Korea	Hyundai Mobis Co Ltd	Korea	\$1,073.5	6.1%	9.5x	0.8x	25.4x
3-Jun-09	Chery Automobile Co Ltd	China	Investor Group	China	\$292.8	20.0%	-	np	np
1-Jun-09	Great Offshore Ltd	India	Natural Power Venture Pvt Ltd	India	\$65.4	-	7.4x	3.1x	7.7x
23-May-09	Hunan Changfeng Motors	China	Guangzhou Automobile Industry Association	China	\$154.0	29.0%	12.8x	0.9x	25.3x
24-Apr-09	Denway Motors Ltd	Hong Kong	Denway Motors Ltd	Hong Kong	\$304.6	-	-	23.0x	10.0x
22-Apr-09	Geely Automobile Holdings Ltd	Hong Kong	Geely Automobile Holdings Ltd	Hong Kong	\$82.1	-	17.1x	1.2x	6.4x
13-Feb-09	Chongqing Changan Auto Co Ltd	China	Chongqing Changan Auto Co Ltd	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
12-Dec-08	Brilliance China Automotive	Hong Kong	Huachan Automotive Holdings	China	\$73.0	39.0%	3.4x	0.2x	15.4x
5-Nov-08	Daesung Electric Co., Ltd	Korea	LS Mtron Co., Ltd.	Korea	\$55.0	50.5%	-	0.3x	15.0x
3-Nov-08	Hyundai Autonet Company Ltd.	Korea	Hyundai Mobis Ltd	Korea	\$521.3	Merger	11.4x	0.5x	-
29-Sep-08	BYD Company Ltd	China	MidAmerican Holdings	US	\$232.0	10.0%	6.8x	1.1x	13.8x

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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