

# ASIAN AUTOMOTIVE NEWSLETTER

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

Distress in the auto industry and the global economy has affected Western and Asian markets alike, as evidenced by a decline in stock prices and sales growth. Nevertheless the fundamentals of the Asian auto sector remain robust and show a promising future. BDA is committed to keeping its readership up to date with the latest news in the Auto sector through its newsletters.

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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## Australia

**Mahindra & Mahindra** will form a JV with **TMI Pacific** of Australia. The two companies already had an agreement to import and distribute Mahindra trucks in Australia, but the new venture will expand their partnership. M&M will have a controlling stake of 80% in the new company, which will be called **Mahindra Automotive Australia**. *November 12, 2008*

## China

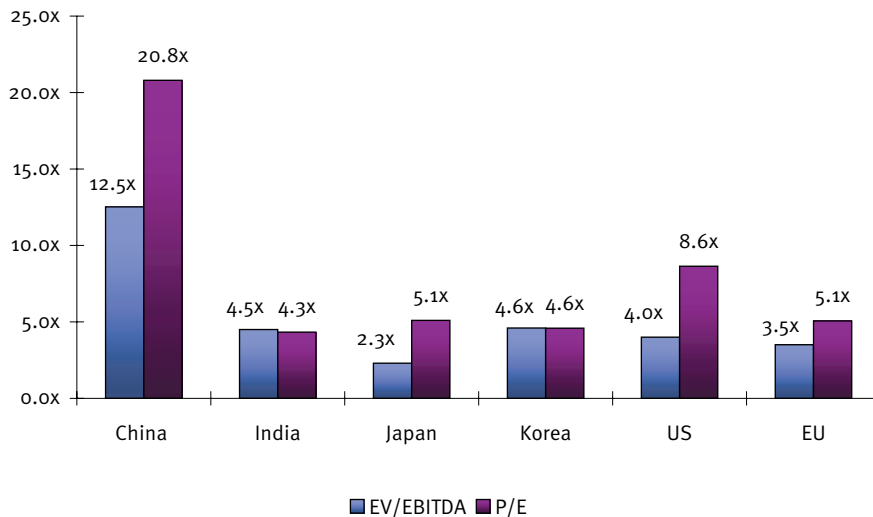
**Beijing Automobile Works Co (BAIC)**, one of China’s state-owned automobile groups, will set up a vehicle production base in Northwest China’s Qinghai

Auto Stock Indices in Selected Countries (12 months ending in Nov '08)



Source: Bloomberg (includes auto OEM and components manufacturers)

Auto Trading Multiples for Selected Countries (Dec '08)



Source: Bloomberg (includes auto components manufacturers)

province with an investment of US\$73m. A JV will be established between **Beiqi Foton Motor Co**, a BAIC subsidiary, and **Qinghai Jieshen Equipment Manufacturing Group Co** to manufacture special-purpose trucks, conventional flat truck, dump truck and garbage trucks. [November 14, 2008](#)

**Bollig & Kemper**, a German auto coatings maker, and **Nippon Paint Co** have formed a 40:60 JV, to be named **BK & NP Automotive Coatings (Shanghai) Co** in Shanghai. The JV will provide coatings to European OEMs based in China and to their plastic component providers. [October 1, 2008](#)

Chinese vehicle manufacturer **BYD** acquired local supplier **SinoMOS Semiconductor (Ningbo)** for US\$29m.

SinoMOS is based in China's Zhejiang

Province and specializes in wafer manufacturing. [October 15, 2008](#)

China's **Chery** is considering investing in a car manufacturing facility in Turkey to expand internationally and offer a possible route into the EU. Starting in 2010, Chery plans to start selling a luxury brand in Turkey. [September 15, 2008](#)

**CSR Qishuyan Locomotive & Rolling Stock Works**, a subsidiary of **China South Locomotive & Rolling Stock Corp**, will form a JV with **GE Transportation System (China) Co**, to manufacture diesel engines. The two companies will invest a total of US\$90m in the 50:50 JV. [September 19, 2008](#)

**Dongfeng Chaoyang Diesel Engine Co**, a subsidiary of China's Chinese automaker **Dongfeng Motor Corp**, will form a JV with **Navistar International**, a

US-based automaker and diesel engine manufacturer. The details of the JV were not disclosed. [November 5, 2008](#)

**Electrovaya**, a Canadian Li-ion battery systems maker, will form a JV with **GuangZhou Lange Electric Equipment**, a Chinese specialty equipment manufacturer, to make battery equipment. The terms of the JV were not disclosed. [November 4, 2008](#)

**Geely Automobile Holdings** has been in talks with UK government officials to convert London's black taxis into electric vehicles. Geely holds 23% of UK-based black taxi maker **Manganese Bronze** and owns 51% of a JV with Manganese Bronze in Shanghai to produce black taxis in China. The JV, called **LTI Shanghai Automobile**, will start operations by the end of 2009 and have a manufacturing capacity of 10,000 cars. [October 21, 2008](#)

**General Motors** is seeking to raise its stake in its commercial vehicle venture with **SAIC Motor**, China's largest automaker. GM wants to increase its 34% stake in **SAIC-GM-Wuling**, a three way tie-up between the US automaker, SAIC and **Liuzhou Wuling Automobile**. Details of the negotiations were not disclosed. [November 12, 2008](#)

**Jatco**, a subsidiary of Nissan that manufactures automatic transmissions, plans to build a new US\$60m transmission plant in China to boost its global output of continuously variable transmissions (CVT). The factory is expected to open in Q1 2009 and make 140,000 CVTs. [October 20, 2008](#)

**Mahindra & Mahindra** will acquire 51% of China's third largest tractor company, **Yancheng Tractor**, for US\$26m. Mahindra & Mahindra will make the acquisition through its Mauritius-based subsidiary, **Mahindra Overseas Investment**. *September 30, 2008*

**Sanabad Khodro Tous**, an Iranian auto company, has launched production of the **QQ6** sedan, in JV located in Northeast Iran, with Chinese automaker **Chery**. From kits supplied by the Chinese automaker, the factory will assemble the compact **QQ6**, also known as the **S21** sedan. *October 13, 2008*

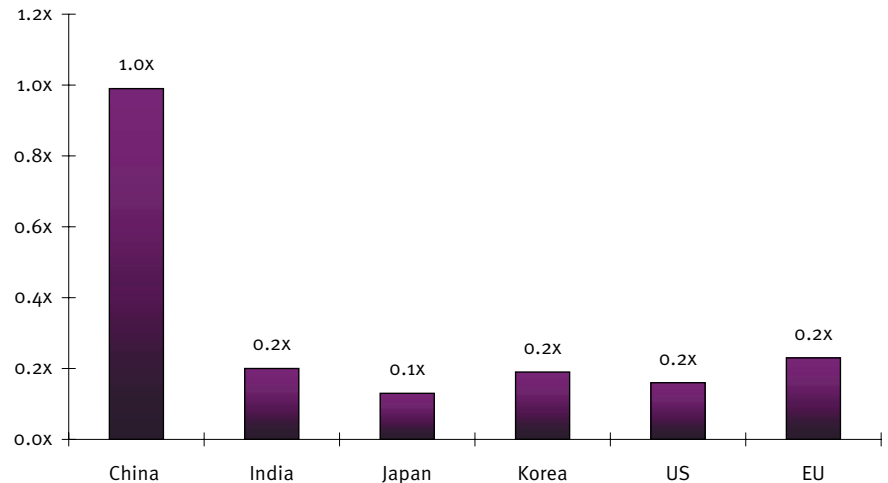
**Toyota Motor** will invest US\$585m to build a new factory in Changchun with its 50:50 JV partner **First Automotive Works Group**, a Chinese auto major. The new facility will manufacture 100,000 Corollas, bringing Toyota's capacity in China to over one million cars. *November 10, 2008*

**WABCO Holdings**, a US-based provider of electronic braking, suspension and transmission automation systems for heavy duty commercial vehicles, will form a 70:30 JV with **GuangDong Fuwa Engineering Manufacturing Co**, a China-based manufacturer and distributor of spare parts to semi-trailers, to produce air disc brakes in China. *October 24, 2008*

## India

Indian automotive components and

Auto P/R Ratios for Selected Countries (Dec '08)



Source: Bloomberg (includes auto components manufacturers)

systems manufacturer **Anand Automotive Systems** plans to invest US\$125m to set up 13 plants across India by 2010. Anand manufactures shock absorbers, struts, front forks, engine bearings, piston rings, castings and gaskets. The company's clients include auto majors such as **Bajaj Auto, Honda, Mahindra & Mahindra, Maruti Suzuki, Tata Motors, TVS** and **Yamaha**. *November 23, 2008*

**Autoline Industries**, an Indian metal sheet component maker for auto manufacturers, acquired a 49% stake in two Italian firms, **SZ Design and Zagato**, for US\$11.4m. The company also entered into an agreement with Luxembourg-based **Icon Development**, an automotive design company and majority shareholder in the two Italian companies, under which Autoline can increase its shareholding to 60% over three years. *September 25, 2008*

**Brembo**, an Italian brake systems maker, will acquire the remaining 50% of Indian-based **KBX Motorbike Products**, a 50:50 JV controlled by **Brembo** and **Bosch Chassis System India**, for US\$13.3m. *October 27, 2008*

**Deere & Co**, a US-based provider of advanced products and services for agriculture, construction and forestry, has formed a JV with **Ashok Leyland**, an Indian commercial vehicles maker and part of the **Hinduja Group**. The JV will produce backhoes and four-wheel-drive loaders. *November 3, 2008*

**First Automobile Works Group**, which has shown an interest to set up a manufacturing base in India, is now scouting for land in Maharashtra and Tamil Nadu. The company makes heavy-duty and high-capacity trucks, dump trucks and lorries. *November 23, 2008*

**Force Motors**, an Indian light commercial vehicle maker, will reduce its stake in the heavy commercial vehicle JV with **MAN Nutzfahrzeuge**, a German commercial vehicle company, to 50% from 70%. First, Force will sell a 14.2% stake to MAN for US\$60m. Later, MAN will infuse US\$50m in the JV through subscription of a rights issue. Force will refrain from subscribing to the issue and as a result, MAN's stake will increase to 50% from the current 30%. The transaction values the JV at US\$400m. *December 3, 2008*

**Harita Seating Systems (HSSL)** of India will form a JV with **FS Fehrer Automotive**, a German vehicle interior components company. HSSL is an automotive seating solutions supplier and is a part of the US\$3.1bn TVS Group. The JV will be called **Harita-Fehrer**, with HSSL holding 51% and FS Fehrer holding 49%. *September 30, 2008*

**JBM Auto**, an Indian auto components maker, has formed a 51:49 JV deal with **Ogihara (Thailand) Co**, a Thai subsidiary of Japan-based **Ogihara Corp**, to manufacture stampings and sub-assembly parts for **Toyota Kirloskar Motor**. The commercial operations are expected to start in 2010. *November 12, 2008*

**Kubota Tractors**, a Japanese agricultural and heavy equipment maker, is discussing a possible JV in India with Japan-based **Sumitomo Corp** to make tractors. The JV will focus on mid-range 30-40HP tractors. *November 13, 2008*

**Magneti Marelli**, an Italy-based designer and producer of hi-tech systems for the auto sector and a **Fiat Group** company, has formed a US\$160m 51:49 JV with **Unitech Machines**, an India-based engineering company. The JV will make auto electronic systems in India. *September 16, 2008*

**NK Minda Group**, an Indian auto components maker, will invest US\$200m over the next two years to expand its business and make acquisitions in overseas markets. The group is currently talking to several companies in Europe and the US for acquisition. *September 3, 2008*

**PMP Components**, the Indian auto component company of the **Ashok Piralal Group**, acquired **PAL International**, a Czech Republic-based wiping systems maker, for an undisclosed consideration. The acquisition gives PMP Components a 7% share in the European market. *October 22, 2008*

**Ruia Group**, an Indian industrial conglomerate that makes tyre and rubber products, has acquired India-based two-wheeler tube manufacturing company **JJ Polymers** for an undisclosed consideration. *November 23, 2008*

**Sogefi Group**, an Italian auto parts manufacturer, has acquired 60% of **MN Rama Rao Filters**, an Indian auto air filters maker, for an undisclosed amount. Sogefi acquired the stake through its French subsidiary **Filtrauto**. *November 14, 2008*

**Tata Motor's** UK unit, **Tata Motors European Technical Centre**, has acquired a 50.3% stake in **Miljø Grenland/Innovasjon**, a Norwegian company that specializes in electric vehicle technology, for US\$1.9m. *October 15, 2008*

**Toyota Motor** will invest US\$711m in India as part of its capital expansion plan for **Toyota Kirloskar Motors' (TKM)** new unit. The new unit will be set up in Bangalore and is expected to be operational by 2010, with an initial installed capacity of 100,000 units. The new plant will increase Toyota's total capacity to 160,000 units. TKM is a 89:11 JV between Japan's Toyota Motors and **Kirloskar Group**, an Indian construction and engineering conglomerate. *November 5, 2008*

**Valeo**, a France-based supplier of auto parts, has formed a JV with **Anand Automotive Systems Group**, an India-based manufacturer of auto components and systems, for the production of lighting systems in India. The new company, **Valeo Lighting Systems India**, will develop and sell Valeo Lighting Systems products and will be majority-owned by Valeo. *October 3, 2008*

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## Japan

**Ford** will sell its 20% of its stake in **Mazda**. This will reduce Ford's share in the business from 33.4% to just over 13.4%, and allow the US automaker to raise capital to fund a "product-led recovery". *November 18, 2008*

Japanese hydraulic equipment maker **KYB** and Japanese spring maker **Chita Kogyo** have formed a JV in Jakarta, Indonesia, to manufacture coil springs for motorcycle hydraulic suspensions. Chita Kogyo provided 70% of the US\$3m investment to establish the new company **Chita Indonesia**, and KYB contributed the remaining 30%. *October 22, 2008*

German engine maker **Tognum** has formed a 51:49 JV with Japanese trading company **Marubeni Corp**, to sell engines and other equipment to construction machine makers and the Japanese Defense Ministry. The JV will be named **MTU Marubeni Co**, will be based in Tokyo and Osaka and expects to reach US\$160m in sales by 2013. *November 17, 2008*

**Thailand** 

**SRF Group** has acquired **Thai Baroda Industries**, a Thailand-based tyre cord company, for US\$23.4m. The SRF Group is an Indian maker of technical textiles, refrigerant gases and supplier of fluorochemical products and polyester films. Thai Baroda Industries will now be a 100% subsidiary of the SRF Group. *September 19, 2008*

**Sumitomo Rubber Industries (Thailand)** will acquire **Hwa Fong Rubber Industry's** two-wheeler tire facility in Bangkok for US\$20m. Sumitomo Rubber Industries (Thailand) is 10% owned by Hwa Fong, which controls a minority interest in Sumitomo's facility in Changsu, China. *October 6, 2008*

**Vietnam** 

**Viet Nam Motor Industry Corp (Vinamotor)**, a Vietnam-based automotive manufacturer, and the **Venezuelan Ministry of Light Industry and Trade** have established a JV for vehicle production in Venezuela. The JV will manufacture light duty trucks and motorcycles and will construct a cement plant. *November 19, 2008*

**Selected Asian Auto Transactions with Multiples** (12 months ending Nov '08)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
5-Nov-08	Daesung Electric Co	SK	LS Mtron Co	SK	\$55.0	50.5% ACQ	N.A.	0.3x	15.0x
3-Nov-08	Hyundai Autonet Company Ltd	SK	Hyundai Mobis Ltd	SK	\$521.3	Merger	11.4x	0.5x	N.A.
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	N.A.
5-Aug-08	Kumho Tire Co Inc	SK	Beacon	Cayman	\$106.9	10.7% ACQ	N.A.	0.5x	N.A.
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	N.A.	0.2x	N.A.
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	N.A.	N.A.	20.0x
			<b>Median</b>		<b>\$232.0</b>		<b>8.9x</b>	<b>0.6x</b>	<b>15.0x</b>

Source: Mergermarket

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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