

ASIAN AUTOMOTIVE NEWSLETTER

DECEMBER 2010, ISSUE 65

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

Emerging Asia remains the world’s most significant growth region and this applies fully to the automotive sector. China is now the second largest market for many auto and auto components suppliers and in not a few cases, the largest. While many Chinese auto suppliers have their hands full in their home market, an increasing number are acquisitive globally and with increasing success rates. This trend both for Chinese as well as Indian acquirers will only grow.

Business Development Asia LLC (“BDA”) is an investment banking firm which specializes in Asian M&A. We have offices in all of the major Asian automotive markets, as well as London and New York. If you are interested in discussing any of the articles in this newsletter, please contact me directly.

Charles Maynard
Senior Managing Director,
cmaynard@bdallc.com

CONTENTS	
CHINA	1
HONG KONG	4
INDIA	4
INDONESIA	5
JAPAN	5
KOREA	5
MALAYSIA	5

China

Anhui Jianghuai Automotive has agreed to form two separate 50:50 JVs with US based **NC2 Global** and **Navistar International**, to manufacture medium and heavy duty trucks and light/medium/heavy diesel engines respectively. The estimated investment in the new JV would be US\$300m and US\$270m, respectively.

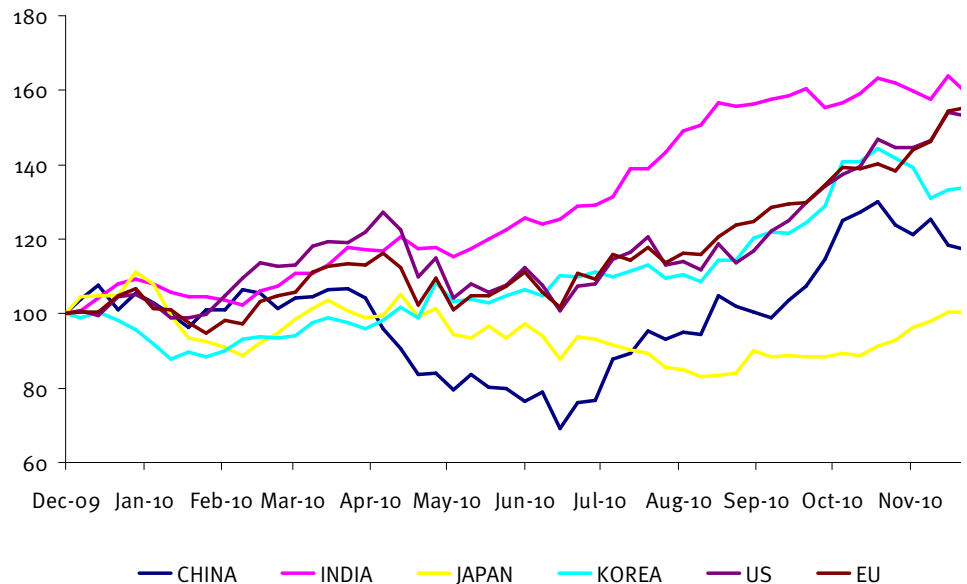
September 17, 2010

Autoliv has acquired 51% of Chinese seatbelt manufacturer **Beijing Delphi Automotive Safety Products**, a JV between **Delphi Corp** and **Beijing Hainachuan Automotive**. The financial terms have not been disclosed.

October 20, 2010

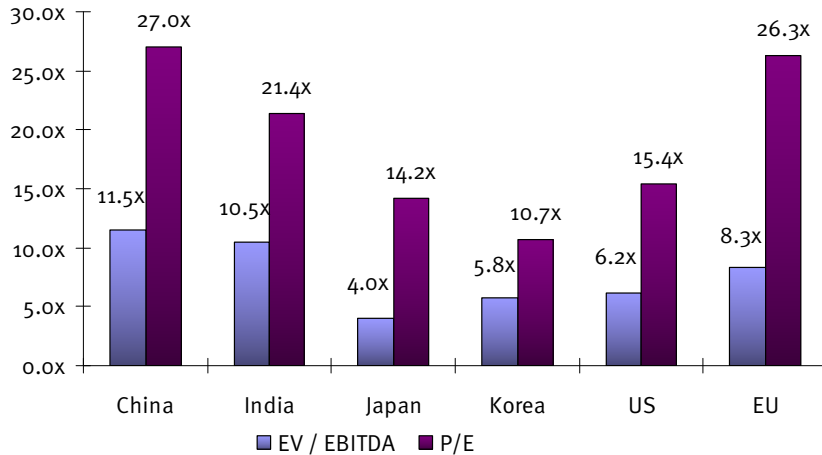
Bain Capital has acquired the 11 wholly owned and JV companies of China based auto components manufacture **ASIMCO Technologies (ASIMCO)**, from **Key Principal Partners** and other

Auto Sector Stock Indices (12 months ending 13Dec10)



Source: Capital IQ, BDA

Auto LTM Trading Multiples (13Dec10)



Source: Capital IQ, BDA

investors. Financial terms of the transaction have not been disclosed. ASIMCO is expected to benefit from Bain Capital's extensive operational expertise in order to increase its market share in key segments of the commercial vehicle and passenger car markets. *October 10, 2010*

Beijing Auto has signed a cooperation agreement with the government of **Zengcheng city, Guangzhou Jingye Investment** and **Guangzhou Zengcheng Asset Management and Investment**, to restructure the production base of **Baolong Light Vehicle** (Baolong). Beijing Auto will invest US\$736m to expand Baolong's existing light vehicle manufacturing base and will also build a new plant. *August 19, 2010*

Beijing Hyundai Motors, a JV between **Hyundai Motors** and **Beijing Automotive Industry Holding Company**, has agreed to setup a third plant in Shunyi. The plant would have capacity of 400,000 units and is

expected to be completed by 2012. *September 19, 2010*

BYD Co has agreed to acquire 18% of Tibetan lithium and boron miner, **Tibet Shigatse Zhabuye Lithium High-Tech**, for US\$30m. The acquisition is aimed at improving the competitiveness of BYD's rechargeable auto battery business. *September 17, 2010*

Chery Auto has signed an agreement with Turkish automaker **Mermerler Otomotiv** for the construction of a new plant in Sakarya, Turkey. The plant will cost an estimated US\$500m and will have a capacity of 20,000 units. The plant will manufacture Chery's *A3/Niche* and *Change* sedans as well as small SUVs. The move is part of the Chery's strategy to increase its presence in the European auto market. *November 07, 2010*

Chery Auto has signed an agreement with **Shenzhen Comotech Science and Technology** to jointly manufacture new energy buses at an investment of US\$149m in Anhui. This would enable

Chery to gain significant market share in the new energy bus market in China. *September 28, 2010*

Chery Auto plans to build a new plant in Jacarei, Brazil. Chery currently supplies cars to Brazil from its plant in Uruguay. The investment size has not been disclosed. The new plant will enable Chery to acquire a significant market share in the Brazilian auto market. *September 15, 2010*

China National Heavy-Duty Truck Corp has formed an 80:20 JV with **Chengdu Wangpai Motors** to manufacture heavy, medium, light and mini commercial vehicles in China at a cost of US\$441m. The JV will have a capacity of 100,000 units for heavy trucks and 300,000 units for light and mini trucks. *August 27, 2010*

Daimler AG plans to invest US\$4.2bn to build a new engine plant in China in order to boost capacity. This would be Daimler's first engine plant outside Germany. The move is part of the company's strategy to increase its localization rate in China and boost sales over the next few years. *October 26, 2010*

Dongfeng Peugeot Citroen Automobiles (DPCA), a JV between **PSA Peugeot Citroen** and **Dongfeng Motor Group**, has agreed to set up a third plant in Wuhan. The plant will have a capacity of 150,000 vehicles and will manufacture mid- and lower-mid range vehicles. DPCA plans to roll out 12 new models followed by a SUV and a new small family car in the next few years. *September 22, 2010*

FAW Group plans to form a 50:50 JV with Russia's **GAZ Group** to manufacture heavy trucks in Russia. FAW is expected to bring in the

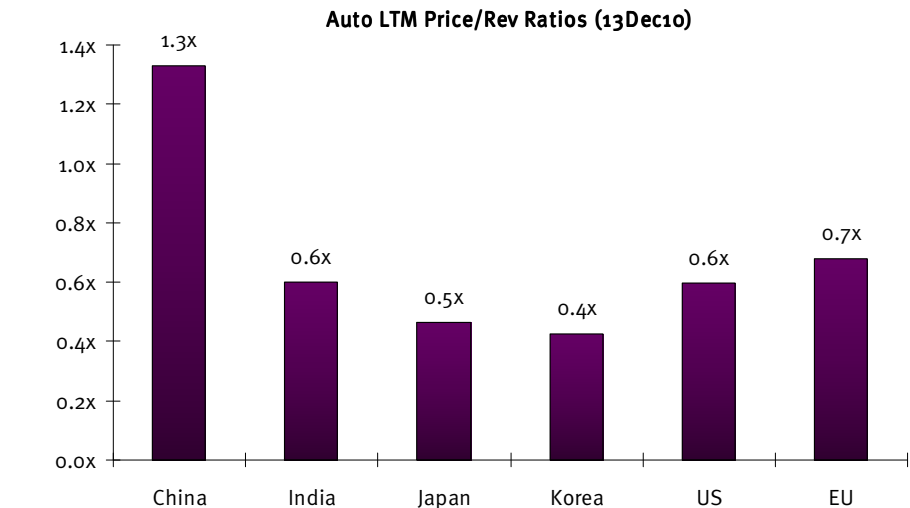
technology and GAZ would provide the manufacturing base in Russia. The move is aimed at increasing localized production of trucks in Russia. The estimated investment size has not been disclosed. *September 28, 2010*

FAW Group plans to invest US\$239m in its new engine project located in Changchun where the *4GB* (1.4T and 1.6L) engines will be manufactured and used to power its *Besturn* models and self-developed A-Class sedans. The project is expected to be completed in 2012 and will have a capacity of 20,000 4GB engines. *November 04, 2010*

FAW Group plans to invest US\$818m to build an R&D center in Jilin China. The proposed R&D center will be the largest in China. The models developed by the center will be transferred to **FAW-Xiali**, **FAW Jilin**, **FAW Car** and other subsidiaries for production. *September 17, 2010*

Ford has signed an agreement to build its second engine plant in Chongqing at an estimated investment of US\$500m. The plant will have a capacity of 400,000 units, is expected to be operational in 2013 and will be funded by **Changan Ford Mazda Automobile**, a three-way JV between **Ford**, **Changan Motors** and **Mazda Motors**. *September 26, 2010*

Great Wall Motors has established a JV with Bulgarian diversified holding company **Litex Commerce** to set up a plant in northern Bulgaria. The plant is expected to cost US\$417m and will have a capacity of 50,000 vehicles. The JV will manufacture the *Florid* and *Coolbear* sedans, the *Hover 5* SUV and the *Wingle* pickup, and they are expected to be sold in the European market. *October 31, 2010*



Source: Capital IQ, BDA

Great Wall Motors is planning to establish five assembly plants in Philippines, Senegal, Bulgaria, Venezuela and Malaysia in three years, with a combined capacity of over 100,000 vehicles. *August 18, 2010*

Hyundai Motors has established a 50:50 JV with **Ziyang Nanjun Automobile** to manufacture commercial vehicles in Sichuan at an investment of US\$450m. The JV is expected to manufacture and sell 200,000 Hyundai buses and trucks by 2013. *November 01, 2010*

Jaguar Land Rover (JLR) plans to build a new plant in China with a Chinese partner at an estimated cost of US\$162m. The plant will produce over 50,000 cars per year and employ 5,000 people. The new plant will also enable JLR to benefit from China's consumption potential and low production cost. *November 07, 2010*

Germany's **Robert Bosch**, Korea's **Samsung SDI** and China's **SAIC Motors**

are in advanced discussions to jointly produce lithium-ion batteries in China. The JV is expected to commence in 2012 and would have an initial capacity of 20,000 units. The move is aimed at gaining a significant market share in China's fast-growing clean energy vehicle market. *September 20, 2010*

Pacific Century Motors (PCM), a JV between **Tempo Group** and the **Beijing municipal government**, acquired GM's steering-parts manufacturing unit, **Nexteer Automotive**, for an estimated US\$420m - US\$450m, setting a record for the biggest single overseas purchase in China's automobile parts industry. *December 1, 2010*

SAIC Motors (SAIC) and **General Motors** have signed a memorandum of understanding to jointly develop new energy vehicles, components and powertrains in China. The financial terms of the agreement have not been disclosed. *November 03, 2010*

Zhejiang Geely Holding Group plans to

build three plants in China to manufacture Volvo cars. The three plants will have a combined capacity of 300,000 cars. *September 14, 2010*

Hong Kong

Sinotruk Hong Kong (Sinotruk) has acquired 80% of **Chengdu Wangpai Commercial Vehicles Co**, for US\$48m from **Chengdu Dachenggong Mechanics**. *August 30, 2010*

India

Bosch plans to invest US\$88m in its India operations over the next two years. A large percentage of the investment would be utilized to expand operations, increase capacity and thereby increase the exports from its Indian operations. *September 10, 2010*

Daimler AG plans to invest US\$977m in India, through **Daimler India Commercial Vehicles** (DICV), to establish a new plant in Oragadam, Tamil Nadu, and open 20 new dealerships across the country over the next two years. The move is part of the company's strategy to increase its presence in India's commercial vehicle market. *September 19, 2010*

Faurecia Emission Control Technologies India (FEI) has agreed to acquire **Yutaka Autoparts Pune**, a Pune-based manufacturer of auto components and a wholly owned subsidiary of **Honda Motors**. The financial terms have not been disclosed. *August 30, 2010*

General Motors India plans to invest US\$250m to expand capacity from 85,000 units to 100,000 units at its plant in Halol, Gujarat, which currently manufactures LCVs. The company plans to produce five new models at the plant starting from 2012.

September 23, 2010

Hero Motors has agreed to set up a JV with **Magna Steyr India**, a business unit of **Magna International**, to manufacture new product lines including drivetrain assemblies for the global and Indian automotive industry.

September 24, 2010

Hero Group is increasing its stake from 26% to 52% in its JV with **Honda Motors** by buying out Honda's 26%. The transaction is expected to happen in two phases. In the first phase, the Hero Group will acquire Honda's stake by means of a SPV, funded by bridge loans. In the second phase, the SPV will raise funds from private equity players to repay the bridge loans. The Hero Group is in discussions with private equity players such as **Carlyle**, **KKR** and **Warburg Pincus**.

December 16, 2010

JK Tyre plans to establish a radial tyre plant in Kolathur, Tamil Nadu, for investment of US\$222m. The plant is expected to commence production in August 2011, and the company plans to produce 2.5m passenger car radial tyres and 400,000 truck radial tyres annually. The proposed plant will help JK Tyres to increase its market share in the global radial tyre market. *September 29, 2010*

Mahindra & Mahindra is planning to establish a plant for tractors, two wheelers and four wheelers in Tamil Nadu at an estimated investment of US\$400m. The plant would help ease

the current capacity constraints and will increase M&M's presence in the Indian tractor market. The move is part of the company's US\$1.9bn expansion strategy. *November 09, 2010*

Maruti Suzuki India (MSIL) is planning to establish a new assembly plant in Manesar with a capacity of 250,000 units and at an initial investment of US\$356m. The plant will be operational by 2013 and will be used for the production of the company's high-selling compact cars, *WagonR* and *Alto*. This will be Maruti's third plant in Manesar and would increase the company's total production in India to 1.7m units per year. *September 05, 2010*

Neah Power Systems (Neah), a US based fuel cell manufacturer, has signed a letter of intent to acquire **EKO Vehicles** (EKO), a Bangalore based electric vehicles manufacturer. The financial terms have not been disclosed. *August 27, 2010*

Sun Tyre and Wheel Systems (Sun Tyre), part of the **TVS Group**, has acquired Sri Lanka based industrial tyre manufacturer **Watts Lanka Private**, a JV between **Watts Tyres** from the UK and **KVK Invest JSC** from Bulgaria.

October 25, 2010

Tata Motors is planning to establish an assembly unit for its Land Rover vehicles in India at an estimated initial investment of US\$33m. The assembly unit is expected to be operational by 2011 and would have an initial monthly capacity of 240 cars. Tata would initially assemble only the Freelander model and later extend assembly to other Land Rover models as well. This would JLR's first plant outside the UK. *September 11, 2010*

Indonesia

Central Sole Agency PT (CSA), a subsidiary of **PT Indomobil Sukses Internasional Tbk** (Indomobil), an Indonesian auto manufacturer, has acquired 10% of Indonesian tyre manufacturer **Multistrada Arah Sarana Tbk PT** for US\$20m. The acquisition will help Indomobil to secure tyre supplies for its operations. *November 10, 2010*

Japan

Mitsubishi Motors (MMC) and **Guangzhou Automobile Group** (GAC Group) have formed a 50:50 JV in China, **GAC Changfeng Motor**, to manufacture Mitsubishi Motors' *Pajero* sport utility vehicle and other vehicles.

November 07, 2010

Nidec Corp, a Japanese electric motor manufacturer, is seeking to acquire the electric motor division of both **General Electric** and **Robert Bosch**. The terms of the proposed deal have not yet been disclosed. The move is part of the company's strategy to become a leader in the global electric motor market.

November 01, 2010

Nidec Corp has agreed to acquire the Motors and Controls business of **Emerson Electric** in an all cash deal. The financial terms of the transaction have not been disclosed. The acquisition would help expand Nidec's current product portfolio and also contribute to further stabilizing its

profitability. *August 19, 2010*

Panasonic Corp has acquired an undisclosed minority stake in US based electric cars manufacturer **Tesla Motors** for US\$30m. Tesla uses Panasonic as its preferred lithium-ion battery cell supplier and this investment is expected to further strengthen their relationship. *November 03, 2010*

Korea

Hanil E-Wha of Korea has agreed to divest its entire shareholding in **Kangso Hanil Mos**, a Chinese manufacturer and wholesaler of auto components, to an undisclosed acquirer for US\$23m.

October 15, 2010

Malaysia

Toyo Tire and Rubber of Japan has agreed to acquire 100% of Malaysian tire manufacturer **Silverstone Berhad**, for US\$148m. Toyo plans to manufacture the Toyo and Nitto brand tires from the Malaysian facility. The move is part of Toyo's strategy to increase its presence in the Southeast Asia market. *October 22, 2010*

Asian Auto Transactions with Multiples (12 months ending 16 Dec 2010)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
24-Aug-10	Jiangxi Xinxin Industrial	China	Jiangxi Publishing Group	China	\$44.3	21.0%	53.0x	2.7x	234.2x
19-Aug-10	Siam Pan Group PCL	Thailand	Investor Group	Thailand	\$10.8	68.7%	0.4x	0.1x	3.9x
29-Jul-10	MITSUBA-WALBRO INC	Japan	TI Automotive Holdings Ltd	UK	\$8.6	50.0%	-	0.4x	25.0x
19-Jun-10	Hubei Axle Co	China	Investor Group	China	\$7.5	28.5%	-	0.4x	399.4x
6-Apr-10	Automotive Stamping Tech	Korea	JetTech Ltd	Korea	\$8.0	51.1%	-	0.7x	12.3x
1-Apr-10	Interhides PCL	Thailand	Ongart Thumrongsakunvong	Thailand	\$7.1	20.0%	3.7x	0.9x	4.7x
16-Mar-10	CT & T Co	Korea	Creative Mktg Solutions Ltd	Korea	\$230.4	100.0%	-	6.6x	-
8-Feb-10	Cuzco LBE Co	Korea	A-motion Co	Korea	\$34.3	24.3%	12.4x	1.0x	20.3x
1-Feb-10	Hwa Fong Rubber(Thailand)PCL	Thailand	Mega Intl Coml Bank Co	Taiwan	\$13.4	31.9%	4.3x	0.7x	12.1x
1-Feb-10	MAT Co	Korea	Sejin Electron Inc	Korea	\$13.7	33.2%	-	0.2x	-
22-Dec-09	First Baking Co	Japan	Toyota Tsusho ESP Corp	Japan	\$19.7	30.7%	19.0x	0.2x	-
9-Dec-09	Suzuki Motor Corp	Japan	Volkswagen AG	Germany	\$2,527.4	19.9%	6.2x	0.4x	39x
14-Oct-09	Hyundai Corp	Korea	Hyundai Heavy Inds Co	Korea	\$201.9	50.0%	12.1x	0.2x	44.9x
12-Oct-09	Dual Industrial Co	Korea	IHC Co	Korea	\$6.4	35.6%	-	0.5x	-
				Median	\$13.6	32.6%	9.2x	0.5x	22.7x

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through acquisitions, divestments, JVs, and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices listed.

Charles Maynard,
Senior Managing Director
cmaynard@bdallc.com

Marc Liu, Associate
mliu@bdallc.com

www.bdallc.com
newsletter@bdallc.com

NEW YORK

Charles Maynard, cmaynard@bdallc.com
Euan Rellie, erellie@bdallc.com
Business Development Asia LLC
1270 Avenue of the Americas, Suite 2310
New York, NY 10020, USA
T (212) 265-5300
F (212) 265-4300

SHANGHAI

Jeffrey Wang, jwang@bdallc.com
Business Development Asia Co Ltd
The Center, #1602, 989 Changle Road
Shanghai, 200031, China
T (86) 21-5407-5580
F (86) 21-5407-5680

SEOUL

Heejun Yang, hyang@bdallc.com
Business Development Asia
21 Floor, S-Tower
116 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-061, Korea
T (82) 2767-2730
F (82) 2757-2702

MUMBAI

Arun Bagchi, abagchi@bdallc.com
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai, 400050, India
T (91) 22-2643-0290
F (91) 22-2643-0291
F (973) 1758-1483

LONDON

Andrew Huntley, ahuntley@bdallc.com
Business Development Asia Ltd
33 Cavendish Square
London W1G 0PW, United Kingdom
T (44) 20-7182-4518
F (44) 20-7182-4100

HONG KONG

Paul DiGiacomo, pdigiaco@bdallc.com
Business Development Asia (HK)
Suite 905, ICBC Tower
3 Garden Road, Hong Kong
T (852) 2537-9565
F (852) 2537-4406

TOKYO

Jeff Acton, jacton@bdallc.com
Business Development Asia K.K.
Shiroyama Trust Tower, 27th Floor
4-3-1 Toranomon, Minato-ku
Tokyo, 105-6027
T (81) 3-3433-5803
F (81) 5404-8181

BAHRAIN

Ahmed Al Balooshi, abalooshi@bdallc.com
Business Development Asia
Meral Building #2572, Road #2833
4th Floor, Office #42, Block #428
PO Box 30295, Seef District
Kingdom of Bahrain
T (973) 1758-1336