

ASIAN AUTOMOTIVE NEWSLETTER

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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 largest market for many auto and auto components suppliers. 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.

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China

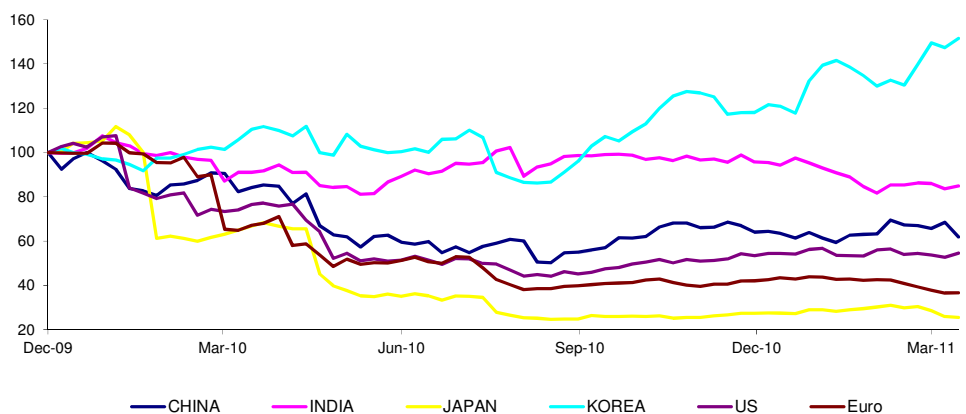


BAIC, has acquired all the equipment and technologies of the Swedish transmission plant, **WEIGL Transmission Plant AB**, part of the German auto component manufacturer **WEIGL Group**, for US\$43m. The acquisition would provide BAIC with a production line with a replacement cost of US\$103m. BAIC aims to absorb these technologies and develop its own ability in design, development and manufacturing of advanced gearboxes.

February 24, 2011

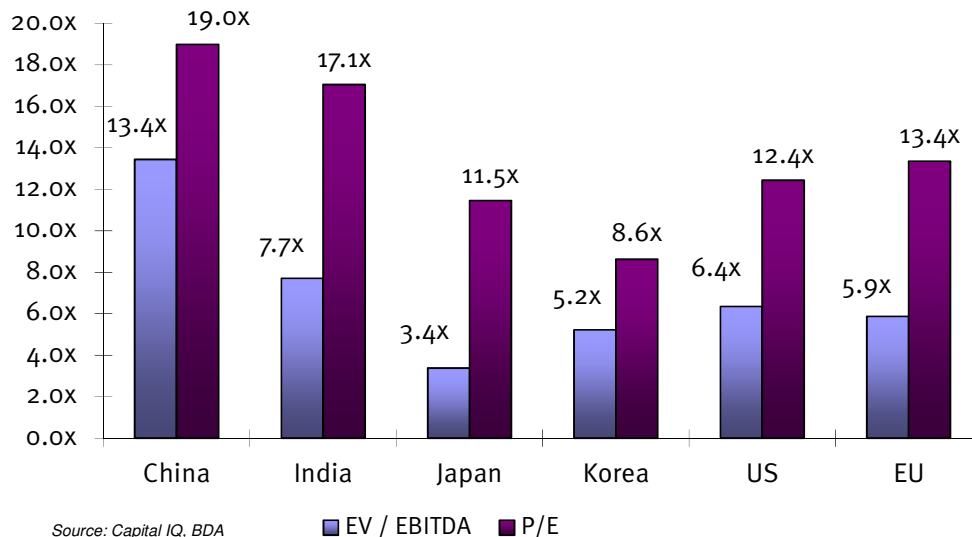
Beijing Automobile Works (BAW), the Chinese auto manufacturer, has signed an agreement with the Chinese SUV manufacturer, **Guangzhou Baolong Group**, to invest over US\$5bn in Baolong's Huanan production facility. The first investment will be US\$1.5bn over the next two years to expand capacity to 10,000 units; the facility will initially manufacture SUVs, MPVs and

Auto Sector Stock Indices (12 months ending 16Mar11)



Source: Capital IQ, BDA

Auto LTM Trading Multiples (14Mar11)



crossovers. Production will eventually expand by an additional 20,000 units to include sedans. The facility will enable BAW to supply to the eastern and southern Chinese markets.

January 20, 2011

Brilliance Auto, the Chinese auto manufacturer, plans to invest US\$390m in a new manufacturing facility which will increase its total annual capacity to 150,000 units. The new facility will commence operation by 2015 and will be engaged in the design and production of Brilliance's *Chongya, Hanjie, Xuzhuang, Zhonghua, Zongzhuang* and models. *January 19, 2011*

China South Industries Group (CSGC), the parent company of the Chinese auto manufacturer, **Changan Auto**, has signed an agreement with **Yunnan Internal Combustion Engine Plant** to invest US\$1.5bn to establish a new manufacturing facility in Kunming, the capital of Yunnan province. As per agreement, CSGC would restructure the assets of the company and the facility

will have an annual capacity of 400,000 vehicles and 1,200,000 car engines.

December 31, 2010

Chongqing Changan Auto, the JV between **Ford** and **Changan Auto**, plans to raise US\$600m by selling a 20% stake. The proceeds of the fund will be used to expand capacity, upgrade technology and fund its R&D activities.

January 07, 2011

Dandong Huanghai Auto, a subsidiary of **SG Automotive**, China's largest bus manufacturer, has agreed to form a 60:40 JV with the Chinese electric locomotives and components manufacturer, **CSR Zhuzhou Electric Locomotive**, to jointly develop new energy vehicles in order to meet the demands of the rapidly growing Chinese new energy market. Each company will invest US\$21m in the JV. *January 07, 2011*

Dongfeng Honda Auto, the JV between **Honda Motors** and Chinese auto manufacturer **Dongfeng Motors**, plans to construct a second plant in Wuhan

for US\$300m. The new plant will commence operations in the second half of 2012 and will have an initial annual capacity of 100,000 units, which will be expanded to 240,000.

December 08, 2010

Dongfeng Motors, plans to invest US\$2.2bn to expand its second **Dongfeng Nissan JV** facility, the second **Dongfeng Honda** facility, its passenger vehicle engine facility and the new commercial vehicle factory with the aim of a yearly capacity of five million vehicles by 2015. *February 16, 2011*

Faurecia, the French auto parts manufacturer, has signed a global strategic cooperation agreement with Chinese auto manufacturer **Geely Group** and **Zhejiang Limin**, one of Geely's core suppliers, to establish several JVs and build manufacturing facilities in China. The new JVs and facilities will manufacture instrument panels, door panels, uprights and bumpers for all of Geely's car brands. The three way cooperation agreement is expected to further improve the quality of Geely's new models. *December 31, 2010*

FAW Changchun Fengyue Motors, the JV between **Toyota Motors** and the Chinese auto manufacturer, **FAW Group**, plans to invest US\$600m to expand its annual capacity to 200,000 vehicles. The move is aimed to boost the domestic sales of its top selling model *Toyota Land Cruiser*.

February 24, 2011

FAW Group plans to construct a new auto logistics center in Jilin province. The new logistics center will be responsible for the storage and transport of all FAW-VW vehicles. The first phase will be completed by 2014 with a capacity of 100,000 vehicles. The

estimated investment size has not been disclosed. *February 22, 2011*

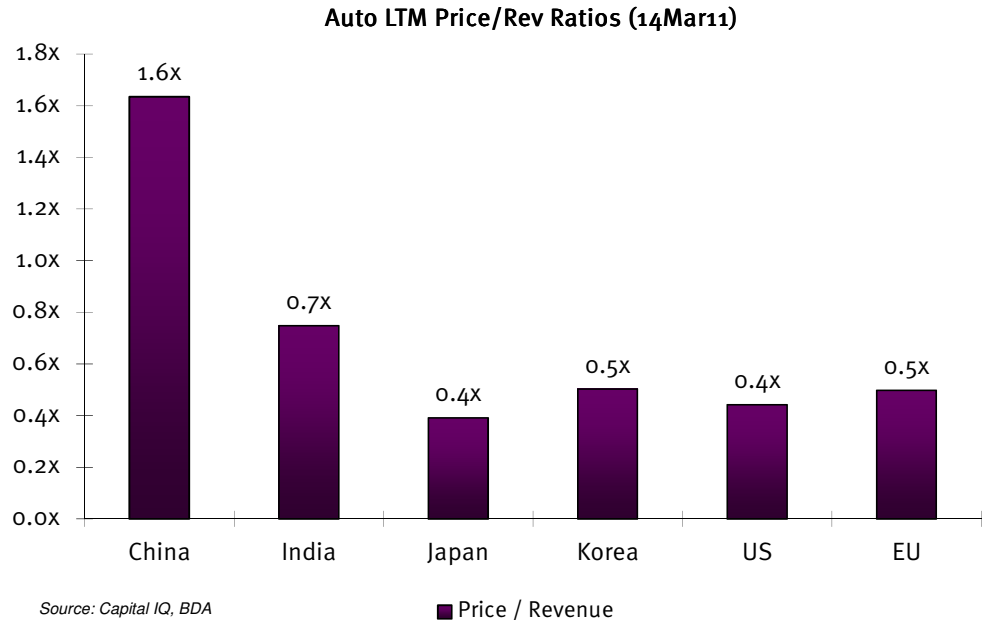
Geely International plans to establish its first auto assembly plant in Russia with an annual capacity of 35,000 cars. Geely will initially assemble the compact sedan *King Kong*, and the midsize sedan *Vision*, in the country. The estimated investment size has not been disclosed. *January 28, 2011*

Guangzhou Automobile Group, the Chinese auto manufacturer, has signed an agreement to establish a 51:49 JV with **Gonow Auto**, a small privately owned SUV and pick-up truck manufacturer, with an initial investment of US\$190m. The JV aims to sell 600,000 units of Gonow's vehicles by 2015. *December 09, 2010*

Jinhua Youngman Auto, the Chinese auto and bus manufacturer, plans to invest US\$300m in its Jinhua facility to expand its 1.6 litre engine sedans and small multi-purpose passenger vehicles capacity to 100,000 units annually. The new facility will commence operations in 2012. The company aims to achieve a yearly capacity of 200,000 vehicles. *January 25, 2011*

Lifan Group, the Chongqing based auto and motorcycle manufacturer, plans to invest US\$530m to establish a new production facility at Liangqiang. The facility will commence operations by 2013 and will increase Lifan's capacity to 200,000 sedans, 50,000 new energy vehicles and three million car engines. The facility will also be used for R&D activities and production of other key auto components. *February 15, 2011*

Shanghai Automotive Industry Corporation (SAIC), plans to invest US\$1.5bn to expand its annual capacity at its Nanjing subsidiary to one million



units by 2015. The expansion will triple its existing capacity and increase annual sales to US\$15bn by 2015. *December 27, 2010*

SAIC has raised US\$1.5bn via a private placement of shares to a group of 10 investors which also includes its parent company **SAIC Group**. The company plans to invest US\$800m for development of its own branded cars, US\$200m for commercial vehicle, US\$400m for the second phase of its R&D centre and the balance on capacity expansion. *December 17, 2010*

Trelleborg Wheel Systems, the Swedish specialty tyre manufacturer, has acquired the Chinese tyre manufacturing facility of US-based **Main Industrial Tire** for US\$15m. The acquisition will make Trelleborg the first agricultural tyre manufacturer from Europe to have its own production in China. *February 24, 2011*

Volvo, now part of **Zhejiang Geely Holding Group**, plans to establish its first Chinese assembly plant in the city

of Chengdu. The new facility will commence operations by 2013 and with an initial annual capacity of 125,000 of compact and economy cars. The facility will enable Volvo to increase the local production for Volvo cars in China. The estimated investment size has not been disclosed. *March 02, 2011*

ZAP, the US electric vehicles distributor has agreed to acquire 51% of the Chinese auto manufacturer **Zhejiang Jonway Auto** for US\$30m. The combined entity called **ZAP Jonway** will manufacture and sell SUVs powered by Zap's electric drive train technology in China. *January 26, 2011*

India



BMW India plans to invest US\$180m in its Chennai plant to expand its annual capacity to 8,000 units from the current 3,000 units by early 2011. BMW plans to assemble the *BMW 5 series*, compact SUV and *BMW X1* models at the plant. This is the second capacity expansion

undertaken by the company in the past twelve months.

November 25, 2010

Bridgestone Corporation plans to invest US\$40m in its Indore plant to establish a new manufacturing line for truck and bus radial tyres. The new line will be operational by 2012 with an annual capacity of 150,000 units. The move will enable Bridgestone to localize the production of radial tyres which it currently imports from Japan.

December 27, 2010

Bridgestone Corporation plans to invest US\$580m to establish a new manufacturing plant at Chakan (Pune) for manufacturing tyres for passenger cars, buses and trucks. The new plant will be operational by 2013 with an annual capacity of 3.6 million passenger car tyres and 1 million truck and bus radial tyres. The move is part of the company's strategy to localize production of radial tyres in India.

December 26, 2010

Carzonrent India, the Indian car rental company plans to raise US\$22m from two private equity firms. The funds will be utilized to expand its geographical presence and grow its radio taxi, airport and limousine services in India. This will be the third round of capital infusion into Carzonrent India, after it previously raised capital from **SIDBI Ventures** and **Sequoia Capital**.

January 27, 2011

General Motors India plans to invest US\$400m to double its annual vehicle capacity to 405,000 units by 2013. The company aims to have 10% market share in the Indian auto market with annual sales of 300,000 vehicles by 2013.

January 29, 2011

Harley Davidson plans to establish a

new assembly plant in Bawal, Haryana to cater to the growing demand across all the Asian markets. The plant will be operational by mid 2011 and will enable the company to increase localization of components thereby reducing the cost of motorcycles by 40%-45%. The estimated investment size has not been disclosed.

February 24, 2011

Hyundai Motors plans to invest US\$330m to establish a new diesel engine and auto component manufacturing plant in Tamil Nadu. The company has already submitted an investment proposal to the government and is expected to sign a MoU in early 2011. The new plant will have an annual capacity of 300,000 units and will enable the company to localize the production of diesel engines which it currently imports from Korea. This will be Hyundai's third plant in Tamil Nadu.

January 22, 2011

Miba, the Austrian auto component manufacturer, has acquired an undisclosed minority stake in Pune-based auto components manufacturer **Maxtech Sintered Products** for an undisclosed amount. The acquisition will enable Miba to establish its presence in India and also expand its global network. As per the agreement, Miba will transfer its powder metal technology to Maxtech and will localize production of sintered components, currently exported to India from Europe.

February 08, 2011

Meru Cabs, India's largest radio cab service provider plans to raise US\$45m to expand its current fleet of cars. Currently Meru has 5,000 cars and plans to deploy another 2,500 cabs by the end of 2011. The company also plans to expand its operations in two other Asian countries by 2012.

December 28, 2010

Pierburg India, the Indian subsidiary of German auto components manufacturer, **Rheinmetall**, has acquired the bearing business division of **Kirloskar Oil Engines**, for US\$19m. The acquisition will enable Kirloskar Oil Engines to focus on its core business of manufacturing diesel engines and auto components. In early 2011, **Kirloskar Group** had embarked on a restructuring strategy that demerged its engine and auto component business into Kirloskar Oil Engines.

February 18, 2011

Ruia Group, has acquired the German auto fasteners manufacturer, **Acument GmH & Co**, from US based **Acument Global Technologies** for an undisclosed amount. The acquisition includes Acument's German plants in Neuss, Beckingen, Neuwied and Schorzberg and its logistics center in Koln. The acquisition will extend the company's global presence and provide them a 15% market share in the European auto fastener segment.

February 21, 2011

The Indian Government is considering the privatization of the Lucknow-based three wheeler manufacturer, **Scooters India** (SIL) in which it holds 95% stake. SIL is currently facing financial difficulties and the move is aimed at reviving the flagging PSU with the help of the private sector.

February 04, 2011

The **International Automotive Components Group** (IAC), owned by turnaround investor Wilbur Ross, has acquired 100% of New Delhi based automotive interior components manufacturer **Multivac India** for an undisclosed amount. The acquisition will expand IAC's footprint in North India and also help expand its design and engineering capabilities to support the new product development activities

by other major OEMs in that region.

January 12, 2011

Indonesia

Audi, has agreed to establish a JV with Indonesian auto manufacturer **Indomobil**, to establish a new assembly plant in Jakarta by 2015. The new plant with an annual capacity of 2,700 vehicles will primarily assemble the *Audi A4* and *A6* cars for the domestic market. The estimated investment size has not been disclosed. *February 02, 2011*

Japan

THK, the Japanese component manufacturer, has signed an agreement with Changzhou National Hi-Tech District (CND) to establish an auto components manufacturing facility in Changzhou, Jiangsu province, for US\$15m. THK plans to make the facility one of its major manufacturing bases to tap the growing demand for automobiles in China. *February 12, 2011*

Valeo, the French auto component manufacturer, has agreed to acquire 78% of Japanese auto switch manufacturer **Niles Co** from **RHJ International**, Belgium and **Nissan Motors** for US\$440m. The acquisition will strengthen Valeo's presence in Asia and also make it the world leader in the auto switches segment. *February 23, 2011*

Korea

LG Chem, the Korean chemical and battery manufacturer, has agreed to set up a JV with **Changan Auto** to jointly develop lithium-ion batteries for electric cars in China. The JV will enable

Changan to develop and expand its production of hybrid and electric vehicles for the Chinese auto market. The estimated investment size has not been disclosed. *January 20, 2011*

Malaysia

Proton, the Government owned auto manufacturer, has signed an MoU with **Nissan Motor** for a technical collaboration for Nissan's platform and powertrain technology. The agreement will enable Proton to strengthen its new product pipeline and reduce the development time and cost for its future vehicles. *March 4, 2011*

Taiwan

Yulon Motors, the Taiwanese auto manufacturer, has agreed to establish a 50:50 JV with Chinese auto manufacturer, **Dongfeng Motors**, in Hangzhou, China, with an initial investment of US\$230m. The new JV, **Dongfeng Yulon**, with an initial capacity of 240,000 vehicles will manufacture SUVs, sports cars, MUV's, sedans and electric vehicles under the brand *Luxgen*. *December 20, 2010*

Philippines

BYD Auto, the Warren Buffet backed Chinese car battery manufacturer, plans to establish a new assembly plant in Philippines. The new plant will manufacture electric vehicles and components, and caters to the growing demand for electric vehicles in China, Philippines and other exports markets. The estimated investment size has not been disclosed. *February 8, 2011*

Asian Auto Transactions with Multiples (12 months ending 16Mar11)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
19-Oct-10	Multistrada Arah Sarana	Indonesia	PT. Central Sole Agency	Indonesia	\$20.2	981.0%	6.7x	1.3x	10.2x
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	\$13.7	33.2%	6.7x	0.5x	20.3x

Source: Capital IQ, BDA

The stock indices and trading multiples graphs shown in this newsletter represent the ten largest publicly traded auto components companies in Asia.

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.

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