

ASIAN AUTOMOTIVE NEWSLETTER

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

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INTRODUCTION

We hope you find the *Asian Automotive Newsletter* informative.

BDA is a corporate finance advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at cmaynard@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Charles Maynard
Managing Director

CHINA

Anshan Iron & Steel, FAW and Japanese trading house **Mitsui** signed a JV agreement to establish a coil center for automotive-grade steel sheet. Construction is scheduled to start in April 2005. The facility, to be jointly operated by the three companies, is located in Zhangchun in Jilin Province. It has a capital base of with Rmb92m (US\$11m). Mitsui and China FAW Group each hold a quarter of the shares, while Anshan Iron and Steel owns 50%. (March 22, 2005)

US component supplier **ArvinMeritor** has announced the formation of a JV with **First Auto Works (FAW)** unit **FAW Sihuan Axle Brake Group**. The JV will produce air disc brakes and automatic slack adjusters for commercial vehicles. A new facility is expected to be established later this year with targeted annual production of 90,000 brakes for domestic and export markets. (June 1, 2005)

Japanese manufacturer **Asahi Glass Co** has become the second largest auto glass producer in China after forming another JV and expanding capacity. The company, which is wholly owned by **Asahi Glass Company (AGC)**, is based in the Qinhuangdao Economic and Technologic Development Zone and produces flat glass and automotive glass, amongst other products. AGC is planning further expansions of its production capacity in the region to make the Chinese venture one of its most important production centers in the Asia-Pacific region. (April 13, 2005)

Calsonic Kansei Corp will set up two manufacturing units in Guangzhou. Calsonic Kansei hopes to boost auto parts supply to local operations of Nissan, its top shareholder, as it seeks to expand in the region. The two wholly-owned firms are **Calsonic Kansei (Guangzhou) Components Corp**, the manufacturer of exhaust system components, and metal mould maker **Calsonic Kansei Engineering (Guangzhou) Tooling Center Corp**. The two firms are scheduled to begin operations in early 2006 and are estimated to general annual sales of Rmb100m (US\$12m) for the exhaust system parts maker and Rmb50m (US\$6m) for the mould maker. (March 25, 2005)

Japanese automotive component supplier **Clarion** is to transfer all domestic production of car audio products, excluding luxury goods, to China by 2007. The company already owns production and development locations in Fujian and Guangdong provinces, and will relocate production of car CD players and other audio equipment from its Japanese Tohoku plant to these sites. The Tohoku plant, Clarion's only domestic plant, will continue to manufacture high-end products and will increase production of car navigation systems, which require relatively advanced technology. The company is making the move to reduce production costs. (March 30, 2005)

Continental, the German component and tire supplier, has announced that it pulled out of its tire-making JV plans with China's **Qingdao Doublestar** but was still searching for a partner as it plans to set up a manufacturing presence in China. Continental explained that its collaboration plans with Qingdao Doublestar broke off because the company could not secure a majority holding in the JV, which it viewed as risk. Continental is the only leading tire-maker not to have established a stronghold in China yet. (March 3, 2005)

Conti-Tech Vibration Control, a division of German **Continental**, has signed a JV agreement with **Ningbo Jiebao**, a Chinese component supplier. A total Euro1.5m (US\$1.8m) will be

invested in the construction of a new plant in Ninghai, which will specialize in the production of spring strut bearings for VW Group customers. The new facility will also supply seals for GKN. From 2006, the JV, called **Contitech-Jiebao Power Transmission Systems**, will expand its product range to include engine mounts and other types of suspension mounts in order to start supplying domestic manufacturers. (March 15, 2005)

DaimlerChrysler is in talks to set up a China venture that would make and export Chrysler cars to North America. A final decision on whether to go ahead is due in the second half of this year. It also plans to source more car parts from China. If DaimlerChrysler and the unspecified partner decide to proceed, the German automaker would be the first Western player to set up export-oriented factories in the Asian country. (April 21, 2005)

Japanese companies Denso and Hanshin Electric have established a JV in China as a base for manufacturing ignition coils. The unit is Denso's fourteenth and Hanshin Electric's first production base in China. **Wuxi Denso Hanshin Automotive Products** will be located in the city of Wuxi, Jiangsu province. Starting with an initial capital investment of ¥2.1bn (US\$20m), Wuxi Denso is due to commence commercial production in January 2007. (March 13, 2005)

Denso and Toyoda Boshoku are to establish a JV in Foshan city to make oil filters. The new JV, named **Foshan Boshoku Auto Parts**, is targeting annual production of 16 million units for Toyota. Toyota is boosting local production levels in China in a bid to catch up with local rivals, having set up its first JV in mid-2002. Toyota now has JV operations in Tianjin, Sichuan and Guangdong. (May 17, 2005)

Denso has set up a car navigation systems JV in Tianjin. **Denso (Tianjin) ITS** is expected to begin production in February 2006. Denso's wholly-owned company **Denso (China) Investment Co.** has a 95% stake in the JV with local partner **Tianjin**

TEDA Group holding the remaining 5%. Annual production is expected to be 60,000 navigation units. Denso said that it expects car navigation system demand in China to rise tenfold to 500,000 units in 2010 from 50,000 units in 2004. (June 13, 2005)

Ford Motor has received approval from the Chinese government to build an engine plant in Nanjing. The plant initially will make engines for Ford and **Mazda** cars assembled in China, but eventually it could make engines for export as part of Ford's US\$1bn investment program in China. Mazda and **Changan Automotive** also are investors in the engine plant, which will have an annual capacity of 350,000 engines and is scheduled to begin operation in 2007. (May 30, 2005)

Freudenberg of Germany has announced new investments in China. In Changchun, **NOK Freudenberg Group China** has completed a new factory with additional distribution channels and a production plant for hydraulic seals also planned for the immediate future. In addition, a new car and truck filter production plant operated by the German-Japanese-Sino JV **Freudenberg & Vilene Filter (Changchun) Co** has been inaugurated in Changchun. The new filter plant in Changchun supplies leading automakers in northwest China with engine and cabin air filters. (May 23, 2005)

General Motors, along with its local partners, will invest Rmb3.2bn (US\$387m) in an engine factory in the southwestern city of Liuzhou. GM has also signed an agreement to buy local producer **Etsong (Qingdao) Vehicle Manufacturing Co** and convert it into a plant that will begin building mini-vehicles by 2H 2005, with an initial annual capacity for between 60,000 and 70,000 units. The engine plant in Liuzhou is expected to be completed by 2007 and will have an initial annual capacity of 300,000 units. (June 2, 2005)

GKN announced its seventh JV in China to produce engine components as part of its plans to further expand its automotive presence in China. **GKN Zhongyuan Cylinder Liners** in the city of

Mengzhou in Henan province will manufacture more than 3,000,000 cylinder liners a year for trucks, both for domestic use and export. Production is due to begin in 2006. GKN has six other JVs in China, four of which are controlled by GKN's powertrain department. (April 24, 2005)

Honda will export left-hand-drive versions of its *Jazz* small-segment car to Europe from China. The first *Jazz* models will be shipped to the Belgian port of Ghent in June. The shipment will be a couple hundred cars. Honda plans to make around 10,000 *Jazz* units in China for export this year. Honda's plant in Guangzhou in southern China builds only left-hand-drive versions of the *Jazz*, sold as the *Fit* in China. (May 30, 2005)

Hyundai Motor Co is planning to set up an Rmb10bn (US\$1.2bn) auto JV with **Guangzhou Automobile Group**. Hyundai and Guangzhou are still in talks and no agreement has been made at present. Hyundai currently has a 50/50 JV with Beijing Automotive Industry Holding called Beijing Hyundai Automobile Co. Hyundai's Kia Motors also has a JV in China, Dongfeng Yueda Kia Motors Co. (May 12, 2005)

Isuzu Motors Ltd. plans to raise its stake in Chinese light truck maker **Qingling Motors Co.** to 20% from a current 7%. Isuzu will offer to buy 325 million shares in Qingling, which makes commercial trucks under the Isuzu brand, for a total ¥9.4bn (US\$88m). Isuzu said it may also establish engine and marketing JVs with the Chinese company. (May 20, 2005)

Kayaba Industry, the hydraulic equipment maker, has set a 2007 deadline for increasing its production of automobile shock absorbers in China by 130% over projected 2005 levels to meet the rising local demand for cars made by Toyota, Nissan and other Japanese OEMs. The company plans to raise the yearly output at its Jiangsu Province plant to 2.4 million units from an estimated 2005 level of 1.05 million. Kayaba aims to boost sales in China to

¥5bn (US\$47m) by 2007, a ¥1.2bn (US\$11m) gain over expected 2005 levels. (May 17, 2005)

Key Plastics of the US has announced a JV with **Jiehua Automotive Trim Development Centre of Shanghai**. The JV, **Shanghai Key Automotive Plastic Component Co**, includes the assumption of two production facilities in Anting and Chunshen. Products currently made by the JV include instrument panel components, interior trim, wheel covers, cluster finish panels, headlamp bezels, bumper and exterior trim components. Additional offerings will expand to the production of door handles, radio/HVAC bezels, air vents and so on. The JV currently produces US\$18m in annual revenue, growing to US\$50m in 2009. (May 23, 2005)

Kia Motors has signed a deal with two Chinese partners to build a US\$790m auto plant in Jiangsu province. The factory in Yangcheng city in eastern China will increase annual manufacturing capacity at the JV with China's **Dongfeng Motor** and industrial group **Yueda** to 430,000 units from the current 130,000. Kia holds a 50% stake in the mainland venture, while Dongfeng Motor Corp and Jiangsu Yueda Investment each own 25%. (May 11, 2005)

Canadian auto parts maker **Linamar Corp** has signed a leasing deal with the City of Wuxi in the province of Jiangsu for a facility where it expects to begin production in Q1 2006. It also details a plan to buy a 50,000-square-metre lot where Linamar will begin building a new manufacturing facility within the next 12 to 18 months. Apr. 15, 2005

Metaldyne announced that it will open two manufacturing plants in China. A plant in Hangzhou - Metaldyne Chassis Manufacturing Hangzhou - will begin producing steering knuckles for an unidentified North American automaker in August. The second plant will be in Suzhou. Construction will begin in July, and the plant will be operational by Mar. 2006. It will produce powertrain components, including aluminum die-cast valve bodies, crankshaft dampers and sintered engine products. (April 25, 2005)

French tire-maker **Michelin** stopped tire production at its Shanghai plant in China in order to reduce inventories. The tire-maker blamed sluggish demand for the move. The facility, which opened in 1993, has a total annual capacity of 2 million tires for light vehicles. Following the rapid scaling up of the Chinese vehicle manufacturing industry, international tire-makers rushed to invest in the country and developed large production capacity. However, the Chinese auto market has recently grown at a slower pace than previously expected, forcing some suppliers to cut production. (March 22, 2005)

Robert Bosch GmbH has opened a third engineering center in China. The center, located in Suzhou, will validate materials and components sourced in China for use in Bosch operations worldwide. The center will be able to release products for global use from China, speeding up the sourcing process. Initially the Suzhou center's main task will be adapting existing Bosch products that will be produced in Suzhou for China. The center also will develop components for the domestic market. Bosch spent US\$60m to build the engineering center, which is wholly owned by Bosch. It will have a staff of 200. (May 30, 2005)

Shanghai Automotive Industry Corporation (SAIC) is planning to mass-produce the *Rover 25* and *Rover 75* in China from 2006, effectively competing with its current partners GM and VW. SAIC paid £67m (US\$123m) for the intellectual property rights to MG Rover's 25 and 75 sedans before it pulled out of a rescue deal for the UK carmaker in April. It also owns the same rights to Powertrain, MG Rover's engine and transmission unit. MG Rover went into administration last month following the collapse of the deal. The Chinese carmaker lacks the rights to use the Rover brand name, which are currently owned by BMW, but is likely to build the Rover 25 and Rover 75 under its own brand name in China. (May 13, 2005)

Shenyang Aerospace Xinguang Group and **Mitsubishi Heavy Industries** are to set up the largest automotive valve factory in China. Based in Shenyang, capital of Liaoning, the project calls for

an investment of some Rmb280m (US\$34m). The first phase of the operation envisages annual output of 10 million engine intake and exhaust valves, beginning October 2005. Volume is to double in 2008 and hit 30 million in 2010. Shenyang Aerospace's core business is the design and manufacture of civil aircraft but it also has a substantial interest in automotive parts. (March 24, 2005)

TI Automotive is opening its first HVAC plants in China and its tenth production facility in the country. Production begins in May. The HVAC plant, in Shanghai, is located in the International Automobile City development next to a TI Automotive brake-and-fuel line facility that opened in 2004. TI Automotive's HVAC Group is part of the company's Fluid Carrying Systems Group, which generates 50% of the company's total annual sales. HVAC products include air-conditioning lines, accumulators, receiver driers, formed heater hoses and transmission oil cooler lines. (April 26, 2005)

Toyota aims to eventually build every car that it makes in China with 100% locally sourced parts in a bid to lower still-high production costs. Underscoring the emphasis on the China market, Toyota President Fujio Cho said recently that the world's second-biggest auto maker would assign one of its eight new vice presidents to take office in June solely for the Chinese market. (April 21, 2005)

Toyota plans to build a third auto plant in Tianjin with capacity of 200,000 units. A Toyota spokesman said no decision had been made on building another plant in China, where the world's No. 2 automaker already has 13 production sites, but said construction would begin by the end of the year with operations starting in 2007. The factory, which would be Toyota's fifth assembly plant in China, would raise its annual output capacity in the country, including that of a Guangzhou plant to start up in

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2006, to more than 500,000 units from about 230,000 now. (May 26, 2005)

Trelleborg of Sweden began production at an automotive plant in Wuxi, near Shanghai. It replaces an earlier Trelleborg facility in Wuxi and doubles local production capacity. The 215,000-sq. ft. plant likely will boost Trelleborg's annual sales in China to more than US\$50m by year-end 2008 from about US\$20m currently. The facility employs 300 and manufactures parts such as suspension bushings, engine and cradle mounts and exhaust hangers for customers that include VW, GM, Ford, Renault and Nissan. The business is 55% owned by Trelleborg and 45% by the **Wuxi Guolian Group**. (May 20, 2005)

TRW Automotive says it will expand a plant in Anting, China, and move another from Shanghai to a larger site in Anting. The plants will make airbag electronic control units and airbag and steering wheel products. (May 2, 2005)

TT Electronics plc, a world leader in resistor and sensor technology, acquired **Dage Limited (DBS)**, an operating division of **Dage Holdings Limited**, a contract electronic manufacturing services business with facilities in Suzhou, China. TT Electronics has acquired DBS for £8.0m (US\$14.7m). TT Electronics has been manufacturing in China through sub-contracting arrangements, but is now prepared to meet the requirements of major OEM customers, particularly within the automotive industry. (March 10, 2005)

The **Util Group**, the Italian manufacturer of car brake components, paid Euro15m (US\$18.4m) to acquire the assets and the business of **Linchuang**, a company based in Panyu, Guangdong province. Linchuang produces 20 million brake tablets per year. This compares to Util Industries, controlled by Investitori Associati, which produces around 30 million tablets. (May 5, 2005)

Yutaka Giken Co has set up its fourth subsidiary in Wuhan, China, to produce exhaust pipes and other parts related to automobile exhaust gas emissions, company officials said. The subsidiary

will mainly supply parts to **Honda Motor's** auto plants in China. It is capitalized at ¥600m (US\$6m), 80% of which has been contributed by Yutaka and the remainder by a local motorcycle parts maker. The company will spend about ¥1.5bn (US\$14m) to build a plant, which will come on-stream in Apr. 2006. (April 28, 2005)

made from Completely Knocked Down (CKD) kits from Japan. Annual output at the JV's Chennai plant is targeted to rise from 2,200 units to 4,500 by Mar. 2007. The partnership is also planning to add the *Grandis* minivan and *Outlander* SUV as Completely Built Up (CBUs) units to the *Pajero* as Mitsubishi seeks to expand in the booming Indian market. (May 31, 2005)

INDIA

Hyundai India has announced that its investments in India will be increased to around US\$700m in the next three years in order to increase capacity to 400,000 units per annum. Hyundai is gearing up its operations further in an effort to challenge Maruti Udyog and Tata Motors in their home market, while India's position as Hyundai's small-car export hub continues to gain importance in the company's global expansion strategy. Going further, the company is likely to set up a R&D center in India, where the government provides such units with lucrative tax credits. (May 12, 2005)

French-Indian JV **Michelin-Apollo Tires** is reportedly examining the possibility of passenger car tire production in India although no specific plans have been made as of yet. The JV, which manufactures commercial vehicle tires in India, currently imports Michelin-branded passenger car tires into the country. The JV provides Apollo with access to Michelin's technology, while the French giant benefits from its Indian partner's established position in the market. (March 21, 2005)

Mitsubishi Motors and its Indian partner, **Hindustan Motors**, have announced plans to expand production of the *Lancer* model in India and to increase the number of models imported into the market. Mitsubishi is also looking into sourcing more parts locally for the model, which is currently

Toyota Kirloskar is reportedly planning to set up a new plant in north India. Toyota Kirloskar's existing plant in Bidadi, near Bangalore, is currently running at full capacity at 60,000 cars a year. The new plant will build volume cars, boosting the company's capacity in line with its plans to capture a 10% market share by 2010. The planned investment is needed in order for Toyota to compete in the small, economy segments that account for around 70% of Indian sales, and may lead to some joint manufacturing with Toyota's small-car company, **Daihatsu**. Toyota plans to enter these segments by 2008, in line with its plans to sell 200,000 units in India by 2010. (May 23, 2005)

Sumitomo of Japan plans to raise its stake in **Swaraj Mazda** to over 25% by purchasing an additional 14.99% stake from **Punjab Tractors**. Swaraj Mazda is a commercial vehicle JV owned by Punjab Tractors (29.04%), Sumitomo (15.6%) and **Mazda** (10.4%). Swaraj Mazda is reported to have approached Sumitomo to take a stake in its operations and lead the development of its product development program. The Indian company is seeking to expand its product line-up into the heavy truck and bus segment from its main focus on light commercial vehicles. (May 27, 2005)

VW is to invest US\$900m to set up a manufacturing facility in Vishakhapatnam town, in southern Andhra Pradesh state. The plant will employ up to 10,000 people. VW is seeking to increase its presence in the Asian region outside of its Chinese ventures, and India is seen as a key area in this strategy. (May 9, 2005)

INDONESIA

Nissan plans as early as 2007 to more than triple annual automobile production capacity in Indonesia from 12,000 units to 40,000 to meet growing demand in that nation. Nissan also hopes to catch up to Toyota in the Southeast Asian market by launching a global minivan. The company is designing a global car for developing markets in Asia, the Middle East, and Central and South America that it plans to mass-produce in Indonesia and other plants in Asia. In partnership with an Indonesian firm, it is also expanding its local dealership network from 38 outlets to 60. (May 20, 2005)

Japanese supplier **Showa** is investing ¥400m (US\$4m) in its local subsidiary plant in Indonesia to support Honda, Showa's main customer, which is constructing a new factory in the region, scheduled to begin production in October. Showa, which has a 55% stake in the plant in Jakarta, wants to increase the production capacity of motorcycle shock absorbers by 40%. Showa manufactures shock absorbers for cars and motorcycles at the plant and will add a paint line and two shock-absorber cylinder manufacturing lines. The new facility will increase its volume to 3 million units, from 2.5 million units. (March 24, 2005)

JAPAN

Robert Bosch GmbH announced plans to invest more than Euro110m (US\$133m) in Japan this year, focusing mainly on the automotive technology sector. Bosch aims to reach sales of ¥300bn (US\$2.8bn) in Japan in 2005. The company said it would merge its Japan trading arm, **Bosch KK**, into **Bosch Automotive Systems** on July 1, renaming

the company **Bosch Corp.** Japan is Bosch's third-largest market outside Germany, accounting for more than half of its sales in Asia. Bosch said it aimed to strengthen its ties with Japanese car manufacturers to benefit from their robust expansion abroad. Weak sales to General Motors and Ford Motor have had a major impact on Bosch. (June 14, 2005)

Japanese automaker **Honda** is boosting its stake in component supplier **Kikuchi** from 8.3% to 20.7%. Honda is raising its stake in Kikuchi in order to strengthen cooperation between the two companies. This will be primarily in the local production of body frame components in Asia, where Honda is targeting strong growth. (May 25, 2005)

KOREA

American Axle expects to go from zero to US\$500m in Asian sales by 2010, says CEO Richard E. Dauch. A deal worth US\$50m annually to supply axles to Korean automaker **Ssangyong Motor Co.** marks the Detroit driveline supplier's first big penetration of the Asian market. The axles will be built in North America, but Dauch says he could have one to two plants in Asia within five years. (May 2, 2005)

Bosch Korea will invest W140bn (US\$139m) by 2008 in diesel-related projects and the expansion of its technology research center. The investments will be made at its Daejeon plant and Yongin Technology Development Centre. Following the lifting of the ban on diesel-powered passenger cars earlier this year, the South Korean diesel market has attracted growing interest from automakers and component suppliers alike. While Korea's diesel penetration rate is expected to increase to 35% in the next four years, local automakers' export plans, particularly into Europe, are further exciting component suppliers' interest in this field. (May 12, 2005)

Hyundai Motor will build a second integrated steel plant in Korea. The country's biggest automaker is seeking to avoid shortages of key raw materials. **INI Steel**, the Hyundai subsidiary, said that it will begin constructing an integrated steel mill in 2007. INI Steel said a blast furnace with an annual capacity of 3.5 million tonnes will be built by 2010, with another to be constructed later. The total capacity of seven million tonnes would help Hyundai and its subsidiary, Kia, secure stable supplies of steel. Hyundai alone needs 1.7 million tonnes of steel a year. (May 20, 2005)

Hyundai Mobis, has acquired a controlling stake of 38.3% in **Korea Automotive Systems** for ₩25.7bn (US\$26m). Korea Automotive Systems, a former Kia affiliate, was known as Kasco until 1999, when it was bought and renamed by **Korea Flange**. It controls 25% of the brake system market in Korea, generating revenues of ₩255bn (US\$250m) in 2004. The acquisition is expected to benefit Hyundai's supply of parts. (June 3, 2005)

Canadian auto parts supplier **Linamar Corp** said it will open a new plant in Korea to produce transmission components. The plant, to be located in North Jeolla province, is scheduled to start production in mid 2007 and is the company's second plant in Korea. (April 18, 2005)

Mando, Korea's largest car parts maker, is to be put up for sale with a price tag of US\$1.5bn-US\$2bn, generating a substantial windfall for owners **JP Morgan Partners** and **Affinity Capital**. **JP Morgan** has been picked to arrange a sale of the group, which they acquired in an LBO in 2000. Formal talks have not yet begun but interest in the company, which is a big supplier to Hyundai Motors and Kia Motors, is expected to come from international competitors and private equity groups. Hyundai itself is seen as a potential bidder, provided it can allay anti-trust concerns. The deal is scheduled to be completed in Q4 2005. (May 4, 2005)

Piolax Inc is adding a manufacturing site in South Korea to increase production of fasteners and other autoparts. Its plant in Incheon generated sales of

¥500m (US\$5m) in fiscal 2004 from fasteners, dampers and fuel line parts. It will lease land and buildings adjacent to the existing facility from a local company, expanding the total floor space there by 50%. Piolax plans to spend ¥100m (US\$1m) to install equipment in a move expected to boost sales to ¥700m (US\$7m) in fiscal 2005 and ¥900m (US\$8m) in fiscal 2006. (May 26, 2005)

Saint-Gobain has increased its share of voting rights in **Hankuk Glass Industries (HGI)** from 46% to 80.5%. HGI is mainly present in South Korea, China and Japan. The company manufactures glass for the architectural and automotive markets and is also present in certain specialty glass segments. Saint-Gobain and HGI have a long-established partnership in Korea and China, mainly in the flat glass sector. This operation serves to strengthen Saint-Gobain's positions in Asia and is consistent with the group's strategy of development in emerging countries. (April 8, 2005)

India's **Tata Motors** has announced its intention to enter the Korean car market this year. An anonymous company official has been quoted as saying that Tata is planning to gain share in Korea by offering its Indica and Indigo models for sale at a cheaper price than the country's domestic automakers' products. The product will be priced 10% - 30% less than the price for comparable Korean cars. While it will be a challenge for Tata to break the domestic automakers' market dominance, the company is hoping to take advantage of the increased popularity of compact vehicles in Korea. (April 22, 2005)

MALAYSIA

Geely Automobile Holdings Limited (Geely) will produce, assemble, and export sedans in Malaysia. Geely signed a complete vehicle and CKD parts and components agreement with Malaysia's IGC Group. Geely has plans to export 10,000 complete

vehicles and 30,000 sets of CKD parts and components to Malaysia in 2006. The sedan models include *CK1*, *FC1*, and *LG1*. Geely aims to produce two million vehicles by 2015 and sell two thirds of them in the overseas market. (June 1, 2005)

THAILAND

Federal-Mogul's friction products plant in Ayuttaya, Thailand has increased output 300% over the last two years, prompting relocation to a new, bigger facility that is three times the size of the original site. The new plant, which requires an additional 173 employees, makes light vehicle and motorcycle disc pads for OE and aftermarket applications. (March 13, 2005)

Isuzu has announced that it will invest ¥10bn (US\$94m) through 2007 to boost its pick-up truck production capacity in Thailand from 150,000 units per annum to 200,000, in order to meet surging local demand and to defend its leadership position of the pick-up market. In the initial phase, the company will spend ¥4bn (US\$37m) in production of vehicle bodies, engines and transmissions. The news follows Isuzu's earlier announcement that it was planning to invest ¥20bn (US\$188m) to double its production capacity in Thailand. (May 2, 2005)

Nifco plans to construct a factory in Thailand for manufacturing plastic parts such as fasteners for automobiles starting in 2006, buoyed by increased local production by Toyota and others Japanese auto OEMs. Nifco intends to spend ¥180m (US\$2m) on the building, plus almost ¥100m (US\$1m) each year on equipment such as molding machines. The unit hopes to more than triple sales to ¥1bn (US\$9m) in 2006. The new facility is to have 4,700 sq. meters of floor space, which,

coupled with its existing plant, will nearly double its total floor space. (May 13, 2005)

Nissan has pledged to increase its investment in Thailand by ¥50bn (US\$470m) to ¥78bn (US\$730m) by 2008. Nissan is stepping up its investment in Thailand in order to lower production costs through an increase of its local parts procurement for its pick-up operations and expand its product offerings. The Japanese automaker plans to invest a further Bht1bn (US\$25m) in making a new fuel-efficient engine in Thailand. Nissan is also shifting its mould manufacturing process from Japan to Thailand for local use and shipment to Southeast Asian operations. (May 4, 2005)

Piolax (Thailand), the subsidiary of **Piolax** of Japan, will raise production of fasteners, dampers and precision springs in Thailand. It will spend about ¥200m (US\$2m) to expand the plant by 40% by acquiring the land and buildings adjacent to the existing facility and adding equipment. The expanded operation will come online this summer. Through this project, the company expects to raise sales to ¥700m (US\$7m) in fiscal 2005 and ¥800m (US\$7m) in fiscal 2006. (May 26, 2005)

Indian truck-maker **Tata** is in talks with a Thai partner over beginning local assembly operations. The deal will give Tata access to the major pick-up market in Thailand as well as potentially grant access to Southeast Asia through the ASEAN Free-Trade Area (AFTA). AFTA access is granted to Thai automakers with a 60-70% local content ratio. (April 1, 2005)

Thai Stanley Electric will spend Bht1bn (US\$25m) this year on capacity expansion as local automakers step up output. The investment will increase its capacity by 10% - 15%, according to executive vice president Apichart Leeissaranukul. The company's production lines at running at almost full tilt, and with vehicle production expected to double to about two million units by 2010, expansion was considered necessary. (May 30, 2005)

Toyota opened its Toyota Technical Center Asia Pacific (Thailand) R&D base in Samut Prakan province in May. The opening follows the launch of the Toyota Technical Center Asia Pacific Australia R&D base in March. With the new R&D centers, Toyota now carries out body and major component design and evaluation in five bases in Asia, North America, Europe, Australia and Japan. The role of the overseas bases is to take platforms and base models developed in Japan and modify the specifications and body to meet local tastes. (May 13, 2005)

Yokohama Rubber Co will invest more than ¥10bn (US\$94m) to build a second tire plant in Thailand. The plant is due to start producing tires mainly for passenger cars from fiscal 2006. **Yokohama Tire Manufacturing (Thailand)** plans to start construction work by the end of the current business year and will have a capacity of 1.5 million tires annually, including those for pickup trucks. The company intends to target the local replacement market as well as supply Thai auto plants. The new factory will be Yokohama Rubber's seventh overseas plant. (May 12, 2005)

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ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions and divestments. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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