

ASIAN AUTOMOTIVE NEWSLETTER

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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

Asahi Glass Company (AGC) (China) has acquired **Qinhuangdao Haiyan Safety Glass Company** and is now the second largest auto glass producer in China. AGC (China) is wholly owned by **Asahi Glass** of Japan. It invested more than US\$33m in the first phase project that is designed to have an annual production capacity of 1.6 million sets. The total investment has increased to US\$61m and the annual production capacity will increase by 1.2 million sets. (September 1, 2005)

Benteler of Germany signed a JV agreement with **Changrui Auto Pressed Parts Co** in Changchun, capital of Jilin Province. The JV, **Benteler Changrui Auto Systems (Changchun) Co Ltd**, involves a total investment of Rmb215m (US\$26m) and will mainly produce auto replacement parts and systems. Benteler specially produces parts and components for Benz and Volkswagen in Germany. (July 7, 2005)

Bridgestone Corp has announced plans to set up R&D centers in Wuxi, Jiangsu. The tire-maker earlier this year set up its fourth China plant in Huizhou, Guangdong province to manufacture truck and bus radial tires with production to start in January 2007. (August 26, 2005)

DaimlerChrysler has announced that it is raising its stake in its Chinese JV, **Beijing Benz DaimlerChrysler**, from 42% to 50%. DaimlerChrysler paid a low double-digit million euro sum to increase its stake. The JV is to begin production of the *Mercedes-Benz E-Class* in

November this year with output of the *C-Class* and to follow. DaimlerChrysler also announced US\$350m in additional spending to make *Chrysler 300C* sedans in Beijing with **Beijing Automotive Industry Holding Co**, and build *Mercedes-Benz Minivans* in Fuzhou city and in Taipei. (September 16, 2005)

Fine Sinter Co of Japan will start manufacturing operations in Wuxi, China this year. The company has completed construction on a 9,000-sq.-meter Wuxi facility slated to turn out 600 tons of sintered parts in its first year. The sintered autoparts manufacturer expects to invest around ¥2bn (US\$18m) in the project. The parts will be supplied to Toyota Motor and Japanese parts manufacturers in China. (August 19, 2005)

Ford has raised its stake in Chinese commercial vehicle manufacturer **Jiangling** from 29.96% to 30%. Ford bought 321,400 Hong Kong dollar-denominated B shares worth about HK\$1.1m (US\$0.1m). Ford remains the second largest shareholder in Jiangling. Chinese company **Jiangxi Jiangling Holdings** owns 41.03%. **Changan Automobile** said that it would offer Ford an option to buy another 7% stake in Jiangling after three years. (August 11, 2005)

Fuyao Glass Industry Group, the largest auto glass maker in China, has launched three new float glass production lines. Fuyao has spent Rmb1.7bn (US\$205.4m) on building the lines. All three lines are operational and are predicted to generate 500,000 tons of float glass a year. Meanwhile, according to a Rmb2bn (US\$241.64m) agreement signed between Fuyao and Hainan provincial government, the company will build five new float glass production lines in Chengmai County in Hainan Province. The first three lines will start construction in about three months' time and all five are expected to be launched by 2007. (June 25, 2005)

Goodyear Tire & Rubber Company of the US said it will inject US\$18m in producing RunOnFlat tires in its Dalian plant. RunOnFlat tires will be

brought on line in 2007. Goodyear aims to sell and export as much as 200,000 tires in China within five years. The company has moved its Asia Pacific headquarters from the US to Shanghai and is deploying its nationwide standard service network in the country now. (July 18, 2005)

Hyundai Mobis announced that it has taken over a JV set up by **Kasco** and a Chinese automobile parts firm in Jiangsu Province. The acquisition of the venture, which produces brake and steering systems, will enable the firm to increase its annual production capacity of chassis modules to 1 million units by 2007. Mobis renamed the firm **Wuxi Mobis** after the takeover. Mobis also plans to establish new facilities in China to manufacture brake systems, steering pumps and steering assemblies. Wuxi Mobis is expected to produce up to 1 million brake systems annually from the current 100,000 units and up to 1 million steering pumps from the current 200,000 units. (July 28, 2005)

Hyundai Motor signed a preliminary agreement with **Guangzhou Motor Group** to set up a US\$1.2bn commercial vehicle JV. Hyundai and Guangzhou Motor will each spend US\$430m as an initial investment in the JV, with the remainder being made by 2011. The venture, which will begin production in 2007, will have an annual production capacity of 200,000 units by 2011. (June 21, 2005)

Koyo Seiko Co has constructed an automobile bearing facility in Wuxi, Jiangsu Province, and one in Foshan, Guangdong Province. The company now has five bearing plants in China. The company is investing some ¥4bn (US\$36.3m) in the Wuxi site, installing production lines that will turn out automobile bearings, while ¥2.7bn (US\$24.5m) is being invested in the Foshan facility, which will mass-produce hub bearings for the undercarriage of cars. The Wuxi site is wholly owned by Koyo Seiko, and the Foshan facility is a JV with a Taiwanese company. Both plants are expected to be in full operation in 2006. Demand for bearings is increasing in China as Toyota Motor and other automakers bolster production in the country. (August 17, 2005)

Kumho Tire Co of Korea and China's **First Automobile Works (FAW)** have agreed to build a US\$150m tire plant in Changchun. Kumho will hold a 90% stake in the new venture, and FAW will take the remainder. The new plant will merge with Kumho's plants in Nanjing and Tianjin, and it will then become the major production base for Kumho in China. The plant is expected to commence production in 2007, enabling Kumho to increase its annual capacity in China to 25 million tires. (September 6, 2005)

Mahindra & Mahindra of India, which bought the tractor-making assets of **Jiangling Tractor** last year, has started its China operations by rolling out the first Mahindra & Mahindra-branded tractor in Nanchang, capital of Jiangxi province. Mahindra has an 80% stake in Jiangling Tractor, a JV with JMCG, a leading automotive business group in Nanchang which holds the remaining 20%. The Nanchang plant has an annual production capacity of 12,000 tractors, and will export tractors initially to North America, Europe and India. (July 8, 2005)

Nanjing Automobile beat out rival Chinese carmaker **Shanghai Automotive Corp (SAIC)** to buy the assets of bankrupt British carmaker **MG Rover** and its engine producer Powertrain. Nanjing said it would relocate MG Rover's engine plant and some car production to China. However, it expected to employ up to 2,000 British workers and produce at least 80,000 MG saloon and sports cars within 5 years, and develop a research and development facility. A source familiar with the situation said Nanjing's purchase price was between £50m (US\$92m) and £100m (US\$183.7m). (July 22, 2005)

Nissan Diesel Motor plans to boost its interest in **Dongfeng Nissan Diesel Motor Co**, a JV with major Chinese automaker **Dongfeng Motor** group, trading house **Sumitomo Corp** and Singapore's **Tan Chong Group**. The move will put a Chinese production JV under the effective control of a Japanese truck company for the first time. Nissan Diesel will purchase Sumitomo's 15% stake and

the Tan Chong Group's 10% stake for around ¥1bn (US\$9m), boosting its interest to 50%. Dongfeng Nissan Diesel Motor is also to cooperate with Nissan's Chinese unit Dongfeng Motor in development, parts procurement and sales. (July 26, 2005)

NSK Ltd, a maker of automotive bearings, plans to expand production capacity at two factories in Jiangsu province in China. It will invest about ¥1.5bn (US\$13.6m) to increase production of automotive bearings at the facility that assembles the parts from 3 million units monthly to 5 million at the beginning of next year. These products will be delivered to customers such as a VW JV and Chinese automaker SAIC-Chery Automobile Co. (August 23, 2005)

Sanden Corp is building another automotive air conditioner factory near Tianjin in a bid to keep pace with rising demand there. The estimated ¥1bn (US\$9m) project will be undertaken by **Tianjin Sanden Automotive Air-Conditioning Co**, the Chinese production firm in which Sanden has a 52% interest. Work has already begun at the site, and the new factory is slated to come onstream in summer 2006. The new plant will boost Sanden's annual production capacity in China to 500,000 units, up from the current 100,000 units. (September 2, 2005)

Sensus Metering Systems of the US has agreed to set up a Sino-US precision die-casting company in Yangzhou, Jiangsu Province. With a total investment of US\$30m and a registered capital of US\$15m, **Sensus-Rongtai Precision Die Casting (Yangzhou) Co** will mainly engage in manufacturing and processing die-casting parts and accessories for automobiles. Sensus will contribute US\$9m and Rongtai, US\$6m. Rongtai was co-founded by Lantech Ltd of Hong Kong and Zhuhai Baitai Corp in 2001. It offers accessory products for such well-known automakers as China's FAW, Visteon Corporation of the US, WABCO of Germany and ZEXEL of Japan. (August 11, 2005)

Shinsho Corp has teamed up with four Japanese mid-sized autoparts producers to form a company that will begin manufacturing automotive nuts and bolts in China. The new firm will supply products to the local factories of Toyota Motor and Mazda Motor. Capitalized at ¥1.3bn (US\$11.5m), the Zhejiang Province company is 10% owned by Shinsho, with the remainder controlled by the four partners. The new firm is investing about ¥1.2bn (US\$11m) to build a factory with a monthly production capacity of 200 tons of steel materials. Nuts and bolts manufactured there will be shipped to Toyota plants in Tianjin and Guangzhou as well as a Mazda facility in Nanjing. (August 3, 2005)

Showa Corp will invest about ¥1bn (US\$9m) to construct a plant at its fourth Chinese location in Wuhan. The firm is seeking to increase production by 30-40% from the current production of 250,000 units per year. The plant will have an annual production capacity of 100,000 units and will have two lines for shock absorber production and two lines for the production of hydraulic power steering systems. The new plant is slated to begin operation in the summer or autumn of 2006 and is being built in part to meet the needs of Honda Motor, which is expanding SUV production in Wuhan. (August 3, 2005)

Toyota Motor announced that it will start assembling *Prius* hybrid cars in China this year. The first overseas production of the hybrid car will be handled by **Sichuan FAW Toyota Motor Co**, a JV between Toyota and major Chinese automaker China **FAW Group Corp**. The production at the JV's factory in Changchun, Jilin Province, will center around assembling batteries, motors and other key components imported from Japan. Toyota has decided to start building the Prius in China because it anticipates rising demand there for greener cars. (August 4, 2005)

Unipres Corp plans to spend about ¥1.5bn (US\$13.6m) to build a 5,800-sq.-meter factory in Guangzhou that produces pressed metal molds for autoparts, supplying the output mainly to the local operations of Nissan Motor. Unipres already produces pressed autoparts in China, but either

imports the metal molds used there from Japan or procures them from local manufacturers. By building the new factory, Unipres intends to lower the cost of pressed autoparts and metal mold production and distribution in China. (August 8, 2005)

Visteon has announced three new JVs in China. The company announced a full takeover of **Jiangsu Tianbao Technology**, in collaboration with **Shanghai Automotive** and their mutual JV, **Yanfeng Visteon Auto Electronics**. The business has been recapitalised and renamed **Jiangsu Tianbao Auto Electronics**. Visteon intends to develop Jiangsu Tianbao Auto Electronics into a world class centre for automotive acoustics and the production of related electronic parts. Visteon also took a 51.85% stake in **Yidong Meters**, based in Shaoxing, Zhejiang Province. This business, too, has been recapitalised and renamed **Yanfeng Visteon Yidong Auto Meters**. The third deal involves the formation of **Visteon TYC Auto Lamp** in partnership with **TYC** of Taiwan. (June 14, 2005)

Visteon has teamed up with Chinese automaker **Changan** in a new JV called **Chongqing Changan Visteon Engine Control Systems**. The engineering capability of this JV includes complete engine management system development – system design, calibration and validation – as well as the manufacturing of electronic control units, air-induction systems, intake manifolds and various powertrain components. The new business will support the growth of Changan Ford as well as Changan itself, particularly in the minivan and low-end passenger car segments. (August 10, 2005)

ZF of Germany has announced that it has opened its 15th plant in Changchun. **ZF FAWER Chassis Technology** is a JV between ZF and local supplier **FAWER**, producing axle systems and chassis components plant. The facility currently produces front and rear axles for the Audi A6 with other clients including Volkswagen (VW), Chery and First Auto Works (FAW). The plant is to begin passenger car and commercial vehicle component production in 2006. ZF FAWER production in 2006 is to be expanded to include passenger control arms and stabilizer bars, triangular torque rods, steering

knuckles, king pins, tie rods, steering rods and commercial vehicle four point arms. (July 19, 2005)

INDIA

Asahi India Glass, a wholly-owned subsidiary of **Asahi Glass** of Japan, is building a new glass sheet plant in Uttaranchal, northern India, in a bid to meet growing demand from the automotive and construction industries in the country. The new plant, to become operational next year, will be able to produce each day 700 tons of material glass sheets, raising the daily production capacity of the Indian company 2.4-fold to 1,200 tons. Construction of the plant is expected to cost ¥13bn (US\$118m) to ¥14bn (US\$127m). Asahi Glass owns 22.2% of Asahi India, India's largest glass maker. Asahi India is also owned 11.1% by Maruti Udyog, the country's largest automaker and a subsidiary of Japan's Suzuki Motor. (July 21, 2005)

Ashok Leyland, the Indian bus and truck manufacturer, has announced plans to increase production to 100,000 units per annum in the next two years from the current level of 63,000 units. Ashok Leyland is benefiting from strong demand in the heavy commercial vehicle (HCV) market as a result of India's improving infrastructure and rapid economic growth. (August 31, 2005)

BMW has decided to set up a premium car assembly plant in Tamil Nadu, at the Mahindra Industrial Park with an investment of Rup18bn (US\$40m). BMW will be the third foreign automaker to set up shop in Tamil Nadu after Ford and Hyundai. (September 1, 2005)

Fiat Auto, a major Italian carmaker, has increased its stake in **Fiat India** from 19.44% to 44.61%

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through an investment of more than Rup2bn (US\$45.6m). Fiat Auto and Fiat India Automobiles, the local holding company for Fiat Auto, together will hold 99.83%, while Premier Automobiles, one of India's oldest car manufacturers, will see its shareholding decline to 0.17%. Fiat India will use the fresh funds to repay debt and restructure its dealer network. (July 8, 2005)

Hyundai Mobis is setting up a locally incorporated subsidiary in order to build a new factory to make automotive components in India. The Indian factory is scheduled to be operational by 2007 and will have an annual production capacity of 300,000 units. No date has been announced for the beginning of its construction. This will mean a higher local content level for the *Santro*, which is built in India for the domestic market and global export. (June 29, 2005)

Hyundai Motors India said the company will invest up to US\$600m for product development and capacity expansion. Hyundai will also reduce the prices of its mid-size car *Accent* in September. No further details were provided. (August 17, 2005)

Neumayer Tekfor of Germany has set up a 50/50 JV with Indian car component manufacturer Amtek Auto to manufacture high-precision piston-connecting rod assemblies in India. The new JV will be the only company in India offering this type of component, and Neumayer Tekfor will use its global presence to market the product globally. (July 20, 2005)

Robert Bosch, the German industrial company, intends to acquire a further 40% in **Kalyani Brakes**, in which Bosch already holds 40%. However there is only a letter of intent in place and further details will be announced once the transaction is completed. KBX currently manufactures a range of air, air over hydraulic and hydraulic brake systems in India. For fiscal year 2004/05 Kalyani Brakes posted net sales of Rup3.574bn (US\$81.4m). (Jul. 13, 2005)

Sumitomo Corporation of Japan is planning to acquire Mazda's 15.62% stake in Indian commercial vehicle manufacturer **Swaraj Mazda**,

taking Sumitomo's stake in the company to 41.03%. The deal will benefit both sides as Swaraj is looking for financial and technical assistance to develop new vehicles, with Sumitomo looking likely to bring Isuzu on board. Sumitomo is looking to gain a foothold in the Indian light commercial vehicle market. The sale ends Mazda's interest in local truck production. Mazda divested its truck operations in India in order to concentrate on its passenger car operations. (August 11, 2005)

Toyota Motor plans to invest just over ¥10bn (US\$89.14m) with minivehicle unit **Daihatsu Motor** to build an auto plant in India that will produce 100,000 small cars per year from as early as 2007. Top Japanese auto maker Toyota, which operates in India through a JV with the Kirloskar Group, will build the new plant near its factory in Bangalore. Daihatsu will manage and operate the new plant. (July 7, 2005)

INDONESIA

Honda Motor and the **Toyota Motor** group are poised to increase their Indonesian production of small vehicles. Toyota and subsidiary **Daihatsu Motor** plan to boost output of a jointly developed subcompact - sold by Toyota as the *Avanza* and marketed by Daihatsu as the *Xenia* - to 77,100 units this year, with plans to raise it even further to 84,000 in 2006. Sales of the 1- to 1.3-liter vehicle are growing domestically as well as in such neighboring markets as Malaysia and Thailand. Honda will bolster the capacity of a suburban Jakarta factory that manufactures its *Jazz* subcompact from 50,000 units to 60,000 next year. The 1.5-liter vehicle is selling well in Thailand and Indonesia, with Indonesian sales expected to jump 30% to more than 30,000 units this year. (August 17, 2005)

JAPAN

Delphi, the US auto parts maker, has sold its entire stake in **Akebono Brake Industry**. Citing slumping sales at its main customer, GM, Delphi sold 5.9% of Akebono's outstanding shares (5.5 million) for an estimated US\$333.7m. Akebono bought back 3.5 million and **Toyota** acquired the remaining 2 million shares, increasing its stake in Akebono from 14.4% to 15.9%. Delphi intends to sell its stake in the JV it has with Akebono in **Ambrake (Kentucky)** to Akebono. Delphi's sale of the shares in Akebono effectively ends the capital tie-up between the two companies. (July 13, 2005)

Hitachi Cable, Japanese wiring harness manufacturer, is to raise its monthly production for hybrid cars by 300% between 2004 and 2008. Hitachi Cable is expanding production in order to meet rising wiring harness demand from high-tech hybrid cars. Monthly output is currently around 40,000 units, or the equivalent of 4,000 vehicles. The company plans to raise monthly output levels to equip 6,000-8,000 vehicles in 2006 and 12,000-16,000 in 2008. (August 16, 2005)

KOREA

ArvinMeritor Inc has formed a JV with Korean muffler maker **DongWon Precision Industrial Co** to supply emissions filtering systems. The 50/50 JV between ArvinMeritor's Light Vehicle Systems business and DongWon will be called **AD Tech Co**. The venture will supply diesel particulate filters and exhaust components to Korean automakers so they can comply with strict diesel emissions laws. (August 29, 2005)

GM Daewoo Automotive & Technology Co will acquire the main plant of the former Daewoo Motor firm on 30 September in a move to boost its capacity. The Pupyung plant in Incheon had been left out of the 2002 deal in which GM and partners took a majority stake in some of the assets of bankrupt Daewoo Motor. Full financial terms were not revealed, but GM Daewoo said it would assume debt worth up to US\$15m. The acquisition is seen as part of GM Daewoo's efforts to broaden its product line into sedans and SUVs to compete with its bigger rivals Hyundai Motor Co and Kia Motors Corp. (September 12, 2005)

Hyundai Hysco Co, a steel producing subsidiary of **Hyundai Motor Group**, said that its newly acquired plant has entered commercial production of steel sheets for use in the automotive industry. Hyundai Hysco and its affiliate INI Steel Co jointly acquired the cold-rolled mill in Dangjin, South Chungcheong Province, from Hanbo Iron & Steel Co last year. Once the mill enters full production by August 2006, it will have a capacity to produce 2 million tons of cold-rolled products annually. Hysco also operates another plant at Suncheon with an annual capacity of 1.8 million tons. (June 28, 2005)

Hyundai Motor said it has signed a deal with **Siemens** of Germany to set up a JV to produce electronic parts for automobiles. Hyundai Motor will invest W245m (US\$0.24m) in the venture, securing a 49.99% stake. No further details were provided. (September 5, 2005)

A consortium led by **Hyundai Motor** will soon finalize the takeover of **Hyundai Autonet**, the nation's largest car audio maker. The Public Fund Oversight Committee approved the sale of a 43.24% stake held by state-run Korea Deposit Insurance Corp. in Hyundai Autonet for W237bn (US\$230m). Hyundai Autonet currently supplies more than 50% of the audio equipment for Hyundai and Kia vehicles. If the market share of Hyundai affiliate Bontec is added, Hyundai is expected to take 70% of the car audio market after the takeover. (July 28, 2005)

Intier Automotive, the automotive interiors division of Magna International, has established a new JV in Korea called **Dae Yee Intier**. The 50/50 JV with local interiors supplier **Dae Yee Tech** is Intier's first major move in the country. Dae Yee Tech makes instrument panels, crash pads, centre console modules, and interior boot trim, primarily for GM Daewoo. The newly-created venture may supply instrument panels to GM Daewoo's assembly plant in Ansan (Korea) when it becomes operational in 2007. Dae Yee Intier is likely to expand the customer base to include Hyundai and Kia in Korea, but is also likely to target original equipment manufacturer (OEM) facilities in other Asian countries, including China. (August 26, 2005)

Mando Machinery, the Korean components manufacturer, has attracted interest from **TRW Automotive Holdings**, **Siemens** and tire-maker **Continental AG**. Other potential bidders include Swedish firm **Autoliv**, **Hyundai Motors** and Korea's **Halla**. Reports claims that the interested companies will be pared down to two preferred bidders, which will be looking to acquire a profitable company that earned US\$130m on the back of sales worth US\$1.4bn last year. (August 10, 2005)

Shanghai Auto has increased its stake in Korean SUV specialist **Ssangyong** by 0.87%, increasing its stake from 48.92% to 50.91%. With a controlling stake in Ssangyong, Shanghai Auto will use the Korean carmaker's product line-up to develop its market presence in China and in Korea. Shanghai Auto will also seek to use Ssangyong's design and technology expertise to develop its own-brand products. (July 8, 2005)

MALAYSIA

VW is in talks with the Malaysian government's investment arm to buy up to 30% of auto maker **Proton**, in a deal that could be valued at RM1.65bn

(US\$440m). The deal could come with management control of Proton. The government investment arm, Khazanah Nasional Bhd, owns 42.7% of Proton. By buying into Proton, VW will get access to plants here capable of making up to 380,000 cars a year that can be increased to one million units. Proton will gain access to German technical and management know-how to better face an onslaught from Japanese and Korean automakers who are eating into its market share in Malaysia. (July 29, 2005)

THAILAND

Aapico Hightech is set to expand its production by almost 30% from 25,000 units to 32,000 units a month. Aapico Hightech landed a new order from its biggest client, Nissan. The firm will also double production of jigs, dies and original equipment manufacturer (OEM) parts by June next year to fulfill growing demand. Construction at a new factory at Amata Nakorn, Chon Buri will be completed by the end of the year. The plant will feature a 1,000-tonne blanking line and two 800-tonne forming presses, with full production beginning in June 2006. In other news, **Sojitz Corporation**, the Japanese trading firm, has purchased 15% of Aapico. Aapico plans to issue 42.36 million preferred shares to Sojitz and its affiliates to raise about Bht1.5bn (US\$36.5m) to boost its capacity domestically and overseas. About Bht950m (US\$23m) will be allocated for new M&A projects in the region, including India and China, as well as the construction of a new production facility in Shanghai. (August 31, 2005)

Bridgestone Corp is boosting the scope of a capacity expansion at its Chonburi truck and bus tire plant, budgeting US\$159m to raise daily output to 7,500 units by the first half of 2008. The project includes expanding capacity for steel cord at its nearby Rayong factory to 107 metric tons per day.

The Chonburi plant is already undergoing a doubling of capacity to 5,000 units a day by year-end 2006. The initial construction and first-phase expansion represent investments of more than US\$200m. Bridgestone said the expansion is in response to growing global demand for radial truck and bus tires. (August 25, 2005)

Honda Automobile (Thailand) Co has announced plans to invest Bht542m (US\$13.2m) in two programs to upgrade facilities at its manufacturing and assembly plant in Ayutthaya province. Bht248m (US\$6m) would be spent on a high-speed plastic moulding facility where front and rear bumper units are produced for the Jazz, City and Accord models. The plastic moulding facility will have a production capacity in excess of 380,000 units per year. Bht294m (US\$7.2m) would be used to install spin casting machines for the production of engine cylinder sleeves. The spin casting line will have a production capacity of more than half a million units a year. Much of the output from both programs is destined for export markets. (July 15, 2005)

Honda Motor announced plans to double the engine production capacity of its Ayutthaya manufacturing and assembly plant, **Honda Automobile [Thailand] Co**, from the current 150,000 units to 300,000 units in the spring 2006. Total investment for this expansion plan is expected to be approximately Bht1.5bn (US\$35.3m). Processes conducted at the HATC engine plant currently include molding and machining of the cylinder block and machining of the cylinder head, both key components of an engine. These components are supplied domestically in Thailand as well as to Honda operations in other ASEAN and South West Asian countries. (July 20, 2005)

Hyundai Motor is holding talks over establishing a new JV in Thailand, as well as considering a new assembly plant in Southeast Asia to strengthen its challenge to the regional dominance of Toyota and Honda. Hyundai currently accounts for just 4% of the regional market. The Korean automaker is expected to begin selling cars in Thailand in the second half of this year. Thailand, Malaysia and

Indonesia are being considered as sites for a new assembly plant by the automaker. (August 15, 2005)

Mazda wants to make Thailand a major export hub for spare parts to service its pick-up truck and commercial vehicle (CV) ranges. Mazda is planning to increase the value of parts exports from Thailand from Bht500m (US\$12.1m) to between Bht600m (US\$14.6m) and Bht700m (US\$17.1m) by the end of the year. Among the spare parts to be exported are sheet-metal components such as bonnets (hoods) and bumpers, as well as maintenance parts. Spare parts made in Thailand are mainly exported to the European markets, as well as to South Africa and Australia. (August 19, 2005)

Mitsubishi will spend ¥1bn (US\$9m) to expand production of its new *Triton* pickup at its Laem Chabang assembly plant, from the current 180,000 units to 200,000 units per year. The Triton is expected to play a major role in the Japanese carmaker's global marketing strategy and in realizing the Mitsubishi Revitalization plan. The first Tritons for export will be shipped to Europe, then Australia and the Middle East, followed by other Asian countries. Mitsubishi is also planning to use Thailand as an export base for other vehicle types in the future, such as the small B-segment car. (August 26, 2005)

Nissan Motor will supply ASEAN markets with vehicles made in Thailand and Indonesia. Nissan currently has sales and assembly operations in Thailand and Indonesia. Thailand is expected to be its manufacturing hub, and Nissan will invest more than US\$250m in its Thai operations over the next five years, after spending US\$190m to take it over, along with affiliated operations, last year. The capacity of the Nissan plant will rise to about 200,000 vehicles by 2008, from the current 130,000. The engine plant will expand to 250,000 units by 2008 from 42,000 units last year. (June 27, 2005)

NSK Ltd is spending nearly Bht1bn (US\$24.4m) to expand its local bearing and steering-column

plants as part of its plans to make Thailand a regional production centre for pickup bearings. The company is spending Bht720m (US\$17.5m) to increase production capacity at least 25%, up from the current 12 million units per year at its bearing operation, Bht150m (US\$3.7m) to boost production of steering columns 20% from the current 700,000 units per year at another plant, and Bht50m (US\$1.2m) on a new technology and research offices. More than 30% of the output at **NSK Bearings Manufacturing (Thailand) Co Ltd** would be hub bearings while the rest would be single ball bearings and automotive bearings. (July 8, 2005)

Tata Motors of India has signed a memorandum of understanding (MoU) with Thailand's largest modifier of pick-up trucks, **Thai Rung Union Car PCL**, to set up a pick-up truck manufacturing facility in Thailand. The agreement will see the factory producing pick-up trucks for the domestic and export markets. No details have been given on how much the plant will cost or where it will be located. The deal is positive for Tata, which will be able to use Thai Rung's knowledge of the local market to capture a share of Thailand's biggest single market for motor vehicles. (June 29, 2005)

Toyota Motor plans to start manufacturing its *Yaris* subcompact in Thailand as early as next year for sale in Southeast Asia. The production is expected to begin at a scale of around 50,000 units a year. Production lines will be set up at two existing Thai factories. The move will be carried out as part of operations adjustment stemming from the planned launch of mass production for the International Multipurpose Vehicle (IMV) global strategic vehicle at a new Thai factory in 2007. Toyota hopes to increase its shares of production and sales in the ASEAN region by strengthening its lineup through the addition of the Yaris. (July 25, 2005)

Yorozu Corp has earmarked a total of roughly ¥5.5bn (US\$50m) over three years to expand its suspension parts factory in Thailand to meet strong demand. The autoparts maker plans to begin

construction at Yorozu (Thailand) Co in Rayong Province in September to enlarge the plant and add at least one production line. The new line, which will include a pressing machine for manufacturing suspension members, is expected to start operating in fiscal 2006. Yorozu's Thai operations are expanding to meet orders to supply suspension parts for Nissan and Isuzu's pickup trucks, its main customers, as well as for Honda Motor passenger cars. Yorozu also intends to boost the capacity of **Yorozu Engineering Systems (Thailand) Co**, an autoparts development unit there. (August 1, 2005)

VIETNAM

Honda began the construction of its new car plant in Vietnam in Vinh Phuc province. The new factory, to be completed in July 2006, will produce up to 10,000 *Civics* a year. It is the first factory that Honda has built in Vietnam and its fifth factory in the ASEAN region. With this new factory, Honda Vietnam will become the largest car manufacturing company in the country and will raise its registered capital from US\$45.4m to US\$63m. (June 22, 2005)

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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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