

# ASIAN AUTOMOTIVE NEWSLETTER

Issue 52, September 2007

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

## CONTENTS

INTRODUCTION .....	1
CHINA .....	1
INDIA .....	4
INDONESIA .....	6
JAPAN .....	6
KOREA .....	7
THAILAND .....	7
VIETNAM .....	8

## INTRODUCTION

The Asian auto sector continues to grow rapidly as evidenced by both inbound and outbound M&A in the region. Given the flurry of activity by financial investors as well as Western and Asian OEMs and suppliers, BDA remains committed to keeping our readership up to date on the latest news in the Auto sector through our newsletter.

BDA is an Asia-focused corporate finance advisory firm which assists multinational clients to identify, assess and execute cross-border transactions, including acquisitions, divestments, JVs and restructurings. We have offices and professional staff in all of the major Asian automotive markets, as well as in Bahrain, the US and the UK. If you are interested to discuss any of the articles in this newsletter, please do contact me direct.

Charles Maynard  
Managing Director, [cmaynard@bdallc.com](mailto:cmaynard@bdallc.com)

## CHINA

**ArvinMeritor** has formed a 60:40 JV with China's **Chery Automobile** to design and manufacture chassis systems and components. The new JV, **ArvinMeritor Chassis Systems Wuhu** is expected to commence production in Q3 2008. The new company will export parts to ArvinMeritor operations worldwide and serve local Chinese automakers. (July 25, 2007)

**ArvinMeritor** announced plans to build a steel wheel plant in China's Anhui Province. This plant will complement Arvin Meritor's existing plants in Mexico and Brazil and will initially focus on steel wheels for passenger vehicles. (August 15, 2007)

**ATX Group**, an American company, will partner with **SK Telecom**, Korea's largest wireless company to sell telematics in China. ATX and SK Telecom plan to begin providing services by the end of 2008. They are in talks with automakers and expect to have at least one client by their launch target. ATX, of Dallas, provides telematics for customers such as BMW and Mercedes-Benz. (August 15, 2007)

**Continental AG's** automotive electronics and brakes division, **CAS**, announced its intention to acquire the auto parts producer, **Zhangjiagang Fugang Heli Electronics Co.** The company, with 2006 revenues of US\$11m in 2006, produces window lift motors and cooling fan modules. (September 5, 2007)

**Continental Automotive Systems** plans to expand its Chinese engineering operations by 2009. Continental announced it will invest

US\$66m in two Shanghai facilities: one new facility in Yangpu District and an extension on a current operation in Jiading District. The new facility will include design and testing labs and will serve as the Asian HQ for **Continental Automotive Systems**, **ContiTech** and **Continental Tires**. (July 23, 2007)

**Dana Mauritius**, a wholly owned subsidiary of **Dana**, will invest US\$60m over the next three years in a subsidiary of **Dongfeng Motors** to form a commercial vehicle axle manufacturing JV in Xiangfan, China. Dana has acquired a 4% stake in **Dongfeng Dana Axle Co**, formerly known as **Dongfeng Axle**, from **Dongfeng Motor** for US\$5m. Dana Mauritius agreed to purchase a further 46% interest in the company within the next three years for US\$55m. (July 10, 2007)

**Denso** will begin production of diesel fuel-injection components by 2009 for local automakers. The Japanese firm will set up a subsidiary in Changzhou, Jiangsu Province and construct a new facility in a local industrial park. The total investment is expected to be US\$41m. The components will be supplied for locally-produced medium and heavy commercial vehicle engines. Initial output is expected to reach 100,000 units per annum. (June 11, 2007)

**Dura Automotive Handels** and **Beteiligungs GmbH**, subsidiaries of **Dura Automotive Systems Inc**, have agreed to form a JV with the **Minth Group** to develop and sell door frames, body-in-white door modules and door pillar cappings in China. The company, **Dura Minth Automotive Systems Co**, will be based at Minth's operations in Chongqing. Dura, which filed for bankruptcy in October 2006, will be the majority owner. (July 27, 2007)

**Faurecia SA** is building its fifth exhaust component plant in China. The facility, producing manifolds and hot/cold ends, will be based in the Qingdao Industrial Zone and will be completed by Q1 2008. Production is slated to start in Q2 2008. (September 10, 2007)

**First Automotive Works Group** is looking to sell up to a 55% stake in its subsidiary, **Fawer Automotive Parts**. Fawer is the holding company for FAW Group's components subsidiaries. FAW has reportedly contacted several foreign suppliers and local supplier Wanxiang Group, none of whom is understood to have offered a bid. (July 18, 2007)

**Geely Automobile Holdings Limited** will increase its stake in four JVs under its parent company, **Zhejiang Geely Holding Group Limited**, for US\$206m. It will increase its stakes from 47% to 91%. The four JVs involved, **Zhejiang Geely Automobile Company Limited**, **Shanghai Maple Automobile Company Limited**, **Zhejiang Ruhoo Automobile Company Limited** and **Zhejiang Kingkong Automobile Company Limited**, have an annual total capacity of 300,000 vehicles. (July 16, 2007)

**Goodyear Dalian Tire Co** will increase tire production as the final stage of a Rmb1bn (US\$140m) expansion. The portion of output devoted to exports is likely to decline. Annual production in 2008 will increase to more than 6 million tires. The Dalian plant employs 840 people and occupies 180,600 square meters. (August 15, 2007)

**Guangzhou Honda Automobile**, a JV between **Honda Motor** and **Guangzhou Automobile Industry Group**, has received approval from China's government to build a greenfield engine plant. Guangzhou Honda's engines are now supplied by **Dongfeng Honda Engine**, a JV of Honda and **Dongfeng Motor**. The decision was precipitated by Dongfeng Honda Engine's capacity of 360,000 units reportedly not being large enough to supply Guangzhou Honda's planned future production. The companies declined to reveal details of the new engine plant and its products. (August 1, 2007)

**Hanil E-Hwa Co**, a Korean producer of door trim, headliners and other interior components, plans to double the capacity of its Chinese factories to meet increased demands from the **Hyundai-Kia** Automotive Group. Hanil E-Hwa operates two

main factories in China in Beijing and Jiangsu Province. (July 11, 2007)

**Hankook Tire Jiaxing Co** will increase annual production by 2 million passenger car tires at its plant in Zhejiang province. The expansion, which will boost the plant's annual production to 18 million tires, will be completed by February 2008. Hankook Tire China will begin supplying tires for the *Audi A4* and *A6* in China.

**Hino Motors** and **Guangzhou Automobile Group** won approval from the Chinese government for a venture to build trucks and buses in China. The venture, with total investment of US\$409m, will take over a Guangzhou Auto bus and truck unit and Hino's venture with **Shenyang Aircraft**. (August 15, 2007)

**Johnson Controls** plans to expand its battery business in southwest China by establishing a JV with **Fengfan Co**, a leading domestic battery manufacturer. The 50:50 JV, which will be located in Chengdu, will produce maintenance free lead acid batteries. Fengfan holds about 25% of China's market for maintenance free lead acid batteries and posted sales in 2006 of Rmb1.8bn (US\$240m). (August 22, 2007)

**Kaneta Kogyo** of Japan plans to build a plant in Guangdong Province to supply transmission shafts to the **Honda Motor** powertrain plant in Foshan. Construction of the 23,000 square meter plant will commence in Q1 2008, with production scheduled to begin in Q4 2009. The new factory is expected to produce 264,000 main shafts, 523,000 counter shafts and 264,000 secondary shafts. (July 11, 2007)

**Kobe Steel** plans to double its production of steel materials for use in automotive suspension springs at a mill in Guangdong Province. The steelmaker will invest more than ¥500m (US\$4.3m) to expand its rolling equipment, heat-treatment furnaces and wire drawing machines at **Kobe Wire Products (Foshan)**. The plant primarily produces polished bar steel, which will be processed into springs locally by **NHK Spring**

before being supplied to Japanese automakers such as **Toyota Motor**. (August 10, 2007)

**Kumho Tires** has completed construction of its US\$150m plant in Changchun. The plant will have an initial capacity of 3.15 million units, but the company said that it will spend a further US\$108m to increase capacity to 6.3 million units. (July 26, 2007)

**Kumho Tire** has signed a MoU with the **Changchun Hi-Tech Industry Development Kumho Tire (China) R&D Centre**, to create brand-new tire ranges developed specifically for the Chinese market. Kumho plans to take a leading position in China's tire market by targeting the high end tires. (August 1, 2007)

**Pirelli Tyre Co (China)** is adding a passenger-vehicle tire plant to its truck tire manufacturing site in Shandong province. The plant will begin production in Q4 2007 and will make the full range of Pirelli passenger-vehicle tires. Sources say the company plans to invest another Rmb1.5bn (US\$200m) in the plant, which will bring capacity to more than 9 million tires per year. It will supply mainly China, with limited exports to Australia and Asia. (September 12, 2007)

**Posco**, Asia's third-biggest steelmaker, is expanding its cooperation with **Benxi Iron & Steel Group** by raising its shareholding in a JV with the Chinese company from 10% to 25%. (July 25, 2007)

**Shanghai Automotive Industry Corporation (SAIC)** will reportedly pay US\$193m to acquire 100% of **Shanghai Huizhong Automotive Manufacturing**, an assembler of commercial heavy trucks and buses, and **Shanghai Wanzhong Automotive Components Company**. (June 13, 2007)

**Correction:** The June 2007 edition of the Asian Automotive Newsletter misstated the number of facilities that Rieter Holdings have in China. Rieter has two facilities in China, in Guangzhou and in Tianjin.

---

## INDIA

**Bajaj Auto**, India's second largest motorcycle manufacturer is considering partnering with or buying Italy's **Ducati** or Britain's **Triumph**. Bajaj is seeking to boost its engineering and product development expertise, and to expand a product range currently limited to the 220cc range. Bajaj's reported talks earlier with Japanese major **Yamaha** also centered on technology sharing and expertise on bigger bikes, while offering engineering and manufacturing expertise for smaller motorcycles. (July 16, 2007)

**Bridgestone Corp** will expand the capacity of its automobile tire plant in India. Bridgestone will spend about ¥6bn (US\$52m) to raise daily production capacity of its plant in Indore, western India from its present capacity of 3.4m units to 5.5m units by 2010. This expansion will help Bridgestone better meet growing automotive demand in coming years. (August 22, 2007)

**Calsonic Kansei**, a subsidiary of **Nissan** and the Indian automotive wiring harnesses supplier **Motherson Sumi Systems**, have agreed on a 51:49 JV. The company, **Calsonic Kansei Motherson Auto Products**, will produce automotive air conditioning systems for Japanese OEMs based in India. The companies plan to jointly invest an initial amount of US\$2.4m in the company, which is scheduled to become operational by 2009. (August 13, 2007)

**Continental** and **Rico Auto Industries** have agreed to form a JV in India to produce hydraulic brake systems. The 50:50 JV is expected to begin manufacturing in the second half of 2008, with an initial capacity of five million brake actuation units, brake calipers, drum brakes and valves. Rico Auto will reportedly be a preferred supplier of cast and machined components to the new company. (June 19, 2007)

**Furukawa Electric** is setting up a 51:49 JV in India with **San Fin Lease and Investments** of Delhi to design and manufacture automotive components. The venture, **Minda Furukawa**, will be located in Haryana and will produce wire harnesses for automobiles and steering roll connectors for airbag systems; fuse boxes, relay boxes, junction boxes, connectors and terminals for wire harnesses will also be manufactured by the JV. Initial investment in the JV is expected to be US\$10m. (July 15, 2007)

**General Motors** plans to quadruple its components purchases from India from US\$250m to US\$1bn in three years, as part of a new strategy to combat competition from global rivals by lowering its cost base. **GM India** has over 100 suppliers, of which about 40 have been identified as possible candidates for global sourcing. (August 10, 2007)

**Hindustan Motors** has established a software development centre in Chennai specializing in engineering design for auto components. The centre, employing close to 25 engineering and software professionals, is part of HM's US\$18m strategic investment plan to strengthen its components business. (August 27, 2007)

**Isuzu Motors** and **Sumitomo Corp** began producing Isuzu-brand buses at India's **Swaraj Mazda**, the first foray into India by a major Japanese commercial vehicle manufacturer. Swaraj, a commercial vehicle manufacturer in which Sumitomo has a 41% stake, has built a new chassis plant and body assembly plant in order to produce Isuzu vehicles. Swaraj plans to spend around ¥8.5bn (US\$73.6m) over the next two years to boost *Isuzu*-brand bus and truck sales to a combined 10,000 units by fiscal 2010. (September 12, 2007)

**Nissan Motor** has announced its intention to purchase more components from China and India, following its first decline in profits since the company's record loss in 2000. Nissan will

increase global component sourcing from low-cost countries to 24% of total purchasing, up from 14%. (June 25, 2007)

**Nissan Motor** is considering three commercial vehicle-related JVs with **Ashok Leyland**, India's No. 2 commercial vehicle manufacturer. Ashok would take a majority stake in one JV in vehicle production, targeting output of at least 100,000 units, with Nissan holding a majority stake in an engine production JV. The two partners would hold equal stakes in a third R&D JV focusing on developing products for India and other emerging markets. (August 15, 2007)

**Nissin Brakes India**, a 50:50 JV between auto parts maker **Nissin Kogyo** and **Nissin R&D Asia**, plans to invest US\$58m in a manufacturing facility in Rajasthan. The plant is expected to begin commercial operations by end 2008 and will have a capacity of 200,000 disc brakes for four-wheelers and 800,000 units for two-wheelers. The plant will initially supply **Honda Motor** units in India, including Honda's second car plant in Rajasthan. It will also export parts after 2009. (August 21, 2007)

**Omron Corp**, the Japanese electronics manufacturer, set up a wholly-owned subsidiary in India called **Omron Automotive Components India**. The subsidiary will open a factory in Q3 2008 and will begin mass production of keyless entry system parts and car body control modules from H2 2008. The new company is expected to generate over US\$8m of revenues for 2009. (August 9, 2007)

**Pilkington Group**, the British subsidiary of **Nippon Sheet Glass**, plans to expand into vehicle windscreens in India in 2008. Pilkington has begun construction on a plant in Vishakhapatnam in the

Indian state of Andhra Pradesh. The plant, using glass sheets shipped from Japan, Malaysia and China, will have an initial capacity of 500,000 windscreens. The expansion will help Nippon Sheet Glass to compete with **Asahi Glass**, which controls 80% of the Indian vehicle windscreen market. (August 21, 2007)

**Siemens VDO Automotive** has agreed to establish a 50:50 JV with **Ashok Leyland**, the Indian producer of trucks and commercial vehicles. The new company will design and develop electronic components and software for commercial vehicles and cars. The JV is expected to achieve revenues of US\$130m by its fifth year of operations. Ashok Leyland has also entered into a JV with **Alteams** of Finland to manufacture high pressure die-cast aluminum components. (July 17, 2007)

**Tata Autocomp GY Batteries** (TGY), a 50:50 JV between Japan's **GS Yuasa International** and **Tata AutoComp Systems**, will invest US\$24m to set up a two-wheeler automotive battery unit at its existing facility in Ranjangaon near Pune. At present, the company imports two-wheeler batteries from GS Yuasa's facilities in Thailand and Malaysia to serve the Indian market. The plant is expected to run at full capacity within the next three years. (July 10, 2007)

**Timken** plans to invest US\$12m to increase capacity at its plant in Jamshedpur, eastern India. In addition, the bearing manufacturer plans to introduce new product lines in the country. In April, the company opened its first sales office in Pune, Maharashtra, to offer engineering and sales support in Maharashtra, Madhya Pradesh, Gujarat, Chhattisgarh and Goa. August 20, 2007

**Valeo Electrical Systems** and **NK Minda Group**, have signed a JV agreement to establish a new components manufacturing unit in India. The new JV, **Valeo Minda Electrical Systems India**, will build a plant in the western city of Pune, with investment of approximately US\$30m. The facility will initially focus on manufacturing starter motors and other electrical components and is scheduled

To submit stories to future editions of this newsletter, please contact Ms. Sora Ahn in New York on 212.265.5300 or sahn@bdallc.com.

to begin commercial production in March 2008. The JV will be 66.7% owned by Valeo, with the remainder held NK Minda. (July 24, 2007)

**Volvo** is eyeing India as a major destination for auto component sourcing for its global operations in France, the US, Brazil, Sweden coupled with its CKD plants spread across the world. The company has placed orders worth US\$109m with a group of Indian auto-component firms in key locations for calendar 2007. (July 4, 2007)

---

## INDONESIA

**P.T. Bridgestone Tire Indonesia**, a subsidiary of **Bridgestone Corporation**, will increase output of its passenger car and light truck radial tire plant in Karawang, east of Jakarta through an investment of US\$133m. Bridgestone aims to strengthen the Indonesian plant's position as a key base for exports to North America. (August 22, 2007)

**Renault** will proceed with plans to invest US\$600m in a new vehicle plant in Indonesia, according to news sources. Renault set up dealerships in Indonesia several years ago, but its sales volume remains low as its products are more expensive than those of Japanese rivals, which have production bases in Southeast Asia's largest economy. (August 10, 2007)

**Suzuki** will produce the *Swift* model in Indonesia. The parent company has granted **PT Indomobil Suzuki International (ISI)** a license to produce the vehicle. The vehicles produced by this company will largely replace those that are currently manufactured in Japan and imported into the Association of Southeast Asian Nations (ASEAN) region. Around ¥1bn (US\$8.8m) has been spent to support the assembly of this vehicle. (September 10, 2007)

---

## JAPAN

**Denso** announced that it will invest ¥20bn (US\$164m) in an expansion project at a facility in Japan. The company will increase the size of its wholly-owned Denso Manufacturing Kitakyushu unit to increase production of air-conditioning units, injector components for common-rail diesel engines, and engine radiators. In addition, it will also begin to produce fuel pump modules and windscreen wiper linkages. Construction will begin next month and the investment is due to be completed by March 2011. (July 19, 2007)

**Nissan** has revealed that it will work together with Korean steel-maker **POSCO** on a new sheet steel processing facility. The plant, which will be built in Kawasaki, will be run through an existing JV that was set up in September 2006. A news report suggests that construction will begin by the end of 2007 and the facility will open in May 2008, with capacity of 120,000 tpa. The news sources also reported that the plant will be 70% owned by POSCO, and would handle automotive and stainless steel sheeting for Nissan and other customers. (August 30, 2007)

**Toyota Motor** is in the final stages of negotiations to build a ¥50bn (US\$433m) auto plant in the Tohoku region of northern Japan, most likely in Miyagi Prefecture. The move is part of a plan to relocate the operations of an aging factory in Kanagawa Prefecture owned by Toyota subsidiary **Central Motor Co**. It will be the first domestic car plant built by the group in 18 years. The firm intends to start operations in fall 2010, initially producing about 100,000 vehicles. It will consider expanding the plant's output capacity in the future for an additional investment of ¥30bn (US\$260m). The Sagami-hara factory is expected to be closed, so the opening of the new plant will not increase the production capacity of the group. (September 14, 2007)

---

## KOREA

**CK Resources**, a manufacturer of aluminum billets, aluminum coil centers, and aluminum wheels, signed a MOU for a new plant in Kyonggi-do, Korea. Total investment will be US\$41m. The new plant will manufacture the above products for sale in Korea and the US. The facility is expected to be fully operational in 2008. (August 9, 2007)

**GM Daewoo Automotive & Technology** said it will invest a total of W3tr (US\$3.3bn) in 2010 and 2011, on top of a similar investment already planned for the next two years. News sources reported the Korean unit of GM planned to invest more than US\$6bn in Korea over the next four years. The investments will be made new car development, expansion of production facilities and R&D. GM Daewoo is responsible of developing small vehicles for the entire **GM** group. (July 25, 2007)

**GM** is reportedly developing an engine in Korea and China that may be used globally to replace GM's 1.6-liter engine, say suppliers and other sources. The engine is being developed jointly at GM DAT and the **Pan Asia Technical Automotive Center Co** in Shanghai. It will be available in 1.4- and 1.6-liter versions. The engine being developed in China and Korea is based on a GM Daewoo engine now being produced at **Shanghai General Motors**, a GM JV. Pan Asia Technical Automotive Center is owned jointly by GM and **Shanghai Automotive Industry Corp.** (June 27, 2007)

**Hyundai Mobis** broke ground in a ceremony to celebrate a new lamp and gearbox facility in South Kyungsang Province. Hyundai Mobis will invest total of US\$257m in the facility, which is scheduled to be completed in 2013. (September 12, 2007)

---

## THAILAND

**Endurance Group**, an India-based conglomerate which produces suspensions, braking systems, transmissions and casting components, is planning to set up a facility for shock absorbers in Bangkok. The facility will cater to the aftermarket requirements of both two and four wheelers, and gradually move to servicing OEM customers. It will start operations by Q4 2007. The company has invested US\$1.2m into the project. (July 24, 2007)

**Kawasaki Heavy Industries Limited** (Kawasaki) is investing US\$17m in Thailand to increase its motorcycle production capacity in the country. The automaker will increase capacity at its facility in Thailand to 100,000 motorcycles per annum in 2010 from its current output of 50,000 units. During the second phase of expansion, the firm plans to increase the production capacity to 200,000 motorbikes. (July 11, 2007)

**Tata Motors**, India's largest bus and truck maker, won approval from the Thai government to produce a redesigned pick-up truck in Thailand, where it has a JV with **Thonburi Assembly. Tata Motors (Thailand)**, 70% owned by the Indian firm, plans to invest US\$39m in the project to produce up to 35,000 one-ton trucks a year. (July 18, 2007)

**Yorozu Corp** plans to sell 10% of the shares in its Thai manufacturing subsidiary to automotive component manufacturer, **Y-Tec Corp**, a supplier to **Mazda Motor Corp.** Yorozu's Thai subsidiary produces suspensions and other underbody components and supplies them mainly to Japanese carmakers operating locally. (August 11, 2007)

---

## VIETNAM

**Kumho Tire** announced that it has begun production at a new rubber processing facility that it has constructed in Vietnam. The wholly owned plant has been constructed with an investment of US\$4m and has the capacity to produce 11,000 tons of rubber per year, enough to manufacture

around 6 million tires. The rubber produced at the plant will initially go to Kumho's facilities in Korea and China, but will also be directed to a new facility in Vietnam once construction has been completed in Q1 2008. Kumho is also in the process of building two new factories in China, to manufacture both light-vehicle and truck and bus tires. (June 29, 2007)

---

Charles Maynard, Managing Director

Sora Ahn, Senior Associate  
Vineet Tyagi, Analyst

---

## ABOUT BDA

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

### **New York**

Euan Rellie  
Business Development Asia LLC  
The Economist Building, 11th Floor  
111 West 57th St  
New York, NY, 10019  
Tel (212) 265-5300  
Fax (212) 265-4300

### **London**

Andrew Huntley  
Business Development Asia Ltd  
10 Crown Place  
Clifton St  
London EC2A 4FT  
Tel (44) 20-7655-3500  
Fax (44) 20-7655-8913

### **Bahrain**

Tamer Makary  
Business Development Asia  
2119 Al Moayyed Tower  
Seef District  
Manama, Bahrain  
Tel (973) 17567915  
Fax (973) 17567901

### **Mumbai**

Rohit Singh  
Business Development Asia  
898 Notan Plaza, Suite 4A  
Turner Road, Bandra (West)  
Mumbai 400050, India  
Tel (91) 22-2643-0290  
Fax (91) 22-2643-0291

### **Hong Kong**

Paul DiGiacomo  
Business Development Asia (HK)  
#1206 Lippo Centre, Tower 1  
89 Queensway  
Hong Kong  
Tel (852) 2537-9565  
Fax (852) 2537-4406

### **Shanghai**

Jeffrey Wang  
Business Development Asia Co Ltd  
The Center, #3706  
989 Changle Road  
Shanghai 200031, China  
Tel (86) 21-5407-5580  
Fax (86) 21-5407-5680

### **Seoul**

Hans Kim  
Business Development Asia  
#1201, Gwanghwamun Officia  
163 Sinmunno 1-Ga, Jongno-Gu  
Seoul, 110-999, Korea  
Tel (82) 2-3276-3150  
Fax (82) 2-3276-3155

### **Tokyo**

Yuuichiro Nakajima  
Business Development Asia K.K.  
4F, T3 Gates  
3-8-25 Toranomom  
Minato-ku, Tokyo 105-0001 Japan  
Tel (81) 3-3433-5803  
Fax (81) 3-3433-5269