

# ASIAN AUTOMOTIVE NEWSLETTER

JUNE 2010, ISSUE 63

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

As the global auto industry struggles, emerging Asia has remained the single significant growth region. China particularly is beginning to develop into a powerful force in the international auto market. Chinese auto suppliers have traditionally been firmly focused on their home market, but this is finally changing with a number turning up as bidders, sometimes successful ones, for Western assets. Don't expect this turn into a tidal wave, but do expect steady and significant growth as Chinese companies start to join Indian companies on the global acquisition trail.

Business Development Asia LLC ("BDA") is an investment banking firm which specialises in executing cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructurings. We have offices in all of the major Asian automotive markets, as well as in Bahrain, London and New York. If you are interested to discuss any of the articles in this newsletter, please contact me directly.

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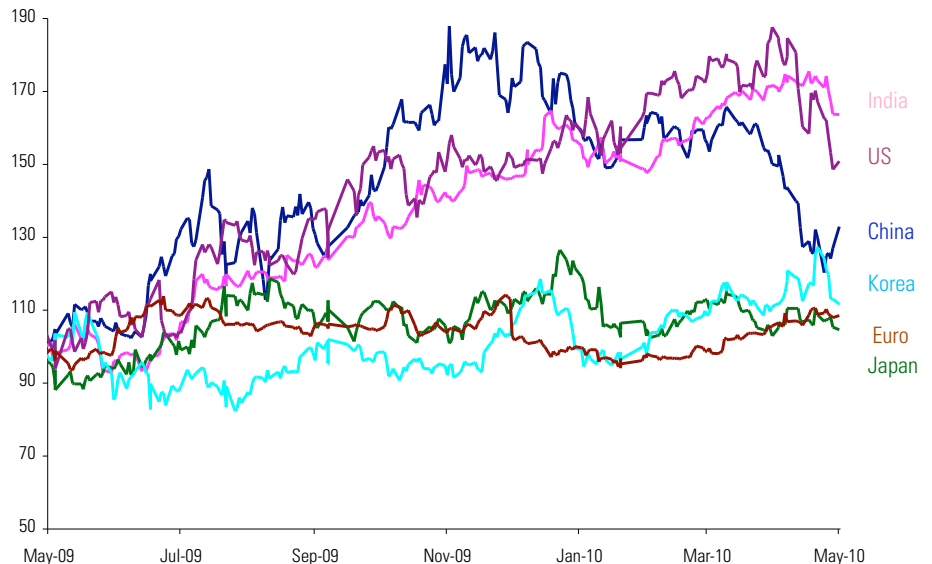
## China

**Beijing Hyundai Motors**, the 50:50 JV between Korea's **Hyundai Motors** and China's **Beijing Automotive Industry Holding**, plans to establish its third plant in China. The new plant will have an capacity of 300,000 units. *April 26, 2010*

**Beiqi Foton Motors**, a Chinese commercial vehicles manufacturer, plans to build a new US\$116m plant in Weifang, Shandong Province. Beiqi Foton has two plants in Zhucheng that are running at maximum capacity. The new plant is expected to ease the current capacity bottleneck for Foton. *May 17, 2010*

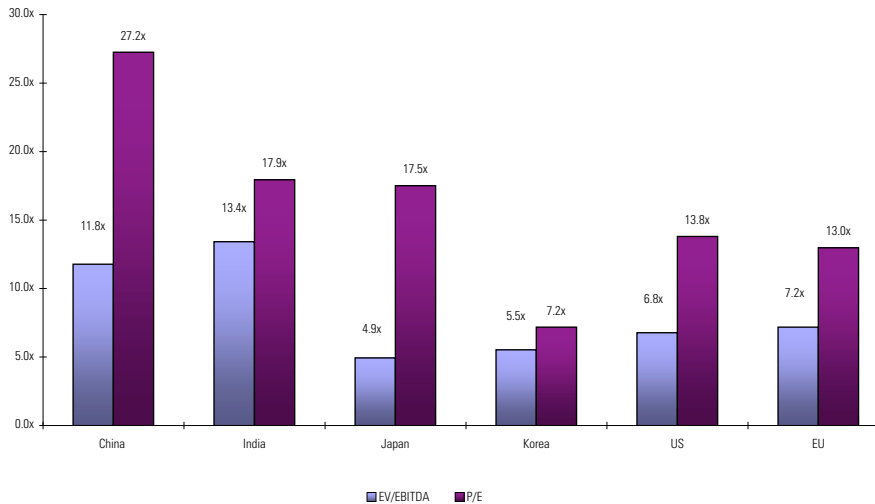
**Bekaert SA**, a Belgian manufacturer of metal-forming and coating technology

Auto Stock Indices for Selected Countries (12 months ending 15 May 10)



Source: ThomsonOne

**Auto Trading Multiples for Selected Countries (15Jun10)**



Source: ThomsonOne

products, plans to buy **Bridgestone Metalpha Italia**, an Italian steel cord manufacturer and Bridgestone (Huizhou) Steel Cord, a Chinese steel cord manufacturer, from automotive tire and rubber company, **Bridgestone Corp**. The combined enterprise value of the two companies is US\$90m. [March 31, 2010](#)

**Chery Automobile**, a Chinese auto company, has signed a technical cooperation agreement with **Better Place**, a US electric vehicle network and services provider. The two companies will collaborate on solutions for mass-producible electric vehicle switchable batteries and advanced charging networks, to enhance the competitiveness of China's new electric vehicles. [May 14, 2010](#)

**Chery Automobile**, a Chinese automotive manufacturer, has entered into a 50:50 JV with **The Mermerler Group**, a Turkish automobile distributor, to set up a plant in

Turkey at a cost of US\$500m. Mermerler has been importing cars from China since 2006. The investment enables Chery to leverage the Turkish manufacturing base as a gateway to supply to European markets. [May 5, 2010](#)

**China Auto Logistics**, a Chinese automobile portal for car dealers and consumers of vehicle services and products, plans to acquire **Goodcar.com**, a Chinese provider of discount cards for auto related products and services, for US\$7m. The acquisition will help China Auto Logistics expand its reach from auto buyers and dealers to new car owners. [April 22, 2010](#)

**Daimler**, the German auto group, has agreed to set up a JV with **Beiqi Foton Motor**, a Chinese commercial vehicles company, to manufacture heavy trucks in China. The plant is expected to commence production in 2012. [March 11, 2010](#)

**Daimler**, the German auto group, has agreed to set up a JV with **BYD Company ("BYD")**, a Chinese manufacturer of automobiles and rechargeable batteries, to jointly develop an electric vehicle to be sold in China. The JV is a comprehensive technology partnership to develop electric vehicles for the Chinese market, which will be sold under a jointly owned new brand name. The alliance will benefit from BYD's expertise in batteries and Daimler's strengths in traditional vehicles. The move is part of Daimler's strategy to focus on cleaner technologies.

[March 2, 2010](#)

**Ford Motors, Mazda Motor and Chongqing Changan Automobile** have agreed to end their three-way tie-up. Ford and Mazda both plan to set up their own separate 50:50 JV's with Changan, a move which will give all three auto companies more leeway to design their own China strategies. Ford's new JV with Changan is expected to be based in Chongqing, while Mazda's venture is expected to be based in Nanjing. [May 14, 2010](#)

**Geely Automotive**, a Chinese car manufacturer, has acquired an additional 31% of **Manganese Bronze Holdings**, a UK-based manufacturer of the London Black Taxi. The acquisition will raise Geely's stake to 51% and will give the Chinese automaker leverage to sell its own branded cars in Europe. [March 19, 2010](#)

**Geely Holding Group**, the parent company of Chinese car manufacturer **Geely**, has acquired **Volvo**, a Swedish luxury car brand of **Ford Motors**, for US\$1.8bn. The

acquisition will provide Geely access to Volvo's advanced technology, R&D and intellectual property rights, whereas Volvo will get access to the Chinese automobile market. *March 28, 2010*

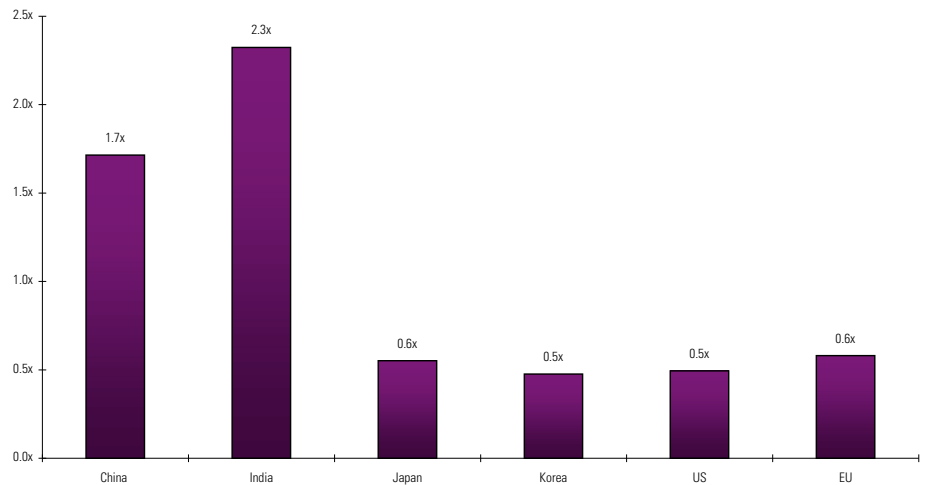
**Guangzhou Automobile Group**, the Chinese partner of **Honda Motors** and **Toyota Motors**, has signed a 51:49 JV agreement with **Gonow Auto**, a Chinese manufacturer of pickup trucks, SUVs and minivans, to expand its mini-vehicle business. Guangzhou Automobile will provide the capital while Gonow Auto will provide the auto-related assets. *April 20, 2010*

**Jiufeng Investment Group**, a Chinese automobile parts manufacturer has entered into a JV with **Forest River**, a US recreational vehicle (RV) manufacturer owned by **Berkshire Hathaway** and **Transtock Acquisition Group**, to provide RV manufacturing and related services in the US and China. *May 10, 2010*

**Nidec Corp**, a Japanese manufacturer of small and mid size motors, fan motors, and pivot assemblies, plans to invest US\$50m in a plant in Dalian to produce small motors used in car systems. The plant is expected to commence operations in January 2011 and will employ 5,300 workers. *March 11, 2010*

**PSA Peugeot Citroen**, Europe's second-largest auto company, has formed a 50:50 JV with **Changan Automotive Group**, to manufacture cars and light commercial vehicles. The move is aimed at increasing Peugeot's international business by tapping into the rising

**Auto Price/Revenue Ratios for Selected Countries (15Jun10)**



Source: ThomsonOne

demand for vehicles in China. *May 7, 2010*

**Spyker Cars**, a Dutch luxury sports carmaker, has entered into a JV with **China Automobile Trading ("CATC")**, one of China's major auto importers, as Spyker's sole distributor for its new generation of supercars, luxury sport utility vehicles and luxury commercial vehicles. The JV would help build a network for Spyker's sales and after sales service in China. *April 27, 2010*

**Volkswagen** has partnered with automotive groups, **China FAW Group** and **Shanghai Automotive Industry Corp ("SAIC")** to build two plants in Guangdong. The plants are expected to commence operations by 2013 with a capacity of 200,000 units. *March 16, 2010*

## Hong Kong

**Hybrid Kinetic Group**, a Hong Kong-based

manufacturer of hybrid electric vehicles, plans to acquire **Zhejiang Jia Beisi Green Energy**, a Chinese manufacturer of lithium powered batteries, for US\$26m. **Hybrid Kinetic** is expected to benefit from the synergies brought by Beisi in battery production cost, production and quality control and battery technology innovation. *May 6, 2010*

## India

**Beiqi Foton Motors**, a Chinese commercial vehicles manufacturer, plans to set up a plant in Pune to manufacture light trucks, heavy trucks and buses. Foton is currently in talks with the Maharashtra State Government to procure land to build the plant. *April 12, 2010*

**Bridgestone**, the global automobile tire manufacturer, plans to set up a plant in Pune to cater to the growing demand for passenger car, trucks and bus radial

tires in India. The new plant will have an estimated investment of US\$577m and a capacity of 3,650,000 units of tires for passenger cars and 1,095,000 units of tires for trucks and buses. *March 31, 2010*

**General Motors India** plans to invest US\$50m to upgrade its existing facilities and equipment at its plant in Halol, Gujarat. The plant will mainly produce light commercial vehicles, which are expected to be launched in 2011. *April 14, 2010*

**Hitachi Construction Machinery** has agreed to buy 20% of **Telco Construction Equipment**, a 60:40 construction vehicle JV between **Tata Motors** and Hitachi, from Tata. The divestment will allow Tata Motors to deleverage its balance sheet. *March 31, 2010*

**Mahindra & Mahindra (“M&M”)**, an Indian auto company, has expressed an interest in acquiring a controlling stake in **Ssangyong Motor Company**, a Korean sports utility and recreational vehicles manufacturer. In 2004, **Shanghai Automotive Industry Corp** paid US\$500m to acquire 49% of SMC. *May 5, 2010*

**Mahindra & Mahindra (“M&M”)** and **Renault** have ended their equity JV, **Mahindra-Renault (MRPL)**, which makes sedans in India, with M&M buying out Renault’s 49% stake in the venture. M&M will get full control of the venture while Renault plans to look for other partnership options to manufacture passenger cars in India. *April 17, 2010*

**Mahindra & Mahindra (“M&M”)** plans to set up a new US\$1bn plant in Pune to manufacture pickups and SUVs. The plant will have a capacity of 300,000 units, including 50,000 trucks and 120,000 engines for utility vehicles and 40,000 engines for trucks. *March 14, 2010*

**Mahindra & Mahindra (“M&M”)** has acquired 55% of **Reva Electric Car Co**, an Indian electric car manufacturer. At the same time, **General Motors India** might pull out of its collaboration with Reva Electric Car Company following the transaction with M&M. *May 26, 2010*

**Nissan Motors**, the Japanese auto company, plans to set up a plant in India to produce an entry-level compact car with a base price of US\$5,300. *March 31, 2010*

**Nissan Motors**, the Japanese auto company, is currently negotiating with auto companies **Bajaj Auto** and **Renault** to build an ultra low-cost car in India to compete with the *Tata Nano*. *March 31, 2010*

**Suzuki Motors**, a Japanese auto company, plans to invest US\$554m to expand its engine manufacturing capacity and R&D efforts in India. The engine manufacturing capacity at the Manesar plant will increase from 500,000 units to 700,000 units over the next two years. *March 24, 2010*

## Japan

**BYD Company**, a Chinese car and battery manufacturer, has acquired the die

facility of **Ogihara Corp**, a Japanese metal die provider. This acquisition, which includes land, plant, equipments and 80 employees, is aimed at improving the competitiveness of BYD’s vehicles by using Ogihara’s advanced die casting technology and expertise. *March 28, 2010*

**Nissan Motors**, the Japanese auto company, and its Chinese partner **Dongfeng Motor**, plan to build a second plant for the *Tiida* compact and *Livina* series cars in Guangzhou, at a cost of US\$732m. The new plant, with a capacity of 240,000 units, will become the largest global production base for Nissan. *May 13, 2010*

**Suzuki Motors**, the Japanese auto company, has acquired 50% of **ITC Auto ENG**, the official importer for Suzuki products in Russia. Post-acquisition, the company will be renamed to **Suzuki Motor Rus** and will be the official importer of Suzuki products in Russia. *March 19, 2010*

## Korea

**Autoliv**, a Swedish manufacturer of automotive safety systems, has acquired the Korean and Chinese Occupant Protection Systems (OPS) operations, including intellectual property, physical assets and 600 employees, of **Delphi**, a global supplier of electronics for automotive and commercial vehicles. The OPS operations are expected to contribute US\$220m to Autoliv’s revenues in 2010. *April 12, 2010*

**CT&T**, a Korean electric car manufacturer, has signed a memorandum of understanding with China's **Beijing Automotive Group** and Korea's **SK Energy** to form a JV to manufacture and sell electric-powered vehicles in China. Beijing Automotive Group will hold 50% of the venture, with the other half split equally between CT&T and SK Energy. The JV will invest US\$89m to build a plant in Beijing, with a capacity of 50,000 units. *April 3, 2010*

## Thailand

**Goodyear Thailand**, the regional production hub of the US tire manufacturer, plans to double its tire capacity at its Thailand plant. The capacity will increase to 5.5 million units at a cost of US\$31m. *May 7, 2010*

## Taiwan

**Jianghuai Automobile (JAC)**, a Chinese auto company, has signed a partnership agreement with **Shengrong Auto**, a Taiwanese subsidiary of **Prince Motor Company**, a Japanese subsidiary and auto company of **Nissan**. Shengrong will import and assemble auto parts from JAC, and then sell the locally-assembled JAC-branded vehicles in the Taiwanese market. *April 29, 2010*

**Sinotruk Group**, China's largest heavy-duty truck maker, plans to build a plant in Changpin Industrial Park in Taiwan, at a cost of US\$146m. The company intends to ship the vehicles produced in Taiwan to the US and European markets. *May 14, 2010*

The **Taiwanese Government** has

announced a US\$104m subsidy plan for manufacturers of Electric Vehicles (EV) and US\$274m for R&D for EVs in Taiwan. The subsidy aims to increase the production of EVs from 3,000 vehicles to 60,000 by 2016, making Taiwan one of the top five EV producers globally. *April 20, 2010*

## Vietnam

**Jianghuai Automobile (JAC)**, a Chinese auto company, plans to set up its first overseas plant in Vietnam to manufacture and export medium and light duty trucks. The plant is expected to be a JV with an undisclosed Vietnamese partner. *March 11, 2010*

**Selected Asian Auto Transactions with Multiples** (12 months ending 15May10)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
22-Apr-10	Tachi-S Co Ltd	Japan	Johnson Controls KK	Japan	\$18.8	-	4.1x	0.1x	-
7-Apr-10	Nissan Motor Co Ltd	Japan	Daimler AG	Germany	\$1,677.0	-	8.7x	0.9x	154.8x
6-Apr-10	Automotive Stamping	Korea	JetTech Ltd	Korea	\$8.0	51.1%	-	0.7x	12.3x
1-Apr-10	Interhides PCL	Thailand	Ongart Thumrongsakunvong	Thailand	\$12.3	-	6.7x	1.3x	10.5x
16-Mar-10	CT & T Co Ltd	Korea	Creative Mkt Solutions Ltd	Korea	\$230.4	-	-	6.6x	-
10-Mar-10	Tems Co Ltd	Korea	EROOM G&G Co Ltd	Korea	\$1.5	-	-	12.8x	-
4-Feb-10	Tunas Ridean Tbk PT	Indonesia	Jardine Cycle & Carriage	Singapore	\$12.4	5.6%	9.8x	0.5x	7.6x
1-Feb-10	Hwa Fong Rubber PCL	Thailand	Mega Intl Coml Bank Co	Taiwan	\$13.4	31.9%	4.5x	0.7x	13.5x
27-Jan-10	EON	Malaysia	HICOM Holdings Bhd	Malaysia	\$23.7	-	12.1x	0.1x	20.5x
22-Jan-10	CARCHS Holdings	Japan	Lespoir TJYSK	Japan	\$15.6	19.9%	23.1x	0.2x	-
14-Jan-10	Sparkle Roll Group	HK	Investor Group	Ireland-Rep	\$10.6	-	-	1.8x	-
3-Dec-09	Daewon Kang Up	Korea	Hyundai Home Shopping Network	Korea	\$8.1	7.7%	10.2x	0.5x	18.9x
30-Nov-09	Anhui Hualing Auto	China	Anhui Xingma Automobile	China	\$266.0	-	-	0.7x	23.1x
31-Jul-09	Kanto Seat Work	Japan	Toyota Boshoku Corp	Japan	\$8.8	39.6%	-	0.1x	-
16-Jun-09	Pacifica Group	Australia	Robert Bosch GmbH	Germany	\$6.0	23.4%	-	0.4x	-
			<b>Mean</b>		<b>\$154.2</b>	<b>25.6%</b>	<b>9.9x</b>	<b>1.8x</b>	<b>32.7x</b>

Source: ThomsonOne

Business Development Asia is an investment banking 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 listed.

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