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## ASIAN AUTOMOTIVE NEWSLETTER

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

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### CHINA/HK

**Anqing TP Goetze Piston Ring Co Ltd (ATG)**, a JV between **Goetze AG** of Germany, **Teikoku Piston Ring Co Ltd** of Japan and **Anqing Piston Ring Plant**, announced that it is now the largest piston supplier in China, holding a 25% share of the market. The Anhui-based venture started operations in 1996 and revenues in 1998 totaled RMB125m (US\$15m). (September 28, 1999)

**Chang'an Automotive Group Co Ltd**, based in Chongqing, manufactured 82,000 units in H1 1999, a YoY increase of 41.3%. The company is the leading player in the compact car market with a 27.8% market share and is the third largest passenger car manufacturer nationally. (August 12, 1999)

**FAW-Daewoo Automotive Engine (FAW-DAE)**, is expecting a 90% drop in its annual output to 30,000 engines. **Daewoo** holds 50% of the RMB5.7bn (US\$688m) investment in **FAW-DAE**, a JV between Daewoo and two mainland companies. **First Automobile Works** of Changchun holds 25.5% and **Shandong Auto Industry Corp** 24.5%. Under the terms of the JV agreement, the plant must export 100% of its output to Daewoo in Korea. However, given Daewoo's dire financial state, the company is only able to purchase a fraction of current production. (September 13, 1999)

**Kia** and its local partner, **Yueda Automobile Co**, have completed construction of a joint assembly factory to manufacture the compact car, *Pride*, in Jiangsu province, making Kia the first Korean

### INTRODUCTION

This edition's focus reviews key components manufacturers in the Malaysian automotive industry. It now appears that Malaysia will be the only ASEAN nation not to reduce its car import duties to 20% on January 1, 2000 in line with the prior AFTA agreement. Malaysia does however maintain that this is only a temporary delay. Due to AFTA, large components groups in ASEAN will soon have a greatly expanded market in which to compete, this should stimulate investment in the region.

We hope that you find *Asian Automotive Newsletter* informative. BDA is a corporate finance advisory firm that helps clients identify and execute acquisitions and JVs in Asia. If you think that BDA's services may be useful to you, please contact us in New York at (212) 265-5300, or in Singapore at (65) 533-8500.

Charles Maynard  
Managing Director

automaker to manufacture cars in China. The factory has a capacity to assemble 50,000 cars a year through the import of knock down kits. The JV expects to reach full capacity by 2001. Yueda will control 70% of the venture with Kia holding the remaining 30%. (September 28, 1999)

**Engelhard Corp** of the US and **Sinopec International Technologies Ltd** have formed a new venture, **Shanghai Engelhard Ltd**, to market and produce automotive catalysts in China. The JV is expected to come on line in Q1 2000. Engelhard holds a 60% majority stake in the venture. (August 16, 1999)

**Volkswagen AG** has begun producing a variant of the luxury car series Audi *A6* at the **First Automotive Works (FAW)** production plant in China. VW and **Audi** own 30% and 10% respectively in FAW. Each car will be sold for between US\$30,000 and US\$37,000. Customers are expected to come from the business community and various governmental bodies. (September 7, 1999)

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## INDIA

**Apollo Tyres Ltd** plans to rationalize its production of high-end truck radials based on the technology sourced from German tire maker **Continental AG**, the world's fourth largest tire maker. Apollo Tyres will reduce its product range and focus on developing its brand and high technology products. (September 11, 1999)

**Daewoo Motor** plans to invest US\$100m in its Indian JV, **Daewoo Motor India**, thereby increasing its stake to 96%. The company will focus on the marketing of its *Matiz* minicar but has delayed the launch of the *Nubira*, which was scheduled for March 2000. During the first four months of 1999, Daewoo Motor India sold a total of 8,640 cars, a 153% YoY increase. (August 6, 1999)

**IFB Automotive Seating and Systems Ltd (IASS)**, a subsidiary of **IFB Agro Industries Ltd**, has entered

into a marketing deal with **Bentler AG** of Germany to sell its automotive components and accessories in India. IASS has also secured orders from **Hyundai** for supplying recliners and seat tracks. Another subsidiary, **Autoliv IFB India Ltd**, a JV between **Autoliv** and IASS, has received orders to supply seat belts to **Daewoo, Hyundai** and **Tata**. This JV already manufactures air bags for the *Tata Safari*. IASS made a net profit of Rs4.5lakh (US\$10,300) in the year to December 1998 on a turnover of Rs16.4crore (US\$3.7m). (September 3, 1999)

**Maruti Udyog**, a 50:50 JV between the Indian Government and Japanese car maker **Suzuki**, has increased its prices by Rs4,000 - Rs10,000 (US\$91 - US\$229) for five variants of its popular *Maruti-800* and *Zen* car models. The price hike comes barely eight months after Maruti Udyog, the market leader, announced a hefty price cut to take on competition, particularly from **Tata's** small car, the *Indica*. (September 15, 1999)

**Nachi-Fujikoshi Corp** will provide automobile bearing technology to **Tata Iron and Steel Co (Tisco)** of India in a move to shift production overseas and form alliances with foreign parts manufacturers. Nachi-Fujikoshi will supply design, production and quality control technology for bearings used in wheels and clutches. (September 14, 1999)

**San Engineering**, the Bangalore-based car manufacturer, has spun-off its sports car manufacturing division into a separate company, **San Motors Ltd**. The company will introduce the sports car, *San Storm*. (September 18, 1999)

The **Society of Indian Automobile Manufacturers** reported that passenger car sales in India between April and August 1999 jumped YoY 46.2% to 241,982 units. Sales of cars in August 1999 alone rose 70% YoY while sales of commercial vehicles during the quarter, rose YoY 21.5% to 54,993 units. (September 23, 1999)

**Tube Investments of India Ltd**, part of the **Murugappa Group**, plans to increase its share in the Indian cycle and tubes markets. It will invest Rs80crore (US\$18m) in the next two years to become the largest manufacturer of tubes for automo-

tive applications and the second largest producer of cycles in India. The company plans to increase cycle production capacity from 2.5 million units per annum to 3 million units. The company sells its cycles under the brand *Hercules* and has a 24% market share. (September 13, 1999)

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## INDONESIA

**PT Astra Otoparts**, the automotive components manufacturer, is negotiating a US\$65m debt rescheduling program with its creditors. The company proposed the restructuring of its matured debt for another five years. US\$40m of the debt was owed by Astra Otoparts while the remaining US\$25m was owed by its subsidiaries. (September 17, 1999)

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## JAPAN

**Delphi Automotive Systems**, the leading US auto components supplier, is to acquire 5.9% of **Akebono Brake Industry Co**, for US\$15m. Akebono is a leading friction materials technology manufacturer, while Delphi is known for its trademark *Galileo* "brake-by-wire" system. (August 5, 1999)

**General Motors** plans to manufacture cars in Japan within five years to boost its sales in the Asia-Pacific regions. GM is looking to acquire and renovate an existing factory in Japan and will buy the plant either through a direct purchase, an equity stake in the company that owns it or a JV. GM is also considering production of compact cars in Japan and elsewhere in Asia in cooperation with **Suzuki Motor**, its alliance partner. (August 9, 1999)

**Honda's** President, **Hiroyuki Yoshino**, confirmed at the Japanese launch of the company's new *Insight* model that Honda plans to maintain its solo status in the consolidating car industry. (August 9, 1999)

**Isuzu Motors Ltd** has begun mass-producing diesel engines for subcompact cars in Poland. The wholly-owned subsidiary, **Isuzu Motors Polska**, has received an investment of ¥23bn (US\$219m). Completed in June 1998, the plant has the capacity to produce 300,000 low emission, direct injection 1.7-litre diesel engines annually. Isuzu Motors Polska is expected to supply **Opel**, a subsidiary of the **General Motors Group**, with 100,000 engines in 2000. (September 20, 1999)

**Naldec**, a Japanese maker of electronic automotive components, was acquired by **Visteon Automotive Systems**, the components affiliate of US automaker, **Ford**. This is Visteon's first acquisition of a Japanese parts maker. Naldec was originally formed as a JV between **Mazda** and **NEC**. Mazda recently acquired NEC's holding and will combine these shares with its own for sale to Visteon for several billion yen. The sale will improve Mazda's financial position and give Visteon a foothold for expansion in Japan's parts market. (September 30, 1999)

**Nissan Motor Corp** plans to merge its **TransTechnology** and **Jatco Corp** affiliates. TransTechnology develops and manufactures automatic transmissions and continuously variable transmissions for front-wheel-drive vehicles while Jatco is a leading maker of automatic transmissions. The merged operations will develop, manufacture and sell transmission and automobile components. (August 4, 1999)

**Suzuki Motor Corp** will take a 2% stake in an Argentine unit of **General Motors** which will produce Suzuki vehicles starting April 2000. Suzuki will buy the stake for US\$12m. This is the first time Suzuki has taken a stake in an overseas unit of GM. (September 13, 1999)

**Toyota** announced that it has sold 1.7 million shares of **Akebono Brake Industry Co** to affiliate **Aisin Seiki Co** for ¥510m (US\$4.9m). The transaction lowered Toyota's 16.2% stake in Akebono Brake to 14.4%, the automaker is still the brake manufacturer's largest shareholder. Aisin Seiki now has a 1.9% interest in the company. (September 8, 1999)

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## KOREA

**Daewoo Motor Co's** financial problems has forced it to drastically scale back production of automotive parts and components. The automaker's plants in Bupyong, Kunsan and Changwon are respectively operating at 50%, 40% and 30% below target production levels. (September 4, 1999)

**Daewoo Motor Co** has signed a US\$330m export deal with **World Korean Motors Ltd (WKM)** to export cars on a complete knock-down (CKD) basis to Pakistan. Under the agreement the group will ship parts for 75,000 cars over seven years, starting in 1999. WKM, a company owned by the **World Group** of Pakistan will assemble and sell the vehicles using **Nissan's** manufacturing plant in Pakistan. (September 13, 1999)

**Duck Yang Industry Co Ltd**, the largest supplier of investment panels in Korea, is forming a partnership with **Visteon**. Visteon is the largest cockpit supplier globally and Duck Yang currently produces 1.4 million units annually and is the sole instrument panel supplier to **Hyundai Motor Corp**. (September 30, 1999)

**Ssangyong Motor's** 30 subsidiary parts suppliers will receive emergency aid of Won37.9bn (US\$31.8m) from the main creditor of the **Daewoo Group**. The **Cho Hung Bank** will use funds to discount bills of Ssangyong's subcontractors to relieve a liquidity crunch resulting from difficulties faced by the automaker. (September 8, 1999)

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## MALAYSIA

**Autoliv Inc** will combine its two Malaysian automotive safety supply ventures, **Autobelt** and **Airbag Systems Malaysia**, into a new JV company with **Hirota Holdings** of Malaysia. It wants to consolidate all automotive safety suppliers in the country. Autoliv will take a 49% stake in the new company, **Autoliv HT (Malaysia)**, with Hirota holding the remaining 51%. (August 31, 1999)

**Automako Sdn Bhd** is allying with **Dong Yang Autoson Co Ltd** of Korea to produce automotive wipers in Malaysia. Automako will invest RM15m (US\$3.9m) to build a new 40,000 sq ft state-of-the-art wiper plant at the group's Bukit Kemuning site. The new plant will have a capacity of 10 million wipers per year and is scheduled to be completed by June 2000. Automako plans to increase production from 500,000 units per year to 7 million in 2000, 8 million in 2001 and 10 million by 2002. (September 15, 1999)

**Delphi Packard Electric Malaysia Sdn Bhd**, a 60:40 JV between **Delphi Automotive Systems** and an unspecified Malaysian parts manufacturer, will design and manufacture power and signal distribution systems for automotive manufacturers in Malaysia and the ASEAN region. The JV will start supplying wiring harnesses to **Proton** and **Toyota Motor Corp** and subsequently to **BMW, Ford, Isuzu, Nissan** and **Volvo**. The plant will be located on the NE coast of Malaysia (September 28, 1999)

**Hicom Holdings Bhd** is finalizing the disposal of the conglomerate's stake in **Proton** to the national oil company, **Petroleum Nasional Bhd (Petronas)**. Under the terms of the transaction, Hicom will sell its 27.2% stake in Proton and its stakes in **Edaran Otomobil Nasional Bhd, Automotive Manufacturers Malaysia Sdn Bhd** and **Usahasama Proton-DRB Bhd** to Petronas. (September 16, 1999)

**Perodua's** sales to August 1999 totaled 54,179 units. Managing Director Datuk Abdul Rahman Omar expects that 87,000 units will be sold in the full year. This compares to sales of 68,300 units in 1997 and of 54,000 units in 1998. (September 27, 1999)

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To submit stories to future editions of the *Asian Automotive Newsletter* please contact Paul DiGiacomo on (212)265-5300 or via email at [pdgiacomo@bdallc.com](mailto:pdgiacomo@bdallc.com).

## SINGAPORE

**Singapore Technologies Automotive**, a subsidiary of **Singapore Technologies Engineering Ltd** and **Vickers Defence Systems PLC** of the UK, signed a MOU to jointly develop the *Bionix* armored vehicle for the UK and European markets. The vehicle could be a potential contender for a UK defence contract. (September 13, 1999)

**Volvo** has delayed plans to take a majority stake in its local distributor, **SM Motors**. Volvo already holds a 40% stake and last year was rebuffed in its efforts to raise its stake to 80%. It now appears unlikely that any such move will occur for at least another two years. (September 9, 1999)

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## TAIWAN

**Yulon Motor Co** of Taiwan plans to acquire a 75% stake in **Nissan's** Philippine plant for US\$30m while Nissan retains the remaining 25%. Both companies expect to finalize the transaction by year end. Yulon and Nissan have been in close cooperation for decades. (September 20, 1999)

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## THAILAND

**Delphi Automotive Systems** is preparing an investment proposal to submit to Thailand's Board of Investment and to announce details of its proposed investment early next year. (September 29, 1999)

**Hayes Lemmerz International, Inc** has increased its stake in **Siam Lemmerz Co Ltd**, a major aluminum wheel producer in Thailand, from 25% to 70%. **Siam Tyre Plc**, a subsidiary of the **Siam Cement Group** will continue as a JV partner with the remaining 30% stake. Hayes Lemmerz is a leading supplier of automotive and commercial highway wheels and other

lightweight components. **Siam Lemmerz Co Ltd** has an aluminum wheel facility near Bangkok, Thailand employing 300 people and has a capacity of 700,000 wheels per year. The plant supplies **DaimlerChrysler, General Motors/Isuzu, Mitsubishi** and **Toyota**. (August 3, 1999)

**Siam Motors**, the Thai auto group held by the Phornprapha family, has agreed to sell shares in **Siam International Corporation (SIC)** to **General Motors**. SIC is the exclusive Suzuki distributor and retailer in Thailand. GM is planning to use its Rayong assembly plant to produce Suzuki cars for both the domestic and export markets. (September 23, 1999)

Creditors of **Thai Automotive Co** plan to file bankruptcy suits against the company. Thai Automotive, formerly **Thai Chrysler Automotive**, owes 129 creditors a total of Bht5.4bn (US\$132m). The major creditors include the **Customs, Revenue and Excise Departments** Bht582.7m (US\$14m); **Chrysler Sales & Service (Thailand) Co** and **Chrysler International Corp**, Bht428m (US\$10m); **Nakornthon Bank** Bht305m (US\$7.4m); **America National Trust and Savings Association** Bht285m (US\$6.9m) and **Swedish Motors Plc** Bht56m (US\$1.4m). (September 18, 1999)

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## FOCUS:

### The autoparts industry in Malaysia

This focus highlights some of the major Malaysian auto components groups. At the 31st ASEAN Economic Ministers meeting which concluded on October 1st, Malaysia announced that it will defer its commitment to the January 1, 2000 deadline with respect to reducing automotive import duties. It cited the economic crisis as the key reason for this move. Indonesia also stated reservations about reducing car import duties, but said a firm decision will be conveyed to the ASEAN summit in Manila in November.

Malaysia's action is unfortunate as its automotive components industry is comparatively well developed

and would greatly have benefited from being part of a larger, low-tariff market. Rafidah Aziz, the Malaysian trade minister however did state that this was a temporary deferral and that Malaysia intends to stand by the longer term objectives of AFTA.

There are two significant dates to the timetable. First, on January 1, 2000 all products can be traded within ASEAN at a maximum rate of 20%. Second, on January 1, 2003 all products may be traded within ASEAN at a maximum tariff of 5%.

The core issue to the Malaysian government is its continued desire to protect the national car industry which has been a key pillar of national industrial development. The industry is not faring well. Hicom Holdings is currently finalizing negotiations for a 27.2% stake in Proton, the national car company, to Petronas, the state oil company. Petronas has a long history of supporting troubled government-related projects.

The Malaysian motor vehicle industry was growing at a healthy rate pre-crisis but fell 60% in 1998. In 1999, mainly due to the government's stimulus packages, the industry has picked up along with the recovery of the economy, motor vehicle sales are expected to increase by 56% for 1999 and 13% for 2000.

## Malaysia – Annual Sales of Motor Vehicles

	1997	1998	1999*	2000*
Total Sales	404,838	163,182	253,187	286,410
% Change	11	-59.7	55.2	13.1

\* Forecast by Jardine Fleming Research, June 1999

Below we have profiled some of the key motor groups in the Malaysian sector. Many of which will have important decisions to make with regard to the opportunities and threats that AFTA will provide over the next few years.

### A. Delloyd Group / Delloyd Ventures Berhad

**Summary:** Delloyd Group is an OEM for the major car manufacturers and assemblers in Malaysia, such as Daihatsu, EON, Perodua, Proton, UMW

**Toyota and Usahasama Proton-DRB Sdn Bhd.** 85% of sales are sold into the domestic OEM market, 10% of sales go to the domestic replacement market comprising a wide base of retailers and wholesalers, and the remaining 5% are sold to export markets. The group manufactures a wide range of car parts and accessories, wheel covers antenna, power windows, mudflaps door mirrors. **Delloyd Ventures Bhd** fully owns the Delloyd Group, which includes subsidiaries such as **Delloyd Auto Parts Manufacturing Sdn Bhd**, **Delloyd Industries (M) Sdn Bhd**, and **Delloyd Electronics (M) Sdn Bhd**.

**Group revenues 1998:** RM61.6m (US\$16.2m)

**Group net profit 1998:** RM3.8m (US\$1.0m)

### B. Kumpulan Belton Berhad / Belton

**Summary:** Belton was dormant until 1991 when, as part of a restructuring scheme undertaken pursuant to Belton's listing on KLSE, Belton acquired companies involved in automotive parts manufacturing and distribution. These companies include **Belton Sdn Bhd (BSB)**, **Kejuruteraan Superskill Sdn Bhd (KSSB)** and **Belton Auto Parts Sdn Bhd (BAPSB)**. Other subsidiaries that are involved in the manufacture of auto parts include:

**Belton Pins Industries Sdn Bhd (BPISB)**, which specializes in the various types of pins widely used in light and heavy commercial vehicles, earthmoving equipment and forklifts.

**Belton Axle Components Sdn Bhd (BACSB)**, which specializes in the manufacture of brake discs and drums for passenger cars, light and heavy commercial vehicles.

**Belton-Dorbyl Automotive Products Sdn Bhd (BDAP)** is a JV between Kumpulan Belton Berhad and **Dorbyl Limited**, where the former holds 60% whilst the latter holds 40% of the equity of the company. It manufactures propeller shafts for supply to the Malaysian original equipment and replacement markets.

**Group revenues 1998:** RM49.5m (US\$13.0m)

**Group net loss 1998:** RM18.9m (US\$5.0m)

**C. Tan Chong Group**

**Summary:** **Tan Chong Group** was established in 1957 and now acts as an investment holding company listed on the KLSE with diverse activities in the Asia-Pacific region. One of Tan Chong's holding companies, **APM Automotive Holdings Bhd**, specifically deals with auto parts manufacturing. Tan Chong has been planning to list APM Automotive Holdings Bhd since 1996. However, the recent economic crisis has delayed this process and the Malaysian Securities Commission granted the Group an extension, which terminates on 3 December 1999. Tan Chong hopes that the process can be completed by November 1999, but this will most likely be hindered by the group's lack of a substantial bumiputra (native Malay) shareholder. APM Automotive Holdings Bhd's latest revised share offering price is RM1.74, thereby giving an initial market capitalization of RM201.6m (US\$53 million) for the Group. **Auto Parts Manufacturers (APMSB) Sdn Bhd** acts as the leading subsidiary of APM and focuses on the production of tapered layer springs, radiators and seats.

**APMSB revenues 1997:** RM188.3m (US\$48.4m)  
**APMSB net profit 1997:** RM6.8m (US\$1.8m)

**D. UMW Holdings Berhad**

**Summary:** **UMW Holdings Berhad** is involved in the manufacturing of a wide range of heavy equipment for use in the industrial, construction and agricultural sectors. The group is also active in the trading of related components and the import, assembly and marketing of passenger and commercial vehicles. Its auto part subsidiary which was established in 1973, **UMW Auto Parts Sdn Bhd**, manufactures automotive and heavy equipment, as well as air and oil filters and fuel strainers.

**UMW AP revenues 1998:** RM28m (US\$7.4m)  
**UMW AP net profit 1998:** RM3.8m (US\$1.0m)

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