

ASIAN AUTOMOTIVE TEXTILES

Opportunities and challenges
for leading producers

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Chen Nan Yang

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Textile Media Services

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for leading producers

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Introduction

Over the past two years, the global automotive textile industry suffered a downturn owing to the financial crisis. But in Asia, consumption and production continued to grow, even under the impact of the economic recession. Most companies featured in this report recorded profits in their automotive textile business during this period: Asia has definitely become the most promising market for the global automotive textile industry.

At the same time, Asia is gaining market share in this sector. In 2009, China and Japan became the largest vehicle manufacturing countries, with China overtaking the US, becoming the single largest automobile market in the world.

The boom in automobile production has created huge demand for local automotive textiles, while Asia's large-scale textile capacity and low labour costs provide the possibility for rapid growth of production. This report covers the opportunities and challenges the major players face in this changing market.

Automobile production

Asia has become the world's largest automobile manufacturing region. In 2009, it produced more than 31.0m units, accounting for around half of global production, according to the China Association of Automobile Manufacturers (CAAM).

More than 95% of Asian automobile production came from 10 countries: China, Japan, South Korea, India, Thailand, Iran, Malaysia, Indonesia, Taiwan and Pakistan. Their total production declined slightly (-0.2%) in 2009 compared with the previous year, with

Automobile production of 10 Asian countries, 2008-2009			
('000 units)	2008	2009	2009/08 (%)
China	9,299.2	13,791.0	+48.3
Japan	11,575.6	7,934.5	-31.5
South Korea	3,826.7	3,512.9	-8.2
India	2,332.3	2,632.7	+12.9
Thailand	1,393.7	968.3	-30.5
Iran	1,051.4	752.3	-28.4
Malaysia	530.8	485.2	-8.6
Indonesia	600.6	484.8	-22.6
Taiwan	183.0	226.4	+23.7
Pakistan	156.0	109.7	-29.6
Total 10 Asian countries	30,949.4	30,897.9	-0.2
World	70,520.5	60,987.0	-13.5

Source: China Association of Automobile Manufacturers

growth in China, India and Taiwan offsetting the other countries' decline. China's production reached 13.8m units, accounting for nearly one quarter of global production.

Automotive textile consumption

As a result of the automobile boom, Asia's consumption of automotive textiles has grown rapidly over the past few years. It is estimated that vehicle production in these 10 Asian countries consumed 740,000 tonnes of automotive textiles in 2009, according to the China Nonwovens & Industrial Textiles Association (CNITA). Boosted by rising consumption, the Asian automotive textile industry has also grown rapidly in these countries, but the situation in each is different.

Japan

As the leading players in the Asian automotive textile industry, Japanese companies are expanding their production facilities and branches across Asia. Over the past decade, they have entered almost all the main markets in Asia. For example, since the 1990s Takata (page 101) has set up production facilities in China, Thailand, Singapore, South Korea and Malaysia; it now covers a region that consumes around 90% of all automotive textile products in Asia.

China

Over the past two decades, China has been entering the automotive textile industry, while foreign companies have also started to look for new opportunities there. China is now the world's largest textile manufacturing centre. But as profits for traditional textile production have declined and demand for automotive textiles has grown, increasing numbers of Chinese textile manufacturers have begun producing automotive textiles to secure profits.

For example, Berger Phoenix (page 29) turned to the automotive seatbelt business in 1993 as it found the profits from traditional textiles declining. Meanwhile, Hengli (page 41), one of the world's largest man-made fibre producers, started production of automotive high modulus low shrinkage (HMLS) industrial yarn in 2010, becoming the largest raw material supplier to the Chinese automotive textile industry.

Boosted by the rapidly increasing automobile market, China's production of automotive textiles has grown rapidly over the past decade, even under the impact of the global economic recession. The booming market has also provided opportunities to automotive textile makers in other countries: China imports automotive textiles worth around US\$4bn a year, according to Zhu Minru, CNITA vice president

South Korea

The South Korean automotive textile industry is dominated by large companies: Hyosung (page 123) and Kolon (page 127) cover almost all the sectors of the business, including airbag yarn, tyre cord fabric, seatbelt fabric and others. They have started expanding to other Asian countries with their advanced technologies and strong research and development (R&D) capabilities. At the same time, several large Japanese groups have seized

China

China has become the most promising automotive textile market in the world, with consumption in 2009 increasing 48.3% compared with the previous year to 368,607 tonnes (including imports). At the same time, its production of transport textiles, including textile products for automobiles, aircraft, trains, boats and ferries, grew 66.3% to 341,000 tonnes.

Although production has increased rapidly, China imported more than 50,000 tonnes of automotive textiles worth around US\$4bn a year up to 2009, according to Zhu Minru, vice president of the China Nonwovens & Industrial Textiles Association (CNITA). In 2009, as domestic production grew faster than consumption, China's imports of automotive textiles declined slightly.

Consumption and production

According to Zhu, China's consumption and production of automotive textiles increased at a compound annual growth rate (CAGR) of more than 15% over the past decade. This slowed in 2008 owing to the economic recession, but recovered and surged again in 2009.

Textiles account for around 60% of the materials used for the interiors of passenger cars in China, according to Kuangda (page 55); for buses, 80% of the automotive interior materials are textiles.

For automobiles priced at below CNY200,000 (US\$29,400) in China, textile products account for more than 50% of the automotive interiors. For automobiles priced at CNY50,000-100,000 (US\$7,360-14,700), textile products account for around 80% of the automotive interiors.

China: average textile consumption in the interior of passenger cars

	Area (m ²)	Weight (kg)
Seats (front and back)	12.0-16.0	3.0-4.5
Ceiling	2.5-3.0	0.7-1.0
Door panels	1.6-3.0	1.0-1.2
Carpet	4.0-5.0	7.0-8.0
Other	0.5-2.9	1.3-2.3
Whole car	23.0-27.9	14.0-15.0

Source: Kuangda

Hailide

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High rate of differentiation helps avoid losses in an industry suffering from severe overcapacity.

Founded in 2001, Zhejiang Hailide New Material is one of the largest polyester industrial yarn producers in China. It has an annual capacity of 120,000 tonnes of polyester industrial yarn, including high modulus low shrinkage (HMLS) industrial airbag yarn and seatbelt yarn; it also produces truck covers.

Hailide has the capacity to produce 120,000 tonnes of polyester chips, 38,000 tonnes of polyvinyl chloride (PVC) materials, and 35m m² of interior fabric per year.

The largest shareholder in Hailide is Gao Li Min, who holds 31.92% of the shares. The privately held Tonglian Investment is the second-largest shareholder, holding 21.76%.

Hailide was founded in 2001 as a private company. In January 2008, it entered the Chinese stock market and is listed on the Shenzhen Stock Exchange (stock code 002206).

At the end of 2009, Hailide had a total of 956 employees, including 614 in the production department, 35 in the sales department, 14 in the financial department, 28 in the administrative department, 150 in the technology department and 115 in other departments. To date, Hailide has no liability to any retired employees.

Hailide's production facilities are based in Haining City, covering an area of 81,727 m². Its automotive textile equipment and production lines were imported from Japan's Toray Industries (page 113).

Hailide's main automotive textile products include:

- airbag yarn with specifications of 400D and 500D;
- automotive seatbelt yarn, which feature high strength, excellent abrasion resistance and good dyeing properties;
- HMLS polyester industrial yarn with specifications of 1,000D, 1,300D, 1,500D, 2,000D and 2,500D; main applications include tyre cord fabric, seatbelts, heat-resistant canvas, and transmission belts.

Position in the industrial chain



- completion in 2010;
- a project for the production of new types of composite automotive materials at a total investment of CNY8.20m (US\$1.21m) and due to be finished in 2011.

Current situation

Shanghai Shenda's exports have increased as a result of the recovery in Asian markets; however, its profits have declined. On the domestic market, sales to Hubei Province increased 58% in 2009 compared with the previous year. In 2009, Shanghai Shenda sold the shares and assets of three traditional textile subsidiaries for CNY50m (US\$7.36m), finally exiting this business.

Risk and outlook

Shanghai Shenda forecasts that it will face more challenges in 2010 and 2011 owing to the slow recovery of the global economy. It will use a diversification strategy and expand its automotive textiles business through mergers and acquisitions over the next few years.

After asset stripping of its traditional textile business, Shanghai Shenda expects sales to reach CNY4.6bn (US\$677.1m) in 2010 with profits of CNY130m (US\$19.1m).

Shanghai Shenda: exports and total sales, 2006-2009

(CNYm)	2006	2007	2008	2009	2009/08 (%)
Japan and South Korea	779	789	703	809	+15.1
Hong Kong, Taiwan and Macao	556	468	83	80	-3.6
Other Asian countries	209	301	215	268	+24.7
USA	1,043	791	1,041	1,082	+3.9
Other American countries	67	77	120	126	+5.0
Australia	77	68	61	64	+4.9
Europe	827	994	1,094	1,022	-6.6
Total exports	3,623	3,583	3,382	3,527	+4.3
Total sales	4,779	4,879	4,761	5,018	+5.4

Source: Shanghai Shenda

Shanghai Shenda: turnover and profits for automotive textiles, 2006-2009

(CNYm)	2006	2007	2008	2009	2009/08 (%)
Turnover	396.0	521.3	468.4	489.6	+4.5
Profits	69.0	85.7	64.9	49.7	-23.4

Source: Shanghai Shenda

BMD

**Bhilwara Melba De Witte Pvt Ltd, Bhilwara Towers, A-12, Sector-1,
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Indian automotive textile producer seeks expansion to downstream sectors.

Bhilwara Melba De Witte (BMD) is a leading Indian manufacturer of high-performance furnishing fabric for automobiles, decorative furnishing fabric for homes, contract furnishing fabric, flame-retardant fabric and air texturised yarn. It has an annual capacity of 5m linear metres of fabric and 1,800 tonnes of air texturised yarn.

BMD has established a business alliance with Japan-based Seiren (page 95), one of the world's leading functional automotive textile developers, for the automotive interior business in India.

BMD is a subsidiary of the LNJ Bhilwara Group, which was founded in 1961 and has grown to become a major company with a turnover of INR40bn (US\$858.4m) and exports of INR18.4bn (US\$394.9m) in the 2009 fiscal year (1 April 2009 to 31 March 2010). LNJ Bhilwara is also one of the largest textile companies in India with a turnover from textiles of INR24.5bn (US\$525.8m) and exports of INR10.3bn (US\$220.0m) in fiscal 2009.

BMD was founded in 1998 when LNJ Bhilwara Group's business extended to the automotive textile industry. In the 2003 fiscal year, BMD received an award of excellence from Tata Johnson Controls as an important automotive textile supplier. In fiscal 2005, it received an award of excellence from Krishna Maruti for outstanding performance.

BMD's main products include dobby and jacquard woven fabric, warp and weft knitted fabric, and flame-retardant fabric used for the production of automotive, decorative and contract furnishing applications, as well as technical textiles and air texturised yarns.

In the domestic market, BMD mainly supplies leading global original equipment manufacturers (OEMs). Its customers over the past few years include Toyota (Innova model), Honda, Maruti Suzuki, Tata Motors, General Motors (GM), Ford, Fiat, HM-Mitsubishi, Renault, Volvo and Mahindra & Mahindra (M&M).

BMD's main production facility is based in Banswara, Rajasthan, India. It covers an area of 115,000 m² (factory area 30,000 m²). By July 2010, BMD had more than 400 employees.

Position in the industrial chain



Formosa Taffeta: turnover by product, 2008- 2009

(TWDm)	2008	2009	2009/08 (%)
PA 6 and PA 66 fabric	8,872	7,446	-16.1
Tyre cord fabric	7,490	6,819	-9.0
Polyethylene bags	479	432	-9.8
Yarn	420	477	+13.6
Cotton fabric	1,137	808	-28.9
Woven fabric	585	457	-21.9
Oil products	9,137	10,433	+14.2
Total	28,120	26,873	-4.4

Source: Formosa Taffeta

Formosa Taffeta: production, 2008-2009

	2008	2009	2009/08 (%)
PA 6 and PA 66 fabric (m linear metres)	220.6	166.3	-24.6
Tyre cord fabric ('000 tonnes)	48.3	45.6	-5.4
Polyethylene bags ('000 tonnes)	6.6	6.3	-4.5
Yarn ('000 tonnes)	3,445	4,456	+29.3
Cotton fabric (m linear metres)	16.7	10.8	-35.0
Woven fabric (m linear metres)	2.6	1.9	-25.6
Oil products (m m ³)	337.3	428.9	+27.2

Source: Formosa Taffeta

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