

# CeAUTO

## Newsletter

### Middle East and Africa

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#### Dear Reader,

*The recent nuclear deal with Iran will result in the lifting of sanctions. It is no wonder that the local industry became a hot topic virtually overnight.*

*Ceauto GmbH an Austro-Hungarian auto industry market research company has been publishing the Ceauto Newsletter since 2013. The Ceauto Newsletter is published every Wednesday with the latest OEM and supplier news from the Central and East European region. It is edited by Peter Homola, an Austrian journalist with 30 years of experience in covering the region.*

*Since 2014 the Ceauto Newsletter has a section focusing on the latest developments in the Middle East and Africa. We believe our coverage is unparalleled so we decided to offer that section as a separate newsletter. This is a sample issue, collated from related news featured in the last four issues of the Ceauto Newsletter.*

*Subscription price will be just EUR 49 for 50 issues a year. However if you subscribe now, you'll receive the Ceauto Newsletter - Middle East and Africa edition until the end of 2016.*

**Regards**

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## NEWS

### Iran

#### *Iran Khodro announces new models*

**Hashem Yekehzare**, President and CEO of **Iran Khodro Co. (IKCO)**, announced several new models for the near future. According to Yekehzare, two new IKCO models with codenames X409 and X411 are to be presented this Iranian year which ends on the 20th of March 2016, while the X502 is to be launched in the first half of the next Iranian year (21st of March 2016 to 20th of March 2017). Speaking about foreign-branded cars, Yekehzare mentioned the plan to produce **Renault** Clio IV and Captur models, which is already known, and a restyling of the Renault Tondar 90. He also spoke about new **Peugeot** models without providing more information. However, the presentation shown by **Abbas Maleki Tehrani**, Senior Deputy Managing Director at Iran Khodro, at the recent IranEU2015 conference in Vienna confirms earlier plans to produce the Peugeot 2008 and 301 models. According to Yekehzare, plans also call for the production of new **Suzuki** models, including the Suzuki Swift. In addition, Yekehzare confirmed that assembly of a **Haima** SUV is now starting at the **Iran Khodro Khorasan** plant.

#### *Saipa: Renault may buy minority stake in Pars Khodro*

**Renault S.A.** is in discussions to buy less than half of the shares in **Pars Khodro**, **Naser Aghamohammadi**, Senior Vice President of Product Development, **Saipa Group**, and Managing Director, **Pars Khodro**, said after the IranEU2015 conference in Vienna. Renault is also in negotiations to buy infrastructure such as car plants owned by the Saipa Group, Aghamohammadi explained.

#### *AVL signs Memorandum of Understanding on new engine project for Iran*

The Austrian engineering company **AVL List GmbH** has signed a Memorandum of Understanding regarding the development of fuel-efficient and environmentally friendly car engine and delivery of related test equipment at the IranEU2015 conference in Vienna. The signing was joined by **Sorena Sattari**, Iran's Deputy President in charge of Science and Technology. AVL's partner is an unnamed Iranian-Indian joint venture which plans a new engine manufacturing project in Iran. "It is thus possible to use latest drive technology in passenger cars which are already manufactured in Iran," AVL said in a statement. The detailed implementation of this project depends on the further development of the nuclear agreement from Vienna. While AVL declined to provide more details on the deal and the engine, Iranian sources say that deal for the production of Euro 6 engines includes transfer of technology, design and commissioning of the production line and application of three-cylinder powertrain in Iranian vehicles. An initial version of the engine will have 122 hp and will be mounted to a six-speed automatic gearbox according to the sources. It will be installed on a mass-produced Iranian car.

#### *RVMCO launches pre-sales of Rayen V5*

**Rayen Vehicle Manufacturing Co. (RVMCO)** is currently launching pre-sales of the **Rayen V5**. The car, which is the first to wear the Rayen brand, is based on the Chinese model **FAW** Tianjin Weizhi V5. Rayen V5,

which was unveiled at the 14<sup>th</sup> International Auto Show in Shiraz in June, will be assembled at RVMCO. Regular sales of the new model are to be launched in October.



### ***Fabius: Return to Iran may be smoother for Renault than PSA***

**Roland Fabius**, France's foreign minister, said that **PSA Peugeot Citroën** could find it more difficult to return to Iran than **Renault S.A.** after talks with Iranian leaders. The feedback from Iranian ministers on Renault was positive, Fabius said after his visit to Iran. "As far as Peugeot is concerned, Iranian leaders criticize it for leaving a few years ago in a way they dispute. So it could be more difficult," Fabius told France Info radio. Renault's position in Iran is different from PSA's position. While Renault cooperated with its Iranian partners as long as possible in conjunction with the sanctions and resumes parts shipments as soon as it was possible, PSA was forced to stop cooperation with Iran in conjunction with a shareholding agreement with **General Motors**. PSA CEO **Carlos Tavares** said talks on a production joint venture with Iran Khodro were being undermined by anti-French sentiments. PSA has "developed proposals" with Iran Khodro, Tavares said according to Reuters, but progress is being hindered by a backlash over France's tough line during the talks preceding the breakthrough deal under which sanctions will be lifted in return for limits on Iranian nuclear activities. "The negotiations are taking place in a climate that is fairly hostile to France, because the country's role during the period under sanctions was not appreciated," Tavares said. He also explained that PSA is still in discussions with other potential Iranian partners. According to media reports, some Iranian hardliners want to block French business deals because of France's close relationship with Gulf Arab governments and the country's stance during the nuclear negotiations.

#### ***Daimler managers visit IDEM, VAMCO***

**Daimler AG** managers are visiting the subsidiaries of the **Iran Khodro Industrial Group** as part of preparations for a restart of cooperation between the two companies. Managers of Daimler's Middle East office and the company's powertrain division paid a visit to the **IDEM (Iranian Diesel Engine Manufacturing Company)** engine plant and in order to discuss future cooperation. Daimler used to own 30 percent of IDEM but sold its share some years ago because of sanctions. The talks between Daimler's representatives and IDEM's management included negotiations on the development work on diesel engines such as OM 926, OM 924 and OM 457 and the improvement of exhaust standards of engines manufactured at IDEM up to Euro 5 and Euro 6. Earlier, Daimler representatives also visited **VAMCO**, the Iran Khodro subsidiary which is responsible for the production of axles for commercial vehicles manufactured at **Iran Khodro Diesel**, including **Mercedes-Benz** trucks.

#### ***Iran Khodro to assemble up to 20,000 Haima S7 per year***

**Iran Khodro Industrial Group** plans to assemble up to 20,000 units of the **Haima S7** SUVs per year, the company said. Volume CKD assembly of the vehicle started at the **Iran Khodro Khorasan** plant in July. According to Iran Khodro, the local content is to be about 40 percent. However, it is not clear whether this local content has already been achieved.

#### ***Iran Khodro establishes new company to promote international cooperation***

**Iran Khodro Industrial Group** has established a new company for expanding cooperation between Iranian suppliers and their international counterparts, said **IKCO's** President and CEO **Hashem Yekehzare**. Visiting the newly-established **Avrand Plastic Company**, he also noted that such cooperation would develop Iranian suppliers' capabilities and enhance their products' quality. Avrand Plastic is an engineering company dealing with designing and supplying parts. "Given the recent nuclear deal reached between Iran and P5+1 group of countries and the subsequent positive atmosphere, Avrand Plastic can play a leading role in supplying necessary parts and exporting new Iranian products to the international markets" he said.

#### ***Iran Khodro starts delivery of the Renault Captur***

**Iran Khodro Industrial Group** started the delivery of the **Renault Captur**. The Captur is an import car, but plans call for the future production of the model in Iran.

#### ***Iranians want German cars***

An Iranian TV station has asked its viewers an interesting question: If the Iranian automakers are looking for foreign partners, automakers from which following countries should be given priority according to your opinion: 1. Germany, 2. China, 3. Japan, 4. Korea, 5. France. About 64 percent of the survey's participants declared they would prefer Germany as a business partner for Iran's automotive industry. Germany was followed by Japan (16.85 percent), Korea (7.14 percent), France (6.31 percent) and China (5.69 percent).

### ***Iran Khodro to launch production of turbocharged engine TC7 next year***

**Iran Khodro Industrial Group** plans to launch volume production of its turbo-charged engine TC7 in the first half of the next Iranian year which begins on the 21st of March 2016. According to Iran Khodro the engine fulfils Euro 4 emission standards and can be upgraded to Euro 5. It is also adapted for the use of compressed natural gas (CNG) but only petrol versions will be manufactured in the initial stage of production. The 150 hp engines consumes 7.3 litres of fuel per 100 km when installed in the **IKCO Soren**.

### ***Iran Khodro launches assembly of Dongfeng cars***

**Iran Khodro Industrial Group** has launched assembly of **Dongfeng** cars at its plant in Tehran. According to the Iranian statistics, the first 10 cars were made in the month of Tir 1394 (22<sup>nd</sup> of June to 22<sup>nd</sup> of July). The statistics do not provide model names. However, Iran Khodro exhibited Dongfeng S30 and H30 models at the Tabriz auto show in October 2014. That time the company said that it plans to launch assembly of the two models in 2015.

### ***Bahman: Iranian production statistics shows large volume for Mazda3***

According to the statistics for the month Tir 1394 (22<sup>nd</sup> of June to 22<sup>nd</sup> of July 2015), **Bahman Group** assembled 506 units of the **Mazda3** in this month. That would mean a kind of restart of the model's assembly in significant volumes. Only 5 Mazda3 cars were assembled in the 6 months before and also the figures in the last years were quite low.

### ***Hyundai considers production activities in Bandar Anzali***

**Hyundai's** representatives and officials from Iran's **Caspian Sea Port Organization** have discussed the possibility to launch a car production venture in Bandar Anzali, the Tasnim news agency writes. According to the report, **Masoud Naimi**, director of Ports and Maritime Affairs of Gilan province, said an exploratory group has been set up to discuss possible future cooperation. Bandar Anzali is a port in north-western Iran located on the western edge of Caspian Sea, has historically been a major entry/exit point to and from Iran. It also could be used for shipments to CIS countries.

### ***Haima S7 and Chery Tiggo 5 are amongst the attractions of Mashhad auto show***

**Haima S7** and **Chery Tiggo 5** SUVs are two models destined for local production which celebrated their Iranian premiere at this week's Mashhad auto show. The Haima S7 is already assembled at the **Iran Khodro Khorasan** plant in Binalood near Mashhad where it shares the assembly line with the **Suzuki** Grand Vitara. In conjunction with the auto show, Iran Khodro invited local media to visit the plant. According to **Bijan Zahedi Fard**, CEO of Iran Khodro Khorasan, deliveries of the Haima S7 will be launched in October. The Haima S7 assembled in Iran is the original version manufactured in China since May 2013. The Chinese manufacturer unveiled a facelifted version of the model at the Shanghai auto show this year. In addition to the Haima S7, **Iran Khodro Industrial Group** is showing different models including **IKCO** Dena and Arisun models as well as the **Renault** Captur. After longer time Iran Khodro again presents the locally assembled Suzuki Grand Vitara at an Iranian auto show. Assembly of the **Chery Tiggo 5**, another premiere in Mashhad, will be launched at **Modiran Vehicles Manufacturing Company (MVM)** soon. In contrast to other Chery models assembled by



the company which are badged as **MVM** the Tiggo 5 will be sold under the Chery brand. The Chery New QQ, which was already shown at the Shiraz auto show, is again exhibited in Mashhad. It will be badged as the MVM 110S in Iran. **Saipa Auto Group**, which was only presented through its subsidiary **Saipa Diesel** at the Shiraz show in June, shows a wide portfolio of **Saipa**, **Pars Khodro** and **Zamyad** companies in Mashhad. Vehicles shown by Saipa include the Saipa Ario, Saina, Tiba 2 and 151 models, the **Saipa Brilliance** H220/H230 and **Pars Khodro Brilliance** H320/H330 cars, Pars Khodro Rich pickup, **Kia** Cerato, **Renault** Koleos, **Changan** Eado and CS35 cars as well as two special version of the Zamyad Padra pickup and Zamyad's new models offered in cooperation with **Dongfeng Yuan**.

### **Saipa to launch Saina and Sandero models soon**

The **Saipa Auto Group** will launch **Saipa** Saina and **Renault** Sandero models in the near future. "In next two months, two new vehicles that are called Saina and Sandero will be launched in the market," **Reza Taghizade**, head of sales and marketing at the Saipa Auto Group, said at the Mashhad auto show. "Our offered price for the Saina is about 28,500,000 toman that is offered to Council on Competitiveness and we are waiting for certification," Taghizade said about the price of the Saina. "The Sandero price is not announced yet," he added. "In the first four months of this (Iranian) year, Saipa has produced about 145,000 vehicles and sold about 125,000 units," Taghizade is quoted as saying.

### **Zamyad starts volume production of Padra Z24 pickup**

Volume production of **Zamyad** Padra Z24 pickup single cab, a licence version of China's **Fudi** Xiongshi NHQ 1022 (export model name Lion), is underway at **Saipa Auto Group's** subsidiary **Zamyad Co.** While the vehicle was unveiled in Iran in November 2013, it only recently finished the pilot production phase. Plans call for the production of 2,000 units in the current Iranian year 1394 (21<sup>st</sup> of March 2015 to 20<sup>th</sup> of March 2016) and up to 10,000 units in the next Iranian year 1395. According to the company the local content is about 60 percent. Zamyad is presenting two special versions of the Padra - a vehicle with a refrigerator body and a fire-fighting vehicle - at this week's Mashhad auto show. It is not clear whether the double cab version of the Padra, which was seen at the Zamyad plant last year, will be manufactured as well.



### **Zamyad launches models based on Dongfeng Yuan Xiaokang vehicles**

**Zamyad Co.** has launched **Zamyad**-badged vehicles based on China's **Dongfeng Yuan Xiaokang** vehicles as part of an attempt to diversify its production portfolio. Vehicles which belong to the range such as the K01 (single cab) and K02 (double cab) versions are also exhibited at this week's Mashhad auto show.



### **Iran/Kazakhstan**

#### ***Iran Khodro presents its vehicles in Aktau***

**Iran Khodro Co. (IKCO)** has participated in a exhibition of Iranian products in the Kazakh city of Aktau. **IKCO** Dena and Soren cars as well as the Arisun pickup were exhibited at the event.

### **Iran/Russia**

#### ***GAZ sees business possibilities in Iran***

**Gruppa GAZ** of Russia sees business opportunities in Iran. **Siegfried Wolf**, Chairman of **OAO Russkiye Mashiny (Russian Machines)**, the company which controls GAZ, was among the speakers at the Iran EU Conference in Vienna last month. "Business with Iran is realistic in any case, we already were in Iran," said **Martin Rada**, Export Manager of Gruppa GAZ. GAZ had contacts to Iran as the **Iran Khodro Industrial Group** assembled **GAZ** Gazel light commercial vehicles in the past. "We will certainly strengthen our presence in Iran, with light commercial vehicles and buses," said Rada. There are some strong connections in the engine and parts area. "Iran is for us certainly one of the key markets," Rada added.

## **Egypt**

### **GB Auto to assemble Hyundai Elantra**

**GB Auto S.A.E.** is preparing the assembly of **Hyundai** Elantra. Original plans called for the start of assembly in October. "We may have a couple of months delay so you may expect (launch of assembly) by year end," GB Auto's CEO **Raouf Ghabbour** said during a second quarter results conference call.

### **GB Auto reports lower sales of locally assembled cars**

**GB Auto S.A.E.** sold 15,009 locally assembled cars in the first half of 2015, down 22.14 percent from like-2014. While the sales of **Hyundai** Verna was down only 3.44 percent to 11,668 units, sales of the **Geely** Emgrand decreased by 57.35 percent to 3,068 cars. The company also sold 273 units of **Chery** Karry, a vehicle which was not assembled in the first half of 2014. According to the company, the significant decline of the Geely Emgrand is the result of management's decision to withhold Geely supplies to the market to clear wholesale and dealer-level over-supply that accumulated in the fourth quarter of 2014. "In tandem, we took the opportunity to work on quality issues of a car that captured the high single-digit market share right out of the gates. These issues have been addressed and we now see signs of sales returning to near-normalised levels," GB Auto's CEO **Raouf Ghabbour** explained during a second quarter results conference call. "The drop in CKD Geely sales in the quarter should be seen in that context," he adds. "We had an inventory of 7,000 cars - that was reduced during the last two months to 3,500 cars - and I expect to be short of cars within 2 to 3 months. So I do not see a problem." Ghabbour expects to sell about 6,000 Emgrands in the second half of the year.

### **GB Auto complains about problems with social media**

In addition to the decision to withhold deliveries of locally assembled **Geely** Emgrand cars, **GB Auto S.A.E.** said another reason for lower Geely sales were problems with a social media campaign against Geely. "As a matter of fact, by the end of the first quarter we had a second problem. While we were expecting to start selling big volumes in April because actually the market was almost I wouldn't say empty but normally staffed, unfortunately we started facing a terrible blackmailing through social media against the car, claiming that the car has safety issues and claiming lots of false information," said the company's CEO **Raouf Ghabbour**. "We have obtained certificates from the suppliers related to the items social media was attacking us for and not only that, we went to German testing firms and we did neutral testing and we got the results of those tests," he adds. "As a matter of fact, I am now threatening anyone in the social media who writes anything untrue about the product to take him to court. I am confident about the quality of the car. I have put the people who were blackmailing - I don't know if their intention was blackmailing GB Auto or blackmailing Geely but at the end of the day, I am strongly facing them and I have stopped them".

### **GB Auto expects higher volumes for locally assembled Chery Karry**

Sales of the **Chery** Karry which is assembled from CKD kits at **GB Auto S.A.E.**, were lower than expected because of the engine available at the beginning and problems with components, the company's CEO **Raouf Ghabbour** said during a conference call with analysts. "We started the Karry with a 1 litre engine and the 1 litre engine proved not to be strong enough to take the load of the seven passengers with a driver and



air-conditioning," said Ghabbour. "So we changed the engine to a 1.2 litre engine which is now having no problem and my run rate now is about 150 a month, which should see growth in the future." Problems with parts were another reason for lower volumes. "I have to mention that we had a very serious problem in the shipping of the components," said Ghabbour. There were problems with missing or damaged parts. "So we had products which we could not supply to the end user, waiting for shipments to compensate the damage or short shipments of items," he explained.

## Nigeria

### *Ford Ranger pickups to be assembled in Ikeja*

**Ford Motor Company** has announced it will assemble its **Ford** Ranger pickup truck in Nigeria starting in the fourth quarter of 2015. Nigeria will be the first African country outside of South Africa where Ford vehicles are assembled. Ranger assembly will begin in Ikeja, in the Lagos State about 750 km south-west of Nigeria's capital city Abuja. Ford is partnering with Ford dealer group **Coscharis Motors Limited** on the project. Ford will assemble the vehicles at a SKD level, using body parts and components imported from South Africa. The new assembly plant in Ikeja will create approximately 180 jobs directly and indirectly, and has the capacity to assemble up to 5,000 units annually. Vehicles assembled at Ikeja are destined for sale in Nigeria only. "Nigeria is a priority market for us in Sub-Saharan Africa and today's announcement will allow us to better serve our customers both from a retail point of view, and in terms of vehicle and parts availability," said **Jeff Nemeth**, president and CEO of Ford Motor Company of Sub-Saharan Africa region. "We are committed to supporting Nigeria's developing automotive industry and economy together with Coscharis, and are looking forward to being active in the community. New assembly operations, even on a smaller scale like this one, have very positive ripple effects in the local economy and work force."

## STATEMENTS

by Hashem Yekehzare, President and CEO of Iran Khodro Co. (IKCO)

**“Hard times of Iran Khodro under international sanctions have come to an end”**

Hashem Yekehzare, Head of Iran’s largest vehicle manufacturer Iran Khodro Co. (IKCO), talked in a press conference about different aspects of the company’s future, mainly about cooperative projects with foreign vehicle manufacturers.



### ***On the situation after sanctions...***

Hashem Yekehzare said that the hard times of Iran Khodro under international sanctions have come to an end and most foreign companies including German vehicle makers are interested in expanding cooperation with IKCO. He mentioned Peugeot, Renault and Suzuki as Iran Khodro’s current trade partners saying IKCO plans to establish cooperation with a non-French European company in near future. He emphasised that IKCO won’t roll out the red carpet for those countries not respecting Iranian nation’s rights. “After the win of Iran in Vienna negotiations, different teams are coming to the country and considering the important role of Iran in region, they will continue to come,” he said. “Iran is so important for those companies because they seek markets in region. Germany was the first economic team that has announced its willing for being present in Iran and there were also some negotiations with Mercedes Benz and Volkswagen.”

### ***On Renault...***

“Since last year, Iran Khodro stopped cooperation with Renault Pars and began working directly with Renault. The cooperation has paid off resulting in the plans to produce Captur, Clio IV and Kwid. Meanwhile, a facelift version of Tondar 90 will be launched by the end of the current Iranian calendar year,” Yekehzare explained. “In my idea, the project of Tondar 90 facelift should not have been started as any product that enters the market has a useful lifetime and would be stopped after sometime but this project has been started before my appointment and it would be launched in market by end of this year,” he said about his view regarding the Tondar 90 facelift. “We need to leave behind the previous patterns and produce new cars. To this end, Renault can play the role of parts and engine systems provider,” he said.

### ***On PSA...***

“22 percent of Peugeot’s global sales fall to Iran’s market. This makes Iran an attractive market for any company but Peugeot left Iran after Western sanctions putting us in trouble. On the other hand, the company

slashed about 8,000," said Yekehzare. He referred to the negotiations between IKCO and Peugeot over the past one and half year saying: "Our cooperation program has already been finalised and we will establish a joint company in Iran in near future. Based on the program, 30 percent of the company's products would be exported by Peugeot. The company would also have a joint research centre." Yekehzare underlined that Peugeot has to be responsible for his past treatment adding given the newly-created conditions, there is no guarantee that IKCO would sign an agreement with Peugeot. "Several companies have expressed their willingness to cooperate with us. So we can choose a strong and reliable partner," he said.

#### **On Daimler...**

"Mercedes-Benz is an old partner for Iran Khodro, and it has announced to us its interest and readiness to work with us," said Yekehzare. "Mercedes-Benz office would be opened in Tehran within two to three months," he said. "We plan to sign a agreement with Mercedes Benz to produce trucks, buses and pickups." Yekehzare also said Mercedes-Benz is set to buy 30 percent of the engine manufacturer IDEM and to start production of new engines. He also explained that IKCO and Daimler would sign an agreement to produce and supply cars. Based on it Setareh Iran company would be importer and Top Khodro company would be manufacturer of Mercedes-Benz cars in Iran. Mercedes-Benz also expressed its willingness to buy 50 percent of Setareh shares.

#### **On Suzuki...**

Yekehzare also talked about IKCO's cooperation with Suzuki saying that the company was one of the rare companies which didn't stop its work in Iran after sanctions. He concluded that the company would continue its cooperation with IKCO on producing products such as Swift, Ciaz and Celerio models in Iran with the latest model (Celerio) in large number.

#### **On Volkswagen...**

Yekehzare said that Volkswagen can be a reliable partner for Iran Khodro.

#### **On Chinese companies...**

Yekehzare said that the presence of foreign auto makers in Iran poses a great danger for Chinese companies. "Chinese cars may seem attractive because of their reasonable prices but they can not compete at all with European cars in terms of quality and technical features," he explained.

#### **On exports and production abroad...**

Yekehzare emphasised that the group's policy has been profit-oriented so far saying: "We never export loss-making products." He noted that IKCO will continue its production abroad only if there is a reliable partner from private sector there. "In Azerbaijan, a company has expressed its willingness to cooperate with us. We have reached conclusion on some issues. After talks are finalised, we would begin our export to the country," he said.

*Compiled by Peter Homola*