

MANUFACTURING

Aapico inks joint venture for Vietnam parts assembly

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SET-listed auto parts maker Aapico Hitech Plc expects a new joint venture in Vietnam to contribute 30% of its revenue from 2019 onward, saying the Vietnam government is keen to develop car assembly over the long term.

Yesterday Aapico announced the joint venture with Vingroup's Vinfast Trading & Production Llc to set up a press shop and assembly operations in Vinfast's Supplier Park in Haiphong, Vietnam.

The purpose of the joint venture is to supply BIW (body in white) parts for the first two models of Vinfast vehicles (sedan and sport utility vehicle), scheduled for production by the third quarter of 2019.

The total investment for this project is 1.8 billion baht with Aapico and Vinfast holding 51% and 49% equity, respectively. The plant will be built on 57 rai in Vinfast's Supplier Park.

Yeap Swee Chuan, Aapico's president

and chief executive, told the *Bangkok Post* that Aapico has many purposes for this investment in Vietnam. First, the company will connect the automotive industry of both countries while Thai parts suppliers can support the Vietnam plant with auto jigs and dies worth 2.5 billion baht.

Vinfast, in turn, will supply the jigs and dies to the joint venture company to produce the BIW parts for the Vinfast vehicles.

"Aapico has over 1,000 pieces that are ready for shipment to Vietnam, so Thai parts suppliers can get more jobs from this projects," he said.

"Secondly, Vietnam is building up its automotive sector, which will create an opportunity for Thai auto parts companies to enter this market."

Nguyen Viet Quang, Vingroup's vice-president and chief executive, said the company believes there will be more domestic and foreign companies joining Vietnam's automotive supplier industry with this partnership.

"This is an important step in creating a synchronous ecosystem for the Vietnamese automobile manufacturing industry," he said.

While Vinfast will provide the premises, in which it will invest US\$20 million (642 million baht) to build the plant.

Aapico will be responsible for the overall management of the project including technology and know-how, plant design layout, and equipment sizing.

Furthermore, this joint venture is the largest project ever undertaken by Aapico in terms of scale, and is the group's second largest overseas investment after it paid \$100 million to acquire 25% of Sakthi Automotive Group's global operations last June.

Aapico has manufacturing operations in India, Europe, the US, Mexico and China. The company has a market cap of 12 billion baht.

Mr Yeap said Vingroup has entrusted Aapico with this project, which will be a milestone for Vietnam when the first two vehicle models are launched in 2019.

Vinfast is a subsidiary of Vingroup, one of the largest conglomerates in Vietnam, with a market cap of over 327 trillion dong (460 million baht).

In 2017, Vingroup recorded a revenue of 90 trillion dong (127 million baht).

The conglomerate launched Vinfast automotive manufacturing project on Sept 2, 2017 in Haiphong, Vietnam with the goal of building a world-class Vietnamese car brand.

The Vinfast Supplier Park is intended to increase the localisation of products as well as create a sustainable automobile manufacturing ecosystem.

For Aapico, Mr Yeap said revenue will grow by 3-5% this year to 17.1-17.4 billion baht, thanks to a positive outlook for Thailand's car production, projected at 2-2.1 million units.

But this joint venture in Vietnam is expected to beef up Aapico's revenue significantly next year, he said.



Aapico Hitech and Vinfast executives at the signing event to set up a press shop and assembly operations in Vinfast's Supplier Park in Haiphong, Vietnam.