ZPMC positioned to continue global growth

By HE WEI in Shanghai
hewei@chinadaily.com.cn

MACHINERY

Officials at China's top machinery maker are confident that the continued diversification of its portfolio, aimed at producing high-caliber products at the lowest possible price, will ensure it maintains a powerful position in the global market, despite a decrease in international demand for shipbuilding and major infrastructure projects.

As the main components for its latest high-profile project, Norway's Hardanger Bridge, eased their way out of port in Shanghai on Wednesday, Shanghai Zhenhua Heavy Industries Co Ltd (ZPMC) insisted it feels well-positioned to weather the current choppy economic waters and wrestle market share away from under-pressure competitors.

The steel structures for the main body of the bridge, heading for Scandinavia, mark the company's first venture into Europe in steel bridge-making. They mark the latest step in a global expansion that involved 82 countries and regions this year, it said.

Hardanger is a suspension bridge that will have one of the longest spans in the world after it replaces a ferry connection for long-distance travel and transport in Southwest Norway.

Helge Eidsnes, regional road manager of the Norwegian Public Roads Administration, said he was fully confident that what are complicated requirements — for Norway's longest bridge — will be met by the Chinese contractor, on-time and on-budget.

Formally known as Shanghai Zhenhua Port Machinery Co Ltd, ZPMC is considered the largest heavy equipment manufacturer in the world, and has in the past five years expanded into producing a wider range of industrial machinery — including heavy cranes, offshore engineering ships and large steel parts — on top of the traditional port equipment with which it dominates the world market.

It's that diversification, in reaction to an economic slowdown that has slashed global demand for shipbuilding, and its ability to cash in on other overseas infrastructure works, including bridges and offshore machinery, that has played the main role in its success, said Tan Guangren, the company's public relations officer.

Its most recent annual report showed that in 2011, ZPMC signed $4 billion worth of manufacturing contracts, 80 percent of which came from advanced economies in Europe, America and Asia.

Despite ongoing global economic turmoil, the company registered a net profit of $30 million yuan ($4.7 million) after seeing a severe loss in 2010, whereas most of its competitors were firmly in the red.

More than 60 percent of its revenues generated last year were attributable to overseas deliveries.

JIN RONG / FOR CHINA DAILY

Shanghai Zhenhua Heavy Industries Co Ltd's booth at the China International Offshore Oil and Gas Exhibition in August 2011 in Shanghai. The company registered a net profit of $30 million yuan ($4.7 million) last year.

According to Tan, the ability to combine high-caliber products with lower prices is also important in combating the ongoing recession in the West.

"International buyers approach us because they know of our reputation for sound, cost-effective products," he said.

Apart from the Norway project, the company has just kicked off one for a bridge project in Scotland, which involves 111 steel box beams and various other steel structures and is due for delivery in September 2014.

Industry insiders say that Chinese heavy machinery makers may quickly catch up with their rivals in South Korea and Singapore, as the industry moves away from technology and manufacturing and toward being more about project operation and management, leaving companies that are willing to diversify, such as ZMPC, perfectly positioned to continue to expand.

VC, private equity firms looking overseas for opportunities in China

By CAI XIAO
caixiao@chinadaily.com.cn

INVESTMENT

Venture capital and private equity companies that concentrate on opportunities in China are now looking to invest in foreign companies, especially those with plans to expand in China.

The cash-rich companies' overseas forays are coming as opportunities in the Chinese market become less common amid the country's worst economic slowdown in nearly three years.

A Capital, a Beijing-based European private equity firm that invests in European companies, is trying to raise up to 500 million euros ($613.6 million) from Chinese investors such as China Investment Corp, the country's sovereign wealth fund.

"We have a dozen deals in progress," said Andre Loesekrug-Pietri, chairman of A Capital.

Loesekrug-Pietri declined to say which companies A Capital is investing in, but among them, he said, is a well-known consumer product company in northern Europe — which has less than 2 percent of its global sales in the Chinese market — an automotive company in Germany and an energy company.

A Capital plans to initially hold minority stakes in the consumer-product and energy companies. Doing so, Loesekrug-Pietri explained, will not only lower the company's investment risks but also come as a form of cooperation that is more acceptable to the beneficiaries of the investments.

"Going for a minority stake is increasingly recognized as a way to tap into high quality assets that would otherwise not be for sale or out of reach for Chinese investors," he said.

"All of these three companies are very profitable," Loesekrug-Pietri said.

"They do not need money but they are ready to talk to us because we not only bring them money but solutions to grow faster in China."

He said Chinese companies are eager to import advanced technologies and management experience. He also said that European companies feel confident about China's economy, and that those who have succeeded or will succeed the current owners of these companies will be more open to bringing in strategic or financial investors.

Wu Kezhong, president of the Shanghai-based Chinese private equity firm PreIPO, said Chinese companies generally have the wherewithal needed to make investments.

"China lacks important and sustainable research and development technologies, not money," Wu said. "We are bringing three global clean-technology projects to China."

In May, the Beijing-based China Broadband Capital Partners invested $70 million into the US software company Evernote Corp, one of the largest investments by a Chinese venture capitalist in a foreign company this year.

The investment firm IDG Capital Partners took part in a Belgium-based deal when it put $7 million into Glam-Smile Dental Technologies Ltd earlier this year, according to the magazine Asia Private Equity Review.

Jacob Rothschild, chairman of the UK-based investment trust RIT Capital Partners PLC, has said he is working to establish RIT's first fund that will be aimed both at helping Chinese companies expand overseas and at attracting foreign companies that possess advanced technology to China.

RIT and the Chinese equity investment Creat Group have committed $100 million in seed money to a joint venture that they hope will eventually raise $750 million. The other investors in the project are expected to be made up mainly of private Chinese enterprises.

"We will take influential minority stakes in companies," Rothschild said. "In line with our investment philosophy, we will act as a supportive partner to management."