

Top Biz News

Train maker CNR raises 13.9b yuan from float

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Railroad spending in China has grown to 464.6 billion yuan in the first 11 months of this year. [Agencies]

Train maker China CNR Corp raised 13.9 billion yuan (\$2 billion) selling shares on the Shanghai Stock Exchange, completing the country's status as the world's biggest market for initial public offerings (IPO) this year.

CNR sold 2.5 billion shares at 5.56 yuan apiece, the top of its price range, according to a filing to Shanghai's stock exchange yesterday.

The sale brings the amount raised by Chinese companies in mainland IPOs to at least 187 billion yuan this year, according to data compiled by Bloomberg, as record lending and government stimulus revive the economy.

CNR will use funds to boost train production as China spends 5 trillion yuan to expand its rail network to a total 120,000 km by 2020.

Proceeds from the IPO "will allow CNR to expand production and develop new products while the government is trying to boost railway building", said Ping Jingwei, an analyst at Shanghai Securities Co CNR will "no doubt benefit from the share sale".

The analyst rates shares of China South Locomotive & Rolling Stock Corp, CNR's main competitor, "in-line" according to Bloomberg data.

The IPO, China's fourth largest this year, values Beijing-based CNR at 49.2 times its 2008 earnings a share, according to the filing. That compares with the 32.4 average ratio of the benchmark Shanghai Composite Index and 34.3 for China South Locomotive.

High-speed network

Institutional investors ordered 62.1 times the 35 percent of the shares available after a so-called clawback arrangement through an offline sale. The remaining 1.625 billion shares were 74 times oversubscribed to both retail and institutional investors in an electronic tranche.

7.4 times oversubscribed to both retail and institutional investors in an electronic offering.

CNR plans to use the proceeds to make high-speed trains and parts and to import technology, according to a prospectus filed to the Shanghai bourse on Dec 10.

China will own more than half of the world's high-speed railways under the plan to expand its network. The nation accelerated its high-speed-rail development plan last year in the wake of the global financial crisis.

Spending on railroads in China is growing faster than on any other area of investment, climbing 80.7 percent to 464.6 billion yuan in the first 11 months of the year from the same period in 2008, according to the National Bureau of Statistics.

China South IPO

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In March, the Ministry of Railways made a 39.2 billion yuan agreement to buy 100 high-speed trains from CNR and one of its units for the Beijing-Shanghai high-speed railway.

CNR is 91.2 percent owned by China Northern Locomotive, one of the 136 companies overseen by the State-Owned Assets Supervision and Administration Commission. The company was reorganized from State-owned China Northern Locomotive & Rolling Stock Industry (Group) Corp in 2008.

China South Locomotive sold shares in an initial public offering in Hong Kong and Shanghai in August 2008, raising \$1.48 billion.

China International Capital Corp, Huatai Securities Co and Huarong Securities Co are arranging CNR's share sale.