
China Injects Cash Into Railway-Equipment Makers

By **ANDREW GALBRAITH**

SHANGHAI—The listed subsidiaries of China's two largest railway-equipment manufacturers confirmed Thursday that their parents received substantial government cash injections, a sign of continuing support even as government investment in rail construction shrinks.

A spokeswoman for **CSR Corp.** said parent China South Locomotive & Rolling Stock Industry (Group) Corp. has received a cash injection of two billion yuan (\$317 million) from the finance ministry. **China CNR Corp.** spokesman Tan Xiaofeng said its parent, China North Locomotive and Rolling Stock Industry (Group) Corp., has also received two billion yuan.

The funding was reported earlier Thursday by China Business News, which cited anonymous sources at both companies and said the companies would use the money to buy shares offered by their listed units.

A construction boom in railways and rail-transit facilities has had railway-equipment manufacturers scrambling for funds, and raising money on the local stock market has grown more difficult since a fatal high-speed train crash in July, especially given the tight policy environment.

In October, China CNR cut its target for a planned rights issue to 7.1 billion yuan from 10.7 billion yuan; the month before, CSR lowered its target for a planned private placement to nine billion yuan from 11 billion yuan.

In December, China's rail ministry said it would spend less on railway construction in 2012—400 billion yuan, down from 469 billion yuan in 2011. The ministry's overall investment in railway fixed assets is expected to total 500 billion yuan.

While the overall policy environment remains tight, the government's cash injections appear to confirm a relatively rosy outlook for rail-equipment companies.

"Renewed overall railway investment, combined with the 66% increase in urban rail and greater export opportunities, are likely to create a more positive outlook for the rolling stock and equipment manufacturers, rather than the construction companies," research house North Square Blue Oak wrote in a report Wednesday.

The confirmation of the cash injections followed a CSR statement Thursday that it expects robust revenue and effective cost controls to push its net profit for 2011 up more than 50% from the 2.53 billion yuan it posted in 2010.