

Zoomlion wraps up CIFA purchase

By Zhang Qi (China Daily)
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Local construction machinery maker Changsha Zoomlion said yesterday it has completed its acquisition of Italy's Compagnia Italiana Forme Acciaio SpA (CIFA), with Goldman Sachs and two other investors.

Changsha-based Zoomlion paid 163 million euros for a 60 percent stake in the Italian construction machinery maker from Italian private fund Magenta Fund and other CIFA shareholders in an all-cash transaction. Goldman, Mandarin Capital Partners and Chinese private equity firm Hony Capital will hold the remaining 40 percent.

The deal is expected to give Zoomlion a foothold in foreign markets and boost its overseas sales by "combining CIFA's international brands, global sales and distribution network", Zhan Chunxin, chairman and CEO of Zoomlion, said.

He said he expects the company to generate 40 percent of its sales outside China by 2010. Zoomlion recorded 1.02 billion yuan of exports in 2007, or roughly 11 percent of its overall sales.

CIFA, headquartered in Milan, has a 20 percent market share in Western Europe and ranks third in the global concrete machinery market.

Zoomlion is No 2 behind Sany Heavy Industry in the domestic concrete machinery sector and is expected to be in the top two in the global market after the acquisition.

"The deal will improve Zoomlion's global sales and technology, which will make it the top Chinese concrete machinery maker by global sales. But Sany will still dominate the local market," Xu Xingyue, an analyst at Beijing-based Changcheng Securities, said.

But some analysts warned of short-term risk, as concrete machinery is linked to the real estate industry and could be affected by current global economic woes.

The acquisition comes after Sany said it would invest in a new US plant.

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