

# Lloyd's List Intelligence

## Setting standards in maritime intelligence

Jiangsu Rongsheng Heavy Industries Co  
Ltd

04 March 2010

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# Company Details

## Registered Name

Jiangsu Rongsheng Heavy Industries Co Ltd

## Registered Number

320600400009098

## Company Addresses

### Operating Address

1 Shugang Road  
Rugao Port, Changjiang Town  
226532  
Rugao  
Jiangsu Province  
China

## Communications

**Phone:** +86 513 87319009

**Alternative Phone:** +86 513 87689161

**Fax:** +86 513 87689012

**Website:** www.rshi.cn

## Incorporation Style

Other

## Incorporation Date

8 June 2006

## Place Incorporated

China

## Share Capital

Registered and paid-up: US\$297.00m, up from US\$198.00m in 2008 and US\$29.98m in 2007.

## Ownership

Wholly owned by Wellbo Holdings Ltd (Hong Kong).

## Contacts

### Directors

Mr Qiang Chen, President, Legal Representative

Mr Changyou Liu, Supervisor

Mr Liang Hong, Director

Mr Hanji Huang, Director

## Affiliate Offices

Said to be affiliated to Shanghai Sunshine Investment (Group) Co Ltd.

## Date of Last Accounts

31 December 2008

## Bankers

Construction Bank of China.

# Business Summary

Jiangsu Rongsheng Heavy Industries Co Ltd (hereafter referred to as RSHI) was incorporated as a wholly foreign owned company in Nantong (China) on 8 June 2006, under the original name Fuhong Weiye (Jiangsu) Logistics Co Ltd (phonetic translation). The company is active primarily as a ship builder. It is 100% owned by a company registered in Hong Kong called Wellbo Holdings Ltd (Wellbo), which was incorporated on 10 May 2007. Wellbo is in turn wholly owned by Mega New International Ltd, registered in British Virgin Islands. The ultimate ownership is reported to rest with investors including the sole director of Wellbo, Mr Zhirong Zhang. It is reported that other investors in the business include international funds such as D E Shaw, Goldman Sachs and New Horizon.

# Operations

In an interview with Jiangsu Rongsheng Heavy Industries Co Ltd (RSHI) in March 2010, management was co-operative and provided us with relevant operational information.

We were informed that its current shipbuilding facilities include four docks, and it also operates eight berths. Dimensions of the docks are: 465m (long) X 102m (wide); 530m X 103m; 530m X 106m; and 139.5m X 580m, respectively. We were also informed that each of the first three docks is equipped with a 900-tonne gantry crane, whilst the fourth is a 1,600-tonne gantry crane. The fourth dock will be used to build FPSOs (Floating Production, Storage and Offloading vessels). The berths are each said to be able to accommodate ships of 300,000 dwt.

Currently RSHI is capable of building bulkers, tankers, containerships and offshore engineering vessels. According to management, the company has 80 vessels in its orderbook at present, which has been confirmed by a third-party source. These comprise 16 VLOCs (Very Large Ore Carriers), 25 Capesize bulk carriers, 14 Panamax bulkers, four Panamax containerships (of 6,500 TEU each) and 21 Suezmax tankers. They are reportedly scheduled for delivery in: 2010 (38 vessels), 2011 (27) and 2012 (15). Currently, Rongsheng's orderbook is ranked 6th in the world and 2nd in China with a total capacity in its order book of 15.45m dwt, according to Clarkson.

The vessels are reported to be built for companies like: China Ocean Shipping (Group) Co (Cosco), Vale, d'Amato Navigazione SpA, Golden Ocean Group Ltd, Golden Union Shipping Co SA, Oman Shipping Co Ltd, Cardiff Marine Inc, Safety Management Overseas, Fredriksen Group, SCF Group, Geden Lines, Hansa Treuhand, IMC Shipping and Thenamaris Ships Management.

In the last two years or so, RSHI has been in the spotlight of shipping media sources with the large orders it has received. When the market started to decline in 2008, it contracted the single largest order in the shipbuilding history world-wide with Brazil's Vale, for 12 VLOCs worth US\$1.6bn. Even in 2009 when shipbuilding orders were sparse, RSHI still secured contracts for four VLOCs with Oman shipping Co Ltd and eight Panamax bulk carriers with Fujian Guohang Ocean Ship Management, the third largest new orders by deadweight in the world and the largest in China in that year.

Vessels that RSHI has reportedly built since 2008 comprise nine Suezmax tankers, one Capesize bulk carrier and six Panamax bulkers. The first vessel that RSHI has built was the Panamax bulker, Golden Saguenay, which was

delivered to her owners in February 2008. According to a report posted on the website of Rugao Port, the construction of the vessel was completed 60 days ahead of the contractual delivery time. RSHI was able to build up a team and deliver the first ship 28 months after the starting of the shipyard construction, which was reported to have been a record amongst new shipyards, recognised by Chinese authorities.

We were told that RSHI currently employs more than 18,000 permanent staff members. It is headed by the President, Mr Qiang Chen. Mr Chen was the President of Waigaoqiao Shipbuilding Co Ltd (WSC), a leading shipyard within China State Shipbuilding Corp. It was reported that he was the leader in the planning and construction of WSC, as well as the development of the yard's Capesize bulker, FPSO and VLCC projects. Prior to this, he was the Vice President of Jiangnan Shipyard, the first shipyard in China.

The exact shareholding structure of RSHI is not clear at this stage. However, local media sources suggest that its ultimately single largest shareholder is Shanghai Sunshine Investment (Group) Co Ltd (Sunshine), which is controlled by Mr Zhirong Zhang, the sole Director of the immediate parent company of the subject, Wellbo Holdings Ltd (Wellbo). Sunshine is reported to be involved primarily in real estate, and Mr Zhang was ranked by Forbes in November 2009 as the 18th richest person in China, with a total fortune of CNY17.07bn (approximately US\$2.50bn).

News reports suggest that an investment consortium including Goldman Sachs purchased a 'minority stake' in RSHI for around US\$250m in November 2007. Management in RSHI confirmed that the business received investments of more than US\$300m from international funds such as D E Shaw, Goldman Sachs and New Horizon.

## History

This is the first time that Lloyd's MIU has been asked to profile Jiangsu Rongsheng Heavy Industries Co Ltd (RSHI), and we hold limited historical information on the company. However, our correspondent in China has traced a number of changes to its registration information. These include: the change of its registration number from 006810 to the current one; the change of its Legal Representative from Mr Jian Lin to Mr Qiang Chen in 2007; the change of its registered capital from US\$29.98m to US\$198.00m in 2007 and the current level in 2008; the change of its name from Jiangsu Rongye Steel Structure Co Ltd to the current style in November 2007; the change of its shareholder from Fuhong Weiye Petrochemical Holding Group Co Ltd (phonetic translation) to the current one in June 2007; the change of its name from the original Fuhong Weiye (Jiangsu) Logistics Co Ltd (phonetic translation) to Jiangsu Rongye Steel Structure Co Ltd in June 2007.

RSHI was incorporated in June 2006, but one local source indicates that the origin of the business dates back to 2003 and we understand that the construction of its shipyard started in October 2005.

## Financial Figures

	12 months ending Dec 2008 in CNY(thousands)	12 months ending Dec 2007 in CNY(thousands)	12 months ending Dec 2006 in CNY(thousands)
Revenue	6,017,141	0	0
Operating Income	363,768	-4,779	0
Net Income Before Tax	369,631	-4,779	0
Net Income	369,631	-4,779	0
Fixed Assets	3,951,766	1,960,997	0
Current Assets	10,788,704	1,189,814	102,796
Other Assets	449,808	765	244
Total Assets	15,190,278	3,151,576	103,040
Current Liabilities	13,387,346	2,041,357	0
Long Term Liabilities	0	0	0
Provisions	0	0	0
Minority Interest	0	0	0
Shareholders' Equity	1,802,932	1,110,219	103,040
Total Liabilities & Equity	15,190,278	3,151,576	103,040
Working Capital	-2,598,642	-851,543	102,796
Current Ratio	0.81	0.58	
Capital Employed	1,802,932	1,110,219	103,040
R.O.C.E	0.21	-0.00	0.00
Gearing Simple	-	-	-
Fixed Assets Turnover Ratio	1.52	-	-

## Financial Summary

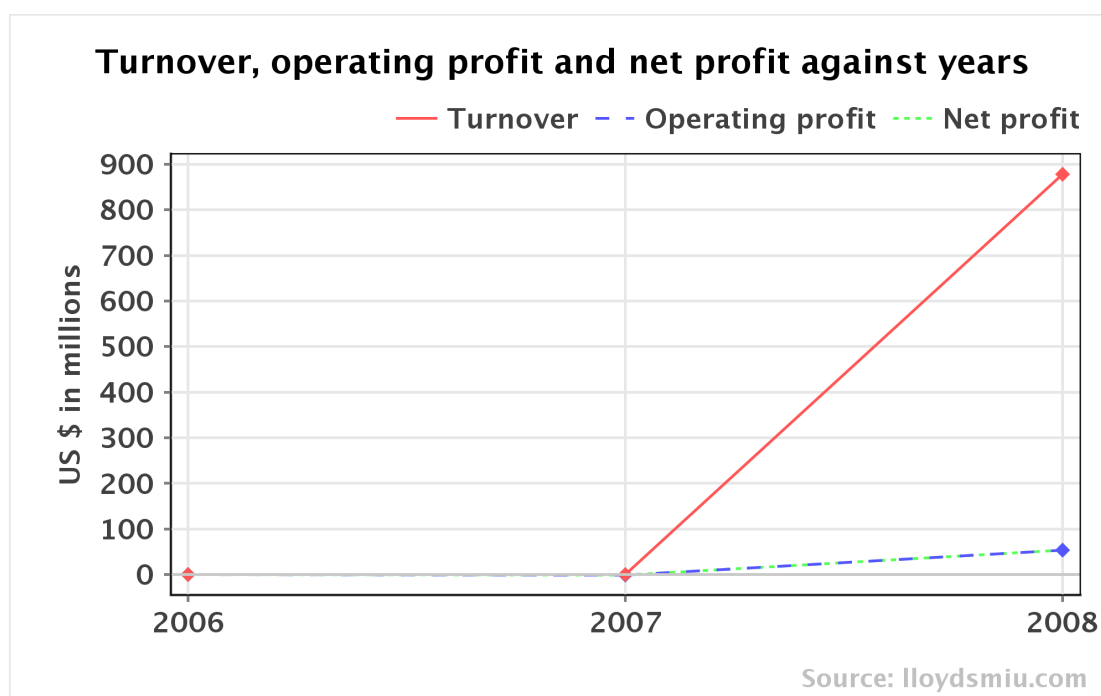
The latest accounts for Jiangsu Rongsheng Heavy Industries Co Ltd (RSHI) that Lloyd's MIU's correspondent in China has managed to obtain from a governmental channel are for the year ending 31 December 2008. These are stated as audited but un-consolidated results. The figures are presented in Chinese Renminbi Yuan (CNY), and we have converted the key figures into US\$ at the year-end inter-bank exchange rate.

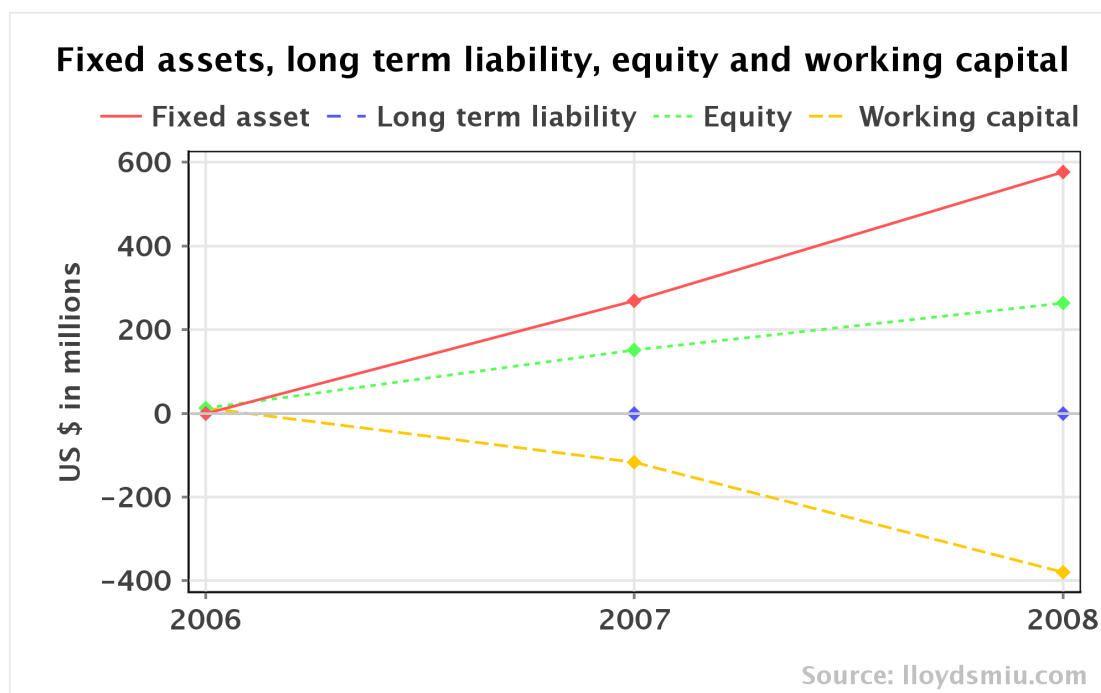
As a ship builder, RSHI is expected to generate income primarily from the vessels it builds, which will normally be paid for by instalments. In 2008, the company posted a net profit of CNY369.63m (US\$53.96m) on a turnover of CNY6.02bn (US\$878.41m), which was commendable given that it was a new business. Although its unconsolidated accounts recorded no turnover in 2007, we were told by management that the shipyard generated around CNY600m (US\$82.08m) in that year. Management also advised that the turnover in 2009 was more than CNY10.00bn (US\$1.46bn) in 2009, a 66% increase year-on-year.

Turning to the balance sheet at the end of 2008, it indicated a slightly weak current ratio of 0.81:1, with total current assets of CNY10.79bn (US\$1.57bn) outweighed by current liabilities of CNY13.39bn (US\$1.95bn). However, we note that the company held cash and cash equivalents of CNY3.59bn (US\$0.52bn) at end-2008, implying that there were no cash flow problems. Fixed assets were calculated at CNY3.95bn (US\$0.58bn), which should have represented in the main part its shipbuilding facilities. It is very comforting to see that there were no long-term debts recorded, hence no gearing issues to consider with total shareholders' equity of CNY1.80bn (US\$0.26bn). According to management, the total investments in the business amount to CNY12.00bn (US\$1.76bn).

It is reported that RSHI has established close relationships with major Chinese banks such as Bank of China, The Export-Import Bank of China, CITIC Bank, Industrial and Commercial Bank of China and China Construction Bank. It has reportedly signed strategic co-operation agreements with the first two banks. As mentioned previously, a number of international funds have also invested in the business, meaning that the company has access to very substantial funds.

The drastic market downturn in the shipping industry in the last quarter of 2008 is reported to have had a significant impact on the shipbuilding industry in general. A number of shipyards are reported to have experienced financial difficulties as a result of order cancellations, etc. However, it appears that RSHI has weathered the worst market conditions by receiving the largest orders in 2008 and 2009 amongst Chinese shipyards. We note that the majority of the identified customers of RSHI are internationally well-known shipowners, which would probably reduce its counterparty risk to some extent. Management told us that there had been no cancellations to its current orderbook.





## Market Feedback

In March 2010, we contacted a number of paint/chemical suppliers, shipowners and classification societies and were able to obtain three references on Jiangsu Rongsheng Heavy Industries Co Ltd (RSHI).

On the supply side, one marine coatings manufacturer reported monthly exposures in the range of US\$ high-six figures on credit terms, and stated that RSHI's payment performance is satisfactory.

On the technical side, one classification society spoke highly about RSHI's building capability, and stated that the yard is one of its major customers in China. One owner that has taken delivery of a bulk carrier from the yard also reported no major technical problems.

References obtained in July 2008 from various companies/organisations were also generally positive.

## Appraisal

Jiangsu Rongsheng Heavy Industries Co Ltd (RSHI) is a comparatively new, privately ship building company that was incorporated in 2006 although its origins are reported to date back to 2003. Its single largest shareholder is reported to be one of China's richest people, Mr Zhirong Zhang, and investment organisations such as Goldman Sachs are said to have a minority stake in the business. The company is headed by a very experienced shipbuilding expert, Mr Qiang Chen, who formerly led a large state-owned shipyard. Within a very short period of time, RSHI has become China's largest private shipyard and one of the world's largest in terms of orderbooks.

The latest available accounts for RSHI relate to 2008, and these show a profitable business despite the fact that it was in its start-up period. At end-2008, the company also enjoyed a secured financial position, with substantial cash and fixed assets and no long-term liabilities, which is comforting especially amidst the global economic slowdown and shipping market downturn. Although no updated accounts have been released, we were informed that the company continued to perform well in 2009. It is also comforting to know that the company appears to have access to substantial funds. The company has weathered the worst market conditions in the last few years, and with the global economy and shipping industry reportedly bottoming out, there is little reason to doubt that it has a reasonably bright future in the years to come with the strong financial backing.

Overall, based upon the information available to Lloyd's MIU, we view RSHI as a good prospect for normal business relationships. At this time, we feel that unsecured dealings of up to US\$ low-seven figures should be justifiable. Higher exposures may be contemplated if one's own experience has been satisfactory. For shipowners, we feel that RSHI should present a suitable ship builder.

# Ratings

**Review Period:** 6 months.

Lloyd's List Intelligence Rating	Rate Code	Rate Description	Additional Factors
Sales Level (1-6)	1	\$500 Million+	-
Condition (1-6)	3	Satisfactory	-
Performance (1-6)	3	Satisfactory	-
Credit Guidance (AAA-J)	B	Low seven figures	-
Overall Rating (1-10)	5	Average risk	Special Situation

## How do I interpret an Lloyd's List Intelligence Credit Rating?

Annual Sales (Size) Scale (1-6)	Company Financial Condition Rating (1-6)	Company Payment Performance Rating (1-6)
1 - \$500 million+	1 - First Rate	1 - First Rate
2 - \$100 - 500m	2 - Good	2 - Good
3 - \$50 - 100m	3 - Satisfactory	3 - Satisfactory
4 - \$20-50m	4 - Some Concern	4 - Some Concern
5 - \$5 -20m	5 - Weak/ Strained	5 - Weak
6 - Under \$5m	6 - Severe	6 - Poor
	Z - In Liquidation, Receivership, Chapter XI	

## Company Payment Performance Rating (1-6)

	Exposure Range (US\$)	Normal Limit
AAA	Low eight figures and above	Above \$10m
AA	Mid to high seven figures	Below \$10m
A	Low to mid seven figures	Below \$5m
B	Low seven figures	\$1.25m
C	High six figures	\$750,000
D	Mid six figures	\$400,000
E	Low six figures	\$200,000
F	High five figures	\$100,000
G	Mid five figures	\$50,000
H	Low five figures	\$25,000
I	Credit a matter of trust in principal	See text
J	Secured or cash terms only	

## Overall Risk Rating (Fifth Rating) (1-10)

	Risk of dealing with the company	Typical company performance in market
1	Negligible risk	Extremely strong
2	Very Low risk	Strong
3	Low risk	Firm
4	Below average risk	Satisfactory
5	Average risk	Adequate
6	Moderate risk	Vulnerable
7	Moderate to high risk	Weakened
8	High risk	Under pressure
9	Very high risk	Severe duress
10	Extreme risk	On the verge of collapse / bankruptcy

## Additional Factors

MLG - Member of Large Group  
 SC - State Controlled  
 ID - Insufficient Data  
 NC - New Company  
 PG - Parental Guarantee Advised  
 RE - Refer to Your Experience  
 SS - Special Situation, see report text  
 EST - Estimated

**Important Note:** Ratings and guidelines are valid at the date of issue of the report only.

They are provided under our published terms of business and made in good faith. Under no circumstance are they intended to be definitive judgements of the standing or worth of the company in question, nor are they to be used as sole basis or in substitution for the exercise of your own judgement in deciding whether and in which way to trade with the subject.

This rating guideline was last updated on 16 February 2006.

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