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Chinese suitors seek deeper foothold LISTED services companies Downer EDI and UGL are on the radar of Chinese suitors such as Chinese Southern Railway, in a sign that state-backed entities are making further attempts to secure a deeper foothold in Australia.

CSR is said to have sounded out UGL about a potential purchase of its rail division, which could be worth as much as $450 million, according to some analyst estimates.

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UGL describes itself as the largest provider of complete rail solutions in the Asia-Pacific, building and maintaining trains and railways, and is among the bidding consortiums short-listed to build the North West Rail Link in Sydney.

Counting against the company attracting a strong price for business is that UGL's market capitalisation is languishing around $326m following a sell-off across the mining services sector.

The rail division made annual earnings before interest and tax last financial year of $84m and has been weighing on UGL's overall profits.

CSR, the world's largest manufacturer of electric locomotives, could also be interested in Downer, which builds and maintains rail infrastructure for customers such as BHP Billiton and Aurizon.

The logic behind a deal could be that an acquisition would complement resource assets owned by Chinese enterprises and buying rail maintenance expertise would create an entire supply chain.

The timing of the approach by CSR is interesting, given that the government-backed China Communications Construction Co is poised to buy Leighton contractor John Holland for a price tipped to be around $1bn.

John Holland's large rail business is thought to be one of the more lucrative parts of the contracting operation.

There is a suggestion that a deal between the Spanish-controlled Leighton and the Morgan Stanley-advised CCCC will be concluded by the end of the week.

Spanish construction giant Ferrovial had looked at John Holland, but has since turned its attention to a $1 billion takeover bid for Transfield Services.

Transfield's board had granted Ferrovial due diligence in the hope that it would increase its $1.95 per share offer to beyond $2, but on Friday the services company's shares were languishing at $1.76, as stocks were sold off across the sector due to their exposure to the resources sector, which is suffering from lower commodity prices.

Anchorage courts UDP ANCHORAGE Capital — the private equity firm that made a fortune from the sale of Dick Smith Electronics — has emerged as among the suitors for United Dairy Power, being offloaded by receivers PPB.

Run by former Macquarie Bank director Phil Cave, the private equity firm last year listed Dick Smith Electronics on the ASX at a market value of $520m after buying the business from Woolworths in 2012 for $94m.

Anchorage will join trade buyers such as Saputo, Parmalat, Bega and Murray Goulburn lining up for United Dairy, which was snapped up less than a year ago for $70m by Five Star Food, the company run by Hong Kong businessman William Hui.

Potential suitors with operations in Victoria will be looking on the potential for economies of scale.

China's recently signed free-trade agreement with Australia could also encourage buyers.

The flyer document was sent out last week for the sale of what is the Australia's largest privately owned milk wholesaler and processing company.

United Dairy collects and distributes milk from about 150 farms throughout South Australia and Victoria. It also produces Caboolture cheese and has its own transport fleet for milk collection.

Mr Hui bought the company from its founder, Tony Esposito, and had aspirations to spend $20m on additional capacity and expanding into the milk powder business before it fell into the hands of financier Rabobank

Citi in Fleet float INVESTMENT bank Citi has been drafted in as the third joint lead manager for the upcoming float of FleetPartners, set to hit the ASX boards during the second quarter of next year.

UBS and Credit Suisse are also working on FleetPartners with Citi, and the trio embarked on a road show with Australian and Asian investors over the past two weeks.

The Melbourne-based company, which has an enterprise value of $700m, has more than 300 staff and 50,000 vehicles available for lease across Australia and New Zealand.

Owners Ironbridge Capital and the Government Investment Corp of Singapore have reportedly been searching for an exit for some time.

Advisers elsewhere in the market are still waiting to find out if they have secured mandates for Wisetech Global and Genesis Care, both earmarked for floats next year.

It is understood that Macquarie is one of the banks already locked in to secure a joint lead manager position for the Wisetech deal, while the others in the frame include Credit Suisse and Morgan Stanley.

Advisers pitching are assuming the valuation for Wisetech will sit around $700m to $800m and some question whether such a price could be achieved.

GenesisCare, meanwhile, is likely to appoint UBS with another group for its IPO, worth around $1bn.

Bain Capital recently appointed UBS, BA Merrill Lynch, Citi and Goldman Sachs to handle the listing of the $2.5 billion accounting software business MYOB.

Morgan Stanley was knocked out of the running due to its US-based team working on a deal with its rival Xero.

The choice of Bain's advisers came down to a range of factors, but the firm was keen to select groups that had research offering an upbeat view of the sector.

Sweating on pipeline ADVISERS working on a potential purchase of BG's Queensland gas pipeline were awaiting a call from the group's London office yesterday to find out if they had been selected as the preferred bidder for the asset.

Bids were considered at a weekend board meeting, after Goldman Sachs advisers flew to Britain last week.

It is believed APA Group is planning to tap the market with help from advisers Macquarie Capital, Deutsche and Morgan Stanley for as much as $2bn to fund its bid, tipped to be in the ballpark of about $4.5bn. Potential participants for the raising were being sounded out at the weekend.

However, the price may hinge on whether APA is able to operate as well as own the 500km pipeline.A sale is set to happen within days.

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