
Recession reports - AvtoVAZ could file for bankruptcy

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RIA Novosti reported that Russia largest car producer, AvtoVAZ may have to file for bankruptcy due to losses and spiraling debts but that production will not be halted.

Mr Oleg Lobanov Executive vice president of AvtoVAZ said "In such an event, we are talking not about a halt in production, but of certain legal procedures that would give a certain time lag to solve the issue of debt restructuring."

The company, known for its Lada brand is expected to accumulate RUB 75.2 billion in debt by the end of 2009. AvtoVAZ which dominates the economy of the Volga city of Togliatti earlier announced plans to cut its 100,000 strong workforce by over 25%.

Mr Lobanov said as of October 1st 2009, Avtovaz principal debt, including a RUB 25 billion loan granted to state corporation Russian Technology, the holder of a blocking stake in the auto giant stood at RUB 62 billion. He said AvtoVAZ is currently considering several options for debt restructuring. The simplest is protection against creditors, which is a realistic solution if the options of convertible bonds issue or direct talks with creditors cannot be realized.

The bonds option envisages the issue of convertible bonds worth RUB 50 billion that could be purchased by Russian state run national development bank Vnesheconombank and later swapped for the car giant's shares.

Mr Lobanov said the bonds placement allows us to refinance current debts within the shortest time possible end interest payment, and receive the cash required to solve liquidity problems that are easily projected over the next two years.

Mr Grigory Khvorostyanov AvtoVAZ vice-president for strategy said that the car giant expects to break even in its operations by expanding the production of cars based on one platform.

He said that "Our task is to reduce the number of platforms, and focus on one or two of our own platforms and assimilate Renault technologies, assist in creating our own components base and bring the structure of the Russian auto industry in compliance with world standards."

AvtoVAZ, in which Renault holds a blocking stake has production capacity of over 800,000 vehicles annually. It has made more than 25 million Lada cars since it was established in 1970 as a joint project with Italian carmaker Fiat. The company currently produces 15 models priced between RUB 150,000 and RUB 350,000.

(Sourced from RIA Novosti)

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