
Russian government to support Rusal IPO

Tuesday, 24 Nov, 2009

Financial Times reported that the Russian government was considering throwing its backing behind Mr Oleg Deripaska's planned initial public offering of his UC Rusal aluminum group in a deal that analysts said could amount to another state bail out of the embattled tycoon's empire.

Mr Dmitry Peskov spokesman of government said that the board of Russia's state owned VEB banking group discussed buying into the planned offering of one tenth of the company's shares.

The company is racing to complete the offering, valued by bankers at between USD 1 billion and USD 2.5 billion in Hong Kong and Paris before the end of 2009 in order to start paying down almost USD 17 billion in debts. But it is yet to win the approval of the Hong Kong Stock Exchange and yet to complete a restructuring deal with more than 70 foreign creditor banks, which is a precondition for the IPO.

People familiar with the situation said that the company is racing to reach agreement in time for November 26th 2009 which would be the last time the HKSE could hold a hearing on the IPO plans before the end of 2009.

Mr Peskov declined to discuss any further details, saying only that the decision and the parameters would be set before the end of the month. Mr Vladimir Dmitriyev CEO of VEB also declined to disclose any details following the board meeting, which was chaired by Mr Vladimir Putin PM of Russia.

One person close to the situation said the deal would be strong signal that the company has the backing of the government and should give people confidence about whether it is sponsored by the Kremlin. People should relax about the normal Russian risks about whether it will have its assets taken off it by the state.

The person said that the deal could also encourage other big institutions being courted by the company on mainland China to participate in the offering with anchor orders.

One expert said that the deal, on top of USD 4.5 billion bail out loan in 2008 could be the only way the IPO would work. There is no way they are going to get this done without some sort of state entity participating. It's a quasi bail out.

(Sourced from Financial Times)

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