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Gazprom Keeps Projects in Rotenberg's Pipeline

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In its first full year of operations, Arkady Rotenberg's contracting business managed to become the industry's second-largest player by revenue, thanks in large part to its contracts with state-run Gazprom, Vedomosti has learned.

Stroigazmontazh, which first appeared two years ago, had revenue of nearly 89 billion rubles ($2.9 billion) last year under Russian accounting standards, according to data from the State Statistics Service. That made it the single biggest company in the "construction" section by data from the statistics service that are available in Interfax's SPARK database.

The company's consolidated revenue last year was 100.3 billion rubles, a source close to Stroigazmontazh told Vedomosti.

On its web site, the builder only lists projects from Gazprom, including the Olympics gas pipeline Dzhubga-Lazarevskoye-Sochi, the Russian section of Nord Stream, and the project of the decade — the Sakhalin-Khabarovsky-Vladivostok pipeline, the first phase of which is alone worth about 210 billion rubles.

A spokesperson for Stroigazmontazh declined to comment on how much of the company's revenue was from Gazprom, as did spokespeople for the gas company. Gazprom is Stroigazmontazh's "main customer," the builder's spokesperson said, declining to comment on whether it was the only one.

But the market's leader is still Stroigazkonsalting, which had 2009 consolidated revenue of 138 billion rubles, according to a company presentation that Vedomosti has seen. The company also lists Gazprom as its largest client, representing about 65 percent of its turnover, but Stroigazkonsalting also has other projects, such as a contract to reconstruct the highway between Moscow and Minsk in a consortium with Lider and Gazprombank.

The Stroigazmontazh spokesperson declined to say whether the company was ready to surpass its main competitor this year. "We don't have a goal to try to surpass anyone, but we are developing exponentially and it's already clear that the company has broken into the industry leaders."

Stroigazmontazh's owner is Arkady Rotenberg, who was a childhood judo partner of Prime Minister Vladimir Putin.

The company got its start when firms controlled by Rotenberg bought five of Gazprom's construction subsidiaries in March 2008 for 8.3 billion rubles, essentially at their starting prices. By May of that year, Stroigazmontazh won its first Gazprom tender. It then won four major orders, two of which — the Sochi and Sakhalin pipelines — were awarded without a tender.

The main owner of competitor Stroigazkonsalting is Jordan-born businessman Ziyad Manasir, who first visited the Soviet Union as an exchange student 26 years ago. His junior partners are managers at the company, although until last year he had other co-owners.

In the spring of 2009, Manasir told Forbes that Pyotr Polyanichko received a 20 percent stake in his business in 1995. Polyanichko is the son of the late Viktor Polyanichko, a former deputy prime minister and close acquaintance of Gazprom's first chief, Viktor Chernomyrdin.

Another partner was Olga Grigoryeva, the daughter of the late Alexander Grigoryev, a friend of Putin's and former deputy chief of the Federal Security Service, Forbes reported.

"The guarantee of our success is skillful, quality and quick work as well as resources — people and equipment," the Stroigazmontazh spokesperson said. "We even go after the projects that others turn down."

For example, the undersea Dzhubga-Lazarevskoye-Sochi pipeline will be built in about a year, although similar projects typically take two years, the spokesperson said.

Manasir gave roughly the same explanation for his success in an earlier interview with Vedomosti. "I always fulfill the terms of contracts. No one will support you if a project fails."

He could not be reached for comment Wednesday, and a spokesperson for Stroigazkonsalting declined to comment further.

Several years ago, the largest oil and gas contractor was Stroitransgaz, which was Gazprom's favorite builder under chief executive Rem Vyakhirev. Then Gazprom sold its shares in Stroitransgaz and reduced its orders. The firm's earnings began to fall, and in 2007 it was sold to oil trader Gennady Timchenko. Its major clients now include state-run Rosneft and Transneft.

Vedomosti was unable to speak with Stroitransgaz chief Sergei Makarov on Wednesday about the company's forecasts and plans. Under a program formed by its previous president, Alexander Ryazanov, Stroitransgaz planned to double its revenue by 2013 and generate an operating profit this year.

Contractors by revenue

Company	2009		2008	
	Revenue	Profit / (Loss)	Revenue	Profit / (Loss)
1. Stroigazkonsalting*	138.12	N/A	138.97	N/A
2. Stroigazmontazh	88.98	1.04	6.91	0.26
3. Stroitransgaz	41.45	(6.74)	34.38	(6.22)
4. Globalstroi-Inzhiniring	31.11	5.35	38.47	1.55
5. Mezhregiontruboprovodstroi	21.42	2.24	19.85	2.60

Figures are in billions of rubles
*Unaudited results; others are to Russian accounting standards.
Source: Interfax's SPARK, Vedomosti

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