

Renault May Get Control of AvtoVAZ

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French automaker Renault and its Japanese partner, Nissan, are in talks with the government on raising their stake in AvtoVAZ to a controlling 50 percent, Renault CEO Carlos Ghosn said Tuesday after talks with Prime Minister Vladimir Putin.

"The prime minister informed us that he agrees that Renault-Nissan's stake in AvtoVAZ's share capital could increase to as much as 50 percent," Ghosn said, Interfax reported.

"For Renault-Nissan, that is absolutely logical, and we understand this proposal. We will gladly consider the possibility," he said.

AvtoVAZ's three main shareholders — state-run Russian Technologies, the Renault-Nissan alliance and Troika Dialog — each hold blocking stakes of 25 percent.

In July, they signed an agreement on restructuring that would see the state holding's stake increase, while Renault would maintain 25 percent and Troika Dialog's stake would be diluted.

The restructuring takes into account the 75 billion rubles (\$2.4 billion) the state gave AvtoVAZ to help it survive plunging demand for cars last year. In his meeting with Ghosn, Putin said

that bailout and other emergency measures were already bearing fruit.

"Last year, the company's capitalization was at \$670 million, but this year, today, it is already at \$1.7 billion. Independent experts have given even higher figures," Putin said, according to a transcript on the government web site.

AvtoVAZ's shares on the MICEX closed flat Tuesday.

Sergei Chemezov, the chief of Russian Technologies, said the state corporation would maintain a blocking stake of 25 percent but saw "absolutely no sense" in holding more if Renault-Nissan wanted control, RIA-Novosti reported.

Ghosn did not give any additional details on when a decision could be made or how Renault-Nissan would consider raising its stake. Previously, the group has pledged to contribute technology.

Additionally, late last month Renault and Troika said they were in talks for the French carmaker to buy part of the investment bank's stake in AvtoVAZ. Chemezov has also said Russian Technologies could sell part of its stake to Renault after the secondary share issue.

AvtoVAZ said Monday that its domestic sales jumped 78 percent last month compared with October 2009. About 54 percent of those cars were sold through the state's cash-for-clunkers program, the carmaker said.

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