

# TAIF Plans \$11Bln Refineries Upgrade

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KAZAN — TAIF, an investment group based in Tatarstan, will decide this year on a plan to sell shares in its refineries and chemical plants to help fund 347 billion rubles (\$11 billion) of investments.

"Talks are ongoing with banks; there are offers," said Albert Shigabutdinov, general director of the group, which had almost \$8 billion of assets at the end of last year. "We will choose the best way to do this: loans, bonds, an IPO."

The group is considering selling equity in the TAIF-NK oil refinery and petrochemicals units Nizhnekamskneftekhim and Kazanorgsintez to fund the investment plan through 2016, Shigabutdinov said in an interview. More detailed plans will be ready by the end of the first quarter, he said.

Demand for Russian equities rebounded in the third quarter after the 30-stock MICEX Index rallied to its highest since July 2008. Russian companies, including Mail.ru, an investor in Facebook, have sold \$6.3 billion this year from \$1.2 billion in 2009, Bloomberg data show.

That compares with \$36 billion in 2007, when Russia accounted for about one-third of IPOs on the London Stock Exchange, according to Morgan Stanley.

TAIF holds stakes in more than 70 companies in Tatarstan and sponsors the Rubin Kazan football club, which will play Barcelona in the Champions League next month. The three plants will probably have net income of 15.6 billion rubles on revenue of 248 billion rubles this year, according to a presentation.

JPMorgan Chase and Bank of America Merrill Lynch have sent representatives to visit the Nizhnekamskneftekhim unit, Russia's largest petrochemicals plant, according to an Oct. 28 statement on the plant's web site.

"The chemicals units have the most potential for an IPO," said Mikhail Ganelin, an analyst at Troika Dialog. Nizhnekamskneftekhim "has the most transparency of all of TAIF's businesses. It has strong financials, it has reported IFRS results for more than three years, and it is one of the largest producers of synthetic rubber and plastics in Eastern Europe."

Valuing TAIF's businesses is difficult, said Ganelin, because of a historical lack of transparency.

Prime Minister Vladimir Putin has urged industry to produce more value-added goods and move away from reliance on sales of raw materials. The state sets a lower export tax burden on refiners than crude suppliers and has prepared an order to bar new oil refineries with a depth of less than 70 percent from using state-run Transneft's pipelines.

Refining depth refers to the quality and range of products a plant is able to produce.

TAIF is planning 88 billion rubles of investment for the TAIF-NK oil refinery, which processed 7.75 million tons of oil — about 155,000 barrels per day — last year. The investment will be used to improve the plant's refining depth to 98.5 percent from 72 percent now and increase capacity to 10.1 million tons a year in 2016, according to the group's annual report.

TAIF may invest 14.9 billion rubles in Nizhnekamskneftekhim, Shigabutdinov said. Another 110 billion is planned for the Kazanorgsintez petrochemical plant, according to the presentation. The plants produce materials for plastics, pipes and tires among other products, he said.

Russian demand for petrochemicals will continue to grow as the country develops end-product manufacturing, he said.

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