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EuroSibEnergo Said to Delay IPO to Bring In Investor

By The Moscow Times

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Billionaire Oleg Deripaska's EuroSibEnergo, Russia's second-largest hydropower producer, will delay a planned Hong Kong share sale as it seeks to bring in a strategic investor, two people familiar with the matter said Monday.

The company will postpone the initial public offering until the start of next year as the proposed investor awaits government approval to proceed, the people said, declining to be identified because the talks are private. Earlier today, EuroSibEnergo announced a joint venture with China Yangtze Power in Siberia and Russia's Far East.

Deripaska is seeking $1.5 billion from selling about 25 percent of EuroSibEnergo's stock, adding to the $2.2 billion raised by his United Company RusAl in a Hong Kong share sale in January, Russia's biggest IPO this year. Aluminum maker RusAl, whose listing was the first by a Russian company in the Chinese city, has since dropped 10 percent.

Andrei Petrushin, a spokesman at EN+ Group, Deripaska's holding company for EuroSibEnergo and his 48 percent stake in RusAl, declined to comment. Lou Jian, Yangtze Power's Beijing-based secretary, couldn't immediately be reached.

A delay by EuroSibEnergo would follow moves by Bluestar Adisseo Nutrition Group and a unit of China Datang Corporation to withdraw or postpone $2.6 billion of Hong Kong share offerings after Asian stock markets declined. The delay in EuroSib's case isn't a result of market conditions, the two people said.

EuroSibEnergo and China Yangtze plan to build 10,000 megawatts of hydro and thermal power generation capacity, the Russian company said in a statement. The joint venture will export some of the electricity to China, with Yangtze due to arrange project financing via Chinese lenders, it said.

Companies in Hong Kong, Asia's third-biggest stock market, have raised a record $49 billion from IPOs this year as investors seek to benefit from growth in the region, according to data compiled by Bloomberg that include overallotment shares.

Getting overseas natural-resource producers to list is part of Hong Kong Exchanges & Clearing's strategy to broaden offerings away from Chinese companies. Mainland stocks accounted for 46 percent of the HK$20.6 trillion ($2.66 trillion) capitalization of Hong Kong's Main Board at the end of October, exchange data show.

Proceeds from EuroSibEnergo's sale will help repay debt, buy assets and add capacity, a person familiar with the plans said in August. An analyst at BOC International Holdings, one of the IPO's underwriters, valued the company at $4.1 billion to $5.3 billion.

EuroSibEnergo, which has about $1.5 billion in borrowings, sells more than half its electricity to Moscow-based RusAl. The hydro utility, whose largest domestic competitor is RusHydro, produces more than 8 percent of the nation's power, according to a statement on the company's web site.

Deutsche Bank, Bank of America Merrill Lynch, Credit Suisse Group, VTB Capital and Renaissance Capital are among the other banks helping manage the IPO.

EuroSibEnergo's sales last year exceeded 76.2 billion rubles ($2.43 billion), the company said Feb. 4. Its power plants have a combined capacity of 19.5 gigawatts, located mainly in parts of Russia near Mongolia and China, according to its web site.

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