

Road to Khimki to Be Upgraded for \$530M

By [Anatoly Medetsky](#)

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Mostotrest's plans are intended to help ease Moscow's perennial jams. **Igor Tabakov**

Moscow-traded Mostotrest won a \$530 million government contract to rebuild a traffic overpass system in northern Moscow, the company said Thursday.

The deal, the company's largest so far this year, added about 6 percent to its workload in terms of value.

Work on the Businovskaya overpass, which is located on the Moscow Ring Road and connects the city with the satellite town of Khimki, is to be completed by October 2014, Mostotrest said.

Mostotrest, co-owned by Prime Minister Vladimir Putin's former judo partner Arkady Rotenberg, outbid another construction firm, Avtoban, in a tender by the state company Russian Highways.

The 17 billion ruble contract includes construction and improvement of flyovers, overpasses

and exit roads with a total combined length of 14.5 kilometers.

Upon completion, the system will become part of the road from Moscow to St. Petersburg that will mostly be a toll road. The existing system was built in the mid-1990s and can hardly accommodate the increased traffic since that time.

Mostotrest, whose order backlog amounted to \$7.7 billion at the end of last year, describes itself as Russia's largest diversified infrastructure company. Its current projects include work to prepare Sochi for the 2014 Winter Olympics.

Thursday's contract came in addition to two more deals the company won earlier this year. Worth a combined 11 billion rubles, those contracts were for a bridge on the highway from Moscow to Ufa and the improvement of a runway at Vnukovo Airport.

Mostotrest shares continued their decline on MICEX on Thursday along with the broader Russian market.

UBS expects the company to post \$58 million in profit when Mostotrest announces its financial results for first half of this year Monday. The construction company earned \$53 million in profit in the same period last year.

Its growing order portfolio makes it largely immune to the slower rate of economic expansion expected next year, said Kirill Tachennikov, a UBS analyst.

"The sensitivity of the company's cash flow to a potential slowdown of gross domestic product growth is one of the lowest among traded Russian companies," he said in a note to investors.

Russian Highways has more contracts in store. It wants to build 1,900 kilometers of roads by 2019, according to a new program it released Tuesday, which the government has yet to approve.

Establishment of special-purpose road-construction funds by federal and regional governments will likely fuel further growth in the industry.

According to a study by industry research firm PMR, Russia needs to replace 35 percent of its roads and 20 percent of bridges. The country also needs to build new roads to match levels of road density in developed nations.

Russia has 6.5 kilometers of roads for every 1,000 people, while the United States has 21 kilometers for as many people.

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