

MTS Drops on Debt-Ridden Buy

By [The Moscow Times](#)

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Mobile TeleSystems fell the most in three weeks in New York after agreeing to take on debt of the telecommunications holding company it bought almost equal to the cost of the acquisition.

American depositary receipts of the Russian mobile phone provider known as MTS fell 3.8 percent to \$16 in New York, the biggest drop since Nov. 9.

MTS said in a statement on its web site late last week that it had acquired Sistema-Inventure, which owns 29 percent of Moscow City Telephone Network, for 10.6 billion rubles (\$342 million). The Moscow-based company also agreed to repay 10.4 billion rubles of Sistema debt owed to AFK Sistema, the acquisition's former owner and the controlling shareholder in MTS, by the end of the year, the statement said.

"While the price of the acquisition seems adequate, MTS had to take on a debt load equal to the purchase price, and this is concerning the investors," said Kirill Bakhtin, an analyst at Moscow brokerage TKB Capital. "Sistema was faced with this debt load and through this

sale is taking off that debt load and transferring it to MTS."

MTS declined 1.9 percent to close at 209.02 rubles, or the equivalent of \$6.76, on MICEX. One ADR is equal to two ordinary shares.

AFK Sistema is billionaire Vladimir Yevtushenkov's holding company.

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