

Power Machines Acquires EMAlliance

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The country's biggest producer of electricity-generating equipment, Power Machines, will step up its efforts to compete on foreign markets, as it completed a deal Tuesday to take over another energy-industry contractor, chiefs of the two companies said.

"This will enable us to offer a broader product line and compete with global rivals" on the world market, said Timur Avdeyenko, president of EMAlliance, the other equipment maker.

Power Machines vies with players such as Germany's Siemens, France's Alstom and U.S.-based General Electric for world market share.

Controlled by billionaire Alexei Mordashov, Power Machines bought EMAlliance, which produces boilers for power stations, in a deal that the two firms completed Tuesday.

Mordashov, better known for his majority stake in Russia's largest steelmaker, publicly-traded Severstal, acquired EMAlliance from Yevgeny Tugolukov. The companies didn't name the price, but said Power Machines would publish it in its first-quarter report in April.

Latin America and Southeast Asia will be high priorities for expansion, said Igor Kostin, chief of Power Machines. In countries like Brazil and India, the company seeks to set up joint ventures to localize production so it can count on larger supply contracts, he said.

Power Machines, a specialist in hydro- and nuclear-powered turbines, has previously sold to clients in countries ranging from the United States and Canada to North Korea and Angola, according to its website.

The combined company will likely stick to its current prices, even if it reduces its costs as a result of the takeover, said Mikhail Safin, an analyst at investment company Renaissance Capital.

The reason Power Machines wants to make more inroads on foreign markets is that the local demand for new equipment, albeit huge, will slow down its growth after 2015, he said. That will be the peak year for spending on turbines by energy companies building additional capacity, Safin said.

"The potential for growth in Russia isn't that high," Safin said.

Early last year, Power Machines said it aimed to increase its share of export contracts to at least 30 percent. Out of the contracts it concluded in 2010, foreign deliveries accounted for 20 percent.

Power Machines reported \$239 million in profit for the first nine months of last year.

EMAlliance, which also operates internationally, earned a net income of \$17.3 million for all of 2010 — the latest available number.

In 2010, when EMAlliance prepared to float its shares, its valuation fluctuated from \$354 million to \$648 million, Reuters reported. Since then, however, EMAlliance has increased its production capacity by a quarter after it bought Duro Drakovic, a Croatian producer of equipment for power plants, from a bankrupt Austrian company.

Tugolukov said he would invest in mid-sized businesses and manage assets in the area of domestic high-tech products unrelated to energy or equipment-manufacturing, RIA-Novosti reported.

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