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Globaltrans Buying Metalloinvest Freight Unit for $540M

By The Moscow Times

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Freight firm Globaltrans Investment is buying the railcar unit of iron-ore miner Metalloinvest for $540 million, boosting its fleet to about 60,000 units, it said Friday, as it forecast more consolidation for the sector.

As part of the deal, Globaltrans will provide rail-freight transportation and logistics services to Metalloinvest, controlled by Arsenal football club and Facebook shareholder Alisher Usmanov, Russia's richest man, for three years.

"[The deal] will increase the market share of the company, ... and because of this three-year contract we will get access to a new cargo base," chief executive Sergei Maltsev said in a telephone interview.

Globaltrans said its fleet of rolling stock was nearly 48,000 railcars at the end of 2011 while Metalloinvest's was more than 9,000. The deal was a "very accretive acquisition of a high-quality asset," finance chief Alexander Shenets said.

It will give Globaltrans a 7 percent market share of overall cargo volumes in Russia, the world's largest country by territory, which relies on rail to deliver oil products, grain and steel to its home and export markets.

"It is an excellent strategic fit," Shenets added.

Globaltrans, which raised cash via a secondary offering to buy a controlling stake in BaltTransServis in 2009, has said it is looking for acquisitions.

"We believe we are the key player in this market," Maltsev said, adding that consolidation in the sector is under way.

"So, of course, we will look very carefully at the trend and talk to other companies in the market, but right now we wouldn't like to elaborate on that," he said.

More than 70 percent of Russia's freight rail fleet is now privately owned, Globaltrans said in a presentation.

This follows the privatization of rail cargo operator Freight One, which had been controlled by Russia's railway monopoly Russian Railways until tycoon Vladimir Lisin won the auction for 75 percent of the asset last year.

A decade ago, cargo owners relied on Russian Railways as the main fleet provider, but this has shifted to a reliance on operators — both independent operators and Russian Railways subsidiaries, Globaltrans' presentation said.

Large private operators can service large cargo operators and act as consolidators in the industry, Globaltrans said.

For Metalloinvest, selling the unit will allow the company to free up capital, the company's chief executive Eduard Potapov said in a statement.

The companies said the deal was the first large-scale transaction between an independent private freight rail group and a large natural resources company in Russia.

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