

# Renault Secures Control of AvtoVAZ

By [The Moscow Times](#)

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Russia is on track to become Europe's biggest car market by the middle of the decade. **Andrei Makhonin**

PARIS — Renault and Japanese partner Nissan moved to expand in the growing Russian car market on Thursday with a \$750 million deal that would give the French manufacturer effective control of Lada maker AvtoVAZ.

The tentative agreement to double the alliance's 25 percent stake via a joint venture with a Moscow state entity ups the ante for Renault-Nissan boss Carlos Ghosn's four-year-old bet on the Russian market, though some analysts said the deal looked dear — valuing AvtoVAZ at nearly three times its \$1.2 billion market capitalization — and was prone to legal and political vagaries.

The purchase will be finalized only later this year and not implemented until 2014, according to a statement from the firms.

The agreed payments, notably to Moscow bank Troika Dialog, put a \$3 billion value on AvtoVAZ.

"The deal appears quite expensive," said Vladimir Beshpalov, auto analyst at Russia's VTB bank. But it offers Renault-Nissan a firmer foothold in a fast-growing Russian market, which promises to soon overtake Germany in volume terms, he added.

The Russian government will also give AvtoVAZ an extension on \$1.56 billion in interest-free loans after it sells assets to repay \$238 million. A source familiar with the deal said repayments due by 2019 would now stretch at least until 2032.

"Today's memorandum is the latest step in an expanding collaboration that helps modernize the leader of Russia's auto industry," Ghosn said in the statement.

With his original \$1 billion acquisition of a 25 percent AvtoVAZ stake in 2008, Ghosn was gambling that he could transform the struggling firm into a profitable volume manufacturer by injecting modern, low-cost vehicle technology developed for Renault's Dacia Logan vehicle family.

Painstaking progress was complicated further by the economic crisis of the following year, which hammered sales and sparked a Russian government bailout. AvtoVAZ is only now introducing the first new Lada models based on the Renault vehicle platform.

While the tentative accord is a "solid step" toward alliance control of AvtoVAZ, "it should by no means be taken for granted that the deal will progress smoothly to its conclusion," IHS Automotive analyst Tim Urquhart said. "There's little doubt that the relationship between Renault and AvtoVAZ has been fraught with management, financial and legal difficulties," he said.

Under the agreement, Renault-Nissan would buy out Troika Dialog's stake in AvtoVAZ to hold 67.13 percent of a joint venture with state-owned Russian Technologies, which, in turn, then controls the automaker through a 74.5 percent stake.

So, for \$300 million, Renault would be swapping its current 25 percent direct stake in AvtoVAZ for an indirect 35 percent holding. Nissan would pay a further \$450 million for an effective 15 percent stake. Renault owns 43.4 percent of Nissan, which for its part holds 15 percent of the French carmaker.

Renault shares were up 0.8 percent at 34.12 euros (\$44.9) at the close in Paris. AvtoVAZ stock closed down in Moscow by 7.1 percent to 20.7 rubles (\$0.70).

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