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Railways Taking Bids on 75% of Key Subsidiary

By The Moscow Times

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State-run Russian Railways owns the second-largest rail network worldwide and serves almost 1 billion passengers a year.

Russian Railways is offering to sell 75 percent minus two shares in its locomotive repair subsidiary Zheldorremmash, and hopes to get at least 7.9 billion rubles ($247 million) for the stake, according to a statement by TransCreditBank.

Bids will be accepted from Aug. 15 to Oct. 12, and the results of the tender will be announced on Nov. 1, Interfax reported.

Bidders will have to make a deposit of 790 million rubles and submit financial and technical proposals, which will be given 60:40 weighting in the bid assessment. In the technical part of the proposals, bidders must propose a technical readiness ratio for locomotives of each series for 2013-2017 that they would be obligated to maintain.

The tender is open to both Russian and foreign companies, but not to companies in which the government directly or indirectly holds more than a 30 percent interest. Bidders must not have any overdue debts to governments at any levels or losses in the past three years. They must also have earned at least 2 billion rubles in revenues from production, repair and maintenance of locomotives in 2011.

Zheldorremmash's charter capital consists of 15,162,764,667 shares, of which 11,372,073,499 shares are being offered for sale. The Russian government approved the plans to sell the stake in a tender in January, and Russian Railways' board of directors approved the package of required documents in June. It was reported earlier that the rail giant sees Transmashholding, its subsidiary TMH Service, the Sinara group, Canada's Bombardier, Germany's Siemens, France's Alstom and a number of other companies as potential buyers for the subsidiary's stake.

Representatives of Siemens have said the company is not interested in bidding on the repair company. Zheldorremmash was formed in 2008 from the assets of ten locomotive repair plants: in Yekaterinburg, Rostov, Novosibirsk, Chelyabinsk, Yaroslavl, Astrakhan, Voronezh, Ulan-Ude, Orenburg and Ussuriysk. The company closed 2011 with a net profit of 170 million rubles on revenue of 31.2 billion rubles.

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