

AvtoVAZ Loses \$222M as New Chief Battles Shrinking Sales

By [The Moscow Times](#)

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The country's No.1 carmaker AvtoVAZ slumped to a loss last year, hit by falling sales of its flagship Lada and underlining the task facing its new CEO as he battles to revive the business amid economic uncertainty caused by the Crimea crisis.

Once tipped to overtake Germany to become Europe's biggest auto market, Russia saw car sales drop 5 percent last year as economic growth faltered, according to industry group AEB.

AEB forecast in January car sales would fall a more modest 1.6 percent this year. But that was before Russia's annexation of the Crimea region from Ukraine soured relations with the West and prompted fears its economy could slide into recession.

AvtoVAZ, which is due to come under control of French-Japanese car alliance Renault-Nissan this year, recently appointed Bo Andersson as its chief executive, with a brief to revive its fortunes.

The Swede, who was credited with turning round Russian bus and truck maker GAZ, said in January he would cut 2,500 jobs and lose about the same again through attrition this year to help the business back into profitability.

Analysts said Friday's results underscored the task ahead.

"Their operating efficiency is quite low and it has been like this for quite a long period," said VTB analyst Vladimir Beshpalov of AvtoVAZ's performance.

Lada sales fell last year following a poor reception for new models introduced since 2011.

AvtoVAZ said it made a net loss of 7.9 billion rubles (\$222 million) in 2013, compared with a net profit of 29.2 billion rubles in 2012. Sales fell 7 percent to 177 billion rubles.

Renault, which owns 43.4 percent of Nissan, paid \$1 billion for an initial 25 percent AvtoVAZ stake in 2008. Under a deal struck in 2012, Renault and its Japanese affiliate are to take joint control of the Russian automaker in 2014.

Renault-Nissan Chief Executive Carlos Ghosn took over as AvtoVAZ chairman in June and as well as hiring former General Motors purchasing boss Bo Andersson, has sketched out a plan for AvtoVAZ to take the boxy Lada more upmarket.

VTB's Beshpalov said Andersson's track record made him optimistic he could make a difference at AvtoVAZ.

"We expect a significant improvement in AvtoVAZ's performance in the coming couple of years on the back of massive cost optimization and restructuring under the new CEO," he wrote in a research note.

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