

Russia's Car Market Slump to Spur Mergers Among Struggling Dealers

By [The Moscow Times](#)

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A slump in Russia's auto market will force the country's car dealers to merge to survive the downturn, the founder of major dealership Rolf said in an interview.

Most of Russia's car dealers are struggling to service heavy debts at a time when the Russian auto market is weak. Consumers are putting off big purchases because of a sharp economic slowdown and the uncertainty created by Western sanctions over Moscow's role in the Ukraine crisis.

"The dealership business is fragmented, and apparently it's on the threshold of consolidation. Everyone is talking to everyone," Sergei Petrov said at the Reuters Russia Investment Summit.

Petrov said he did not expect a rapid recovery in Russia's auto market as happened after the 2008 financial crisis. He could not predict when car sales would bottom out or by how much more they would fall before that.

Car sales in the country are likely to have their worst year since the financial crisis. New car sales tumbled 26 percent in August year on year, bringing the decline since the start of the year to 12.1 percent, according to the Association of European Businesses. Russian auto sales totaled \$69 billion last year, according to PricewaterhouseCoopers.

Petrov said he expected car dealership mergers to pave the way ultimately for stock market listings once the situation on financial markets improved.

"There probably will be IPOs [initial public offerings]," Petrov said. "Clearly now is not the best time for flotations, but nobody is in a hurry, everyone is trying to grow in size first. Once there is a window — they will go for it," he said at the summit at the Reuters office in Moscow.

Major Russian car dealers have tried to sell shares on the stock market in the past. Moscow-based dealership Genser wanted to raise about \$300 million via the sale of a non-controlling stake in 2011 but pulled the plug due to poor market conditions.

Rolf, owned by Cyprus-registered Rishy Holdings, turned over 103.5 billion rubles (\$2.65 billion) last year. That is 29 percent lower than in 2012, while its net profit more than halved to 1.6 billion rubles.

Rishy Holdings is controlled by a trust which acts in the interests of the Petrov family, according to Rolf financial reports. Petrov is a deputy of the State Duma, the lower house of parliament, representing the A Just Russia party.

"My mentor, [Mitsubishi Motors Corp's executive vice president] Hiroshi Harunari said 20 years ago: 'You will see the auto market go up and down, but you have now 130 cars per 1,000 people. Before 300 — be assured, there will be growth without a break.' And now we are nearing 300," Petrov said, referring to the Russian market.

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