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Battle Tank Maker Uralvagonzavod Wants $1Bln in State Loan Backing

By The Moscow Times

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Modernization of the military-industrial complex has only climbed higher on Russia's agenda throughout the crisis in Ukraine, adding extra urgency to an already ambitious campaign.

Sanctions-struck Uralvagonzavod, one of Russia's largest defense contractors, has become next in the ever longer line of companies queuing up for state support, with a request for guarantees to loans worth 35 to 50 billion rubles ($875 million to $125 million), business paper Vedomosti reported Wednesday.

"We wrote a letter to the prime minister [Dmitry Medvedev] about receiving state guarantees for loans taken out in order to implement the federal modernization program," Uralvagonzavod CEO Oleg Siyenko was quoted as saying by Vedomosti. The program is intended to modernize the military-industrial complex through a combination of state and private investment through 2020.

Uralvagonzavod has also requested that its charter capital be increased to help it cope with its

obligations. Companies are supposed to take on 40 percent of the cost of the modernization program, but Uralvagonzavod "doesn't have the profits to support this," Siyenko said.

Modernization of the military-industrial complex has only climbed higher on Russia's agenda throughout the crisis in Ukraine, adding extra urgency to an already ambitious campaign. Russia is pursuing a $700 billion rearmament program through 2020, an initiative that is now viewed by economists as one of the greatest pressures on Russia's fragile budget.

A tank producer as well as a major train manufacturer, Uralvagonzavod was among eight defense companies struck by U.S. sanctions in July following the downing of Malaysia Airlines Flight MH17, which the West asserts was destroyed by a BUK missile launcher provided by Russia. The sanctions have forced several Western firms to freeze joint projects with the company.

While the request may sound significant, other companies stand to receive substantially larger support. The Russian government has already pledged to spend 239 billion rubles ($6 billion) from the oil-revenue rich National Welfare Fund on preferred shares in sanctioned VTB and Rosselkhozbank in order to raise their capital.

Sanctioned gas producer Novatek has also asked for 150 billion rubles ($3.8 billion) in support from the welfare fund, Reuters cited Finance Minister Anton Siluanov as saying.

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