The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Military Electronics Supplier Faces Shutdown Over Underpriced State Contracts

June 24, 2025

Kirill Kukhmar / TASS

A Russian electronics manufacturer that supplies power components for military aircraft and commercial jets like the Sukhoi Superjet has shut down operations and is teetering on the edge of bankruptcy, according to the Cnews technology magazine.

Optron-Stavropol, a supplier of power semiconductors for MiG, Sukhoi and Tupolev aircraft, as well as the next-generation MC-21 airliner, halted operations in March.

The company reported a net loss of more than 149 million rubles (approximately $1.7 million) in 2024 alone and its creditor debt reached 230 million rubles ($3 million) in June.

With its accounts frozen and accumulating debt, the company has declared it can no longer sustain its operations.

The company's head Pavel Bondarenko blamed the crisis on defense contracts that lock the

company into selling at state-mandated prices far below its production costs.

Under Russian law regulating state defense orders, prices for dual-use products are determined by the military.

For example, the Defense Ministry-set price for a single diode is 2,600 rubles ($33) per unit, compared to the 3,600 rubles ($46) the company would need to charge to cover manufacturing costs.

“The company is unable to cover expenses and has had to make layoffs,” said Bondarenko.

“The Defense Ministry demands the lowest possible costs be factored into pricing, and its representatives often abuse this leverage, which ultimately leads to financial losses for producers,” Alexei Novosyolov, general director of microcircuit producer PKK Milandr, told CNews.

Companies that refuse to fulfill government defense contracts risk alienating a large customer base and state sanctions, Novosyolov added.

Bondarenko said that the Prosecutor General’s Office launched a review of Optron-Stavropol’s finances after the company held nine meetings with the Industry and Trade Ministry.

“The prosecutor’s inspection found no criminal violations or evidence of misappropriation of state defense funds,” Bondarenko told CNews.

The company has faced persistent financial difficulties since 2016 and previously warned of a potential closure in 2021, when it also reduced staff.

In 2021, Ivan Pokrovsky, head of the Association of Russian Developers and Manufacturers of Electronics, said that Optron-Stavropol has long supported production of “older technologies that are maintained specifically for military purposes.”

“These technologies are not competitive outside defense contracts. If the company’s assets are acquired by a larger, more successful power electronics producer, it might be possible to retain both the workforce and technological equipment. However, it may be simpler and more profitable for shareholders to just sell the plant’s real estate,” Pokrovsky wrote at the time.

Original url:
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