

AvtoVAZ to Acquire Izhavto

By [The Moscow Times](#)

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AvtoVAZ said Friday that it would buy smaller rival Izhavto, investing 7 billion rubles (\$228 million) and working with its French and Japanese partners to modernize the indebted carmaker.

"We intend to acquire 100 percent of ... [Izhavto] during the next year," AvtoVAZ president Igor Komarov said in a statement.

Izhavto came within a whisker of collapse during the economic crisis. Late last year, management of the company passed to key creditor Sberbank and the state-controlled lender has said it would like to sell to a strategic investor.

"The planned size of investment in the modernization of production at Izhavto is 7 billion rubles. The investment will be financed with credit resources from Sberbank with a maturity of up to 7 years," AvtoVAZ said in a statement.

AvtoVAZ, the country's largest carmaker and the beneficiary of government largess during

the crisis, is looking to its partners — the Renault-Nissan alliance — to help with the project, in line with Moscow's drive to use foreign investors' know-how to revamp its auto industry.

Izhavto's factory, located in the city of Izhevsk in central Russia, will now assemble cars under the brands of Renault, Nissan and AvtoVAZ's Lada, while capacity will be increased by about a third from 220,000 to 300,000 cars a year by 2014.

Oksana Nazarova, a spokeswoman for Renault-Nissan, said the alliance planned to make cars at Izhavto's plant but added that no decisions had been made.

Prior to the memorandum of understanding with AvtoVAZ — signed in the presence of Prime Minister Vladimir Putin on Friday — South Korean automakers Kia Motors and Hyundai had been in talks with Izhavto about building cars at the plant.

"We held a closed tender of investors, and have decided on cooperation with AvtoVAZ," Sberbank chief executive German Gref said, Interfax reported.

Gref said AvtoVAZ offered the best options for localizing production, creating jobs and meeting the requirements of Izhavto's creditors.

"As for Kia, I want to say thank you to our Korean partners. ... But they will ... be offered an alternative," he added, without giving further details.

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