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Rosneft to Lead in $40Bln Sell-Off

By Irina Filatova

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The government is seeking to raise 1.2 trillion rubles ($40 billion) from selling state assets in the next three years, with Rosneft expected to be the biggest contributor, bringing in more than 200 billion rubles in 2012, the Economic Development Ministry said Friday.

The ministry expects selling stakes in the largest state companies to bring a total of 300 billion rubles to the federal budget next year, while the forecast for 2013 and 2014 is 380 billion rubles and 475 billion rubles, respectively, said Alexei Uvarov, head of the Economic Development Ministry's property department.

The forecast is "conservative," given the current strained market conditions, Uvarov told reporters, adding that the real revenue could be higher.

"We understand the complicated situation in the financial markets and don't want to be too optimistic," he said, PRIME reported.

The volatility in global financial markets, fueled by Standard & Poor's downgrade of the U.S.

credit rating and the debt crisis in Europe, has already affected the initial privatization schedule.

Sberbank, which slid about 20 percent on the MICEX Index in August, is not ready to proceed with the placement of a 7.6 percent stake — initially scheduled for September or October — in the current market conditions, the lender's chief executive German Gref said Friday.

The lender discussed the situation with its major shareholder — the Central Bank — and "will try to list at the first opportunity as soon as the market stabilizes," he told reporters in Sberbank's office.

"So far, we see great volatility, turbulence in the market, and we can't sell in the current situation," Gref said, adding that selling the stake remains a priority for the bank.

Central Bank First Deputy Chairman Alexei Ulyukayev said last month that there is no specific deadline for closing the deal, except for the obligation to sell the stake by 2013, so the decision would be made taking into account the market situation.

Gref, however, did not rule out that the lender could sell shares by the end of this year or in early 2012.

"Probably such a window will appear before the New Year ... or right after it," he said. "As soon as a window of opportunity appears we'll use it immediately."

Vyacheslav Smolyaninov, a strategist at UralSib Capital, said it is possible to sell state assets even in the current market, if reducing its presence in state companies is a priority for the government.

"But if the goal is to raise maximum funding, such market conditions are undoubtedly not favorable," he told The Moscow Times.

Smolyaninov also said the target of raising 1.2 trillion rubles from the sale of state assets is realistic, given the scale of the privatization.

"It's a rather realistic forecast," he said. "The privatization includes selling big stakes in pubic companies that have high value despite the market slide."

The anticipated figure is part of the government's ambitious privatization plan through 2017, and revenue from selling assets in state companies could reach 6 trillion rubles, or about 13 percent of gross domestic product last year, RIA-Novosti reported early last month, citing a source in a government economic agency.

This target, which "looks challenging at first glance," is in line with the companies' market values and the stakes to be sold, Smolyaninov said.

Rosneft, VTB, Sovkomflot, RusHydro, the Federal Grid Company, Uralvagonzavod, Russian Railways, Transneft, Zarubezhneft, Alrosa and United Grain Company are among the companies that face partial or full privatization as part of the government's plan to cut the budget deficit.

The biggest revenue in next year's privatization pie is expected to come from selling a stake in Rosneft, Uvarov said.

"We expect the largest revenue in 2012 from privatizing Rosneft. We're discussing a stake of ... up to 15 percent so far. We plan to raise more than 200 billion rubles from selling this stake," he said, Interfax reported.

Meanwhile, Smolyaninov said the announced value of the stake is underestimated because, given Rosneft's current market capitalization of $82 billion, a 15 percent stake is worth about 368 billion rubles.

"It means that the government is ready to sell [that stake] with a 40 percent discount," he said, adding, however, that the announced figure is likely to be the minimum the governments hopes to get for the stake.

The Economic Development Ministry also expects to raise at least 94 billion rubles from selling a 10 percent stake in VTB next year.

According to Uvarov, the ministry is considering selling 4.11 percent in the Federal Grid Company and 25 percent minus one share in Sovkomflot in 2012, as the government must fully withdraw from the shipper's capital by 2017.

"It will take us a long time to sell all of Sovkomflot. We hold 100 percent in Sovkomflot and plan to withdraw from it. That's why we'll be gradually offering the market 25 percent [pieces] in Sovkomflot with time-stretched periodicity."

Selling that stake will reduce the government's presence in the company by half, as privatization of the other 25 percent in Sovkomflot is scheduled for this year and could be completed in late November or in early December, Uvarov said, adding that revenue from selling state assets this year currently stands at 100 billion rubles.

The government also plans to withdraw from the capital of several other state companies, including Rosneft, VTB, Inter RAO, Sheremetyevo Airport and Zarubezhneft by 2017, according to an updated list drafted earlier this year after President Dmitry Medvedev called the initial privatization plan "too modest."

The initial privatization program approved last year involved reducing the government's stake in 10 companies, including — among other things — cutting the stakes in Rosneft and VTB to 50 percent plus one share and 50 percent, respectively, by 2014.

The government also plans to sell stakes in a number of smaller companies, like Apatit, S7 Airlines and Ulyanovsk Automotive Plant.

Sberbank is interested in acquisitions in Romania after signing an agreement to buy Austria's Volksbank International without its Romanian unit, the lender's chief executive German Gref said Friday.

Sberbank refused to buy VBI's Romanian unit because of risks the Russian lender had noticed in its portfolio, he told reporters in Sberbank's office.

"We're not ready to take such risks yet ... We'll probably come back to this issue in two or three years," Gref said.

Sberbank agreed Thursday to buy 100 percent of VBI — the Eastern European operations of Oesterreichische Volksbanken — excluding its unit in Romania, for 585 million to 645 million euros ($823 million to $911 million), which equals VBI's combined equity, depending on its financial performance in 2011.