

Kalashnikov Targets Costs and Inefficiency after \$50M Loss

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February 09, 2014

The  **Moscow Times**

Weapons maker Kalashnikov will have to cut costs, ax managerial staff and increase output per worker to escape its dire financial situation, the company's new CEO Alexei Krivoruchko said Friday.

Kalashnikov incurred losses of about 1.7 billion rubles (\$50 million) last year on revenue of 2.2 billion rubles, Krivoruchko said. The company's debt at the year's end was 2.8 billion rubles.

Krivoruchko, who is buying a 49 percent stake in Kalashnikov Concern together with co-owner of Ural Mining and Metallurgical Company Andrei Bokaryov, took the helm of the famed arms manufacturer on Jan. 31.

A former general director of Aeroexpress and a member of the board of Transmashholding machine building company, Krivoruchko is known as a skilled production manager, a reputation that will be tested as he tries to pull Kalashnikov back into the black.

About 3.6 billion rubles are needed to bring the company back to health, he said. Krivoruchko himself, together with Bokaryov, will stump up 2.5 billion rubles of this over two years in return for their 49 percent stake in the company. Over the same two year period, 1.2 billion rubles will come from state technology conglomerate Rostec, which owns the majority stake in Kalashnikov.

At the same time, "annual firearm production will be increased to 150,000 units — double last year's output," he said.

But the surge of production and investment alone will only be enough to stem the losses, not make the company profitable, Krivoruchko said. An organizational shakedown will be needed as well, trimming management, boosting production workforce and raising productivity.

Of the 4,600 people who work for the company, "only 26 percent are engaged in production, which is not good," Krivoruchko said.

"We also need to increase the output per worker, which today is probably the lowest in the industry ... and cut all costs not directly involved with production," he added.

Although Kalashnikov is best known for its AK-47 assault rifle, only one third of the company's output is bought by armed forces. About 70 percent of Kalashnikov's weapons are for civilian use.

The U.S. is the company's biggest market for civilian weaponry. In January, Kalashnikov signed a contract with a U.S. firm to sell up to 200,000 firearms annually to customers in the U.S. and Canada. Kalashnikov is also eyeing opportunities in India's still small arms market.

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