

Struggling Russian car giant Avtovaz announces \$1.3bn cash drive

MOSCOW: Russia's biggest carmaker Avtovaz on Monday announced that it is looking to raise some \$1.3 billion as it struggles to battle back from slumping sales amid the country's economic crisis.



Avtovaz, which is majority-owned by the Renault-Nissan Alliance, said it would "consider a matter of an open subscription for shares" at an extraordinary shareholder meeting on 10 October. "This will become the first key step in the implementation of an overall recapitalisation plan of the company for approximately RUB85 billion (\$1.3 billion)," the statement said.

A first round of share sales worth 25 billion rubles is pencilled in to take place in December and Renault has said it is ready to stump up the cash. Hit hard by Russia's economic crisis, Avtovaz earlier this year was battling bankruptcy fears after its net losses almost tripled in 2015. That year the Russian car market slumped 36% as the impact international sanctions over Ukraine and the crash in oil prices saw the country mired in recession.

Renault announced plans for a recapitalisation earlier this year, with Avtovaz saying it would further "optimise the workforce" as part of its "anti-crisis plan" to improve finances in 2016 after already switching all of its employees and management to a four-day week from February to August.

boss, after a drive to improve efficiency at Avtovaz's Soviet-era facilities and slashed thousands of jobs from the bloated workforce in 2014. Those measures did not yield any significant financial success, and the company made a loss of 620 million euros (\$680 million) on the French carmaker's accounts last year.

Despite signs of the Russian economy stabilising, the Association of European Businesses predicts that auto sales will drop more than 10% this year, a much worse outlook than the 5% drop that had been previously predicted.

Source: AFP

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