Renault-Nissan To Buy Russian Car Maker

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MOSCOW (AP) — Car makers Renault and Nissan on Thursday signed a nonbinding agreement to buy a controlling stake in Russian car producer AvtoVAZ. But the deal will be complete only in 2014, later than some had expected, causing shares in the Russian company to slide.

Renault and Nissan, who operate as an alliance, said in a joint statement that they will invest $750 million to take a 67 percent share in a joint venture with state-owned corporation Russian Technologies. The venture will hold 74 percent in AvtoVAZ. Renault will pay $300 million and Nissan $450 million.

AvtoVAZ shares dropped 7 percent, however, on news that payments on the takeover will be completed by 2014, not as quickly as some industry analysts had predicted.

Ghosn on Thursday called the deal "the latest step in an expanding collaboration that helps modernize the leader of the Russian auto industry."

AvtoVAZ's iconic Lada brand has dominated car sales in Russia for decades. But its market share has been shrinking in recent years as rising incomes have allowed Russians to choose slightly more expensive but more reliable foreign brands. Lada cars are increasingly seen as the cheapest option for those who cannot afford even the cheapest foreign vehicle.

Renault purchased 25 percent of AvtoVAZ in 2008 and has since been helping the struggling car maker with technology and cash. The 2008 economic downturn hurt AvtoVAZ sales, forcing the government to bail it out as a major employer in the Volga river town of Togliatti.

Renault-Nissan will raise its shareholding by acquiring a 25 percent from Moscow-based investment bank Troika Dialog. The French-Japanese group said that over the coming months it will perform financial, legal and environmental due diligence at the plant in Togliatti.

Some investors had expected Renault-Nissan to gain control of AvtoVAZ earlier than 2014. AvtoVAZ's shares on the MICEX-RTS stock exchange reacted to what some investors perceived as a delay in the takeover, dropping by 7 percent by Thursday evening.

The agreement between Renault-Nissan and Russian Technologies comes a month after Prime Minister Vladimir Putin inaugurated a $525 million assembly line at the Togliatti factory. The new facility will increase AvtoVAZ's capacity to nearly 1 million cars a year.

Car industry analyst Tim Urquhart at IHS in London said the "relationship between Renault and AvtoVAZ has been fraught with management, financial and legal difficulties," which could explain another delay in the takeover deal.

"While there is no doubt that this is a solid step towards the Renault-Nissan alliance taking full control of Russia's biggest carmaker, it should by no means be taken for granted that the deal will progress smoothly to its conclusion in 2014," he said.

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