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Petra to acquire Tatarstan petrochem plant

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BRITAIN-based Petra Khyra Investments Ltd, a member of the Malaysian-owned Petra Group, has signed an agreement with the Russian Republic of Tatarstan for an option to acquire a 51 per cent stake in AO Nisnekamskneftekhim (NKNK), Europe's largest petrochemical plant.

The option will see Petra Group inject fresh capital amounting to 51 per cent of the enlarged share capital of NKNK for a consideration of US\$150 million (US\$1 = RM2.50). Tatarstan government agencies will hold the remaining stake in the previously wholly state-owned company.

Tatarstan President Mintimer Shaimiev signed on behalf of his Government in a ceremony witnessed by Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad in the Prime Minister's Office in Kuala Lumpur yesterday.

Tatarstan, with a population of 4 million, was part of the Soviet Union. It became a Russian autonomous region in 1994. The republic's key economic sectors are oil and gas, automotive manufacturing, defence equipment manufacturing and telecommunications.

Petra Khyra's capital injection in NKNK will be utilised to rejuvenate and modernise the plant which in some areas are using 10-year-old technologies. Business Times understands that the total cost of the upgrading exercise would be about US\$115 million.

Initially, the refinery and the isoprene synthetic rubber production processes will be modernised. For the purpose, Citicorp has arranged a US\$98.7 million financing package to be used in two stages over a three-year period beginning this year.

Petra Group will be exercising the option via internally generated funds as well as offshore borrowings. "We are planning to raise the US\$150 million required to exercise the option from the equity market in Malaysia under the new guidelines for the listing of Malaysian-controlled foreign assets on the Kuala Lumpur Stock Exchange," Petra Group executive chairman Datuk Vinod Sekhar told Business Times in Kuala Lumpur.

Sekhar said the company is still studying the NKNK books and will come up with the best option for the listing exercise soon. An application is expected to be submitted to the Securities Commission by June.

He expressed confidence that the listing of the 20-year-old NKNK, which has a net book value of RM2.7 billion and a replacement value of RM4 billion to RM5 billion, would not encounter any problems.

For the year ended December 1995, NKNK achieved a pre-tax profit of RM281 million.

The petrochemical company, which employs 24,217 people, has one third of the world's isoprene synthetic rubber production capacity, or 460,000 tonnes a year.

Petra Khyra is an investment vehicle set up specially to facilitate several large-scale projects worth a combined RM8.7 billion in Tatarstan. It is partly owned by Sekhar and Tunku Imran Tuanku Jaafar.

Some of the big ticket items are a 40,000ha property development project (worth RM3 billion); development of a live entertainment venue including a Malaysian restaurant and casino licence (RM400 million); the setting up of a private stock exchange in the Tatarstan capital of Kazan (RM1.3 billion); and the privatization of the national insurance company (RM200 million), the Kazan optical plant (RM300 million), the Kazan helicopter manufacturing plant (RM1 billion), the Tatarstan telecommunications body (RM2 billion) and the republic's water treatment and delivery system

(RM500 million).

(END)