



Middle East money flows into Russian power group

By Megan Davies

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MOSCOW April 27 (Reuters) - Middle East investors are pumping \$175 million into Russian power generator Enel OGK-5

in what is thought to be the largest injection by a Gulf investor into the country so far, members of the investment consortium said.

Italy's Enel, which acquired a 56.4 percent stake in OGK-5 as part of reforms to break up Russia's Soviet-era power monopoly, was not a party to the transaction.

Russia has been trying to attract investment from around the world for various projects and the Middle East's oil wealth is a key area to tap. Investment so far from the region has been minimal, according to figures from London-based research firm Preqin.

"It's the trillion dollar question," Kirill Dmitriev, head of Russia's \$10 billion state-backed investment fund, told Reuters, when asked why Middle East investors were shy about investing in Russia.

Dmitriev runs the Russian Direct Investment Fund (RDIF), created last year to co-invest alongside foreigners to give them greater comfort in Russia's uncertain business environment, often criticised for corruption. The RDIF is among the consortium of investors in OGK-5.

"There are real issues with investing in Russia but also major perception gaps," Dmitriev added.

He said the RDIF fund was created because "there was the sense that there were large investment pools all over the world and yet there was no concerted effort to communicate to them the Russian value proposition."

The Middle East investment is being made by AGC Equity Partners, Dmitriev and the private equity firm said.

Dmitriev said it was the largest Middle Eastern investment in Russia to date. Preqin said it has no record of any larger deals.

AGC sources and manages investments for clients including sovereign funds according to its website, and it has a dedicated team in the Middle East. The company represents a consortium of Middle East institutional investors in the deal, AGC said.

"There are a lot of opportunities in Russia, we believe," said Walid Abu-Suud, co-CEO of AGC Equity Partners. "It is a high-growth market, with untapped investment potential (and) a well-educated professional labour market."

"We believe a lot of the issues (of investing in Russia) would be alleviated by investing with the RDIF," Abu-Suud said.

The deal to buy a 26.4 percent stake in Enel OGK-5 was announced in March, but the consortium announced at the time did not include the Middle Eastern investors. [ID: nL5E8E19K3] [ID: nL5E8EG096]

The buyer group also comprises Xenon Capital Partners's Rusenergo Fund and the Macquarie Renaissance Infrastructure Fund. They are buying the shares from Russian power group InterRao in a deal with a total value of \$625 million.

"We think OGK-5 is going to show significant growth in EBITDA, in our view it was a good time to buy the asset," said Hamid Gayibov from Xenon Capital Partners. "It promises a significant dividend yield."

Enel OGK-5 declined to comment.

(Additional reporting by John Bowker; Editing by Douglas Busvine and Erica Billingham)

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