

Inter RAO energises with EBRD convertible loan

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Russian electricity firm Inter RAO has signed a Rb9.6bn (\$297m) five year loan from the European Bank for Reconstruction and Development (EBRD). The loan may be converted by the development bank into Inter RAO shares.

The EBRD will have the next 4.5 years to convert the loan into common shares of Inter RAO at a price of 5.5 kopeks per share. The stock was trading at 2.6 kopeks on the Micex-RTS on Wednesday morning.

“There is a big gap between the conversion price and the stock market price today,” said an analyst. “But there is great scope for improving the stock price.”

Partnering with the EBRD is one factor that could help attract investors, said Inter RAO.

The EBRD will not convert the loan until corporate governance has improved which will likely take at least 20 months to two years, said an EBRD spokesperson. Once converted, the EBRD will have a stake of up to 1.8% in the company.

“The convertible loan is more than just a loan,” said the bank spokesperson. “It’s an enhanced commitment to the company. It also gives a certain risk protection.”

Inter RAO is paying 881bp for the loan, which is less than if the firm tried to borrow on the Russian open market, the analyst added.

There are no plans to syndicate the loan, the EBRD spokesperson added.

Improvements in corporate governance come as Inter RAO is considering a second listing on an international exchange.