

Ukraine attempts to cancel Ukrtelecom privatization

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Analyst: "The possible nationalization of Ukrtelecom is indifferent for SCM and potentially loss-making for the state, as the fair value of Ukrtelecom is now below its privatization value, we believe."

KYIV, May 17, 2017 (UBO) - Ukraine's State Property Fund (SPF) initiated a court hearing aimed at cancelling the sale-purchase agreement of a 92.8% stake of Ukrtelecom made in 2011, Concorde Capital informed clients today based on a SPF press service reported of May 16. On top of that, the SPF is seeking to charge a UAH 2.17 bln penalty, though without specifying the payer of this penalty. According to the SPF, the buyer of the Ukrtelecom stake failed to fulfill its post-privatization obligations, as agreed in the sale-purchase agreement. The 92.8% stake in Ukrtelecom was purchased by a company named ESU for UAH 10.575 bln. Later on, the SCM holding of Rinat Akhmetov, Ukraine's richest businessman, became the owner of ESU. Concorde analyst Alexander Paraschiy added: "Among the possible reasons for the Fund to initiate the cancellation of the sale-purchase agreement could be inability of Ukrtelecom to spin off a separate entity responsible for the special communication of state bodies, as was stipulated during the privatization. The possible nationalization of Ukrtelecom is indifferent for SCM and potentially loss-making for the state, as the fair value of Ukrtelecom is now below its privatization value, we believe. At the same time, the penalty of UAH 2.17 bln, if charged against ESU, could compensate for most of potential loss of value.

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