

COVID-19 in numbers:

Ukraine

Cases: 2,284,191

Deaths: 53,720

Recovered:
2,206,392

Worldwide

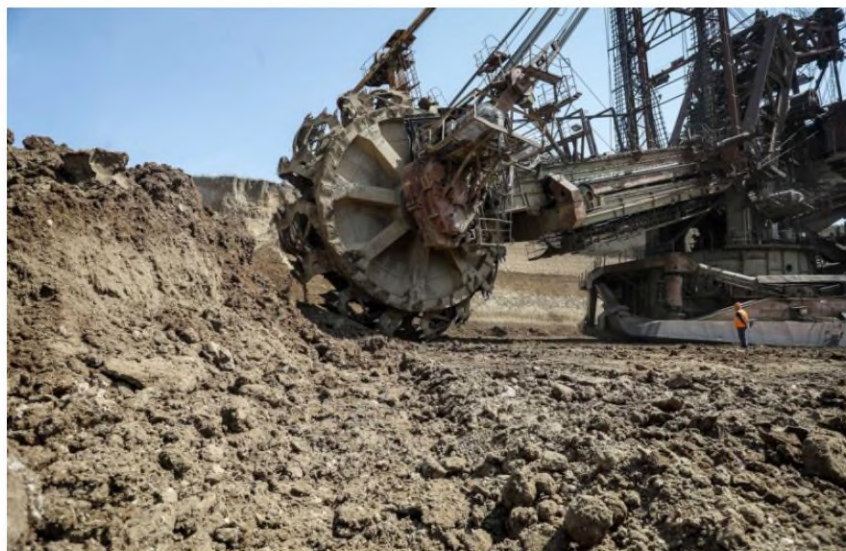
Cases: 217,176,443

Deaths: 4,514,328

Recovered:
194,063,440

Privatization of former Firtash titanium plant postponed due to lack of bidders

By Natalia Datskevych. Published Aug. 27 at 5:02 pm




 56 meter high bucket wheel excavator works at titanium career in the city of Vilnohirsk in Dnipropetrovsk Oblast on Aug. 11, 2021.

Photo by Oleg Petراسиuk

A massive state-owned asset was supposed to go on sale on Aug. 31, but it won't occur until the state finds enough bidders to compete.

The State Property Fund was about to sell United Mining and Chemical Company — the largest titanium ore producer in Europe and the country's most attractive asset so far — for \$125 million as a starting price.

But four days before the auction, despite loud publicity around it, the Fund canceled it because only one undisclosed bidder was participating.

According to the law, a privatization auction can't take place with a single participant.

Two undisclosed bidders were rejected due to problems in the documentation they submitted.

"The State Property Fund has decided to cancel the privatization auction since only one bidder was admitted to the auction after checking all the documents," the statement reads.

The Fund still wants to hold the auction before the end of 2021.

"The new date of the auction will be announced in the near future," said Taras Yeleiko, deputy chairman of the State Property Fund.

According to Vitaliy Strukov, managing partner at BDO Corporate Finance, a U.K. adviser of the Fund on privatization and sale of United Mining Chemical Company, several dozen potential buyers were interested in buying the asset.

But investors didn't have enough time to prepare the necessary documents for the auction, Strukov said.

"Some investors said that until the last day, they were trying to catch up and did not have time," said Strukov.

On July 15, Artur Somov, then-chairman of the company's board, [wrote](#) for Ukrainska Pravda that over a dozen companies have already shown interest in purchasing the plant, including investors from Australia and Japan.

"The company's privatization will be a sign for international investors whether they will decide to invest in Ukraine in the future," said Somov. "It will be the first sale of such a large object in 15 years."

Big deal

Sales of such companies like United Mining Chemical Company usually happen once a decade on the titanium market, Oleksiy Riabinin, chief engineer at the plant, told the Kyiv Post.

Ukraine owns one-fifth of all titanium ore deposits globally and can compete with China, Japan, Russia and Kazakhstan with this natural resource.

The United Mining Chemical Company — a 90% export-oriented company — extracts on average 300,000 tons of titanium ore annually at its two plants, in Zhytomyr Oblast and Vilnohirsk, a small city of 22,000 people in Dnipropetrovsk Oblast.

The factory sells two-thirds of its production to manufacturers of ceramics, paints and varnishes.

Of the remaining 100,000 tons, 60% the company sells to the U.S. chemical giant Chemours under a long-term deal. The rest is divided equally between domestic needs and sales abroad via trading companies.

Besides titanium, the company also produces zirconium concentrate, widely used in solar batteries, ceramics, and nuclear energy.

“The prospects are very high,” said Ihor Savchuk, director at Vilnohirsk Mining and Metallurgical Plant of United Mining Chemical Company.

According to Riabinin, the current estimated reserves of titanium ore in the Dnipropetrovsk Oblast plant are 27 million cubic meters.





An aerial view of titanium career in Vilnohirsk in
Photo by Oleg Petراسиuk

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On Aug. 11, when the Kyiv Post visited the Vilnohirsk site before the announced privatization, the plant's management told the newspaper that the sale could be a game-changer.

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“The state is a poor manager,” said Savchuk. “For the enterprise to develop, it needs to be privatized.”

“Now (the plant) is the same as it was during the Soviet Union. After privatization, I hope there will be modernization and further development,” said Andriy Shulga, the head of the mining production at the Vilnohirsk plant.

Savchuk, who viewed “genuine interest from potential buyers for the past several months,” believed that the auction would take place on time.

“Our team is doing everything for this,” he said.

Firtash’s shadow

Titanium production is the core business of oligarch Firtash’s Group DF, which previously owned the plants.

United Mining Chemical Company has long been owned by, directly or through proxies, by Firtash, now exiled in Vienna for over seven years.

Firtash’s company Crimea Titan controlled both plants on Ukraine’s mainland before 2014, but the state took over and created the UMCC after Russia annexed Crimea and Ukrainian assets.

Firtash has been under house arrest in Austria since 2014, fighting to avoid extradition to the U.S. to stand trial on bribery charges, which he denies.

The National Security and Defense Council imposed sanctions on the oligarch on July 18, saying his plants supplied titanium to Russia's defense industry, which Firtash's lawyers denied.

On Aug. 10, Firtash's Group DF was reportedly denied a titanium mining license in Zhytomyr Oblast for allegedly financing terrorism. Group DF claimed it had already won the bid, but didn't obtain the license.

United Mining Chemical Company won the Aug. 9 tender to mine for titanium in the area with a bid of Hr 123 million (\$4.5 million).

According to Group DF, its subsidiary, the Mezhyrichensky mining and processing plant, had already won the bid but didn't receive a permit after it was accused of "financing terrorism and acting in the interests of the Russian Federation," which the group called "baseless accusations."

The company plans to appeal the decision.

Group DF still controls a big land plot in Vilnohirsk. Since the license is still in Firtash's hands, the auction price for the company was lower than it possibly could be.

"It's a precious land plot, which can easily be used for the next 30 years. And in the future, more than 100 years if developed," said Shulga.

"If the state gave the license back to us, the attractiveness of the company would grow many times," said Savchuk. "It's an issue, which our

government needs to solve. We can only dream about it.”

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