

Effects of Zijin privatization of Serbia copper mine yet to be seen

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The highest net profit in 2018 in Serbia, according to statistics of the Business Registers Agency, was made by RTB Bor with 90 billion RSD.

However, this business result is not the result of the takeover by the Chinese company Zijin because it refers to the period when RTB Bor was still owned by the state.

The Chinese company officially took over RTB Bor on December 18 last year, and in fact it started operating the company from January 1 this year. What should be emphasized is that the profit of 90 billion RSD is not the result of improvement of RTB Bor business results, but the consequence of the fact that in 2016 the state wrote off 90 percent of its debt and converted it into its ownership.

It is about the sum of about one billion euros, while the purchase contract Zijin pledged to repay the remaining 200 million euros of debt, which the Chinese company already did in January this year. Statistics show that in 2015 RTB Bor recorded a loss of 1.11 billion dinars, in 2016 this loss was increased to 1.27 billion dinars.

After the state wrote off most of the huge debts, RTB Bor recorded a profit of 974.9 million RSD in 2017, while the profit last year, as already mentioned, increased to 90 billion RSD.

Considering that RTB Bor's net profit is not a result of business results but a consequence of relieving the burden imposed by the large debts, the question arises as to whether the new Chinese owner can achieve a better result than last year and whether something like that is, in the short run, realistic. Zijin has not yet made public the results achieved when it comes to profit. It is still too early to come up with statistics for 2019, but the public is not even aware of the figures so far in the past quarterly periods. Only in the first quarter of the year it was stated that copper production increased by 2.8 percent compared to the same period in 2018, and that it is expected that by the end of this year its production will increase by a total of 26 percent compared to last year.

However, some statements made by Chinese company executives suggest that when it comes to production results there are also going to be oscillations for what they say is the responsibility of the former management's bad moves from the state-run era.

Zijin's management announced in March that "several objective obstacles have been encountered regarding the strategic pursuits of the previous management's operations, which will result in a lower percentage of efficiency for some time."

The professional public in Serbia believes that it is very difficult to achieve good business

results in the short period after the takeover of RTB Bor, especially since the positive statistics, in terms of profit, were achieved through debt write-offs, not thanks to increased sales. Experts believe that an additional obstacle to achieving better production and sales results will be the fact that Zidjin is obliged to invest 160 million dollars by the end of the year.

Foreign Investment Expert Mahmoud Busatlija points out to “Danas” that it is unrealistic to expect Zidjin to improve its business results in the short term of just one year and start generating more profit at RTB Bor.

“It is too short period since the takeover of the company by Zidjin to see some benefits already. Especially since it is a Chinese strategic partner as the majority owner that is obliged to invest big money in RTB Bor through a purchase agreement. These investments in capacity improvement can reflect to the outputs achieved in the area of production and profit. It is hard to believe that this year RTB Bor's business will be significantly improved, especially if it is known that the positive results in the past two years are the result of debt write-off by the state. It is necessary to wait for a period of three years to pass so only then will it be possible to see in what direction the company is going after the takeover by the Chinese. Since Zidjin is a serious company that makes significant acquisitions in the world, I am convinced that when it comes to RTB Bor, things will go much better and that in the long run that company will do good and quality” - says our interlocutor.

Privatization adviser Branko Pavlovic agrees with his opinion.

“It is very difficult to forecast the business results of Zidjin at RTB Bor by the end of the year. This depends to a large extent on the price movement of RTB Bor products on the world market. One company can run its business very effectively, but the results may still be worse due to the unfavorable price of its products. If this is taken into account, it will be necessary to wait for a period of some 10 years to pass, after which it will be clear what the benefits of selling RTB Bor Chinese are. There may also be ups and downs during this period, but definitely the number of successful business years should dominate. In other words, in the long run RTB Bor should undoubtedly expect quality business results” - our interlocutor concludes.

Source: danas.rs