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# 44% of Silvinit Sold, Potash Merger Nears

By The Moscow Times

August 15, 2010

Sibuglemet owner Anatoly Skurov and State Duma Deputy Zelimkhan Mutsoyev bought stakes in Silvinit, the country's biggest potash producer, a person familiar with the sale said Friday.

Skurov, who is also president of closely held coal producer Sibuglemet, acquired 20 percent, while Mutsoev bought 24 percent, the source said, declining to be identified because the purchase had not been announced.

Skurov confirmed the purchase of those stakes but declined to comment further.

The government is keen to create a national potash mining champion via the merger of its two biggest companies, Silvinit and Uralkali, and may allow a small stake to be bought by an overseas player, analysts said.

Uralkali is expected to kick-start merger plans with unlisted Silvinit in the coming days,

creating the world's second-biggest potash miner, worth about $20 billion.

Billionaire Suleiman Kerimov and his partners bought 53 percent of Uralkali in June from Dmitry Rybolovlev. Rybolovlev, ranked by Forbes as Russia's 10th richest man, kept a 12 percent stake.

Potash Corporation of Saskatchewan, the largest producer of the material, and Rio Tinto Group, the third-largest mining company, are each seeking 10 percent to 15 percent of Uralkali, Vedomosti reported Friday, citing a source.

Rising demand for potash — especially after the United States forecast a decline in wheat output because of adverse weather in Russia, Ukraine and Kazakhstan — is driving acquisitions in the industry.

Last week, PhosAgro, the second-largest maker of phosphate soil nutrients, said it was seeking a merger with Silvinit and filed a proposal to the government. State-run Russian Technologies aims to create a national fertilizer holding company including Silvinit, Interfax reported earlier this month.

Silvinit is controlled by board member Pyotr Kondrashev and Anatoly Lomakin, chief executive of the company's trader, International Potash, according to Forbes.

Silvinit will continue to export via International Potash, and the two new shareholders are not affiliated, said the person with knowledge of the sale. They purchased the shares from Eventus, Hustell Trading, IBH Beteiligungs-und Handelsges and RI Realinvest, the person said.

Those four companies owned 52.35 percent of Silvinit, according to the company's web site.

Market sources say Kerimov, whose Nafta Moskva holding already holds 25 percent in Silvinit, may already have accumulated control. Nafta Moskva has previously denied that it is in talks to acquire Silvinit, a move that would require anti-monopoly approval.

"In my view, Russian authorities have informally already approved the deal ... the merger plans are now being realized by Mr. Kerimov," said Georgy Ivanin, senior analyst at Alfa Bank.

Indicating government support, state-controlled VTB helped fund the purchase of the Uralkali stake by Kerimov — seen by the Kremlin as one of its most loyal businessmen.

VTB analysts said in a note that Kerimov could try to reduce his holding after the merger is completed, estimating that 13 percent of the combined group could go to an overseas bidder based on the current free float.

"The Russian government would never allow a foreign company to control the country's largest potash producer, and any such deal would be subject to government approval," they said.

Rybolovlev could be persuaded to sell his stake, possibly to a foreign company, Troika Dialog analyst Mikhail Stiskin said.

*(Bloomberg, Reuters)*

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