

Severstal Buys Part of South African Company

By [The Moscow Times](#)

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Severstal made its first South African purchase on Friday, acquiring a mining technology company, and said it would consider other investments in the country's steel and mining industry.

“We are interested in steel, mining of base metals, coal, iron ore and gold,” Alexander Grubman, chief executive of the mining giant's Severstal Russian Steel unit, said in an interview in Johannesburg.

Severstal bought 25.6 percent of Johannesburg-based Iron Mineral Beneficiation Services, which has the patent to technology that converts superfine iron ore into high-quality iron units, for \$17 million.

“We have a firm belief in this technology,” Grubman said.

Severstal's billionaire chief executive officer Alexei Mordashov said in June that the steelmaker was interested in expanding in African mining. In May, the company bought 16.5 percent of Core Mining, which has licenses to untapped iron ore deposits in Congo and Gabon, and on Thursday raised its stake in Crew Gold, which operates in Guinea, to 93.4 percent.

"We think that Africa is the place that steel and mining industry players have to be," Grubman said.

South Africa's steel sector is dominated by ArcelorMittal South Africa, a unit of the world's largest steelmaker, which supplies 70 percent of the country's steel needs. Russia already has a presence in the country's steel industry through its second largest steelmaker, Evraz, which owns a majority stake in Highveld Steel & Vanadium.

"Everywhere there is always room for competition," Grubman said, without wanting to directly comment on the country's steel sector.

Global steel production has recovered to levels prior to the world economic crisis, driven by demand from China, said Mark Camaj, a market analyst at the International Manganese Institute.

(Bloomberg, Reuters)

Severstal could list its gold unit in London, following an initial public offering as early as this year, Grubman said in a separate interview Friday.

He said the unit would "very possibly" be listed in London.

The timing of the IPO depends on the valuation, he said.

"If it's good, I hope this year. I wouldn't say the precise timing."

A person familiar with the matter said last month that the company planned a fourth-quarter London listing of its gold unit that would value the business at about \$4 billion.

Grubman declined to give a value for the size of the IPO.

"I've heard these numbers also. It could be \$5 billion, it could be something [else]," he said.

"It's changing all the time. We hope that the company will be valued at a good level."

Severstal has pushed into gold as its core steel operation has been hit by the global economic slowdown and greater demand for aluminum.

It has been snapping up gold assets both in Africa and at home, and is likely to rank as Russia's second-largest producer of the precious metal this year.

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