

Alrosa Gets First Approval to Go Public

By [The Moscow Times](#)

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Alrosa won preliminary approval Wednesday to change its legal status and sell shares to finance its investment program.

Lawmakers in the Sakha republic region, which owns about 40 percent of the diamond monopoly, agreed to allow the closely held company to become public, in the first of three required readings, the Sakha republic's government said on its website.

The world's largest diamond miner, which had debts of \$3.7 billion in June this year, needs to finance \$1.8 billion in investments between now and 2012, according to Metropol. Further capital spending will be required after 2012 as Alrosa moves from open-pit to underground mining, said Metropol analyst Andrei Lobazov.

The company is seeking to restore output growth after reining in production during the global recession. Diamond miners are struggling to keep pace with growing demand in emerging economies as aging mines are depleted.

Alrosa may hold an initial public offering as early as next year to raise funds to invest in underground mines, Andrei Polyakov, a company spokesman, said Monday.

The company may sell a stake of 20 percent to 25 percent to raise \$1.5 billion to \$2.3 billion, valuing Alrosa at \$7.3 billion to \$9 billion, Vedomosti reported that day, citing a company official it didn't identify. Polyakov declined to comment on the possible value of the share offering.

"If they don't invest, production could fall," said Metropol's Lobazov. "Going public would remove one of the last obstacles to an IPO."

It will take two months to complete the change in status to a public company once final approval has been given by the regional lawmakers, according to Polyakov. Only then can IPO preparations start.

The Sakha republic's stake in Alrosa will probably remain above 25 percent after a share issue, guaranteeing it a continued blocking vote in the company's affairs, Lobazov said. The federal government currently holds about 51 percent.

Alrosa, which accounts for a quarter of world diamond output, expects to sell \$3.46 billion of diamonds this year, compared with \$2.21 billion in 2009, the company said Monday.

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