

# Appraiser Appraised After Potash Deal

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A potash mining machine digging into a shaft at an Uralkali unit to produce a fertilizer that is in a rising demand.

The evaluation of Silvinit for its upcoming merger with rival potash producer Uralkali raised questions about the choice of the appraisal company after some minority shareholders complained that it came up with unfairly low figures.

Despite the impressive size of the merger — which will create the world's second largest potash producer controlling 17 percent of global output — Silvinit picked little known Byuro Otsenki Biznesa, or Business Appraisal Bureau, to determine its value. The Investor Protection Association, a minority rights advocate, pointed out ironically in a statement Wednesday that the appraiser took just one week to complete its work.

Business Appraisal Bureau, which ranks 57th out of 100 appraisal companies by revenue in a 2009 rating compiled by the Expert agency, defended its record Thursday. Company executive Anton Zinakov, who didn't give his exact title, told The Moscow Times tersely that the company did its job in compliance with the federal legislation and industry standards.

The appraisal company tapped by Uralkali for the deal, Financial Consulting Group, does not appear on the Expert rating at all. Uralkali said it hired the company through a tender.

Silvinit, whose board and more than 70 percent of shareholders approved the company's evaluation, said Thursday that it had chosen the appraiser in a "closed" tender. Silvinit, valued lower than its peer Uralkali, attributed a discount to its poorer record of transparency.

Silvinit's share price is at least 25 percent undervalued, the Investor Protection Association said in the statement that urged shareholders to block the merger at the Feb. 4 meeting.

The Business Appraisal Bureau earned about 20 million rubles (\$654,000) in 2009 in revenue, which looked "pale" compared with the market leaders, said Vartan Khanferyan, a leading expert at the Expert rating agency. It generated most of its revenues from appraising real estate, he said.

But the appraiser also lists such prominent businesses as Gazprom's oil arm Gazprom Neft, Sberbank and Tatneft as its clients on the corporate web site.

Uralkali said Silvinit rightly had the lower value.

"Silvinit has always traded with a discount to Uralkali because the market estimates not only the value of assets, but also such factors as corporate governance, transparency and risks," an Uralkali spokesman said. "Uralkali has been working on improving these factors for years, and Silvinit's shareholders will get them in one moment" by exchanging their shares for Uralkali's "highly-liquid" stock.

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