

Deripaska Laments Norilsk Management

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The market value of Norilsk Nickel is likely to grow more than 40 percent by the end of this year to reach at least \$70 billion, if the company gets a professional management team and is run properly, RusAl's chief executive Oleg Deripaska said Thursday.

He reiterated that RusAl has no intention to sell its stake in the nickel producer, calling it “the best asset” in the mining industry.

“We're so happy to have this stake, which will secure RusAl's asset portfolio against inflation,” allowing the aluminum giant “to have exposure to other metals, including nickel and copper,” he said in an interview with Bloomberg Television in Davos.

The increase of Norilsk Nickel's market value to \$70 billion would mean that Deripaska's stake in the company is worth \$17.5 billion, which is a bit overestimated, said Andrei Tretelnikov, an analyst at Rye, Man & Gor Securities.

Norilsk Nickel's current market value is fair, and its future increase is possible only if nickel

prices grow by about 30 percent by the end of the year, he told The Moscow Times.

The value of \$50 billion to \$60 billion reflects the current state of things in the company and complies with the current nickel price of \$26,000 per metric ton, Tretelnikov said.

Deripaska listed three main factors inhibiting value growth of Norilsk Nickel: the absence of a majority of independent directors on the board, poor compliance with standards of governance, and a lack of professional management, evidenced by their inability to come up with a proper strategy to increase efficiency after the crisis.

Interros and RusAl, which each own 25 percent in the nickel company, have been battling intermittently since RusAl became a shareholder in 2008. The world's largest aluminum producer lost its parity with Interros on the board of directors at the annual shareholders meeting in June.

RusAl recently rejected a bid by Norilsk Nickel to sell its stake in the nickel giant for \$12 billion, fueling the conflict with Interros.

Norilsk Nickel's spokeswoman declined to comment Thursday on whether the company plans to make another offer to buy out RusAl's stake increasing the value of the bid.

But Bloomberg reported earlier this month, citing an unidentified source, that the nickel producer was ready to raise the price to \$14 billion, while Deripaska demanded \$16 billion.

Deripaska called the reports "a speculation," saying the issue is "not about how much we've been offered, it's about how much this asset should be worth."

Norilsk Nickel is now likely to wait for RusAl's counter move after announcing its plans to buy back shares over the next 12 months, Tretelnikov said.

Late last month, Norilsk Nickel's board of directors approved buying back \$4.5 billion worth of shares this year, with RusAl saying the move was "aimed exclusively at enrichment of one particular shareholder at the expense of all others."

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