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Chinese Fund Could Get $3Bln Stake in Uralkali

By The Moscow Times

November 10, 2012



The main owners of Uralkali have sold bonds exchangeable into shares worth about $3 billion in a deal that could give a Chinese sovereign wealth fund a stake in the world's largest potash miner by output.

Uralkali said Friday the bonds had been sold to Chengdong Investment Corporation, a subsidiary of China's CIC, and to VTB Capital, a subsidiary of VTB.

The bonds are due in 2014 and exchangeable into a 14.5 percent stake in Uralkali worth more than $3 billion at current prices. China's CIC could exchange its bonds into a 12.5 percent stake and VTB to a stake of 2 percent.

The bonds were sold by four core Uralkali shareholders, led by tycoon Suleiman Kerimov, who between them own 45.3 percent of the group.

Sources familiar with the deal said it showed that Russia's natural resources sector was open to strategic investment from its fast-growing Asian neighbor, a major buyer of the mineral fertilizer.

"Russia sits on extremely interesting opportunities in resources," one said, adding that such a deal had only become possible thanks to a significant improvement in bilateral ties in recent years between Moscow and Beijing.

The Uralkali transaction is the second involving CIC and VTB Capital in Russia this year, after the pair in May bought 7.5 percent in Polyus Gold, Russia's largest gold producer, for $635 million.

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