The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Sale of VTB Stake for $3Bln Expected in Months

By Irina Filatova

April 18, 2013



Dergunova said the sale of a 25 percent stake in Russian Railways would help improve corporate governance. **Vladimir Filonov**

The government will proceed with its ambitious privatization plans despite challenging market conditions and intends to sell a $3 billion stake in the country's second-largest lender VTB within the next few months, Federal Property Management Agency chief Olga Dergunova said Friday.

"We are preparing the documents to close this deal in the first half of this year. We had these plans in January, and we would like to stick to this time period," she told reporters on the sidelines of the Sberbank Russia Forum.

Despite high market volatility, the government plans to follow through with the float in order to raise funds the lender needs to develop.

“The market is not getting better, while the bank needs capital for growth. We could wait, of course, but it’s better to be ready [to sell] at any moment,” Dergunova said.

Prime Minister Dmitry Medvedev made it very clear that the government would not sell any state assets in unfavorable market conditions.

“Nobody will sell anything for three kopeks,” he told State Duma lawmakers Wednesday. “We sell something only when it’s worth it,” he said.

Russia sold a 7.6 percent stake in the country’s biggest lender Sberbank in September, having closed a long-delayed deal worth more than $5 billion.

The government, which holds 75.5 percent of VTB, plans to withdraw from its capital by 2016. The lender sold the first portion of shares representing 10 percent of its equity in 2011, raising 96 billion rubles ($3 billion).

VTB is now preparing to sell 10 percent to 15 percent of its equity worth about 100 billion rubles, Dergunova said.

Other companies on the privatization list for this year include diamond miner Alrosa and shipper Sovcomflot.

The Federal Property Management Agency plans to sell 7 percent of the diamond company, with the regional Yakutia government expected to sell another 7 percent.

Based on the company’s current value, 14 percent might be worth $1 billion, Dergunova said, adding that the deal could bring a “new class of investors” to the Russian stock market.

She added that selling Alrosa stock is expected to attract not only institutional investors seeking to benefit from the growth of the share price, but also those focusing on investing in global diamond mining companies.

Given that diamond mining is a narrow segment represented by just a handful of global players, there is hope that Alrosa, with its 25 percent market share and huge untapped reserves, will be an attractive asset for foreign investors, Dergunova said.

“And it seems very important to us that they come to the Moscow Exchange, because it is a challenge for the [financial] infrastructure and confirmation that that infrastructure can serve professional investors,” she added.

She stated during a panel session earlier that the government saw the Moscow Exchange as a priority venue for placing shares of state-owned companies.

“It’s a signal for domestic and foreign investors,” she said.

President Vladimir Putin urged state-owned companies on the privatization list earlier this year to sell their shares in Moscow rather than on foreign stock exchanges.

Dergunova also said a legal framework for privatization of state monopolies like Russian Railways is expected to be formed this year. She was referring to the government’s efforts to

amend existing legislation which bans privatization of the railway company.

The amendments are likely to make it to the State Duma for approval in the fall, she added.

She called Russian Railways “a unique asset,” adding that selling a stake of up to 25 percent in the company will help improve its corporate governance and boost its value.

The government expects to raise about 420 billion rubles from privatization this year in what should help finance the lion’s share of the federal deficit of 521.4 billion rubles, according to the plan envisaged in the 2013 budget. But the Finance Ministry expects that proceeds won’t exceed 60 billion rubles.

Belarussian President Alexander Lukashenko has warned Russia against charging headlong into privatizing state enterprises.

He accused Russia, the International Monetary Fund and the European Union of "whistling to the same tune," referring to their inclination to privatize and sell state property, in his annual state-of-the-nation address to both houses of parliament on Friday, Interfax reported.

Lukashenko said that while he did not oppose privatization in principle, the time was not right given the unfavorable market conditions.

'"We are not against the sale of enterprises, but you need to get a reasonable price for them," he said.

"It isn't necessary to give in to privatization now, because market value is low and businesses are being sold for a song," the Belarussian president said, adding that he would not consider selling state enterprises until market conditions improved.

Contact the author at irina.filatova@imedia.ru

Original url:
https://www.themoscowtimes.com/2013/04/18/sale-of-vtb-stake-for-3bln-expected-in-months-a23433