

Activist Investor Says Petrogrand Should Exit Russia

By [The Moscow Times](#)

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An activist hedge fund has urged Swedish oil and gas company Petrogrand to drop exploration activities in Russia, explore strategic alternatives and replace its chief executive, according to a letter from the fund to the company's board of directors.

Nanes Balkany Partners, which in the last three months has amassed a stake of just under 5 percent in Petrogrand, has not received an official response after sending the letter to the company last month, according to a person familiar with the matter.

Petrogrand, which has two exploration blocks in West Siberia, has repeatedly overstated its oil potential in Russia and has been wasting money on these ventures, New York-based Nanes wrote in the letter.

Instead, Petrogrand needs to hire an investment bank to explore options that could include paying a special dividend, liquidating the company or carrying out a deal that would generate

immediate cash flow, Nanes said in the letter.

It is urgent that the company eliminate the gap between the price of its stock and the value of its cash.

Nanes

Petrogrand had net cash of 383 million Swedish crowns (\$57 million) as of the end of March and its shares ended trading at 6.85 Swedish crowns on Friday, down 68 percent in the last year and giving it a market value of 276 million Swedish crowns.

Nanes said in the letter it was urgent that the company eliminate the gap between its share price and the value of its cash. It added the company should evaluate its options no later than the third quarter of 2013.

Stockholm-based Petrogrand officials could not be reached for comment outside regular business hours. A Nanes representative declined to comment.

Petrogrand started in 2005 as Malka Oil and changed to its current name following a financial restructuring in 2009, when Maks Grinfeld, a former TNK-BP executive and veteran oil trader, became chief CEO and president of the company.

Nanes said in its letter that Grinfeld is not totally dedicated to the company and that once Petrogrand exits Russia, it should consider appointing the company's chairman, Sven-Erik Zachrisson, as interim CEO.

Following what it called a "constructive" meeting with Petrogrand on April 19, Nanes said in the letter, dated April 22, that it had submitted two nominees to the company's board of directors for review.

Nanes also reiterated that it was prepared to buy Petrogrand shares sold by other shareholders in the wake of the company's exit from Russia and any new strategy adopted.

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