

Alrosa Confirms Sale of Government's 14% Stake

By [The Moscow Times](#)

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Alrosa's Udachny mine in the republic of Sakha, more than 600 meters deep, is one of the world's largest.

The government's sporadic drive to raise money from state-owned assets took a step forward Wednesday, when it said it would cut its stake in diamond miner Alrosa as part of a \$1.6 billion share sale by the company.

Alrosa is the world's biggest diamond producer by output and competes with Anglo American's De Beers.

Under the offering, which has been planned for more than a decade, Russia's federal and regional governments plan to sell 14 percent of the company's shares. An additional 2 percent of shares will be sold by Alrosa's subsidiary, Wargan Holdings Limited, the company said.

The deal is expected in about two weeks, with Alrosa targeting a valuation of between \$10 billion and \$11 billion for the whole company, a banking source said.

A separate source familiar with the deal said Alrosa was targeting a valuation of more than \$10 billion and planned to attract some anchor investors. Alrosa, which has a market value of about \$8.2 billion in Moscow, declined to comment.

The company, which already has a small float on the exchange, sees its valuation between \$9 billion and \$15 billion, CEO Fyodor Andreyev said in May.

The sale is part of a \$50 billion, multiyear drive to dispose of state assets that was launched in 2010 by reformist former Finance Minister Alexei Kudrin. The privatization plans have been only fitfully implemented in a faltering global economy, and in June the government cut its target for how much could be raised.

Privatization revenues have repeatedly fallen short of target, although the state did raise more than \$5 billion last autumn from the sale of a stake in Sberbank, the country's largest bank.

Following the share sale, federal and regional governments will own 43.9 percent and 25 percent of Alrosa respectively. Goldman Sachs, J.P. Morgan, Morgan Stanley and VTB Capital are joint bookrunners for the offering.

Alrosa overtook De Beers in production terms in 2009, after the global financial crisis hit gem prices and forced De Beers to rein in output. But while Alrosa digs up more carats, it has yet to match its rival in terms of market value.

Alrosa will be one of very few listed pure diamond miners but will remain out of reach for many investors, as it will be listed only in Moscow.

Its nearest listed rival would be Petra Diamonds, the largest London-listed pure diamond miner, with a market capitalization of \$981 million.

Last week, Alrosa sold its gas assets to top oil producer Rosneft for \$1.4 billion, meaning that the company is now purely focused on diamond mining.

Alrosa produced 34.4 million carats of rough diamonds in 2012, accounting for 27 percent of the world's output. Its main assets are located in Yakutia in the Far East.

Alrosa's second-quarter net profit more than doubled to 8.4 billion rubles (\$257 million) after currency losses had halved.

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