

Russia Sells Stake in Diamond Miner Alrosa for \$815 Million

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The  Moscow Times

The Russian government has sold a stake in Alrosa, the world's largest diamond miner, for 52.2 billion rubles (\$816 million), the RIA Novosti news agency reported Monday.

The sale was the first in a program of partial privatizations designed to help cover a large budget deficit.

The government sold 10.9 percent of Alrosa at 65 rubles (\$1.01) per share — a 3.7 percent discount to their market price. The government still controls one-third of the company's shares.

Boris Kvasov, a director at VTB Capital, one of the Russian banks that managed the sale, told the RBC news agency about 35 percent of the shares were bought by the Russian Direct Investment Fund, a state-backed investor. A similar amount was bought by Europeans, with Asian and Middle Eastern buyers purchasing a further 25 percent, he said.

U.S. investors bought only around 5 percent of the shares on offer. Demand may have been

depressed by Western sanctions imposed on Russia over the Ukraine crisis.

Considering the sanctions and Russia's economic slump, "I think it's a reasonable purchase and price," said Oleg Vyugin, chairman of Russia's MDM Bank.

"There is a limited number of Western investors on the market. And Russian buyers, as we know, don't have big money," he told The Moscow Times.

Russia's budget deficit has grown sharply this year due to an economic slump and the low price of oil. To help plug the hole, the government plans to sell shares in a number of large state-owned companies in the coming months, including oil producers Bashneft and Rosneft, shipbuilder Sovkomflot.

Economic Development Minister Alexei Ulyukayev told Vesti television on Monday the government hoped to earn about 1 trillion rubles (\$15 billion) from the sales. That would cover around two-fifths of the planned budget deficit this year.

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