

Uralkali Confirms Talks to Buy Rival Potash Company Silvinit

By [The Moscow Times](#)

December 19, 2010

The  **Moscow Times**

Uralkali, the country's second-biggest potash producer, confirmed on Friday that it is in talks on a possible takeover of Silvinit, sending the shares of its larger competitor to a record high.

Uralkali's board hasn't agreed on the terms of any transaction and there's no certainty that a deal will be reached, the company said in a statement.

The potash industry is consolidating following an increase in demand for the crop nutrient. A positive outlook for world grain prices, which surged this year as drought in Russia, flooding in Canada and parched fields in Kazakhstan and Europe ruined crops, has boosted fertilizer purchases by farmers.

"We see Silvinit as poised to benefit the most from the news," Marat Gabitov, an analyst at UniCredit, said in a report. Billionaire Suleiman Kerimov, who with partners acquired control of both companies this year, will probably seek a price for Silvinit that exceeds its current

"low" valuation, Gabitov said.

Silvinit, which beats Uralkali on sales, has a market capitalization of \$7.3 billion to Uralkali's \$15 billion.

Silvinit rose 14 percent to 31,390.97 rubles at the close in Moscow. That's the highest price since the shares started to trade on Sept. 1, 2008. Uralkali dropped 2.5 percent to 214.97 rubles.

Uralkali has won government approval to create a national champion to compete internationally through a tie-up with Silvinit, two people familiar with the matter said Dec. 16. The transaction is likely to be announced this month, they said.

Silvinit's board will review the proposed combination on Monday, Vedomosti reported, citing people it didn't identify.

Kerimov and partners bought controlling stakes in Uralkali and Silvinit between June and August. They may initially sell as much as 30 percent of Silvinit's shares to Uralkali for cash, with the rest swapped for stock, Gabitov said.

Between them, Uralkali and Silvinit produce 11 million metric tons a year of potash — a key ingredient of mineral fertilizer — rivaling Canadian industry leader Potash Corp. of Saskatchewan, which produces 12 million tons.

The combined group would account for 17 percent of the world's potash output, according to Fertecon, a Britain-based industry consultant.

Kerimov directly owns 25 percent of Uralkali through his Kaliha Finance holding company, and together with partners controls 53 percent, Uralkali said in June.

The billionaire owns 25 percent of Silvinit, according to Vedomosti. His control expands to 69 percent when accounting for the 44 percent stake acquired by his partners in August, a person familiar with the purchase said at the time.

Investors believe Kerimov's plan is to sell on his holdings in the combined group at a profit.

"I look at Kerimov as a financial investor, so we can expect some kind of sale later on," said Marina Shestakova, deputy chief investment officer at Wermuth Asset Management.

"Uralkali shares are not cheap but the deal could be good for minority shareholders. If someone comes in to buy Kerimov's stake they would also make an offer to minority shareholders," she said.

(Bloomberg, Reuters)

Original url:

<https://www.themoscowtimes.com/2010/12/19/uralkali-confirms-talks-to-buy-rival-potash-company-silvinit-a3857>