

12 Mar, 2020

# Alrosa offers more flexibility to diamond buyers amid market uncertainty

Author **Karl Decena, Toby Woodall**Theme **Metals**

Russian diamond producer PJSC Alrosa said March 12 that it would lower the mandatory amount of rough diamonds that long-term customers are allowed to off-take for March amid global market uncertainty.

Starting this week, Alrosa will let customers purchase 40% of the initially contracted volume and carry over the remainder to the end of May. The company had slashed the figure to 50% from 55% at the start of the trading session in March.

Alrosa said the usual level was set at 80% in a stable market environment, like in 2018. Until mid-2019, it was 70%.

Demand for diamonds is declining but prices remain rather resilient, according to Natalia Sheveleva, Gazprombank's director of metals and mining research. Sheveleva told S&P Global Market Intelligence that she expects diamond prices to experience less volatility than other commodities. "Alrosa might prolong its measures to increase customer flexibility in April to May," Sheveleva added.

"Obviously, amid such market uncertainty, it wouldn't be right to keep our customers tied to their original contracts. We hope that Alrosa's flexible sales policy and support measures will help market participants adapt to the new conditions, and pass them successfully through," Deputy CEO Evgeny Agureev said in a statement.

Alrosa is doing the right thing by giving its buyers more flexibility, "not only by limiting supply to the market but also by communicating this effectively," diamond industry analyst Paul Zimnisky told Market Intelligence.

Alrosa's rough diamond sales in February fell 12.3% month over month to US\$342.3 million as the new coronavirus cast doubt over sales in March and beyond.

Moscow-headquartered brokerage BCS Global Markets expects Alrosa's sales to remain weak for at least several months due to subdued sales in China and dwindling demand in Europe and the U.S. as the coronavirus spreads, it said in a same-day note.

The company's full-year 2019 net profit fell 31% to 62.7 billion Russian rubles due to a decline in revenue driven by weaker demand, lower prices and a higher share of small-size diamonds in the sales mix.

*As of March 11, US\$1 was equivalent to 72.10 Russian rubles.*