

Sparkle returns for world's biggest diamond miner

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Dylan Martinez | Reuters

The world's largest producer of diamonds by volume has reported a quadrupling of profit for 2016.

Russian miner Alrosa said profit attributable to shareholders totaled 131.39 billion roubles (\$2.25 billion) versus 30.67 billion roubles in 2015.

The firm, majority-owned by the Russian government, said it had witnessed a recovery in diamond prices.

"2016 was a year of active recovery in the diamond market following the decline of 2015.

"The Company managed to deliver record-high financial performance and generate net cash flow sufficient to repay short-term and medium-term liabilities and pay out dividends to shareholders," said Alrosa's chief financial officer Igor Kulichik.

In its November 2016 diamond market outlook, ABN AMRO said optimism was returning to the sector and the diamond trade should further improve across 2017.

The report argued that improvements in the U.S. economy would translate to higher demand.

"In the US there is a very clear relationship between net worth and jewelry retail sales.

"Demand for jewelry in the US has improved over the recent quarters," the report reads.

ABN Amro said the U.S. is by far the largest market for diamond jewelry, accounting for 30-40% of the market.

It also noted that with fears of a Chinese hard landing abating, diamond export levels to China should continue to rebound.

Alrosa's main rival is South African giant De Beers.

It plans to mine between 31 and 33 million carats of diamonds in 2017, an increase from the 27 million carats it harvested in 2016.

Bruce Cleaver, De Beers chief executive officer, said after posting results in February that this year's production would rise "because we see the market has recovered from where it was at the end of 2015."

A much smaller stock shining out from the rough Thursday is London listed Petra Diamonds.

The miner and supplier had its stock rating recommendation set at 'overweight' this morning by analysts at JP Morgan Cazenove.

If realized, JP Morgan's price target of £170 would mean an increase of nearly 30 percent from Petra's current share price.

But not all diamond miners are shining so brightly.

Bonuses were canceled for the senior managers of Gem Diamonds this week after the firm reported losses for 2016 on poor returns from its two African mines

Despite the poor results, JP Morgan Cazenove today reaffirmed its neutral investment rating on Gem Diamonds and raised its price target to 112 pence.