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Pugachyov, State Proceed With Restructuring Deal

By The Moscow Times

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Businessman Sergei Pugachyov will sell stakes in major shipyards to the state as part of a deal restructuring 32 billion rubles ($1.03 billion) in debt of his IIB bank, sources close to the deal said Tuesday.

If the Central Bank and the state had not stepped in to broach a deal, IIB, known as MezhPromBank, could have become the first Russian top-30 bank to have its banking license revoked in the current financial crisis.

The government has previously bailed out larger banks, but this time looks set to receive some assets for its trouble.

Pugachyov, who also represents the republic of Tuva in the Federation Council, had been seeking 90 billion rubles for the shipyards that produce navy ships and commercial vessels.

The assets have now been placed as collateral at the Central Bank — as part of the IIB loan restructuring deal — and are later expected to be bought by the state-run United Shipbuilding Corporation.

The corporation, also known as OSK, is willing to pay less than a third of the original asking price, the sources said.

State bank Vneshekonombank, whose council is chaired by Prime Minister Vladimir Putin, is also involved in the deal.

"The Central Bank will not hold those assets forever. So, the mechanism was set up to transfer those [shipbuilding] assets to an investor in the same sector," an industry source close to the deal said.

"Pugachyov hopes to close the deal by the end of July. The government is deciding now who will hold those assets," a banking source said, adding that the debt to the Central Bank has been rescheduled to the middle of January 2011.

IIB also needs funds to repay a 200 million euro ($250 million) eurobond and has asked the holders to prolong the bond for one year while keeping the interest rate unchanged, a source close to the bank said.

IIB may secure $400 million to $600 million in loans from state-controlled lender VTB, the source added, providing no other details.

The bank declined to comment.

Fitch Ratings has already downgraded the ratings of IIB, saying the bank may not currently be able to service all of its obligations without external support.

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