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Magnitogorsk Studies Belon Asset Sale

By The Moscow Times

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Magnitogorsk Iron & Steel said Tuesday that it might sell the steam-coal assets of unit Belon and retain the subsidiary's production of coal used to make steel.

Output of coal for power stations is "noncore" for Belon, Magnitogorsk, owned by billionaire Viktor Rashnikov, said by e-mail. The parent company is studying several options to sell the assets, including to SDS-Coal, Russia's third-largest producer of steam coal, it said.

SDS-Coal asked for antitrust approval to buy the Listvyazhnaya mine and washing plant from Belon, Russia's Anti-Monopoly Service said on its web site Monday.

Magnitogorsk bought 83 percent of Belon in October 2009, seeking self-sufficiency in coal used for steelmaking as it expands production. The steelmaker plans to invest $1.2 billion to $1.5 billion a year from 2011 through 2014 to expand steel-product output by 60 percent and increase self-sufficiency in coal, Rashnikov told Kommersant in an interview in October.

"Magnitogorsk may garner at least $200 million to $300 million from this sale," said Sergei

Donskoi, an analyst at Troika Dialog. The Listvyazhnaya complex may generate as much as $50 million of earnings before interest, taxes, depreciation and amortization, he wrote in a note Tuesday.

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