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Fall Metchel Float Could Raise $4Bln

By The Moscow Times

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Mechel Mining's planned initial public offering might raise as much as $4 billion as the coal producer lures investors away from parent company Mechel, according to brokerage Troika Dialog.

"The new vehicle will inevitably steal a considerable amount of investor interest from Mechel," Sergei Donskoi, an analyst at Troika, said Monday. Proceeds may range from $3.3 billion to $4 billion, Troika said.

Mechel Mining will offer a 25 percent stake in new shares as it seeks funds for expansion, the company said in a July 1 statement. The coal miner accounted for 73 percent of Mechel's earnings before interest, tax, depreciation and amortization last year, an April filing shows.

Mechel Mining is selling stock even after peers Siberian Coal Energy Co. and pig-iron exporter Koks shelved IPO plans this year, citing a lack of demand. The Standard & Poor's GSCI Index of 24 raw materials slumped 7.8 percent last quarter as global growth slowed. Mechel may wait several months before pressing ahead with the share offering, Alfa Bank said.

"Mechel will likely wait until publication of second-quarter consolidated financials in October, which are expected to show improved margins at its mining segment," Barry Ehrlich, an analyst at Alfa Bank, said in a note.

Mechel Mining appointed Mechel's billionaire owner Igor Zyuzin as chief executive officer and elected independent board members including Mahomed Seedat, a former senior manager at Lonmin and BHP Billiton. It also elected Phillip McCarthy from Australia's Mine Site Technologies and Peter Harding of Joy Manufacturing, the company said July 1.

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