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Court Unswayed on MMK Acquisition Ban

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MMK's attempt at locking in supplies by buying an Australian miner have been frustrated by a small shareholder.

A regional court Thursday left its injunction blocking Magnitogorsk Iron & Steel's acquisition of an Australian iron-ore miner unchanged, according to a statement by the Russian steelmaker.

The Chelyabinsk regional arbitration court refused to lift restrictions imposed late last month on the company's purchase of 100 percent in Flinders Mines for 554 million Australian dollars ($571 million), the statement said.

The Chelyabinsk-based steelmaker, also known as MMK, reiterated that it "has been acting in full conformity with applicable laws" to close the deal.

The acquisition of Flinders Mines was blocked by the court after MMK minority shareholder Yelena Yegorova, who holds less than 0.001 percent of the steelmaker, claimed that she believed the deal would involve financial risks and thus be detrimental to her interest as a shareholder.

A spokesman for the court declined to comment on the reasons behind Thursday's decision.
The acquisition of Flinders Mines is unlikely to be completed before the end of the hearing — which could last for a few months — if at all, said Dmitry Smolin, an analyst at UralSib Capital.
"Given the unexpected delay, it is highly likely that the deal ... could be broken," he said in a note.
Although negative for Flinders, the news could be positive for the shares of MMK, whose debt would grow "to a dangerous level" after closing the deal, Smolin said.
He added that the cancellation fees would be insignificant for both MMK and Flinders Mines, totaling $2.75 million and $5.5 million, respectively.
The company planned to borrow about $700 million from Gazprombank to pay for the transaction, but it had to suspend the talks due to the court's injunction, Interfax reported.
"MMK will continue to use its procedural rights to prove the illegitimate and unjustified character of the plaintiff's action and to insist that the plaintiff's claim should be rejected," the company said.
The preliminary hearing of the lawsuit is scheduled for April 25, according to the statement.
MMK declined 0.8 percent in Moscow on Thursday to close at 13.1 rubles per share. Flinders has slumped 27 percent in Australia after the steelmaker's announcement of the court's injunction.

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