

Mechel in Talks to Sell Mining Unit Stake

By [The Moscow Times](#)

April 10, 2013

The  Moscow Times

Mining and steel group Mechel said it has been in negotiations with potential buyers about disposing of a minority stake in its Mechel Mining unit, chief financial officer Stanislav Ploshchenko said.

Asked if Mechel was in talks with China's Baoshan Iron and Steel (Baosteel), Ploshchenko said, "We have talked to different investors about disposing a minority stake in Mechel Mining but we haven't reached any fixed agreement as of today."

Ploshchenko, who made the comments late Wednesday at an event in New York, did not specifically address if Baosteel is one of Mechel's potential suitors for the stake.

Vedomosti first reported that Baosteel was in talks to buy a 25 percent stake in Mechel Mining for up to \$1.25 billion and that the entire unit may be valued at \$5 billion, with a blocking stake worth \$1.25 billion.

Mechel had previously said it might sell up to a 25 percent stake in Mechel Mining during

the first half of 2013.

"As an alternative to the divestment of a minority stake in Mechel Mining, the other alternative is project financing, which we are currently negotiating with VEB," Ploshchenko said, referring to Vneshekonombank.

Asked how much Elga-related funding Mechel sought from VEB, Ploshchenko said "I can't give you the number because we haven't finished negotiations ... but it will be sufficient to complete to the first phase of Elga — the mining facilities of up to 12 million tons a year."

Ploshchenko said the huge Elga coal deposit, which is estimated to have proven reserves of 2.3 billion tonnes, was expected to come to production by 2016.

Earlier on Wednesday, Mechel said it had signed a 40 billion ruble (\$1.28 billion) agreement with VTB, refinancing loans due for repayment this year and buying time to dispose of assets.

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