

Mechel Hires JP Morgan to Help Unload U.S. Coal Business

By [The Moscow Times](#)

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MOSCOW/LONDON — Coal producer Mechel, under pressure to cut debts of more than \$9 billion, has hired investment bank JP Morgan to sell its U.S. business, Mechel Bluestone, sources familiar with the matter said.

Mechel, Russia's largest producer of coal for the steel industry, acquired Bluestone in 2009 from private owners for \$425 million plus shares, a deal valued at the time at around \$800 million, including \$135 million of Bluestone debt.

The sale of the U.S. asset is unlikely to be easy at a time when major mining companies are putting a host of assets on the market to slim down and boost profitability.

One of the sources suggested that the price tag for the U.S. business in the current market would be roughly half the original value.

Mechel Bluestone is facing an oversupplied market in Asia and falling exports from the United States. It was forced to idle U.S. mines at the end of last year due to poor market conditions, restarting major operations earlier this year.

The Russian parent, however, needs to cut debts that stand at more than six times its current market capitalization. These were built up when the group expanded before the 2008 financial crisis sent steel and coal prices tumbling.

Earlier this month, Mechel pushed back development of its key Elga coal deposit in Russia — one of the world's largest untapped coking coal deposits — by up to five years. Poor market conditions have also delayed Mechel's plans to sell up to 25 percent of its entire mining division.

Bluestone operates three mining complexes in West Virginia, producing mostly steelmaking coal for customers in United States but also Canada, Europe, Asia and South America.

Last year, according to its annual report, Bluestone sold 2 million tons of coking and steam coal. About 70 percent of the coking coal is exported.

At the end of last year, Mechel temporarily idled its Bluestone mines due to "high levels of coal inventories and adverse market conditions." It has since restarted production at several of the key mines.

Mechel, which produces coal but also iron ore and semi-finished steel products, is the world's 10th largest coking coal exporter.

JP Morgan and Mechel declined to comment.

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