The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

VEB Holds Negotiations With Korean Posco For Amurmetal Involvement

By Daria Lyubina

August 27, 2013

Site of the Amurmetal Steel Plant in the Far Eastern city of Komsomolsk-on-Amur.

Vnesheconombank is negotiating with South-korean steel multinational Posco as a strategic partner for the giant Amurmetal steel plant in Russia's Far East, a news report said Tuesday.

Posco's involvement in the factory, which churns out two million tons of steel each year, would be the first major foreign investment in the country's steel industry, Kommersant reported.

An agreement with the Korean company aimed at modernizing the plant and guaranteeing profitability may be signed before the end of the year, but only if VEB is able to resolve a number of issues at the plant.

The bank received the factory during the 2009 crisis from its owner, State Duma deputy Alexander Shishkin, when the plant could not service its 5.3 billion ruble ($160 million) debt

load.

Shishkin handed over the plant with an optional buyback agreement. Operational control remains in the same hands as during the crisis and VEB, though it has a dim view of the management's capability, has no right to foist change in the it without the Shishkin's consent.

The buyback option will expire on September 9. If it is not used, one possible obstacle to Posco's involvement would be removed.

However, VEB would then have to get the deal past Amurmetal's other major creditors. The factory owes 3.3 billion rubles and 3.2 billion rubles to Gazprombank and Sberbank, respectively.

Posco has previously displayed interest in Russian steel production. Last fall, the company was named as one of the contenders for 25 percent of "Mechel Mining," which was seeking partners for the development of the Elga coal deposit. In the end, "Mechel" decided to develop the site itself, raising a $2 billion loan from VEB, though it has not rejected the idea of attracting foreign partners.

VEB previously tried to bring in the state-owned tank and train car manufacturer Uralvagonzavod as a strategic investor for Amurmetal, but negotiations were unsuccessful.

Original url:
https://www.themoscowtimes.com/2013/08/27/veb-holds-negotiations-with-korean-posco-for-amurmetal-involvement-a27130