

VTB Agrees to Debt Restructuring at Crisis-Stricken Mechel

By [The Moscow Times](#)

November 17, 2013

The  Moscow Times

Correction appended.

State-controlled bank VTB has agreed to join other creditors in restructuring mining group Mechel's \$9.6 billion debt, a source close to VTB said Saturday.

The coal-to-steel group, controlled by Igor Zyuzin, borrowed heavily to pay for acquisitions even after the 2008-09 global economic slump, leaving it dangerously exposed to a global industrial downturn.

VTB is one of the lead banks appointed to coordinate a restructuring deal in which Mechel is seeking a waiver of loan covenants and delays to its debt repayments, bankers familiar with the negotiations say.

New York-listed Mechel owes 60 percent of its debts to state banks, which this week showed

impatience over its failure to shore up its balance sheet with asset sales. Panic selling sent Mechel's stock to all-time lows Wednesday.

Fears about the company's viability were further fueled Thursday when the Central Bank ruled that its bonds were worthless as loan collateral.

"We confirmed that we and other banks are ready to restructure," the source said on condition of anonymity.

Citing sources, Forbes magazine's Russian online edition reported that Mechel's banks had agreed to defer loan payments for next year and that these would now be spread across 2015-17. No final deal has been signed, Forbes said.

Mechel declined to comment, but has said it hopes to wrap up restructuring talks by the end of November. It is due to repay \$2.5 billion in loans next year.

Separately, the Central Bank said that Mechel's bonds and shares would again be eligible as collateral pledged by banks in refinancing operations.

Explaining its decision in a short statement, the Central Bank said: "The situation with the securities of the joint stock company Mechel has stabilized."

From Monday, the Central Bank will apply a coefficient of 0.7 to Mechel's bonds in its credit operations, meaning banks can borrow 70 percent of the market value of the bonds they pledge. Such coefficients are usually larger for Russian corporate bonds.

Mechel shares slumped by more than 40 percent Wednesday and have lost 96 percent since their peak in May 2008, before President Vladimir Putin suggested "sending round a doctor" after Zyuzin missed a meeting due to illness.

In an earlier version of this article, Reuters said VTB had been resisting a restructuring deal. In fact, VTB is one of the lead banks appointed to coordinate the restructuring.

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