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Troubled Aluminium Giant RusAl Expects New Deal on Massive Debt

By The Moscow Times

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HONG KONG — Aluminum giant RusAl said it expects to reach an agreement with lenders soon to revise the terms of its $3.6 billion syndicated debt, as it struggles to repay its loans amid depressed aluminum prices.

The loss-making company also called on major producers, including in China, to cut aluminum output to aid a recovery in prices.

The world's biggest aluminum producer won a deal with lenders in April to defer the repayment dates of syndicated facilities by three months until July 7.

"We are currently finalizing the terms with the remaining banks and we hope to close the deal in the next couple of months," Deputy CEO Oleg Mukhamedshin told reporters in Hong Kong, where the company has its primary listing, after its annual meeting.

RusAl, which in March reported its second annual loss in a row, has cut production and is working with lenders to delay loan repayment dates in an effort to meet loan repayments.

RusAl had net debt of $10.1 billion as of the end of last year. It repaid some bondholders in March and has reached an agreement with Russian lenders including Sberbank, VTB and Gazprombank, to refinance about 70 percent of the amount, Mukhamedshin said.

Completion of refinancing will allow RusAl to maintain a sustainable cash position in anticipation of market rebound, the firm said in March.

RusAl said global aluminum prices remain under pressure and urged big producers to cut output until prices recover.

Rising capacity at aluminum plants in China, which account for almost half of world output, has led to a global oversupply and weighed down prices.

"We believe that the key strategy for aluminum is to be very cautious on supply, and I think this equation and lesson should be taken by mainland producers because what they suffer now — this dramatic fall in prices — reflects the supply inside China," CEO Oleg Deripaska said, adding that RusAl's 2014 aluminum exports will fall from last year.

RusAl also reiterated support for CME Group Inc's new aluminum contract, adding that the company will use it as a hedging tool.

CME launched a North American aluminum-futures contract this month, returning to the market after a four-year absence and ramping up competition with the London Metal Exchange.

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