

Russia Considering State Buyout of Miner Mechel's Railway

By [The Moscow Times](#)

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Heavily indebted Mechel is trying to sell off the rail connection to its Elga coal deposit.

The state could help loss-making coalminer Mechel slash its more than \$8 billion debt by providing monopoly Russian Railways with the funds to buy the rail link to the miner's key Elga project, Industry and Trade Minister Denis Manturov said.

In March, Russian media reported that Mechel and state-owned Russian Railways were discussing the sale of the 321 kilometer line for up to 70 billion rubles (\$2 billion), cash sorely needed by the company, which has \$2.7 billion in loans due next year.

State banks have already helped refinance or restructure the company's debts of \$8.6 billion and the industry minister's comments show the government is focused on preventing the employer of more than 80,000 people from going bust.

"Together with the Finance Ministry and other ministries, we are trying to resolve Mechel's

problem in every possible way," Manturov told reporters in Moscow on Friday.

"The only option is to provide Russian Railways with a capital increase for the purchase of the railroad ... If the debt falls to at least \$6 billion, [Mechel's] prospects improve," he said, confirming that Mechel's co-owner Igor Zyuzin had turned to the government for help.

Russia nursed its oligarch-owned conglomerates through the 2008 to 2009 financial crisis, avoiding a wave of defaults, in contrast to its financial collapse a decade earlier. Mechel piled on more debt to pay for acquisitions, only to be hit by an industry slump that left it with a devalued asset portfolio.

It posted a record loss of almost \$3 billion last year and earlier in May a Russian newspaper reported creditors were questioning the future of the company.

Mechel also needs funds to continue development of Elga in remote Sakha which has one of the world's biggest coking coal reserves.

The firm has invested over \$2 billion in the project so far, the majority of which went towards the construction of the railway, which a Russian Railways spokesman said Friday the monopoly was prepared to take off Mechel's hands if the state provides the funds.

However a participant in a government meeting on Mechel's finances said that while this option had been discussed, it had not been approved as it would place too high a strain on state finances.

"There is no money in the budget," the source, close to Russian Railways, said Friday.

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