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INDEPENDENT NEWS FROM RUSSIA

Moody's: Russia Sanctions Hamper Rosneft, Gazprom Debt Refinancing

By The Moscow Times

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Moody's said it estimated that approximately $5-6 billion of Rosneft's 2015 debt will have to be refinanced.

Russian companies, including oil giant Rosneft, may face challenges refinancing $112 billion in debt due to mature over the next four years, a report by Moody's Investors Service said.

Moody's said there was a very significant bank and bond debt maturity hurdle for Russian companies concentrated among Rosneft and state-controlled gas company Gazprom in 2015.

Russian companies are facing tougher conditions to refinance international loans since the West imposed sanctions on some of them over Russia's involvement in Ukraine. On top of this, the country's economy has slowed and is expected to grow just 0.5 percent this year.

Washington imposed a new round of sanctions last week on Rosneft, gas producer Novatek and bank Gazprombank, companies run by allies of President Vladimir Putin.

"This year ... refinancing for Russian issuers may present more challenges than before," Moody's analysts wrote in the report on investment-grade non-financial companies. "The peak annual bank debt refinancing requirements of IG (investment grade) issuers in Russia is in 2015," the report said.

Rosneft will need to repay $26.2 billion between July 2014 and December 2015, with peak repayments of $9.4 billion and $11.8 billion in Q4 2014 and Q1 2015, respectively, according to another recent report by Moody's. Moody's said it estimated that approximately $5-6 billion of this will have to be refinanced.

Analysts have been concerned about Rosneft's ability to attract funds as costs of borrowing have risen for Russian companies after Moscow annexed the Crimean peninsula from Ukraine in March.

But Moody's said that Rosneft has taken steps to mitigate refinancing risks by signing an oil contract with China's CNPC. In June 2013, Rosneft and CNPC agreed to double oil flows to China to 600,000 bpd in a $270 billion deal between 2018 and 2037 with partial pre-payments.

The Moody's report said that bank and bond debt held by Russian investment grade companies accounts for approximately 10 percent of the total $1.17 trillion refinancing requirements due between 2015 and 2018 in Europe, the Middle East and Africa (EMEA). Germany, France and Britain have larger refinancing needs, holding 15 percent each.

It is a greater share of the pie than Moody's year-ago report showed for Russia —holding 8 percent of EMEA debt for the years of 2014 to 2017.

The report said that Russian maturities were significantly concentrated in the energy sector which accounts for 72 percent of total Russian debt maturing in the next four years, with the remaining 28 percent shared among the utilities, metals and mining, transportation services, telecoms and chemicals industries.

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