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Russia's Survival Plans for Mechel Require New Ownership

By The Moscow Times

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Russia has prepared two different options for bailing out indebted coal miner Mechel and both involve a change in ownership, President Vladimir Putin's top economic aide said on Wednesday.

Earlier in July, Andrei Belousov said the government preferred to restructure Mechel's multi-billion-dollar debts rather than let the employer of 70,000 people go bust, which was seen as too painful for the firm, its creditors and Russia.

The government has since come up with two different ways to save Mechel and the decision on which course to follow lies with Mechel's owners and its creditor banks, Belousov told journalists on Wednesday.

"If they manage to reach an agreement, all these options in one form or another involve at least a temporary change of ownership," he said, promising a decision within days.

"Bankruptcy will happen if they do not reach an agreement."

The first option for bailing out Mechel, which is controlled by businessman Igor Zyuzin, would involve the participation of state development bank Vneshekonombank, which has previously recommended avoiding further restructuring schemes as they would be loss-making.

The second idea is to convert part of Mechel's $8.6 billion debt into shares with the involvement of creditor banks of which the main ones are state lenders Sberbank, VTB and Gazprombank.

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