

Russia's Mechel Could Face West's Sanctions Under Debt Plan

By [The Moscow Times](#)

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As crisis-struck Russian miner Mechel squirms to evade being bankrupted by its \$9 billion debt, its CEO has warned that the debt-equity swap being pushed by the company's Russian creditors would risk exposing it to Western sanctions.

A trio of Russian state-controlled banks — which Mechel owes a total of \$5 billion — have lobbied to convert a major part of their loans into Mechel equity. The company has fiercely resisted: Such a swap would cost Mechel's billionaire owner, Igor Zyuzin, his control of the company.

In an interview with news agency RIA Novosti published Thursday, Mechel CEO Oleg Korzhov unveiled the company's latest objection to the plan — Gazprombank, Sberbank and VTB are all on the West's sanction lists. If they become major shareholders, Mechel risks being blacklisted in turn, complicating still further the resolution of debt crisis.

"Foreign banks have confirmed their readiness to consider debt restructuring, but if Mechel is not sanctioned, they will not be able to," Korzhov told RIA.

Mechel owes \$1.7 billion to foreign banks, according to RIA. Its depository receipts trade in New York.

The coal and steel company, which was caught by falling commodity prices after a huge pre-2008 expansion drive, restructured its debt with Russian banks last winter, but failed to appease them. Both Sberbank and VTB have filed lawsuits against Mechel in the past two weeks.

Mechel's share price, meanwhile, has bounced back and forth on rumor and counter-rumor of the company's impending bankruptcy. Its stock has fallen 75 percent over the past 12 months.

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