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VTB Seeks Early Debt Repayment From Mechel

By The Moscow Times

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VTB said Friday that the Moscow Arbitration court had ruled Mechel had to pay 3 billion rubles worth of debt to VTB.

Russian bank VTB is seeking early repayment of all 47 billion rubles ($874 million) of its outstanding debt from Mechel, dealing a blow to the troubled coal-to-steel group battling to stave off bankruptcy.

VTB said Friday that it was forced to make the claim due to "repeated and gross violation of the borrower's obligations to VTB bank."

Mechel, which has been hit hard by a plunge in prices for its products, declined to comment.

Mechel has been in negotiations with creditors over restructuring its $8.65 billion of net debt, two-thirds of which is held by Russian banks Gazprombank, VTB and Sberbank.

Russian officials have been looking for months at ways of helping the company, which has

70,000 workers, and have proposed several schemes, including a plan to convert part of the company's debt into shares.

The country has been nursing its oligarch-owned conglomerates through a prolonged downturn in the commodities cycle, seeking to avoid a wave of defaults that would lead to mass job losses at a time when the economy is at a near standstill.

However, Economic Development Minister Alexei Ulyukayev said in September that bankruptcy was the most likely scenario for Mechel.

VTB said Friday that the Moscow Arbitration court had ruled Mechel had to pay 3 billion rubles worth of debt to VTB in response to an earlier claim lodged by the Russian bank.

Russia's Tass news agency quoted a Mechel representative in the courtroom as saying the company had also received a claim to pay off the outstanding 47 billion rubles debt due to VTB.

Mechel's Moscow-traded shares dropped 11 percent on the day. The stock has lost almost 70 percent of its value since the start of the year.

Mechel has said it is considering selling its core assets for between $2 billion and $3 billion over two or three years.

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