

Russia's Oil Giant Rosneft Sets Coupon for Issue of Ruble Bonds

By [The Moscow Times](#)

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The logo of Russia's top oil producer Rosneft is seen on the top of a building in Moscow.

Top Russian oil producer Rosneft has set an annual coupon rate of 11.9 percent on the sale of most of 625 billion rubles (\$11.4 billion) in domestic bonds, it said Thursday, the bulk of a planned ruble financing to help pay off debt.

Rosneft said this week that it planned to raise 800 billion rubles by issuing ruble-denominated bonds. No price has been set on the new bonds, which it aims to sell later on Thursday.

The company needs cash to service its debt, mostly incurred during the acquisition of Anglo-Russian oil producer TNK-BP last year for \$55 billion.

More than 80 percent of that debt is denominated in foreign currencies, and service payments have become more onerous for Rosneft after its profits have been hit this year by a 40 percent

slide in the ruble and a more than 40 percent slide in oil prices.

The company has applied for financing from the National Welfare Fund (NWF). On Wednesday, Russian Economy Minister Alexei Ulyukayev said the government had no plans to buy Rosneft bonds using the NWF.

Rosneft is to repay \$10.2 billion worth of loans in the fourth quarter of 2014 and \$19.5 billion next year.

"The company has fallen victim to ruble devaluation that is putting a heavy drag on earnings via enormous FX losses, which appears to jeopardize its profitability when coupled with the drop in oil prices," Alfa Bank said in a note.

"Therefore, Rosneft previously announced plans to replace some of its foreign debt with ruble borrowings, including the bond placement. Ruble debt is currently fairly expensive, but financing from the NWF would be considerably cheaper."

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