

Russia's Mechel to Up Coal Production After Record Loss

By [The Moscow Times](#)

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Indebted Russian miner Mechel hopes to increase coal production by up to 15 percent this year after making a record net loss of \$4.3 billion in 2014 due to \$3.9 billion in write-offs relating to asset sales and a weaker ruble.

Many Russian exporters' profits have been hit by the ruble, which plunged against the dollar last year on weaker oil prices and Western sanctions over Russia's role in the Ukraine crisis.

But the ruble depreciation has also made Mechel's coal products more competitive on dollar-denominated markets, boosting its export sales and reducing its net debt by 23 percent to \$6.8 billion.

Oleg Korzhov, Mechel's chief executive, said during a conference call that the company planned to increase coal production by between 11 and 15 percent this year to 25-26 million tons.

Mechel, controlled by businessman Igor Zyuzin, had accumulated much of its debt before the economic downturn. It invested heavily in expansion before the 2008 financial crisis hit demand and then had to sell some of its assets when they became loss-making.

The company, which employs 72,000 people, has been in talks with its main lenders, including Sberbank, VTB and Gazprombank, over a debt restructuring since 2014.

The government and banks have considered a number of rescue deals for the company but none have been agreed so far. Some proposals, if agreed, would lead to a dilution of the current shareholders' stakes.

"The company's management is making every effort to resolve our debt issue as soon as possible," Mechel said in a statement. It gave no details.

Mechel made a net loss in the fourth quarter of \$3.1 billion, which compared with a net loss of \$575 million in the previous quarter. Its net loss stood at \$2.9 billion in 2013.

"The downside of our asset disposal process and national currency devaluation was the decrease of the group's [full-year] revenue by 25 percent and a major paper loss of \$4.3 billion," Mechel said.

Mechel's shares closed down 1.1 percent in Moscow on Tuesday compared with a 0.55 percent gain in the Metals and Mining index.

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