

Mechel Mulls U.S. Bonds Plus Ruble Issue at Home

By [The Moscow Times](#)

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Mechel might sell ruble bonds this year to "optimize" its \$7.3 billion of debt and is studying an offer of dollar notes by its Bluestone Coal unit in the United States.

The company, the largest Russian producer of steelmaking coal, aims to borrow at lower rates and without the need for collateral for part of its debt, chief financial officer Stanislav Ploshchenko said in an interview this week.

Mechel needs to repay more than \$2 billion this year, the company said in a presentation on its web site this week.

The producer favors ruble bonds for now, Ploshchenko said. "Borrowing in rubles for three to five years and using currency swaps to immediately convert them into dollars provides us with a lower effective rate than selling eurobonds of the same maturity," he said, while syndicated loans are also an option.

Russian companies have sold 265.3 billion rubles (\$9.4 billion) of local bonds this year, up 43 percent from the same period last year and the busiest start to a year on record. Demand for ruble assets has grown as the currency rose to the highest since December 2008.

A Bluestone Coal dollar-denominated bond "is an interesting debt instrument for us, while the timing for such a sale hasn't been defined," Ploshchenko said.

Severstal, Russia's largest steelmaker, is among the companies in the country that have already arranged sales of U.S. debt by their U.S. units. Severstal Columbus sold \$525 million eight-year bonds in February 2010. Evraz Group, Russia's second-largest steelmaker, last year canceled a \$650 million seven-year issue by its North American division.

Mechel bought Bluestone in May 2009 from the Justice family for \$436 million and 83.3 million Mechel preferred shares. The family sold some of the securities in the United States last year and began a roadshow this week to sell more in Russia.

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