

Mechel Sees Potential Salvation In Mining Merger

By [The Moscow Times](#)

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A steelworker monitoring production in one of Mechel's factories.

Floundering steel and coal giant Mechel has a chance at salvation in a proposed merger of select assets with those of fellow metals and mining group Evraz, Kommersant reported Friday, citing sources familiar with negotiations on Mechel's debt restructuring.

In addition to other options, the government, relevant ministries and Mechel's creditors are considering merging assets from Mechel, Evraz and steelmaker Amurmetal — which is owned by state lender Vneshekonombank, or VEB — into a consortium called the Far Eastern Mining and Smelting Company, a powerful new entity that would radically alter the landscape of Russia's mining and metalworks sector.

Mechel would gain a 20 percent share in the consortium while simultaneously extinguishing \$7.5 billion of its debt, the report said.

The idea sees a group of Russian and foreign investors joining together with state banks, including VEB, to purchase the various assets for the new consortium. One source said that the group would purchase all Mechel's assets – with the exception of the U.S. based Bluestone coal company, which Mechel announced plans to sell last week – along with a series of Far East-based companies, including Evraz's West Siberian Metallurgical Plant and Rospadskaya Coal Mine.

With this influx of \$7.5 billion in cash from state banks and investors, Mechel would be able to pay off the majority of its \$8.3 billion debt, while Evraz could rake in \$2.5 billion through the sale of its assets.

Certain key assets, including Mechel's Elga coal project and steel mills, would not be included in the merger.

The proposal has not been finalized, and is just one of several options that the Russian government and state banks are considering in the effort to rescue the struggling mining giant.

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