

Severstal Selling 3 U.S. Steel Mills to Renco for \$1.2Bln

By [The Moscow Times](#)

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NEW YORK — Severstal said it agreed to sell three U.S. plants to Renco Group, less than three years after acquiring them.

Renco will buy the Russian steelmaker's plants at Sparrows Point, Maryland; Warren, Ohio; and Wheeling, West Virginia, Severstal said Wednesday in a statement. Severstal will receive \$125 million in cash, a \$100 million secured note and the repayment of \$317 million of third-party debt. Renco will also assume \$650 million of employee- and environmental-related liabilities.

Severstal purchased the mills in May through August 2008 for a combined \$2.2 billion to add capacity as U.S. steel prices surged. The company idled capacity at the three plants in 2009 and 2010 after demand and prices plunged following the global financial crisis.

"We estimate that these three plants have the highest production costs among the company's

U.S. units," UralSib Capital analyst Dmitry Smolin said in a note.

The company already had started dismantling its North American unit. It sold Northern Steel Group for \$124 million in May 2010. Severstal also sold parts of the unit to Esmark and Aurora Capital Group, a Los Angeles-based private equity firm, last year for undisclosed sums.

The three plants have a combined annual capacity of 7.3 million tons, according to Severstal's 2009 annual report. U.S. Steel, the country's biggest steelmaker by volume, produced 16.8 million tons that year.

Severstal said the Renco deal would close this month. It retains operations at Dearborn, Michigan, and Columbus, Mississippi.

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