

Russia's Mechel Sells U.S. Coal Asset Back to Original Owner

By [The Moscow Times](#)

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Loading coal onto moving stock at a Mechel mine.

Indebted Russian coal and steel producer Mechel has sold its U.S.-based Bluestone coal business back to its original owner, the James Justice family, in an attempt to free up cash to service its debt, Mechel said Wednesday.

Six years ago, Mechel bought the business from the Justice family from West Virginia for \$436 million in cash plus preferred shares as it tried to become one of the world's largest producers of coking coal.

"With the market situation being what it is, mining at Mechel Bluestone's mines and open pits is not profitable," Oleg Korzhov, Mechel's chief executive, said in a statement.

Due to weak global coal prices, Bluestone's mining operations were halted about a year ago, with the asset making an average annual net loss of \$60 million since 2012, Mechel said.

It sold it for an immediate cash payment of \$5 million plus certain royalty payments on sold coal. In 2008 the asset was making annual core earnings of \$94 million.

The deal will enable Mechel to take \$140 million of liabilities off the group's balance sheet and will allow it to avoid over \$160 million in legal risks, it said.

Russian officials have been looking at ways to help Mechel, controlled by businessman Igor Zyuzin, for months and have proposed several schemes.

None of them has been used as Russia's economy suffers from a recession, a weak ruble, tumbling oil prices and Western sanctions over Moscow's role in the Ukraine conflict.

The company's net debt stood at \$7.8 billion at the end of September.

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