

Mechel Could Propose Raspadskaya Share Swap

By [The Moscow Times](#)

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Mechel, the country's largest miner of steelmaking coal, is considering acquiring shares in Raspadskaya as soaring demand for the commodity spurs expansion, said three people with knowledge of the matter.

Mechel may offer to exchange shares in its coal unit for Raspadskaya stock, said the people, who declined to be identified because the information is confidential. Raspadskaya management and steelmaker Evraz Group, which hold a combined 80 percent stake, are seeking money rather than shares and have refused to study the idea, the people said.

Yekaterina Videman, spokeswoman for Mechel, and Alexander Andreyev, spokesman for Raspadskaya, declined to comment. Evraz's press office also declined to comment.

Mechel, owned by billionaire Igor Zuzin, plans to expand facilities and add assets as rising coal demand from steelmakers drives up prices for the raw material. The company said Dec. 14

that it expects coal prices to jump about 30 percent in 2011 from the 2010 average, supporting its program to raise output 15 percent.

Raspadskaya management and Evraz, holding 40 percent each in Raspadskaya, have hired Deutsche Bank and Morgan Stanley to find a buyer for their shares, two people said last week. Evraz subsequently said it's considering what to do with its stake, while Raspadskaya management, led by chief executive Gennady Kozovoi, said it's "providing necessary support to Evraz in its strategic review."

Evraz has been seeking to cut the \$7.9 billion of debt it built up through acquisitions in North America and elsewhere from 2007. Last April, it sold the Koksovaya coal mine to Raspadskaya and said a month earlier it was considering selling high-cost mines in Siberia to ArcelorMittal.

Raspadskaya, Russia's largest producer of steelmaking coal in 2009, slid to fifth place last year after reducing output by 32 percent to 7.16 million tons as explosions in May crippled its flagship mine in Siberia and killed 91 people.

The company's shares sank 23 percent in the month following the blasts, and have since rallied 39 percent.

"Prices are high as well as the capitalizations of coal companies," said Dmitry Smolin, an analyst at UralSib Capital in Moscow. "It will be hard for Evraz and Kozovoi to find a buyer for Raspadskaya now," he said, adding that it's unlikely Mechel will buy the shares because it has \$6.8 billion of net debt.

Mechel could raise funds for the purchase by pursuing an initial public offering of its coal unit, said Kirill Chuiko, an analyst at UBS in Moscow, adding that the government wouldn't allow the acquisition of Raspadskaya by Mechel's international competitors.

The coal unit may be valued at \$15.6 billion in an IPO expected in early 2012, Morgan Stanley said in a Feb. 9 report. Mechel said in November that it hadn't decided on a possible time frame for selling shares.

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