
Future of Kremikovtzi looks marginally less uncertain

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Focus News Agency reported that the future of Bulgaria's debt ridden steelworks Kremikovtzi looks marginally less uncertain after receiver Mr Tsvetan Bankov submitted a rescue plan to the Sofia City Court, which oversees the steel mill's bankruptcy proceedings.

Mr Bankov said that, filed just as the June 29th 2009 deadline was about to expire, the plan envisions raising the mill's production capacity from the current 25,000 tonnes a month to 120,000 tonnes. The key provision is re fitting the electric arc furnace to boost capacity up to 60,000 tonnes a month. The slabs produced by the Kremikovtzi arc furnace and imports could keep the hot rolling mill working to its capacity.

Kremikovtzi has fewer than 4900 employees on payroll of which 1900 are in the process of being laid off. The rescue plan's countdown would start whenever the court decision approving it goes into force.

In May 2009, the steel mill's creditors agreed that Kremikovtzi's debt could be converted into equity. The rate at which the debt would be converted will be set by a committee of three assessors. Creditors will have the opportunity to opt out of the equity swap if they are not happy with the valuation. Until the process was complete, it was too early to talk about the financial details, but gave no deadlines for the debt to equity conversion.

Kremikovtzi's situation is further complicated by the uncertainty surrounding the size of its debt, specifically whether the Bulgarian state was entitled to BRL 700 million. In 2008, a Sofia court ruled that because Kremikovtzi's owners did not implement the steelworks' modernization plans, the mill had to pay back BRL 431 million extended as state aid, as well as a large interest.

In May 2009, the Sofia Administrative Court overturned the lower court's decision, but the Economy Ministry said it would appeal against the ruling with the Supreme Administrative Court. Even if the SAC upholds the Sofia Administrative Court's ruling, the final word could lie with the European Commission, which is reportedly investigating the case for possible illegal state aid.

(Sourced from www.focus-fen.net)

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