
Recession reports - RathGibson files for bankruptcy

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Bloomberg reported that RathGibson Inc, the steel tube maker controlled by DLJ Merchant Banking Partners, filed for bankruptcy with a reorganization plan backed by lenders.

The company listed assets of more than USD 305 million and debt of USD 319 million in US Bankruptcy Court at Wilmington in Delaware. It said it has as many as 5,000 creditors.

Mr Jon Smith CFO of RathGibson in court papers said that “RathGibson negotiated a reorganization plan with lenders who own 73% of the company’s USD 200 million in senior notes. Under the plan, the noteholders would receive the majority of the company’s stock.”

Mr Smith said in court papers that “In light of the overwhelming support of the plan, the debtors hope to be able to quickly file and confirm the plan and emerge from Chapter 11.”

According to court documents, The company, based in Lincolnshire, Illinois, will seek court approval to borrow up to USD 80 million from affiliates of Wayzata Investment Partners LLC, Eaton Vance Corp and BlackRock Inc to help fund operations during its bankruptcy,

The company was forced to seek protection from creditors after demand for its products fell and its bank cut off access to a credit line, causing a cash crisis, Smith said in court filings. RathGibson was in danger of default on USD 55.3 million line of credits and had its credit rating cut in May and June.

RathGibson was formed in 1999 when Rath Manufacturing Company Holdings Inc merged with Gibson Tube Co. In 2007, DLJ Merchant Banking Partners bought the company from a unit of Castle Harlan Partners IV LP. DLJ is a unit of Credit Suisse Group AG. RathGibson employs more than 500 people at three factories in Wisconsin, New Jersey and Arkansas and a warehouse in Louisiana. The company’s products are used by companies such as Exxon Mobil Corp, Royal Dutch Shell Plc, Dupont Co. and Monsanto Co.

(Sourced from Bloomberg)

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