Mechel Chelyabinsk plant approves changes to Yakutugol loan covenants

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Interfax reported that Shareholders in the Mechel coal and steel group flagship enterprise Chelyabinsk Iron & Steel Works at an EGM on October 30th approved changes to covenants attached to a syndicated bank loan taken out in 2007 to fund the acquisition of Yakutia based coal producer Yakutugol.

CHMK told Interfax that the changes concerned collateral and guarantees. The loan of USD 1.054 billion must be repaid by December 12th 2012.

Mechel cleared changes to covenants attached to syndicated loans to acquire Yakutugol and Britain's Oriel Resources with the foreign lenders at the end of last year.

Mechel raised a five-year tranche of USD 1.7 billion secured by export contracts at LIBOR up by 1.5% and a three year unsecured tranche of USD 300 million at LIBOR up by 2.25% to pay for the Yakutia coal assets at the end of 2007. The underwriters of the overall USD 2 billion syndicated loan were RBS, BNP Paribas, Calyon, Natixis, Societe Generale, SMBC and Commerzbank.

Mechel received bridge loan of USD 1.5 billion at LIBOR up by 2.6% for the first six months and LIBOR up by 2.9% for the second six months in May to buy Oriel. This loan was arranged by RBS and Merrill Lynch. It was due to be refinanced after one year with the funds raised from a proposed IPO by Mechel new mining division. The IPO, slated for the autumn was canceled due to the markets situation.

(Sourced from Interfax)