UPDATE 2-Russia Mirax restructures Credit Suisse loan

Wed Feb 11, 2009 11:13am EST

By Melissa Akin and Yuliya Komleva.

Source: www.reuters.com

MOSCOW, Feb 11 (Reuters) - Property developer Mirax said on Wednesday it had agreed new terms with Credit Suisse on a $200 million loan in Russia's first large restructuring deal as the country faces increased scrutiny over its $500 billion corporate debt.

Mirax chairman Sergei Polonsky, who owns nearly 70 percent of the company, chided journalists for coming to the news conference in search of a story on Russia's first crisis victim.

"The best news peg would have been Mirax going bankrupt," said Polonsky, who has attacked the press on many occasions.

Mirax was due to repay a $200 million loan from Credit Suisse this week. It was restructured over 20 months, board member Dmitry Lutsenko said.

It faces a put offer on a $180 million credit-linked note in mid-March and Lutsenko said the company was close to restructuring that obligation as well. Restructuring terms would be the same for all lenders, he said.

The company will have to restructure debt falling due in 2009 and from 2010 will be able to pay its obligations on time, Lutsenko told reporters after the news conference.

30 PERCENT PRICE CUT

Russian developers have been among the hardest hit by the financial crisis and the global liquidity squeeze as they struggle to refinance short-term debts taken on to help fund growth amid weakening demand.

Mirax said January property sales had rebounded from a December low as it "found its price point", though sales remained below January 2008 levels.

"It's not a problem that we had to cut prices by 30 percent," Polonsky said.

In October, Polonsky bet reporters he would eat his necktie if prices did not rise by 25 percent within a year and a half.

The tie is hanging on a plaster mannequin in the lobby of the Mirax office of Federation Tower, a skyscraper in Moscow's half-built new financial district.

"Don't wait for me to eat my tie," he said.

Russian borrowers have so far managed to refinance outstanding debt to foreign lenders, staving off the seizure of collateralised assets, mostly with the help of government banks.

Corporate borrowers and banks have over $500 billion in outstanding debt to foreign lenders and debt payments are expected at more than $136 billion this year, according

The Kremlin denied on Tuesday it was considering helping firms and banks restructure foreign debts [ID:nT350610] after a report pushed down the euro versus the dollar on fears of a heavy impact the move could have on European lenders.

Worries started rising last week when Russia suspended state refinancing via its bank VEB after having disbursed only $11 billion from state coffers out of the planned $50 billion.

The government said the state would inject liquidity into banks and companies should go to commercial banks to refinance.

Polonsky said his restructuring deal with Credit Suisse proved any Russian company could restructure its foreign debt without appealing to state banks.

"The message for today is that you don't need to refinance with VEB. Let the VEB money stay in the country," Polonsky said. "Go and agree new terms with Western creditors."

On Tuesday, ratings agency Fitch cut Mirax to CCC in a second big downgrade in a week citing worries over the firm's liquidity to repay up to $395 million potentially maturing in the first quarter of 2009. (Writing by Dmitry Zhdannikov; editing by Simon Jessop and Mike Nesbit)