

[Business](#)[Markets](#)[World](#)[Politics](#)[Tech](#)[Commentary](#)[Breakingviews](#)[Money](#)[Life](#)

DEALS | Mon Feb 3, 2014 | 3:25am EST

ENRC could sell precious DRC mines to repay costly debt

By Silvia Antonioli, Melanie Burton and Anjuli Davies | LONDON/SYDNEY

Kazakh miner ENRC ENRC.L is considering selling all its international assets, including its coveted copper operations in Congo, as its founders come under increasing pressure to repay a big loan they took on to privatize the company, industry and banking sources said.

Among the most likely buyers of the copper mines in the Democratic Republic of Congo (DRC)- ENRC's jewel outside Kazakhstan - are commodities trader and miner Glencore Xstrata (GLEN.L) and its rival Trafigura TRAFGF.UL, the sources said.

ENRC's three founders and the Kazakh government took the company private last year in a \$4.5 billion buyout that ended six turbulent years as a listed company, troubled by boardroom battles, weaker commodity prices and corruption allegations.

To finance their share of the deal, the trio of founders had to take on a \$1.7 billion loan from Russian banks VTB and Sberbank at an interest rate of about 7-9 percent, a source with knowledge of the situation said.

That comes on top of ENRC's own debt of about \$6 billion, most of which was used to finance acquisitions around the world in previous years.

To keep a lid on the debt, the founders said in August they would focus on Kazakhstan, while ENRC could divest some of its international assets.

It was thought at the time that the company would keep the most valuable of those: the copper assets in the DRC.

But, as the debt grew and they realized the sale of other, less developed assets might prove complicated, the founders decided to consider sales in Congo too, the sources said.

"They are selling all assets that are not in Kazakhstan," said one of the sources. "They are not going out appointing advisors yet, but there is a strong push internally to sell. It's most likely that they will go in this direction."

ENRC said it could not comment on the potential sale of any assets. Trafigura and Glencore declined to comment, while VTB and Sberbank did not return emails seeking comment.

[ASSETS WITH BAGGAGE](#)

TRENDING STORIES

[PICTURES](#)

Outside its core Kazakh ferrochrome, aluminum and iron ore operations, the company has assets in Africa and Brazil.

Industry players said they might struggle to sell most of them given the weak outlook for metals prices, but the DRC copper operations, which include the large Frontier mine in Katanga Province, already have suitors.

Frontier alone, which recently started production and can produce about 90,000 tonnes a year of copper concentrate, could fetch well in excess of \$1 billion, industry sources estimate.

But the history of those assets may deter some.

ENRC acquired Frontier, the Lonshi mines and the Kolwezi tailings project in a disputed 2010 deal after they were confiscated from rival miner First Quantum.

Disagreements between the two companies over the assets were only settled two years later with a \$1.25 billion payment to First Quantum, but the acquisition by ENRC came under scrutiny by British authorities.

"Frontier and the other Congo assets are the most sellable, but they have a slight problem: their history with First Quantum and the fact that they are in Congo," another source with knowledge of the assets said.

"People are not that keen on Congo because it is politically unstable. The problem of buying assets there is that you might not own them next year."

Knowledge of the country and connections could certainly help. On this basis, Glencore Xstrata, which has been operating in Congo for years, may have an advantage.

ENRC's iron ore project in Brazil and coal project in Mozambique will be tougher to sell, the sources said.

The Brazilian assets, which it bought from iron ore developer Zamin in a \$1 billion deal, lacks a key port license.

The greenfield coal project in Mozambique - close to Rio Tinto's [\(RIO.L\)](#) problematic Riversdale asset that triggered a writedown of almost \$3 billion last year - is competing with other, bigger assets for sale in the same area.

Brazilian miner Vale ([VALE5.SA](#)) also plans to sell a 15 to 25 percent stake in its coal operations, which include its projects in Mozambique.

Should ENRC decide the urgency is such that even a sale of its Kazakh assets is plausible, then Glencore, once again, would be the most likely buyer, the sources said.

"Glencore would love the Kazakhstan assets if they became available. It is the natural buyer," a sector banker said.

(Writing by Silvia Antonioli; editing by Tom Pfeiffer)



Photos of the day

SPONSORED TOPICS

NEXT IN DEALS →

Panera Bread shares jump on report of possible sale



Shares of Panera Bread Co rose 8 percent to a record high on Monday on a report that the bakery cafe chain was considering strategic options, including a sale, after receiving takeover interest.

MORE FROM REUTERS

Chemical disinfectants and sanitizers linked to thyroid cancer

'El Chapo' prison conditions worst in U.S., prevent proper defense: lawyers

New York defeats taxi owners, lenders in lawsuit over rules, Uber

Fire engulfs Dubai tower in city's Downtown district

European governments to maintain Airbus penalties on A400M: source

SPONSORED CONTENT

Infographic: What's your social protection journey? *Zurich on Finan*

ETF-Auswahl: Ihr Ausweg aus dem Chaos *Scalable Capital*

A smarter way for expats to invest *TD Direct Investing*

US President Trump vows to improve US infrastructure *STOXX PULSE ONLI*

Why should investors mind the gap between short- and long-term returns? *Invesco Asset Management*

Promoted by

FROM AROUND THE WEB

Promoted by Revcontent



Deutsche Millionäre wollen dieses Video verbieten - weil zu viele reich werden!

Millionaire Blueprint



Das Spiel mit dem höchsten Suchtfaktor dieses Jahres

Vikings: War of Clans



Nur 1 Tasse vor dem Schlafen gehen und 17kg verschwinden in 3 Wochen!

Umrechnung



17 Innocent Selfies turned deadly

Viral IQ



Billigste Möglichkeit, um Krampfadern zu Hause loszuwerden!

Femininleben



That's how you find super cheap flights!

Save70.com



Reuters is the news and media division of [Thomson Reuters](#). Thomson Reuters is the world's largest international multimedia news agency, providing investing news, world news, business news, technology news, headline news, small business news, news alerts, personal finance, stock market, and mutual funds information available on Reuters.com, video, mobile, and interactive television platforms. Learn more about Thomson Reuters products:

[EIKON](#)

[Information, analytics and exclusive news on financial markets - delivered in an intuitive desktop and mobile interface](#)

[ELEKTRON](#)

[Everything you need to empower your workflow and enhance your enterprise data management](#)

[WORLD-CHECK](#)

[Screen for heightened risk individual and entities globally to help uncover hidden risks in business relationships and human networks](#)

[WESTLAW](#)

[Build the strongest argument relying on authoritative content, attorney-editor expertise, and industry defining technology](#)

[ONESOURCE](#)

[The most comprehensive solution to manage all your complex and ever-expanding tax and compliance needs](#)

[CHECKPOINT](#)

[The industry leader for online information for tax, accounting and finance professionals](#)

All quotes delayed a minimum of 15 minutes. [See here for a complete list](#) of exchanges and delays.