Russian steel maker Mechel suspends operations at Donetsk plant

The company officially announced a "temporary halting of production facilities," which industry sources said would probably last until April 1, 2013.

MOSCOW, Nov 26, 2012 (UBO) -- Mechel OAO, which describes itself as one of the leading Russian mining and metals companies, on Nov. 23 said it is temporarily halting production at the Donetsk Electrometallurgical Plant (DEMZ), which is part of Mechel's steel division. The New York Stock Exchange listed company said it has also scheduled temporary suspension of production at the group's Romanian steel facilities. In both cases the shutdowns are attributed to unfavorable conditions on markets of raw materials and finished steel products. While the company made no specific announcement about the length of the Donetsk shutdown, industry sources said the stoppage is expected to last until at least April 1, 2013. The company attributed the Donetsk shutdown to rising production costs and reduced profitability linked to a steady increase in prices for the plant's primary raw material — ferrous scrap; as Ukraine's steelmakers are making seasonal stock pile-ups. While production at these steelmaking facilities is temporarily suspended, all necessary measures will be undertaken to retain the affected operational capability and to conduct maintenance works in winter. All employees involved in those works will be paid their full salary. In order to preserve jobs, the remaining personnel that are not involved in the scheduled works will be either paid for idle time or placed on leave, according to labor law; the company said on its website. The company assured its customers that sales and delivery volumes would not be negatively affected with all contractual supplies being made from warehouses as normal. The company also emphasized that it is closely monitoring market conditions, so that once they normalize, production could promptly resume.

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