

Introduction to Restructuring and Financing of Ispat Karmet, Kazakhstan

The Karaganda Metallurgical Combinant became one of the world's largest integrated steel complexes after it was established starting 1960, where it utilises Kazakhstan's high-grade coal and iron ore deposits. However, output fell from 6.2 to 2.8 million tons of ingot steel from 1990 to 1994 after the break-up of the Soviet Union. In 1997, Ispat (India), via the LMN Group, purchase the assets through a privatisation process. LMN is an internationally listed and fast expanding steel group, which had achieved significant growth through the acquisition of under performing state-owned assets and improving operational performance.

The European Bank for Reconstruction and Development (EBRD) was asked by LMN Group to assist in the rehabilitation of the Ispat Karmet Steel Works. EBRD, along with the IFC provided long-term financing for capacity restoration and improved efficiency of the steel and coal divisions, including environmental improvements. Initial improvements were initiated by Ispat through the cessation of barter trade and backwards integration by purchasing a coal fired power plant and coals mines to secure stable inputs.

EBRD considers this a successful project as, over a broad range of indicators, the project has fulfilled operational performance ratings. The transition impact of the project is considered excellent as it supported the continuation of a highly visible turn-around at the former state-owned Karmet complex, and supported investments towards viable, market-oriented production.