Why Putin isn't scared by RM373 bil of debt
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Russian companies, facing $115 billion (RM373.4 billion) of debt due over the next 12 months, will have the funds even as bond markets shut because of the Ukraine crisis, according to Moody's Investors Service and Fitch Ratings.

Firms will have about $100 billion (RM324.7 billion) in cash and earnings at their disposal during the next 18 months, Moody's said in an analysis of 47 businesses April 11. Almost all 55 companies examined by Fitch are "well placed" to withstand a closed refinancing market for the rest of 2014, it said in a note on April 16. Banks have more than $20 billion (RM64.9 billion) in foreign currency to lend as the tensions prompted customers to convert their ruble savings, ZAO Raiffeisenbank said.

"The amount of cash on balances of Russian companies, committed credit lines from banks and the operating cash flows they will get is sufficient for the companies to comfortably service their liabilities," Denis Perevezentsev, an analyst at Moody's in Moscow, said by phone on April 17.

There hasn't been a single public corporate Eurobond sale since February from Russian firms after President Vladimir Putin annexed Ukraine's Crimea region and as unrest spread to the country's east. Russian dollar Eurobonds handed investors a loss of 3.3 percent since this year, compared with a 3.3 percent return for the Bloomberg Emerging Market Corporate Bond Index.

Deadly clash

At least three people were killed in a clash in Slovyansk in eastern Ukraine, the nation's Interior Ministry said yesterday. While the country's security service said saboteurs carried out the assault, Russia's Foreign Ministry blamed the Ukrainian nationalist group Pravyi Sektor for the violence — an allegation that the group denied in a statement.

The discord adds to skepticism about whether Ukraine, the US, and the European Union will be able to use an April 17 Geneva accord to hold Putin accountable for easing tensions that he says he's had no role in creating. The US and its European allies have demanded Russia help calm the crisis or face new sanctions.

Moody's outlook hinges on there being no further sanctions against Russian businesses, Perevezentsev said. Sanctions would "have additional pressures on the companies' operating cash flows," he said.

While bond markets are closed, firms have been able to get bank loans. OAO GMK Norilsk Nickel, the country's biggest mining company, agreed to borrow $750 million (RM2.4 billion) from international banks to refinance and "enhance" liquidity, it said April 10.

Russia's premium

Metalloinvest Holding Co. paid as much as 165 basis points above the one-month London interbank offered rate for a $1.15 billion (RM3.73 billion) syndicated loan, from lenders including Deutsche Bank AG and ING Groep NV, the company said on March 31.

"The Libor rate is low, while the spread of the Russian debt curve to Treasuries has widened lately," Dmitry Pikin, who helps manage the equivalent of $4.7 billion (RM15.2 billion) at Gazprombank Asset Management, said by phone from Moscow April 17. "When companies borrow on the debt market, investors are looking at spreads."

The premium investors demand to hold Russian debt over US Treasuries fell 12 basis points to 300 basis points on April 17, 50 basis points below an almost two-year high on March 14, JPMorgan Chase & Co indexes show.

While the debt market may re-open in the second half of the year if there is a diplomatic solution to the Ukraine crisis, "the next two months may be difficult," Pikin said.

Converting rubles

The government stands ready to offer support using its gold and foreign-currency reserves, which stood at $477.7 billion (RM1.55 trillion) as of April 11, according to Moody's and Fitch.

The reserves “ensure that there are no foreign currency shortages in the system,” Moody’s said in the report this month.

Companies that can’t borrow abroad can approach local banks, Raiffeisenbank’s analyst Denis Poryvay said by phone from Moscow on April 14.

Banks had $26.7 billion (RM86.7 billion) of foreign currency available to lend out at the start of the month, as clients converted ruble holdings into dollars and euros, Poryvay said. The ruble has slumped 7.8 percent this year against the dollar, the worst performance after Argentina’s peso among 24 emerging markets.

“This currency won’t leave the country just like that,” Poryvay said. “It’s a source of a long-term liquidity for the Russian banking system. So they can refinance at least a part of the corporate loans.”

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