

ECM in trouble

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79 % of foreign currency bondholders in ECM Real Estate Investments present at the annual general meeting last Thursday opposed an early repayment of company bonds. At the same time, the firm introduced the first draft of their restructuring plan. Minutes of the meeting indicate this. In the Czech Republic, ECM is known mainly as the constructor of high-rise buildings in Pankrác, Prague.

Due to the high debt ratio of ECM REI, the early repayment of bonds was the main point of the general meeting. AGM participants were acquainted with the first draft of ECM REI's restructuring plan, introduced by Ernst & Young. This company will be restructuring advisor for ECM REI, as it has been decided by the bondholders. "The meeting removed the immediate threat of bankruptcy which would threaten in case of calling on the bonds," said Miroslav Adamkovič, analyst at Komerční banka, to the Czech News Agency. According to him, however, the developer has by far not won. "Creditors didn't vote on restructuring plan, according to the minutes of the meeting, they were only acquainted with its first draft. The future of the company is thus not much clearer," thinks the analyst. The company lacks funds and it cannot be expected that it will obtain them for new creditors. Holders of foreign currency bonds will decide on the restructuring plan at the general meeting on 4th November.

In the middle of this year ECM REI had bank loans accounting to EUR 105,1 mill, ie. approximately CZK 2,6 bill. At the same time the company had bonds in crowns worth EUR 31,5 mill. and foreign currency bonds worth EUR 81,1 mill. Maple Leaf is holder of 40 % foreign currency bonds, J&T Banka has around 18,1 %, UniCredit Bank 8,6 %, 6,8 % BH Securities a 6,6 % Plexus Fund. The developer is faced with high debt, in the last year they acquired cash by selling key buildings and projects in Prague's Pankrác. Recently they also sold a multi-functional centre under construction in Russia. They sold a subsidiary company which manages real estate. The developer's main project at the moment is construction of the high-rise building City Epoque in Pankrác, Prague.

Some of the recently sold assets of ECM REI ended up with companies around the PPF group. It was the founder and current major shareholder Milan Janků who founded the real estate PPF ECM Holding, together with PPF. He invested a number of his assets, however, ECM REI is not a part of the joint venture. On the contrary, the joint venture includes the construction company from Jihlava PSJ. PPF Group has 75 % in the real estate holding, Janků has 25 %.

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